Witness OCS – 4S Daniel

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

	)	
Application of Dominion Energy Utah to	)	**Docket No. 22-057-03**
	)	
Increase Distribution Rates and Charges	)	**Phase II Surrebuttal Testimony of**
	)	**James W. Daniel**
and Make Tariff Modifications	)	**On behalf of the**
	)	**Office of Consumer Services**

November 3, 2022

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Q., PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas, 78701.

Q. ARE YOU THE SAME JAMES DANIEL THAT PROVIDED PHASE II DIRECT AND REBUTTAL TESTIMONY ON BEHALF OF THE OFFICE OF CONSUMER SERVICES ("OCS")?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to certain claims and proposals made by Dominion Energy Utah ("DEU") and certain intervenors and the Division of Public Utilities ("DPU") witnesses in their rebuttal testimony in Phase II of this proceeding. In particular, I address issues raised in the Phase II rebuttal testimony of Utah Association of Energy Users ("UAE") witness Kevin Higgins, DPU witness Abdinasir Abdulle, American Natural Gas Council ("ANGC") witness Timothy Oliver, Federal Executive Agencies ("FEA") witness Brian Collins, and DEU witnesses Austin C. Summers and Kelly Mendenhall.

Commission Review of Conservation Enabling Tariff ("CET")

Q. DID ANY PARTY OPPOSE YOUR RECOMMENDATION THAT THE COMMISSION SHOULD REEVALUATE DEU'S CET?

A. Only DEU objected to my recommendation that the Commission should reevaluate the need for DEU's CET. DEU witness Kelly Mendenhall recommends that the Commission determine in this proceeding that DEU be allowed to continue

applying the CET in the future.[1] In contrast, both the DPU and ANGC specifically agreed with my proposal to reevaluate the CET.[2]

Q. DO YOU HAVE ANY ISSUES WITH DEU'S REQUEST IN ITS REBUTTAL TESTIMONY FOR COMMISSION APPROVAL TO CONTINUE USING THE CET?

A. Yes. The Company did not provide a complete evaluation of the CET as I recommended in my direct testimony and in this surrebuttal testimony. I would also note that I did not recommend the CET's discontinuation in this case. I recommended a reevaluation in DEU's next rate case. The Company's evaluation does not accomplish the analysis I recommend be undertaken.

Q. IN WHAT RESPECT DOES THE COMPANY FALL SHORT OF PROVIDING A FULL ANALYSIS AS SUPPORT FOR THE CONTINUATION OF THE CET?

A. As discussed in my direct testimony and in this surrebuttal testimony, the Commission should review other factors rather than just relying on the Company's claim that the CET has performed as intended. For example, revenue decoupling decreases a utility's risk from revenue volatility. Therefore, this decreased risk should be considered when determining a utility's return on equity ("ROE"). This issue requires further review and analysis prior to the Commission deciding to allow DEU to continue the CET. For instance, does DEU's risk profile actually require full decoupling or would partial decoupling be sufficient to accomplish the

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1 Phase II Rebuttal Testimony of Kelly B. Mendendall, pg. 3, lines 64-68.

2 Phase II Rebuttal Testimony of Abinasir M. Abdulle, pg. 10, lines 229-231; Phase II Rebuttal Testimony of Timothy B. Oliver, pg. 35, lines 766-769

CTE's objectives?[3] As discussed in the testimony that follows, the Company's claim that the CET performed as intended is flawed.

Q. ARE FULL DECOUPLING AND PARTIAL DECOUPLING EQUAL?

A. No. I discussed the differences on page 25 of my direct testimony.

Q. DOESN'T DEU HAVE BOTH FULL DECOUPLING AND PARTIAL DECOUPLING PROVISIONS?

A. Yes. In addition to the full revenue decoupling CET rate adjustment, DEU also has a Weather Normalization Adjustment ("WNA") provision that is considered as a partial revenue decoupling rate adjustment.

Q. DOES DEU ACKNOWLEDGE THAT FULL DECOUPLING IS SUPERIOR TO PARTIAL DECOUPLING?

A. No. Instead, DEU wants to equate full decoupling with partial decoupling. For example, DEU witness Mr. Mendenhall's rebuttal testimony considers full and partial decoupling as equivalent.[4]

Q. DOES MR. MENDENHALL'S REBUTTAL TESTIMONY QUESTION THE SOURCE OF YOUR INFORMATION ON WHICH LDC'S HAVE FULL OR PARTIAL DECOUPLING?

