

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

---

In the Matter of the Pass-Through :  
Application of Dominion Energy :  
Utah for an Adjustment in Rates : Docket No. 17-057-20  
and Charges for Natural Gas :  
Service in Utah :

---

DIRECT TESTIMONY OF  
MICHELE BECK  
FOR THE  
OFFICE OF CONSUMER SERVICE

APRIL 23, 2018

1 **Q. PLEASE STATE YOUR NAME, TITLE AND BUSINESS ADDRESS.**

2 A. My name is Michele Beck. I am the director of the Office of Consumer  
3 Services (Office). My business address is 160 East 300 South, Salt Lake  
4 City, Utah, 84111.

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

6 A. I introduce the witness for the Office who conducted the analysis on behalf  
7 of the Office in this case. I will also present the Office's policy  
8 recommendations on Dominion Energy's (Company or DEU) request for  
9 approval of an adjustment in rates and charges for natural gas service in  
10 Utah. I will also provide additional process recommendations related to the  
11 Company's presentation of information and evidence and the proper  
12 regulatory review of new gas supply or related services, such as the peak  
13 hour service contracts at issue in this docket, that have been included for  
14 cost recovery in DEU's pass-through proceeding. .

15 **Q. PLEASE IDENTIFY THE ADDITIONAL WITNESS FOR THE OFFICE.**

16 A. The Office has one witness in addition to myself. Mr. Jerome D. Mierzwa,  
17 a Principal and Vice President with Exeter Associates, Inc. (Exeter),  
18 provides a description and results of the analysis he conducted to determine  
19 the capacity resources required to meet Dominion Energy Utah's sales  
20 customers' design day gas supply requirements. He also reviews the  
21 Company's request for approval of specific peak-hour demand contracts.  
22 Finally, he presents certain recommendations based on his review and  
23 study results.

24 **Q. WHAT ADDITIONAL POLICY ISSUES WILL YOU ADDRESS?**

25 A. I will address the process and standard of evidence.

26 **Q. HAS THE OFFICE ADDRESSED THESE PROCESS ISSUES IN OTHER**  
27 **DOCKETS?**

28 A. Yes. The Office addressed similar issues in Docket 17-057-09 and in the  
29 Company's most recent Integrated Resource Plan (IRP), Docket 17-057-  
30 12.

31 **Q. PLEASE EXPLAIN HOW PROCESS ISSUES WERE ADDRESSED IN**  
32 **DOCKET 17-057-09.**

33 A. Mr. Gavin Mangelson, as policy witness for the Office, observed in his  
34 Rebuttal Testimony, "Questar Gas Company/Dominion Energy Utah  
35 (Dominion) is presenting an allocation of costs for a peak hour service  
36 before fully establishing the necessity of the peak hour service. The result  
37 has been confusion as to the appropriateness of the Public Service  
38 Commission (Commission) making a determination on an allocation of costs  
39 that have not themselves been determined just and reasonable and in the  
40 public interest."<sup>1</sup> Mr. Mangelson's testimony also observed that the other  
41 parties to the docket, the Division of Public Utilities (Division) and the Utah  
42 Association of Energy Users (UAE) had taken positions first on the  
43 prudence and/or necessity of peak-hour contracts and second on the

---

<sup>1</sup> Docket 17-057-09, Rebuttal Testimony of Gavin Mangelson, lines 7 – 12.

44 appropriateness of the Company's actual request, which was to recover  
45 some of the costs of the peak-hour contract from TS customers.

46 **Q. DID THE OFFICE BELIEVE THAT THE COMPANY PROVIDED**  
47 **ADEQUATE EVIDENTIARY SUPPORT FOR ITS REQUEST IN DOCKET**  
48 **17-057-09?**

49 A. No. The Office initially opposed the Company's request in large part  
50 because it hadn't provided adequate support in its initial application that  
51 peak-hour contracts were necessary or prudent. The Division and UAE took  
52 similar positions.

53 In contrast, the Company indicated that its position was that peak  
54 hour contracts had been well supported in previous dockets. In his Rebuttal  
55 Testimony, in response to a question that asked "Has the Company  
56 adequately justified the need for the Peak-Hour Service", Company witness  
57 Mr. Kelly Mendenhall replied:

58 Yes. The Company has addressed its design peak day needs  
59 and its plan to address design peak day needs in every IRP.  
60 For the last two years, the Company has provided evidence  
61 about the peak-hour issue, and explained the steps it was  
62 taking to solve the issue in IRP workshops and technical  
63 conferences. Given that the purpose of the IRP dockets is to  
64 address system planning, the Company expected that the  
65 Division and others would address any perceived shortfalls in  
66 the IRP dockets. But the Division and the UAE are raising  
67 these issues for the first time in this docket.<sup>2</sup>

68  
69 Notwithstanding Mr. Mendenhall's assertion that Peak-Hour Service  
70 was adequately established, the Company filed significant additional

---

<sup>2</sup> Docket 17-057-09, Rebuttal Testimony of Kelly Mendenhall, lines 37 – 44.

