

2022 General Rate Case Technical Conference

July 6, 2023

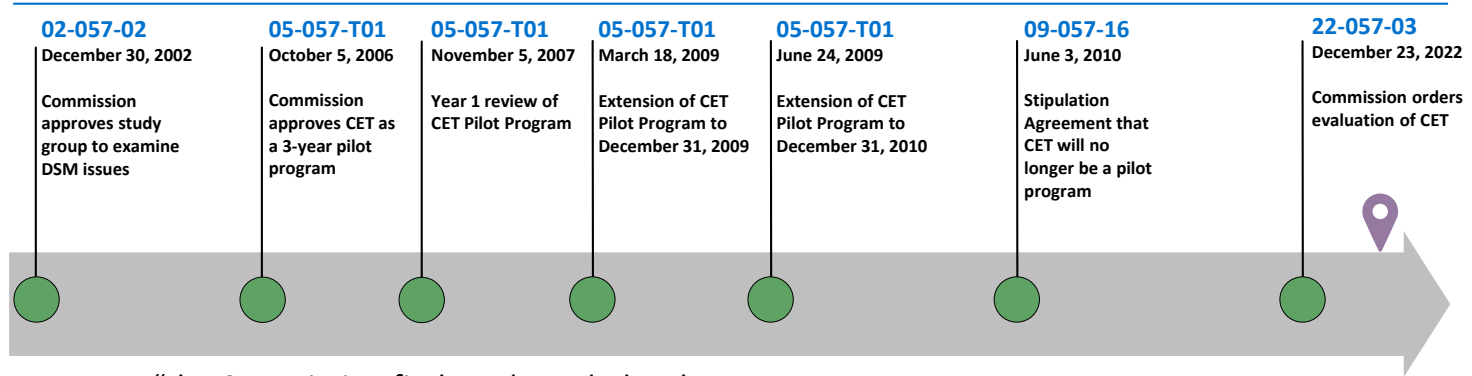


Purpose of the Tech Conference

“Several parties have requested a more robust evaluation of the CET in DEU’s next general rate case. We find that to be an appropriate way to ensure the CET continues to serve the objectives for which it was originally designed. We direct DEU to present a technical conference during the second or third quarter of 2023 to begin framing this evaluation.”

– *Commission Order, Page 52*

Conservation Enabling Tariff History



“the Commission finds and concludes that adoption and approval of the Settlement Stipulation is just and reasonable and in the public interest. It provides a means to implement energy-efficiency programs and measures that all parties agree will be in the public interest.” (PSC Oct. 5, 2006)

Explanation of Revenue Decoupling

Total Revenue Requirement: \$100
Total Customers: 10
Allowed Revenue Per Customer: \$10/Customer

Total Revenue Requirement: \$100
Usage: 100 Dths
Total Price/Dth: \$1/Dth



Causes for Changes in Usage

Energy Efficiency



Weather



Price



Forecasting Differences



Declining Usage

Total Revenue Requirement: \$100
Total Customers: 10
Allowed Revenue Per Customer: \$10/Customer
Total Allowed Revenue: \$100

Total Revenue Requirement: \$100
Usage: 90 Dths
Total Price/Dth: \$1/Dth
Total Volumetric Revenue: \$90

\$10 Under Collection



Increasing Usage

Total Revenue Requirement: \$100
Total Customers: 10
Allowed Revenue Per Customer: \$10/Customer
Total Allowed Revenue: \$100

Total Revenue Requirement: \$100
Usage: 110 Dths
Total Price/Dth: \$1/Dth
Total Volumetric Revenue: \$110

(\$10) Over Collection



Historical CET Adjustments

Year	Amount	Under/Over Collected
Jul 06 – Oct 16 (Years 1-10)	(\$4,676,357)	8 Over Collected/ 2 Under Collected
Nov 16 – Oct 17 (Year 11)	(\$502,759)	Over Collected
Nov 17 – Oct 18 (Year 12)	(\$5,167,773)	Over Collected
Nov 18 – Oct 19 (Year 13)	\$2,242	Under Collected
Nov 19 – Oct 20 (Year 14)	(\$2,386,792)	Over Collected
Nov 20 – Oct 21 (Year 15)	\$5,630,701	Under Collected
Nov 21 – Oct 22 (Year 16)	\$5,188,275	Under Collected
Nov 22 – May 23 (Year 17)	(\$18,664,368)	Over Collected
Total	(\$20,576,830)	12 Over Collected/ 5 Under Collected

