

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE PASS-  
THROUGH APPLICATION OF DOMINION  
ENERGY UTAH FOR AN ADJUSTMENT IN  
RATES AND CHARGES FOR NATURAL  
GAS SERVICE IN UTAH

Docket No. 17-057-20

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**REBUTTAL TESTIMONY OF KELLY B. MENDENHALL  
FOR DOMINION ENERGY UTAH**

May 9, 2018

**DEU Exhibit 4.0R**

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

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

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

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

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

8 A. The purpose of my rebuttal testimony is to address the comments of Ms. Beck related to  
9 process and the validity of Mr. Lubow's backward-looking analysis.

10 **Q. On lines 133-134, Ms. Beck states that the Office believes this Docket has followed  
11 appropriate process. How do you respond?**

12 A. The major complaint by all of the parties in Docket No. 17-057-09 was that the issue of  
13 prudence was raised late in the proceeding and none of the parties felt that they had enough  
14 time to adequately present their case. This docket afforded parties more time to analyze the  
15 issues.

16 **Q. Did parties have adequate time for discovery and to make their case in this docket?**

17 A. Yes. All interested parties received substantial information about the Firm Peaking  
18 Contracts, and the analysis that supports entering into those contracts, in Docket No. 17-057-  
19 09. In this docket, the Parties agreed to a schedule that allowed ample time to conduct  
20 additional discovery and analysis. In fact, when the Division sought additional time and

21 revisions to the first Scheduling Order, the Parties agreed to extend a number of deadlines,  
22 and the Commission revised the schedule to afford additional time.

23 **Q. Mr. Mierzwa, Mr. Ditzel, and Mr. Lubow have suggested that the Company's Design**  
24 **Peak Day model is flawed. How do you respond?**

25 A. While Mr. Mierzwa raises some important points for consideration going forward, the  
26 Commission should evaluate the prudence of the Company's actions given the information  
27 available at the time the Company made the decision. Utah Code Ann. 54-4-4(4)(a) provides  
28 that, when the Commission is evaluating the prudence of "an action taken by a public utility  
29 or an expense incurred by a public utility" it should "determine whether a reasonable utility,  
30 *knowing what the utility knew or reasonably should have known at the time of the action,*  
31 *would reasonably have incurred all or some portion of the expense, in taking the same or*  
32 *some other prudent action. . . ."* (emphasis added). In the spring of 2017, the time when the  
33 Company made the decision to enter into contracts for Firm Peaking Service, it had a model  
34 that had been in place for a number of years, and had been presented to the Commission, the  
35 Division of Public Utilities (Division), the Office of Consumer Services (Office) and other  
36 intervenors during a number of Integrated Resource Plan Proceedings. The Company has  
37 always worked to improve its modeling and continues to do so, and will be updating its  
38 model to reflect some feedback given in this docket. That said, the Commission's  
39 determination in this matter should be based on what the Company knew at the time it made  
40 the decisions: that its model was sound and that no parties had taken issue with the model  
41 assumptions. The Company has utilized this model for many years, and until Docket No. 17-  
42 057-09, no party had raised any concerns about the model or claimed that revisions (like

43 those that have come up in this docket) should be made to it. To the Company's knowledge,  
44 at the time the relevant decisions were made, the model was uncontested and, as discussed in  
45 Mr. Landward's direct and rebuttal testimony, is one reasonable way to estimate Design Day  
46 demand.

47 **Q. Mr. Landward is responsible for conducting the Company's analysis in estimating a**  
48 **Design Peak Day. Is there any reason he should have estimated differently?**

49 A. No. Mr. Landward and his predecessors are tasked with a very difficult responsibility. They  
50 must estimate the amount of future demand necessary to provide safe and reliable service to  
51 customers under all conditions, including rare extreme weather conditions. Their goal is to  
52 ensure that the Company's customers *never lose service*. If Mr. Landward were to estimate  
53 too low, he would be criticized for not factoring all potential risks into his model. If the  
54 Company does not experience the level of usage he estimates, he can be criticized for  
55 requiring unnecessary service and cost. Further, as Mr. Landward testifies, the Company's  
56 estimate of Design Day demand was completed in the absence of precise data. As he  
57 testifies, he is shooting at a target and if he misses that target, he'd rather miss high and  
58 ensure that customers do not lose service. Given those circumstance, the Company's Design  
59 Day demand model was one reasonable way to estimate Design Day demand.

60 **Q. Do you have concerns with the testimony of other witnesses relating to the Company's**  
61 **historical Design Peak Day calculation?**

62 A. Yes. Mr. Lubow performs a historical comparison of actual firm sales to Design Peak Firm  
63 Sales and concludes that, in the last 21 years, additional peak-period capacity would never  
64 have been necessary to meet the conditions during this period. This analysis is not an


65           accurate way of estimating future customer Design Day demand. It is simply a review of  
66           historical demand. It is very easy to make assertions of this nature with perfect hindsight.  
67           But it is another thing entirely to make such assertions looking forward, when future  
68           conditions are unknown, and customers' true demand requirements are yet to be experienced.  
69           Mr. Lubow and other third-party consultants will bear no responsibility if, at some time in  
70           the future, customers' demand is higher than the Design-Peak Day estimates the consultant  
71           has advanced. The Company does not have that luxury.

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

73   **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 is true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, any 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.

  
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Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this 7<sup>th</sup> day of May, 2018.



  
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Notary Public