

-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

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DOCKET No. 22-057-03
Exhibit No. DPU 1.0 DIR
Phase 1 - Direct Testimony

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

Douglas D. Wheelwright

August 26, 2022

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND TITLE.**

2 A. My name is Douglas D. Wheelwright. My business address is 160 East 300 South,
3 Salt Lake City, UT 84114. I am a Utility Technical Consultant Supervisor with the
4 Division of Public Utilities (Division).

5 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

6 A. The Division.

7 **Q. PLEASE DESCRIBE YOUR POSITION AND DUTIES WITH THE DIVISION.**

8 A. As a Technical Consultant Supervisor, I examine public utility financial data and
9 review filings for compliance with existing programs as well as supervise the
10 activities of staff members within the Division. I research, analyze, document, and
11 establish regulatory positions on a variety of regulatory matters. I review operations
12 reports and evaluate compliance with laws and regulations. I provide written and
13 sworn testimony in hearings before the Public Service Commission of Utah
14 (Commission) and assist in case preparation, analysis, and review of testimony.

15 **Q. WILL YOU BRIEFLY REVIEW THE BACKGROUND AND FACTUAL**
16 **FRAMEWORK SURROUNDING THIS DOCKET?**

17 A. Yes. On May 2, 2022, Questar Gas Company dba Dominion Energy Utah (Dominion
18 Energy or the Company) filed an application requesting an increase to its Utah retail
19 rates of \$70.5 million.¹ The primary drivers of the requested rate increase are the
20 capital expenditures associated with maintaining, upgrading, and replacing its aging
21 infrastructure, the cost of serving new customers, and the costs associated with the
22 construction of a Liquefied Natural Gas facility (LNG facility) in Magna Utah.² As part
23 of the application, the Company is asking for an increase in its authorized return on
24 equity from 9.50% to 10.30%.³ The rate increase in this application is limited to the
25 distribution non-gas (DNG) portion of the Company's rates. The proposed rate

¹ Docket No. 22-057-03, Verified Application (Application) at Page 1.

² Docket No. 22-057-03, Verified Application (Application) at Page 2.

³ Docket No. 22-057-03, Verified Application (Application) at Page 6.

26 increase uses a base year ending December 31, 2021, and a forecasted test period
27 ending December 31, 2023. If approved, the Company has requested that changes
28 to the rate schedules become effective January 1, 2023.

29 On May 12, 2022, a scheduling conference was held, and parties agreed to a
30 bifurcated schedule. The testimony provided in this portion of the schedule will
31 address the issues related to Phase I, which are identified as adjustments and
32 issues related to the cost of capital and revenue requirement. Phase II will address
33 the cost of service and rate design issues and will be addressed under a separate
34 schedule. The issues addressed in this first phase of the Docket will be limited to the
35 issues related to cost of capital and revenue requirement.

36 **Q. PLEASE SUMMARIZE THE WORK AND INVESTIGATION THAT HAS BEEN**
37 **PERFORMED IN THIS CASE.**

38 A. The Division has reviewed the testimony of the Company witnesses along with the
39 attachments and exhibits. The Division has submitted numerous data requests,
40 reviewed answers to its data requests and those of other parties and has
41 participated in multiple meetings with Company representatives to obtain additional
42 information and clarification on various topics. While many different members of the
43 Division staff have been involved in reviewing the Company's application, only a few
44 members will provide testimony in this proceeding.

45 **Q. PLEASE IDENTIFY THE DIVISION'S WITNESS FOR PHASE I OF THIS DOCKET.**

46 A. I will testify and there are two additional Division witnesses for Phase I.

47 Mr. Casey Coleman will provide testimony supporting the Division's recommended
48 cost of debt and equity and the recommended rate of return.

49 Mr. Eric Orton will provide testimony concerning the LNG facility and supporting the
50 Division's recommended adjustments to the O&M expense.