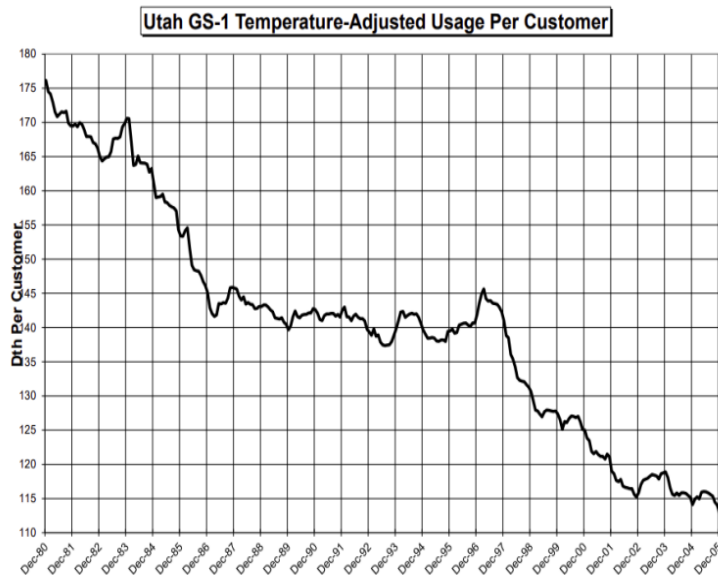
Evaluation of CET

Q. WHY SHOULD THE CET BE REEVALUATED?

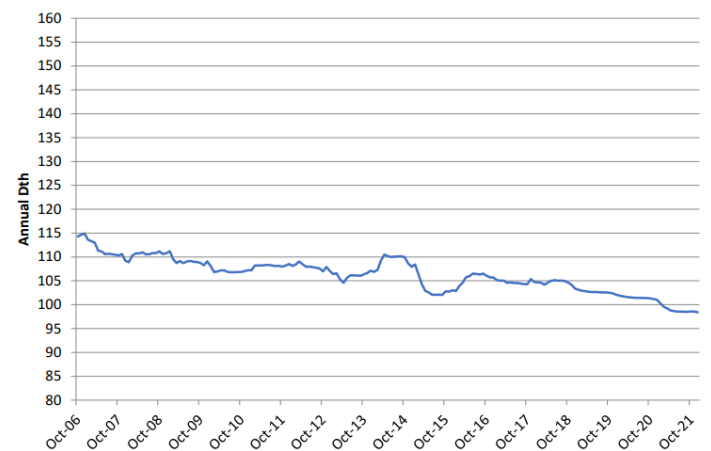
- A. The primary reason for reevaluating the CET is that it may no longer be necessary. The problem the CET was intended to fix appears to have subsided.

