

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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

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**PHASE II SURREBUTTAL TESTIMONY OF  
KELLY B MENDENHALL FOR  
DOMINION ENERGY UTAH**

**November 3, 2022**

**DEU Exhibit 1.0SR – Phase II**

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1 I. INTRODUCTION

2 **Q. Please state your name and business address.**

3 A. My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake  
4 City, Utah.

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes, I filed direct testimony on behalf of Questar Gas Company dba Dominion Energy  
7 Utah (DEU, Dominion Energy or Company) in this proceeding on May 2, 2022, and Phase  
8 II Rebuttal testimony on October 13, 2022.

9 **Q. What is the purpose of your testimony?**

10 A. Specifically, I address Division of Public Utilities' witness Dr. Abdulle's testimony  
11 regarding the Conservation Enabling Tariff (CET).

12 **Q. Mr. Oliver also addressed this issue in his rebuttal testimony. Do you address the  
13 issues he raised in this testimony?**

14 A. No. The issues Mr. Oliver raised in rebuttal testimony were concurrently addressed in my  
15 rebuttal testimony to Mr. Daniel.

16 II. CONTINUATION OF THE CONSERVATION ENABLING TARIFF

17 **Q. Please summarize Dr. Abdulle's testimony about the CET.**

18 A. Dr. Abdulle posits that the situation has changed since the implementation of the CET, and  
19 he believes it would be beneficial to reassess the effectiveness of its use and the reasons  
20 for its application.<sup>1</sup>

21 **Q. How do you respond?**

22 A. I disagree with Mr. Abdulle's observation that the situation has changed since the  
23 implementation of the CET. In my rebuttal testimony, I provided evidence showing that  
24 the CET has been an effective rate design tool since its inception in 2006. In this testimony,  
25 I provide further evidence showing that the reasons warranting the application of the CET

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<sup>1</sup> Docket 22-057-03, Phase II – Rebuttal Testimony, Abdinasir M. Abdulle, lines 225-231.

26 are still in effect. As I discussed in my rebuttal testimony, I recommend that the  
27 Commission review the evidence I have provided in this proceeding. I believe that  
28 evidence demonstrates that the CET provides benefits to customers and remains in the  
29 public interest, and I urge the Commission to make a determination to continue the CET.

30 **Q. When was the CET originally approved?**

31 A. The CET was originally approved in Docket 05-057-T01, after the parties in that docket  
32 reached a settlement stipulation.<sup>2</sup> The stipulation was the result of several workshops and  
33 technical conferences meant to address issues raised in the Company's general rate case in  
34 Docket No. 02-057-02, including declining usage per customer and demand-side  
35 management (DSM). The Company, the Division of Public Utilities, the Office  
36 (Committee) of Consumer Services, and other interested parties participated.

37 **Q. What reasons did the settling parties provide to support the approval of the CET  
38 when it was originally proposed?**

39 A. Dr. Artie Powell summarized one of the primary reasons for the CET in his direct testimony  
40 when he said, "When usage per customer declines, as it naturally does when consumers  
41 practice conservation, even small reductions may significantly reduce the utility's  
42 profitability. Thus, declining usage creates a strong financial disincentive for gas utilities  
43 to aggressively promote energy efficiency or DSM. The CET decouples [the Company]'s  
44 allowed revenues from its sales removing the disincentive to promote DSM."<sup>3</sup>

45 **Q. Is this reasoning still true today?**

46 A. Yes. Implementing energy efficiency measures will decrease a customer's usage over  
47 time. For the Company to continue offering a robust set of energy efficiency programs, it  
48 must have a mechanism such as the CET in place to remove the impact that reductions in  
49 usage would have on revenue.

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<sup>2</sup> Docket 05-057-T01, Order Approving Settlement Stipulation, October 5, 2006.

<sup>3</sup> Docket 05-057-T01, DPU Exhibit 1.0, Direct Testimony Dr. William A. Powell, Lines 49-54.

50 **Q. Have other witnesses in previous dockets raised additional reasons why the CET**  
51 **should be approved?**

52 A. Yes. In Docket No. 05-057-T01, Barrie L. McKay offered direct testimony showing that  
53 many state and national energy-policy groups were discussing the promotion of energy  
54 efficiency and conservation by implementing alternative rate designs or tariffs.<sup>4</sup>  
55 Specifically he cited the 2005 National Association of Regulatory Utility Commissioners  
56 (NARUC) “Resolution on Energy Efficiency and Rate Design”, which provides that  
57 NARUC: “[E]ncourages State commissions and other policy makers to review the rate  
58 designs they have previously approved to determine whether they should be reconsidered  
59 in order to implement innovative rate designs that will encourage energy conservation and  
60 energy efficiency that will assist in moderating natural gas demand and reducing upward  
61 pressure on natural gas prices...” The full resolution is attached as DEU 1.09SR.

