

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

PHASE II REBUTTAL TESTIMONY OF BRADLEY G. MULLINS
ON BEHALF OF
NUCOR STEEL-UTAH, A DIVISION OF NUCOR CORPORATION

October 13, 2022

Nucor Exhibit 2.0

1 **Q. ARE YOU THE SAME WITNESS THAT FILED PHASE II DIRECT TESTIMONY**
2 **IN THIS DOCKET?**

3 A. Yes. I previously filed Phase II Direct Testimony on behalf Nucor Steel-Utah, a Division
4 of Nucor Corporation (“Nucor”), discussing the cost of service and rate design proposed
5 by Dominion Energy Utah (“Dominion”).

6 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

7 A. I respond to the Phase II Direct Testimony of witnesses: Kevin Higgins on behalf of the
8 Utah Associated Energy Users (“UAE”); Brian Collins on behalf of the Federal Executive
9 Agencies (“FEA”); Curtis Chisolm on behalf of the American Natural Gas Council, Inc.
10 (“ANGC”); Abdinasir Abdulle on behalf of the Utah Division of Public Utilities (“DPU”);
11 and James Daniel on behalf of the Office of Consumer Services (“OCS”).

12 **Q. PLEASE SUMMARIZE YOUR RESPONSE.**

13 A. Based on my review of the other parties’ recommendations, I continue to recommend that
14 core distribution costs¹ be allocated based on demand, and that allocation methods that rely
15 on throughput, such as the peak and average, be rejected. Using demand to allocate core
16 mains indicates that TS customers should receive a below average rate increase and does
17 not indicate a material intra-class subsidy among TS customers. I also continue to
18 recommend the Commission avoid splitting the TS rate class. Rather, I recommend a
19 balanced rate spread for the TS rate class, with equal percentage increases to volumetric
20 and demand charges.

¹ Including feeder mains, compressor station, and measuring and regulating station costs.

21 **Q. DID FEA ALSO RECOMMEND ALLOCATING CORE DISTRIBUTION COSTS**
22 **BASED ON DEMAND?**

23 A. Yes. FEA witness Collins also recommended that core distribution costs be allocated based
24 on demand, using the design-day demand as the allocation factor. This recommendation
25 is consistent with my recommendation in Phase II Direct Testimony, which I continue to
26 support.

27 **Q. DO YOU SUPPORT UAE’S RECOMMENDATION TO ALLOCATE A PORTION**
28 **OF INTERMEDIATE HIGH PRESSURE (“IHP”) MAINS ON DEMAND?**

29 A. Yes, but I would go further than that. UAE makes a recommendation to incorporate a
30 demand component into the allocation of large IHP mains.² While I did not address this
31 account in my Phase II Direct Testimony, consistent with my recommendation to allocate
32 core distribution plant on demand, albeit excluding the demand of customers taking high
33 pressure service, my recommendation is to allocate 100% of IHP mains on the basis of
34 design day demand. The current allocator Dominion uses to allocate large IHP mains is
35 the “Distribution Throughput” factor.³ As Dominion describes in testimony, the
36 Distribution Throughput factor is based on volumes delivered to medium- and low-pressure
37 customers, less volumes delivered to high-pressure customers. High pressure customers
38 do not rely at all on the IHP system, and therefore, it would not be reasonable to assign any
39 IHP costs to those customers.

² UAE Exh. COS 2.0 at 11:199-12:233.

³ DEU Exh. 4.0 at 10:244-11:269.

40 **Q. DO YOU AGREE WITH THE DPU AND ANGC RECOMMENDATIONS TO**
41 **SPLIT THE TS RATE CLASS?**

42 A. No. Both ANGC and DPU cite testimony filed in Docket No. 19-057-03 and recommend
43 the Commission accept Dominion's proposal to split the TS rate class in to three schedules.
44 I disagree with these recommendations. The composition and rate design of the TS rate
45 class has been in place and approved by the Commission for many years. Making the
46 abrupt changes to the current treatment, recommended in the Direct Testimony of ANGC
47 and DPU, would cause severe rate shock for a subset of transportation service customers.
48 This rate shock can be observed particularly for those customers that would move to the
49 TSL rate class. The current composition and rate design for the TS rate class has not been
50 unreasonable, and DEU hasn't filed sufficient justification for its proposed divisions. My
51 cost of service study does not support a conclusion that there is a material intra-class
52 subsidy.⁴ It would be more reasonable to maintain the current rate structure and allocate
53 the revenue requirement increase attributable to the TS rate class equitably and
54 proportionally amongst the TS rate class members, as recommended in my Direct
55 Testimony. Accordingly, reallocating such a significant portion of distribution cost
56 recovery to Utah's large consumers would be unnecessarily and unjustifiably harmful to
57 those customers.

