BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN RESPONSE TO THE FORMAL COMPLAINT OF CORY S. OLSEN AGAINST DOMINION ENERGY UTAH	Docket No. 23-057-24

DIRECT TESTIMONY OF AUSTIN SUMMERS

FOR DOMINION ENERGY UTAH

January 18, 2024

DEU Exhibit 1.0

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I. INTRODUCTION

Q. Please state your name and business address.

A. Austin Summers, 333 South State Street, Salt Lake City, Utah 84111.

Q. By whom are you employed and in what capacity?

A. I am employed by Dominion Energy Utah ("Dominion Energy," "DEU" or "Company") as a Manager of Rates and Regulation. I am responsible for work related to cost allocation, rate design, gas cost adjustments, and forecasting.

Q. Were your attached exhibits, DEU Exhibit 1.01 through 1.03, prepared by you or under your direction?

A. Yes, unless otherwise stated, in which case my exhibits are true and correct copies of the documents they purport to be.

Q. What general areas does your testimony address?

A. I discuss several matters including (1) overview of the natural gas ("commodity") market; (2) explanation of the Company's 191.1 balancing account; (3) description of the Company's budget billing process; (4) a response to the concerns of Cory S. Olsen ("Mr. Olsen").

II. NATURAL GAS MARKET OVERVIEW

Q. Why have natural gas prices risen over the last two years?

A. Since the beginning of 2022, the natural gas markets have seen prices that are remarkably higher than normal. This issue is not isolated within Utah but has affected prices throughout the world. Some reasons for the increased prices worldwide include, world political conflict, dramatic shifts in typical weather patterns, and high demand and low supply.

Q. Have natural gas commodity prices in Utah differed from prices in other parts of the United States?

A. Yes. The attached DEU Exhibit 1.01 page 1 is a graph depicting natural gas daily spot prices from three different sources: Kern Opal, White River Hub, and Henry Hub. Both Kern Opal and White River Hub are located in the Western United States ("the West") and are DEU's primary metrics when pricing natural gas for daily spot purchases. Henry Hub is located in the Southeastern United States and is typically used as a metric of natural gas commodity prices at a national level. Daily spot prices indicate the cost to purchase 1 dekatherm ("Dth") of natural gas on a given day. DEU Exhibit 1.01 page 1 indicates that from January 2022 to November 2022 natural gas spot prices were consistent and similar to national prices. Following November 2022, natural gas prices in the West increased significantly while national prices decreased.

Q. What specific events caused prices to rise in Utah?

A. During the summer of 2022, the U.S. experienced a large amount of Liquified Natural Gas ("LNG") exports. Typically, natural gas is less costly in the summer and many utilities will purchase gas at that time to fill natural gas storage facilities, and call upon those storage facilities in order to utilize the lower-priced gas in the winter when prices rise. However, this unprecedented demand caused prices to remain high. Many utilities throughout the West delayed filling storage facilities.

In the fall of 2022, there was a large heatwave, together with a major drought, across the West. Many cities throughout this region rely on hydro-electric generation for electricity, but the drought prevented the use of hydro-electric production. To keep up with demand, electric utilities opted to produce needed electricity by natural gas-fueled power generation, resulting in additional demand and high costs.

Finally, during the winter of 2022-2023, the West experienced cold temperatures below normal. These cold temperatures were isolated to the West. The rest of the country experienced a warmer-than-normal winter season. Due to the events previously described, natural gas market prices were up to 10 times higher than normal. This was isolated to just the West. Customers were using large amounts of natural gas to heat their homes at exactly the time that commodity prices were tremendously high.

Q. Have western natural gas markets previously seen prices like those experienced in early 2023?

A. Natural gas prices in the West during the 2022-2023 heating season were significantly higher than prices experienced throughout the last decade. DEU Exhibit 1.01 page 2 shows first of month ("FOM") pricing from January 2011 to January 2023. FOM pricing indicates the fixed price of gas for a given month for various contracts held by a utility. These types of contracts are part of standard industry practice. The graph includes information from the Northwest Rockies, SoCal city-gate, and Henry Hub distribution locations. The Northwest Rockies and SoCal city-gates are the primary sources of natural gas for the West.