– *OCS Daniel Direct Phase II Testimony lines 441-443*

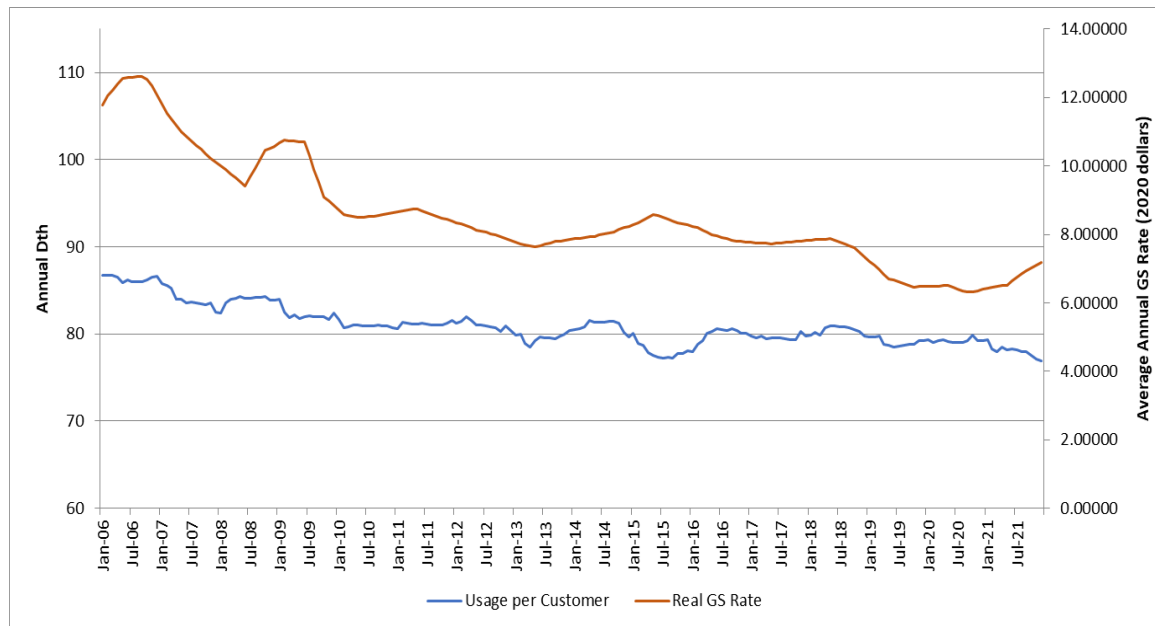
Usage per Customer Comparison



**Average Annual Usage Per GS Customer in Dth
(Temperature-Adjusted)**



GS Typical customer usage vs. GS rate (2006-2021)