A. Yes. On line 184 of Mr. Mendenhall's rebuttal testimony cited above, he states that he finds my "sources to be suspect." My source is the S&P Global Market Intelligence Report, Use of adjustment clauses as of June 2022. This is also the source used by DEU witness Ms. Nelson for her Exhibit 2.07. I would also note

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[3] I note that only three of the twenty-four utilities in DEU's cost of capital witness Jennifer Nelson's proxy group have full decoupling.

[4] Phase II Rebuttal Testimony of Kelly B. Mendenhall, pg. 9, lines 176-189.

that updating that source for Dominion Energy Ohio, as suggested by Mr. Mendenhall, does not change my assessment of the data.

Q. DOES DEU WITNESS MR. MENDENHALL'S REBUTTAL TESTIMONY MISREPRESENT WHAT YOUR DIRECT TESTIMONY STATES?

A. Yes. On page 4 of this rebuttal testimony, it reads that "Mr. Daniel states that he does not believe that full decoupling is necessary to encourage energy efficiency," which is correct. However, the sentence in my direct testimony prior to the quote in Mr. Mendenhall's rebuttal testimony states, "I do not necessarily disagree that full revenue decoupling helps remove the disincentive of the utility to encourage energy efficiency."[5] Mr. Mendenhall also claims that I stated "DEU's energy efficiency programs have not been effective."[6] Instead, my testimony observes that based on the leveling off of the average annual gas use per residential customer it would appear that current energy efficiency programs have not been as effective as prior energy efficiency programs in reducing customer usage.[7] I have not made a complete analysis of DEU's energy efficiency programs.

Q. DOES MR. MENDENHALL'S REBUTTAL TESTIMONY ON THE EFFECTIVENESS OF DEU'S ENERGY EFFICIENCY PROGRAMS ADDRESS THE ISSUE YOU WERE MAKING IN YOUR TESTIMONY?

A. No. In Mr. Mendenhall's quote from my direct testimony, I raise the question of whether or not DEU would continue to offer energy efficiency programs if it did not

5 Phase II Direct Testimony of James Daniel, pg. 19, lines 411-412.
6 Phase II Rebuttal Testimony of Kelly B. Mendenhall, pg. 70-71.
7 Phase II Direct Testimony of James Daniel, pg. 19, lines 415-418.

have full revenue decoupling like others LDCs.[8] Mr. Mendenhall's rebuttal testimony does not address that question.

Q. IS THAT A QUESTION THAT THE COMMISSION SHOULD ADDRESS IN A REVIEW OF WHETHER DEU SHOULD BE ALLOWED TO CONTINUE ITS CET?

A. Yes.

Q. DOES MR. MENDENHALL DISAGREE THAT THE ANNUAL DECLINE IN THE AVERAGE USE PER RESIDENTIAL CUSTOMER HAS LEVELED OFF?

A. Yes. On page 7, lines 155 through 159 of his rebuttal testimony, Mr. Mendenhall states that he believes that the decline in the average use per residential customer from 2006 to 2021 does not represent a "material flattening".

Q. DO YOU AGREE?

A. No. Mr. Mendenhall fails to compare the average annual decrease in average annual use per residential customer for the period before the CET was implemented with the period after the CET was implemented. He only looks at the period after the CET was implemented, i.e., 2006 to 2021. Mr. Mendenhall notes that the average use per residential customer declined 13.5% over that 15-year period. However, the compounded annual rate of decline is less than one percent (-0.96%). This compares to a decline for the 25 years prior to the CET (1980 to 2005) of 35.2%, or an annual rate of decline of -1.73. Obviously, the annual decrease in average use per residential customer has leveled off.

[8] Phase II Rebuttal Testimony of James W. Daniel, pg. 19, lines 411-418.

Q. DOES MR. MENDENHALL ALSO REBUT YOUR DIRECT TESTIMONY THAT CUSTOMERS OPPOSE REVENUE DECOUPLING AND DO NOT BENEFIT FROM REVENUE DECOUPLING?

A. Yes. Mr. Mendenhall provides a table on page 10 of his rebuttal testimony that provides historic amounts of revenue increases and decreases resulting from the CET to show that DEU and customers benefit from the CET. My view of Mr. Mendenhall's table is that historically the impacts on customers have been mostly neutral. Mr. Mendenhall does not rebut my testimony that customers and customer groups generally oppose decoupling.

