–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 Exhibit No. DPU 4.0 DIR Phase II - Direct Testimony

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Direct Testimony of

Abdinasir M. Abdulle

September 15, 2022

CONTENTS

1 **INTRODUCTION**

2 **Q.**   **PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND EMPLOYMENT FOR**

3   **THE RECORD.**

4 A.   My name is Abdinasir M. Abdulle. My business address is Heber Wells Building, 160

5   East 300 South, Salt Lake City, Utah 84114. I am employed by the Utah Division of

6   Public Utilities (Division or DPU), Department of Commerce as a Utility Technical

7   Consultant.

8 **Q.**   **ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

9 A.   I am testifying on behalf of the Division.

10 **Q.**   **WOULD YOU SUMMARIZE YOUR EDUCATION BECKGROUND FOR THE**

11   **RECORD?**

12 A.   I have a Ph.D. in Economics from Utah State University. I have been employed by

13   the Division for about 22 years.

14 **Q.**   **WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A.   The purpose of my testimony is to provide the Division's analysis, findings, and

16   recommendations to the class cost of service (CCOS) study and the proposed rate

17   design filed by Dominion Energy of Utah (DEU). Specifically, my testimony

18   addresses the Division's review of the Direct Testimonies and exhibits of DEU

19   witnesses Austin C. Summers and Jessica L. Ipson. The absence of comments on

20   my part concerning an issue should not be construed as an acceptance or rejection

21   of the issue.

22 **Q.**   **BRIEFLY DESCRIBE THE MATERIALS THAT YOU RELIED UPON IN YOUR**

23   **REVIEW AND ANALYSIS OF THIS CASE.**

24 A.   I have reviewed and analyzed DEU's application, the Direct Testimonies of DEU's

25   witnesses Mr. Austin C. Summers and Ms. Jessica L. Ipson, the DEU's proposed

26   tariffs, and DEU's responses to discovery. I also reviewed the presentation material

27   for Phase II Technical Conference held on June 22, 2022.

28 **CLASS COST OF SERVICE**

29 **Q.   WHAT ARE THE MAIN CCOS ISSUES IN THIS PROCEEDING?**

30 A.   In my review of the Direct Testimony of DEU witness Mr. Austin C. Summers, I have

31   identified several issues that I deem require further comments. These issues include

32   but are not limited to,

- Dividing the TS class into three subclasses,
- Using design day versus peak day in the CCOS and the peak demand responsibility for interruptible customers,
- Hybrid allocation factor 230 of 60% design day and 40% throughput,
- Reducing the discount of the rates paid by the TBF customers.

38 **SPLITTING THE TS CLASS INTO THREE SUBCLASSES**

39 **Q.   DID DEU PROPOSE A CHANGE IN THE TS CLASS?**

40 A.   Yes. DEU proposed to split the Transportation Service (TS) class into three sub-

41   classes. Transportation Service Small (TSS) for customers with annual usage less

42   than 25,000 Dth, Transportation Service Medium (TSM) for customers with annual

43   usage of between 25,000 Dth and 250,000 Dth, and Transportation Service Large

44   (TSL) for customers with annual usage of more than 250,000 Dth.

45 **Q.   HOW DID DEU DETERMINE THE POINTS OF SEPERATION?**

46 A.   Using customer load factors and annual usages, DEU drew a scatter plot and

47   visually determined the reasonable points of separation between customer groups.[1]

48   This resulted in homogeneous groups in terms of load factors and annual usages to

49   be grouped together into a subclass. DEU then compared these groups using the

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[1] Dominion Energy Utah, Docket No. 22-057-03, May 2, 2022, Direct Testimony of Austin C. Summers, page 20, lines 519-520.

50   rate of return index and determined that the TSS customers are paying rates above

51   full-cost rates (1.79), the TSM customers are paying rates close to full-cost rate

52   (0.92), and TSL customers are paying rates that are much below full-cost rates

53   (0.32). This shows that there is intra class subsidies with TSS customers subsidizing

54   other customers in the TS- class, specifically the TSL customers.[2]

55   The separation points or usage levels for each group are like the usage levels used

56   in the cost-of-service workgroup, Docket No. 20-057-11, to split the TS class into

57   three sub-classes. While no consensus was reached in the workgroup on how to

58   split the TS class, the results presented by DEU in this case are consistent with

59   those from the workgroup.

