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. 22-057-03

DIRECT TESTIMONY OF

AUSTIN C. SUMMERS FOR

DOMINION ENERGY UTAH

May 2, 2022

DEU Exhibit 4.0

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I. INTRODUCTION

Q. Please state your name and business address.

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

Q. By whom are you employed and in what capacity?

A. I am employed by Dominion Energy Utah ("Dominion Energy," "DEU" or "Company") as the Manager of Rates and Regulation. I am responsible for cost allocation, rate design, gas cost adjustments, and forecasting. My qualifications are detailed in DEU Exhibit 4.01.

Q. Were your attached exhibits DEU Exhibit 4.01 through DEU Exhibit 4.20 prepared by you or under your direction?

A. Yes, unless otherwise stated. Where otherwise stated, my exhibits are true and correct copies of the documents they purport to be.

Q. What general areas does your testimony address?

A. I discuss several matters including (1) the Company's class cost-of-service ("COS") studies; (2) the Company's rate design proposals; and (3) the proposed allowed revenue under the Conservation Enabling Tariff ("CET").

II. INTERIM STUDIES AND CHANGES TO RATES

Q. Did you participate in the Cost of Service and Rate Design Docket Task Force ("Task Force") required by the Utah Public Service Commission's ("Commission") Report and Order issued on February 25, 2020 in Docket No 19-057-02 ("the 2019 Rate Case")?

A. Yes. The interested parties met with the Company in early June 2020 to identify the items to be studied. Subsequently, interested parties met eight times under Commission Docket No. 20-057-11 and discussed various issues. A detailed summary of those

meetings, as well as the presentations from each of those meetings can be found on the Commission's website.[1] The key events of that Docket are summarized below:

May 19, 2020 – Parties met in a scheduling conference and determined that a scoping meeting should be held to determine what issues the Parties should study.

June 8, 2020 – Interested parties participated in the first scoping meeting.

June 15, 2020 – Interested parties participated in a second scoping meeting.

June 22, 2020 – The Utah Division of Public Utilities ("DPU" or "Division") filed a Scoping report.

July 8, 2020 – Interested parties met and discussed:

- Data about TS class annual usage and load factors;
- Possible ways to divide the TS class; and
- Design-Day vs Actual Peak-Day for an allocation factor.

August 12, 2020—Interested parties met and discussed:

- The purpose of the TBF class;
- The calculation of TBF break-even;
- A review of proposals to split GS and TS classes;
- Insights on use of load factor; and
- Substance and methods for cost-of-service ("COS") studies.

October 14, 2020—Interested parties met and discussed:

- Ways to split the GS class; and
- Data presented showing usage, load factor, and plant cost differences between GS customers.

November 10, 2020—Interested parties met and discussed:

- Results of COS studies for TS class splits;
- Rate design components; and
- Rate design ideas for new TS classes.

January 13, 2021—Interested parties met and discussed:

- TS Class rate design results and comparison to current rates

1 https://psc.utah.gov/2020/05/19/docket-no-20-057-11/

February 10, 2021—Interested parties met and discussed:

- How demand charges are used in rate making; and
- The calculation of demand charges.

March 17, 2021 – The Company presented a status update to the Commission.

April 14, 2021—Interested parties met and discussed:

- the calculation and components of the Administrative Charge; and
- The Company's process for signing up TS customers annually instead of any time during the year.

Q. Did the interested parties reach any agreement?

A. No. While the meetings were collaborative and the interested parties gained an increased understanding on each of these issues, there was no final consensus reached between the participants on the studied issues.

Q. Did the Company include any of the work from the Task Force in the analysis in this docket?

A. Yes. The COS and rate design proposal advanced in the Application is one of the options discussed in the Task Force. The Company also agreed that it would include, as part of its Application in this Docket, any additional proposals that were discussed during the Task Force. Accordingly, the Company has included an alternate scenario to divide the TS class, one that the Utah Association of Energy Users ("UAE") proposed. I discuss that scenario in the Rate Design section below.

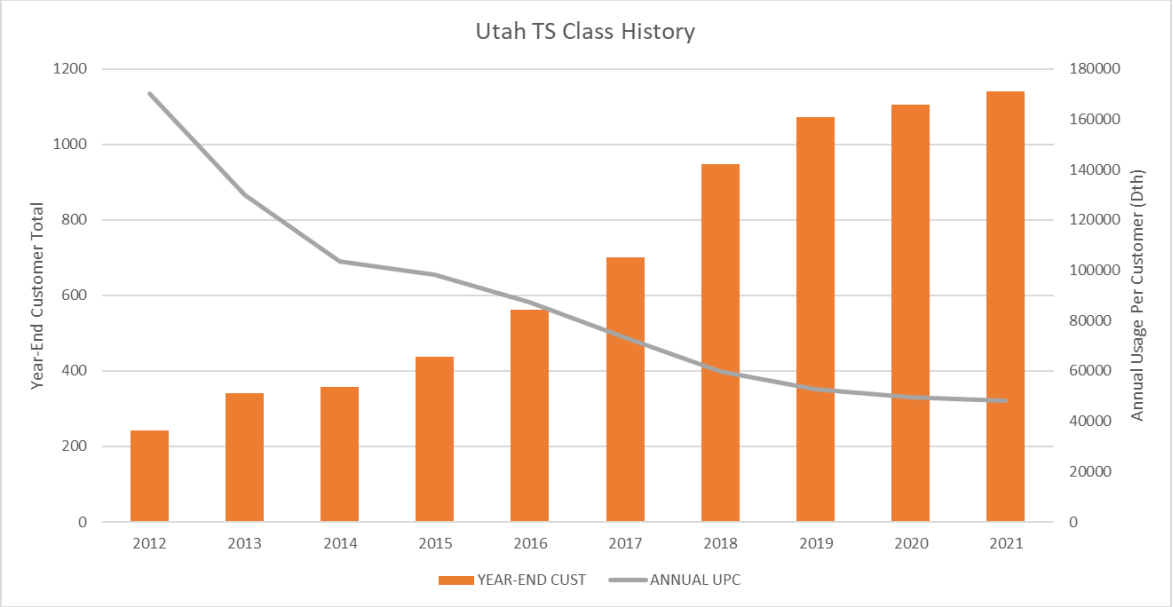
Q. Has the Company moved all classes of customers to full cost rates as ordered in the Commission's February 25, 2020 Report and Order in Docket No. 19-057-02?