Q. DOES THE TABLE ON PAGE 10 OF MR. MENDENHALL'S REBUTTAL TESTIMONY INDICATE ANYTHING ELSE TO YOU?

A. Yes. In my opinion the table supports reevaluating whether DEU's CET is needed and supports the recommendation that the Commission should analyze whether DEU should be allowed to continue the CET. Over time, the amount of CET revenues collected and refunded by DEU has been relatively even.

Q. IN HIS REBUTTAL TESTIMONY, DOES DEU WITNESS MR. MENDENHALL FULLY ADDRESS YOUR ISSUE AND PROPOSAL REGARDING THE SIGNIFICANT INCREASE IN SMALLER HOUSING UNITS ON DEU'S SYSTEM?

A. No. Mr. Mendenhall's rebuttal on this issue is entirely related to the impacts of increases in multi-family dwellings. That is only part of the problem. As stated in my direct testimony the increase in smaller single-family dwellings also contributes to this issue.

Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING MR. MENDENHALL'S REBUTTAL TESTIMONY OPPOSING A COMMISSION REVIEW OF THE NEED FOR THE CET?

A. In my testimony above, I point out instances in Mr. Mendenhall's rebuttal testimony that only highlight the need for a Commission review of the need to continue the CET. I have two additional points to make. First, from a policy perspective, I believe the Commission should periodically review the need for any automatic rate adjustment mechanism such as the CET. It has been 16 years since the CET was implemented and it is time for the Commission to conduct such a review. Second, as I stated before, in their rebuttal testimony, the DPU and ANGC support a Commission review of the CET.

Design-Day vs Actual Peak-Day Demand Allocation Factor

Q. DO THE INTERVENORS[9] REPRESENTING TRANSPORTATION CUSTOMERS REITERATE THEIR SUPPORT FOR THE USE OF DESIGN-DAY DEMANDS FOR ALLOCATING COSTS IN THEIR REBUTTAL TESTIMONY?

A. Yes. In addition, DEU witness Austin Summers' rebuttal testimony makes arguments similar to those in his direct testimony for the use of design-day peak demands.[10]

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9 Phase II Rebuttal Testimony of Kevin Higgins, pgs. 4-8, lines 71-162; Phase II Rebuttal Testimony of Timothy Oliver, pgs. 8-12, lines 157-250; Phase II Rebuttal Testimony of Brian Collins, pg. 4, line 11 and pg. 5, line 8; Phase II Rebuttal Testimony of Bradley Mullins, pgs. 3-4, lines 58-74.

10 Phase II Rebuttal Testimony of Austin C. Summers, pgs. 2-5, lines 33-116.

Q. IN HIS REBUTTAL TESTIMONY, DOES DEU WITNESS MR. SUMMERS CITE THE NARUC "GAS DISTRIBUTION RATE DESIGN MANUAL" AS SUPPORT FOR USING DESIGN-DAY DEMANDS?

A. Yes. On page 4, lines 94 through 102 of his rebuttal testimony, Mr. Summers points out that the "sample" customer class cost of service study ("COSS") included in the NARUC Manual uses a demand allocation methodology based on a design-day demand. Mr. Summers claims it is "noteworthy" that the NARUC Manual uses an estimated design-day demand.[11]

Q. DID OTHER PARTIES ALSO USE THE COSS EXAMPLE IN THE NARUC MANUAL AS SUPPORT FOR THE USE OF A DESIGN-DAY DEMAND FOR ALLOCATING DEMAND COSTS?

A. Yes. UAE witness Kevin Higgins also referred to the NARUC Manual.[12]

Q. DO YOU AGREE THAT THE NARUC MANUAL ENDORSES THE USE OF ESTIMATED DESIGN-DAY DEMANDS FOR ALLOCATING DEMAND RELATED COSTS?

A. No. The NARUC Manual does not even mention the design-day demand allocation methodology in the section that describes the "most commonly used demand allocations for natural gas distribution utilities." The three "most commonly used" demand methodologies per the NARUC Manual are: (1) the coincident peak ("CP") demand method, which is the same as using actual peak-day demands, (2) the non-coincident peak ("NCP") demand method, and (3) the average and peak

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11 Phase II Rebuttal Testimony of Austin C. Summers, pg. 4, line 102.
12 NARUC *Gas Distribution Rate Design Manual,* 1989 at pgs. 27-28.

