

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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<b>In the Matter of the Pass-Through</b>	<b>:</b>	<b>Docket No. 17-057-20</b>
<b>Application of Dominion Energy</b>	<b>:</b>	<b>Surrebuttal Testimony</b>
<b>Utah for an Adjustment in Rates</b>	<b>:</b>	<b>of Michele Beck for the</b>
<b>And Charges for Natural Gas</b>	<b>:</b>	<b>Office of Consumer Services</b>
<b>Service In Utah</b>	<b>:</b>	

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May 31, 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. PLEASE PROVIDE AN OVERVIEW OF YOUR BACKGROUND.**

6 A. I have served as Director of the Office since 2007. In that capacity I have  
7 overseen all policy development and testimony submission on behalf of the  
8 Office. I have also personally testified in numerous cases before the Public  
9 Service Commission of Utah (Commission.) Prior to this position, I worked  
10 for about twelve years in various capacities in the electric industry in the  
11 Midwest including time in a regulatory agency, a generation and  
12 transmission cooperative, and an electric utility.

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

14 A. My testimony responds to the rebuttal testimony of Dominion Energy Utah  
15 (DEU) witnesses Kelly Mendenhall and William F. Schwarzenbach III. I also  
16 present the policy recommendations of the Office.

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

18 A. The Office also provides the expert testimony of Mr. Jerome D. Mierzwa,  
19 who also provided direct testimony in this case.

20 **Q. WHAT ISSUE INCLUDED IN MR. SCHWARZENBACH'S REBUTTAL  
21 TESTIMONY WILL YOU ADDRESS?**

22 A. I will respond to Mr. Schwarzenbach's rebuttal of issues about no-notice  
23 transportation (NNT) service raised by the Division of Public Utilities

24 (Division) in their direct testimony. Two Division witnesses, Douglas D.  
25 Wheelwright and Eric Orton, raised issues about NNT. Of particular interest  
26 to the Office is DEU's response to the statement made by Division witness  
27 Mr. Wheelwright, which includes the statement that "...the contract amount  
28 [of NNT service] may need to be reevaluated." (Wheelwright Direct lines  
29 193-207)

30 **Q. DID DEU ADEQUATELY ADDRESS THE ISSUE OF REEVALUATING**  
31 **THE AMOUNT OF NNT SERVICE?**

32 A. No. While Mr. Schwarzenbach addresses both Division witnesses  
33 (Schwarzenbach Rebuttal lines 65 – 141) and provides additional  
34 explanation and clarification about NNT service, he does not provide any  
35 evidence that the overall level of service does not warrant additional  
36 evaluation. In fact, the Office is concerned that in general it appears that  
37 DEU has recently identified new services, contracts, and capital  
38 investments that it asserts are necessary to provide reliable service to  
39 customers, without providing a comprehensive evaluation. Examples  
40 include the peak-hour contracts at issue in the instant proceeding as well  
41 as a proposal for an LNG plant recently filed as a voluntary request for pre-  
42 approval. Proposed new resources and services should be examined in the  
43 context of existing resources and whether the new contracts and services  
44 offset any portion of the long-standing agreements and services.

45 **Q. IS THE CURRENT PROCEEDING THE APPROPRIATE FORUM FOR A**  
46 **REEVALUATION OF THE AMOUNT OF NNT SERVICE?**

47 A. Not necessarily, although the Office believes the current docket is the  
48 appropriate forum, which I will further address later in this testimony.

49 **Q. WHAT ISSUES IN MR. MENDENHALL'S REBUTTAL TESTIMONY WILL**  
50 **YOU ADDRESS?**

51 A. I will address his response to my direct testimony.

52 **Q. HOW DOES MR. MENDENHALL RESPOND TO YOUR DIRECT**  
53 **TESTIMONY?**

54 A. Mr. Mendenhall agrees with me that this current proceeding is better  
55 designed to address the prudence of the peak-hour contracts than was  
56 Docket 17-057-09. (Mendenhall Rebuttal, lines 10 – 15) However, Mr.  
57 Mendenhall did not address my recommendation that this proceeding result  
58 in "general guidelines regarding proper process for new issues that arise in  
59 future pass-through proceedings."

60 **Q. DID THE DIVISION RESPOND TO THAT RECOMMENDATION**  
61 **REGARDING FUTURE PROCESS?**

62 A. No. To be fair, the Office initiated discussion with both DEU and the Division  
63 regarding this topic. While all parties appeared agreeable to work on these  
64 process issues, our collective workload constraints did not afford adequate  
65 time to provide joint recommendations on the issue.