51 **Q. WOULD YOU SUMMARIZE THE DIVISION'S RECOMMENDATION FOR THE**
52 **REVENUE REQUIREMENT IN THIS CASE?**

53 A. In the original Application, the Company identified a revenue deficiency of \$70.5
54 million. The calculated deficiency assumes an increase in the authorized rate of
55 return as well as recovery of significant capital spending.⁴ The Division has reviewed
56 the proposed changes and does not agree with or support some of the assumptions
57 used by the Company to calculate the test year revenue requirement deficiency.

58 The Division has identified \$20.9 million in adjustments leaving a deficiency of \$49.6
59 million in the revenue requirement. The individual components of the Division
60 adjustments include an \$18.2 million reduction based on a 9.30% return on equity
61 (ROE) and a \$2.7 million reduction to the LNG operating expense. Some of the
62 proposed adjustments and reductions to the revenue requirement are undisputed
63 and were identified by the Company.

64 Company witness Jordan Stephenson identified \$2.1 million in electricity cost
65 included in both this filing and the most recent 191 Pass-Through filing.⁵ The
66 Company states that the variable electricity cost should be collected through the
67 Pass-Through commodity cost since it is directly tied to storing gas supply. In his
68 direct testimony, Mr. Stephenson agreed that the Company would remove the \$2.1
69 million from this filing if the amount is approved to be included as part of the Pass-
70 Through filing. On July 28, 2022, the Commission approved the most recent Pass-
71 Through application, which approved the inclusion of the electric cost for the LNG
72 facility.⁶ The Company proposed this adjustment, and the Division has removed that
73 amount from its recommendation in this case.

74 In addition to the electricity cost, the Division has identified an additional \$0.7 million
75 in O&M cost related to the LNG facility. These adjustments are further discussed in
76 the testimony of Division witness Eric Orton. The specific details of the Division's
77 recommendation for the cost of capital are contained in the testimony of Division
78 witness Casey Coleman. The calculations for the Division's adjustments and

⁴ Direct Testimony of Kelly B. Mendenhall, page 8, line 171.

⁵ Direct Testimony of Jordan K. Stephenson, page 17, line 388. & Docket No. 22-057-08.

⁶ Commission Order, Docket No. 22-057-08, Pass-Through Application, July 28, 2022.

79 revenue deficiency were determined using the Dominion Model provided as DEU
80 Exhibit 4.20.

81 **Q. HAVE THE DIVISION'S ADJUSTMENTS BEEN ENTERED INTO THE DOMINION**
82 **MODEL?**

83 A. Yes. The adjustments have been entered to the model and are provided as DPU
84 Exhibit 1.01 DIR. The Division has not made any revisions or adjustments to the
85 proposed allocation of the lower revenue requirement.

86 A summary of the revised revenue requirement is calculated by the model and can
87 be reviewed in the Rev Neutral tab. The Rev Neutral tab in the model produces an
88 allocation of the revised revenue requirement in the same format as DEU Exhibit
89 4.09 and represents the allocation to the various rate classes.

90 With the lower ROE and the other Division adjustments, the revised model estimates
91 a revenue deficiency of \$49.6 million with \$39.3 million or 79.3% of the increase
92 allocated to the GS class. The specific allocation of the revised revenue deficiency
93 will be determined in Phase II of this Docket. In the Phase II testimony, the Division
94 may recommend changes or adjustments to the proposed cost of service and rate
95 design allocation.

96 **Q. WILL YOU PLEASE SUMMARIZE THE DIVISION'S RECOMMENDATIONS FOR**
97 **THIS PHASE OF THE GENERAL RATE CASE?**

98 A. Yes. The testimony for Phase I of this docket addresses only the cost of capital and
99 the revenue requirement portion of the general rate case application. The Division
100 has identified \$20.9 million in adjustments leaving a deficiency of \$49.6 million in the
101 revenue requirement. The Division recommends no change to the proposed capital
102 structure but recommends a 9.30% ROE and a reduction of \$2.7 million in O & M
103 expense related to the LNG facility. The details of the recommended adjustments
104 are provided in the direct testimony of Division witnesses Mr. Coleman and Mr.
105 Orton. The revised revenue requirement is just and reasonable in result.

106 **Q. DOES THAT CONCLUDE YOUR TESTIMONY?**

107 A. Yes.