

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION  
OF DOMINION ENERGY UTAH TO  
IMPLEMENT A GSE RATE TO PROVIDE  
SERVICE LINES TO CUSTOMERS IN  
EUREKA, UTAH

Docket No. 19-057-32

**DIRECT TESTIMONY OF  
AUSTIN C. SUMMERS FOR  
DOMINION ENERGY UTAH**

December 2, 2019

**DEU Exhibit 1.0**

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I. INTRODUCTION

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**Q. Please state your name and business address.**

A. Austin C. Summers, 333 South State Street, Salt Lake City, Utah 84111.

**Q. By whom are you employed and in what capacity?**

A. I am employed by Dominion Energy Utah (“Dominion Energy,” “DEU” or “Company”) as a Manager of Regulation. I am responsible for cost allocation, rate design, gas cost adjustments, and forecasting. My qualifications are detailed in DEU Exhibit 1.01.

**Q. Were your attached exhibits DEU Exhibit 1.01 through DEU Exhibit 1.09 prepared by you or under your direction?**

A. Yes, unless otherwise stated. Where otherwise stated, my exhibits are true and correct copies of the documents they purport to be.

**Q. What is the Company proposing in its Application in this docket?**

A. The Company seeks the Utah Public Service Commission’s (“Commission”) approval of a new GSE (general service expansion) rate for Eureka, Utah, and to use that rate to fund the costs associated with the construction of service lines to the residents of Eureka. Concurrent with this docket, the Company has filed an Application in Docket No. 19-057-31 for preapproval to construct the necessary main lines to expand its system to serve Eureka, as permitted by Utah Code Ann. § 54-17-401 *et seq.* In this docket, the Company proposes to implement a new General Service Expansion (GSE) rate to pay the costs of approximately 360 service lines to individual residences and businesses in Eureka. Implementing this rate will reduce the up-front costs that Eureka customers will have to pay in order to get natural gas service, and thereby make gas service available to more residents and businesses in Eureka.

27 **Q. What general areas does your testimony address?**

28 A. I discuss several matters including (1) the reasons the Company proposes to expand  
29 to Eureka and why it is proposing to fund service line costs using a GSE rate structure  
30 (2) anticipated customer participation; (3) and the rates to be paid by new customers  
31 in Eureka under the GSE rate structure.

32 **Q. Please introduce the other witnesses for the Company in this Docket.**

33 A. Michael L. Gill, DEU Director of Engineering, is responsible for managing the  
34 Company's Engineering Department with primary responsibility for the design,  
35 construction, and mapping of the capital infrastructure projects for the Company's  
36 distribution system. Mr. Gill describes the service lines that will be built to serve the  
37 Eureka customers and the construction timeline. Mr. Gill also discusses the costs  
38 associated with the construction of these facilities. Mr. Gill's testimony and  
39 supporting materials are contained in DEU Exhibits 2.0 through 2.04.

40 Nick Castleton is the Mayor of the city of Eureka and was the key contact in Eureka  
41 for this project. His testimony addresses the benefits that a natural gas system will  
42 bring to residents and commercial and industrial businesses in and around Eureka.  
43 Mayor Castleton's testimony and supporting materials are contained in DEU Exhibits  
44 3.0 through 3.03.

45 **II. SERVICE LINE CONSTRUCTION AND DOCKET NO. 19-057-31**

46 **Q. Please describe the Company's request in Docket No. 19-057-31 and explain how**  
47 **it relates to the request made in this docket.**

48 A. As discussed at greater length below, the Company seeks to expand natural gas  
49 service to Eureka. In Docket No. 19-057-31, the Company seeks the Commission's  
50 pre-approval for the construction of a high-pressure main extension and an  
51 intermediate high pressure distribution system (Eureka Main System) pursuant to the  
52 Voluntary Resource Decision Statute, Utah Code Ann. §54-17-401 *et seq.*, and  
53 applicable Commission rules and regulations. That statute's application is currently  
54 limited to pre-approval of extensions and expansions of mains. The Company

55 recognizes that, even if the Commission approves the Company's request in Docket  
56 No. 19-057-31, the remaining up-front cost of service lines to the residents of Eureka  
57 could be difficult for customers to pay in a lump sum over a short period of time. In  
58 fact, the Company is concerned that, if it does not address the cost of service lines  
59 here, the residents of Eureka will not sign up for service even though they want gas  
60 service. Therefore, the Company proposes, in this docket, to spread the costs  
61 associated with service lines to Eureka residents over time, utilizing a GSE rate, and  
62 allow them to pay those costs in installments rather than as an up-front cost.