60 **Q.**   **DO YOU HAVE ANY COMMENTS REGARDING THE PROPOSED SPLIT OF THE**

61   **TS CLASS?**

62 A.   Yes. The Division concurs with DEU's proposed splitting of the TS class into three

63   sub-classes as identified herein and in the testimony of DEU witness, Mr. Summers,

64   and recommends Commission approval. There are two reasons for the Division's

65   support of DEU's proposal.

66   First, DEU's cost of service study demonstrates the existence of significant intra-

67   class subsidies. It is likely that the smaller TS customers are subsidizing the larger

68   customers. Splitting the class into smaller sub-classes allows for more refined

69   allocations and rate design within the class, which better reflects cost causation and

70   mitigates the subsidies.

71   Second, while the split points were chosen manually as described by Mr. Summers,

72   there is some statistical support for the groupings. As previously explained, the three

73   sub-classes were grouped based on annual usage and standard statistical tests

74   indicate a statistically significant difference in the average usage between the

75   groups. For example, a T-Test for the difference in the means for the sub-classes

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[2] Dominion Energy Utah, Docket No. 22-057-03, May 2, 2022, Direct Testimony of Austin C. Summers, page 8, lines 497-499.

76   indicates that the average usage for the TSS class is significantly different from the
77   average usage in the TSM class. Likewise, the average usage for the TSM class is
78   statistically significantly different from the average usage of the TSL class. The
79   results of the T-Tests are summarized in Table 1 below.

80   **Table 1. Comparing Annual Usage**

	STD	df	T-STAT	P-Val
TSS v. TSM	3,341	1054	18.10	0.0000
TSM v. TSL	174,744	254	4.17	0.0000

81

82   The T-Test or Student T-Test is implemented using the test statistic,

83
$$t = \frac{(\bar{x}_1 - \bar{x}_2)}{\sqrt{\dfrac{S_1^2}{n_1} + \dfrac{S_2^2}{n_2}}}$$

84   Where the numerator is the difference in the sample means and the denominator is
85   the square root of the sum of the sample variances weighted by the respective
86   sample sizes. The t-statistic will have a t-distribution with $n_1 + n_2 - 2$ degrees of
87   freedom (df). The P-value for each test indicates that the compared average usage
88   are indeed different at a significance level of .05. For example, the average usage
89   for the TSS class is different from the average usage for the TSM and likewise for
90   the TSM and TSL average usages. The P-value indicates the probability of finding a
91   t-statistic greater than the one calculated from the sample data; the smaller the P-
92   value the more likely the two means are different from one another.

93   Similarly, the Kruskal-Wallis One Way ANOVA by Ranks[3] indicates that at least one
94   median load factor (LF) is significantly different from the others. The test statistic in
95   this case is,

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[3] Wayne W. Daniel, Applied Nonparametric Statistics, 2nd ed., PWS-Kent Publishing,1990, pp. 226-234.

96
$$H = \frac{12}{n(n+1)} \sum_{i=1}^{k} \frac{R_i^2}{n_i} - 3(n+1)$$

97   Where "n" is the total number of TS customers; "n_i" is the number of customers in

98   group "i" (i = TSS, TSM, and TSL); and "R_i" is the sum of the Ranked LF values in

99   group "i". The test statistic will have a Chi Square distribution with k − 1 df. The

100   results for the test are summarized in Table 2.

101   **Table 2. Kruskal-Wallis One-Way ANOVA by Ranks (Load Factor)**

	TSS	TSM	TSL	T-STAT	df	P-Val
N	830	226	30	165.90	2	0.0000
Sum of Ranks	506,223	78,767	5,237			

102

103   Given the small P-value for the test, we conclude that at least one median LF for the

104   three groups is statistically significantly different from the others. Thus, even though

105   the usage levels used to divide the TS class into the three sub-classes were

106   manually chosen, given the intraclass subsidy and the statistical analysis there is

107   support for the three groupings.

108 **DESIGN DAY VS. ACTUAL PEAK DAY USAGE IN CCOS**

109 **Q.   WHAT IS DESIGN PEAK DAY?**

110 A.   The Design Peak Day, normally called Design Day by DEU, is used as "an estimate

111   of how much gas will be used on the system during an extremely cold period."[4]

112 **Q.   WHAT IS ACTUAL PEAK DAY?**

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[4] Austin Summers Direct Testimony, lines 272-273. Also, the DEU IRP page 3-4, Firm Customer Design
Day Gas Demand better explains how Design Day is calculated.