A. Yes. In the 2019 Rate Case, the Commission ordered that the TS class would be brought to full cost in three steps. The first step occurred when the rates from Docket No. 19-057-02 went into effect on March 1, 2020. The second step occurred on December 31, 2020, in conjunction with the Company's application to change the Infrastructure Rate Adjustment in Docket No. 20-057-21. The third step occurred on November 1, 2021, in conjunction with the Company's application to change the Infrastructure Rate

Adjustment in Docket No. 21-057-19. Now, all current classes of customers are paying rates that are closer to full cost than they were in the 2019 Rate Case.

Q. Did this rate increase reduce the number of customers moving from sales classes to the TS class?

A. The chart below shows that the rate of customer growth in the TS class has slowed down since the Company's 2019 Rate Case. The cause of that slowed growth is not clear.



Q. Have customers in the Transportation classes changed their contracted firm demand since the firm demand charge went up in the 2019 Rate Case?

A. Yes. Eight customers increased their contracted firm demand by a total of 274 Dth since July 2019. In that same time, ten customers reduced their contracted firm demand by a total of 648 Dth, which is 0. 26% of the total contracted firm demand. One additional industrial customer reduced its firm demand by 5,525 Dth, which is 2.18% of the total contracted firm demand.

Q. Do you consider these changes in firm demand to be material?

A. No. Most of the interruptible customers did not make any changes to their firm demand.

Q. Did the Task Force develop a cost-based evaluation of the optimum level of interruptible service for DEU's system?

A. No. During the Task Force, the one large customer had not reduced its contracted firm amount. This made the changes appear to be even more immaterial than what is described above. Therefore, no analysis was performed to determine the optimum level of interruptible service for DEU's system.

III. CLASS COST OF SERVICE STUDIES ("COS STUDIES")

A. Class Cost of Service Studies

Q. Is the Company proposing any changes in its proposed COS?

A. Yes. Most significantly, the Company proposes to break the transportation class into three subclasses: a small class, a medium class, and a large class. The DPU originally proposed this split based on annual usage levels. As proposed the Transportation Service Small ("TSS") class would include customers using up to 25,000 Dth/year. The Transportation Service Medium ("TSM") class would include customers using between 25,000 Dth/year and 250,000 Dth/year. The Transportation Service Large ("TSL") class would include customers using more than 250,000 Dth/year. I discuss, below, how the Company decided to propose splitting the transportation class and how costs are allocated between these new transportation classes.

Q. Would you please explain the approach the Company used for the COS Studies?

A. Yes. I performed a complete series of COS Studies for the General Service ("GS"), Firm Sales ("FS"), Interruptible Sales ("IS"), TSS, TSM, TSL, Transportation Bypass Firm ("TBF"), and Natural Gas Vehicle ("NGV") rate classes. Notably, there is only one Municipal Transportation ("MT") customer. I included the MT customer in the TSM class for purposes of the COS Studies.

Q. Did you perform COS studies for the Transportation Service ("TS") class as it exists now?

A. Yes. Rather than creating new models for each COS study, the three new classes can simply be summed to show the results for the combined class. The results are included in the Company's electronic model included as DEU Exhibit 4.20.

B. Allocation Factors

Q. Please describe the allocation factors used in the COS Studies.

A. The Company uses 30 allocation factors in performing its COS Studies. DEU Exhibit 4.02 provides a brief description of each allocation factor. I specifically discuss the Distribution Plant Factor, the Distribution Throughput Factor, and the Design-Day Factor in greater detail below.

C. Distribution Plant Factor Study

Q. Please describe the Distribution Plant Factor Study.

A. The Distribution Plant Factor Study is an analysis of distribution plant installed to provide service to customers in each rate class and is attached to my testimony as DEU Exhibit 4.03. The types of distribution plant analyzed are meters, regulators, service lines and small diameter (6 inches and smaller in diameter) intermediate high pressure (IHP) main lines. The Distribution Plant Factor Study uses a random sample of 5,243 active meters to measure the average amount of plant installed for each meter type. In response to recommendations from the cost-of-service and rate design task force established in Docket No. 02-057-02, larger capacity meters are sampled at much higher rates than smaller capacity meters. Studies of this nature have been a central aspect of the Company's COS studies since the mid-1960s.

Q. Please describe the changes to the Distribution Plant Factor Study since the 2019 Rate Case.

A. The random sample of active meters described above is used only for the GS class, where the bulk of the customers reside. In all other classes, the Company measured every active customer, instead of conducting a random sampling. DEU also updated the current cost levels for each type of facility in the analysis. Finally, the Company used

the book values as of December 31, 2021 for each plant category to keep the various aspects of the analysis in balance and matched to actual book value.

Q. How did the Company determine the amount of plant required to serve customers?

A. DEU evaluated each meter selected for the plant study using information from the Company's Customer Care and Billing ("CC&B") system, engineering files, and the Graphical Information System ("GIS"). The Company then determined the costs to reproduce the meter set, service line and the portion of main line attributable to the selected meters based on current cost estimates.

Q. How did DEU determine the amount of main line attributable to the selected meters?

A. The study examined the main line directly connected to the service line serving a selected meter. Specifically, the study examined the main line within 1,000 feet of a service-tap point. Usually this translates into 500 feet in each direction. DEU recorded the length of each size of main line within the 1,000 feet, along with the number of service-line taps within the 1,000 feet. For example, DEU Exhibit 4.03, page 1, shows the map from the GIS for an individual selected meter. The map for this meter, designated with a star, includes the measurements for main (95 feet of two-inch main line, and 905 feet of one-inch main line, with 31 service taps), and service line (67 feet of 1/2-inch service line). The Company then priced the main line attributable to this meter (1,000 feet/31 taps, or 32 feet) at current cost.[2] The cost associated with the identified main line divided by the number of meters on the identified service lines is included in the Distribution Plant Factor Study.

Q. Why did Dominion Energy select 1,000 feet for the main line measurements?

A. The Company selected 1,000 feet as the measured length to have a full picture of the character of the area surrounding a customer's premises, including street crossings, while excluding characteristics that would likely be distinct between neighborhoods.

[2] There is one exception to this methodology. If main with a diameter greater than six inches is found in the sample, the excess cost above the cost of six-inch main line is excluded. These excess costs are allocated using the Distribution Throughput Factor discussed later in my testimony.

Experience has shown that longer measurement lengths have a tendency to include dissimilar neighborhoods, while shorter lengths tend to capture too few or no intersection crossings. Also, the effort required to perform this analysis increases substantially as the measurement length increases. One thousand feet produces reliable information regarding the size of mains installed in the vicinity of a customer, as well as the local density of customers attached to the same main. Additionally, the use of 1,000 feet is consistent with the methodology employed since the early 1980s.

