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

Brian C. Collins

On behalf of

Federal Executive Agencies

January 6, 2020

FEA Exhibit 4.0SR

BRUBAKER & ASSOCIATES, INC.

Project 10871

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Phase II Surrebuttal Testimony of Brian C. Collins

I. QUALIFICATIONS AND SUMMARY

I.A. Qualifications

Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A My name is Brian C. Collins. My business address is 16690 Swingley Ridge Road, Suite 140, Chesterfield, MO 63017.

Q WHAT IS YOUR OCCUPATION AND BY WHOM ARE YOU EMPLOYED?

A I am a consultant in the field of public utility regulation and a Principal with the firm of Brubaker & Associates, Inc. ("BAI"), energy, economic and regulatory consultants.

Q ARE YOU THE SAME BRIAN C. COLLINS WHO PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?

A Yes. On November 14, 2019, I filed Phase II Direct Testimony on behalf of the Federal Executive Agencies ("FEA"), including Hill Air Force Base ("Hill AFB").

I.B. Summary

Q WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A I will respond to the Phase II Rebuttal Testimony of Dominion Energy Utah ("DEU" or "the Company"), also known as Questar Gas Company ("QGC"), witness Austin C. Summers. I will also respond to the Phase II Rebuttal Testimony of James W. Daniel on behalf of the Office of Consumer Services ("OCS").

My silence in regard to any issue or testimony should not be construed as an endorsement of DEU's position or any other party's position.

II. CLASS COST OF SERVICE ("CCOS") STUDY

Q HAVE YOU UPDATED THE RESULTS OF YOUR CCOS STUDY PRESENTED IN YOUR DIRECT TESTIMONY?

A Yes. Based on further review of my modifications to the Company's CCOS study that I presented in my Phase II direct testimony, I determined that the allocation of accumulated depreciation to classes did not automatically update in the Company's CCOS study with my modifications to the allocation of

certain gross distribution plant. As a result, I have updated my CCOS study to reflect the appropriate allocation of accumulated depreciation to classes consistent with my allocation of gross distribution plant.

Q HOW DO THE RESULTS OF YOUR REVISED PROPOSED CCOS STUDY COMPARE TO THE RESULTS OF DEU'S PROPOSED CCOS STUDY?

A This is shown in Table 1 below. The main difference between my direct CCOS study and my revised CCOS study is that more costs are now allocated to the TS class and less costs are allocated to the GS class. However, the results of my revised CCOS study conclude that the cost to serve the TS class is still much lower than the cost to serve the TS class as indicated in the Company's CCOS study. My revised CCOS study results in a 2.89% increase to the TS class compared to a 42.40% increase for this class under the Company's CCOS study.

TABLE 1

Class Cost of Service Study Comparison

Rate Class	DEU Proposed[1] Present Non-Gas Revenues (1)	DEU Proposed[1] CCOS Incr./Decr. (2)	DEU Proposed[1] Percent Incr./Decr. (3)	FEA Proposed[2] Present Non-Gas Revenues (4)	FEA Proposed[2] CCOS Incr./Decr. (5)	FEA Proposed[2] Percent Incr./Decr. (6)
GS	$ 352,982,534	$ 3,273,048	0.93%	$ 353,297,375	$13,268,053	3.76%
FS	$ 2,733,561	$ 166,752	6.10%	$ 2,723,533	$ (180,975)	-6.64%
IS	$ 189,005	$ (32,815)	-17.36%	$ 187,405	$ (87,029)	-46.44%
TS	$ 28,974,801	$12,285,096	42.40%	$ 28,617,226	$ 828,399	2.89%
TBF	$ 1,597,518	$ 3,351,430	209.79%	$ 1,654,053	$ 5,289,761	319.81%
NGV	$ 2,649,353	$ 206,228	7.78%	$ 2,647,181	$ 131,530	4.97%
Total	$ 389,126,772	$19,249,740	4.95%	$ 389,126,772	$19,249,740	4.95%

Sources:
[1]DEU Exhibit 4.18
[2]FEA Cost of Service Workpaper - Surrebuttal

Q HAVE YOU USED THE SAME METHODS YOU DESCRIBED IN YOUR PHASE II DIRECT TESTIMONY FOR DEVELOPING YOUR REVISED CLASS REVENUE ALLOCATION?

