–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 R** **Phase II - Rebuttal Testimony**

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

Rebuttal Testimony of

Abdinasir M. Abdulle

October 13, 2022

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INTRODUCTION

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND EMPLOYMENT FOR THE RECORD.

A. My name is Abdinasir M. Abdulle. My business address is Heber Wells Building, 160 East 300 South, Salt Lake City, Utah 84114. I am employed by the Utah Division of Public Utilities (Division or DPU), Department of Commerce as a Utility Technical Consultant.

Q. ARE YOU THE SAME ABDINASIR M. ABDULLE WHO PREFILED PHASE II DIRECT TESTIMONY ON BEHALF OF THE DIVISION?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony will provide the Division's response to several issues raised by the Office of Consumer Services (OCS) witness Mr. James W. Daniel, Utah Association of Energy Users (UAE) witness Mr. Kevin Higgins, Nucor Steel-Utah (Nucor) witness Bradley G. Mullins, American Natural Gas Council Inc. (ANGC) witness Mr. Curtis Chisholm, and Federal Executive Agencies (FEA) witness Mr. Brian C. Collins. Specifically, I will address issues these parties raised regarding CCOS study, rate spread, rate design, and other issues. The absence of comments on my part concerning an issue should not be construed as an acceptance or rejection of the issue.

CLASS COST OF SERVICE

SPLITTING THE TS CLASS INTO THREE SUBCLASSES

Q. DID ANY PARTY TAKE AN EXPLICIT POSITION REGARDING SPLITTING THE TS CLASS INTO THREE SUBCLASSES? IF SO, WHAT ARE THEIR RESPECTIVE POSITIONS?

A. Yes. ANGC's witness, Mr. Curtis Chisolm supported Dominion Energy Utah's (DEU) proposal of splitting the TS class into three subclasses.[1] Nucor's witness, Mr. Bradley Mullins recommended the Commission reject the proposed splitting of the transportation class in this Docket.[2] FEA witness, Mr. Brian Collins both conditionally does not oppose and conditionally rejects the proposed splitting of the TS class.

Q. DO YOU HAVE ANY COMMENTS REGARDING THESE PARTIES' POSITIONS REGARDING THE PROPOSED SPLIT OF THE TS CLASS?

A. Yes. In my Direct Testimony, I have indicated two reasons why the Division supports DEU's proposed split of the TS class. The first is the existence of intra class subsidies. As is shown in the Direct Testimony of DEU's witness Mr. Austin Summers, DEU's CCOS study showed that the TSS customers are paying rates above full-cost rates, the TSM customers are paying rates close to full-cost rate, and TSL customers are paying rates that are significantly below full-cost rates . Respectively, the three subclasses have rate of return index of 1.79, 0.92, and 0.32.[3] This shows that there are intra class subsidies and supports the need to split the TS class.

Second, though the Division did not perform any analysis to determine the appropriateness of the separation points, we performed an analysis that indicated a statistically significant difference between the subclasses.[4] Therefore, the Division recommends the Commission approve DEU's proposed splitting of the TS class into three subclasses. This will allow for more refined allocations and rate design within the TS class.

[1] ANGC, Docket No. 22-057-03, Direct Testimony of Curtis Chisholm, page 2, lines 28-29.
[2] Nucor, Docket No. 22-057-03, Direct Testimony of Bradley Mullins, page 6, line111.
[3] DEU, Docket No. 22-057-03, May 2, 2022, Direct Testimony of Austin C. Summers, page 8, lines 497-499.
[4] DPU, Docket No. 22-057-03, Direct Testimony of Abdinasir M. Abdulle, pages 3-5, lines 75-104.

Q. YOU STATED THAT MR. COLLINS TIED A CONDITION TO WHETHER OR NOT TO REJECT THE PROPOSED SPLITTING OF THE TS CLASS. WHAT ARE HIS CONDITIONS?

