

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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

**PHASE II SURREBUTTAL TESTIMONY OF**

**AUSTIN C. SUMMERS**

**FOR**

**DOMINION ENERGY UTAH**

January 6, 2020

**DEU Exhibit 4.0SR**

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1 I. INTRODUCTION

2 Q. Please state your name and business address.

3 A. Austin C. Summers, 333 South State Street, Salt Lake City, Utah 84111.

4 Q. Did you file direct testimony in this docket?

5 A. Yes. I submitted direct and rebuttal testimony on behalf of Questar Gas Company dba  
6 Dominion Energy Utah (“DEU”, “Dominion Energy” or “Company”).

7 Q. What is the purpose of your rebuttal testimony in this Docket?

8 A. The purpose of my rebuttal testimony is to address certain issues Mr. Oliver raised in his  
9 rebuttal testimony in this matter.

10 Q. What general areas does your testimony address?

11 A. My testimony addresses Mr. Oliver’s proposed changes to the TS class. Though it is  
12 important that the Company address changes in the TS class due to the recent influx of  
13 customers, modifications to the rate design for the TS class should be approached carefully  
14 and should be calculated to avoid exacerbating the current problems with the TS class and  
15 prevent future problems. I also address the pricing signals discussed in Mr. Oliver’s rebuttal  
16 testimony. Though witnesses offered rebuttal testimony relating to other issues, such as  
17 splitting the GS class, the peak/throughput allocator, and allocating design-day costs to  
18 interruptible customers, I addressed those issues in my rebuttal testimony, and will not  
19 reiterate that testimony here.

20 II. TS CLASS CHANGES

21 Q. Does the Company agree that the TS class rate design requires modification?

22 A. Yes. The current TS class cost of service and rate design has resulted in significant inter-  
23 class and intra-class subsidies. If the TS class composition were to remain the same, then the  
24 rate design would have to change in order to address these issues.

25 **Q. Should the Commission order the Company to split the TS class now?**

26 A. No. Though the Company sees value in many of the questions and recommendations that  
27 were offered in testimony in this case, no witnesses have provided sufficient evidence or  
28 analysis to show that their proposed changes would solve the current TS class problems now  
29 and in the future, or guide the Commission in issuing an order to split the class now. Indeed,  
30 the testimony in this case has raised more questions than answers. The only certainty in the  
31 current record is that the current TS class is not covering its full cost. I addressed this fact in  
32 my direct testimony and it has been largely uncontested. There is not sufficient data in the  
33 record to show that any particular split of the TS class would be just and reasonable.

34 **Q. What caused Mr. Oliver to propose a split of the TS class in this case?**

35 A. Mr. Oliver points to a series of data requests answered by the Company showing that when  
36 the TS class is split at 35,000 Dth, the small TS customers are currently paying rates that  
37 cover their costs. As a result of this data request response, Mr. Oliver is proposing that the  
38 TS class be split in this case and that any rate increases in the TS class should be assigned to  
39 the large TS customers using more than 35,000 Dth per year.

40 **Q. Do you agree with Mr. Oliver's proposal to split the TS rate class in this case?**

41 A. While I do believe there could be some merit to splitting the TS class, I disagree that it  
42 should be done in this case. As I mentioned in my direct testimony, due to the complexity  
43 and history of the rate classes and design, the goal for this case was to get each class to a  
44 point where it was paying its cost of service to eliminate inter-class subsidies. The intra-  
45 class subsidies should be eliminated in the next case after the parties have had the  
46 opportunity to analyze the data and with customers paying rates at full cost of service.

47 **Q. Why are you proposing that changes be made to the TS class in the Company's next  
48 general rate case instead of now?**

49 A. The Company believes it needs to be methodical in making these changes. Making a change  
50 before proper analysis can be done could result in unintended consequences for new  
51 transportation customers. The Commission should have evidence addressing the following  
52 objectives when determining how to split the TS class.

53 First, evidence should address the differences in customers and methods to split the class.  
54 The data requests mentioned by Mr. Oliver only split the TS class based on annual usage, but  
55 there are other ways to distinguish between customer groups including seasonal usage  
56 patterns, or commercial or industrial use. The class could even be split based on a mixture of  
57 these principles.

58 Moreover, even if a volumetric split is determined to be the best method to split the class,  
59 there is still disagreement on where that split should occur.

60 Parties should also address the continuity of rates through classes – a customer in a sales  
61 class should pay a similar Distribution-Non-Gas (“DNG”) bill regardless of which class  
62 they’re in. Mr. Oliver suggests the importance of continuity but has offered no evidence that  
63 his recommendation accomplishes this.