A Yes. My CCOS study is still used as a guide for class revenue allocation. As explained in my Phase II Direct Testimony, I utilized the principle of gradualism and limited classes to an increase no more than 1.5 times the system average increase of 4.95%. This resulted in the TBF class receiving only a 7.42% increase, with the revenue difference being allocated to the other classes based on current total revenues. I then held classes that would get a rate decrease at full cost of service, to no change in current rates. This

revenue difference is then allocated to the remaining customer classes to lower their cost of service based increases.

My revised class revenue is shown in Table 2 below.

TABLE 2

Class Revenue Allocation Comparison

	DEU Proposed[1]			FEA Proposed[2]		
Rate Class	Present Non-Gas Revenues (1)	Proposed Incr./Decr. (2)	Percent Incr./Decr. (3)	Present Non-Gas Revenues (4)	Proposed Incr./Decr. (5)	Percent Incr./Decr. (6)
GS	$ 352,982,534	$ 5,152,407	1.46%	$ 353,297,375	$17,768,789	5.03%
FS	$ 2,733,561	$ 200,760	7.34%	$ 2,723,533	$ -	0.00%
IS	$ 189,005	$ (32,023)	-16.94%	$ 187,405	$ -	0.00%
TS	$ 28,974,801	$12,843,063	44.32%	$ 28,617,226	$ 1,192,961	4.17%
TBF	$ 1,597,518	$ 876,956	54.89%	$ 1,654,053	$ 122,737	7.42%
NGV	$ 2,649,353	$ 208,576	7.87%	$ 2,647,181	$ 165,253	6.24%
Total	$ 389,126,772	$19,249,740	4.95%	$ 389,126,772	$19,249,740	4.95%

Sources:
[1]DEU Exhibit 4.18
[2]FEA Cost of Service Workpaper - Surrebuttal

III. RESPONSE TO DEU WITNESS AUSTIN C. SUMMERS

Q MR. SUMMERS STATES AT PAGE 3 OF HIS PHASE II REBUTTAL TESTIMONY THAT WEIGHTING DESIGN DAY DEMAND BY 100% WOULD ASSIGN SIGNIFICANT COSTS TO CUSTOMERS WITH LOW LOAD FACTORS. HOW DO YOU RESPOND?

A Based on my CCOS study, the allocation of capacity costs associated with high-pressure feeder-line mains, pressure stations, measuring & regulating stations, and large-diameter intermediate high-pressure mains using 100%

Design Day Demand appropriately reflects cost causation. As indicated in my Direct Testimony, the Company does not design its system based on the load factor of customer classes. Costs are appropriately allocated to customer classes based on Design Day Demand because the Company's system is designed to meet the Design Day Demand of its customer classes. A Design Day Demand allocation appropriately reflects the allocation of capacity costs incurred by the Company to meet the peak demand of its customers. How efficiently a customer class utilizes the capacity constructed by the Company to meet classes' Design Day Demand is a function of that class's load factor – load factor does not reflect cost causation. The Company does not incur demand-related costs as a result of a class's load factor.

IV. RESPONSE TO OCS WITNESS JAMES W. DANIEL

Q MR. DANIEL INDICATES AT PAGE 5 OF HIS REBUTTAL TESTIMONY THAT ONE PROBLEM WITH DESIGN DAY DEMANDS IS THAT THEY DO NOT ASSIGN COSTS OF FEEDER MAINS, PRESSURE STATIONS, AND MEASURING & REGULATING STATIONS TO INTERRUPTIBLE CLASSES. DO YOU AGEE THAT THIS IS A PROBLEM?

A No. Interruptible customers should not be allocated any capacity-related costs of these facilities under a Design Day Demand allocation because the Company's system is not designed to meet the peak day demands of interruptible loads, when the system capacity is constrained. In effect, the

system capacity on peak days is dedicated to serving firm customers, and interruptible customers act as a supply-side resource to ensure that DEU's peak capacity is sufficient to meet its obligations to firm customers. Moreover, Design Day Demands are appropriate for capacity cost allocation because they reflect how the system capacity is designed, and as a result, how the Company incurs the capacity costs of installing equipment to meet classes' Design Day Demands. Interruptible demands are not included in the system Design Day Demands for capacity planning purposes.

Q ARE PEAK DAY DEMANDS THE ONLY FACTOR CONSIDERED IN PLANNING AND DESIGNING THE DISTRIBUTION DELIVERY SYSTEM?