As seen in the exhibit, FOM gas was up to 10 times higher than the Henry Hub prices Mr. Olsen references. This means that DEU baseload contracts that were around the $7.00 per Dth in November of 2022 were then being paid at $50.00 per Dth in January. Baseload contracts require the purchase of the contracted amount of gas every day for a given period. These prices were an outlier, not only in comparison to prices nationally but also in comparison to typical commodity prices. No forecasting agency or utility could have foreseen those prices, and none predicted such pricing in their forecasts.

Q. Did these increased costs impact Mr. Olsen's natural gas bill?

A. Yes. Mr. Olsen, and all of the Company's sales customers, unfortunately experienced a significant rate increase in order to pay the costs associated with the gas purchases in the winter of 2022-2023.

Q. Did DEU have any measures in place to mitigate rate shock to customers in these events?

A. Yes. The Company has many mechanisms in place to mitigate market pricing risk. These measures include hedging contracts, diverse supply sources, and natural gas production provided by Wexpro Company ("Wexpro"). Unfortunately even those mechanisms were not sufficient to overcome the extraordinary market events of the winter of 2022-2023. Importantly, the Company has since, in coordination with the Utah Division of Public Utilities ("DPU") and Utah Public Service Commission ("Commission" or "PSC"), modified its hedging practices, looked for opportunities to purchase gas away from the California market, and taken steps to increase Wexpro production. These mechanisms will further aid in avoiding such rate shock should similar market conditions occur in the future.

III. 191.1 ACCOUNT OVERVIEW

Q. How does the Company collect all commodity costs from customers?

A. Section 2.06 of the DEU's Utah Natural Gas Tariff No. 600 ("Tariff") describes how the Company recovers such costs. It permits the Company "to recover, on a dollar-for-dollar basis, purchased gas costs and gas-cost-related expenses." Each of these purchased gas ("commodity") costs and gas-cost-related expenses ("SNG")[1] are tracked in the accounting 191.1 balancing account.

Q. Does the Company earn a profit on the sale of the commodity?

A. No. The Company only charges customers for the purchased gas costs and gas-cost-related expenses on a dollar-for-dollar basis. DEU does not mark up the price of the commodity to earn profit.

Q. Will you please explain the 191.1 balancing account?

A. Yes. The 191.1 balancing account is an accounting mechanism that tracks commodity and SNG expenses against revenues received for these expenses. The account ensures DEU collects revenue for the allowed expenses. This balancing account is reviewed at least twice per year, by both the Company and DPU, to ensure the Company is collecting an appropriate revenue.

1 Supplier Non-Gas (SNG) costs are for services paid to other companies that are upstream of the DEU system. These include transportation, storage, peak hour, services, etc.

Q. How was the 191.1 balancing account affected by the events of the winter of 2022-2023, as you described above?

A. Over the past decade, the 191.1 account has typically been within a range of $50 million of either an over or under collected state. Due to the unprecedented events described previously, the 191.1 account reached an under-collected state of $538 million within a three-month period during the winter of 2022-2023. DEU Exhibit 1.02 displays a history of the 191.1 account over the past three years. The grey line shown on DEU Exhibit 1.02 reflects a zero balance in the 191 account. The blue line shows the SNG costs over the described period of time, and it indicates that SNG costs were well within the historic expectations for over/under collection. However, the red line shows the over/under collection of commodity costs. As you can see, beginning in November of 2022, the 191 account balance was significantly under-collected.

Q. Why did the 191.1 account become so under-collected?

A. The Company promptly sought adjustment in rates to account for these unprecedented market conditions. For the Company to change any rates, it must follow a specific regulatory process. This process requires significant review by various parties, and it takes time for rates to go into effect. It is important to note that customers ultimately pay only for the gas they use and only at the price paid by the Company for the commodity and SNG related to those volumes.

Q. Did the Commission approve of the rates the Company now charges for commodity and SNG costs, as a result of the high prices of gas?