63 **III. SELECTION OF EUREKA AS AN EXPANSION AREA**

64 **Q. Please explain the process that was used to select Eureka as an area to which the**  
65 **Company should look to extend service.**

66 A. Rural communities in Utah have been working with the Company to find ways to  
67 bring natural gas service to currently-unserved communities for years. Unfortunately,  
68 the costs associated with extending the Company's system to these communities was  
69 such that the individual communities could not bear the burden of paying for the  
70 facilities. The communities were too small and the costs too great to permit those  
71 extensions to occur. However, in 2018, the Utah State Legislature amended existing  
72 law to allow gas service to be extended to these rural areas and to have all customers  
73 share the costs associated with the system expansion. In other words, the Legislature  
74 recognized that it could help rural communities meet the cost of gas expansion by  
75 having that cost be borne by all of the Company's one-million-plus customers where  
76 doing so was determined to be in the public interest. The bill, House Bill 422  
77 (HB422), has paved the way for those expansions to occur in the future.

78 After the Legislature passed HB 422, the Company assembled a team to discuss the  
79 best approach for selecting communities to receive natural gas service under the new  
80 statute. That team determined that, for each community, the Company would need to  
81 obtain and compile information from the candidate communities in order to conduct  
82 its analysis and to make a recommendation about which projects would be best.

83       **Q.    How did the Company obtain information from candidate communities?**

84       A.    The Company started by sending questionnaires to Dugway, Eureka, Garden City,  
85           Genola, Goshen, Green River, Kanab, Rockville, Springdale, and Virgin. The  
86           Company received responses from Eureka, Green River, Kanab, Rockville, and  
87           Springdale.

88       **Q.    What information did the Company seek?**

89       A.    A copy of the community questionnaire filled out by Eureka is attached as DEU  
90           Exhibit 1.02. The questionnaire was given to local government officials who  
91           gathered information specific to the community such as the number of potential  
92           customers, growth forecasts for the next 5 – 20 years, how natural gas could be  
93           helpful to the community and its growth plans, and when the community would want  
94           natural gas service.

95       **Q.    How did the Company utilize the information that the communities provided?**

96       A.    The Company used the responses from the communities as well as its own internal  
97           analysis to determine which potential projects best met the statutory requirements.  
98           The Company considered benefits to the system such as proximity to the existing  
99           system, transit times for Company personnel to reach the area, additional employees  
100           that might be needed to serve the area, and any risks that might slow or halt the  
101           project.

102       **Q.    Why did the Company choose to advance natural gas service to Eureka?**

103       A.    Several factors contributed to the selection of Eureka as a rural area for system  
104           expansion. First, it is the lowest cost of any of the options. Eureka can also be easily  
105           served by existing personnel in the Company's Springville office. Eureka is also  
106           close to Utah County and is currently growing and expected to grow over the coming  
107           decades. Additionally, the main line extension would also increase the feasibility of  
108           extending service to nearby communities such as Elberta and Goshen, which have  
109           both expressed interest in receiving natural gas service. Finally, the cooperation and  
110           enthusiasm of the community, while not an explicit determining factor, did offer  
111           some assurance that prospective customer interest and participation would be high.

112

#### IV. CUSTOMER PARTICIPATION

113 **Q. How many potential customers are there in Eureka?**

114 A. Currently, there are approximately 360 potential customers. The city recently  
115 replaced the water services to its residences. During that process, it obtained detailed  
116 mapping information. That mapping information shows there are at least 340  
117 potential residential customers and at least 20 potential commercial customers that  
118 could receive gas service. In addition, as discussed by Mayor Castleton, all  
119 indications are that Eureka is likely to experience both residential, industrial and  
120 commercial growth in the coming years.