62 **Q. Is the implementation and adoption of cost-effective energy efficiency programs still**  
63 **a relevant issue at NARUC?**

64 A. Yes, it continues to be an important issue. On November 9, 2021, the NARUC Board of  
65 Directors adopted the “Resolution on Increasing the Role of Energy Efficiency in  
66 Achieving Cost-Effective Energy Supply and Decarbonization”. That resolution states,  
67 “NARUC recommends member states consider the following principles: [1] Utilities and  
68 States should take action to maximize the impacts of energy efficiency programs for  
69 controlling energy costs and rates, and where applicable, cost-effectively achieving  
70 decarbonization; [2] States should leverage utilities’ relationships with their customers to  
71 help effectively implement energy efficiency programs and achieve maximum impacts . .  
72 . .”. The complete NARUC resolution is attached as DEU 1.10SR.

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<sup>4</sup> Docket 05-057-T01, McKay Direct Testimony, lines 36-38.

73 **Q. Did the Utah state policies align with those of NARUC when the CET was originally**  
74 **approved?**

75 A. Yes. Mr. McKay's testified that, "On April 25, 2006, the Governor announced the Utah  
76 Policy to Advance Energy Efficiency in the State. Item number 3 specifically states, "State  
77 Government will work with stakeholders to identify and address regulatory barriers to  
78 increased deployment of energy efficiency."<sup>5</sup>

79 **Q. Does the state of Utah still see energy efficiency as an important component of its**  
80 **energy policy?**

81 A. Yes. The current State Energy policy provides that "[i]t is the policy of the state that: Utah  
82 will pursue energy conservation, energy efficiency and environmental quality."<sup>6</sup> As I  
83 mentioned in my rebuttal testimony, DEU has aggressively pursued energy efficiency  
84 programs and these programs have paid out over 1.4 million rebates resulting in over 255  
85 million Dths of total lifetime savings. For these programs to continue, the revenue  
86 decoupling must be maintained.

87 **Q. Were other utilities advancing revenue decoupling mechanisms at the time the CET**  
88 **was originally approved?**

89 A. Yes. In the original CET filing in Docket 05-057-T01, Mr. McKay pointed out that there  
90 were five decoupling tariffs that had been approved across the country with another five  
91 pending applications.<sup>7</sup> A cross reference of these ten tariffs with the information Mr.  
92 Daniel cites in his direct testimony shows that those ten original utilities all still have  
93 revenue decoupling.

94 **Q. Have other utilities adopted revenue decoupling since that time?**

95 A. Yes. Mr. Daniel indicated in his direct testimony that now 41 utilities have full decoupling.  
96 To the Company's knowledge, there has not been an instance where a commission  
97 eliminated revenue decoupling. In fact, since 2006, the exact opposite has occurred, with

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<sup>5</sup> Docket 05-057-T01, Barrie L. McKay surrebuttal, lines 408-413.

<sup>6</sup> Utah Code 79-6-301 Paragraph (1)(f).

<sup>7</sup> Docket 05-057-T01, Barrie L. McKay, direct testimony, January 23, 2006, lines 73-85.

98 more jurisdictions adopting the rate mechanism. This is strong evidence that revenue  
99 decoupling is an effective rate design tool.

100 **III. CONCLUSION**

101 **Q. Would you please summarize your recommendations?**

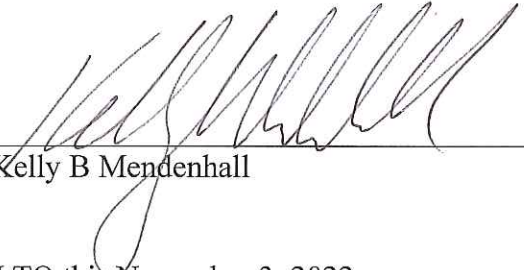
102 A. Yes. The reasons that existed to support the implementation of the CET in 2006 still  
103 exist today. Specifically, the CET continues to remove the disincentive for the Company  
104 to pursue and advance aggressive, cost-effective energy efficiency programs. These  
105 programs align with the policy objectives of national groups such as NARUC and with the  
106 state of Utah. For these reasons, combined with the evidence I provided in my rebuttal  
107 testimony, the Commission should approve the continuation of the CET going forward.

108 **Q. Does this conclude your testimony?**

109 A. Yes.

State of Utah            )  
                                  ) ss.  
County of Salt Lake    )

I, Kelly B Mendenhall, 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. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

  
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Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this November 3, 2022.

  
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Notary Public