A. In docket No. 23-057-03, the Commission examined and approved the rates the Company charged in order to recover the costs held in the 191 account. That docket was properly noticed, and the DPU and Utah Office of Consumer Services both participated. After reviewing the evidence and hearing the positions of all intervenors, the Commission found that the rates were just, reasonable and in the public interest..

Q. When did the Company's customers' rates reflect these increases in commodity costs?

A. The Commission approved the rate increase related to these market events, on an interim basis, effective March 1, 2023[2]. Those customers who were not participating in the budget bill program saw an increase in rates at that time. As described below, budget billing program participants did not experience the rate increase until August of 2023, when the Company adjusted the bills of the budget bill program participants.

IV. BUDGET BILLING PROGRAM

Q. Please explain the budget billing program.

A. The budget billing program ("Program") is authorized and described in Section 8.05 of its Tariff. The Program is a voluntary program under which customers may elect to pay for their natural gas service at a predetermined monthly amount over the course of the year, rather than actual usage each month, with true-ups for actual usage at least annually. Any General Service ("GS") customer, that is current in all billing payments, is allowed to enroll. An enrolled customer can leave the Program at any time.

The budget billing program is designed to enable the Company to calculate, and the customer to pay, a monthly charge that will both collect a customer's under-collected balance and sufficiently collect anticipated charges in the coming year. The Program permits customers to pay their annual usage over equal monthly payments. Many customers appreciate the ability to budget for consistent monthly charges, rather than budgeting for lower bills in the summer and higher bills in the winter.

Q. When did customers enrolled in the Budget Billing program ("program participants" or "participants") see an increase to their monthly bill?

A. As I mentioned above, following the high market gas prices, the Company increased rates for GS customers on March 1, 2023. GS customers who were not participating in the Program experienced those rate increases in March of 2023. Program participants,

2 https://pscdocs.utah.gov/gas/23docs/2305703/3271502305703and2305704o2-28-2023.pdf

like Mr. Olsen, did not experience those increases until August, when the Company re-calculated and updated the budget bill amount for each participating customer.

Q. Is it possible for a customer to be over-billed in the Program?

A. No. When the Company evaluates each budget billing customer's account each year, the Company accounts for actual usage of commodity and DEU services. That actual usage, netted against payments made, is referred to as the Payoff Balance. When the bill of the program participant is reviewed, if the customer's payment amounts exceed the Payoff Balance, the over-payment will be credited to the customer "over the next twelve months, interest free, unless a customer requests an immediate refund or credit." *See* Section 8.05 of the Tariff. Hence, any payment over the actual usage will be given back to the customer in the form of a credit, refund, or discount to the monthly rate.

Furthermore, the estimated monthly equal-pay amount is just that…an estimate. It does not reflect actual usage at then-effective rates. Customers who wish to pay for their actual usage, at then-effective rates, and to have a monthly account balance of zero can simply choose not to participate in the Budget Billing Program and pay their bills on time.

Q. Was Mr. Olsen's bill calculated the same way as other customers enrolled in the Budget Billing program?

A. Yes. The Company uses an algorithm that automatically calculates each participants individual bill. Mr. Olsen's bill was recalculated and updated at the same time as that for all other Program participants, August of 2023. Mr. Olsen's bill was calculated at the same time and utilized the same methodology as all other Program participants.

V. RESPONSE TO MR. OLSEN'S CONCERNS

Q. Mr. Olsen states that DEU "has been increasing rates while cost has been decreasing". What is your response?

A. To make this statement, Mr. Olsen uses gas rates from Henry Hub and compares those values to an average dekatherm charge found on his monthly bills. His comparison does not accurately reflect the costs the Company has already incurred in procuring gas supply for Mr. Olsen and its other customers. First, as Mr. Olsen noted, DEU does not purchase gas from Henry Hub. As I have shown, gas markets in the West can vary greatly from Henry Hub. The fact that Henry Hub prices are *currently* lower than the prices the Company actually paid for gas supply in the winter of 2022-2023 is an apples to oranges comparison. The Company purchased its supplies at hubs in the West during an unprecedented market event. The Company has only included its actual costs in the 191 account.

