

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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**IN THE MATTER OF THE REQUEST  
OF DOMINION ENERGY UTAH TO  
INCREASE DISTRIBUTION RATES  
AND CHARGES AND MAKE TARIFF  
MODIFICATIONS**

**DOCKET NO. 19-057-02**

**Exhibit No. DPU 1.0 DIR**

**Direct Testimony**

**Douglas D. Wheelwright  
Phase II**

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**FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH**

**Direct Testimony of  
Douglas D. Wheelwright**

**November 14, 2019**

1 **Q: Please state your name, business address and title.**

2 A: My name is Douglas D. Wheelwright; my business address is 160 East 300 South, Salt Lake  
3 City, Utah 84114. I am a Technical Consultant with the Division of Public Utilities  
4 (Division).

5 **Q: On whose behalf are you testifying?**

6 A: The Division.

7 **Q: Please describe your position and duties with the Division.**

8 A: As a technical consultant, I examine public utility financial data and review filings for  
9 compliance with existing programs as well as applications for rate increases. I research,  
10 analyze, document, and establish regulatory positions on a variety of regulatory matters. I  
11 review operations reports and evaluate the compliance with the laws and regulations. I  
12 provide written and sworn testimony in hearings before the Public Service Commission of  
13 Utah (Commission) and assist in the case preparation and analysis of testimony.

14 **Q: Will you briefly review the background and factual framework surrounding this**  
15 **docket?**

16 A: Yes. On July 1, 2019, Questar Gas Company dba Dominion Energy Utah (Dominion Energy  
17 or the Company) filed an application requesting an increase to its Utah retail rates by \$19.2  
18 million.<sup>1</sup> The primary driver of the requested rate increase is the anticipated capital  
19 expenditures for maintaining, upgrading, and replacing the Company's aging infrastructure,

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<sup>1</sup> Docket No. 19-057-02, Verified Application (Application) at Page 1.

20 as well as the cost of serving new customers.<sup>2</sup> In order to address the various issues that  
21 have been raised in this Docket, the parties have agreed to a bifurcated schedule. Issues  
22 related to the revenue requirement are currently being addressed under a separate Phase I  
23 schedule and direct testimony has previously been submitted. This testimony is submitted  
24 under the Phase II schedule is related cost of service and rate design issues.

25 As part of the application, the Company identified a migration of customers moving from the  
26 GS class to the TS class and testified that the TS class is not meeting its cost of service under  
27 the current rate structure. The Company is proposing changes to customer rates in order to  
28 bring all customers to full cost of service and reallocating a portion of SNG cost to different  
29 customer classes. The Company has requested that changes to the rate schedules become  
30 effective March 1, 2020.

31 **Q: What is the purpose of your testimony in this matter?**

32 A: My testimony addresses the position of the Division for issues related to Phase II or the cost  
33 of service and rate design segment of the application and introduces the Division's primary  
34 witness for this phase.

35 **Q: Please summarize the work and investigation that has been performed in this case.**

36 A: The Division has reviewed the testimony of the Company witnesses along with the  
37 attachments and exhibits. The Division has submitted numerous data requests, reviewed  
38 answers to its data requests and those of other parties and has participated in meetings with

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<sup>2</sup> Docket No. 19-057-02, Verified Application (Application) at Page 2.

39 Company representatives to obtain additional information and clarification on multiple  
40 topics.

41 **Q: What are the Division's Rate Design objectives?**

42 A: Based on state statutes, the Division's cost of service and rate design objectives are for rates  
43 to be stable, simple, understandable, and acceptable to the public; economically efficient; to  
44 promote fair apportionment of costs among individual customers within each customer class  
45 with no undue discrimination; and to protect against wasteful use of utility services.<sup>3</sup>

46 Consistent with these statutorily defined objectives, the Division has developed a set of  
47 guiding principles. These principles are:

- 48 1. Simplicity— Rates should be as simple as possible in design and easy to  
49 understand and administer. Customers are more likely to accept and  
50 understand relatively simple rates. Tariff descriptions should be clear,  
51 unambiguous, and understandable by the public.
- 52 2. Correct Price Signals—Rates based on costs can incent customers to make  
53 appropriate decisions about energy use including energy conservation. While  
54 some customer classes are better able to understand complicated rates than  
55 others, a complicated rate that is not understood may not provide clear or  
56 correct price signals.
- 57 3. Rate Structures—Three part rates with customer, energy, and demand  
58 components will more fairly apportion the costs among individual customers  
59 than one or two part rates. However, a demand component for the residential  
60 class is normally not recommended since the added cost of demand meters  
61 usually outweighs the benefit of better cost apportionment.
- 62 4. Gradualism—Gradual changes in rates help to promote rate stability and to  
63 minimize impacts on individual customers.

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<sup>3</sup> See Utah Code Ann. § 54-4-4

- 64 5. Marginal and Embedded Costs—Regulated rates must be designed to recover  
65 the embedded revenue requirement of a rate schedule. Marginal and average  
66 unit embedded costs should be reviewed and taken into account when setting  
67 prices.  
68 6. Customer Charges—Costs that generally increase with the number of  
69 customers, but are not caused by each customer should be excluded from the  
70 customer charge and instead be included within the commodity portion of  
71 rates.<sup>4</sup>

72 The Division and its consultant Overland Consulting (“Overland”) relied on these principles  
73 in this case in formulating its cost of service and rate design proposals.

74 **Q: Please identify the Division’s witnesses for the cost of service and rate design phase of**  
75 **this docket.**

76 A: The Division has hired Overland to evaluate the issues related to cost of service and rate  
77 design. Mr. Howard E. Lubow from Overland will be providing testimony and analysis on  
78 behalf of the Division. Mr. Lubow has over 30 years of experience as a public utility  
79 consultant and has provided expert witness testimony related to cost of service and rate  
80 design issues.

81 **Q: Does this conclude your testimony?**

82 A: Yes.

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<sup>4</sup> See Commission Order in Docket No. 82-057-15