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AUDIO TRANSCRIPTION OF
HEARING
DOCKET NO. 22-057-10
APPLICATION OF DOMINION ENERGY UTAH FOR APPROVAL OF GAS
AFFILIATE INVENTORY TRANSFER AGREEMENT

1 P R O C E E D I N G S

2 THE COURT: We should all be here for the
3 hearing noticed in the matter of the Application of
4 Dominion Energy Utah for Approval of Gas Affiliate
5 Inventory Transfer Agreement. That's Commission Docket
6 Number 22-057-10. My name is Michael Hammer, and I'm
7 the commission's designated presiding officer.

8 Sorry. I'm losing my voice.

9 Let's go ahead and take appearances,
10 please, beginning with Dominion.

11 MS. CLARK: Hi. I'm Jenniffer Clark.
12 I'm counsel for Dominion Energy, and I have with me
13 Kelly B. Mendenhall who will be serving as the company's
14 witness today.

15 THE COURT: Welcome.

16 For the division?

17 MS. SCHMID: Patricia E. Schmid with the
18 Utah Attorney General's Office for the Division of
19 Public Utilities. The division's witness today is
20 Mr. Eric Orton. Thank you.

21 THE COURT: Is there anything else before
22 we begin with the testimony?

23 MS. CLARK: We have one preliminary
24 matter. The parties in paragraph 12 of the stipulation
25 that we'll be discussing today have agreed that the

1 pleadings and testimony and exhibits offered in this
2 case should be admitted in this hearing. And based on
3 that stipulation, the company would move for the
4 admission of its application with accompanying
5 Exhibits 1 and 2.

6 MS. SCHMID: And the division would move
7 for the admission of its action request response dated
8 August 5th.

9 THE COURT: They're admitted.

10 MS. CLARK: Thank you.

11 MS. SCHMID: Thank you.

12 MS. CLARK: We have nothing more than
13 that.

14 THE COURT: The company may call its
15 first witness.

16 MS. CLARK: Thank you. The company calls
17 Kelly B. Mendenhall.

18 KELLY B. MENDENHALL,
19 having been first duly sworn, testified as follows:

20 DIRECT EXAMINATION

21 BY MS. CLARK:

22 Q Mr. Mendenhall, please state your full name
23 and business address for the record.

24 A My name is Kelly B. Mendenhall, and my
25 business address is 333 South State Street, Salt Lake

1 City, Utah.

2 Q What position do you hold with the company?

3 A I'm the director of regulatory and pricing for
4 Dominion Energy Utah.

5 Q Did you participate in the preparation of the
6 application in this matter as well as the negotiation of
7 the settlement stipulation we're here to discuss today?

8 A I did.

9 Q Can you summarize for the commission the
10 relief sought with that settlement stipulation?

11 A Yes. I believe my testimony provides some
12 background on why we're here today with this -- this
13 settlement, but just to give a brief overview, due to
14 some supply chain issues we've had over the last year,
15 the part -- or the company found it important to clarify
16 the rules under which we would be able to transfer
17 inventory between affiliates.

18 And so if you turn to the settlement
19 stipulation, the basis of this agreement is explained
20 there. Let's start -- really it's paragraphs 5 through
21 8. And I'll jump around a little bit, but paragraph 5
22 of the stipulation on page 3 basically says that this
23 stipulation does not shift any of the burden of the
24 company to provide evidence that the transfers were just
25 and reasonable and prudent. So that burden of proof

1 will still remain with the company.

2 Skipping down to paragraph 7, we agree
3 that anytime we make an inventory transfer between an
4 affiliate, that will be reported in our annual affiliate
5 transaction report along with an explanation as to the
6 amount of the transfer and why it was necessary.

7 Moving up to paragraph 6, in instances
8 where the inventory transfers are over \$500,000, the
9 company will notify the commission at the time of the
10 inventory transfer and within -- within 30 days of the
11 transfer.

12 And then moving down to paragraph 8,
13 parties agree that we will follow the -- or comply with
14 Utah Administrative Code R746-401-3. And just to
15 summarize that piece of code, basically what it says is
16 anytime the company transfers a sale or participates in
17 the sale of an asset to an affiliate for an amount the
18 lesser of 10 million or 5 percent of gross investment,
19 we will file with the commission 30 days prior to that
20 to receive commission approval.

21 So just to do the math there, 5 percent
22 of our gross investment -- our gross investment right
23 now is 3.1 billion, and so that would amount to about
24 158.6 million, so the lesser of 10 million or 158
25 million would be 10 million.

1 So basically to simplify this a little
2 bit, anytime we transfer inventory \$10 million or more,
3 we will file with the commission before that transfer to
4 get approval.

5 So those are the -- the important terms
6 of the settlement. The company believes that this is
7 just and reasonable and in the public interest, and we
8 ask that the commission approve it. Thank you.