121 **Q. How did the Company determine if these potential customers would have any**  
122 **interest in receiving gas?**

123 A. The Company held open houses on October 21<sup>st</sup> and October 23<sup>rd</sup> at Tintic High  
124 School in Eureka. During these meetings, residents were able to speak with  
125 Company representatives from the Operations, Engineering, Regulatory, Key  
126 Accounts, Pre-Construction, and Customer Experience departments. Representatives  
127 from Six County, an organization that helps low income families in rural Utah with  
128 utility bills, weatherization, and appliance replacement, also had representatives  
129 present to answer questions about appliance replacement and utility service. While at  
130 the open house, visitors were asked to fill out a survey that gathered information  
131 about their home/business, what appliances they have, what their current source of  
132 energy is for certain applications, and whether they would be interested in receiving  
133 natural gas service. A copy of the survey is attached as DEU Exhibit 1.03.

134 In addition to the open houses, the survey was available online<sup>1</sup> and was advertised  
135 through an insert in each customer's water bill, as well as on Eureka's website. The  
136 open houses produced 94 unique survey responses and the online survey provided  
137 another 50.

138 The Company then sent personnel to Eureka. These representatives worked with

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<sup>1</sup> The survey can be found at: <https://www.surveymonkey.com/r/P5VTSJ3>

139 Mayor Castleton to talk with residents that hadn't yet filled out a response. The  
140 Company ultimately gathered surveys from 206 of the 360 potential customers.

141 **Q. What information did the Company provide to prospective customers to help**  
142 **them evaluate natural gas service?**

143 A. The open houses had 11 display boards that provided information about natural gas,  
144 Dominion Energy, and the Eureka project. These display boards are attached as DEU  
145 Exhibit 1.04. Pages two and six of the attachment are specific to the Eureka project  
146 and were provided as a handout that customers could take home with them.  
147 Additionally, DEU had personnel present to answer questions and discuss concerns  
148 with prospective customers.

149 **Q. What did the surveys show?**

150 A. A summary of the survey results is attached as DEU Exhibit 1.05. This exhibit shows  
151 that, of the homes and business surveyed, 92% would be interested in signing up for  
152 natural gas service, with the other 8% saying they are not sure whether they will sign  
153 up for gas service. This high level of interest exists largely because of the cost and  
154 inconvenience of the existing energy sources available in Eureka. While the survey  
155 data shows the percentage of customers using a certain source of energy, I found their  
156 responses to question #8 on the survey to be the most informative measure of why  
157 they would want natural gas. That question asked, "What do you see as the benefits  
158 of having natural gas in Eureka?" Below, I have listed several comments that were  
159 written by the Eureka residents.

160 "The price and never having to worry about running out of propane."

161 "Never having to worry about running out."

162 "Cost and not having to remember to check my propane level 'cause I forgot once."

163 "More business opportunities. Cost of living decrease. The town would become  
164 more inviting to others looking to move in."

165 "Least expensive, most efficient and environmentally friendly."

166 "More convenient, monthly bill."



167 “One source of heat and energy instead of having four different sources to pay.”

168 **Q. Did any customers indicate that they did not have interest in natural gas service?**

169 A. No. Every respondent answered that they would either be interested or that they  
170 weren't sure.

171 **Q. Does the Company consider all of the positive responses to be firm commitments**  
172 **to sign up for service?**

173 A. No. If the Commission approves this Application, the Company will reach out to all  
174 of the prospective customers to discuss costs, appliances, construction schedule, and  
175 other aspects of the expansion. The Company will obtain firm commitments from  
176 customers during that process.

