

-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

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DOCKET No. 22-057-03
Exhibit No. DPU 4.0 SR
Phase II - Surrebuttal Testimony

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

Surrebuttal Testimony of

Abdinasir M. Abdulle

November 3, 2022

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1 **INTRODUCTION**

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

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

8 **Q. ARE YOU THE SAME ABDINASIR M. ABDULLE WHO PREFILED PHASE II**
9 **DIRECT AND REBUTTAL TESTIMONIES ON BEHALF OF THE DIVISION?**

10 A. Yes, I am.

11 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

12 A. My testimony will provide the Division's response to several issues raised in the
13 rebuttal testimonies of Utah Association of Energy Users (UAE) witness Mr. Kevin
14 Higgins, Dominion Energy Utah (DEU) witness Mr. Austin C. Summers, and the
15 Office of Consumer Services (OCS) witness Mr. James W. Daniel. Specifically, I will
16 address issues these parties raised regarding the CCOS study, rate spread, rate
17 design, and other issues. The absence of comments on my part concerning an issue
18 should not be construed as an acceptance or rejection of the issue.

19 **CLASS COST OF SERVICE**

20 **DESIGN DAY VS. ACTUAL PEAK DAY USAGE IN CCOS**

21 **Q. DID ANY OTHER PARTY COMMENT ON YOUR PROPOSED USE OF ACTUAL**
22 **PEAK DAY FOR ALLOCATION?**

23 A. Yes, Mr. Higgins, Mr. Summers, and Mr. Daniel commented on my proposed use of
24 3-year average actual peak day for allocation, criticizing different aspects of my
25 proposal.

26 **Q. WHAT COMMENTS DID MR. HIGGINS PROVIDE ABOUT YOUR PROPOSED**
27 **USE OF ACTUAL PEAK DAY FOR ALLOCATION?**

28 A. Mr. Higgins indicated that my proposed use of 3-year average actual peak ignored
29 the gap between the design day demand and the 3-year average actual peak day
30 demand¹ and that this proposed allocation method is inconsistent with the Division's
31 revenue requirement position in this case. He continues to explain that the

32 design day capacity that these parties ignored for cost
33 allocation purposes is either (a) plant that is not used and
34 useful and therefore should be disallowed from cost recovery,
35 or (b) plant that is necessary to ensure delivery of gas to firm
36 customers during design day conditions and therefore should
37 be allocated to the temperature sensitive firm customers for
38 whom this incremental capacity was built.²

39 **Q. DO YOU HAVE ANY COMMENT ABOUT MR. HIGGIN'S CLAIM?**

40 a. Yes. My proposed use of the 3-year average actual peak day is related to how the
41 demand-related costs should be allocated among the different customer classes and
42 not the total cost to be recovered. The Division is not proposing recovery of less than
43 the total cost. No matter whether we allocate the costs based on design day or
44 actual peak day, the same amount will be recovered. The allocation factor is about
45 setting an appropriate relationship between factors, not a limitation on the revenue
46 recovered. Therefore, the gap that Mr. Higgins is claiming I am ignoring does not
47 exist.

48 Tables 5, 6, 8 on pages 11, 12, and 13 of my Direct Testimony are the cost of
49 service results when we use design day. Tables 7 and 9 on pages 12 and 13 show

¹ UAE, Docket No. 22-057003, Rebuttal Testimony of Kevin Higgins, pages 5-6, lines 100-111.

² UAE, Docket No. 22-057003, Rebuttal Testimony of Kevin Higgins, pages 6-7, lines 124-129.

50 the cost of service results when we use 3-year average peak day. All of these tables
51 show that the required DNG revenue increase is \$70,511,689.

52 The choice of using design day or actual peak day changes how much of the total
53 cost will be recovered from what customer class and not the total cost to be
54 recovered. Similarly, there is no inconsistency between my proposed allocation
55 method and the Division's revenue requirement position.

56 Given the rarity of design day conditions and the lack of record evidence about the
57 incremental cost of design day system components versus peak day components,
58 the allocation of costs should be based on actual usage rather than a design
59 threshold. This is consistent with previous Commission orders on cost allocations.
60 For example, in Docket No. 97-035-04, the Commission held, among other things,
61 "that the basis of cost apportionment is cost causation reflecting characteristics of
62 current rather than historical usage. This is the traditional meaning given the cost-
63 causation principle."³ In the present case, current rather than design usage is
64 consistent with the principle of cost causation and should be used as the basis of
65 cost allocation. This is especially so when there is no record evidence about the
66 marginal difference in costs between the system's design day needs and the costs
67 that would be encountered with a flat, high load factor profile.