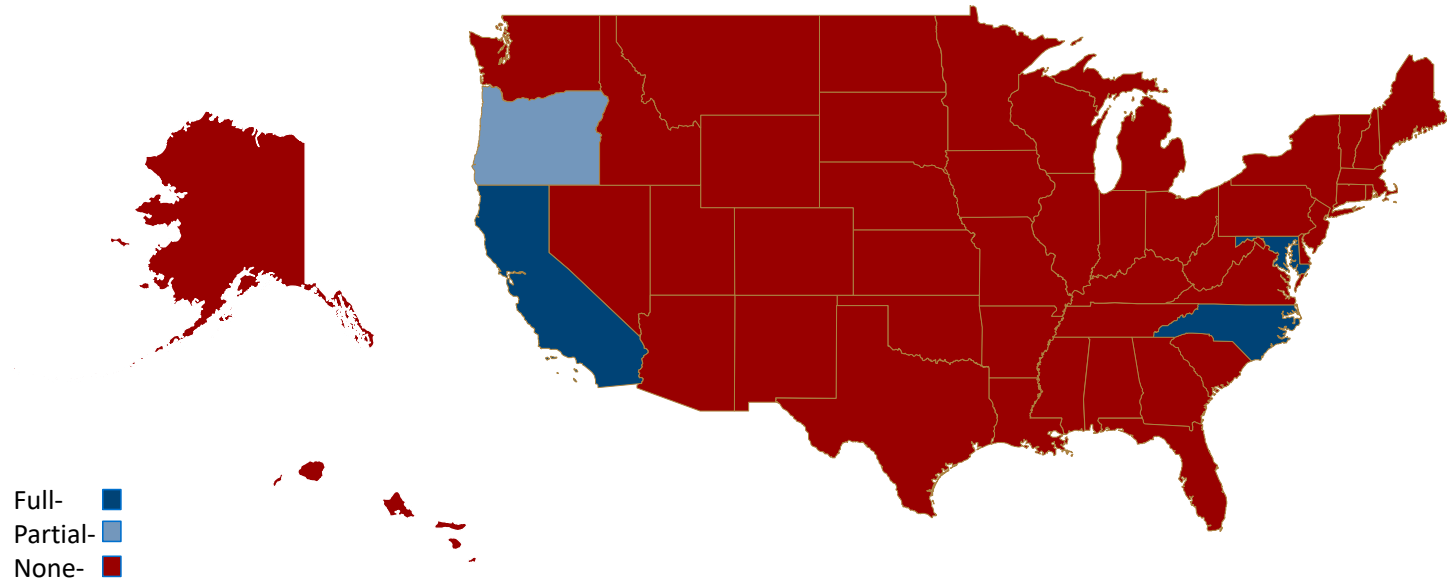


CET solves two problems

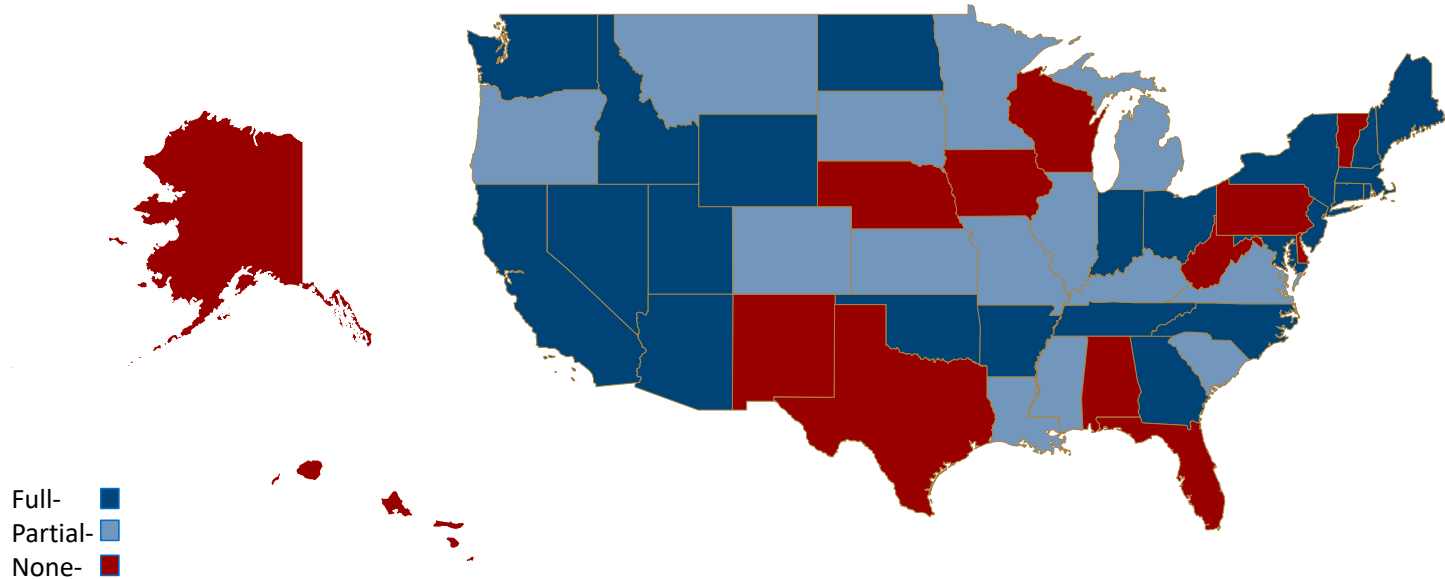
The...(CET)...is meant to address the problem of declining usage per customer and to remove the barrier of Questar's participation in DSM.