177 **V. COST RECOVERY FOR SERVICE LINES IN EUREKA**  
178

179 **Q. How would the GSE rate work?**

180 A. The Company would collect the installation cost for the service lines, over time. The  
181 Company would pay the upfront costs of the service lines then collect the payment  
182 from Eureka customers each month through an incremental volumetric charge. The  
183 customers in Eureka would pay the same rates as existing customers, except that the  
184 GSE base DNG rate would be doubled for a period of time until the costs for the  
185 service lines are paid in full. With the GSE rates, customers who use more gas would  
186 pay more for the service line than customers with less gas usage.

187 **Q. What inputs are considered in calculating the GSE rate?**

188 A. The factors considered are:

- 189 1. The time period that will be used to pay the service line installation costs;  
190 2. The interest rate that will used to calculate the interest on the upfront amount;  
191 3. The total upfront installation cost; and  
192 4. The payment that will be made each period.

193       **Q.     What time period did the Company use for the calculation of the GSE rate?**

194       A.     The Company is proposing to use 20 years as the time period for calculating the GSE  
195           rate. Twenty years provides Eureka customers sufficient time to pay for the facilities  
196           and is the longest time the Company would want to spread out the payments.

197       **Q.     What interest rate did the Company use for the calculation of the GSE rate?**

198       A.     The interest rate is 9.33%, which is the Company's current pre-tax rate of return.

199       **Q.     How did you determine the annual payment for the GSE rate?**

200       A.     I have calculated the payment based on an engineering estimate of the gas that will be  
201           used in Eureka by the 360 existing customers. The estimated annual revenue  
202           provided by these customers is \$77,907. This is shown in DEU Exhibit 1.06, page 1.  
203           This revenue estimate did not account for growth in customers or increases in revenue  
204           due to increasing rates. By using the existing customer base and existing rates, I am  
205           showing the minimum amount that will be paid by these customers. As rates increase  
206           over time, the payment will also increase, but this will simply pay off the installation  
207           cost more quickly.

208       **Q.     How did you determine the underlying amount that will be paid under the GSE  
209           rate?**

210       A.     Using the payment period, interest rate, and payments discussed above, I solved for  
211           the amount that will be paid, which is \$743,586. This is the amount the Company can  
212           fund to help Eureka customers pay for service lines. For simplicity, the Company is  
213           proposing to set this limit at \$1,000,000. Additionally, the Company proposes to  
214           limit this benefit to customers who sign up for service within 10 years of the date the  
215           system is installed. In other words, customers in Eureka would be allowed to install  
216           service lines under the GSE Tariff until either the \$1,000,000 was spent or the 10 year  
217           sunset date is reached, whichever occurs first.

218       **Q.     How would the \$1,000,000 be used to install service lines?**

219       A.     Any service line that would be requested in the Eureka area would be free to new  
220           customers until the \$1,000,000 had been spent. These customers would pay the GSE

221 rate until the loan is paid off or 20 years from the date the system goes into service,  
222 whichever is shorter.

223 **Q. How would the Company treat customers who sign up for service after the**  
224 **\$1,000,000 is exhausted?**

225 A. Those customers would receive service under the GS rate schedule and would pay for  
226 their own service lines according to the policy currently laid out in Section 9.04 of the  
227 Company's Utah Natural Gas Tariff No. 500 (Tariff).

228 **Q. The Company proposes to set an investment cap of \$1 million for Eureka**  
229 **Residents' service lines, yet Mr. Gill indicates that it will cost less to construct**  
230 **service lines to all 360 prospective customers. Please explain the difference**  
231 **between the cap and Mr. Gill's cost estimate.**

232 A. My analysis shows that using a 1% annual escalation on current rates, the existing  
233 360 customers could pay for the up-front service line costs over a 20-year period.  
234 The cap was set to account for anticipated customer growth.

235 **Q. Are there any benefits to funding the service line costs through the GSE rate?**

236 A. Yes. Allowing customers to pay service line installation costs over time instead of  
237 requiring an up-front payment will remove the economic barrier that would prevent  
238 customers from receiving service. Limiting the total amount spent on service lines  
239 under this proposal also provides certainty as to how much the Company will spend  
240 and how it will be paid back. Making funding available to the first customers who  
241 sign up, and limiting the total costs permitted will encourage customers to sign up for  
242 service quickly. This means these customers are paying for their service more  
243 quickly and paying the total installation cost.