A No. The Company must design its system to both have sufficient capacity to provide service on the Design Day Peak Demands, and it must also design its system to connect all customers. There is a cost associated with distribution feeder main length for connecting the interruptible class to the system that neither the Design Day Demand nor the peak and average ("P&A") cost allocation methods accurately capture.

Because the interruptible class is a small class with only 18 customers (the IS class represents only 0.05% of the total Company revenue), a special study could likely be performed to determine what capital investment cost for mains can be directly assigned to the interruptible class that reflects the costs of connecting interruptible customers to the Company's system. When costs

can be directly assigned to a class of customers, it should be done because this method would best reflect cost causation. A direct assignment of costs would eliminate concerns about whether the Design Day Demand or the P&A method appropriately allocates a portion of main costs to the interruptible class.

In this rate case, it should be recognized that regardless of whether 100% Design Day Demand or the P&A cost allocation method is used to allocate the costs of feeder mains, pressure stations, and measuring & regulating stations, both cost allocation methods result in decreases to the interruptible class. As a result, under my class revenue allocation proposal, the interruptible class would be held at current rates regardless of the cost allocation method used (100% Design Day Demand or P&A). For this instant rate case, concern over the allocation of costs to the interruptible class is not a reason to abandon and ignore cost causation for the other customer classes by allocating capacity-related costs to all classes on the P&A method.

Q MR. DANIEL AT PAGE 8 OF HIS PHASE II REBUTTAL TESTIMONY CRITICIZES THE DESIGN DAY DEMAND METHOD FOR ITS RESULTS. HOW DO YOU RESPOND?

A His main criticism of my CCOS study is that Design Day Demands allocate more costs to the GS class when my CCOS study is used to guide class revenue allocation as compared to the Company's CCOS study. This criticism

ignores cost causation. It is first important to determine each class's cost of service by allocating costs via a method that best reflects cost causation. Any concerns with respect to customer class impacts can then be handled with class revenue allocation after each class's cost of service is determined. The P&A method tries to temper impacts on classes first by introducing load factor into the cost allocation process. This is inappropriate. As indicated earlier, load factor measures how efficiently a customer class utilizes capacity once it is constructed to meet classes' Design Day Demand – load factor does not reflect cost causation. As a result, the P&A method does not best reflect cost causation.

My proposal first allocates costs to classes based on cost causation and then handles customer class impacts in the class revenue allocation phase by recognizing gradualism. Under my proposal, no class receives an increase greater than 7.42%. Classes that would have received decreases are held at current rates and the revenue difference is used to mitigate increases for other classes, including the GS class.

Q DO YOU HAVE ANY OTHER CONCERNS WITH THE P&A METHOD FOR ALLOCATING THE COSTS OF FEEDER MAINS, PRESSURE STATIONS, AND MEASURING & REGULATING STATIONS AS RECOMMENDED BY MR. DANIEL?

A Yes. The results of the Company's CCOS study which allocates costs based on the P&A method and its impacts on customer classes, particularly the GS and TS classes, are suspect when each class is examined in the context of the number of customers served in the respective class and their respective class Design Day Demand characteristics. Under the Company's CCOS study results, only 17% of the $19.2 million total Company increase, or $3.3 million, is allocated to the GS class despite the fact this class represents 80.2% of the total Company Design Day Demand and 99.8% of the Company's total customers, with over 1 million customers in the GS class. This contrasts to the TS class which receives 64% of the $19.2 million total Company increase, or $12.3 million, while representing only 14.6% of the total Company Design Day Demand and approximately 0.1% of the total customers on the system, or 1,168 customers. These statistics are summarized in Table 3 below.

TABLE 3

Company Proposed Class Cost of Service Study

	Customers (1)	Customers as % of System (2)	Design Day Demand (DDD) (3)	DDD as % of System (4)	Revenue Increase ($) (5)	Revenue as % of System (6)
System	1,066,348	100%	1,442,192	100%	$ 19,249,740	100%
GS Class	1,064,691	99.8%	1,156,610	80.2%	$ 3,273,048	17%
TS Class	1,168	0.1%	210,360	14.6%	$ 12,285,096	64%

The Company's CCOS study assigns approximately 3.75 times (where 3.75 = $12.3 million/$3.3 million) the dollar increase of the GS class to the TS class, despite the fact that the GS class has 900 times the number of TS customers and has a Design Day Demand that is 5.5 times the Design Day Demand of the TS class. This summary of the CCOS study results illustrates that the P&A method predominantly allocates cost on average demand and gives minimal consideration to the fact that capacity costs are incurred to serve system Design Day Demands. The GS class unjustifiably benefits from this shift in the allocation of system design day capacity costs.

