

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

---

In the Matter of the Application of )  
Dominion Energy Utah for Approval to )  
Implement a GSE Rate to Provide Service ) Docket No. 19-057-32  
Lines to Customers in Eureka, Utah )

---

Direct Testimony of Cheryl Murray  
on behalf of the Office of Consumer Services

March 18, 2020

1 **Q. WHAT IS YOUR NAME, OCCUPATION AND BUSINESS ADDRESS?**

2 A. My name is Cheryl Murray. I am a utility analyst for the Office of  
3 Consumer Services (OCS). My business address is 160 East 300 South,  
4 Salt Lake City, Utah.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

6 A. I provide OCS's position regarding Dominion Energy Utah's (DEU)  
7 application for approval to implement a GSE rate to provide service lines  
8 to customers<sup>1</sup> in Eureka, Utah (Application).

9 **Q. PLEASE BRIEFLY DESCRIBE DEU'S REQUEST IN ITS APPLICATION.**

10 A. DEU seeks approval to implement a new GSE rate in order to recover the  
11 costs associated with providing service lines to customers in Eureka,  
12 Utah. DEU would provide funding up to \$1 million for the service lines and  
13 collect repayment of those funds from Eureka customers for a period up to  
14 20 years. At that point the responsibility for any unpaid amount would be  
15 shared among all ratepayers. This Application goes hand-in-hand with its  
16 application for approval of a rural natural gas infrastructure development  
17 project to extend service to Eureka, Utah [Docket No. 19-057-31]. OCS  
18 witness Alex Ware provides testimony on behalf of OCS in that docket.

19 **Q, HOW DID OCS DEVELOP ITS POSITION IN THIS CASE AND WHAT IS**  
20 **OCS' POSITION?**

---

<sup>1</sup> In this testimony, to minimize confusion "customer or customers" refers to those in Eureka taking service from DEU; "ratepayer or ratepayers" refers to other customers of DEU.

21 A. I reviewed the application and all discovery requests and responses and  
22 conferred with our internal OCS team. In general the OCS does not  
23 oppose the application, but identified a few specific concerns which I  
24 address in this testimony.

25 **Q. WHAT SPECIFIC ISSUES DOES YOUR TESTIMONY ADDRESS?**

26 A. I will address the following:

- 27 • The operation and calculation of the GSE rate, including OCS  
28 concerns about the interest rate used to calculate the GSE rate;
- 29 • OCS concerns about potentially misleading statements describing  
30 the GSE rate;
- 31 • The duration and tracking of GSE collection;
- 32 • The GSE tariff itself, including two concerns; and
- 33 • Final comments about costs to new customers.

34 **Q. HOW WILL THE PROPOSED GSE RATE BE APPLIED TO CUSTOMER**  
35 **BILLS?**

36 A. DEU proposes to “pay the upfront costs of the service lines then collect  
37 the payment from Eureka customers each month through an incremental  
38 volumetric charge. The customers in Eureka would pay the same rates as  
39 existing ratepayers, except that the GSE base DNG rate would be doubled  
40 for a period of time until the costs for the service lines are paid in full.”<sup>2</sup>

41 **Q. HOW DID DEU DETERMINE THE PROPOSED GSE RATE?**

---

<sup>2</sup> Summers direct testimony, lines 181 -185.

42 A. In his direct testimony Mr. Summers listed the following factors that were  
43 considered in calculating the GSE rate:

- 44 1. The time period that will be used to pay the service line installation  
45 costs;
- 46 2. The interest rate that will [be] used to calculate the interest on the  
47 upfront amount;
- 48 3. The total upfront installation cost; and
- 49 4. The payment that will be made each period.<sup>3</sup>

50 **Q. DOES OCS HAVE SPECIFIC CONCERNS WITH THE LISTED INPUTS**  
51 **TO THE GSE RATE?**

52 A. Yes. OCS is concerned with the proposed interest rate DEU used in the  
53 calculation.

54 **Q. WHAT INTEREST RATE DOES DEU PROPOSE TO USE?**

55 A. In testimony DEU states that it used 9.33%, its pre-tax rate of return<sup>4</sup>.  
56 OCS asserts that a lower interest rate would be appropriate, perhaps the  
57 current carrying charge. In general, it is likely that customers would be  
58 able to obtain a lower rate of interest if they were to acquire a loan  
59 independent of DEU. Thus, 9.33% seems excessive.

