

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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IN THE MATTER OF THE APPLICATION OF	)	DOCKET NOS. 19-057-31 & 19-057-32
DOMINION ENERGY UTAH TO EXTEND SERVICE	)	Exhibit No. DPU 1.0 DIR
TO EUREKA, UTAH	)	Supplemental Direct Testimony
	)	of Eric Orton
	)	
	)	
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FOR THE DIVISION OF PUBLIC UTILITIES  
DEPARTMENT OF COMMERCE  
STATE OF UTAH

Supplemental Direct Testimony of

Eric Orton

May 27, 2020

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1 **INTRODUCTION**

2 **Q: PLEASE STATE YOUR NAME.**

3 A: Eric Orton

4 **Q: BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A: I work for the Division of Public Utilities (Division) as a Utility Technical Consultant.

6 **Q: DID YOU PREVIOUSLY FILE DIRECT TESTIMONY IN THIS DOCKET ON**  
7 **BEHALF OF THE DIVISION?**

8 A: Yes. On March 18, 2020, I submitted direct testimony in this docket.

9 **Q: WHAT IS THE PURPOSE OF YOU FILING SUPPLEMENTAL DIRECT**  
10 **TESTIMONY IN THIS DOCKET?**

11 A: Approximately one month after filing my direct testimony Dominion Energy Utah (DEU  
12 or the Company) filed supplemental direct testimony “to provide an update to the  
13 Company’s proposed change to its Utah Natural Gas Tariff No. 500 (“Tariff”) and  
14 withdrew Docket No. 19-057-32 which addressed the proposed GSE rate for the potential  
15 Eureka customers. The revised application included service lines as part of the proposed  
16 Rural Expansion Facilities Tracker. Also, the revised application treated the service line  
17 costs “in the same way” as the other costs which were originally included in 19-057-31.  
18 The Company also addressed issues raised in my direct testimony that I respond to.

19 **RECOMMENDATION**

20 **Q: PLEASE SUMMARIZE THE DIVISION’S POSITION FOLLOWING THE**  
21 **SUPPLEMENTAL FILING.**

22 A: The Division recommends approval of the application. The deficiencies identified in my  
23 original direct testimony are adequately addressed, rectified, and boundaries are set for  
24 cost containment before the project proceeds.

25 **Q: PLEASE SUMMARIZE THE COMPANY’S REQUEST IN ITS SUPPLEMENTAL**  
26 **FILING IN DOCKET NO. 19-057-31.**

27 A: Pursuant to Utah Code Ann. § 54-17-401 et seq. and §54-4-25, and Utah Admin.  
28 Code R746- 440-1 et seq., DEU asked the Commission for approval of its request  
29 to grant “the Company a Certificate of Public Convenience and Necessity to serve  
30 Eureka and surrounding areas” and “the resource decision to construct mains as  
31 described.” Also, it requested permission for “the Company to recover the costs  
32 associated with the Rural Expansion Facilities utilizing a Rural Expansion  
33 Tracker as described more fully herein; and approve the tariff changes set forth  
34 herein.”<sup>1</sup> In other words, DEU is seeking Commission approval to construct  
35 facilities to serve the Eureka area and approval for cost recovery for that  
36 investment in the format outlined.

37 **Q: WHAT AREAS WILL YOU BE ADDRESSING IN YOUR TESTIMONY?**

38 A: I will provide the Division’s position regarding the proposed expansion of service to the  
39 Eureka area through an interconnection with Dominion Energy Questar Pipeline (DEQP)  
40 and construction of a high-pressure feeder line, main lines to, and in Eureka, as well as  
41 the inclusion of services in the filing since the application has been supplemented.  
42 Specifically, this supplemental testimony addresses the Company’s supplemental  
43 application filed on April 15, 2020.

44 This testimony purposefully addresses a limited number of issues and silence on any  
45 issue should not be interpreted as support, neutrality, or opposition to that issue.

46 Additionally, I will not here address issues such as the necessity of a CPCN, the meeting

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<sup>1</sup> Application opening paragraph.

47 of the specified Utah Code provisions, and the proposed use of a Tracker mechanism for  
48 cost recovery, all of which I identified as shortcomings in my direct testimony.