244 **Q. What happens to customers on the GSE rate when the installation costs have**  
245 **been paid in full?**

246 A. Once the lines are paid off through the GSE rate, the customers would all be switched  
247 from the GSE rate to the GS rate.

248 Q. Is it possible that customers could pay off the service line installation costs  
249 before the 20-year deadline?

250 A. Yes. The Company will periodically track the progress toward paying off the  
251 installation costs. In the event that the amount gets paid off early, the Company will  
252 move the customers to the GS rate and the GSE rate will be discontinued for this  
253 community.

254 Q. How much extra would the customers have to pay on the GSE rate?

255 A. At the current rates, a typical GS customer using 80 Dth pays a bill of \$637 annually.  
256 If the DNG rate were doubled to create a GSE rate, it would add about \$189 to that  
257 annual bill. This calculation is shown in DEU Exhibit 1.07

258 Q. Is the GS the only class that could be used for an expansion rate?

259 A. Yes. The \$1,000,000 of funds to install service lines was based on residential and  
260 commercial customers. The proposed GSE Tariff sheets in DEU Exhibits 1.08 and  
261 1.09 include a provision that "Usage does not exceed 1,250 Dth in any one day during  
262 the winter season." If a customer would prefer to be on the FS, TS, or some other  
263 class, that customer would pay for its service line according to Section 9.04 of the  
264 Tariff.

265 Q. Have you prepared Tariff sheets that incorporate the proposed changes?

266 A. Yes. The legislative Tariff sheets are attached as DEU Exhibit 1.08 and the clean  
267 proposed Tariff sheets are attached as DEU Exhibit 1.09

268 VI. OTHER INFORMATION

269 A. Gas Supply

270 Q. Will Dominion Energy need to enter into new gas supply or transportation  
271 contracts to supply Eureka with gas?

272 A. The Eureka area will be supplied by the same transportation contracts that the  
273 Company currently has in place. Due to the relative size of Eureka, it is unlikely that  
274 additional supply contracts would be needed to serve this community.

275 **B. Resources Available to Help Customers**

276 **Q. What resources are available to help customers overcome the other cost**  
277 **barriers, like converting their appliances or getting their homes ready for**  
278 **natural gas?**

279 A. As I mentioned earlier, Six County was at the open houses to discuss its programs  
280 with Eureka residents. Six County has two programs that would be available to  
281 Eureka residents. First, its weatherization programs allows it to assist in making  
282 homes more energy-efficient. Changing out an old furnace is just one of the things  
283 this program can address, but based on the results of an energy audit, additional work  
284 could be completed. This program can assist households that are at or below the  
285 150% poverty level. Income is verified through the HEAT program.

286 Six County also has a “Single-Family Home rehab program” that assists households  
287 that would like to switch a furnace to natural gas or do any other home repair by  
288 offering low-interest loans. These loans are based on annual income, and the interest  
289 rate is between 1-3%, depending on the annual income level. The loans are custom-  
290 built, so the payment can be as low as \$25/month. The income guidelines for this  
291 program are higher than the weatherization program. This program’s income is 80%  
292 of the area median income.

293 **Q. Does Dominion Energy offer any programs that could help customers with new**  
294 **appliances?**

295 A. Yes. The Company’s Thermwise program offers rebates on qualifying high-  
296 efficiency appliances. These rebates could be used by Eureka customers to obtain  
297 new furnaces and water heaters. In addition to appliance rebates, the Thermwise  
298 programs also offer a Home Energy Plan, Weatherization Rebates, and a Low-Income  
299 Efficiency Program.

300 **Q. Does this conclude your testimony?**

301 A. Yes.

State of Utah            )  
                                  ) ss.  
County of Salt Lake    )

I, Austin C. Summers, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. The exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

  
Austin C. Summers

SUBSCRIBED AND SWORN TO this 2<sup>nd</sup> day of December, 2019.



  
Notary Public