113   A.   The Actual Peak Day is a historical number that shows how much gas was used on
114   the system during the highest sendout day of the year.[5]

115   **Q.   WHAT IS THE DIFFERENCE BETWEEN THE TWO PEAK DAYS?**

116   A.   In short, the Design Day is an estimated number for the future and the Actual Peak
117   Day is an actual number from the past. While either method can be used to allocate
118   costs related to the coincident peak demand of customers, using the Actual Peak
119   Day better reflects cost causation and aligns with the benefits customers receive
120   from the system.

121   **Q.   PLEASE EXPLAIN THE DIVISION'S PREFERENCE FOR USING THE ACTUAL**
122   **PEAK DAY FOR ALLOCATIONS.**

123   A.   The Division prefers using Actual Peak Day over Design Day because the Actual
124   Peak Day is based on the actual known usage of the customers on the system and
125   is a better reflection of the benefits derived by those customers. Design Day is a
126   theoretical worst-case scenario that rarely, if ever, happens. It is useful for designing
127   the system but inadequate for allocating costs according to actual system usage and
128   benefits.

129   For the duration or life of the pipe and system, much of the wear and tear comes
130   from actual everyday use. It is more appropriate to allocate costs based on the
131   actual usage of the system than on a theoretical basis. Design Day calculations also
132   assume that interruptible customers will not be using the system during the extreme
133   cold weather conditions, excluding them from the calculation. Actual usage shows
134   that interruptible customers are rarely if ever interrupted and receive the benefit of
135   using the system without the appropriate allocation of the cost. The pipe in the
136   ground and supporting infrastructure has been designed to meet the system needs
137   on Design Day, however, the costs should be allocated to the customers based on

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[5] The Division is using the Actual Peak Day based on a calendar year. It can also be based on the heating season, i.e., the 2021/22 season.

138   how the system is being used. The pipe exists not to just meet design day demand

139   but also to satisfy the daily use.

140 **Q. WOULD ALLOCATING USING ACTUAL PEAK DAY INCLUDE INTERRUPTIBLE**

141   **CUSTOMERS?**

142 A.   Yes. If Actual Peak Day is used, then interruptible customers should be included in

143   the allocated costs. In the past 3 years, interruptible customers have not been

144   interrupted but have been using the system on the highest sendout days. [6] It is fair to

145   include them in the costs.

146 **Q. DOES THE HISTORICAL DATA USED IN THE ACTUAL PEAK DAY INCLUDE**

147   **ESTIMATES?**

148 A.   Yes. That's because not all data is available on a daily basis for each class. Many

149   customers are billed on a monthly basis, so an estimate is made by DEU. Although a

150   small issue, it seems more appropriate than Design Day which is wholly based on

151   estimates and is not ever met.

152 **Q. IT HAS BEEN BROUGHT UP THAT ACTUAL PEAK DAY VARIES TOO MUCH**

153   **AND IS NOT STABLE. IS THAT AN ISSUE?**

154 A.   It can be. That is why the Division is proposing to use a 3-year average of Actual

155   Peak Days of the most recent years using historical data provided by DEU.[7] This

156   smooths the variability from year to year. Table 3 below shows this.

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[6] DPU Exhibit 4.01 DIR – DEU Response to DPU Data Request 5.02
[7] DPU Exhibit 4.02 DIR – DEU Response to DPU Data Request 4.05U

160 **Table 3: 3 Year Average Actual Peak Day, Dth/Year**

Date	GS	FS	IS	TS	TBF	NGV	Total
1/2/2019	846,691	12,043	1,146	180,102	28,297	663	1,068,941
2/3/2020	807,611	12,254	1,144	175,902	30,164	633	1,027,708
12/28/2021	766,846	11,317	1,622	178,632	27,609	597	986,622
3 Year Average Actual	807,049	11,871	1,304	178,212	28,690	631	1,027,757
Actual Peak-Day Factor	78.53%	1.16%	0.13%	17.34%	2.79%	0.06%	100.00%

For comparison:

	GS	FS	IS	TS	TBF	NGV	Total
Design Day	1,189,838	14,870	-	189,497	64,500	974	1,459,679
Design Day Factor	81.51%	1.02%	0.00%	12.98%	4.42%	0.07%	100.00%

161

162 **HYBRID ALLOCATION FACTOR: 60% DESIGN DAY, 40% THROUGHPUT**

163 **Q. HAVE YOU REVIEWED THE DEU HYBRID ALLOCATION FACTOR?**

164 A. Yes. DEU is using a hybrid factor to allocate costs associated with compressor

165 stations, feeder systems, and measurement and regulation station equipment. This

166 factor is a blend of design day and throughput.[8] DEU is proposing a weighting of

167 60% Design Day and 40% Throughput. DEU did not provide any empirical analysis

168 to justify or support its proposed 60% / 40% weighting. This weighting came under

169 criticism by the UAE in DEU's previous general rate case.

170 **Q. WOULD YOU COMMENT ON DEU'S PROPOSED HYBRID ALLOCATION**

171 **FACTOR?**

172 Yes. There are several methods of allocating demand or capacity costs. In natural

173 gas distribution companies, the most commonly used allocation methods are

174 coincident demand method, non-coincident demand method, and the average and

175 peak method. The coincident demand method allocates a greater percentage of

176 demand costs to lower load factor heating customers. Similarly, the non-coincident

177 demand method favors the low load factor heating customers by reducing the

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[8] Dominion Energy Utah, Docket No. 22-057-03, May 2, 2022, Direct Testimony of Austin C. Summers Exhibit 4.02, page 1.

8

178   amount of costs assigned to them. The average and peak demand method is a

179   compromise between the other two methods. It is a weighted blend of total volume

180   or usage, such as annual throughput and a measure of maximum volume on a given

181   day, such as Actual Peak Day or Design Day. Hence, it moderates the cost

182   allocations between the high and low load factor customers.[9]

183   The 60% / 40% weighting employed by DEU has resulted in reasonable rates in the

184   past and may still do so. However, the Division concludes that the use of the

185   blended factor, the average and peak method, is appropriate if the proper

186   combination of measures for annual throughput and maximum volume are

187   employed.

188 **Q.**   **PLEASE EXPLAIN THESE MEASURES AND THEIR USE IN THIS CASE FOR**

189   **CREATING A BLENDED ALLOCATION FIGURE.**

190 A.   Regarding the Average and Peak Demand Method, the NARUC Manual states that,

191   Total demand costs are multiplied by the system's load factor

192   to arrive at the capacity costs attributed to average use and

193   are apportioned to the various customer classes on an annual

194   volumetric basis.

195   This indicates that in calculating the capacity costs associated with the average use,

196   the system load factor should be used. The value of the system load factor depends

197   on what measures of annual volume and maximum volume are used. The load factor

198   is calculated as

199    $$Load\ Factor = (Annual\ Volume \div 365) \div Maximum\ Volume\ in\ a\ Day$$

200   In this case, there are really two competing sets of measures for annual volume and

201   maximum volume that might reasonably be used. For annual volume, DEU has used

202   172,905,622 Dth, representing total volumes minus those serving the Lake Side

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[9] NARUC Gas Distribution Rate Design Manual. June 1989. Pages 26-28.

203	power plants. If Lake Side volumes are included, the number is 216,309,144 Dth.
204	While Lake Side volumes are generally excluded from various ratemaking elements
205	because of the contract between DEU and PacifiCorp, they should not be excluded
206	from a measure designed to assess the load factor of system components. This is
207	particularly so if the measure of maximum daily volume is based on a design
208	component instead of a usage-based one. In this case, those two numbers equal
209	1,459,679 Dth for the Design Day or 1,027,757 Dth for the average actual peak
210	usage.

| 211 | Based on this formula and the measures of the annual and maximum volumes, we |
| 212 | have the following options for blending the measures. |

213	A. Design Day 2023 and non-Lake Side Throughput 2023 (the method proposed by
214	UAE in the previous general rate case),
215	B. 3-Year Average Actual Peak Day and non-Lake Side Throughput 2023,
216	C. Design Day 2023 and Utah Total Dth, and
217	D. 3-Year Average Actual Peak and Utah Total Dth.