49 **SHORTCOMINGS ADDRESSED**

50 **Q: WHAT PROJECT SHORTCOMINGS DID YOU ADDRESS IN YOUR DIRECT**  
51 **TESTIMONY?**

52 A: In my original direct testimony I was critical of the Company in the following five areas  
53 which I labeled as “shortcomings of the Eureka project”. Although I will not repeat the  
54 arguments and evidence to support these positions in this filing, in summary they were:

- 55 1. The Company’s team that made the recommendation to serve  
56 Eureka provided insufficient evidence of its work and decisions.
- 57 2. The Company provided the information to the potential Eureka  
58 customers of the expected benefits of its service but did not  
59 provided a clear delineation of the expected costs.
- 60 3. The Company’s optimism in estimating the number of connections  
61 may have exaggerated the revenue estimations.
- 62 4. The Company provided insufficient information regarding the  
63 possible safety hazards resulting from providing service to Eureka.
- 64 5. The plant project estimation did not provide enough substantial  
65 evidence to justify the interstate pipeline interconnection choice of  
66 DEQP, which the Company made.

67 **Q: DID THE COMPANY ADDRESS THESE SHORTCOMINGS IN ITS**  
68 **SUPPLEMENTAL FILING?**

69 A: Yes. Each one was addressed in the supplemental testimony of Mr. Summers.

70 **Q: DID THE COMPANY MAKE A COMMITMENT REGARDING**  
71 **SHORTCOMING NUMBER ONE, THE LACK OF EVIDENCE OF THE**

72           **RECOMMENDING TEAM’S DECISION-MAKING PROCESS IN FUTURE**  
73           **RURAL EXPANSIONS?**

74    A:     Yes. Beginning on line 267 of Mr. Summers testimony he states, “In future rural  
75           expansion dockets, the Company will clearly identify and demonstrate why the  
76           community was chosen for expansion.” The Division’s position is that a clear and  
77           adequate record be retained in these types of instances regarding the Company’s  
78           decision-making process, the criteria it used, and other quantitative data upon  
79           which it made its decision. Although, in this specific instance one cannot go back  
80           in time and recreate something that does not exist, rather the necessity and  
81           commitment to keep a good record of its criteria and decisions going forward will  
82           suffice for the Division’s purpose. The Division notes that in the future this  
83           identification and demonstration should be contained in the Company’s  
84           application when filed to facilitate a full and efficient record and evaluation.

85    **Q:     DID THE COMPANY MAKE A COMMITMENT REGARDING**  
86           **SHORTCOMING NUMBER TWO, LACK OF CLARITY IN PROVIDING REAL**  
87           **COST/BENEFIT ESTIMATES TO THE RESIDENTS OF EUREKA?**

88    A:     Yes. Beginning on line 291 of Mr. Summers testimony he states that the  
89           Company; “will encourage customers to hire a contractor of their choice and to  
90           obtain an estimate based upon their own individual needs and preferences” And  
91           added that it will “encourage customers to contact a qualified heating contractor.”  
92           The Company indicated that it would insert a FAQ sheet “into water bills in  
93           Eureka” and it “would also be provided to customers during the sign-up process.”  
94           The Division believes that these actions and this document will provide sufficient  
95           information to potential customers and make them aware that they will need to  
96           spend additional money in order to change or adapt appliances to allow for the  
97           introduction of natural gas. With this additional information, potential customers  
98           will be more likely to make informed decisions regarding this opportunity.

99 **Q: DID THE COMPANY MAKE A COMMITMENT REGARDING**  
100 **SHORTCOMING NUMBER THREE, LACK OF PRAGMATISM IN**  
101 **ESTIMATING THE NUMBER OF NEW CUSTOMERS?**

102 A: Yes. Beginning on Line 344 of Mr. Summers testimony he agrees with me that  
103 “The fact is, we don’t know what those customers’ preferences will be.” Also, he  
104 states that “Mr. Orton is correct: whether 190 or 360 customers sign up, it will  
105 have minimal impact on the overall cost of the rural expansion project proposed  
106 in this proceeding.” The Division’s intent in my original testimony was to  
107 provide clarity to the Commission showing actual customer interest based on the  
108 data provided which demonstrated a possible range of customers signing up for  
109 service, and the impact that variance may have on the success of the program.  
110 We believe that this information gives a more pragmatic view of the likely  
111 outcome of customers signing up for the Company’s service in the expansion.