Q. How did DEU determine the service line cost?

A. The Company recorded the length and size of the service line that serves each selected meter. For the selected meter shown on DEU Exhibit 4.03, page 1, the service line associated with this meter was 67 feet of one and 1/2-inch pipe. The length of service line was then multiplied by the current cost for the identified pipe size.

Q. How did DEU determine the meter and regulator costs?

A. For each active meter installed in the system, the Company identified a comparable model that is currently used by the Company. It then determined the current cost for the comparable model, along with standard ancillary facilities. This current total cost was then assigned to the selected meters.

Q. How did Dominion Energy establish the current cost levels?

A. The Company's Distribution Engineering Department provided the current cost figures for each component included in the analysis. The costs for IHP main and service lines are based on the actual pricing in effect for 2021, weighted by the footage installed in 2021. The costs for high-pressure service lines are based on recent actual projects adjusted to 2021 price levels. The current costs for meter sets are based on current engineering estimates for standard meter sets of like size. DEU Exhibit 4.03, page 2, lists the cost data for main, service line, and meter sets used to price the facilities identified through the sample measurements.

Q. How was the set of selected meters used to establish the small-diameter IHP main investment by rate class?

A. DEU Exhibit 4.03, page 3, shows the calculation of plant investment for small-diameter mains for each rate class. Column C, lines 1-39, shows the average investment in mains by installed meter capacity rating at current cost. DEU multiplied these average values by the number of active meters in each rate class. The products of these calculations are shown in columns D through L, lines 1-39. The unadjusted total for each rate class is shown on line 40. The sum of the values on line 40 is shown in column M. The total in column M, line 40, represents the total main-line investment at current cost attributable to the customers receiving service under the rate classes included in the COS Study. The next step was to proportion this total to match the book investment for small-diameter mains (column N, line 40). The percentage reduction required to proportion the unadjusted total investment (column M, line 41) to equal the book investment was then applied to each line of column N to arrive at the adjusted class totals shown on line 41.

Q. How was the set of selected meters used to establish the service-line and meter/regulator investment by rate class?

A. DEU Exhibit 4.03, page 4, shows the calculation of plant investment for service lines for each rate class. DEU Exhibit 4.03, page 5, shows the calculation of plant investment for meters/regulators for each rate class. The service-line and meter/regulator investment by rate class was calculated in the same manner as described above for small diameter IHP mains.

Q. Why are the plant investment values, calculated at current cost, proportioned down to match book cost?

A. The Company performs this step as part of the study to ensure that no component of plant (main, service or meter) is given too much weight when the three components of the Distribution Plant Factor Study are combined. While the investment costs to serve a customer are calculated using current replacement costs, the rates used for cost recovery are based on historical accounting book costs. In order to synchronize the current replacement costs with the book value, the costs are proportioned down so that the replacement cost relationship between customers can be applied to the book costs used to calculate rates.

Q. What costs are allocated using the Distribution Plant Factor?

A. The costs allocated using this factor include: 1) the rate-base related costs, including return, taxes, and depreciation; 2) operation and maintenance expenses related to distribution activities; and 3) a portion of administrative and general expense.

Q. What was the result of the Distribution Plant Factor Study?

A. The results are shown in DEU Exhibit 4.03 page 6, columns B-J, rows 5-7. The Distribution Plant Factor Study shows that 96.8% of distribution facilities are installed to serve GS customers, 0.22% are installed to serve FS customers, 0.03% are installed to serve IS customers, 0.96% are installed to serve TSS customers, 1.17% are installed to serve TSM customers, .45% are installed to serve TSL customers, 0.36% are installed to serve TBF customers, and 0.01% are installed to serve NGV customers.

D. Distribution Throughput Factor Study

Q. Please describe the Distribution Throughput Factor Study.

A. The Distribution Throughput Factor Study calculates an allocation factor based on the commodity volumes delivered through the intermediate-high pressure ("IHP") distribution system, and is attached as DEU Exhibit 4.04. The factor was developed by identifying customers that are <u>not</u> connected to the IHP system and then subtracting the Dths delivered to those customers from the commodity-throughput numbers.

Q. What costs are allocated using the Distribution Throughput Factor?

A. The costs associated with large-diameter IHP main lines (greater than 6 inches in diameter) are allocated using the Distribution Throughput Factor. These facilities are generally sized for more than just local delivery requirements and, therefore, are excluded from the Distribution Plant Factor Study. The Distribution Throughput Factor is based on throughput quantities that reflect the underlying purpose of these facilities. Large-diameter main lines installed within the IHP system are typically designed to move gas from the high-pressure feeder-line system to the smaller distribution lines. These facilities benefit all customers connected to the IHP system. Customers that are not connected to the IHP system receive no benefit from these facilities and are therefore

allocated none of these costs. The booked cost of the large-diameter main lines is used to determine the portion of the distribution cost associated with these facilities.

Q. What are the results of the Distribution Throughput Factor Study?

A. The factor developed from the study is shown on DEU Exhibit 4.04 on line 7, columns B through G. The study shows on lines 5 and 12 that rate classes other than the GS class, such as the TSL rate class, have very few customers connected to the IHP distribution system, while in the case of the GS class, nearly all of the customers are served from the IHP system. As a result, transportation customers should be allocated a relatively small portion of costs associated with large-diameter mains.

E. Design-Day Factor Study and Actual Peak-Day Factor Study

Q. What is the difference between a Design-Day and an Actual Peak-Day?

A. Design-Day, as used by the Company, is an estimate of how much gas will be used on the system during an extremely cold period. This is used in the Company's Integrated Resource Planning ("IRP") each year as well as by Company engineers who design the system. Actual Peak-Day, on the other hand, is a historical number that shows how much gas was used on the day of highest sendout in the most recent heating season.

Q. What is the Design-Day Factor Study?

A. The Design-Day Factor Study is conducted to assign responsibility for the Design-Day between the rate classes and is attached to my testimony as DEU Exhibit 4.05. This factor was used to allocate costs related to the coincident peak demand of customers under a Design-Day scenario.

Q. How was the Design-Day Factor calculated?

A. The first step was to determine the portion of the Design-Day demand that can be assigned directly to specific rate classes. These are the TSS, TSM, TSL, TBF and NGV rate classes. The contract demand attributable to customers served under these rate classes was identified and directly assigned to the respective classes. The total firm-contract demand for these transportation service classes is 253,997 Dth. The NGV class was assigned 974 Dth of peak demand based on the average use during December, 2021.

The balance of the design Peak-Day attributable to the GS and FS classes was 1,204,708 Dth. These calculations are shown on DEU Exhibit 4.05, lines 1, 2, 5, and 6.