9 MS. CLARK: Mr. Mendenhall's available
10 for cross-examination or commission questions.

11 THE COURT: Ms. Schmid?

12 MS. SCHMID: No questions. Thank you.

13 THE COURT: And I have none. Thank you,
14 Mr. Mendenhall.

15 Anything else, Ms. Clark?

16 MS. CLARK: No. The company has nothing
17 further. Thanks.

18 THE COURT: Ms. Schmid?

19 MS. SCHMID: Thank you. The division
20 would like to call Mr. Eric Orton as its witness. May
21 he please be sworn.

22 ERIC ORTON,
23 having been first duly sworn, testified as follows:

24 DIRECT EXAMINATION
25

1 BY MS. SCHMID:

2 Q Could you please state your full name,
3 employer, title, and business address for the record.

4 A My name is Eric Orton. I'm employed by the
5 Utah Division of Public Utilities. I'm a utility
6 technical consultant.

7 Q Have you participated on behalf of the
8 division in this docket?

9 A I have.

10 Q Did you prepare or cause to be prepared and
11 filed the division's comments dated August 5th?

12 A I did.

13 Q Actually, I guess they're entitled "action
14 request response."

15 Do you have any changes or corrections to
16 that action request response?

17 A No. It's accurate.

18 Q If asked the same -- if asked to address the
19 same issues today as are addressed in that response,
20 would your discussion and conclusions be the same?

21 A Yes.

22 Q Do you adopt that action request response as
23 part of your testimony today?

24 A I do.

25 Q Do you have a statement to provide the

1 presiding officer?

2 A I do.

3 Q Please proceed.

4 A Thank you.

5 On August 5th, 2022, the division filed
6 its action request response recommending that the
7 commission approve Dominion's application only if
8 certain conditions were met.

9 This filing requested commission approval
10 of a limited purpose agreement that would allow the
11 company to transfer inventory items to and from its
12 affiliated sister companies without requiring the
13 company to seek commission approval each time.

14 The proposed agreement would potentially
15 place a company and its affiliates in a position similar
16 to the position gas affiliates enjoy through the use of
17 mutual aid agreements.

18 Currently there are regulatory rules,
19 tariff provisions, and merger agreements that may, but
20 not necessarily, place boundaries around intercompany
21 assets and/or inventory transfers like the ones
22 initially proposed in the agreement, which the division
23 cites in its action request response.

24 Also in that same memo the division noted
25 that there may be customer benefits and smooth

1 intercompany inventory transfers. However, in its then
2 current state, the proposed agreement was not in the
3 public interest unless certain conditions were met
4 regarding the evidentiary burden of the company, the
5 propriety and need of the transfer, the demonstration
6 that Utah customers were held harmless.

7 Evidence provided that the item -- items
8 transferred to the Utah utility were received at the
9 lower of cost or market and that no asset or inventory
10 transfer exceed \$10 million without preapproval by the
11 commission.

12 The division has always been supportive
13 of the concept of utilities mutual aid agreements. The
14 division sees the practicality of an agreement like the
15 one proposed, which arguably could be met with the
16 current mutual aid agreements, but that an agreement
17 such as this might provide an additional regulatory
18 transparency.

19 Following the filing of the division's
20 memo, settlement discussions were held. The company has
21 satisfactorily adopted the conditions recommended in the
22 division's action request response. Therefore, the
23 division has agreed to the stipulation filed on
24 August 19, 2022, which represents the best agreement
25 between the two parties.

1 The division recommends this stipulation
2 and the attached gas affiliate inventory transfer
3 agreement represented as settlement's Exhibit A in the
4 filing be approved as it is now in the public interest
5 and is just and reasonable in its result.

6 Thank you.

7 MS. SCHMID: Mr. Orton is now available
8 for cross-examination questions and questions from the
9 presiding officer.

10 THE COURT: Ms. Clark?

11 MS. CLARK: We have no questions.

12 Thanks.

13 THE COURT: I have none. Thank you,
14 Mr. Orton.

15 THE WITNESS: Thank you.

16 THE COURT: Anything else, Ms. Schmid?

17 MS. SCHMID: The division has nothing
18 further. Thank you.

19 THE COURT: Is there anything else from
20 either party before we adjourn?

21 All right. Have a wonderful day,
22 everyone. We're adjourned.

23 MS. SCHMID: Thank you.

24 (Audio recording concluded.)

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C E R T I F I C A T E

The State of Utah.

I, Heidi Morrison, CCR, RPR, Certified Court
Reporter for the State of Utah, do hereby certify that I
was authorized to and did listen to and stenographically
transcribe the foregoing audio-recorded statement and
that the transcript is a true record to the best of my
ability.

Without being present or having a video, the
accuracy of the speakers could not be verified.

Dated this 14th day of September, 2022.

A handwritten signature in dark ink, appearing to read 'Heidi Morrison', is written over a faint, horizontal, oval-shaped line.

Heidi Morrison,
Utah CCR 12687621-7801
Veritext Legal Solutions

[1 - comments]

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