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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

**Docket No. 19-057-02**

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**DIRECT TESTIMONY OF ROGER SWENSON  
FOR US MAGNESIUM LLC**

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US Magnesium, LLC hereby submits the prefiled Direct Testimony of Roger Swenson in Phase II of this docket.

DATED this 14<sup>th</sup> day of November, 2019

Respectfully submitted,



By: \_\_\_\_\_

Phillip J. Russell  
HATCH, JAMES & DODGE, P.C.  
*Attorneys for US Magnesium LLC*

Certificate of Service  
**Docket No. 19-057-02**

I hereby certify that a true and correct copy of the foregoing was served by email this 14th day of November, 2019, on the following:

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**PHASE II**

**DIRECT TESTIMONY OF ROGER SWENSON**

**FOR US MAGNESIUM LLC**

November 14, 2019

**US Magnesium Exhibit 1.0**

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

2 A. My name is Roger Swenson. My business address is 1592 East 3350 South, Salt Lake City,  
3 Utah.

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

5 A. I am employed by E-Quant Consulting LLC (E-Quant) as a consultant in energy matters. In  
6 this matter I am providing testimony on behalf of US Magnesium LLC (“USMag”).

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

8 A. The purpose of my testimony is to respond to Dominion Energy Utah’s (“DEU”) proposal in  
9 this docket to bring transportation service class (TS) rates to full cost of service by imposing  
10 equal percentage increases to each volumetric block in TS rates. I also offer an alternative  
11 proposal for how an increase in TS rates, if approved by the Commission, should be  
12 implemented to eliminate rate shock and to ensure fairness, particularly for high-volume TS  
13 customers like USMag, which would be hit hard by DEU’s proposal in this docket.

14 **Q. The Company states that is attempting to bring the TS class to its full cost of service in  
15 the case, do you oppose doing that?**

16 A. No, rates should track cost of service in a reasonable manner for all customers so that there  
17 are not inter-class or intra-class subsidies based on the agreed-upon cost allocation basis.

18 **Q. Has DEU previously provided you with information about potential rate increases that  
19 USMag should expect to see to move high volume TS customers to full cost of service?**

20 A. Yes. Prior to filing this docket, DEU provided guidance to USMag and other TS customers  
21 for expected rate increases in general terms, as shown in DEU Exhibit 4.07. DEU also  
22 provided information to TS customers in the context of its 2016 rate case filing, identifying

23 the expected rate increase necessary to bring TS customers to full cost of service. A DEU  
24 presentation about the 2016 rate case is provided herewith as US Magnesium Exhibit 1.1.

25 **Q. What does US Magnesium Exhibit 1.1 identify as the potential rate increase for TS**  
26 **customers from the 2016 rate case?**

27 A. US Magnesium Exhibit 1.1 was a presentation that DEU gave at a meeting hosted by UAE in  
28 July of 2016 regarding the 2016 rate case. Slide 19 shows the proposed changes for various  
29 volumetric blocks within the TS class. DEU proposed a larger percentage increase for the  
30 smaller blocks than for the larger blocks. The average change in rates for the largest block,  
31 for annual usage above 805,000 Dth, was actually a *decrease* of 1%.

32 The chart found on slide 19 of US Magnesium Exhibit 1.1 is set forth below:

<b>Impact of Proposed Rates on Customers of Different Sizes</b>					
		(A)	(B)	(C)	(D)
<b>TS Class 1/</b>					
	Annual Usage	Number of Customers	Average Increase	High	Low
1	0-30,000	394	21%	26%	4%
2	30,001-100,000	87	10%	21%	2%
3	100,000-805,000	58	3%	11%	-1%
4	>805,000	5	-1%	1%	-2%
5		544	17%	26%	-2%

33

34

35 **Q. Did you expect that the rates proposed in this docket would be similar to those**  
36 **proposed in the 2016 rate case?**

37 A. Yes. DEU proposed moving TS customers to full cost of service rates in the 2016 rate case,  
38 so I expected that the proposal in this docket would be similar to that docket, with  
39 adjustments for revenue requirements.