112 **Q: DID THE COMPANY MAKE A COMMITMENT REGARDING**  
113 **SHORTCOMING NUMBER FOUR, LACK OF VERIFICATION OF SAFETY**  
114 **CONCERNS OF THE RESIDENTS PRIOR TO INITIATION OF SERVICE?**

115 A: Yes. Beginning on Line 365 of Mr. Summers testimony states that the Company  
116 had done additional work with the Mayor and city inspector who committed to  
117 “inspect each home or business and to give approval before the Company will  
118 install a meter.” Also, “[t]he Company will put the information in an insert that  
119 will be mailed with the customer’s water bill” addressing safety measures.  
120 Assuming the inspector is adequately qualified, and has the full support of the city  
121 administration, this commitment will satisfy the Division’s intent

122 **Q: DID THE COMPANY MAKE A COMMITMENT REGARDING**  
123 **SHORTCOMING NUMBER FIVE, THE LACK OF EVIDENCE JUSTIFYING**  
124 **THE PROPOSED INTERCONNECTION PLANT?**

125 A: Yes. Beginning on line 135 of Mr. Summers testimony he states; “The Utah  
126 Public Service Commission (“Commission”) can rely on Mr. Gill’s estimate for  
127 service line costs and, if the Company is in danger of materially exceeding that  
128 amount, it would seek Commission approval to do so.” In his testimony, Mr.  
129 Orton observed that, with regard to the cost of mains, “The Company not be  
130 allowed to recover more than [the cost estimate presented] without bringing to the  
131 Commission clear, justifiable evidence showing the necessity to exceed this  
132 limit.” Mr. Summers then made the reasonable inference that “[t]he same is true  
133 with regard to service line costs.” In other words, the Division and the Company  
134 are both in agreement that the original interconnect, mains, and now services must  
135 stay under the budget or the Company is required to seek separate Commission  
136 approval.

137 The Division’s original testimony stated that it was unable to document that the  
138 Company’s decision to interconnect with its affiliate was made with both  
139 potential supply providers receiving the same information, yet if the Company  
140 adheres to the lower of the two cost proposals, not as an estimate, but as a  
141 spending cap, this gives the Division a measure of comfort with regards to the use  
142 of ratepayer funds.

143 **Q: DID THE COMPANY SUFFICIENTLY ADDRESS EACH OF THESE**  
144 **SHORTCOMINGS IN ITS SUPPLEMENTAL FILING?**

145 A: Yes. Each one has been satisfactorily addressed in the supplemental testimony of  
146 Mr. Summers.

## 147 **SERVICE LINE INCLUSION**

148 **Q: OTHER THAN RESPONDING TO THE FILED TESTIMONY OF THE OFFICE**  
149 **OF CONSUMER SERVICES (OFFICE) AND THE DIVISION, WHAT ELSE HAS**  
150 **THE SUPPLEMENTAL TESTIMONY PROVIDED SINCE THE ORIGINAL**  
151 **FILING?**



152 A: In 2020, the Legislature approved HB 129, which broadened the definition of  
153 “rural gas infrastructure” in Utah Code Ann. § 54-17-401: “the acquisition,  
154 planning, development, extension, expansion, and construction of natural gas  
155 utility facilities to serve previously unserved rural areas of the state.” The  
156 Company has interpreted this to mean that it can now seek Commission approval  
157 to include service lines in its extension area filings.

158 This change also resulted in the cancellation of Docket No. 19-057-32. In that  
159 docket, witnesses from both the Division and Office recommended that the  
160 Company’s proposal to use its pre-tax rate of return as the interest rate should be  
161 denied. The Company’s supplemental proposal resolves these concerns by  
162 eliminating that proposal and including the costs of service lines in the proposed  
163 tracker.

164 **SUMMARY**

165 **Q: PLEASE SUMMARIZE YOUR TESTIMONY AND THE DIVISION’S**  
166 **RECOMMENDATIONS.**

167 A: The Division supports the extension of natural gas service to rural communities in  
168 principle if there is sufficient evidence to support the extension and costs are  
169 justified and reasonable. The Company still has the burden of proof of just and  
170 reasonable rates based on substantial evidence. This is the first time this statute  
171 has been used and it should be reviewed with full information well supported  
172 documentation and substantially justified assumptions.

173 In its supplemental filing, the Company has provided additional safeguards and  
174 commitments and the Division can now recommend that the Company be granted  
175 permission to extend service to the Eureka area. The application should be  
176 approved based on the Company’s commitments, which, if followed, will  
177 adequately address the Division’s initial list of inadequacies.

178           The Division now can say the proposal in this supplemental filing is in the public  
179           interest. The Division supports extending service to Eureka as a prudent decision,  
180           just, reasonable and adequate.

181    **CONCLUSION**

182    **Q:    DOES THAT CONCLUDE YOUR TESTIMONY?**

183    A:    Yes.