DPU, Artie Powell, 05-057-T01 Direct Testimony, lines 40-42

Decoupling mechanisms by state- March 2005

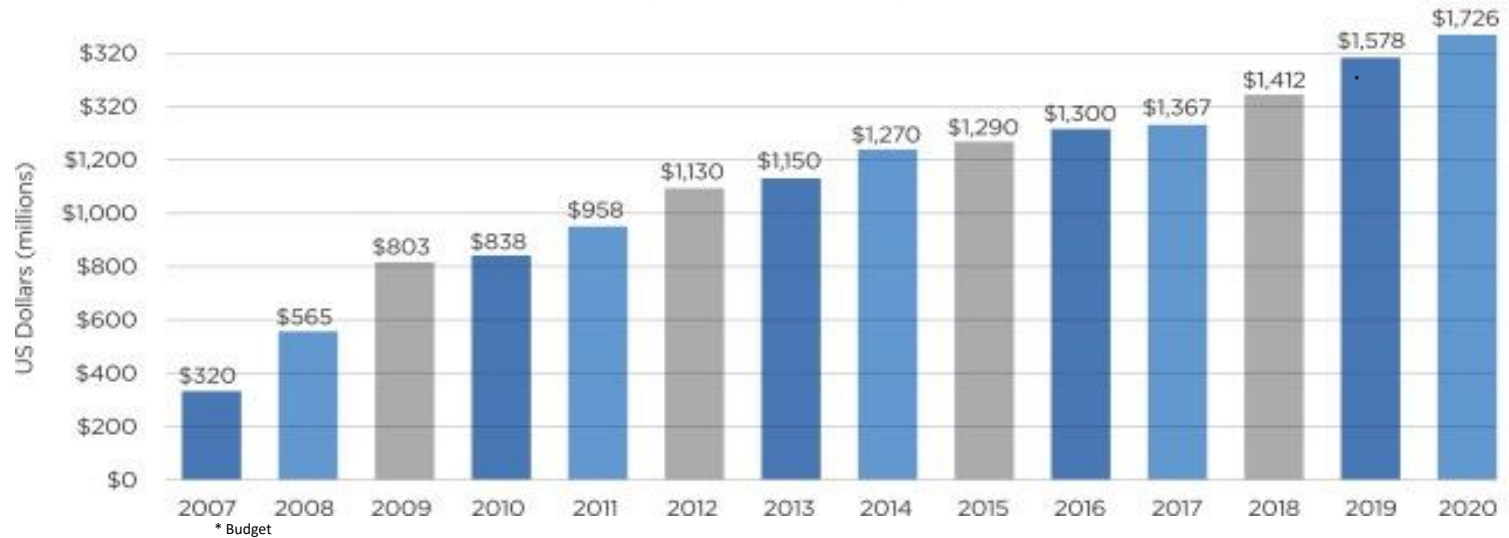


Decoupling mechanisms by state- June 2022



Source: S&P RRA Adjustment Clauses July 2022

Yearly Natural Gas Efficiency Program Funds in the United States from 2007-2019³ (Million Dollars)⁴



Source: 2020 AGA Energy Efficiency Survey (2019 program year)

Measuring Energy Efficiency Effectiveness

Years	Total Annual (Gross) Dth Savings	Total Lifetime (Gross) Dth Savings	Number of Rebates Paid
2007-2016	7,137,046	158,524,991	900,222
2017	1,044,307	15,376,023	73,883
2018	998,419	12,734,226	76,690
2019	1,099,047	15,095,194	77,081
2020	1,158,448	19,038,255	86,169
2021	931,950	15,439,817	57,768
2022	949,449	16,018,029	53,429
Total	13,318,666	251,326,313	1,325,242

CET Removes the disincentive to promote energy efficiency

Measuring Energy Efficiency Effectiveness

Year	TRC	UCT	PCT	RIM
2022	1.86	2.05	4.38	0.96
2021	1.54	3.79	1.82	0.87
2020	1.38	3.79	1.82	0.87
2019	1.10	2.75	1.49	0.84
2018	1.00	2.88	1.24	0.73
2017	1.02	2.89	1.32	0.76