40 **Q. Did you also receive information from DEU prior to the filing of this docket regarding**  
41 **the rate increases that DEU planned to propose for in this docket?**

42 A. Yes. As mentioned above, DEU provided information to TS customers prior to filing this  
43 docket so that TS customers would have some idea of what was coming. In fact, DEU  
44 asserts, on pages 14-15 of the Direct Testimony of Austin Summers (DEU Exhibit 4.0), that  
45 TS customers have been given notice that rates would need to change by some amount that  
46 DEU had shared with TS customers. In those meetings DEU indicated that, as it did in the  
47 2016 rate case, it would propose moving TS customers to full cost of service.

48 DEU Exhibit 4.07 contains some of the information provided to TS customers prior  
49 to filing its application in this docket.

50 **Q. What does DEU Exhibit 4.07 identify as a potential rate increase for TS customers**  
51 **from the 2016 rate case?**

52 A. DEU Exhibit 4.07 contains slides prepared at different times. Pages 5-6 of DEU Exhibit  
53 4.07 are from a September 2018 presentation regarding expected rate increases from the  
54 2019 rate case, using the 2016 rate case as a proxy for what customers should expect from  
55 the 2019 rate case. Page 6 of DEU Exhibit 4.07 shows that large TS customers such as

56 USMag should have expected to see an increase from the 2016 rate case of up to 2% in the  
57 largest volumetric block, with larger increases in the smaller volumetric blocks.

58 The chart found on page 6 of DEU Exhibit 4.07 is set forth below:

### **Impact of Proposed TS Rates in 2016 Rate Case**

<b>Annual Usage (Dth)</b>	<b>Number of Customers</b>	<b>Average Increase</b>
0 – 30,000	394	15% - 25%
30,001 – 100,000	87	8% - 12%
100,001 – 805,000	58	2% - 5%
>805,000	5	0% - 2%

59

60 **Q. Were you surprised to see the rate increases for TS customers that DEU is proposing in**  
61 **this case?**

62 A. Yes. I was very surprised. As noted above, DEU's 2016 rate case and presentations prior to  
63 filing this docket each proposed moving TS customers to full cost of service. In those  
64 presentations, however, DEU proposed to achieve that goal by imposing larger percentage  
65 increases to the smaller volumetric blocks and smaller percentage increases to the larger  
66 volumetric blocks. Such a change would, of course, result in increased rates for USMag and  
67 other high-volume TS customers, but such increases would be manageable.

68 As discussed in detail below, DEU proposes in this docket to impose an equal  
69 increase in rates for all volumetric blocks within the TS class. This proposal to raise rates

70 equally for all volumetric blocks is not consistent with information that DEU had previously  
71 shared with me and is very different from DEU’s proposal in the 2016 rate case.

72 **Q. In this docket, how does DEU propose to increase rates for all transportation**  
73 **customers?**

74 **A.** In contrast to its proposal in the 2016 rate case, DEU now proposes an equal 62.408% rate  
75 increase for each volumetric block in the TS class. DEU’s proposed changes to the rates in  
76 each volumetric block can be seen in DEU Exhibit 4.14, at the top of the tab labeled “Page 4-  
77 TS.” As produced by DEU, that tab shows only the percentage change for the Total  
78 Volumetric Charges. However, inserting the same formula that DEU used to calculate the  
79 Total Volumetric Charges in the column to the right of each block demonstrates that DEU  
80 proposes a 62.408% increase to each volumetric block within the TS rate class.

81 The chart below is derived from the tab labeled “Page 4-TS” in DEU Exhibit 4.14. I  
82 included a formula in column (J) to show the percentage change in DEU’s proposal from  
83 current rates for each block<sup>1</sup>:

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)		
Utah TS	From Revenue Run Output					@ Full Cost of Service				% Change		
Volumetric Rates		Dth	Dth	Curr. Rate	Revenues	Dth	Dth	Prop. Rate	Revenues			
1	Block 1	First	200	2,656,133	0.74751	1,985,486	First	200	2,656,133	1.21402	3,224,596	62.408%
2	Block 2	Next	1,800	11,793,251	0.48865	5,762,772	Next	1,800	11,793,251	0.79361	9,359,225	62.408%
3	Block 3	Next	98,000	28,858,941	0.19983	5,766,882	Next	98,000	28,858,941	0.32454	9,365,900	62.408%
4	Block 4	Over	100,000	12,045,371	0.07396	890,876	Over	100,000	12,045,371	0.12012	1,446,857	62.408%
5	<b>Total Volumetric Charges</b>			55,353,696		14,406,016			55,353,696		23,396,577	62.408%