("A&P") demand method.[13] In the description of the A&P allocation method, the NARUC Manual states that the peak component of this allocation method uses the actual coincident peak demands. In my opinion, the use of design-day demands in the NARUC Manual's example COSS for the Monopolytown Gas Services LDC is not significant. In my view, what is significant is that the design-day demand methodology is not even mentioned as one of the three most commonly used demand allocation methodologies.

Q. ARE THERE OTHER INDUSTRY MANUALS OR TEXTS ON LDC COST ALLOCATION METHODOLOGIES?

A. Yes. One that is referenced in the NARUC Manual is the American Gas Association's ("AGA") *Gas Rate Fundamentals Manual,* published in June 1989 at page 163. That text also discusses three demand allocation methods that "have received considerable attention." These three methods include the CP demand and NCP demand methods discussed in the NARUC Manual plus the average and excess ("A&E") demand method. The use of design-day demands is not discussed as a method that has received considerable attention. I have provided an excerpt from the AGA Manual as Exhibit OCS-4.1S.

Q. DO YOU HAVE ANY COMMENTS REGARDING DEU WITNESS SUMMERS' REBUTTAL TESTIMONY ON THE USE OF A DESIGN-DAY DEMAND?

A. Yes. On page 4, lines 89 through 93 of his rebuttal testimony, Mr. Summers provides an analogy of a vehicle that is designed to carry eight passengers to support using design-day demands for cost allocation purposes. In his analogy,

[13] NARUC *Gas Distribution Rate Design Manual*, 1989, at pgs. 27-28.

the eight-passenger vehicle is only used to carry seven passengers. Mr. Summers states:

> The cost of the vehicle is based on the need to seat eight (Design-Day) so it should not be allocated based on a lower number representing actual usage (Peak-Day).

Mr. Summers' analogy is also useful to illustrate how other LDCs and other utilities, such as electric utilities allocate demand costs.

Q. PLEASE EXPLAIN

A. All utilities design their systems to not only meet their current peak demands but also to meet forecasted peak demands for customer growth, to meet demands in extreme weather conditions, and to meet demands during emergencies, such as equipment outages. However, for allocating the cost of this "excess" capacity for COSS purposes, it is common practice to use actual test year peak demands, not estimated or hypothetical demands. A good example is how Rocky Mountain Power ("RMP") allocates demand related costs. Using Mr. Summers' analogy, RMP allocates demand costs based on seven passengers (Peak-Day), not the eight passengers (Design-Day) that Mr. Summers, and others, propose to use for DEU.[14]

Weighting Factors for Allocation Factor #230

Q. PLEASE DESCRIBE DEU'S ALLOCATION FACTOR #230.

A. DEU's allocation factor #230 is a weighted average of the peak-day (or design-day in DEU's COSS) allocation factor and the throughput allocation factor. It is used

[14] It should be noted that DEU's COSS does not use a standalone demand allocation factor. Rather, a weighted demand allocation factor is a component of allocation factor #230.

primarily to allocate the demand related or fixed costs of compressor stations, feeder systems, and measurement and regulation station equipment. Allocation factor #230 is similar in concept to the A&P demand allocation method discussed in the NARUC Manual that I previously mentioned. One difference[15] is that DEU weights the peak demand/throughput components 60/40 while the A&P methodology uses system load factor ("LF") to weight the throughput component and one minus the load factor to weight the peak demand component.[16] Another difference is that the NARUC Manual uses actual peak demand rather than design-day demand.

Q. DOES DEU WITNESS AUSTIN SUMMERS DISCUSS THE WEIGHTING FACTORS FOR ALLOCATION FACTOR #230 IN HIS REBUTTAL TESTIMONY?

A. Yes. Mr. Summers summarizes the parties' positions on the weighting factors, including those parties that do not apply weighting factors and propose to just use the peak demand allocation factor.[17] Although he continues to support his 60/40 weighting factors, Mr. Summers states that UAE witness Kevin Higgins use of a system load factor of 32.5% that results in weighting factors of 67.5/32.5 as his second choice since it "carries the most analytical weight."[18]

Q. DO YOU HAVE ANY PROBLEMS WITH MR. SUMMERS' REBUTTAL TESTIMONY ON THE WEIGHTING FACTORS?

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15 NARUC *Gas Distribution Rate Design Manual*, 1989, at pgs. 27-28
16 NARUC *Gas Distribution Rate Design Manual,* 1989 at pgs. 27-28.
17 Phase II Rebuttal Testimony of Austin C. Summers, pg. 6, lines 129-151.
18 Phase II Rebuttal Testimony of Austin C. Summers, pg. 7, lines 157-164.