| 218 | The four possible combinations of these measures, the resulting load factors, and |
| 219 | weighting for the hybrid allocation factor are reported in Table 4. |

| 220 | **Table 4. Weights for the Hybrid Allocation Factor** |

Measure	A	B	C	D
Annual Volume	172,905,622	172,905,622	216,309,144	216,309,144
Days in a Year	365	365	365	365
Maximum Volume in a Day	1,459,679	1,027,757	1,459,679	1,027,757
Load Factor	32.45%	46.09%	40.60%	57.66%
Hybrid Factor	68% / 32%	54% / 46%	59%- / 41%	42% / 58%

| 221 | |

| 222 | **Q.** | **WHAT IS THE IMPACT OF USING THE BLENDING OPTIONS LISTED ABOVE?** |

| 223 | A. | Changing the weights of the blended hybrid factor and/or the factors to be blended |
| 224 | | would impact the allocation of costs and the allocation of the TBF subsidy between |

225   the different customer classes. Tables 5 through 9 show the changes in the required

226   increase or decrease in revenues, including TBF subsidies, resulting from the

227   implementation of the DEU's proposed 60% design day / 40% throughput option and

228   the other four options in CCOS. From these tables, you can see that there is a

229   considerable variation in the allocation of costs and TBF subsidies between the

230   different customer classes. These tables use the CCOS as filed by DEU before the

231   DPU adjustments were included.

232   **Table 5. Results of the CCOS using DEU's 60% design day and 40%**

233   **throughput**

Customer Class	DNG Revenue	DNG Revenue Change	
		$ Increase / Decrease	% Increase / Decrease
GS	383,478,856	57,919,580	15.10%
FS	2,822,850	1,172,987	41.55%
IS	264,831	(14,883)	-5.62%
TSS	14,266,930	(1,541,715)	-10.81%
TSM	13,984,843	3,163,249	22.62%
TSL	11,229,738	7,491,662	66.71%
TBF	4,748,718	1,771,143	37.30%
NGV	2,605,737	549,665	21.09%
Total	433,402,504	70,511,689	16.27%

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241 **Table 6. Results of the CCOS using 68% design day and 32% throughput**

242 **(Option A)**

Customer Class	DNG Revenue	DNG Revenue Change	
		$ Increase / Decrease	% Increase / Decrease
GS	383,508,813	60,563,626.6	15.79%
FS	2,821,992	1,094,322.1	38.78%
IS	264,550	(40,344.8)	-15.25%
TSS	14,266,489	(1,585,439.3)	-11.11%
TSM	13,977,080	2,455,518.1	17.57%
TSL	11,211,492	5,833,972.5	52.04%
TBF	4,746,532	1,656,812.5	34.91%
NGV	2,605,557	533,221.5	20.46%
Total	433,402,504	70,511,689	16.27%

Table 7. Results of the CCOS using 54% 3-year average

actual peak and 46% Throughput. (Option B)

Customer Class	DNG Revenue	DNG Revenue Change	
		$ Increase / Decrease	% Increase / Decrease
GS	383,420,239	51,336,475	13.39%
FS	2,825,142	1,399,656	49.54%
IS	266,577	170,136	63.82%
TSS	14,264,758	(1,820,279)	-12.76%
TSM	14,003,223	4,997,540	35.69%
TSL	11,286,084	13,284,284	117.70%
TBF	4,730,674	589,904	12.47%
NGV	2,605,808	553,974	21.26%
Total	433,402,504	70,511,689	16.27%

**Table 8. Results of the CCOS using 59% design day and 41%
Utah Total Dth. (Option C)**

Customer Class	DNG Revenue	DNG Revenue Change	
		$ Increase / Decrease	% Increase / Decrease
GS	383,235,865	41,328,866	10.78%
FS	2,820,916	1,080,693	38.31%
IS	265,083	11,340	4.28%
TSS	14,256,111	(2,216,078)	-15.54%
TSM	13,979,768	3,120,733	22.32%
TSL	11,234,883	8,481,139	75.49%
TBF	5,004,157	18,149,747	362.69%
NGV	2,605,722	555,249	21.31%
Total	433,402,504	70,511,689	16.27%

