

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

Brian C. Collins

On behalf of

Federal Executive Agencies

October 13, 2022

FEA Exhibit 4.0



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Phase II Rebuttal Testimony of Brian C. Collins

I. QUALIFICATIONS AND SUMMARY

1 I.A. Qualifications

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A My name is Brian C. Collins. My business address is 16690 Swingley Ridge
4 Road, Suite 140, Chesterfield, MO 63017.

5 Q ARE YOU THE SAME BRIAN C. COLLINS WHO FILED PHASE II DIRECT
6 TESTIMONY ON SEPTEMBER 15, 2022 IN THIS CASE?

7 A Yes, I am.

8 Q ON WHOSE BEHALF ARE YOU TESTIFYING?

9 A I am offering Phase II rebuttal testimony on behalf of the Federal Executive
10 Agencies ("FEA"), including Hill Air Force Base ("Hill AFB"), a customer in the

1 Transportation Service (“TS”) class of Dominion Energy Utah (“DEU” or “the
2 Company”).

3 **I.B. Summary**

4 **Q WHAT IS THE PURPOSE OF YOUR PHASE II REBUTTAL TESTIMONY?**

5 A The purpose of my testimony is to respond to the Phase II direct testimonies of
6 the Utah Division of Public Utilities (“DPU”), the Utah Office of Consumer
7 Services (“OCS”), and the American Natural Gas Council, Inc. (“ANGC”).

8 To the extent that I do not address a position of any party on a particular
9 issue does not indicate tacit agreement regarding that issue.

10 **I.C. Response to Mr. Abdinasir M. Abdulle**

11 **Q HAVE YOU REVIEWED THE PHASE II DIRECT TESTIMONY OF MR.
12 ABDINASIR M. ABDULLE ON BEHALF OF THE DPU?**

13 A Yes, I have reviewed the Phase II direct testimony of Mr. Abdulle filed on behalf
14 of the DPU. Like the Company, Mr. Abdulle proposes the Peak & Average
15 (“P&A”) method for the allocation of main costs to DEU’s customer classes.
16 However, his recommendation for the allocation of main costs to customer
17 classes is even more punitive to high load factor customer classes than the
18 Company’s proposal, as Mr. Abdulle proposes to weight the classification of
19 main costs as commodity throughput-related (or average demand-related) by

1 54%, as compared to the Company's proposed weighting of 40%.¹ Mr.
2 Abdulle's proposed weighting is based on a three-year average of actual peak
3 demands instead of Design Day Demand as proposed by the Company.²

4 **Q DO YOUR CRITICISMS OF THE COMPANY'S USE OF THE P&A METHOD**
5 **ALSO APPLY TO MR. ABDULLE'S PROPOSAL FOR THE P&A METHOD TO**
6 **BE USED FOR THE ALLOCATION OF MAIN COSTS TO CUSTOMER**
7 **CLASSES?**

8 A Yes. As explained in my Phase II direct testimony, because the P&A method
9 classifies and allocates a portion of main costs on commodity throughput or
10 average demand, the P&A method does not appropriately allocate main costs
11 to customer classes. The DEU system is designed to meet Design Day
12 Demand, and not average demand. As a result, the P&A method does not
13 appropriately reflect class cost causation on the DEU system.

¹Phase II Direct Testimony of Abdinasir M. Abdulle for the Division of Public Utilities, Exhibit No. DPU 4.0 DIR, at 12-13,

²*Id.* at 10, 12-13.

1 **Q AS A RESULT OF YOUR CRITICISMS OF THE ALLOCATION OF MAIN**
2 **COSTS TO CUSTOMER CLASSES USING THE P&A METHOD, DO YOU**
3 **CONTINUE TO RECOMMEND THE ALLOCATION OF MAIN COSTS TO**
4 **CUSTOMER CLASSES ON THE BASIS OF DESIGN DAY DEMAND AS**
5 **DESCRIBED IN YOUR PHASE II DIRECT TESTIMONY?**

6 A Yes. Cost allocation should follow cost causation. Because the P&A method
7 does not appropriately follow cost causation, Mr. Abdulle’s proposal for the
8 allocation of main costs to DEU rate classes should be rejected. Main costs
9 should be allocated to customer classes using Design Day Demand. This
10 appropriately reflects class cost causation.

11 **Q DO YOU HAVE ANY ADDITIONAL RESPONSE TO MR. ABDULLE’S PHASE**
12 **II DIRECT TESTIMONY?**

13 A Yes. Mr. Abdulle proposes to use actual peak demands as compared to Design
14 Day Demand for the demand component of the P&A allocator in the P&A
15 method used for the allocation of main costs to DEU’s customer classes.³

16 Mr. Abdulle opines that the use of Design Day Demand for cost allocation
17 is too extreme of a measure of expected demand on the DEU system. He
18 recommends using an average of multiple actual peak demands.⁴

19 The DEU system should be planned to meet extreme weather, such as
20 that expected on a Design Day. If DEU does not plan for the possibility of

³*Id.* at 6.

