

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION QUESTAR GAS COMPANY FOR APPROVAL OF A THIRD-PARTY BILLING RATE	Docket No. 17-057-T04
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DIRECT TESTIMONY OF JUDD E. COOK

FOR DOMINION ENERGY UTAH

DEU Exhibit 1.0

June 1, 2017

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I. INTRODUCTION

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

2 A. My name is Judd E. Cook. My business address is 333 South State Street, Salt Lake City,
3 Utah.

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

5 A. I am employed by Dominion Energy Questar Corporation as Director of Business
6 Development. I am responsible for new business initiatives and strategic planning. I am
7 testifying on behalf of Questar Gas Company dba Dominion Energy Utah (Dominion
8 Energy).

9 **Q. What are your qualifications to testify in this proceeding?**

10 A. I have listed my qualifications in DEU Exhibit 1.1.

11 **Q. Attached to your written testimony are DEU Exhibits 1.1 through 1.6. Were these**
12 **prepared by you or under your direction?**

13 A. Yes.

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

15 A. The purpose of my testimony is to: 1) describe how Dominion Energy would charge third
16 parties to place line-items on Dominion Energy's utility bills; 2) discuss the benefits to
17 customers of these third-party billing services; and 3) describe the cost-calculation
18 methodology used to determine the rate that the Company would charge for third-party
19 billing services.

20 II. PROPOSED THIRD-PARTY BILLING SERVICES

21 **Q. Please describe Dominion Energy's proposal for third-party billing services.**

22 A. Dominion Energy is seeking approval of a rate to be charged to third parties requesting that
23 their services be included on the Dominion Energy utility bill. Dominion Energy will

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24 offer these billing services to entities that are authorized by the Utah Insurance Department
25 (Department) to operate as a “service contract provider” Utah Code Ann. §31A-6a-101 *et*
26 *seq.* and applicable Department administrative rules, and which provide service contract
27 programs directly or indirectly related to utility services, including programs related to
28 electrical service, natural gas service, water service, sewer service, or household
29 appliances. Dominion Energy will review the third parties authorization status annually to
30 ensure that an active authorization is maintained with the Department of Insurance. When
31 third-party Service Contract providers offer these services to Dominion Energy customers,
32 the customers may authorize Dominion Energy to include charges for the services on the
33 Dominion Energy bill.

34 Dominion Energy will comply with the provisions of Utah Code Ann. §54-3-8 (2016) and
35 will not grant any preference or advantage to any person with regard to the billing services.

36 Dominion Energy would charge eligible third parties for any initial start-up costs, as well
37 as an ongoing charge, in order to ensure that Dominion Energy customers are not bearing
38 any costs associated with these services.

39 **Q. Will Dominion Energy and its customers benefit from the collection of this rate?**

40 A. Yes. Customers who request eligible third-party services will have an easy and convenient
41 way to manage home protection program expenses, thereby providing a valuable service
42 and improving customer satisfaction. Additionally, revenue collected through this rate will
43 be credited back to customers as a reduction in billing expense. This has the effect of
44 reducing costs to all Dominion Energy customers.

45 **Q. Will Dominion Energy take steps to ensure that the third-party billing services will**
46 **not adversely impact customers?**

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47 A. Yes. First, Dominion Energy will structure any third-party billing services such that any
48 money received from a customer pays for utility services first, with the remainder going
49 toward charges for third-party services. If a customer does not pay enough to cover both,
50 the utility service receives payment first. Second, Dominion Energy will not terminate
51 utility service to any customer for failure to pay the third-party portion of the bill (Utah
52 Admin. Code § R746-200-7(C)(2)(e)). Finally, the bill and the third-party's marketing
53 materials must clearly distinguish between Dominion Energy and the third party to ensure
54 that customers are aware that the third party's services are not required in order to receive
55 utility services. The third parties will use separate mailings to send their marketing
56 materials to customers. Customers who do not use third party services will see no change
57 to their bill.

58 **Q. How does Dominion Energy propose to ensure that its customers do not bear the costs**
59 **associated with the billing service?**

60 A. Third parties will be required to pay all up-front costs for programming of Dominion
61 Energy's information technology and billing systems, equipment costs, legal costs, project
62 management costs, and contracting costs required to establish the billing services, as well
63 as for any future programming that may be required. Third parties will also be charged a
64 per-line rate for placing line items on the Dominion Energy bill.