68 **Q. DID MR. HIGGINS INDICATE OTHER PROBLEMS WITH USING ACTUAL PEAK**
69 **DAY INSTEAD OF DESIGN DAY USAGE FOR COST ALLOCATION?**

70 A. Mr. Higgins asserted that my proposed allocation method of using actual peak day
71 did not account for customer migration between classes. He pointed out that
72 according to Mr. Summer's Direct Testimony, there are three current TS customers
73 that qualify for the Transportation Bypass Firm (TBF) rate class that will move to the
74 TBF rate schedule as a result of this case. Mr. Higgins indicated that not accounting

³ DPU Exhibit 4.01 SR – Docket No. 97-035-04, Report and Order, April 16, 1998, p. 13.

75 for this customer migration would distort the CCOS study results for the TS Large
76 and TBF classes.⁴

77 **Q. WOULD YOU COMMENT ON THIS?**

78 A. Yes. Mr. Higgins is correct that if the customer migration is not accounted for, it will
79 distort the CCOS study results for the classes involved. However, DEU indicated that

80 The Company moved three customers from the TS class into
81 TBF class because it assumes those customers will move back
82 to the TBF class if the Company's rate design changes in this
83 case are approved.⁵

84 The way we have to account for the customer migration is contingent upon the
85 Commission's decision about DEU's proposed changes to the rate design. Whether
86 the customer migration materializes or not will have an impact on the calculation of
87 the allocation factor. The customer migration will change the sizes of the TS and
88 TBF classes. The size of the classes is not a determining factor as to what method
89 should be used. The actual peak day usage should be adjusted for the prevailing
90 situation. Therefore, the Commission will need to apply the modified allocation factor
91 to DEU's model after making any revenue requirement adjustment.

92 **Q. WHAT COMMENTS DID MR. SUMMERS PROVIDE ABOUT YOUR PROPOSED**
93 **USE OF ACTUAL PEAK DAY FOR ALLOCATION?**

94 A. Mr. Summers disagrees with the Division's proposed use of 3-year average actual
95 peak day. He claims that costs of a system should be allocated based on how they
96 are designed and not based on how they are used. The costs associated with feeder
97 line mains, compressor stations, and measuring/regulation stations are the costs to
98 install them. According to him, these assets are designed and installed to meet

⁴ UAE, Docket No. 22-057-03, Rebuttal Testimony of Kevin Higgins, page 7, lines 139-146.

⁵ DEU, Docket No. 22-057-03, Direct Testimony of Austin C. Summers, page 16, lines 405-407.

99 customer demand on a design day and therefore should be allocated based on
100 design day.⁶

101 **Q. DO YOU HAVE ANY COMMENT ON THIS?**

102 A. Yes. The Division does not dispute how these costs were incurred, but the Division's
103 proposal is confined to how the allocation factor should be calculated to spread the
104 costs among the customer classes. I explained in my Direct Testimony why actual
105 peak day instead of design day should be used to allocate costs associated with
106 these assets.⁷ In addition, the use of design day distorts the cost allocation in favor
107 of high load factor customers at the expense of the low load factor customers. As I
108 explained above in response to Mr. Higgins, the use of average peak day to allocate
109 the costs would not result in under-collection of the costs. As I also noted above,
110 there is no record evidence about the difference between the cost of a system built
111 to Dominion's design day and a system that would be built with a higher load factor
112 profile. What system components would differ? How would those differences affect
113 costs? What system components are common to both the actual and hypothetical
114 system. In the absence of this evidence, and perhaps even with it, the system as
115 actually used is a better measure of customer benefits derived than the hypothetical
116 design day.

117 **Q. DID MR. SUMMERS FIND OTHER PROBLEMS IN YOUR PROPOSED METHOD?**

118 A. Mr. Summers disputes an assertion in my Direct Testimony that the use of 3-year
119 average of actual peak day smooths the variability of the actual peak day from year
120 to year. He claims that "Utilizing Mr. Abdulle's approach creates significant
121 inconsistency from one three-year period to the next."⁸

122 **Q. HOW DO YOU RESPOND TO MR. SUMMERS CLAIM?**

⁶ DEU, Docket No. 22-057-03, Rebuttal Testimony of Austin C. Summers, page 3, lines 52-57.