A. Yes. It is odd that Mr. Summers gives UAE's weighting factors support because he claims they have the most analytical weight although Mr. Summers' 60/40 weighting factors are arbitrary and are not supported by any analysis. I would also state that Mr. Summers' secondary support of UAE's 67.5/32.5 weighting factors is endorsing weighting factors that are based on an erroneous system load factor.

Q. WHAT IS THE PROBLEM WITH UAE'S SYSTEM LOAD FACTOR CALCULATION?

A. As discussed in my rebuttal testimony, Mr. Higgins uses a hybrid load factor that is calculated using system design-day demand.[19] A utility's system load factor is calculated using actual peak demand, not an estimated design-day demand. In my direct testimony at page 11, I include the American Gas Association's definition of load factor. Another load factor definition from Public Utilities Reports states [20]:

> Load Factor: A measure of the degree to which physical facilities, such as a power plant or gas pipeline system, are being utilized. The ratio of average output or consumption to peak output or consumption.

UAE's calculation of a system load factor using a design-day demand does not follow these common load factor definitions. UAE's system load factor calculation of 32.5% is wrong and should not be relied upon as a basis for the weighting factors for calculating allocation factor #230. Mr. Summers' acceptance of the 32.5% load factor is misguided.

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19 Phase II Rebuttal Testimony of Kevin C. Higgins, pg. 2, lines 36-38.

20 Public Utilities Reports, Inc. *P.U.R. Glossary for Utility Management*, 1992, at pg.84.

Q. IS THIS SIMILAR TO THE PROBLEM WITH ANGC WITNESS TIMOTHY OLIVER'S CLAIM THAT LOAD FACTORS IN EXCESS OF 100 PERCENT ARE APPROPRIATE?

A. Yes. As stated on pages 17 and 18, lines 348 through 368 of his rebuttal testimony, Mr. Oliver wants to use contract demands rather than actual demands to calculate load factor. By using contract demands, rather than actual demands, the load factor will not only be over-stated but can be in excess of 100 percent. Mr. Oliver's load factor calculation is contrary to the load factor definitions provided in my direct testimony and above and should not be used.

Allocation of LNG Plant Costs

Q. DID ANY PARTIES REBUT YOUR PROPOSED ALLOCATION OF THE LNG PLANT COSTS?

A. DEU and the DPU did not rebut my proposed allocation of the LNG plant costs. Intervenors representing transportation service ("TS") customer classes did file rebuttal testimony on my proposed allocation since customers in the TS customer classes are negatively impacted.[21]

Q. HAS THE ALLOCATION OF THE LNG PLANT COSTS BEEN RAISED IN PRIOR DEU PROCEEDINGS?

A. Yes. In Docket No. 19-057-13, DPU witnesses Allen Neale and Douglas Wheelwright also proposed allocating LNG plant related costs to all customer

[21] Phase II Rebuttal Testimony of Kevin C. Higgins, pgs. 21-25; Phase II Rebuttal Testimony of Bradley G. Mullins, pg. 5, lines 89-99; Phase II Rebuttal Testimony of Brian C. Collins, pgs. 7-8; and Phase II Rebuttal Testimony of Timothy Oliver, pgs. 23-26.

classes. In that case, the Commission decided not to address LNG cost allocation issues.

Q. DO THE INTERVENORS REPRESENTING TS CUSTOMERS THAT OPPOSE THE ALLOCATION OF THE LNG PLANT COSTS TO THE TS RATE CLASSES RAISE ANY NEW CONCERNS IN THEIR REBUTTAL TESTIMONY?

A. Yes. In addition to claiming that they do not benefit from the LNG plant, UAE witness Mr. Higgins indicates that the migration of firm customers to transportation service is not as much as I claimed in my direct testimony. I agree with Mr. Higgins' revision to the amount of the increase in service to transportation customers, however, the revised increase still indicates significant customer migration.