Second, as I described above, the 191 balancing account is designed so that the Company collects only the costs it incurred in procuring gas supply. The 191 balancing account is currently under-collected, and the Company's rates are properly designed to collect enough to remedy that under-collection. Put simply, the Company's customers are paying the Company back for the costs of providing natural gas commodity in the winter of 2022-2023.

Q. In addition to the commodity costs that have been discussed, are there other costs that are included on a customer bill?

A. Yes. When Mr. Olsen is looking at Henry Hub prices, he is only seeing the cost of the natural gas itself – the commodity costs. Customers also pay SNG costs for services that are upstream from the DEU system, like upstream transportation of the commodity. Finally, DEU rates include the cost of operating the local distribution system, including the pipes that transport natural gas from the FERC-regulated interstate pipeline system to homes and businesses in Utah. We refer to this last category of costs as Distribution Non-Gas (DNG) costs. Costs shown at Henry Hub do not include DNG and SNG costs and those costs are not included in DEU Exhibit 1.01. Mr. Olsen's total bill includes all three categories of costs.

Q. Does the Company anticipate its rates to decrease in the near future?

A. The commodity rates Mr. Olsen, and other customers are currently paying remain higher than usual in order to collect the under-collected commodity-related expenses through the 191.1 account. As seen in DEU Exhibit 1.02, the Company has effectively collected a significant amount this winter. However, there is still much more to collect. The Company anticipates once the 191.1 account comes closer to a zero balance, it will seek the Commission's approval to decrease rates.

Notably, the Company has, historically, both increased and decreased rates to address over-collection and under-collection in its 191 balancing account. DEU Exhibit 1.03 is a chart that shows Winter rates for GS customers over a 10-year period. As seen in the chart, DEU's rates have been fairly constant between March 2015 and March 2022. It was not until the Winter of 2022-2023 that rates significantly increased. When market prices warrant a rate increase, the cost to customers increases. When the market prices have warranted a rate decrease, customers have enjoyed reduced rates. The Company is not "gouging" its customers, as Mr. Olsen contends. It is lawfully collecting the cost of commodity it incurred in serving those customers. When the under-collected 191 balancing account balance is reduced, and those costs go down, so too will customer's rates.

VI. CONCLUSION

Q. Has DEU acted properly in billing Mr. Olsen and in recalculating his budget-billing amount?

A. Yes. The Company has at all times complied with all applicable statutes, rules, regulations, Tariff provisions, and Commission orders in recovering commodity costs, in setting rates, and in establishing monthly payment amounts for budget billing Program customers.

Q. Has Mr. Olsen benefited from the Program?

A. Yes. Mr. Olsen has enjoyed having a consistent bill every month since enrollment. Mr. Olsen has also benefited from carrying an interest-free balance on his account for 10 of 12 months in 2023.

Q. What solutions can the Company offer Mr. Olsen?

A. Upon the request of Mr. Olsen, the Customer Relations department at Dominion Energy coordinated a call with Mr. Olsen and the Manager of DEU Rates and Regulation department. This manager and Mr. Olsen spoke through his concerns to help him understand the situation. Additionally, the Company notes that enrollment in the budget billing Program is voluntary. Mr. Olsen has voluntarily unenrolled from the Budget Billing Program. The Company believes that the concerns he has raised related to his own account have been resolved.

Q. Does this conclude your testimony?

A. Yes.

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

I, Austin Summers, 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. The exhibits attached to the testimony were prepared by me or under my direction and supervision, except where otherwise stated, in which case they are true and correct copies of what they purport to be, 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.

Austin Summers

Austin Summers

SUBSCRIBED AND SWORN TO this 18th day of January, 2024.

Ginger Johnson

Notary Public

GINGER JOHNSON
Notary Public State of Utah
My Commission Expires on:
August 04, 2027
Comm. Number: 732162

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Direct Testimony of Austin Summers was served upon the following persons by e-mail on January 18, 2024:

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