⁷ DPU, Docket No. 22-057-03, Direct Testimony of Abdinasir M. Abdulle, pages 6-7, lines 123-139.

⁸ DEU, Docket No. 22-057-03, Rebuttal Testimony of Austin C. Summers, page 5, lines 112-113.

123 A. It is a common knowledge that actual peak day varies considerably from year to
124 year, increasing the uncertainty surrounding its magnitude. However, there are a
125 number of smoothing techniques that could be used to alleviate this problem. One
126 such technique is simple moving average. The Division chose to use a 3-year
127 moving average because the average of the most recent three years is relatively
128 close to the current period. It will help avoid the influence of outliers. Hence, a year
129 with uncharacteristically high or low actual peak day will not unduly influence the
130 allocation factor. Using uncharacteristically high actual peak day to calculate the
131 allocation factor favors the high load factor customers whereas using
132 uncharacteristically low actual peak day would do just the opposite. Therefore, using
133 a 3-year average peak day would make the allocation factor more consistent from
134 one year to the next. The 3-year average also has the advantage of matching the
135 time period for which the Company is currently bound to file a general rate case. Of
136 course, it may file more frequently, which would allow even greater consistency over
137 time.

138 On page 5 of his Rebuttal Testimony, Mr. Summers has two tables comparing the
139 results of 3-year average peak days using data from 2016-2018 and data from 2019-
140 2021. He indicates that the tables show the use of the 3-year average peak day
141 creates significant inconsistency from one three-year period to the next. The problem
142 with Mr. Summer's comparison is that he is not smoothing the data. He is comparing
143 two groups containing distinct 3-years data. This will provide him with only two
144 values, one at the end of 2018 and the other at the end of 2021. Apparently, there
145 will be no smoothing here and the difference you see between the average values is
146 expected because of the changing circumstances during that long period.

147 The correct way to do it is to take the average of the values of years 2016, 2017, and
148 2018, then the average of the values of years 2017, 2018, and 2019, then the
149 average of the values of years 2018, 2019, and 2020, and so on. This will give you 4
150 values and you be able to see the graph gets smoother. The fact that DEU has to file
151 a rate case once every three years because of the tracker mechanism in place does

152 not justify the use of two distinct 3-year averages instead of a moving average to
153 point out hypothetical shortcomings of my method.

154 **Q. WHAT COMMENTS DID MR. DANIEL PROVIDE ABOUT YOUR PROPOSED USE**
155 **OF ACTUAL PEAK DAY FOR ALLOCATION?**

156 A. Mr. Daniel indicated that in a situation of significant customer migration on DEU's
157 system, the use of a 3-year average of actual peak day demands could cause a
158 mismatch between costs allocated to a customer class and the class billing
159 determinants used to design rates. He provided an example where there is a
160 continuous customer migration from a class in all three years resulting in a
161 continuous decline in the class peak day demand throughout the three-year period.
162 Mr. Daniel indicated that in this scenario, the use of the 3-year average would result
163 in over-allocation of costs to the remaining customers in the class. Furthermore, in
164 the rate design, the peak day demands for the third year of the three-year average
165 will be used in the billing determinants resulting in higher rates for the class and an
166 over-recovery of costs after the rates become effective.⁹

167 **Q. WOULD YOU COMMENT ON THIS?**

168 A. Yes. Mr. Daniel's claims, which are based on the hypothetical example he provided,
169 have an element of truth in it. However, if we replace the term decline with
170 increasing, which is another possibility, in his example, the exact opposite results will
171 be observed. This is why we prefer the use of average rather than actual number.

172 **Q. DID MR. DANIEL IDENTIFY ANY OTHER ALLEGED PROBLEMS IN YOUR**
173 **PROPOSED USE OF THE 3-YEAR AVERAGE ACTUAL PEAK?**

174 A. Mr. Daniel stated that the Division provided no information showing the volatility of
175 the actual peak day demands from year to year for changes other than customer

⁹ OCS, Docket No. 22-057-03, Rebuttal Testimony of James W. Daniel, page 3, lines 48-58.