Q. Has the Company historically allocated some of the Design-Day factor to interruptible customers?

A. Though the Company did not propose such an allocation in the past, other parties in past proceedings have. In Docket No. 07-057-13, the Commission addressed this issue directly. It said, "[W]e are persuaded by the Division that interruptible customers contribute to peak demand and therefore these customers should receive some allocation of peak demand in the company's next cost-of-service study." In the Company's 2009 General Rate Case, it modified the Design-Day Factor Study to allocate the costs associated with the portion of the Design-Day that exceed the average peak requirements of the firm customers to interruptible customers. In the 2019 Rate Case, the Company proposed to modify the Design-Day Factor Study again so that interruptible customers would not be charged a portion of the Design-Day costs. This proposal was discussed during the 2019 Rate Case and during the Task Force. In this case, the Company once again proposes calculating rates without allocating any of the Design-Day costs to interruptible customers.

Q. Why doesn't the Company propose to include interruptible customers in the Design-Day Allocation Factor in this case?

A. The Company does not believe that interruptible customers should be assigned Design-Day Demand responsibility. Interruptible demand is excluded from Design-Day Demand estimation and planning. Arguably, an interruptible customer benefits from being on a system built to handle a Design-Day event because interruptions are infrequent. However, in an actual Design-Day event, interruptible customers will be curtailed and will not be contributing to the costs incurred on the Design-Day. If interruptible customers choose not to curtail, they will be assessed penalties that will be credited back to firm customers. If interruptible demand is included in the Design-Day Factor Study, the Company will be inappropriately allocating demand costs to the

customers it assumes will not be using the system, and consequently not causing demand costs, during a Design-Day event.

Q. What design demand is used in developing the Design-Day Factor?

A. The Company used the Design-Day estimate for the 2022-2023 IRP as the basis for this study. This IRP will be filed with the Commission in June 2022. The Utah Design-Day-Demand estimate, updated for transportation contracts, for 2023 is projected to be 1,459,679 Dth.

Q. How was the 1,204,708 Dth of Design-Day apportioned between the GS and FS rate classes?

A. The Company performed an analysis of the population for these classes using data from the CC&B system to establish the proportionate responsibility for each class. This study involved estimating the contribution to Design-Day for customers grouped by weather zones within the two remaining rate classes. The total estimated Design-Day demand was calculated using individual customer data and was then summed by rate class. The Design-Day demand not assigned to the other rate classes was allocated between these two classes based on their share of the calculated Design-Day.

Q. What was the result of the Design-Day Factor Study?

A. The results are shown on lines 2 and 6 of DEU Exhibit 4.05. The GS class was determined to be responsible for 81.51% of the Design-Day demand, the FS class was determined to be responsible for 1.02%, the transportation classes were determined to be responsible for 17.40%, and the NGV class was determined to be responsible for .07%.

Q. Are the results of the Design-Day Factor Study consistent with your expectations?

A. Yes. I have also shown on DEU Exhibit 4.05, line 4, the resulting load factor for each of the firm-sales classes. This shows that the GS class has an average load factor of 25.8%, and the FS customers have an average load factor of 47.7%.

Q. Did the parties in the Task Force discuss the Design-Day Factor?

A. Yes. In the Commission's Report and Order in the 2019 Rate Case, it stated, "We find DPU's request for DEU to develop and include actual peak-day data, reflecting all rate

schedules, in its next GRC filing is reasonable. Daily data is available for certain classes. To address DEU's concern that peak-day data for certain customer classes cannot be measured directly, DEU should develop and apply a method, as it has done in this case, to determine the allocation of the unmeasured volumes based on billing data or measurement studies. To the extent there is 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." Order at 28. Accordingly, the Task Force discussed an alternate method of calculation using an actual coincident peak ("Actual Peak-Day") instead of the Company's Design-Day estimate.

Q. Did the Company update the Actual Peak-Day allocator for this rate case?

A. Yes. The Company used the same method that was discussed in the Task Force but updated it to use the Actual Peak-Day from the most recent heating season. The calculation of the Actual Peak-Day allocator is included as DEU Exhibit 4.06, page 1.

Q. Did the Company use actual data for the calculation of the Actual Peak-Day allocator?

A. Yes, the Company did use actual data where it was available. The Actual Peak-Day is the day of highest sendout, so data needs to be gathered for that specific day. The Company has daily meter read information for all transportation customers. However, for sales customers (GS, FS, NGV, IS), meter reads are only gathered monthly. Because of this, the Company developed estimates for those classes.

Q. How were those estimates developed?

A. The estimates in the GS and FS classes were estimated using the heating degree days ("HDD") for the highest sendout day. The estimates in the NGV and IS classes were developed using the daily average in the highest sendout month since those customers are using gas more uniformly through the month.

Q. Did the Company include interruptible volumes in its calculation of the Actual Peak-Day allocator?

A. Yes. The Actual Peak-Day during the test year was December 28, 2021. On that date, the Company was able to meet all system needs without interrupting service to interruptible customers. Since all interruptible customers benefited from service on that day, the Company included them in the calculation of the Actual Peak-Day allocator.

Q. Was the Actual Peak-Day allocator close to the results of the Design-Day factor?

A. When the Task Force participants reviewed the data, the two factors produced very similar results. DEU Exhibit 4.06 page 2, columns B and C show the Company's proposed Design-Day factor and columns D and E show the Actual Peak-Day factor from the Task Force. The Company has updated the Actual Peak-Day factor comparison for this general rate case and the results of that update are shown in columns F and G. As these columns show, the Actual Peak-Day that was calculated for this case is different than either of the other allocations. The difference in the updated factor is that the overall demand was lower than the Task Force scenario and the transportation customers used a higher portion of the total on that particular day. This resulted in more costs being allocated to the transportation customers.

Q. Is the Company proposing to use the Design-Day allocator or the Actual Peak-Day allocator?

A. The Company is proposing to continue its use of the Design-Day allocation factor without any allocation of costs to interruptible customers. The Design-Day allocation factor is not only consistent with the rates that are currently in place, but also more consistent than the Actual Peak-Day from year to year. The Design-Day factor will not fluctuate from period to period because it is based on the maximum amount of natural gas that could be consumed during a day of high usage. The Actual Peak-Day calculation, on the other hand, can change from period to period, depending on how cold the Actual Peak-Day is and which customers are using natural gas, relative to the total.

Q. Can parties in this case use the Actual Peak-Day allocator as part of their position if they choose to?

A. Yes. The electronic models that have been included in this case have been built with both the Design-Day allocator and the Actual Peak-Day allocator. Parties can choose either allocator for their positions.