60 **Q. DOES OCS HAVE OTHER CONCERNS WITH DEU'S TESTIMONY?**

61 A. Yes. At line 219 of his direct testimony Mr. Summers states: "Any service  
62 line that would be requested in the Eureka area would be **free** to new  
63 customers until the \$1,000,000 had been spent." [Emphasis added] OCS

---

<sup>3</sup> Summers direct testimony, lines 189 - 192

<sup>4</sup> This rate was modified in the PSC's February 25, 2020 order in Docket No. 19-057-02. Therefore, if the use of the rate of return is approved it must be updated and the proposed GSE rate should be recalculated with the more current approved rate of return.

64 is concerned with the use of “free” in this context. While customers do not  
65 have to pay the amount upfront, the GSE rate is designed to recover the  
66 costs from those customers and they should not be misled by telling them  
67 the service lines are free.

68 **Q. HOW LONG WILL THE GSE RATE CONTINUE?**

69 A. The GSE rate is proposed to continue until the service line costs are paid  
70 or 20 years, whichever period is shorter.

71 **Q. HOW WILL DEU KNOW WHEN THE SERVICE LINE COSTS HAVE  
72 BEEN FULLY COLLECTED?**

73 A. In order to verify DEU’s ability to track the costs and payments associated  
74 with this project OCS asked data request 1.09:

75 “Will all costs and payments for the service lines be tracked  
76 separately from all other charges such that a precise accounting can be  
77 made?”

78  
79 DEU responded:

80 “Yes. Investments made for service lines will be grouped into a  
81 separate plant account. Since payments will come from a separate rate  
82 class, those revenues are easily tracked.”

83  
84 DEU has stated that payments from the GSE rate will be tracked. Once  
85 the amount has been collected, customers will revert to the GS rate. If  
86 after twenty years the amount has not been fully collected, Eureka  
87 customers will still revert to the GS rate and the remaining balance will be  
88 included in GS rates and will be paid by all GS ratepayers.

89 Clearly, it is critical that payments toward the service lines be  
90 carefully tracked so that no over collection occurs, either from Eureka

91 customers or other ratepayers. OCS recommends that DEU report in  
92 each general rate case on the status of the funding provided and recovery  
93 of costs for service lines under the GSE rate. Additional reporting should  
94 be provided as DEU approaches the limit on the available funding.  
95 Similarly, if the recovery of funding is reached between general rate cases  
96 DEU should report that information to the PSC.

97 **Q. DID YOU REVIEW THE GSE RATE SCHEDULE TARIFF SUBMITTED**  
98 **BY DEU?**

99 A. Yes. In my review of the proposed GSE Rate Schedule Tariff that was  
100 provided as Exhibit 1.08 I discovered that the proposed tariff did not  
101 include the Rural Expansion Rate Adjustment Tracker that DEU proposes  
102 to add to the GS and other rate schedules in order to recover the cost of  
103 the natural gas infrastructure development project requested in Docket  
104 No. 19-057-31. Clearly it is not appropriate that Eureka residents be  
105 absolved completely of a charge designed specifically to bring natural gas  
106 service to them.