176 migration. He also mentioned that weather normalization of the class peak day demands
177 should reduce the potential for volatility.¹⁰

178 **Q. DO YOU AGREE WITH MR. DANIEL’S CLAIM?**

179 A. The Division asked for actual peak demand for the years 2016-2021 in Data Request
180 5.03 and DEU responded with this table:¹¹

Date	Peak Responsibility						Total
	GS	FS	IS	TS	TBF	NGV	
1/1/2016	836,028	11,456	4,098	104,416	21,602	1,021	978,621
1/6/2017	928,039	12,265	2,832	107,085	21,347	612	1,072,180
12/31/2018	801,765	11,761	1,015	162,144	26,661	690	1,004,036
1/1/2019	849,831	11,834	1,146	162,809	26,117	663	1,052,399
2/3/2020	807,611	12,254	1,144	175,902	30,164	633	1,027,708
12/28/2021	766,846	11,317	1,622	178,632	27,609	597	986,622

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182 This table shows the volatility that can occur between any given year, which is why
183 we concluded to use a 3-year average.

184 **PEAK DEMAND RESPONSIBILITY FOR INTERRUPTIBLE CUSTOMERS**

185 **Q. HOW DID MR. SUMMERS AND MR HIGGINS COMMENT ON YOUR**
186 **RECOMMENDATION THAT THERE SHOULD BE A PEAK DEMAND**
187 **RESPONSIBILITY FOR THE INTERRUPTIBLE CUSTOMERS?**

188 A. Both Mr. Summers and Mr. Higgins proposed rejection of my recommendation. They
189 maintain that interruptible customers should not pay any design day costs because
190 interruptible customers will be interrupted on a design day.

191 **Q. HOW WOULD YOU RESPOND TO THIS?**

192 A. As I explained in my Direct Testimony, interruptible customers were rarely
193 interrupted. These customers continue to use and benefit from the system every day
194 of the year. I maintain that users of the system should be allocated costs according

¹⁰ OCS, Docket No. 22-057-03, Direct Testimony of James W. Daniel, page 2, lines 43-47.

¹¹ DPU Exhibit 4.02 SR – DEU Response to DPU Data Request 5.03.

195 to use. I don't want to repeat the information in my Direct Testimony here. I would
196 refer the reader to Page 7, lines 142-145 of my Direct Testimony. Nevertheless, my
197 proposal is about establishing an allocation based on a relationship between various
198 factors, like system usage and the intensity of that usage, not about denoting and
199 assigned specific "design day" costs to interruptible customers.

200 **HYBRID ALLOCATION FACTOR: 60% DESIGN DAY, 40%**
201 **THROUGHPUT**

202 **Q. HOW DID THE OTHER PARTIES RESPONDED TO YOUR INCLUSION OF**
203 **LAKESIDE VOLUMES IN THE CALCULATION OF THE SYSTEM LOAD**
204 **FACTOR?**

205 A. Mr. Summers indicated that since DEU does not include any part of the Lakeside
206 contract in DEU's cost allocation process, its volume should not be included in the
207 system load factor.¹² Mr. Higgins also argues that since DEU serves Lakeside under
208 a special contract, its volumes should not be included in the system load factor. Both
209 of these witnesses pointed out that the inclusion of the Lakeside volume in the
210 system load factor would result in more cost to be allocated to the industrial
211 customers.

212 **Q. WOULD YOU COMMENT ON MR. SUMMER'S AND MR. HIGGIN'S POSITIONS?**

213 A. Both of these witnesses and I recommended the Peak and Average method to
214 develop the hybrid factor 230. As I explained in my Direct Testimony, to calculate the
215 capacity costs associated with the average use, the system load factor should be
216 used.¹³ The issue is determining the proper way to calculate the system load factor
217 and not what class gets allocated more of the cost.

218 Lakeside is part of the system and should be included in the calculation of the
219 system load factor. The fact that the Lake Side contract establishes what that
220 customer will pay does not warrant ignoring the way that customer's loads affect the

¹² DEU, Docket No. 22-057-03, Rebuttal Testimony of Austin C. Summers, page 7, lines 165-167.

¹³ DPU, Docket No. 22-057-03, Direct Testimony of Abdinasir M. Abdulle, page 9, lines 190-196.

221 whole system. As I noted above, the allocation factor at issue is designed to reflect a
222 relationship between the magnitude and intensity of use. All system volumes are
223 relevant to the evaluation of that relationship, whether or not some subset of
224 customers have a contract that determines how they will pay their share of system
225 costs.

226 This will result in more cost being allocated to the industrial customers in this case.
227 Because this reflects actual system use over a prolonged period of time, there is
228 nothing unreasonable about this result. We are trying to determine the proper way of
229 calculating system load factor regardless of who gets more or less of the costs. It is
230 not reasonable to justify how we calculate the system load factor solely based on the
231 expected cost allocation.

232 **Q, DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

233 A. Yes.