F. TBF Class

Q. In your COS studies, did you assume customers that qualify for the TBF rate class would move to the TBF class?

A. Yes. The Company moved three customers from the TS class into the TBF class because it assumes those customers will move back to the TBF class if the Company's rate design changes in this case are approved. In DEU Exhibit 4.07, the Company compared bills for these three customers using the rates proposed in this case for both the TSL and the TBF classes, and each of the customers would be better off switching to the TBF class.

Q. Is the Company proposing any other changes to the TBF class?

A. Yes. The Company has been discounting the rate paid by TBF customers by 50%. The Company is proposing to change that discount to 40% in this case. In other words, TBF customers would be paying for 60% of their full cost of service instead of the current 50%.

Q. Will new or existing customers bypass the Company's distribution system if the Company reduces the subsidy?

A. No. Bypass risk is a function of usage and proximity to an interstate pipeline. A customer is considered a bypass risk when the customer's cost of building its own pipeline to connect to the nearest interstate pipeline is less than the cost of the customer's DNG billing on the local distribution system ("LDC"). The point at which the costs to build a private pipeline and remain on the LDC system are exactly the same is referred to as the break-even point. The Company updated its break-even analysis of the TBF class using rates that were calculated with the proposed subsidy and it would not change which customers qualify and which do not. That analysis is attached as DEU Exhibit 4.08.

Q. What does the chart in DEU Exhibit 4.08 show?

A. The chart plots the annual usage and the distance from an interstate pipeline for several customers that are either current or former bypass customers. There are two lines that are also shown. The orange line shows the "break-even" for customers at different annual usages and distances from an interstate pipeline. Any customer on the right side of the break-even line could possibly benefit by bypassing the Company's distribution system and connecting directly to an interstate pipeline. These customers are a bypass risk. The green line shows the Company's current criteria that customers must meet to qualify for the TBF rate.

Q. What assumptions go into the break-even calculation?

A. The Company included assumptions about the per foot cost of building a pipeline in the calculation. The cost was estimated by using actual costs from recent projects. The Company also included a conservative estimate of the cost to tap an interstate pipeline.

G. Cost-of-Service Results

Q. Please describe the results of the COS Studies.

A. DEU Exhibit 4.09, page 1, shows the results of the COS Studies. Lines 1-49 summarize the revenues, expenses, and rate base allocated to the different rate classes using the factors explained above. Lines 50 and 51 show the Rate of Return and Return on Equity by class before the deficiency. Line 53 shows how the deficiency needs to be assigned to each class in order to avoid inter-class subsidies. Line 54 is the TBF COS adjustment that was discussed above. Line 55 represents the total revenue requirement (COS with deficiency). Line 57 shows the revenue that needs to be collected from each class after giving each class a credited share of the general related revenues.

Q. Is the Company proposing that any rate classes pay less than their full cost of service?

A. The Company only recommends that the TBF class pay less than full cost in order to prevent these customers from bypassing the Dominion Energy Utah distribution system.

Q. Is there a way to determine if a class is paying its full cost?

A. Yes. Using forecasted revenues, the Company has calculated that the return on rate base for 2023 would be 5.28% without any of the additional revenue requested in this case.

Exhibit 4.09, page 2, line 2, shows the return on rate base provided by each class. Line 6 shows a metric called the rate of return index. This metric reflects the degree to which a class is paying its full cost. If the rate of return index is lower than one, the class is paying a return that is lower than 5.28%, and hence, is providing revenue that is below full cost. If the number is higher than one, the class is paying more than full cost. Additionally, line 3 shows how much the class revenue would have to change for the class to pay exactly 5.28%.

Q. Are you proposing to change rates by the percentages shown on line 5?

A. No. This analysis simply reviews where the rate classes are, without any increase in revenue. The analysis is limited to existing rates, without the revenue deficiency and the adjustment from the subsidized TBF class. Lines 8 – 10 show the adjustments that are made to each class to reach the total revenue requirement requested in this case, and line 13 shows the percentage increases to the DNG portion of rates in each class.

IV. RATE DESIGN

A. Intra-class Subsidies

Q. Is Dominion Energy concerned about intra-class subsidies (subsidies within a class of customers)?

A. Yes. As was discussed during the Company's 2019 Rate Case, the Company proposed, and the Commission approved, rate changes to ensure that all classes would be paying their full cost. Because of those changes, in this case, the rates for each current class of customers can be considered full-cost. Though this was a big step, the Company is still concerned, as it was during the 2019 Rate Case, that some customers within a class may be subsidizing each other. Reducing intra-class subsidies is the next important step that needs to be taken to ensure that cost causation principles are followed.

Q. Is the Company continuing its use of cost curves to show intra-class subsidies?

A. No. The Company is choosing to step away from this method. The Company's experience is that some parties in a general rate case were either disinterested in, or confused by, that approach to addressing intra-class usage analysis. Others questioned

the accuracy of the cost curves. Because of this, the Company is now moving to a more intuitive approach to determining if intra-class subsidies exist.

Q. What analysis is the Company relying on to identify where intra-class subsidies exist?

A. As discussed below, the Company has simply grouped customers within classes to determine what customers pay for their usage and what customers do not. By grouping customers into homogeneous sub-classes that can be made into separate classes, intraclass subsidies can be reduced without complex rate design tools like cost curves. The Company used the results of the COS studies to show what groups are paying rates that are full cost. The metric used for this determination is the rate of return index described above. DEU Exhibit 4.09, page 2, shows the rate of return index for each respective class. For instance, Line 6, column F shows that the current TS class, as a whole, has a rate of return of .91 which is fairly close to full cost. However, within that class, columns G-I show that the proposed TSS, TSM, and TSL classes individually have some discrepancy with the TSS customers paying 1.79, the TSM customers paying 0.92, and the TSL paying .32. In other words, TSM and TSL customers are being subsidized by TSS customers, with TSL customers being subsidized the most.

