

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION
OF DOMINION ENERGY UTAH FOR
APPROVAL OF A NATURAL GAS CLEAN
AIR PROJECT AND FUNDING FOR THE
INTERMOUNTAIN INDUSTRIAL
ASSESSMENT CENTER

Docket No. 19-057-33

DIRECT TESTIMONY OF KELLY B MENDENHALL

FOR DOMINION ENERGY UTAH

December 31, 2019

DEU Exhibit 4.0

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1

I. INTRODUCTION

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

3 A. My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake
4 City, Utah.

5 **Q. By whom are you employed and what is your position?**

6 A. I am employed by Dominion Energy Utah (Dominion Energy, DEU or Company) as the
7 Director of Regulatory and Pricing. I am responsible for state regulatory matters in Utah and
8 Wyoming.

9 **Q. Attached to your written testimony are DEU Exhibits 4.01 through 4.03. Were these**
10 **prepared by you or under your direction, or if not, are they true and correct copies of**
11 **the documents you purport them to be?**

12 A. Yes.

13 **Q. What is the purpose of your testimony in this Docket?**

14 A. The purpose of my testimony is to request a balancing account for the costs associated with
15 the programs outlined by Mr. Orton and Mr. Powell. Additionally, I discuss the proposed
16 accounting treatment and cost recovery for these programs.

17

II. BALANCING ACCOUNT

18 **Q. Please describe why the Company needs a new balancing account for these**
19 **programs.**

20 A. Because there is a timing difference between when expenditures are made from these
21 programs and when costs for these programs are recovered, a balancing account is necessary.
22 Additionally, Utah Code Ann. § 54-20-105(3)(e) provides that “[a] large-scale natural gas
23 utility *shall* establish a balancing account that includes: (i) funds allocated for projects that
24 have been approved by the commission under Subsection (3)(a); and (ii) a carrying charge in

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25 an amount determined by the commission.” (Emphasis added). Both the project and the
26 funding mechanism proposed in this docket fall within subsection (3)(a) and therefore the
27 Company must propose the balancing account. There is clearly a legislative mandate for a
28 balancing account and the Company believes a balancing account is appropriate under the
29 circumstances.

30 **Q. Please describe the timing differences between the expenditures and the cost recovery.**

31 A. The two expenditures being requested in this case are one-time costs that will be made at two
32 different times during the year. The recovery of these costs will begin after the expenditures
33 are made but will be collected throughout the year through a volumetric surcharge.

34 **Q. Does the Company have other programs with timing differences of this nature?**

35 A. Yes. The Energy Efficiency program is very similar in nature. The Company makes
36 expenditures at different times of the year and then makes after-the-fact cost recovery filings
37 to be reimbursed for these expenditures. The one difference between the energy efficiency
38 programs and the balancing account in this proceeding is that the expenditures related to this
39 proceeding will be large and infrequent, where the energy efficiency expenditures are
40 ongoing every month and not as easy to predict.

41 **Q. Please explain how the balancing account would work.**

42 A. When the Company makes expenditures, they will be debited to this account. As the
43 Company collects reimbursement for these expenditures, those revenues collected would be
44 credited to the account to offset the expenditure. Interest expenses on the under- or over-
45 collected balance in the account would be assessed interest each month.

46 **Q. What interest rate is the Company proposing to use in this calculation?**

47 A. The Company proposes to use the Commission approved interest rate as shown in Section
48 8.07 of the Company’s Utah Natural Gas Tariff No. 500.. That interest rate is currently
49 4.37%.

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III. TIMING OF COST RECOVERY

51 **Q. Please explain the proposed timeline for cost recovery in this docket?**

52 A. As the earlier witnesses have explained, there are two main expenditures in this docket.
53 First, there will be an \$800,000 expense that will be paid to the University of Utah for the
54 combined heat and power project development costs. Second, as discussed in the testimony
55 of Mr. Orton, Mr. Powell and Ms. Kelly there will be a \$4.5 million expense that will be paid
56 each year for three years for a total of \$13.5 million to help an industrial customer with a
57 combined heat and power project at its facility.

58 The Company proposes that it be allowed to spend \$800,000 at the conclusion of this docket
59 and to include those costs as a Sustainable Transportation Energy Plan (STEP) surcharge to
60 be effective the first of the month following a Commission order in this docket. The
61 Company proposes to collect amounts through this surcharge for the next three years. If, at
62 the conclusion of three years the Company deems it beneficial to continue, the Company will
63 return and request Commission approval to extend the program. The \$4.5 million will not be
64 spent until the industrial customer has finalized its contract for the combined heat and power
65 project. At that time, the Company will file a cost recovery docket to include the \$4.5
66 million contribution in the surcharge.

67

IV. BILL IMPACT

68 **Q. Have you calculated the bill impact of the proposed programs?**

69 A. Yes. I have performed two typical bill calculations in this docket. DEU Exhibit 4.01 shows
70 the first bill impact of the \$800,000 that will be included in the clean air program surcharge
71 at the conclusion of this proceeding. The proposed funding amount will be allocated to the
72 various rate classes using the currently Commission approved cost of service allocation. As
73 DEU Exhibit 4.01 shows, this results in an increase of \$0.56 or 0.09% for the typical
74 customer. DEU Exhibit 4.02 shows the bill impact with \$800,000 and \$4.5 million

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75 combined for a total amount of \$5.3 million. DEU Exhibit 4.02 shows that the impact of
76 collecting \$5.3 million from customers for these programs is \$3.82 or 0.60% per year.

77 **V. TARIFF SHEETS**

78 **Q. Have you included proposed tariff sheets with this filing?**

79 A. Yes. The tariff sheets are shown in DEU Exhibit 4.03. The Company has included tariff
80 sheets with an effective date of April 1. Should this proceeding extend past the April 1
81 effective date the Company will make a tariff filing to correct the effective date and match
82 the rates with the appropriate test period.

83 **Q. Has the Company included additional tariff language related to the proposed balancing**
84 **account described earlier?**

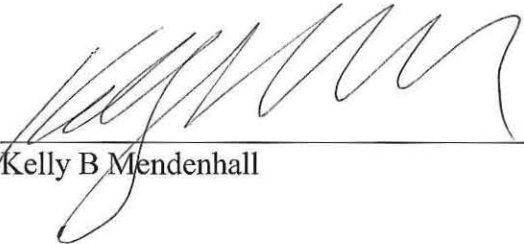
85 A. Yes. A more detailed discussion of the deferred account and rate calculation can be found in
86 the new tariff section 2.18, titled Sustainable Transportation Energy Plan (STEP).

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

88 A. Yes.

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

I, Kelly B Mendenhall, 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. Except as stated in the testimony, 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.



Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this 31st day of December, 2019.





Notary Public