66 **Q. WHAT ARE THE OFFICE'S RECOMMENDATIONS?**

67 A. In general, the Office believes that DEU should be required in its future  
68 pass-through applications to identify any new types of contracts or costs so  
69 that parties have the opportunity to request a schedule that evaluates such

70 issues in a separate focused proceeding on a different schedule from the  
71 audit of the docket, as took place in this proceeding. The Office also  
72 acknowledges that other existing processes also exist to evaluate  
73 separately the prudence of individual investments or contracts, such as the  
74 voluntary request for pre-approval used by DEU in its recent request for  
75 approval of an LNG plant (Docket 18-057-03.)

76 **Q. WOULD THIS PROCESS RECOMMENDATION ADDRESS ALL OF THE**  
77 **ISSUES THAT HAVE ARISEN IN THE INSTANT PROCEEDING?**

78 A. No. For example, the Office's expert witness provided testimony showing  
79 that DEU's forecast overstates design day demands by 89,381 Dth. The  
80 implication of this overstated forecast is that customers are likely paying for  
81 more resources, such as upstream pipeline capacity, than are necessary to  
82 reliably serve their needs. Such resources are certainly contained within  
83 the current docket and need to be evaluated for prudence. In addition, as  
84 previously noted in this testimony, the Division has raised concerns that the  
85 amount of NNT service may need to be reevaluated. There may be  
86 additional implications from the Division's testimony that would call into  
87 question the prudence of other costs or transactions contained in the  
88 application for the current pass-through docket.

89 **Q. WHAT IS THE CORRECT FORUM FOR A REVIEW OF ISSUES SUCH**  
90 **AS A REEVALUATION OF THE AMOUNT OF NNT SERVICE AND THE**  
91 **IMPLICATIONS OF A FORECAST THAT OVERSTATES DESIGN DAY**  
92 **DEMANDS?**

93 A. In my opinion, these issues should be reviewed in this current pass-through  
94 docket. However, since the instant portion of the proceeding was agreed by  
95 the parties and noticed by the Commission to be focused on the peak-hour  
96 contracts, concerns raised about other types of contracts and services  
97 should be addressed later within this docket.

98 **Q. HAS THE COMMISSION PROVIDED PREVIOUS RELEVANT**  
99 **GUIDANCE REGARDING THIS PROCESS?**

100 A. Yes. After the Division filed its Memorandum dated February 16, 2018  
101 regarding its audit of DEU's 191 account for calendar years 2009 and 2010  
102 (Dockets 08-057-23, 09-057-03, and 10-057-09), the Commission issued a  
103 supplemental Action Request (dated March 1, 2018) in which it requested,  
104 in part, for the Division to attest to the Commission whether in its judgement  
105 the costs underlying the proposed final rates are prudent and whether the  
106 proposed final rates would be just, reasonable, and in the public interest.  
107 Further, in its Order Setting Final Rates, issued May 14, 2018 in those same  
108 dockets, the Commission expressly made the following finding: "We find the  
109 expenses for the periods under review to have been prudently incurred.  
110 Similarly, and based on reasons set forth above, we find the previously  
111 ordered interim rates in the instant dockets are just, reasonable, and in the  
112 public interest." Thus, it is clear that the Commission intends that before  
113 interim rates in DEU's 191 account-related dockets become permanent, the  
114 questions of prudence of expenditures and just and reasonableness of  
115 resulting rates need to be explicitly addressed.

116 **Q. HOW DOES THAT COMMISSION ORDER APPLY IN THIS CURRENT**  
117 **DOCKET?**

118 A. The testimony in this proceeding has called into question the prudence of  
119 expenses that are included in the current pass-through but beyond the  
120 scope of the instant proceeding. Before the current interim rates are found  
121 to be final, a complete evaluation of the prudence must be undertaken. In  
122 my view, that could take place within the scope of the Division's audit, but it  
123 requires a different scope than what they described in its audits of the 2009  
124 and 2010 periods. The Division stated in its February 16, 2018  
125 Memorandum: "The objective of our audit is to determine if the costs the  
126 Company has included for recovery in the 191 Account, are accurate,  
127 appropriate and in compliance with previous orders regarding the 191  
128 Account ..." Thus, the Office reiterates its recommendation that the  
129 Commission provide guidance on the process to best address issues of  
130 prudence and affirms its commitment to work with DEU and the Division to  
131 collaborate on process improvements.

132 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

133 A. Yes.