107 **Q. DID OCS QUESTION THE ABSENCE OF THE RURAL EXPANSION**  
108 **RATE ADJUSTMENT TRACKER FROM THE GSE TARIFF?**

109 A. Yes. In data request OCS 1.12 OCS asked:

110 "Please refer to Legislative Tariff Sheets DEU Exhibit 1.08 (in  
111 Docket 19-057-31 and DEU Exhibit 1.08 (in Docket 19-057-32). In the 31  
112 docket GS tariff, the new rate includes a "Rural Expansion Rate  
113 Adjustment" but the 32 docket GSE tariff does not have this same rural  
114 expansion rate adjustment. Does this mean that those on the GSE rate  
115 will not share in the cost of system expansion to Eureka like all other GS  
116 customers will? If so, what is the reasoning for this?"  
117

118 DEU provided the following response:

119 "The Company intends that GSE customers will be subject to the  
120 same rural expansion rate adjustment as all other customers. The Rural  
121 Expansion Rate Adjustment was inadvertently left off the tariff sheet  
122 provided in Docket No. 19-057-32."  
123

124 If the Public Service Commission (PSC) approves DEU's Application the  
125 PSC should order that tariff compliance filing to include the Rural  
126 Expansion Rate Adjustment for GSE customers in the same amount as  
127 that to be charged to GS ratepayers.

128 **Q. DOES OCS HAVE OTHER CONCERNS WITH THE GSE TARIFF?**

129 A. More an observation than a concern. DEU's GS Rate Schedule has an  
130 effective date of December 1, 2019. The Application in this docket was  
131 filed on December 2, 2019. When comparing GS rates with the proposed  
132 GSE rates the charges don't precisely match. OCS asked DEU to verify  
133 that the differences were simply a matter of timing. DEU indicated that our  
134 assumption was correct.

135 On February 25, 2020, the PSC issued its Order in Docket No. 19-  
136 057-02 which modified DEU rates and charges. As with the missing  
137 Tracker identified above, a tariff compliance filing should correct this issue  
138 so that rates for GS and GSE customers will match the newly approved  
139 rates.<sup>5</sup>

---

<sup>5</sup> The GSE Rate Schedule will include a Base GSE charge that will be used to recover costs associated with service lines to Eureka residents and businesses choosing to take DEU natural gas service.

140 **Q. DOES OCS HAVE ANY ADDITIONAL COMMENTS REGARDING THE**  
141 **APPLICATION?**

142 A. Yes. We note that although many residents of Eureka have expressed  
143 interest in receiving natural gas service the costs they may incur go  
144 beyond just service lines to their homes and places of business, the Rural  
145 Expansion Rate Adjustment, and the cost of the natural gas based on  
146 usage. Depending on the resident's current source of heat, appliances  
147 will have to be adjusted or replaced. Additionally, new ductwork may be  
148 required to accommodate natural gas furnaces, which depending on the  
149 original construction of the home may not be possible. The overall  
150 success of the program will be impacted by the adoption rate of natural  
151 gas service in Eureka and actual participation remains to be seen. OCS  
152 does not suggest that this should be a barrier to approval of the  
153 Application but believes it is worth noting at the outset. However, OCS  
154 does suggest that it would be beneficial for DEU to keep as much data as  
155 possible about the adoption of natural gas service in Eureka.  
156 Understanding to what extent existing sources of heat impact the desire  
157 and ability for customers to switch to natural gas could help guide future  
158 investments in rural natural gas expansion toward areas that might  
159 maximize their value.

160 **Q. WHAT ARE OCS'S RECOMMENDATIONS REGARDING THE**  
161 **APPLICATION?**



- 162 A. If the Public Service Commission (PSC) approves DEU's Application the  
163 OCS recommends that the PSC should include the following  
164 requirements:
- 165 1. Order DEU to calculate the GSE using a more appropriate interest rate.
  - 166 2. Caution DEU to better explain the GSE tariff without indicating that the  
167 service lines are free.
  - 168 3. Require DEU to provide routine updates in general rate cases tracking  
169 total costs recovered by the GSE.
  - 170 4. Require a tariff compliance filing to include the Rural Expansion Rate  
171 Adjustment for GSE customers in the same amount as that to be charged  
172 to GS ratepayers and the most recently approved rate components.
  - 173 5. Recommend that DEU track additional data about natural gas adoption  
174 in Eureka to help maximize the value of any future rural natural gas  
175 expansion.
- 176 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**
- 177 A. Yes, it does.