Q. DO YOU AGREE THAT THE MIGRATION TO THE TS RATE CLASSES IS MINOR?

A. No. In Docket No. 19-057-02, the direct testimony of DEU witness Mr. Summers describes the customer migration problem as follows:

> Since the last general rate case, the Company has continued to see larger GS and FS customers along with one TBF customer move to the TS class, where they are relatively small customers as compared to others in the TS class. Costs that are allocated to each class are highly affected by the number of customers in the class and the costs that are associated with those customers. As large customers have left the GS and FS classes, that has left smaller GS and FS customers to pay the remaining costs. In the TS class, new customers brought new costs to a class that was already being subsidized by other classes. As such, customers changing classes, combined with moving the classes to full-cost rates caused larger increases in some classes while others had smaller increases.[22]

[22] Austin C. Summers Direct Testimony, Docket No. 19-057-02, pg. 11.

Q. CAN TS CUSTOMERS EASILY SWITCH BACK TO SERVICE UNDER THE GS OR FS RATE SCHEDULES?

A. Yes. Per DEU's tariff, TS customers may switch back to full service under the GS and FS rate schedules within twelve months.

Q. HAS ANY OF THE REBUTTAL TESTIMONY CHANGED YOUR POSITION ON THE ALLOCATION OF LNG PLANT COSTS?

A. No.

Allocation of General Plant Depreciation Expense

Q. DID DEU REBUT YOUR PROPOSAL TO ALLOCATE DEPRECIATION EXPENSE RELATED TO GENERAL PLANT ON THE BASIS OF ALLOCATED GROSS GENERAL PLANT?

A. Yes. On page 12, lines 215 through 228 of his rebuttal testimony, DEU witness Mr. Summers describes his disagreement with my recommendation regarding the allocation of general plant depreciation expenses.

Q. DO YOU AGREE WITH MR. SUMMERS' POSITION THAT GENERAL PLANT EXPENSES SHOULD BE ALLOCATED BASED ON THE ALLOCATION OF GROSS PRODUCTION, GATHERING AND DISTRIBUTION PLANT?

A. No. In my direct testimony I explain the problems with DEU's allocation of general plant depreciation expenses.[23] In addition, Mr. Summers' recommendation is results driven and not based on cost causation. As stated in Mr. Summers' rebuttal testimony, my recommended allocation of general plant depreciation expenses

[23] Phase II Direct Testimony of James W. Daniel, pg. 12, lines 260-274.

"results in general plant costs being assigned to the CNG stations, resulting in significant increases to the NGV class." [24]

Q. IS MR. SUMMERS' PROPOSED ALLOCATION OF GENERAL PLANT DEPRECIATION EXPENSES ALSO INCONSISTENT WITH HOW HE ALLOCATES OTHER DEPRECIATION EXPENSES?

A. Yes. For example, in the Company's COSS, distribution plant related depreciation expenses are allocated using allocated gross distribution plant as the allocation factor.[25] Similarly, general plant related depreciation expenses should be allocated using allocated gross general plant as the allocation factor, rather than using Mr. Summers' proposed allocation.

Q. DOES MR. SUMMERS PRESENT AN ALTERNATIVE PROPOSAL IN HIS REBUTTAL TESTIMONY REGARDING THE ALLOCATION OF GENERAL PLANT DEPRECIATION EXPENSES?

A. Yes. If the Commission accepts my recommended allocation of general plant depreciation expenses, then Mr. Summers recommends that the NGV class receives a discounted rate.[26]

Q. DO YOU AGREE WITH MR. SUMMERS' ALTERNATIVE PROPOSAL?

A. I partially agree with Mr. Summers' alternative proposal. I believe it is preferable to allocate costs based on cost causation and acknowledge that a rate class's rates need to be discounted, or subsidized, rather than incorrectly under-allocating costs to a rate class to achieve the same result. DEU's alternative proposal is, therefore,

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[24] Phase II Rebuttal Testimony of Austin C. Summers, pg. 12, lines 227-228.
[25] Phase II Rebuttal Testimony of Austin C. Summers, pg. 16, lines 285-286.
[26] Phase II Rebuttal Testimony of Austin C. Summers, pg. 14, lines 267-270.

better than its original proposal. However, I disagree with DEU's alternative proposal related to the rate discount for the NGV rate class. Utah Code 54-4-13.1 allows the Commission to approve a rate discount for NGV service. However, DEU has not shown that a discount is necessary to preserve the NGV class and one should not be approved. If the Commission is concerned about whether correcting the total gross plant allocation would have an immediate adverse impact on NGV class, it could use gradualism in implementing the change. Under any circumstance, the Commission should not allow an allocation factor known to be incorrect to be used as a disguised method of providing a rate discount.