58 **Q. DO YOU SUPPORT USING PEAK DAY TO ALLOCATE CORE DISTRIBUTION**
59 **COSTS?**

60 A. No. Both the DPU witness Abdulle and OCS witness Daniel recommend, in the context
61 of the peak-and-average method, using peak day throughput to approximate demand for

⁴ See Nucor Exh. 1.2.

62 allocating core distribution costs.⁵ For reasons discussed in my Phase II Direct Testimony,
63 I recommend against using the peak and average method, and continue to recommend core
64 distribution costs be allocated based entirely on demand requirements. Regardless of the
65 method used, however, using peak-day throughput is not an accurate measure of demand
66 for the distribution system because it does not capture the full system capability used to
67 serve individual customer classes. The system must be built to accommodate the
68 possibility that throughput on a winter peak day will exceed expectation, which is called
69 the design day demand. The system is built to satisfy all firm demands with a high degree
70 of probability. Accordingly, the actual peak-day throughput does not correspond to actual
71 system capability and is not an accurate measure of demand to be used in a cost of service
72 study. In contrast, the system design-day demand of the individual rate classes, which I
73 have used, is more consistent with actual system capability and a more accurate measure
74 for demand for core distribution costs.

75 **Q. DO YOU AGREE WITH THE OCS OR DPU DEFINITIONS OF LOAD FACTOR?**

76 A. No. Both DPU and OCS discuss differing methods to calculating a load factor.⁶ These
77 recommendations do not impact my study results. Notwithstanding, there are many ways
78 to calculate a load factor. The definition from the AGA Glossary for the Gas Industry, as
79 cited by OCS witness Daniel, for example, is not authoritative for use in the context of cost
80 allocation.⁷ Changing the denominator from firm demand to peak throughput, as both the

⁵ See DPU Exh. 4.0 at 5:108-8:161; OCS Exh. 4D at 6:128-8:177.

⁶ DPU Exh. 4.0 at 8:162-15:280; OCS Exh. 4.0 at 9:178-12:258.

⁷ OCS Exh. 4.0 at 11:223-227.

81 OCS and DPU recommend, does not consider the actual system capability and therefore
82 does not result in an accurate load factor calculation for purposes of cost allocation.

83 **Q. DO YOU OPPOSE THE DPU RECOMMENDATION TO ALLOCATE GENERAL**
84 **PLANT DEPRECIATION EXPENSES USING MORE GRANULAR DATA?**

85 A. No. The DPU recommendation for general plant deprecation expenses is similar to my
86 recommendation on distribution depreciation expenses.⁸ Provided that there is consistent
87 treatment to distribution plant, as recommended in my Phase II Direct Testimony, it would
88 not be unreasonable to apply the same treatment to general plant.

89 **Q. DO YOU SUPPORT THE OCS RECOMMENDATION TO ALLOCATE MAGNA**
90 **LIQUIFIED NATURAL GAS (“LNG”) COSTS TO TRANSPORTERS?**

91 A. No. OCS witness Daniel states that some general service customers have migrated from
92 sales to transportation service since the Magna LNG facility was planned.⁹ Accordingly,
93 Daniel recommends including 25% of the increase in TS volumes in the allocation factor
94 for LNG costs.¹⁰ I disagree with this recommendation. TS customers cannot call on gas
95 from the LNG facility to mitigate their individual commodity costs. If prices are high, for
96 example, TS customers do not have the ability to withdraw LNG storage and avoid
97 purchasing in the market. Since TS customers cannot use the storage or associated gas
98 from the Magna LNG facility, it would be inappropriate to allocate any LNG costs to TS
99 customers.

100 **Q. DOES THIS CONCLUDE YOUR PHASE II REBUTTAL TESTIMONY?**

101 A. Yes.

⁸ DPU Exh. 4.0 at 12:59-14:294.

⁹ OCS Exh. 4.0 at 17:370-378.

¹⁰ *Id.* at 17:379-18:389.