65 **Q. Will Dominion Energy take steps to protect customers from fraud?**
66

67 A. Yes. The third party attempting to add a service to the utility bill must receive either written
68 or verbal permission and be able to provide proof of permission upon request. The
69 permission can be used to resolve customer disputes. The third party will be required to
70 provide a unique identifier (gas account number) provided by the customer before the
71 service contract will be added to the bill. The gas account number is unique to the customer
72 and is not provided to any third parties. This provides a level of protection in that the

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73 customer is the only person with access to the number. Further, the third party service
74 contract provider must allow the customer to cancel service at any time; thereby, protecting
75 the customer from unwanted charges. Third party charges will be clearly delineated on the
76 bill allowing the customer to easily identify them.
77

78 **III. PER LINE RATE CALCULATION**

79 **Q. How will the third party per line billing rate be calculated?**

80 A. Dominion Energy proposes that on an ongoing basis the expenses associated with
81 depreciation of the billing assets, operating and maintenance (O&M), supplies, postage,
82 return on investment on the billing assets, and allocated G&A expense be charged on a per-
83 line basis.

84 **Q. Is there a minimum number of lines required to generate a Dominion Energy bill?**

85 A. Yes. Dominion Energy's typical utility bill includes a minimum of 35 lines.

86 **Q. Is there a minimum number of lines required to bill a third party's services?**

87 A. Yes. Dominion Energy proposes that a minimum charge for up to 11 lines be applied to
88 the initial service billing with an additional per-line charge for each line used thereafter.

89 In the unlikely event that the third party billing service causes the bill to extend to an
90 additional page, the third party will be required to pay the full cost of the second page.

91 **Q. Have you prepared an exhibit calculating what this proposed rate is?**

92 A. Yes. DEU Exhibit 1.2 shows the rate calculation and includes all of the costs associated
93 with depreciation, O&M, supplies, mailing of bills, and return on investment.

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94 Lines 1 – 16 show the costs for depreciation, O&M and supplies for the printer and inserter
95 used to produce a bill. Line 17 is the actual postage per piece of mail. Lines 18 – 20
96 calculate the return on investment for the printer and inserter based on the current Utah
97 pre-tax rate of return of 10.79%. Lines 21 and 22 calculate the-per mailing costs for general
98 & administrative expenses allocated to the billing process. The sum of the four major
99 components of the mailing process is shown on line 28. Lines 29 – 31 calculate a per-line
100 charge based on the total of the components divided by the minimum number of lines
101 required to generate a bill of 35 lines. Line 32 multiplies the per-line cost by 11, which is
102 the minimum number of lines required to bill a new service. As the exhibit shows, the
103 third party would be charged \$0.15399 per bill with a cost of \$0.01400 per additional line.
104

105 **Q. Did Dominion Energy include “customer care center” costs associated with handling**
106 **calls for third parties in its calculation?**

107 A. No. Any third party seeking to utilize the billing services must have its own call center.
108 The call center must have a toll free number with the ability to record all phone
109 correspondence. If the third party intends to rely upon a customer’s verbal authorization
110 for billing services, then it must retain such recordings for a minimum of two (2) years.
111 Dominion Energy’s IVR (interactive voice recognition) system will offer an option to
112 connect customers directly to the third party’s call center. Additionally, if a customer
113 inadvertently contacts Dominion Energy’s call center, Dominion Energy’s call center
114 representative will refer and forward those calls to the third party’s call center.

115 **Q. Will Dominion Energy update the ongoing charges over time?**

116 A. Yes. Dominion Energy proposes that it will submit a letter to the Utah Commission each
117 year on or before March 1 updating the third party billing rate, similar to the Carrying
118 Charge provision in Section 8.07 of its Utah Natural Gas Tariff No. 500 (Tariff).