**Table 9. Results of the CCOS using 42% 3-year actual Peak
day and 58% Utah total Dth. (Option D)**

Customer Class	DNG Revenue	DNG Revenue Change	
		$ Increase / Decrease	% Increase / Decrease
GS	383,214,406	38,289,634	9.99%
FS	2,822,159	1,204,956	42.70%
IS	266,248	137,456	51.63%
TSS	14,254,310	(2,451,159)	-17.20%
TSM	13,988,963	4,065,970	29.07%
TSL	11,266,430	11,840,509	105.10%
TBF	4,984,332	16,877,020	338.60%
NGV	2,605,657	547,303	21.00%
Total	433,402,504	70,511,689	16.27%

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244 **Q. WHICH METHOD DOES DPU PREFER?**

245 A.   Method B is DPU's preferred option because it best balances the actual use of the

246   system and its benefits with measures intended to properly allocate the costs of

247   items using this allocation factor. It does this without a significant shock to the

248   allocations as they have been made in the past.

249 By using average actual throughput, rather than design day, this system is more

250 likely to capture the benefits each class receives from the plant, which is historically

251 used by all customer classes on all days of the year. As noted in our discussion

252 above, we disfavor using Design Day because it represents a theoretical measure of

253 hypothetical cost causation rather than an actual measure of usage of the actual

254 system. It fails to account for things as they really are.

255 **Q.** **PLEASE COMMENT ON THE OTHER THREE METHODS YOU DESCRIBE.**

256 A. Method A suffers from a blending of the hypothetical Design Day measure while

257 ignoring the full measure of throughput. As noted above, while DEU's throughput

258 number excludes volumes of gas supplied to the Lake Side plants, those volumes

259 should be included if a Design Day is used. The Design Day measure is a theoretical

260 maximum and on that theoretical maximum day the full measure of volumes should

261 be included. If the system is designed for those volumes, there is no reason to

262 exclude them. While certain costs are excluded from other rate case components to

263 account for the contract, load, and revenue of the Lake Side volumes, they should

264 be included if the other component of the equation is Design Day. Ignoring 20% of

265 annual volumes flowing through the system, including on system peak days, is not

266 reasonable.

267 Method C can be a reasonable measure. Although DPU disfavors using Design Day

268 measures in rate setting for the reasons mentioned above, this method is consistent

269 in that it uses total system volumes to measure the intensity of usage. In short, it

270 cures the most significant defect of Method A's skewed approach.

271 Method D could be a reasonable measure but it represents such a significant

272 departure from the current approach that a shift to it should occur gradually. DPU is

273 not convinced that Lake Side volumes should be excluded from the calculation of

274 this allocation factor in any scenario. That would ordinarily lead DPU to the

275 conclusion that this approach should be adopted, given its stance on using the peak

276 day. However, as Table 7 shows, the effects of such a change would be quite large.

277 Even accounting for the fact that DNG rate changes represent a proportionally

278   smaller share of some customer classes' loads, it is likely not reasonable to adopt

279   this approach in this case, depending on what other adjustments are made to DEU's

280   request.

281 **TBF CUSTOMERS PAYING LESS THAN COST OF SERVICE**

282 **Q.   WHAT RATE ARE THE TBF CUSTOMERS CURRENTLY PAYING?**

283 A.   The rates paid by the TBF customers are currently discounted by 50% to mitigate

284   the risk of bypassing the local distribution system.

285 **Q.   WHAT IS DEU PROPOSING IN THIS CASE?**

286 A.   DEU is proposing to reduce the discount rate from 50% to 40% in this case.

287 **Q.   WOULD YOU COMMENT ON DEU'S PROPOSED DISCOUNT RATE?**

288 A.   Though DEU neither explained the rationale behind the reduction in the discount rate

289   nor provided any empirical explanation as to how the discount rate is determined,

290   the Division believes the proposed reduction in the discount rate would alleviate the

291   energy burden of the other ratepayers by paying less in subsidy toward TBF

292   customers. On the other hand, TBF customers will pay some of the fixed costs,

293   which would otherwise be paid by other ratepayers. Therefore, the Division does not

294   oppose the proposed reduction. However, the Division recommends the Commission

295   to direct DEU to provide an analysis, such as breakeven analysis, to support the

296   proposed discount rate.