Q. What led the Company to use this method to show intra-class subsidies?

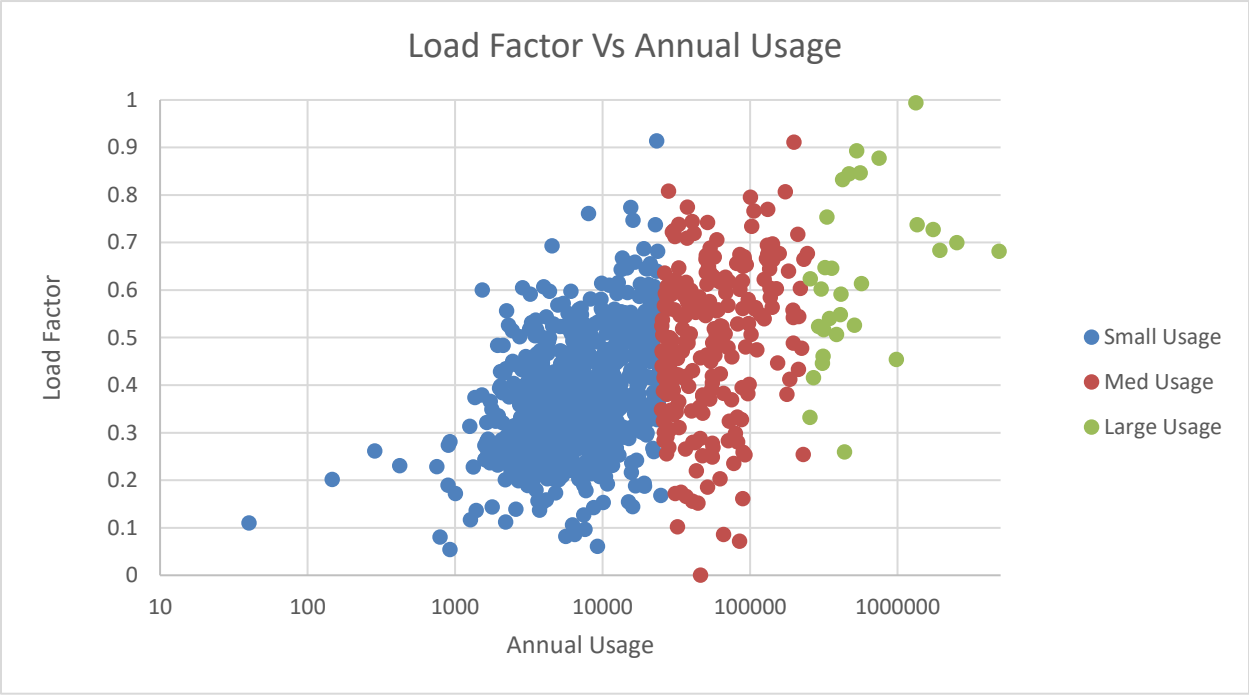
A. In the 2019 Rate Case, the TS class was highly scrutinized to determine if small customers were being subsidized by large TS customers. During the discovery phase of that case, a party asked the Company to perform a full cost of service study with the TS class split into a small class and a large class. The analysis showed that the small customers were subsidizing the large customers, which was a surprise to many in the case. This analysis was done using COS allocators that have been used consistently by the Company in general rate cases for 20 years. The studies can be modified and consistently applied in various scenarios to show the rate of return index discussed above for different scenarios.

Q. Can the COS studies be updated on demand to show different scenarios?

A. Yes, to some extent. There are currently 30 different allocation factors used to allocate costs to the different classes. Many of these factors are calculated within the Company's electronic model and can be changed with minimal effort by the Company's employees that are familiar with the calculations. Some of the allocators, however, take considerable time and effort to update. During the 2019 Rate Case, the Company was usually able to update the entire set of studies in less than one month.

Q. Does the Company have to calculate multiple COS scenarios to show exactly which customers are being subsidized within a class?

A. No. The Company examines descriptive statistics and data visualizations to identify plausible points of separation. For example, the chart below shows a large grouping of TS customers using up to 25,000 Dth/year with larger customers being spread through a wide range of usage. It makes sense to compare the large group of small customers to others in the class to see how they compare to the rest of the customers that might be considered large to verify if one set of customers is paying more or less than full-cost rates.



B. TS Class Split

Q. Is the Company proposing to change the rate design in the TS class?

A. Yes. The Company is proposing to split the existing TS class into three classes based on the annual usage of the customers in that class.

Q. Was this proposal discussed during the Task Force?

A. Yes. The Division requested the analysis for this option and it was discussed at length during the Task Force.

Q. Please summarize the classes of transportation customers?

A. The smallest group of TS customers would become the TSS class consisting of those customers using up to 25,000 Dth/year. The bulk of the TS class customers fall within this category and is made up mostly of customers that switched from sales classes over the last decade. The second new class would be the TSM class, and would consist of customers using between 25,001 and 250,000 Dth/year. The largest TS customers would become the TSL class and would consist of customers using more than 250,000 Dth/year.

Q. How were these proposed classes of customers determined?

A. The Division identified the usage delineators between the classes during the Task Force. The participants in the Task Force discussed this approach more than any other option. In analyzing the Division's proposal, I gave particular thought to whether this approach met some objectives of good rate design. First, it is important to group homogeneous customers together. The current makeup of the TS class is not homogenous, and it has caused intra-class subsidy problems in recent rate cases. Second, it is important to make sure that a class of customers is large enough that, if one customer leaves the class or goes out of business, it will not affect the rest of the class. Third, it is helpful to have as few customers as possible on the border of two classes, such that they could qualify for two classes. Otherwise, those customers could have a perverse incentive to use more or less gas just to get into a class with lower rates. Finally, the classes should not be

burdensome to administer. After considering the data and all of these factors, the Company views this option as one that reasonably accomplishes each of these objectives.

Q. Would intra-class subsidies be reduced even more if more classes were to exist?

A. More classes could further reduce intra-class subsidies but creating more classes should not come at the expense of other rate design objectives. The separation of the TS class into three new classes that I have proposed offers a good balance of reducing intra-class subsidies to an acceptable level, while also fulfilling the objectives I outlined above.

Q. Have you prepared a summary of the customers and volumes that would be in each of the TS classes?

A. Yes. The table below shows how the existing TS customers would be separated into the three different classes. The new small class would have the most customers but would also have the smallest annual usage. The inverse is true for the large class of customers. They would have the fewest customers and would use the largest amount of natural gas every year.

	Less than 25,000	**25,000 - 250,000**	**Greater than 250,000**
Total Dth	6,785,564	15,474,253	23,893,524
% of Total Dth	15%	34%	52%
# of Customers	826	225	30
Avg Load Factor	38%	50%	63%

Q. Is the Company proposing any provisions that would prevent customers from switching to a new class when they are on the border of another class?

A. Yes. The tariff sheets I am proposing have provisions that offer guidance on customers switching to other classes. There is not a provision that prevents customers from switching to a class with higher usage, but there are provisions to clarify when a customer will be forced to a smaller class. For example, if a customer is burning 25,500 Dth/year, that customer qualifies for the TSM class. If something changes and that customer starts using less than 25,000 Dth/year, that customer will be given a grace period of one year before they are moved to the TSS class. See classification provision

11 on the TSM tariff sheet and classification provision 11 on the TSL tariff sheet (DEU Exhibit 5.02).