71 testimony and evidence in the rebuttal phase of the docket including  
72 three new rebuttal witnesses with numerous exhibits and  
73 workpapers.

74 **Q. DID THE COMMISSION PROVIDE ANY GUIDANCE ON THESE TOPICS**  
75 **IN ITS ORDER IN DOCKET 17-057-09?**

76 A. The Commission declined to address prudence in Docket 17-057-09 in  
77 large part because its decision regarding tariff language made it  
78 “unnecessary” within that docket. According to the Commission:

79           Considering both the argument of parties that prudence was  
80           raised too late in this docket to address the issue adequately,  
81           and Dominion’s position that it addressed prudence once it  
82           was contested, we conclude that the more responsible path  
83           forward is to address the prudence of both contracts in Docket  
84           No. 17-057-20.<sup>3</sup>

85  
86 Thus, the Commission did not provide significant guidance, leaving the  
87 topics to be addressed in the instant docket.

88 **Q. DID THE OFFICE RAISE SIMILAR ISSUES IN THE MOST RECENT IRP**  
89 **(DOCKET 17-057-12)?**

90 A. Yes. While the Office indicated that the issue of evidence regarding peak-  
91 hour contracts would be best addressed in other dockets (such as the  
92 instant docket), the Office raised concerns as to whether the issue of peak-  
93 hour contracts had been addressed by the Company in the IRP consistent  
94 with the IRP Guidelines. The Office stated, “Simply stated, the IRP does not  
95 provide analysis to justify the selection of “the optimal set of resources” with

---

<sup>3</sup> Docket 17-057-09, Order, December 19, 2017, p. 10.

96 respect to peak-hour demand, as required in the “Definition and Purpose”  
97 of the Guidelines.”<sup>4</sup> The UAE supported the Office’s position in its reply  
98 comments.

99 **Q. DID THE COMMISSION PROVIDE ANY GUIDANCE ON THESE TOPICS**  
100 **IN ITS ORDER IN THE IRP PROCEEDING?**

101 A. Yes. In its Order the Commission provided guidance to the Company both  
102 for future IRPs and for future proceedings addressing any potential LNG  
103 facility. The Commission stated:

104 Absent from the 2017 IRP peak-hour demand discussion is  
105 supporting information relating to costs, benefits, and risks  
106 associated with each potential solution as required by the  
107 various provisions of Subsection C presented above. We  
108 expect pursuant to Subsection C that information supporting  
109 potential peak-hour demand solutions will include modeled  
110 sensitivity analyses (i.e., low, medium, high scenarios)  
111 pertaining to, at a minimum, project costs, ongoing operations  
112 and maintenance costs, gas costs, and usage forecasts. Also,  
113 we request a discussion of whether future feeder line  
114 replacement projects could be economically modified or  
115 enhanced to help address the peak-hour issue. We direct  
116 Dominion to provide this information in future IRPs and filings  
117 related to approval of an LNG facility.<sup>5</sup>  
118

119 Thus, the Commission affirmed the requirements of Section IX Subsection  
120 C of the IRP guidelines with respect to the peak-hour demand issue. The  
121 Office presumes that the Commission would similarly affirm its IRP  
122 guideline requirements with respect to the evaluation of any other new issue

---

<sup>4</sup> Docket 17-057-12, Comments, Utah Office of Consumer Services, p. 8.

<sup>5</sup> Docket No. 17-057-12, Report and Order, January 5, 2018, p. 14.

123 identified within a future IRP. Further, while the Commission indicated  
124 specific relevance of costs, benefits, and risks (including sensitivity  
125 analysis) associated with each potential solution with respect to any future  
126 filing addressing a potential LNG facility, the Office believes it is reasonable  
127 to presume that the Commission is giving direction regarding the  
128 appropriate analytical standard for any significant new investment designed  
129 to address an identified operating challenge.

130 **Q. DOES THE OFFICE BELIEVE THAT THIS DOCKET HAS**  
131 **FOLLOWED APPROPRIATE PROCESS?**

132 A. Yes. The Office strongly supported separating out the issue of prudence for  
133 the peak-hour contracts to be addressed on its own schedule.

