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Memorandum

To: Public Service Commission of Utah
From: Utah Division of Public Utilities
Artie Powell, Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Eric Orton, Utility Technical Consultant
JJ Alder, Utility Analyst
Bhavana Venjimuri, Utility Analyst
Date: June 22, 2020
Re: **Docket No. 20-057-11**, Cost of Service & Rate Design Issues for Dominion Energy Utah.

Recommendation (Acknowledge with Recommendation)

This memorandum is offered by the Utah Division of Public Utilities (Division or DPU) to the Utah Public Service Commission (Commission or PSC) and is the “DPU’s Report” as ordered by the PSC in its Preliminary Scheduling Order issued May 28, 2020.

The Interested Parties as defined in that same order have met as directed in two Scoping Meetings on June 8, 2020, and on June 15, 2020 to discuss the issues in this docket and the associated proceeding. The DPU’s Report was ordered to include a summary of the progress and outcome the parties had made at the Scoping Meeting and a stipulated proposed schedule for additional proceedings in this docket. The order also stated that “Interest Parties agreed that parties will use their best efforts to timely respond to informal discovery requests and preferred this Preliminary Scheduling Order refrain from establishing a specific number of days for a party

to respond. The Interested Parties further agreed no intervention deadline is yet necessary or appropriate in this docket.” This report will also address the Interested Parties consensus on these two topics. Since the Parties have reached agreement on a schedule for future proceedings, the Commission should issue a scheduling order as outlined.

Background

On July 1, 2019, Dominion Energy Utah (Dominion, Company, or DEU) filed its General Rate Case (GRC), Docket 19-057-02. One of the main issues in this case centered on the desire to bring the transportation class to full cost of service and determine if there is an intra-class subsidy. The Commission found that “the current posture regarding TS intra-class issues precludes us from making findings requisite to address these issues adequately in this case.”¹ The Commission determined that a review of these issues in a separate proceeding would be appropriate and reasonable and established the current docket.

On May 27, 2020, the PSC held a telephonic scheduling conference. Representatives from DEU, DPU, the Office of Consumer Services (Office or OCS), the American Natural Gas Council (ANGC), the Utah Association of Energy Users (UAE), and the Federal Executive Agencies (FEA), (collectively referred to in the PSC order as Interested Parties) participated.

The scheduling order directed the DPU to file a report (DPU’s Report) with the PSC on or before June 22, 2020 outlining a proposed schedule.

Issue

Interested parties discussed and stipulated to the initial schedule and deadlines as follows:

- June 24, 2020 – DEU to provide all parties with preliminary data necessary to begin the evaluation process.
- July 8, 2020 – Scheduled meeting to review TS and GS class and discuss different methods and ideas for a possible split if the classes.
- August 12, 2020 – Scheduled meeting to review TBF criteria

¹ Report and Order, Docket No. 19-057-02, February 25, 2020, page 45.

- August 31, 2020 – Intervention Deadline
- September 9, 2020 – Scheduled meeting, topics TBD
- October 2020 through June 2021 - Meetings to be determined as Interested Parties' schedules become available
- Status Conference – March 17, 2021
- July 1, 2021 – Final report due to the Commission

Discovery Turnaround – 21 Days

General topics to be discussed during the scheduled meetings are as follows (with more details in the following section):

- TS Class
- GS Class
- Plant Allocation
- Design Day
- Firm Demand Costs
- A&G Expense Allocation
- Peak Hour Allocation
- TBF Class
- TS Class Open Enrolment
- TS Class Administration Charge
- Sources of Data
- Schedule

Discussion

On June 8 and 15, 2020, the Interested Parties participated in Scoping Meetings to discuss issues in this docket and the associated process before the PSC. The Division was tasked with keeping notes and specifying decisions made by the group for submission to the PSC. This report is solely the DPU's report and unintentionally may not be entirely comprehensive or representative

of all Interested Parties' input, nonetheless, the Division believes that it does capture the essence and intent of the items discussed and is an accurate listing of the schedule going-forward.