C. Rate Design for TSS, TSM, and TSL

Q. Is the Company proposing to continue its use of declining block rates for the new transportation classes?

A. Yes. The Company is proposing to use declining block rates in each of the transportation classes. I am proposing that the TSS and TSL classes use blocks that have been in use by the Company for quite some time, while the proposal for the TSM class uses a declining block that the Company has not used before. The blocks for each of the classes is explained further below.

Q. Why is the Company proposing to use old block breaks?

A. In his book, Principles of Public Utility Rates, James Bonbright discusses 10 attributes of a sound rate structure. One of the attributes he discusses is "Stability and predictability of the rates themselves, with a minimum of unexpected changes seriously adverse to rate payers and with a sense of historical continuity."[3] The block breaks that I am proposing have been used for several decades and have received very little opposition from customers or others during many general rate cases. Using these existing block breaks is a stable option for the TSS and TSL classes since many of those customers have used these blocks before.

Q. What block break structure is the Company proposing for the TSS class?

A. The Company is proposing that the block breaks in the TSS class will be the same as the block breaks in the FS class. Many of the proposed TSS customers came from the FS class, so these are block breaks that should be familiar to them. Those block breaks are at 200 Dth, between 201 Dth and 2,000 Dth, and over 2,000 Dth. These block breaks are also consistent with part of the current TS block breaks, that has breaks at 200 Dth, the next 1,800 Dth, the next 98,000 Dth, and all over 100,000 Dth. None of the proposed

[3] Bonbright, James C. Principles of Public Utility Rates, Second Edition, 1988. Print.

TSS customers would make it out of the third block in the current TS class, so the proposed block at all usage over 2,000 Dth is much more reasonable for these small customers.

Q. Is the Company proposing to use a summer/winter differential to collect demand costs from the TSS class?

A. No. The Company will collect demand costs through a firm demand charge. This will be true for all transportation classes.

Q. What block break structure is the Company proposing for the TSL class?

A. The Company is proposing that the block breaks in the TSL class will be the same as the block breaks in the TBF class. There are four block breaks in the TBF class, and they are at 10,000 Dth, the next 112,500 Dth, the next 477,500 Dth, and all usage over 600,000 Dth. The proposed TSL customers would be similar in size to the customers that qualify for TBF service so it is reasonable that these customers would use a similar block break structure.

Q. Was there ever a time when the block breaks in the TS class were similar to the breaks in the TBF class?

A. Yes. In the Company's general rate case in Docket No. 13-057-05, the Company changed the block breaks in the TS class in an attempt to reduce inter-class and intra-class subsidies that were occurring at the time. The change caused larger TS customers to reach the last block much sooner than they had before.

Q. Did the change to the TS block breaks in the 2013 general rate case cause customers to leave the TBF class?

A. Yes. The fact that customers could get to the last block of the TS class at 100,000 Dth instead of 600,000 Dth in the TBF class certainly caused an unintended consequence of incentivizing customers to switch to the TS class. That was exacerbated by the fact that the TS class was being subsidized by other classes.

Q. What block break structure is the Company proposing for the TSM class?

A. The Company proposes that there will be two blocks, with a break at 2,000 Dth. The Company chose this break because most customers should use enough natural gas to make a contribution to the costs of the class in the first block. All other costs will be collected by customers that reach the 2nd block.

Q. How did the Company determine the block break for the first block?

A. The Company has provided DEU Exhibit 4.10, which shows two frequency distribution charts of TSM customers and their usage. The first chart is for July of 2021 and the second chart is for monthly usage throughout the year. This chart shows that in a low-use month like July, the 25th percentile was at about 1,500 Dth. In other words, even in a low-use month, 75% of customers in the TSM class will burn at least 1,500 Dth and will be contributing to the costs of the class. The second chart shows that throughout the year, 75% of customers in the TSM class will burn at least 2,400 Dth and will be contributing to the class. The Company is proposing 2,000 Dth for the block break. This coincides with the end of the 2nd block for the TSS class and is between the 1,500 and 2,400 Dth amounts that are shown in DEU Exhibit 4.10.

Q. Did the Company propose these block breaks during the Task Force?

A. Yes. The Company used these block breaks to calculate final rates during the Task Force. There were no other proposals for alternate block breaks or other rate structures, but as I discussed earlier, there was no agreement among the interested parties that these block breaks were the best way to design rates. The Company does believe these block breaks are reasonable and are similar to historical rate structures used by the Company.

Q. Are any other changes being proposed to the rate design of the TSS, TSM, and TSL classes?

A. No. All three classes will still pay a Basic Service Fee, Administrative Fee, and Firm Demand Charges.

Q. Have you calculated the effect that these rates will have on customers of different sizes?

A. Yes. DEU Exhibit 4.11 shows how the rates will affect customers of different sizes in each of the three classes. For each class, bills were calculated for actual customers with usage at the 25th, 50th and 75th percentiles. Page 1 of DEU Exhibit 4.11 shows customers in the TSS class, while pages 2 and 3 show the TSM and TSL classes, respectively.

Q. Do the rates proposed by the Company resolve intra-class subsidies you described in your testimony?

A. Yes. As DEU Exhibit 4.11 shows, the customers that will be in the TSS and TSM classes will realize a small decrease in their bills while customers in the TSL class will realize an increase. This proposed change addresses the intra-class subsidies that currently exist in the TS class.

D. Alternate TS Class Proposals

Q. What proposals from the Task Force has the Company included?

A. The UAE requested a scenario during the Task Force that was similar to what is proposed above, except that the TSM class would include customers from 25,000 Dth/year to 325,000 Dth/year rather than 250,000 Dth/year under the Company's proposal. In the analysis requested by the UAE, the large class of customers would have all customers over 325,000 Dth/year. The Company has updated its models with its proposed revenue requirement using the UAE proposal for COS and Rate Design. If a party would like to use the UAE proposal, the Company has included the attachments below. These attachments are similar to the exhibits that were discussed above to support DEU's position.

DEU Exhibit 4.12	UAE Proposal – Electronic Model (Rev Req, COS, RD)
DEU Exhibit 4.13	UAE Proposal – Distribution Plant Factor Study
DEU Exhibit 4.14	UAE Proposal – Design-Day Factor Study
DEU Exhibit 4.15	UAE Proposal – Billing Determinants (RevRun File)

E. Rate Design for Other Classes

Q. Did the Task Force discuss any changes to the sales classes?

A. The Task Force looked at data on the GS class, but no proposals were ever made and no analysis was performed.

Q. Is the Company proposing any changes to the rate design for any other classes?

A. No, not at this time. These classes will see a change in the respective cost allocations but will not see a change to the block breaks or the block differentials.