Revisions to Cost of Service Study

Q. DID ANY REBUTTAL TESTIMONY RAISE ISSUES WITH THE COST OF SERVICE STUDY ("COSS") FILED WITH YOUR DIRECT TESTIMONY AS A WORKPAPER?

A. Yes. UAE witness Higgins' rebuttal testimony raises issues with my COSS. I agree with two of his issues. I also accepted an issue that Mr. Higgins raises with DEU's COSS, an issue which DEU also accepts. First, in the COSS the portion of the LNG plant that is allocated to all customer classes needs to be changed from 50% to 25% in order to be consistent with my testimony. Second, I agree with Mr. Higgins that accumulated depreciation and accumulated deferred income taxes ("ADIT") should be allocated similar to the gross plant. I have revised the allocation of accumulated depreciation and ADIT for certain demand related distribution facilities. Third, I have also accepted DEU's revision in their rebuttal testimony to how accumulated depreciation was allocated to the LNG plant. I am filing a revised

COSS as a workpaper with my surrebuttal testimony. A summary of the revised COSS similar to Table 1 in my direct testimony is provided below:

Line No.	Rate Class	Current Base Rate Revenues	Dominion Proposed Base Rate Increase $	Dominion Proposed Base Rate Increase %	OCS Cost-Based Rate Increase $	OCS Cost-Based Rate Increase %
1	General Service	$ 383,478,856	$ 57,912,061	15.1%	$ 15,136,335	3.9%
2	Firm Sales	2,822,850	1,173,466	41.6%	1,001,275	35.5%
3	Interruptible Sales	264,831	(14,447)	-5.5%	(11,449)	-4.3%
4	Transportation Service - Small	14,266,930	(1,542,357)	-10.8%	(2,808,757)	-19.7%
5	Transportation Service - Medium	13,984,843	3,166,882	22.6%	3,714,637	26.6%
6	Transportation Service - Large	11,229,738	7,500,844	66.8%	11,463,389	102.1%
7	Transportation Bypass Firm	4,748,718	1,765,593	37.2%	3,987,159	84.0%
8	Natural Gas Vehicle	2,605,737	549,647	21.1%	1,195,327	45.9%
9	**Total**	**433,402,504**	**70,511,689**	**16.3%**	**33,677,916**	**7.8%**

Q. DID YOU ALSO AGREE WITH MR. HIGGINS ISSUE WITH THE PEAK-DAY DEMAND ALLOCATION FACTOR IN YOUR COSS?

A. No. I used DEU's COSS model which already included a peak-day demand allocation factor. My understanding is that DEU's peak-day allocation factor was adjusted for customer migrations similar to its adjustments to the design-day demand allocation factor.

Q. DOES YOUR REVISED COSS ALSO CHANGE THE REVENUE DISTRIBUTION IN YOUR DIRECT TESTIMONY?

A. Yes. It changes the amounts but not the gradualism methodology. A revised revenue distribution similar to Table 2 in my direct testimony is provided in the table below:

Line No.	Customer Class	Current Base Rate Revenues	Recommended Revenue Distribution	Recommended Change Amount	Recommended Change Percentage
1	General Service	$ 383,478,856	$ 401,364,835	$ 17,885,979	4.66%
2	Firm Sales	2,822,850	3,868,596	1,045,747	37.05%
3	Interruptible Sales	264,831	255,686	(9,146)	-3.45%
4	Transportation Service - Small	14,266,930	15,725,463	1,458,533	10.22%
5	Transportation Service - Medium	13,984,843	20,421,213	6,436,370	46.02%
6	Transportation Service - Large	11,229,738	16,398,102	5,168,363	46.02%
7	Transportation Bypass Firm	4,748,718	5,241,526	492,808	10.38%
8	Natural Gas Vehicle	2,605,737	3,804,999	1,199,262	46.02%
9	**Total**	**433,402,504**	**467,080,420**	**33,677,916**	**7.77%**

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.