297 # RATE SPREAD

298 **Q.   WHAT RATE SPREAD DOES DEU PROPOSE IN THIS CASE?**

299 A.   In addition to allocating costs to the new TS sub-classes, DEU proposes to move

300   each class except TBF to pay its respective full cost of service which includes its

301   share of the subsidies to the TBF customers. Specifically, DEU proposes the

302   following spread.

303   **Table 10. Dominion Energy Utah's proposed rate spread**

Class	DEU Proposed Rate Spread
Utah	15.93%
GS	14.78%
FS	40.82%
IS	-5.40%
TS	22.76%
TSS	-10.68%
TSM	22.30%
TSL	65.50%
TBF	36.16
NGV	21.01

304

305 **Q.**   **ARE THESE NUMBERS AFFECTED BY DPU'S POSITION ON THE HYBRID**

306   **ALLOCATION FACTOR?**

307 A.   Yes. Depending on other adjustments, they will shift. While I noted the relative shifts

308   caused by these methods from DEU's filed revenue requirement in my tables above,

309   the Commission will need to apply the modified allocation factor to DEU's filed model

310   after making any revenue requirement adjustments in order to ascertain the rate

311   spread.

312 # RATE DESIGN

313   **RATE DESIGN FOR TRANSPORTATION SUB-CLASSES**

314 **Q.**   **WHAT RATE DESIGN DID DEU PROPOSED FOR TSS, TSM, AND TSL?**

315 A.   DEU proposed to use a declining block rate for all transportation sub-classes.

316   Regarding block breaks, DEU proposed the same block breaks in the FS class for

317   the TSS sub-class (200 Dth, 201-2,000 Dth, and >2,000 Dth). DEU also proposes

318   the same block breaks as the TBF class for the TSL sub-class (10,000 Dth, the next

319   112,500 Dth, the next 477,500 Dth, and all usage over 600,000 Dth). For the TSM

320 sub-class, DEU proposed two blocks with a break at 2,000 Dth. Furthermore, all

321 three sub-classes will continue paying a Basic Service Fee, Administrative Fee, and

322 Firm Demand Charges.

323 **Q.** **DO YOU HAVE ANY COMMENTS ON THE DEU PROPOSED RATE DESIGN FOR**

324 **THE TSS, TSM, AND TSL SUB-CLASSES?**

325 A. Yes, I concur with aspects of the proposal, including the use of declining block rates,

326 the block breaks, and the continuation of the fees and other charges. DEU witness,

327 Mr. Austin C. Summers provided a clear explanation justifying the proposed blocking

328 structure for the three subclasses.[10] If the Commission wishes to take a gradual

329 approach with changes within this class, it should implement that gradualism by

330 adjusting the rates of the subclasses in a manner that does not affect rates for the

331 other classes.

332 **Q.** **WOULD YOU COMMENT ON THE DEU'S PROPOSED RATE DESIGN FOR THE**

333 **OTHER CLASSES?**

334 A. Yes. DEU did not propose any changes, including block breaks and block

335 differentials, to the rate design of the other customers. The Cost of Service and Rate

336 Design Task Force did not propose any changes to the rate classes. The Division

337 does not oppose keeping the rate design of these classes unchanged except for the

338 cost allocated to each class.

339 **BILL IMPACT**

340 **Q.** **In Mr. Summer's testimony, lines 763-772, the Company proposes to change**

341 **the typical GS residential customer bill calculation from 80 Dth/year to 70**

342 **Dth/year. Does the Division agree with this proposal?**

343 A. The Division does not oppose this proposal but given the range of GS residential

344 customers' usage, the Division recommends the Company provide more customer

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[10] Dominion Energy Utah, Docket No. 22-057-03, May 2, 2022, Direct Testimony of Austin C. Summers, page 23-25.

345 usage levels to give residential customers a better indication of bill impacts. The

346 Division has looked at various methods for the Company to provide a range but has

347 no preference. Here are the methods that have been considered:

348 1. Arbitrary data points

349   a. If the median is 70 Dth/year, simply choose volumes smaller and

350   larger than the median to cover a wider range of customers.

351 2. Quantiles

352   a. The median or 50% quantile is 70 Dth/year. Also include the 25%

353   quantile and 75% quantile.

354 3. Home Size or Type

355   a. The typical apartment uses about 45 Dth/year. DEU could also display

356   the values for a small, medium, and large home.

357 **Q,** **DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

358 A. Yes.

359