84  
85 DEU proposes this across-the-board 62.408% increase on all block rates despite the  
86 fact that its own analysis shows that there are existing intra-class subsidies and that DEU’s  
87 proposed rate design “will not resolve the intra-class subsidies” within the TS rate class.<sup>2</sup>

1 All other cells from the referenced portion of DEU Exhibit 4.14 remain as originally provided by DEU.

2 See Direct Testimony of Austin Summers (DEU Exhibit 4.0) at lines 612-623.



88 This proposed rate design would result in an extraordinary increase in rates to USMag and  
89 stands in stark contrast to all of the information DEU provided regarding expected increases  
90 based on the 2016 rate case described above.

91 **Q. What is DEU suggesting in terms of timing for adjusting the rates to be specific to cost  
92 of service to true up the inequities of the across-the-board percentage increase?**

93 A. DEU proposes to bring the TS class as a whole to full cost of service immediately, but to  
94 wait until it files its next general rate case in three years to eliminate intra-class subsidies  
95 within the TS class.

96 **Q. Is this delay appropriate or fair for high volume TS customers like USMag?**

97 A. No. There is no reason not to correct the intra-class subsidies as quickly as possible. Failure  
98 to address the intra-class subsidies ultimately punishes certain customers with rates that are  
99 higher than the cost to serve those customers based on the information provided by DEU in  
100 this docket, such as DEU Exhibit 4.07, which suggests that much lower increases would be  
101 appropriate for high-volume TS customers.

102 **Q. What would you suggest?**

103 A. I suggest a gradual approach to reach full cost of service for TS customers. DEU downplays  
104 the need for gradualism, pointing to the fact that it met with TS customers about the expected  
105 increases in TS rates prior to filing this docket. But in those meetings DEU suggested that it  
106 would propose a very different rate design than it has proposed in this docket. The  
107 percentage increase DEU proposes to USMag's rates is not what DEU told us to expect.  
108 USMag will experience a much larger rate increase than DEU told us to expect, and a  
109 gradual approach is, therefore, appropriate.

110 **Q. What would you propose in regard to a gradual increase and a true up to an actual cost**  
111 **of service basis for TS class rates.**

112 A. USMag objects to DEU's proposal to wait three years until the next rate case to adopt a rate  
113 design that addresses the intra-class subsidies within the TS rate class. USMag proposes that  
114 the Commission adopt a rate design that addresses those subsidies in this docket. If the  
115 Commission adopts DEU's proposal to ignore the intra-class subsidies within the TS class in  
116 this docket, USMag suggests that the Commission set a rate increase that is 50% of the  
117 increase DEU proposes in this docket, and then address the intra-class subsidy in a new  
118 docket next year. It would be unfair to force large TS customers to overpay for 3 years until  
119 the next rate case, at which point (presumably) DEU would propose and the Commission  
120 would approve trued-up rates that eliminate the intra-class subsidies that DEU acknowledges  
121 exist and will continue to exist if its proposal in this docket is approved. USMag's approach  
122 would encourage all parties to get the cost of service rates in place sooner rather than waiting  
123 to see what settles out from leaving the percentage increase overcharge in place.

124 **Q. What if the Commission elects to wait for the next general rate case to eliminate the**  
125 **intra-class subsidy within the TS rate class?**

126 A. If the Commission elects to adopt DEU's proposal to ignore the intra-class subsidies within  
127 the TS class and to wait three years for the next rate case to address those subsidies, USMag  
128 proposes that the Commission set an initial TS class rate increase of that is 25% of the  
129 increase DEU proposes in this docket for the first year, with an additional increase that is  
130 equal to 50% of the increase DEU proposes in this docket for the second year. I would then  
131 hold TS rates at that level until the next rate case.

132 **Q. Do you have other suggestions about the TS rate structure?**

133 A. Yes. The testimony of Mr. Summers suggests that there is much difficulty in deriving an  
134 optimized rate structure for the TS rate because of large disparities in usage levels between  
135 customers now in the class. He suggests that the TS rate was established with larger  
136 customers as a basis for the rate. I think we need to break up the class into a small customer  
137 TS class and a large customer TS class. These class cost of service determinations can be  
138 done in the cost of service and rate design case next year.

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

140 A. Yes.