A. Mr. Collins made his recommendation regarding splitting the TS class conditional upon whether a design day demand or the peak and average (P&A) method is used to allocate the distribution mains costs. He states:

> If the allocation of distribution mains costs occurs on Design Day Demand basis, I do not oppose the TS class split proposed by DEU. However, if the Company's use of the P&A method is accepted by the Commission, I recommend the split be rejected.[5]

As will be explained later in my testimony, the Division opposes Mr. Collin's proposed use of the Design Day Demand to allocate the distribution mains costs. Though the Division opposes how DEU implemented the P&A method, the Division does not oppose the P&A method if it is implemented properly. Therefore, the Division opposes Mr. Collins' conditions and his proposal regarding the splitting of the TS class.

Q. ON PAGE 24, LINES 7 TO 10, MR. COLLINS STATED THAT "THE PROPOSED TS CLASS SPLIT COMBINED WITH THE USE OF THE P&A METHOD FOR THE ALLOCATION OF FEEDER MAIN COSTS ONLY FURTHER PUNISHES THE HIGH LOAD FACTOR TSL CLASS CUSTOMERS AND INCREASES THE SUBSIDY PAID BY THESE CUSTOMERS TO OTHER CLASSES." DO YOU AGREE WITH THIS STATEMENT?

A. No. According to the NARUC Gas Distribution Rate Design Manual, there are three main methods of allocating demand-related costs: 1) The coincident demand method, which would allocate higher

[5] FEA, Docket No. 22-057-03, Direct Testimony of Brian C. Collins, page 24, lines 4-7.

percentage of the demand-related costs to the lower load factor customers, 2) The non-coincident demand method, which would allocate greater percentage of the demand-related costs to the higher load factor customers, and 3) The P&A method, which is a compromise between the other two methods. This third method moderates the demand-related cost allocation between the high and low load factor customers.

Mr. Collins' proposed use of design day demand factor is a use of coincident method, which places greater cost responsibility to the low load factor heating customers.

DEU's CCOS study showed the existence of intra class subsidies within the TS class with TSS subclass subsidizing the TSM and TSL subclasses. Hence, the P&A method would alleviate the burden from the low load factor TSS class customers without putting too much burden on the high load factor TSL class customers. Therefore, the Division does not believe that the use of the P&A method unduly punishes the high load factor TSL customers as the TSL class is not currently covering their cost of service.

Furthermore, the existence of significant intra class subsidies necessitates that the TS class be split into subclasses. This has already been supported statistically. I have shown in my Direct Testimony that there are statistically significant differences between TSS, TSM and TSL.[6]

[6] DPU, Docket No. 22-057-03, Direct Testimony of Abdinasir M. Abdulle, pages 3-5.

DESIGN DAY VS. ACTUAL PEAK DAY USAGE IN CCOS

Q. WHAT WAS THE RECOMMENDATION OF THE OCS' WITNESS MR. JAMES DANIEL REGARDING THE USE OF DESIGN DAY VS PEAK DAY IN THE CCOS STUDY?

A. In his Direct Testimony, Mr. Daniel recommended the Commission reject the use of design day demand allocation factor and to approve the use of a test year peak day demand allocation factor.[7]

Q. HOW DID MR. DANIEL JUSTIFY THE USE OF A TEST YEAR PEAK DAY DEMAND ALLOCATION FACTOR?

A. Mr. Daniel asserted that the primary reason to use test year peak day demand is that it is more current and is a better representation of how DEU's system is actually being used by rate payers.[8]

Q. WOULD YOU COMMENT ON MR. DANIEL'S PROPOSED USE OF A TEST YEAR PEAK DAY DEMAND ALLOCATION FACTOR?

A. Yes. The Division concurs with Mr. Daniel that the use of peak day demand is more appropriate than the use of a design day allocation factor. However, it has been claimed that peak day demand varies too much and is not stable. To alleviate this shortcoming, in my Direct Testimony, I proposed the use of a 3-year average of Actual Peak Days of the most recent years. This smooths the variability from year to year that would characterize the peak day. While the Division does not oppose a single-year peak day measure, a three-year average helps promote stability.