The following are the Division's notes of the June 8 and June 15, 2020 meetings.

Meeting Summary – 6/8/2020, 6/15/2020

Interested Parties: American Natural Gas Council (ANGC), Dominion Energy Utah (DEU), Utah Division of Public Utilities (DPU), Utah Office of Consumer Services (OCS), United States Air Force (USAF), Utah Association of Energy Users (UAE).

Discussion: Parties discussed the current consolidated list of potential issues brought up in Commission order for Docket 19-057-02. Ideas for how to proceed as well as future scheduling dates were addressed. Parties also discussed that any party suggesting an item to study should be prepared to do any necessary research and report the results to the group.

TS Class – “Issues associated with the TS class may be further explored in the cost-of-service and rate design docket we establish in this order.” Order, Page 35

Discussions encouraged all parties to think about where, or how, to “split” within the TS class (i.e., Dth?). DEU acknowledged that the bulk of time spent on this docket will depend on the number of requests for this issue. Intra-class subsidies were discussed.

Parties who desire analysis were invited to the July 8th meeting in order to request specific analysis. This is to provide the Company time to complete the analysis in this proceeding.

GS Class – Not ordered to study, however, DEU proposed it should be looked at.

- New Block Breaks – “DEU’s proposed rate design does not include an analysis of the relationship between usage levels and cost responsibility.”
- Residential/Commercial split

- Parties seeking analysis on this topic will come to the July 8th meeting with details, suggestions, and requests related to this topic

Allocations based on General Plant (Order, Page 27)

- OCS proposed account 403 be allocated differently, however it recommended that it be examined as part of the next GRC and not part of this proceeding.
- “Without a more comprehensive analysis of the allocation of all General Plan related accounts, we find it would not be reasonable in this docket to change the allocation of Account 403”

OCS requested that no one be limited to raising further issues should they come up. Thus the issues are not capped to only what is discussed at the scoping meetings. It was agreed that these meetings are just a starting point and that DEU is willing to work through any additional issues should they arise. However, the parties acknowledge that some analysis takes considerable time and that DEU may not be able to conduct a thorough analysis of topics brought up later in the docket.

DEU noted that these studies will be based on the same data sets used for the last rate case.

Design Day

- Currently DEU uses the forecast of peak day to allocate costs to classes
- Need to show “actual peak data” (Order, Page 28)
- “To the extent there is a disagreement on this issue, we also find it is a reasonable topic for discussion in the cost-of-service and rate design docket we establish in this order.”

DEU stated they would come up with an approach to estimate peak day. This approach will be discussed at the July 8th meeting. At the continued scoping meeting on June 15th, UAE also suggested that the parties explore the use of a peak hour allocator to allocate peak costs.

Have costs of firm demand caused people to drop firm? (Order, page 29)

- “If the decisions, in this case, result in the transfer of a material amount of firm TS contract quantity to interruptible status, we direct DEU through the cost-of-service and rate design docket we establish in this order to develop a cost-based evaluation of the optimum level of interruptible service for DEU’s system”

DEU stated they would report on the changes between 2019 and 2020 at the July 8th meeting.

UAE suggested that there should be an analysis of the allocation of costs between demand and volumetric in the TS class. This topic has not been scheduled at any of the upcoming meetings as yet, but it is expected to be addressed as the proceeding continues.

A&G Expense Allocation

- “ANGC argues that, based on the types and magnitude of the costs covered under the A&G category, many of the activities and associated costs covered under Account 923-outside services have no cost-causative relationship to DEU’s gross plant investment, and that the Gross Plant factor base data includes not only distribution plant but also production gathering plant and intangible plant. We find that this issue warrants further evaluation in the cost-of-service and rate design docket we establish in this order, and we direct parties to address it in that docket.”

All parties agreed to include this topic as part of this Docket. No party committed to study this issue in the scoping meeting and it has not been scheduled for discussion in any future meetings, but will be scheduled into the discussions as the meetings develop.

Allocation of Peak Hour Costs to MT and IS Customers (Order, Page 42)

- “The question of whether to apply this charge to the MT or IS customers is an element to be evaluated in the cost-of-service and rate design docket we establish in this order.”