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119 **Q. Has Dominion Energy prepared a proposed Tariff section addressing the terms and**
120 **conditions for third party billing services?**

121 A. Yes. The proposed Tariff section is attached as DEU Exhibit 1.3.

122 **IV. DOMINION PRODUCTS AND SERVICES, INC.**

123 **Q. Has any third-party approached Dominion Energy requesting billing services?**

124 A. Yes. Dominion Energy was approached by Dominion Products and Services, Inc. (DPS),
125 its affiliate. DPS provides service contract programs in other jurisdictions and generally
126 utilizes utility bills for purposes of billing its customers. DEU Exhibit 1.4 is a list of both
127 affiliate and non-affiliate partner utilities where DPS provides third-party services. When
128 Dominion Energy discussed the matter with DPS, it determined that allowing DPS to bill
129 customers using the utility bill would provide an opportunity to offset billing costs to
130 Dominion Energy customers, and increase customer satisfaction. These are customer
131 benefits that are very important to Dominion Energy

132 **Q. Please describe DPS and its business.**

133 A. DPS is an unregulated, first tier subsidiary of Dominion Energy, Inc., which is also the
134 parent of Dominion Energy Utah. DPS was incorporated in Delaware in 1995 as part of
135 the Consolidated Natural Gas Company (CNG) system. Originally based in Pittsburgh,
136 PA, since the CNG merger with Dominion in 2000 the company has been headquartered
137 in Richmond, VA. DPS's business is to offer utility service line and energy related home
138 protection service contract programs. These programs include water and sewer line
139 replacement and repair, water heater repair and replacement, in-home gas line repair and a
140 number of others. DEU Exhibit 1.5 contains a full list of the DPS home protection
141 programs. DPS serves approximately 1.1 million customers and manages over 55,000
142 repairs/claims a year.

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143 In its early years, DPS focused on providing residential natural gas utility customers in
144 Pennsylvania and Ohio—many of whom own the gas service line running from the street
145 to the meter—the protection of the Gas Line Replacement Program. Customers with
146 aging service lines often had a difficult time paying to replace the service lines when
147 necessary. The Gas Line Replacement Program was introduced as a means to help
148 customers avoid a large one-time expense and served as a natural extension of CNG’s
149 natural gas business.

150 Over the years, DPS expanded its offerings and service territories. DPS now does business
151 in 13 states, collaborating with utility companies to provide these services to its customers.
152 DPS offers programs through affiliate companies Dominion Virginia Power, Dominion
153 East Ohio and Dominion Hope as well as other unaffiliated utilities including South
154 Carolina Electric and Gas, Public Service Company of North Carolina, and City of
155 Cleveland. As you can see in DEU Exhibit 1.4, DPS contracts with both affiliates and
156 non-affiliates for these billing services.

157 **Q. Will programs like those offered by DPS benefit Dominion Energy customers?**

158 A. Yes. Customers will have access to home protection programs that will protect them in the
159 event that a utility line or appliance fails. For example, replacement of a gas water heater,
160 can cost up to \$2,500. Costs associated with repairing a water line to a customer’s house
161 can be as much as \$9,000 with most customers paying on average, approximately \$1,800.
162 These programs reduce or eliminate the financial impact on customers associated with
163 these and other expensive and often unexpected events. Dominion Energy believes that
164 providing these services and facilitating payment for these services is beneficial for
165 customers. Customers in other jurisdictions who receive this benefit agree. In fact, the
166 attached DEU Exhibit 1.6 shows that utility customer satisfaction scores at Dominion East
167 Ohio and Dominion Virginia Power increased significantly for utility customers who take

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168 advantage of these programs, and further increased for those who make a claim. Dominion
169 Energy views this as an opportunity to provide customers a valuable service, improve
170 customer relations, and reduce rates.

171 **V. CONCLUSION**

172 **Q. Should the Utah Public Service Commission approve the proposed Tariff language?**

173 A. Yes. The proposed Tariff language provides a mechanism for Dominion Energy to give
174 customers convenient access a valuable service and to offset some billing costs. The
175 proposed Tariff language and pricing methodology are just and reasonable and ensures
176 protections for Dominion Energy customers.

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

178 A. Yes.

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

I, Judd E. Cook, 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.

Judd E. Cook

SUBSCRIBED AND SWORN TO this ____ day of June, 2017.

Notary Public