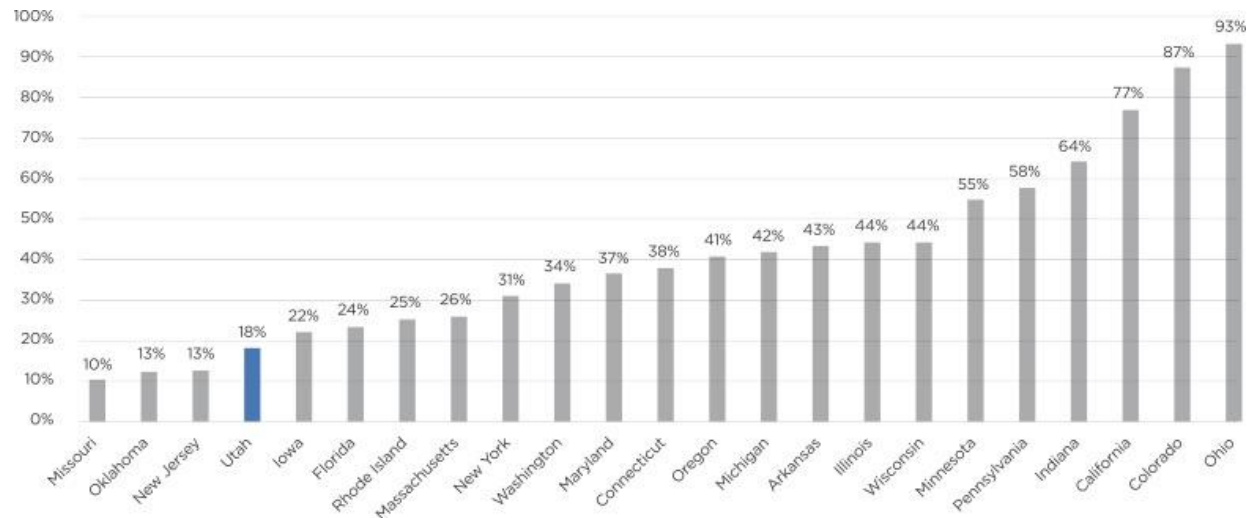
TRC = Total Resource Cost Test

UTC = Utility Cost Test

PCT = Participant Cost Test

RIM = Ratepayer Impact Measure Test

2020 AGA Survey Administrative Costs by State



Source: 2020 AGA Energy Efficiency Survey (2019 program year)

Evaluation of CET

I recommend that the set of issues included in any re-evaluation of the CET be expanded. In particular, those issues need to provide a more dynamic ***assessment of changes in the mix of customers*** served within each rate class over time, as well as the ***manner in which changes in the mix of customers*** in terms of annual throughput requirements and load factors ***may cause fixed revenue per customer relationships to deviate*** from appropriate ratemaking expectations.

ANGC, Oliver, Phase II Rebuttal, lines 778-783

Customer Mix

Year	Single Dwellings	Multi-Dwellings	Mobile Homes
2015	77.7%	20.1%	2.2%
2016	77.4%	20.4%	2.2%
2017	77.0%	20.9%	2.1%
2018	76.5%	21.5%	2.1%
2019	76.1%	21.9%	2.0%
2020	75.7%	22.3%	2.0%
2021	75.3%	22.7%	1.9%
2022	74.8%	23.3%	1.9%
Forecasted 2023	74.1%	24.0%	1.8%
Forecasted 2024	73.7%	24.5%	1.8%

Preventive Measures

- Caps on how much can be under collected
- Reset of CET allowed revenue amount every three years in General Rate Case
- Company plans to propose to split the GS class in next rate case

Revenue Discrepancy

Commission Order – 12/23/2022

DOCKET NO. 22-057-03

- 56 -

- Directed DEU to provide additional information on different revenues in model
- Nucor questions the \$87.8 million revenue increase shown in the Rate Design model
- UAE asserts that the depiction of current DNG revenues for the TSS, TSM, TSL and TBF classes is inconsistent with current revenues shown in the Rate Design Model

C. The Mismatch of DEU Revenues Reflected in COS and Rate Design Models

Nucor references a \$17,372,628 difference between the current DNG revenues used in DEU's COS model and those used in DEU's rate design model.¹⁴¹ Nucor stated it was unable to verify the source of the variance.¹⁴² It asserts the difference may be related to the treatment of CET revenues and the migration of customers to the TBF schedule. UAE also references a discrepancy in current DNG revenues related to TS customers.¹⁴³ UAE states the difference may be the reasonable result of class rate migration, which it calculates to be \$30,061. UAE also cannot verify the source of the discrepancy.¹⁴⁴ At hearing, DEU acknowledged it uses different versions of current DNG revenues in its rate case model.¹⁴⁵ Neither Nucor nor UAE offered testimony recommending the PSC take any action with regard to the discrepancies. However, given DEU's acknowledgment that it uses different versions of current DNG revenues in its two models, we find it appropriate to evaluate the issue further. Therefore, we direct DEU to provide additional information on this issue during the CET technical conference we have referenced previously in this order.

Revenues in Model

Booked Revenue \$420,621,438

- Historical 12 Months Ending December 2021
- Used in Revenue Requirement
- Used as a starting point then adjusted

Avg Projected Revenue 2023 \$433,402,504

- Projected 2023 test year revenue at forecasted billing determinants
- Revenue company would collect if no rate case were to be filed
- Includes adjustments for future tracker filings
- Does not include class changes

Revenue Requirement \$503,914,193

- Avg projected 2023 revenue plus \$70.5 mil deficiency
- Forecasted Revenue collected using Proposed Rates
- Revenue company would collect if rate case approved
- Used in rate design model to determine rates

Forecasted Revenue at Current Rates \$416,029,876

- Revenue collected using current rates for 2023 forecasted billing determinants
- Used as a rate change comparison
- Does NOT include an adjustment for future tracker filings
- Does include class changes