134 **Q. DOES THE OFFICE BELIEVE THAT THE COMPANY PRESENTED**  
135 **ADEQUATE EVIDENTIARY SUPPORT FOR ITS REQUEST IN THE**  
136 **CURRENT PHASE OF THIS DOCKET?**

137 A. The Office believes that the Company generally provided adequate  
138 supporting evidence for its request to be evaluated, although the Office's  
139 position is that the evidence does not justify the full amount of the  
140 Company's request. I would like to also specifically speak to the Company's  
141 Confidential DEU Exhibit No. 3.8 attached to the Direct Testimony of William  
142 F. Schwarzenbach III, which addressed the evaluation of eight different  
143 options for meeting peak-hour demand. The Office's expert witness Mr.  
144 Mierzwa did not take specific issue with the conclusions of this document  
145 and overall the Office did not find grounds to support another option as

146 potentially more cost effective at this time. That said, the Office does not  
147 endorse this evaluation and is concerned that it is not a more robust cost-  
148 benefits analysis with accompanying modeling and sensitivity analysis. I  
149 acknowledge that the instant proceeding does not specifically fall into the  
150 category for which the Commission required such analysis. Further, since  
151 the Office is not challenging the final conclusion, I will not enumerate our  
152 specific concerns. I simply note that in most circumstances this evaluation  
153 would be too qualitative and lacking in comparison costs and other data to  
154 support a more major investment.

155 **Q. DOES THE OFFICE HAVE ANY ADDITIONAL RECOMMENDATIONS**  
156 **ABOUT THE ISSUES OF PROCESS AND EVIDENTIARY SUPORT?**

157 A. Yes. The Office believes that in addition to determining the prudence of the  
158 peak-hour contracts, it would be useful for the outcome of this proceeding  
159 to provide general guidance regarding proper process for new issues that  
160 first arise in future pass-through proceedings.

161 The Office would look forward to additional conversations with the  
162 other parties before making recommendations that are too specific. In  
163 general, we think that the Company should continue to identify emerging  
164 issues in its IRP and should also be required to identify costs associated  
165 with new gas supply or related services in every pass-through filing. Also,  
166 any party should be able to request a more focused evaluation on a  
167 separate timeline of an issue identified within a pass-through filing that may



168 be appropriate for a prudence determination. The identification of such  
169 issues should not be limited to the early phase of the pass-through docket.

170 **Q. PLEASE SUMMARIZE THE OFFICE'S POSITION.**

171 A. The Office asserts that this docket is a good forum for the Commission to  
172 provide additional guidance on how to deal with costs arising in pass-  
173 through proceedings that relate to new services, such as peak-hour  
174 services. In our view, the process to date is much improved over previous  
175 dockets relating to the same issue. In general, the Office believes that the  
176 evidence submitted by the Company is sufficient to evaluate its request, but  
177 is concerned that the exhibit evaluating peak-hour options is too qualitative  
178 and does not provide adequate cost comparisons for use beyond this  
179 docket.

180

181 As presented in more detail in Mr. Mierzwa's testimony, the Office submits  
182 that based on the record and evidence presented in this proceeding, the  
183 following findings and recommendations are warranted :

184 • The weather criteria of 70 heating degree days ("HDDs"), a 47 mph  
185 maximum windspeed, and a 26 mph average windspeed used by the  
186 Company to project the design day requirements of its sales customers  
187 are unreasonable, overly conservative, and unlikely to ever occur;

188 • Weather criteria of 70 HDDs, a 17 mph maximum windspeed, and a 9  
189 mph average windspeed are more reasonable and should be used by  
190 the Company to determine the upstream interstate pipeline capacity  
191 resources needed to meet its sales customers design day requirements;

192 • The Company's design day forecasting model underestimates the  
193 requirements of sales customers and should be revised to include  
194 independent variables reflecting the number of sales customers served  
195 and energy efficiency and conservation.

- 196  
197  
198  
199  
200  
201
- The model should also be developed using more recent winter period daily usage data rather than the annual daily usage data used by the Company which extends back to 2004. Daily usage data from as far back as 2004 is not reflective of the current usage characteristics of the Company's sales customers. Daily data from the winter of 2014 to present be used to develop the Company's forecast model;
- 202  
203  
204  
205  
206  
207
- The evidence supports a revision to the design day weather criteria and revised design day forecasting model, resulting in the design day requirements of sales customers that are 126,206 Dth less than those projected by the Company, and DEU should adjust the upstream interstate pipeline capacity resources acquired to meet the design day requirements of its sales customers accordingly; and
- 208  
209  
210  
211  
212
- The DEU has appears to have justified its proposal to acquire 100,000 Dth/day of Kern River Gas Transmission Company ("Kern River") firm peak hour service. However, the Company has not justified its proposal to acquire an additional 250,000 Dth/day of firm peak hour service from Dominion Energy Questar Pipeline ("DEQP").
- 213 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**
- 214 A. Yes.