⁴*Id.* at 6-7.

1 extreme weather, firm demand may not be met, and that demand may be
2 significantly curtailed. Use of Design Day Demand for allocating main costs to
3 customer classes follows how DEU incurs distribution main costs.

4 As indicated in my Phase II direct testimony, Design Day Demand is
5 typically used to plan utility gas systems. Because the system is planned to
6 meet Design Day Demand, it is inappropriate to use actual peak demands or an
7 average of multiple actual peak demands for cost allocation. Mr. Abdulle's
8 proposal should be rejected.

9 **I.D. Response to Mr. James W. Daniel**

10 **Q HAVE YOU REVIEWED THE PHASE II DIRECT TESTIMONY OF MR.**
11 **DANIEL ON BEHALF OF OCS?**

12 **A** Yes, I have reviewed the Phase II direct testimony of Mr. Daniel filed on behalf
13 of OCS. Like Mr. Abdulle, he accepts the allocation of main costs on the basis
14 of the P&A method and proposes to use actual demands for the demand
15 component of the P&A allocator. Also like Mr. Abdulle, his proposed P&A
16 method is even more punitive to high load factor classes because he weights
17 the average component of the P&A allocator by 48% (compared to the
18 Company's weighting of 40%) as a result of his calculation of the system load
19 factor using actual peak demands.⁵

⁵Phase II Direct Testimony of James W. Daniel on behalf of the Office of Consumer Services, OCS 4D Daniel, at 11-12.

1 **Q DO YOUR PREVIOUS CRITICISMS OF THE COMPANY’S AND DPU’S USE**
2 **OF THE P&A METHOD ALSO APPLY TO MR. DANIEL’S PROPOSAL FOR**
3 **THE P&A METHOD TO BE USED FOR THE ALLOCATION OF**
4 **TRANSMISSION MAIN COSTS?**

5 A Yes. As previously explained, because the P&A method classifies and allocates
6 a portion of main costs on commodity throughput or average demand, the P&A
7 method does not appropriately reflect class cost causation on the DEU system.
8 The DEU system is designed to meet Design Day Demand, and not average
9 demand. As a result, the P&A method does not reflect class cost causation.

10 As explained in my Phase II direct testimony, the P&A method is not a
11 true cost allocation method as it introduces load factor into the allocation
12 process to temper costs between high load factor and low load factor customer
13 classes. The P&A method uses the annual system load factor to determine the
14 percentage of fixed delivery system investment allocated on annual system
15 throughput. As load factor, which is a measure of system efficiency, increases,
16 the percentage of transmission main costs allocated on system throughput
17 increases. Large manufacturing customers use gas consistently throughout the
18 year and increase system load factor. Therefore, the P&A method is illogical
19 because it allocates even more costs to those customers that increase system
20 load factor and punishes efficient usage.

21 Essentially, the P&A method introduces customer class cost mitigation
22 into the cost allocation process. However, rate impact mitigation in the cost of

1 service process is inappropriate. Instead, costs should first be allocated to
2 classes based on cost causation, as is done with the peak demand method.
3 After costs are properly allocated to customer classes, any necessary cost
4 mitigation or adjustments to classes' allocated revenue requirement may then
5 be addressed through the class revenue allocation process or rate design
6 process.

7 Mr. Daniel's proposal for the allocation of main costs using the P&A
8 method, which includes actual peak demands instead of Design Day Demand,
9 does not appropriately reflect class cost of service and should be rejected.

10 **Q HOW DOES MR. DANIEL PROPOSE TO ALLOCATE LIQUEFIED NATURAL**
11 **GAS ("LNG") FACILITY COSTS TO DEU'S RATE CLASSES?**

12 A He proposes to allocate a portion of LNG facility costs to transportation
13 customers. His basis for this proposal is because of the migration of sales
14 customers to transportation services, which has increased the allocation of LNG
15 facility costs to customers in the General Service ("GS") class, some costs of
16 the LNG facility should be allocated to transportation customers.⁶

⁶*Id.* at 17-18.

1 **Q HOW DO YOU RESPOND TO MR. DANIEL’S PROPOSAL FOR THE**
2 **ALLOCATION OF LNG FACILITY COSTS TO CUSTOMER CLASSES?**

3 A Mr. Daniel’s proposal is inappropriate as it does not follow cost causation. As
4 indicated by Mr. Kelly B. Mendenhall in his direct testimony on behalf of DEU,
5 the LNG facility is being built for the sole benefit of sales customers.⁷
6 Transportation customers will not have access to the LNG facility during supply
7 disruptions. Therefore, I agree with Mr. Mendenhall that transportation
8 customers do not cause the utility to incur the costs for the LNG facility. To
9 allocate any portion of the LNG facility costs to transportation customers is
10 inconsistent with cost causation, and as a result, Mr. Daniel’s proposal should
11 be rejected.