Revenue Requirement connection to COS Model

Revenue Requirement (ROR-Model)

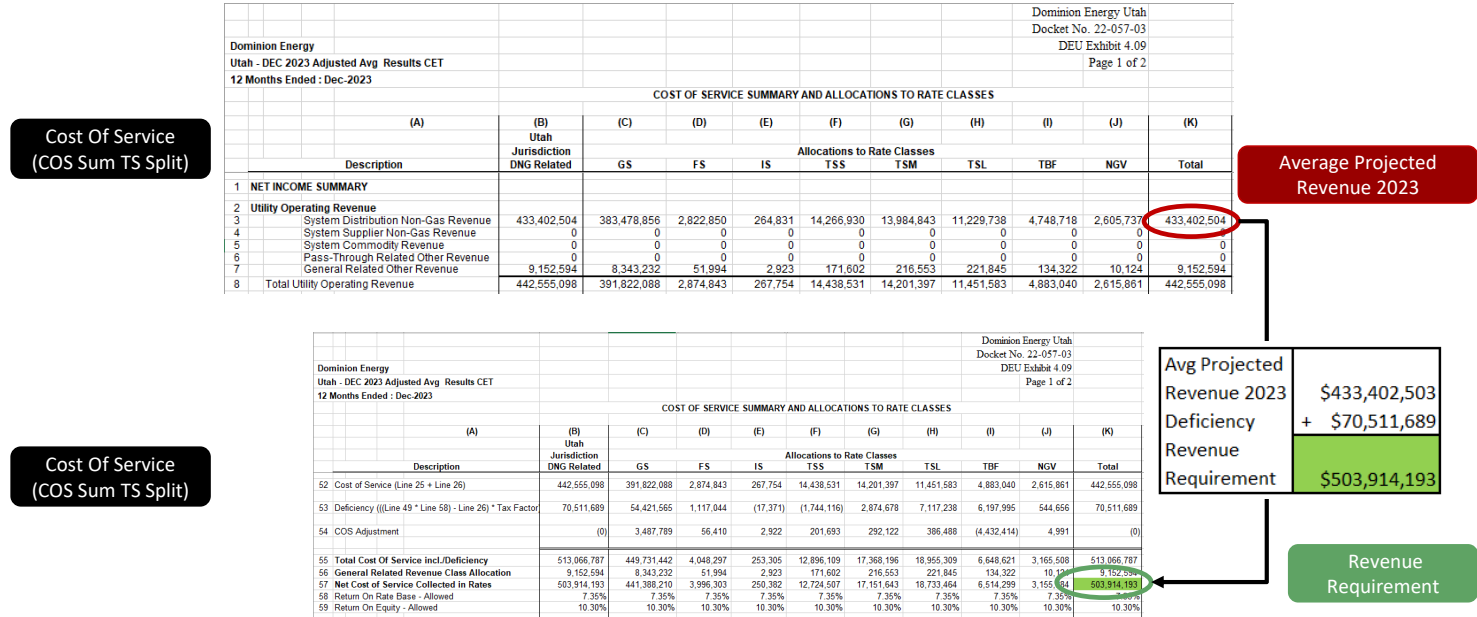
Booked Revenue

Average Projected
Revenue 2023

Dominion Energy Utah - DEC 2023 Adjusted Avg Results CET 12 Months Ended : Dec-2023 ROR Model					
FERC Account	Description	Historical 12 Months December-21	CASE Adjustments Total	Imputed Tax Adjustment	Adjusted System Total
Utah Totals					
	Distribution Non-Gas Rev	420,621,438	12,781,066	0	433,402,504
	Supplier Non-Gas Revenue	10,493,803	0	0	10,493,803
	Commodity Revenue	441,047,996	156,647,749	0	597,695,745
	Total Utah Revenue	942,663,658	179,922,619	0	1,122,586,277
	Sales Dth	104,699,703	10,488,820	0	115,188,523
	Transportation Dth	102,696,977	(1,576,352)	0	101,120,625
	Total Utah Dth	207,396,679	8,912,469	0	216,309,149
					186,221,043
					30,088,105