/Q. ON PAGE 6, LINES 116-117, UAE WITNEWSS MR. HIGGINS SUPPORTS DEU'S PROPOSED USE OF DESIGN DAY TO ALLOCATE DEMAND-RELATED COSTS? WHAT IS YOUR OPINION?

[7] OCS, Docket No. 22-057-03, Direct Testimony of James W. Daniel, page 8, lines 175-177.
[8] OCS, Docket No. 22-057-03, Direct Testimony of James W. Daniel, page 8, lines 160-162.

A. As explained in my Direct Testimony,[9] the Division opposes the use of Design Day Demand factor to allocate demand-related costs. Design Day is a theoretical worst-case scenario that rarely, if ever, happens and is inadequate for allocating costs according to actual system usage and benefits. The Direct Testimony of Mr. Higgins does not cause the Division's position to change.

PEAK DEMAND RESPONSIBITY FOR INTERRUPTIBLE CUSTOMERS

Q. On page 6, lines 117-118, Mr. Higgins, stated "that interruptible customers should not be allocated peak demand costs." Do you agree with this statement?

A. No. Because the Division proposed the use of peak day demand instead of design day demand, the Division believes that interruptible customers should be assigned some peak demand responsibility. If the Commission approves the use of design day demand instead of actual peak day demand, the Division still believes that interruptible customers should be assigned some peak demand responsibility because of the reality that interruptible customers use the system at virtually all times in the recent past.

Based on DEU's Response to DPU Data Request No. 5.02 in this Docket and 15.04 in Docket No. 19-057-02,[10] interruptible customers have been interrupted only twice since 2014, once on December 31, 2014, and the other on January 6, 2017, on the highest sendout days. Therefore, interruptible customers should be assigned some peak demand responsibility even if the commission adopts the use of design day demand.

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

Q. IN HIS DIRECT TESTIMONY, WHAT DID MR. HIGGINS PROPOSE REGARDING THE HYBRID ALLOCATION FACTOR?

[9] DPU, Docket No. 22-057-03, Direct Testimony of Abdinasir A. Abdulle, pages 6-7, lines 121-139.
[10] DPU Exhibit 4.01 R – DEU Response to DPU Data Request 15.04.

A. Mr. Higgins proposes to use Design Day / Throughput allocator. He also recommends "that the Throughput weighting for Allocation Factor 230 be based on DEU's system load factor of 32.5%. This produces a weighting for Allocation Factor 230 of 67.5% Design Day / 32.5% Throughput."[11]

Q. WOULD YOU COMMENT ON THIS?

A. The Division concurs with Mr. Higgins' use of the Peak & Average method. However, the Division has two issues with the way Mr. Higgins implemented this method, the use of the Design Day in the Allocation Factor and the way DEU's system load factor is calculated.

As explained in my Direct Testimony, the Division opposes using Design Day. It does not reflect actual cost causation based on actual usage of the system (Refer to the answer above on lines 122 through 125 of this testimony).

In calculating the system load factor, Mr. Higgins used DEU's Design Day Demand (1,459,679 Dth) and annual throughput (172,905,622 Dth). A more appropriate way to calculate DEU's system load factor is to use a 3-year average actual peak, instead of design day, and throughput. This yields a weighting for allocation factor 230 of 54% 3-year average actual peak and 46% throughput. The analysis and discussion that supports this proposal can be found in my Direct Testimony in the section titled Hybrid Allocation Factor: 60% Design Day, 40% Throughput.

Q. WHAT WEIGHTING FOR THE HYBRID FACTOR DID MR. DANIEL FROM OCS PROPOSE?

A. Mr. Daniel proposed a weighting of 52% test year actual peak day and 48% throughput for determining allocation factor 230.[12]

Q. WOULD YOU COMMENT ON THIS?

[11] UAE, Docket No. 22-057-03, Direct Testimony of Kevin C. Higgins, page 9, lines 161-163.
[12] OCS, Docket No. 22-057-03, Direct Testimony of James W. Daniel, page 12, line 258.

