

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR APPROVAL OF GAS AFFILIATE INVENTORY TRANSFER AGREEMENT	Docket No. 22-057-10
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**DIRECT TESTIMONY OF KELLY B MENDENHALL**

**FOR DOMINION ENERGY**

**Dominion Energy Exhibit 2.0**

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DIRECT TESTIMONY OF  
KELLY B MENDENHALL

**I. INTRODUCTION**

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

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

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Dominion Energy Utah (Dominion Energy or Company) as Director of  
6 Regulatory and Pricing. I am responsible for state regulatory matters in Utah, Idaho, and  
7 Wyoming.

8 **Q. What are your qualifications to testify in this proceeding?**

9 A. I have worked for Dominion Energy for 23 years. I have 16 years of state regulatory  
10 experience and have testified numerous times before the Utah Public Service Commission  
11 (Commission). I have a Bachelor of Science degree in Accounting from the University of  
12 Utah and a Master of Business Administration degree from Westminster College. I am  
13 also licensed as a Certified Public Accountant in Utah.

14 **Q. What is the purpose of your testimony in this Docket?**

15 A. The purpose of my testimony is to: 1) describe the basis for the Application, 2) explain  
16 why the proposal in this docket does not conflict with any applicable state rules, state  
17 statutes, tariff provisions or merger commitments, and 3) discuss the Company's proposal  
18 in more detail.

**II. BASIS FOR APPLICATION**

19 **Q. Why is the Company filing this application with the Commission?**

20 A. The breakdown in the global supply chain over the past few years has created shortages  
21 and increased wait times for many of the materials and supplies the Company needs to  
22 serve customers. The intent of the Gas Affiliate Inventory Transfer Agreement  
23 (Agreement) advanced for approval in the Application in this docket is to streamline the  
24 process for transfers of materials and supplies between Dominion Energy affiliates to  
25 address supply shortages where possible, and to avoid delays in addressing system or  
26 customer needs. The proposal in the Application and the Agreement would place  
27 Dominion Energy in a position with its affiliates similar to the position gas utilities enjoy  
28 through the use of mutual aid agreements. Approval of the Agreement would enable  
29 Dominion Energy and its affiliates to help each other in emergencies, and to quickly  
30 transfer needed items without a lengthy regulatory review process.

31 **Q. Has the Company experienced potential delays in inventory transfers due to**  
32 **regulatory requirements?**

33 A. Yes. In May of 2022, Dominion Energy Utah had a very low inventory of meter risers and  
34 it needed to procure additional risers quickly to avoid delays in providing service to new  
35 customers. It had ordered additional risers, but the order had been significantly delayed  
36 due to supply-chain issues. One of the Company's affiliates had a several-month supply  
37 of risers in its inventory. The leaders of the two business units initially agreed to an  
38 inventory transfer arrangement where that inventory would be replaced in-kind when  
39 Dominion Energy Utah received additional risers it had ordered. Under the arrangement,  
40 the transfer would create no operational challenges for the affiliate and would help the  
41 Company to continue to meet new customer needs while it awaited the delivery of its order.  
42 Though both affiliates were agreeable to the arrangement, the inventory transfer could have  
43 required a filing with the affiliate's regulatory authority, and that approval, if provided at  
44 all, could take at least 30 days and perhaps more time. While Dominion Energy was able  
45 to resolve the issue and address the riser shortage, the experience made clear that, given

46 the instability in the market and the increasing frequency of supply delays, Dominion  
47 Energy and its affiliates should establish an expedited process in all jurisdictions to enable  
48 the sharing of resources, and to avoid unnecessary delays in the future.

49 **III. CURRENT INTERCOMPANY TRANSFER REQUIREMENTS**

50 **Q. Are there any current state statutes, rules, tariff provisions or merger commitments**  
51 **that address intercompany transfers?**

52 A. Yes. While only relevant to certain utility transfers, Utah Admin. Code § R746-401-3  
53 requires utilities to provide notice “at least 30 days before” the purchase, sale, or transfer  
54 of utility assets where those assets have a cost that exceeds the “lesser of \$10,000,000 or  
55 five percent of gross investment in utility plant devoted to Utah service”. Utah Admin.  
56 Code § R746-401-3(A) and (B). Additionally, paragraph 27 of the Settlement Stipulation  
57 dated August 15, 2016 in Docket 16-057-01 (the Dominion/Questar Merger Settlement  
58 Stipulation) states that “Dominion Questar Gas will not transfer material assets to or  
59 assume liabilities of Dominion or any other Dominion subsidiary without Commission  
60 approval.”