A CCOS study that indicates that the GS class that has over 1 million customers requires much less of the total Company requested revenue increase ($3.2 million or 17% of the total Company $19.2 million increase) for service from DEU as compared to the increase ($12.3 million or 64% of the total Company $19.2 million increase) for the TS class with only 1,168 customers, is illogical. It costs much more to serve over 1 million customers

on the Company's system than it does to serve 1,168 customers on the Company's system.

Q MR. DANIEL ALSO INDICATES AT PAGE 5 OF HIS REBUTTAL TESTIMONY THAT THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL RECOGNIZES THE USE OF THROUGHPUT OR AVERAGE USAGE WHEN ALLOCATING DISTRIBUTION SYSTEM COSTS. HOW DO YOU RESPOND?

A Just because the NARUC manual recognizes the P&A method, does not make it the best method for allocating costs for a particular utility. It is important to point out that the NARUC manual actually recognizes that demand or capacity costs do not vary with throughput or annual usage. The manual specifically states at pages 23-24:

> They [capacity costs] are related to maximum system requirements which the system is designed to serve during short intervals and do not directly vary with the number of customers or their annual usage.

It is also important to recognize that though the manual presents the P&A method as one method known to be used to allocate distribution main costs, the NARUC manual does not advocate for the use of the P&A method. Furthermore, I am aware of utilities in several jurisdictions that utilize Design Day Demand to allocate the costs of mains to classes.[1]

[1]Georgia, Idaho, Indiana, Missouri, Montana, New Jersey, New York, North Dakota, Ohio, South Dakota, and Tennessee.

Q YOU INDICATED IN YOUR PHASE II DIRECT TESTIMONY THAT THE P&A COST ALLOCATION METHOD DOES NOT BEST REFLECT CLASS COST CAUSATION WITH RESPECT TO THE ALLOCATION OF DISTRIBUTION MAINS COSTS. COULD YOU FURTHER EXPAND?

A Yes. When allocating the costs of distribution mains to customer classes, there is a mismatch among how capacity costs are incurred by the Company, the per unit cost of capacity actually allocated to customer classes, and the amount of capacity the Company has put into place on its system to meet customer classes' Design Day Demands.

Q CAN YOU PLEASE ILLUSTRATE THIS MISMATCH WITH AN EXAMPLE?

A Yes. The mismatch between how capacity costs are incurred by DEU and how the per unit cost of capacity is actually allocated to classes under the P&A method is shown in Table 4. Table 4 below shows the amount of gross feeder distribution main plant cost allocated to each class under the P&A method, divided by the respective customer class Design Day Demand amounts. Under the P&A method, classes are allocated different per unit costs of capacity. The per unit capacity costs for classes do not match the average system cost of capacity. Further, the lower load factor classes must be subsidized by the higher load factor classes in order to receive firm service on the system peak day.

TABLE 4

Allocated Gross Plant Cost - Feeder Mains
Per Unit Cost of Design Day Capacity

Rate Class	Design Day Demand (Dth) (1)	P&A Allocation of Costs (2)	P&A Capacity Per Unit Cost (3)	Design Day Demand Allocation of Costs (4)	Design Day Capacity Per Unit Cost (5)
GS	1,156,610	$ 753,995,643	$ 652	$ 820,254,888	$ 709
FS	16,493	$ 13,644,260	$ 827	$ 11,696,498	$ 709
IS	0	$ 317,599	$ -	$ -	$ -
TS	210,360	$ 223,855,242	$1,064	$ 149,184,932	$ 709
TBF	58,000	$ 30,031,321	$ 518	$ 41,132,944	$ 709
NGV	729	$ 942,197	$1,292	$ 516,999	$ 709
Total	1,442,192	$1,022,786,262	$ 709	$1,022,786,261	$ 709

Specifically, the TS class is allocated a per unit main cost ($1,064 per unit) that is 50% more expensive than the system average per unit main cost of capacity ($709 per unit). Further, the GS class is allocated a per unit main cost of capacity ($652 per unit) which is an 8% discount to the system average main cost of capacity ($709 per unit). The TS class allocation results illustrate the significant premium this class is required to pay for system capacity, which provides a large subsidy to the GS class allocated cost of system capacity. This is inappropriate and causes a mismatch and/or subsidy of capacity costs allocated among customer classes.