A. Yes. The difference between Mr. Daniel's proposed weighting and DPU's proposed weighting is how the system load factor was calculated. The Division used a 3-year average actual peak day demand as its denominator for the calculation of the system load factor where Mr. Daniel used a test year actual peak day demand. Because of the fluctuations of the actual peak day demand, the Division continues to maintain that use of a 3-year average actual peak day demand is a better measure than the test year actual peak demand.

Q. HOW DOES MR. BRADLEY MULLINS FROM NUCOR PROPOSE THE COSTS OF THE FEEDER MAINS BE ALLOCATED?

A. Mr. Mullins proposes that the core distribution mains (feeder mains) costs be allocated using 100% design day demand.[13]

Q. DO YOU AGREE WITH MR. MULLINS' PROPOSAL?

A. No. Allocating the costs of the feeder mains based on 100% design day is akin to using coincident peak method of allocating demand-related costs. According to the NARUC Manual, this method would result in greater percentage of the demand costs being allocated to lower factor heating customers. Tables 5 and 6 in my Direct Testimony show that as the weight of the design day increases, the percent increase in revenue increases for the low load factor heating customers and decreases for high load factor customers.[13] Hence, Mr. Mullins's proposal would disproportionately harm the low load factor customers. In addition, as I discussed earlier, the design day does not reflect how the system is used and would not adequately allocate costs.

RATE SPREAD

Q. What rate spread did Mr. Daniel propose?

[13] Nucor, Docket No. 22-057-03, Direct Testimony of Bradley G. Mullins, page 11, lines 207-208.

A. Mr. Daniel proposed a rate spread based on his modified CCOS study and applied the principle of gradualism to the TSL class.

Q. WHAT IS YOU OPINION ABOUT MR. DANIEL'S PROPOSED RATE SPREAD?

A. The Division does not agree on some of the modifications that Mr. Daniel made to DEU's CCOS model. For example, the Division does not agree on the use of the test year actual peak day demand in the determination of allocation factor 32. However, the Division concurs with Mr. Daniel to apply the principle of gradualism to bring the revenues of the TSL class equal to their cost of service. The Division would not oppose a phased in approach provided the total costs to the transportation classes is the same. In other words, TSL class gradualism should come at the expense of the TSS and TSM customers, not other classes.

RATE DESIGN

RATE DESIGN FOR TRANSPORTATION SUB-CLASSES

Q. WHAT RATE DESIGN DID MR. MULLINS FROM NUCOR PROPOSE FOR THE TS CLASS?

A. Mr. Mullins proposed for the TS class "an equal percent increase to the volumetric charges and demand charges, with Dominion's proposed reductions to the administrative fees."[14]

Q. DO YOU HAVE ANY COMMENTS ON MR. MULLINS' PROPOSE RATE DESIGN FOR THE TS CLASSES?

A. Yes, the Division believes that Mr. Mullins' CCOS study should not be used as the basis for the rate design. Because Mr. Mullins used 100% design day demand, the results of his CCOS study would be assigning greater percentage of the cost to the

[14] NUCOR, DOCKET NO. 22-057-03, DIRECT TESTIMONY OF BRADLEY G. MULLINS, PAGE 16, LINES 321-323.

low load factor customers. Hence, his proposed rate design, which is based on his CCOS model should be rejected.

Furthermore, by using the Division's proposed blend of 3-year actual peak day demand and annual throughput, the TSL class will require large percent increase to recover its cost of service. Hence, the Division believes that the principle of gradualism should be used.

CONSERVATION ENABLING TARIFF

Q. MR. DANIEL PROPOSES THAT THE COMMISSION ORDER DEU TO PRESENT ANALYSES AND TESTIMONY TO SUPPORT THE CONTINUATION OF THE CONSERVATION ENABLING TARIFF (CET). DO YOU AGREE WITH THIS?

A. Yes. The situation has changed since the implementation of the CET. It would be beneficial to reassess the effectiveness of its use and reasons for its application. If not in this docket, then in another docket soon thereafter.

Q, DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.