64 The Commission should also consider evidence related to cost causation. It is a central  
65 principle of ratemaking that customers who cause the cost should be charged for the cost.

66 In addition, parties should address whether new rate structures are designed so that they are  
67 efficiently charging existing and potential new customers. The Commission should select a  
68 rate design that is long lasting and will be accurate for many years.

69 Finally, the Commission should ensure that customers who remain in the sales classes are  
70 protected. Every customer that moves to a transportation class will no longer be contributing  
71 to the costs of gas supplies produced by Dominion Energy Wexpro (Company-owned  
72 Production). This results in remaining sales customers bearing a higher share of the fixed  
73 costs associated with these gas supplies.

74 **Q. Does the Commission have sufficient evidence on any of these points to support a split**  
75 **of the TS class in this case?**

76 A. No. In discovery, there were three different data requests that asked to see what the cost of  
77 service would look like if the TS class were split at 35,000 Dth, 100,000 Dth and 800,000  
78 Dth. These data requests, however, looked solely at cost of service and did not include any

79 analysis on rate design. In this proceeding, there has been no analysis performed or any  
80 proposals made on what the rate design should look like if the TS class was split. Splitting  
81 the TS class now would be premature and based on incomplete information. Further rate  
82 design analysis must occur before the class is split. This could happen before the Company's  
83 next general rate case.

84 **Q. In your rebuttal testimony, you mentioned that you welcome a collaborative process to**  
85 **determine the best path moving forward. Do you still believe such a process is**  
86 **important?**

87 A. Yes. I agree with Mr. Daniel that historic task forces have not been fruitful. However, if the  
88 Company's proposals are approved by the Commission, the TS class will be moving toward  
89 full cost and its makeup will stabilize such that a more detailed analysis can be done. The  
90 Company believes that, given the right guidelines, a collaborative group could effectively  
91 study these issues before the next general rate case.

92 **Q. Does the Company need to implement its proposed 35,000 Dth moratorium in order to**  
93 **properly analyze the future of the transportation customers?**

94 A. Yes. Mr. Oliver points out that if the small TS customers are paying rates that recover their  
95 share of the costs, they should be allowed to move to the TS class. His argument only  
96 addresses the cost causation objective above, and it only addresses cost-causation for the TS  
97 class. His argument does not address rate continuity through the classes, and whether a  
98 similarly-situated GS or FS customer is paying appropriate rates. He also doesn't address  
99 how to protect the remaining sales customers that are affected by declining sales volumes in  
100 relation to Company-owned supplies. Until these questions can be answered, the TS class  
101 should have the 35,000 Dth moratorium I outlined in rebuttal testimony. The moratorium  
102 will provide a consistent set of data to be analyzed before the next general rate case.

103 **Q. Mr. Oliver proposed that the TS class be split and that the small TS customers pay no**  
104 **increase, while the large TS customers pay the costs to move to full-cost rates. Does the**  
105 **Company’s proposal accomplish something similar?**

106 A. Yes. In the Company’s original proposal, it recommended that the TS class be brought to  
107 full cost rates through a percentage-increase to the volumetric rates of every TS customer. As  
108 I mentioned earlier, the Company also proposed to reduce the annual Administrative Charge  
109 by \$1,500. In my rebuttal testimony, the Company proposed a gradual, three-step increase to  
110 the volumetric portion of the rates but left the reduction in the Administrative Charge as an  
111 immediate change. The decreased Administrative Charge is a significant reduction to the  
112 total bill paid by small customers.

113 If the Commission accepts the Company’s current proposal, the smallest TS customers will  
114 experience a rate decrease for the first two steps of the gradualism approach, with rates  
115 settling at the point they are currently in the third step. The table below illustrates this point.

Customer Annual Usage	Current Bill	Step 1 Bill	Step 2 Bill	Full Cost	Step 1 % Increase	Step 2 % Increase	Full Cost Increase
3,000	\$ 7,312	\$ 6,627	\$ 6,858	\$ 7,321	-9%	-6%	0%
5,000	\$ 8,771	\$ 8,523	\$ 8,897	\$ 9,644	-3%	1%	10%
10,000	\$ 12,331	\$ 13,126	\$ 13,873	\$ 15,368	6%	13%	25%
15,000	\$ 15,319	\$ 16,937	\$ 18,022	\$ 20,194	11%	18%	32%
50,000	\$ 31,529	\$ 36,808	\$ 40,404	\$ 47,597	17%	28%	51%
100,000	\$ 51,965	\$ 61,356	\$ 68,478	\$ 82,724	18%	32%	59%