F. Administrative Fee

Q. Are you proposing any changes to the Administrative Fee that is charged to the TBF, TSS, TSM, TSL, and MT customers?

A. Yes. This fixed fee was last updated in the 2019 Rate Case. At that time, the rate was set to $3,000/year or $250/month. The Company has streamlined its processes since the 2019 Rate Case and fewer costs need to be collected through the Administrative Fee. As a result, the Company is proposing to reduce the Administrative Fee to $2,400/year or $200/month.

Q. How is this rate calculated?

A. The rate is calculated by determining all of the costs that are incurred through administering the transportation rates for all transportation classes and dividing that cost by the total number of transportation customers.

Q. What costs are included in the numerator of the calculation?

A. Most of the cost is labor. Each transportation customer has an account representative at Dominion Energy that helps the customer understand the terms of their contract and the effects of rate changes, and provides overall customer service. These representatives also work with customers and their nominating parties (marketers) during interruption events, hold-burn-to-scheduled-quantity events, and other matters impacting TS customers. The numerator also includes costs associated with the Company's gas supply department, which manages nominations of each of the 1,147 individual transportation customers on a daily basis. The gas supply department also tracks daily and monthly imbalances. Each transportation customer is required to have telemetry, which requires site visits for periodic maintenance. There are also DEU employees that monitor and

trouble shoot metering and billing issues. Finally, the costs of certain software packages are included in the calculation. I have included DEU Exhibit 4.16 which shows how the proposed Administrative Fee is calculated. The calculations shown will be rounded to $2,400 per year or $200 per month.

Q. Are administration costs for smaller customers lower than those of larger customers?

A. Not necessarily. No matter the size of the customer, each will still require the same services that are included in the charge. In fact, smaller customers are often less familiar with nomination, interruption, and curtailment processes, and require more time with Company personnel to discuss and manage such matters.

Q. What would happen to rates if there was no Administrative Charge?

A. Bonbright's principles of ratemaking include the principle that rates need to be effective in yielding total revenue requirements under the fair-return standard. This means that once a fair revenue requirement has been determined for a class of customers, the utility is allowed to earn that revenue requirement under any appropriate rate design. In an extreme case, if the Commission were to order that there be no Administrative Charge at all, the revenue that otherwise would have been paid by the Administrative Charge would need to be collected in some other charge to the customers. This could be accomplished through another fixed charge, or a simple increase in the volumetric rates as long as the Company could still recover the same revenue from the transportation customers. Lowering or eliminating the Administrative Charge would simply result in an increase of other charges to the class. But the Company maintains that the Administrative Charge is the appropriate method of charging transportation customers and, importantly, provides greater transparency of such costs while adhering to cost causation principles in rate design.

G. Design Rates and Fees to Collect the Required Revenue by Rate Schedule

Q. Has the Company calculated rates that correspond to the revenue requirement calculated by Mr. Stephenson and the COS Studies presented earlier in your testimony?

A. Yes, a summary of the proposed rates in each class is shown in DEU Exhibit 4.17.

Q. Can any party in this case change model inputs and see the effect on the rates?

A. The rate design is calculated in the green rate design tabs of DEU Exhibit 4.20. Components of the revenue requirement and cost-of-service can be modified in the model with changes flowing through to the final rates.

V. CET ALLOWED REVENUE PER CUSTOMER

Q. The Conservation Enabling Tariff ("CET") requires that the annual revenue per GS customer be calculated. Has Dominion Energy prepared a calculation of the allowed annual revenue and the monthly spread of the annual revenue per customer to be used in conjunction with the CET?

A. Yes. DEU Exhibit 4.18 shows the calculation of the allowed annual GS revenue per customer. Line 13, Column B, contains the total revenue requirement assigned to the GS class. This comes from the Rate Design Summary (DEU Exhibit 4.17 page 1, column I, line 12). This amount was divided by the average number of GS customers in the test period to arrive at the annual revenue per customer of $381.09. DEU Exhibit 4.18 also shows the calculation of the monthly allowed CET amounts for the GS class. The calculation of the spread of the annual revenue per customer over the 12 months was based on the forecasted monthly revenues for 2023.

Q. Has the Company calculated the annual bill for a typical residential GS customer based on the Company's proposed revenue requirement, COS studies, and rate design?

A. Yes. DEU Exhibit 4.19, page 1, shows the difference between bill amounts for the typical customer using current rates and the proposed rates. Column F, row 14 shows that the typical GS customer using 70 Dth per year would realize an increase of 5.69%.

Q. Is the Company proposing to change its typical bill calculation from 80 Dth/year to 70 Dth/year?

A. Yes. The Company has used 80 Dth/year as its standard depiction of a typical residential customer since 2008. Usage per customer has declined since that point due to more energy efficient appliances and building measures, so the Company will begin using 70 Dth/year in each of its Utah filings going forward. This number was determined by calculating the median of annual, temperature-adjusted usage of all residential GS customers with a full 12 months of billing history during the calendar year 2021. For comparison purposes, the calculation of a typical customer using 80 Dth/year is included as DEU Exhibit 4.19, page 2.

VI. ELECTRONIC MODEL

Q. Have you included a working Excel model for the cost-of-service and rate design?

A. Yes. Included in this filing as DEU Exhibit 4.20 Utah Rate Case Model, is a working Excel model that includes all revenue requirement, cost of service, and rate design calculations. The COS calculations are performed in the yellow tabs and the rate design calculations are in the green tabs. All other tabs are used for calculating the revenue requirement.

Q. Please summarize your testimony.

A. In its 2019 Rate Case, the Commission approved a three-step increase in rates to the TS class that moved the current TS class to full-cost rates. That class is now contributing enough revenue to substantially cover its costs. The Company's proposal in this case improves accuracy of cost allocation even further by creating three new classes of transportation customers. The method the Company is proposing for cost allocation in these new classes is consistent with cost allocation methods the Company has used for nearly 20 years. The rates that are being proposed in all rate classes are just, reasonable, and in the public interest and should be approved by the Commission.

Q. Does this conclude your testimony?

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. 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 2nd day of May, 2022.

GINGER JOHNSON
Notary Public State of Utah
My Commission Expires on:
August 4, 2023
Comm. Number: 707241

Notary Public