12 **Q DOES MR. DANIEL’S PROPOSAL FOR THE ALLOCATION OF LNG**
13 **FACILITY COSTS TO CUSTOMER CLASSES ESSENTIALLY INTRODUCE**
14 **RATE MITIGATION INTO THE COST ALLOCATION PROCESS?**

15 A Yes. Despite the fact that transportation customers cannot utilize the LNG
16 facility, he proposes to allocate a portion of LNG facility costs to transportation
17 customers in order to mitigate the allocation of costs to the GS class. This is
18 inappropriate and does not reflect class cost causation. LNG facility costs
19 should be first appropriately allocated to the customers that cause the Company
20 to incur the costs. Any concerns on rate impacts for customer classes resulting

⁷Redacted Direct Testimony of Kelly B. Mendenhall for Dominion Energy Utah, DEU Redacted Exhibit 1.0, at 20.

1 from a proper allocation of costs should be addressed via class revenue
2 allocation or rate design, if necessary, to prevent rate shock.

3 **I.E. Response to Mr. Curtis Chisholm**

4 **Q HAVE YOU REVIEWED THE PHASE II DIRECT TESTIMONY OF MR.**
5 **CHISHOLM ON BEHALF OF THE ANGC?**

6 A Yes. Mr. Chisholm indicates that the TS class should be split into subclasses
7 as proposed by DEU because large customers in the TS class are being
8 subsidized by small customers in the TS class.⁸

9 **Q HOW DO YOU RESPOND TO MR. CHISHOLM'S CLAIM THAT SMALL**
10 **TRANSPORTATION CUSTOMERS ARE PROVIDING SUBSIDIES TO**
11 **LARGE CUSTOMERS IN THE TS CLASS?**

12 A It is apparent that TS customers are providing subsidies to the residential class
13 when class cost of service is measured by an appropriate class cost of service
14 study as demonstrated in my Phase II direct testimony. To the extent that
15 distribution main costs are allocated appropriately to classes based on cost
16 causation using Design Day Demand, it is evident that small customers in the
17 TS class are not providing subsidies to large customers in the TS class.

18 As indicated in my direct testimony, to the extent that distribution main
19 costs are inappropriately allocated to customer classes using the P&A method

⁸Phase II Direct Testimony of Curtis Chisholm for the American Natural Gas Council, Inc., ANGC Exhibit 1, at 2.

1 as proposed by DEU, the TS class should not be split into subclasses. The split
2 of the TS class only exacerbates the subsidies provided by the large customers
3 in the TS class to other classes as a result of the Company's use of the P&A
4 method for the allocation of main costs to customer classes.

5 **Q DO YOU CONTINUE TO RECOMMEND THAT THE TS CLASS NOT BE**
6 **SPLIT INTO SUBCLASSES IF MAIN COSTS ARE ALLOCATED TO**
7 **CUSTOMER CLASSES USING THE P&A METHOD?**

8 A Yes, I continue to recommend that the TS class not be split into subclasses if
9 the P&A method is used for the allocation of distribution main costs to customer
10 classes.

11 **I.F. Conclusion**

12 **Q BASED ON YOUR REVIEW OF THE DPU, OCS, AND ANGC PHASE II**
13 **DIRECT TESTIMONIES, DO YOU CONTINUE TO RECOMMEND THAT**
14 **REVENUES BE ALLOCATED TO CLASSES AS PROPOSED IN YOUR**
15 **PHASE II DIRECT TESTIMONY?**

16 A Yes, I continue to recommend the class revenue allocation proposed in my
17 Phase II direct testimony. My proposed class revenue allocation contained in
18 my Phase II direct testimony is guided by my revisions to the Company's class
19 cost of service study, which appropriately allocates the costs of feeder mains

1 and large diameter distribution mains using Design Day Demand and properly
2 reflects class cost causation.

3 **Q DOES THIS CONCLUDE YOUR PHASE II REBUTTAL TESTIMONY?**

4 **A** Yes, it does.

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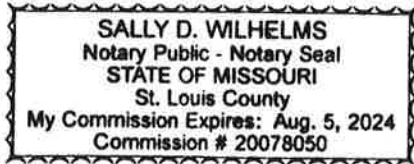
State of Missouri)
) ss.
County of Saint Louis)

I, Brian C. Collins, 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.

Brian C. Collins

Brian C. Collins

SUBSCRIBED AND SWORN TO this 13th day of October, 2022.



Sally D. Wilhelms

Notary Public