Q WHY IS THIS INAPPROPRIATE?

A The Company doesn't incur different per unit costs of capacity to meet the Design Day Demands of customer classes. The same per unit capacity cost is

incurred by the Company to serve all customers, regardless of the customer class. It incurs capacity costs on an average basis. All classes should pay the same average system per unit cost of capacity in their rates. A Design Day Demand allocation of capacity costs to classes accomplishes this result and matches the allocation of capacity costs to classes with how the Company incurs the cost of capacity. All customer classes pay the same per unit cost of capacity under a Design Day Demand allocation. This is also shown in Table 4.

Q PLEASE EXPLAIN THE MISMATCH BETWEEN THE ALLOCATION OF DISTRIBUTION MAIN COSTS AND THE IMPLIED CAPACITY UTILIZED BY CUSTOMER CLASSES UNDER THE P&A METHOD.

A For example, under the P&A method, the GS class is allocated 73.7% of feeder main gross plant costs. However, the Company's design of its system requires that 80.2% of the main capacity be put into place to meet the Design Day Demand of the GS class. A P&A allocation of feeder main costs implies that only 73.7% of feeder main capacity is necessary to meet the peak demand, when in fact 80.2% of the capacity is necessary. If capacity were allocated to the GS class on a P&A basis, this class would not have enough capacity to meet its Design Day Demand. There is a shortfall in capacity for the GS class of 93,429 Dth under a P&A allocation. This is shown in Table 5.

With respect to the TS class, 21.9% of the feeder mains gross plant costs are allocated to the TS class under a P&A allocation. However, the TS class needs only 14.6% of the system capacity to meet its Design Day Demand. The TS class is allocated too much cost under a P&A allocation. It pays for 21.9% of the feeder main capacity gross plant cost when only 14.6% of the capacity is needed to meet its Design Day Demand. If feeder main capacity were allocated to the TS class on a P&A basis, this class would have too much capacity necessary to meet its Design Day Demand. The TS class has an excess amount of capacity equal to 105,290 Dth under a P&A allocation. This is also shown in Table 5.

The implied capacity paid for by classes does not match the amount of Design Day Demand capacity necessary to meet their demands. As a result, the P&A allocation is inappropriate for allocating costs to classes and does not reflect cost causation. Under a Design Day Allocation, the allocation of feeder main costs to classes matches the amount of capacity required to meet the Design Day Demands of customer classes. This is shown in Table 5.

TABLE 5

Design Day Capacity

Rate Class	Design Day Capacity (Dth) (1)	% of System Capacity (2)	Peak & Average Allocation: Implied P&A Allocation of Capacity (3)	Peak & Average Allocation: % of System Capacity (4)	Peak & Average Allocation: Excess/ (Shortfall) in Capacity (5)	Design Day Demand Allocation: Implied Design Day Demand Allocation of Capacity (6)	Design Day Demand Allocation: % of System Capacity (7)	Design Day Demand Allocation: Excess/ (Shortfall) in Capacity (8)
GS	1,156,610	80.2%	1,063,181	73.7%	(93,429)	1,156,610	80.2%	0
FS	16,493	1.1%	19,239	1.3%	2,746	16,493	1.1%	0
IS	0	0.0%	448	0.0%	448	0	0.0%	0
TS	210,360	14.6%	315,650	21.9%	105,290	210,360	14.6%	0
TBF	58,000	4.0%	42,346	2.9%	(15,654)	58,000	4.0%	0
NGV	729	0.1%	1,329	0.1%	600	729	0.1%	0
Total	1,442,192	100.0%	1,442,192	100.0%	(0)	1,442,192	100.0%	0

Q DOES THIS CONCLUDE YOUR PHASE II SURREBUTTAL TESTIMONY?

A Yes, it does.

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State of Missouri)
) ss.
County of Saint Louis)

I, Brian C. Collins, 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.

Brian C. Collins

SUBSCRIBED AND SWORN TO this 3rd day of January, 2020.

TAMMY S. KLOSSNER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Mar. 18, 2023
Commission # 15024862

Tammy S. Klossner
Notary Public