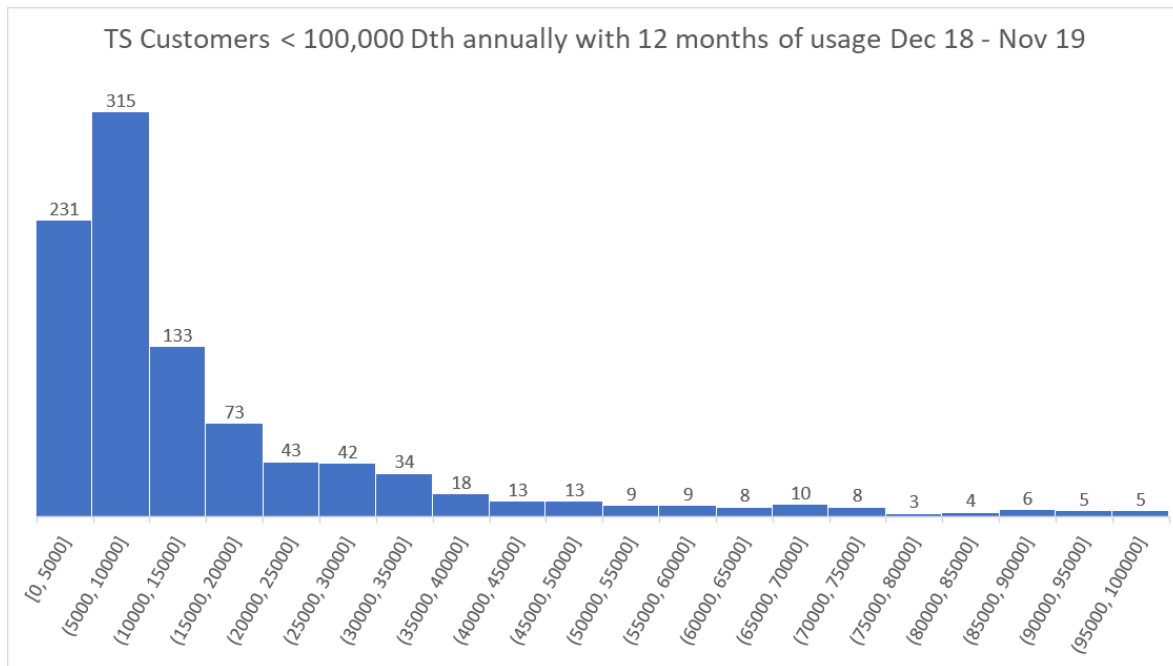
116  
117 A customer using 3,000 Dth on average will receive an immediate rate decrease and will  
118 receive an overall increase of 0% by the time the class is moved to full cost of service.  
119 Customers using 10,000 Dth will see an increase of 25% after the TS class is moved to full  
120 cost of service. Customers using 50,000 Dth and over will see the biggest increases because  
121 the percentage change increases as annual usage increases. In other words, the largest  
122 customers will pay the largest increase, much like Mr. Oliver proposes. This shows that the  
123 Company’s proposal is a reasonable solution while further analysis is performed. It should be  
124 noted that these rate increases are based on the Company’s proposed rebuttal revenue  
125 requirement position of \$17.5 million. Should the Commission determine a lower revenue  
126 requirement, these percentage increases would be lower for all the usage levels.

127 **Q. Have you attached the full analysis that is summarized in the table?**

128 A. Yes. The analysis is attached as DEU Exhibit 4.01SR.

129 **Q. How many TS customers are in each of the categories from the table above?**

130 A. The histogram below shows the annual usage of customers from December 2018 through  
131 November 2019. The median usage of the TS class is about 10,000 Dth.



132

133

### III. PRICE SIGNALS

134 **Q. Should the rates proposed in this Docket be used to convey price signals to customers?**

135 A. No. The rates that are being considered in this Docket are used to pay for DNG costs. The  
136 Company believes these costs should be assigned to customers based on the principle of cost-  
137 causation, not conservation. This logic leads to the Company's use of its current rate design  
138 that has been in place for several decades. Price signals should come from commodity costs,  
139 which are determined in the Company's semi-annual pass through filings. As the  
140 Commodity costs are a larger portion of a customer's bill, these costs provide an ample price  
141 signal for customers.



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

143 **A. Yes.**

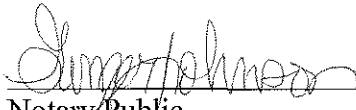
State of Utah )  
 ) ss.  
County of Salt Lake )

I, Austin C. Summers, 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.

  
Austin C. Summers

SUBSCRIBED AND SWORN TO this 6<sup>th</sup> day of January, 2020.



  
Notary Public