

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

<p>In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications</p>	<p><b>DOCKET NO. 19-057-02</b>  ANGC Exhibit 3SR</p>
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SURREBUTTAL TESTIMONY OF CURTIS CHISHOLM  
FOR THE AMERICAN NATURAL GAS COUNCIL, INC.

Phase 2

**January 6, 2019**

*/s/Curtis Chisholm*

1 **Q. Please state your name, place of employment and position.**

2 A. My name is Curtis Chisholm. I am chief executive officer of Integrated Energy  
3 Companies and its subsidiary, Summit Energy, LLC, a member of the American Natural  
4 Gas Council, Inc. ("ANGC"). I am also an officer of ANGC. My office is located at 201  
5 South Main Street, 20th Floor, Salt Lake City, Utah 84111.

6 **Q. Did you file testimony previously in this docket?**

7 A. Yes. I filed direct testimony on November 14, 2019 for ANGC and my qualifications and  
8 background are in that testimony.

9 **Q. What is the purpose of your surrebuttal testimony?**

10 A. I am responding to the testimony of Austin Summers of Dominion Energy Utah ("DEU")  
11 and explaining how the combination of DEU's proposals in this docket cause significant  
12 inefficiencies and are anticompetitive.

13 **Q. Do you accept Witness Summers' Rebuttal which asserts that DEU's actions with  
14 respect to smaller TS customers are not anticompetitive?**

15 A. No. At least four elements of DEU's current and proposed TS rates have clear  
16 anticompetitive implications. Those elements include: (1) DEU's continuation of an  
17 unnecessarily restrictive once-a-year enrollment for customers seeking to transfer from  
18 gas sales service to transportation service under Rate Schedule TS; (2) the proposed  
19 moratorium on transfers of customers using fewer than 35,000 Dth per year to the TS  
20 class; (3) the inordinately high administrative charge DEU imposes on TS customers; and  
21 (4) based on Mr. Oliver's testimony, the Company's inappropriate billing of SNG  
22 charges to transportation service customers. These four policies unnecessarily and  
23 inappropriately increase the costs and difficulty of using gas transportation service,

24 particularly for small TS customers. The combined effect of these policies stifles  
25 competition and impedes an otherwise healthy and robust competitive market which is  
26 providing significant gas cost savings to a wide range of customers in Utah.

27 **Q. Why is DEU's policy limiting enrollment in the TS service class a problem?**

28 A. There is no purpose for it. DEU tries to justify it based on procurement concerns to plan  
29 gas supply, but it is not warranted. This is the only jurisdiction in which ANGC member  
30 Summit Energy operates where the incumbent utility imposes that requirement. In other  
31 jurisdictions, customers can move to transportation service based on notice (usually 60  
32 days), and it works very well. Furthermore, Dominion allows rolling enrollment in its  
33 other gas distribution utility operations in other states even though it has similar gas  
34 supply planning requirements for sales service customers in those jurisdictions. DEU  
35 operations in Utah are not that different. This limitation on customer migration is not  
36 necessary and has an anticompetitive impact on the market for gas supply services.

37 In addition, DEU's limit on the timing of customer transfers is inefficient. It  
38 causes the Company to focus on customer transfers all at once each year when that  
39 workload could be distributed throughout the year. Dominion employees who work on  
40 customer transfers have complained about the problems this requirement creates. They  
41 have not been able to keep pace with the transfers and Dominion has had to hire  
42 contractors at very high rates to install the telemetry equipment Dominion requires for  
43 transportation service customers. This further increases the costs to customers  
44 unnecessarily.

45 **Q. Why don't you support proposals for a moratorium on customers using fewer than**  
46 **35,000 Dth from moving to the TS service class?**

47 A. Because it makes no sense. Mr. Oliver has shown that the small TS customers, those  
48 using fewer than 35,000 Dth, are providing an above system average rate of return of  
49 approximately 9%. By contrast, large TS users have been providing at best a 1.49%  
50 return. No other party, including DEU, has refuted this. The small TS customers are not  
51 causing the problems about which DEU has complained for several years. DEU's  
52 repetition of an inaccurate representation year after year does not make it true. Why  
53 should the Commission penalize customers who are contributing more than their fair  
54 share of DEU's costs?

55 Despite a sustained downward shift in the cost of gas, DEU's Wexpro affiliate has  
56 not lowered its costs to a level that reasonably approximates the competitive market cost  
57 of gas. As a result, increasing numbers of Utah gas consumers are turning to competitive  
58 suppliers to obtain market-priced gas supplies. If DEU's proposed restriction on customer  
59 transfers had been imposed prior to this proceeding, many small TS customers would  
60 have been denied significant cost savings. School districts alone would have paid an  
61 additional \$1.6 million for their gas supply services during calendar year 2019. The  
62 absence of restrictions on customer transfers has produced the best of both worlds:  
63 customers have saved significant costs and they contributed more than the average  
64 system rate of return. In this context, we can only conclude that DEU's proposed  
65 restriction on further transfers of smaller customers to Rate Schedule TS is designed as an  
66 anticompetitive measure.

67 **Q. What is your concern with the administrative charge DEU has imposed and is now**  
68 **proposing to reduce to \$3,000?**

69 A. Despite claims to the contrary, DEU has never justified it on a cost basis. The Company  
70 collects far too much money from the small TS customer. As Mr. Oliver explains in his  
71 testimony, the costs DEU seeks to recover through its Administrative charge are  
72 duplicative of costs already included in the Company's fully allocated costs. As an  
73 example, one small TS customer that has many meters currently pays \$250,000 each year  
74 in Administrative Charges. On the other hand, one large TS customer using in excess of 5  
75 Billion Cubic Feet of gas per year pays \$4,500. The small customer is not imposing 55  
76 times the cost on DEU that the large TS customer is imposing. This is a serious, non-  
77 cost-based burden that serves only to erode the economics of transportation service for  
78 smaller customers. As such, it is extremely anticompetitive.

79 **Q. Do DEU's charges to TS customers for Peak Hour SNG costs also contribute to the**  
80 **anticompetitive nature of the Company's current TS rates?**

81 A. Yes. This is an issue Mr. Oliver documents in his Surrebuttal Testimony and will address  
82 at hearing, but to the extent TS customers are charged for peak hour SNG costs when  
83 they do not contribute to them, this is a serious concern and must be viewed as another  
84 anticompetitive element of DEU's current TS policies.

85 **Q. Does this conclude your surrebuttal testimony?**

86 A. Yes.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Surrebuttal Testimony of Curtis Chisholm for the American Natural Gas Council in Phase II of Docket No. 19-057-02 was served by email this 6<sup>th</sup> day of January 2020 on the following:

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