DEU said that it will provide load profiles for MT and IS customers to help parties decide whether those classes should be subject to the peak hour costs. This data will be provided to parties on or before June 24th. The topic was not scheduled for discussion in the scoping meeting, but will be scheduled into the discussions as the meetings develop.

TBF class – “DEU should review and update its cost evaluation related to the TBF rate”

DEU agreed to address this issue in the August 12th meeting.

Open enrollment process for TS Customers and Admin Charge (page 6 of the April 14 2020, order denying petitions for agency review and rehearing of the PSC’s February order).

- “However, we recognize, and intend to be clear in our February Order, that both issues raised by ANGC will be included as part of the evaluation of the TS class composition and other cost allocation issues associated with rate classes in a separate proceeding following the February Order.”

ANGC stated their concerns for the rising cost of new meters as well as the cost to convert from GS to TS class. No party committed to study this issue in the scoping

meeting and it has not been scheduled for discussion in any future meetings, but will be scheduled into the discussions as the meetings develop.

Administrative Items Discussed

1. Data used for analysis
 - a) Model – Final model submitted to Commission in Docket No. 19-057-02
 - Step three rates are closest to what will be in effect at the time of filing the next general rate case.
 - b) COS studies – data pulled from the last general rate case
 - c) All data will be refreshed when DEU files its 2022 general rate case
 - d) The Company stated it could take up to four months to gather and distribute the data to parties in cost of service and rate design scenarios
2. Scope of study
 - a) Some issues, such as TS and GS class splits will take time and must be determined upfront
3. Future meetings
 - a) COS results will take several months depending on the request
 - b) DPU suggested scheduling a technical conference toward the end of the timeline, no need for interim technical conferences
 - c) All parties agreed to monthly meetings
 - Second Wednesday of June, July, August, and September
 - Future dates of meetings will be discussed as they get closer and everyone's calendars become available
4. Deadlines
 - a) Interested Parties agreed on the following preliminary deadlines
 - Intervention – 8/31/2020
 - Discovery Turnaround – 21 days
5. Reporting any interim results to the Commission

- a) DEU suggested a Status Conference Update for 3/17/2021
- 6. Final product to the Commission
 - a) Due Date, 7/1/2021
 - Company will need to refresh all data for 2022 rate case beginning summer of 2021

Schedule of upcoming meetings:

- June 24 – DEU will provide data to all parties regarding the size and load factor of all customers in the TS, TBF, IS, and MT classes. The Company will show charts, but will also include the monthly data. Parties should review and come to the July 8th meeting with proposals of how they would split the TS class. DEU is currently working on the data and if it becomes available, they will distribute it to the parties before June 24, 2020.
- July 8 – Review ideas from all parties on how to split the TS class
 - a) Determine scenarios that will be analyzed for the TS class, based on how various parties want them to be split.
 - b) Review ideas from all parties on how to split the GS class – Residential/Commercial – what constitutes each?
 - c) Peak Day Allocation Factor - DEU will propose an approach to estimating a peak day allocator and will compare it to the results that are determined by the current design day allocator
 - d) Changes in firm demand – DEU will compare firm demand of current customers from 2019 (before the new demand charges) and 2020 (after the rates went into effect). This will likely be reviewed again in 2021.
 - e) Other topics to be determined
 - Note: If the TS and GS class discussions take too much time, DEU will move items ‘d’ and ‘e’ to the following meeting.

- August 12 – TBF class criteria – DEU will present the breakeven analysis used to determine the TBF qualification criteria.
 - a) Other topics to be determined
- September 9 – Topics to be determined

Conclusion

Interested Parties met in two Scoping Meetings to refine the topics of discussion in this docket and offer input into the DPU report. As topics were discussed, the timeline and schedule was addressed. The intervention deadline and discovery turnaround dates were also determined. Since the Parties have reached agreement on a schedule for future proceedings, the Commission should issue a scheduling order as outlined.

Cc:
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