61 **Q. Does the Company believe that Utah Admin. Code § R476-401-3 would prohibit a**  
62 **quick inventory transfer to or from an affiliate?**

63 A. In most cases, no. It would only apply in the unlikely event that the inventory value were  
64 to exceed the threshold set forth in the rule. However, if that unlikely event occurred, and  
65 there was an instance where a transfer would exceed that threshold, the delay in giving the  
66 required notice, and obtaining other regulatory approvals may prevent the Company from  
67 meeting emergency or customer needs. The Company proposes instead for the  
68 Commission to approve the proposed Agreement, and thereby fulfill the rule’s  
69 requirements of notice.

70 **Q. Does the Company believe that paragraph 27 of the Dominion/Questar Merger**  
71 **Settlement Stipulation prohibits a quick inventory transfer to or from an affiliate?**

72 A. No. The provision requires that transfers of *material assets* receive Commission  
73 preapproval. This Agreement deals with inventory like pipe, valves, and risers, and not  
74 *assets* that have been included in rate base that are earning a return. Additionally, Utah  
75 Admin. Code § R746-700-22(A)(3) defines *material* to include items valued over  
76 \$500,000. While there could be instances where an anticipated inventory transfer would  
77 exceed this materiality threshold, it would be the exception rather than the rule.  
78 Accordingly, the inventory transfers contemplated by the Agreement would not be  
79 governed by the referenced provision. In order to offer the greatest clarity on the matter,  
80 the Company proposes that the Commission approve the Agreement, and that this pre-  
81 approval fulfill any conceivable obligation set forth in the Dominion/Questar Merger  
82 Stipulation. Then, if any party in the future disagreed with the Company's reading of the  
83 merger provision, the Commission's order in this docket would settle the matter.

#### IV. AGREEMENT OVERVIEW

84 **Q. Please explain the Company's proposal in more detail.**

85 A. Approval of the Agreement would constitute Commission pre-approval for the exchange  
86 of inventory between Dominion Energy affiliates. The transfer of Inventory could be made  
87 in exchange for money at cost, or it could be a like-kind exchange so long as the value of  
88 the exchanged Inventory is comparable. It is important to note that Dominion Energy Utah  
89 (or any affiliated entity, for that matter) may decline to participate in any exchange if it  
90 deems such an exchange imprudent. By the express terms of the Agreement, the lending  
91 business unit would only agree to the transfer if it did not cause any supply chain  
92 disruptions for either of the proposed affiliates.

DIRECT TESTIMONY OF  
KELLY B MENDENHALL

93 **Q. Will the Commission and any other interested parties be made aware of inventory**  
94 **transfers under the Agreement?**

95 A. Yes, the condition shown in Exhibit A to the Agreement provides that the Company would  
96 include information about all Inventory transfers in its annual affiliate transaction report.  
97 This will provide full transparency to the Commission while eliminating any unnecessary  
98 delays to the transfer.

99 **Q. Please summarize the Company's request.**

100 A. The Company respectfully requests that the Commission approve the Agreement and issue  
101 an Order indicating that this approval constitutes pre-approval for Inventory transfers under  
102 the Agreement. The Company believes this proposal is just, reasonable and in the public  
103 interest.

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

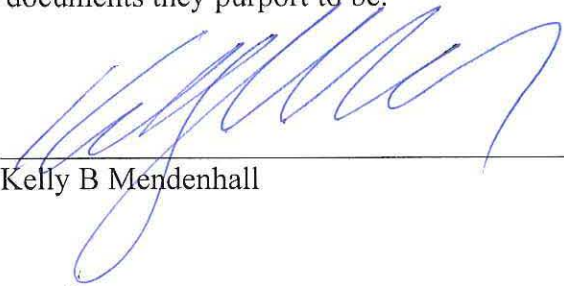
105 A. Yes.

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.

  
\_\_\_\_\_  
Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this 28<sup>th</sup> day of June, 2022.

  
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Notary Public