Dominion Energy Utah Docket No. 22-057-03 DEU Exhibit 4.09 Page 1 of 2										
COST OF SERVICE SUMMARY AND ALLOCATIONS TO RATE CLASSES										
(A)	(B) Utah Jurisdiction DNG Related	(C) GS	(D) FS	(E) IS	(F) TSS	(G) TSM	(H) TSL	(I) TBF	(J) NGV	(K) Total
Description										
1 NET INCOME SUMMARY										
2 Utility Operating Revenue										
3 System Distribution Non-Gas Revenue	433,402,504	383,478,856	2,822,850	264,831	14,266,930	13,984,843	11,229,738	4,748,718	2,605,737	433,402,504
4 System Supplier Non-Gas Revenue	0	0	0	0	0	0	0	0	0	0
5 System Commodity Revenue	0	0	0	0	0	0	0	0	0	0
6 Pass-Through Related Other Revenue	0	0	0	0	0	0	0	0	0	0
7 General Related Other Revenue	9,152,594	8,343,232	51,994	2,923	171,602	216,553	221,845	134,322	10,124	9,152,594
8 Total Utility Operating Revenue	442,555,098	391,822,088	2,874,843	267,754	14,438,531	14,201,397	11,451,583	4,883,040	2,615,861	442,555,098

COS Model connection to Rate Design



COS Model connection to Rate Design

Cost Of Service
(COS Sum TS Split)

Dominion Energy Utah Utah - DEC 2023 Adjusted Avg. Results CET 12 Months Ended : Dec-2023										
COST OF SERVICE SUMMARY AND ALLOCATIONS TO RATE CLASSES										
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
Description	Utah Jurisdiction DNG Related	GS	FS	IS	TSS	TSM	TSL	TBF	NGV	Total
52 Cost of Service (Line 25 + Line 26)	442,555,098	391,822,088	2,874,843	267,754	14,438,531	14,201,397	11,451,583	4,883,040	2,615,861	442,555,098
53 Deficiency ((Line 49 * Line 58) - Line 26) * Tax Factor	70,511,689	54,421,565	1,117,044	(17,371)	(1,744,116)	2,874,678	7,117,238	6,197,995	544,656	70,511,689
54 COS Adjustment	(B)	3,487,789	56,410	2,922	201,693	292,122	386,488	(4,432,414)	4,991	(B)
55 Total Cost of Service incl. Deficiency	513,066,787	449,731,442	4,048,297	253,305	12,896,109	17,368,196	18,955,309	6,648,621	3,165,508	513,066,787
56 General Related Revenue Class Allocation	9,152,594	8,343,232	51,994	2,923	171,602	216,553	221,845	134,322	10,124	9,152,594
57 Net Cost of Service Collected in Rates	503,914,193	441,388,210	3,996,303	250,382	12,724,507	17,151,643	18,733,464	6,514,299	3,155,384	503,914,193
58 Return On Rate Base - Allowed	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%	7.35%
59 Return On Equity - Allowed	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%	10.30%

Rate Design Tab UTAH		@ Current Rates				@ Proposed Rates			
Firm		Dth	Revenues			Dth	Revenues		
GS	112,038,555		364,579,475	GS		112,038,555	439,711,988		
NGV	289,772		2,900,389	NGV		289,772	3,152,980		
FS	2,689,192		2,724,039	FS		2,689,192	3,969,193		
Total Utah Firm	114,917,519		\$369,803,902			114,917,519	\$446,834,166		
Intermittible									
IS	271,004		\$258,548	IS		271,004	\$248,878		
Total Utah Intermittible	271,004		\$258,548			271,004	\$248,878		
Total Utah Sales	115,188,523		\$370,062,450			115,188,523	\$447,083,144		
Transportation									
TBF	9,749,670		\$6,395,660	TBF		9,749,670	\$6,404,382		
TBFL	43,403,526		\$2,240,124	TBFL		43,403,526	\$2,240,124		
MT	25,468		28,825	MT		25,468	31,536		
TS	47,841,940		37,294,293	TS		47,841,940	48,155,007		
TSS	7,737,389		14,074,217	TSS		7,737,389	12,627,574		
TSM	15,305,116		12,711,775	TSM		15,305,116	16,979,714		
TSL	24,889,452		10,518,825	TSL		24,889,456	18,547,718		
Total Utah Transportation	101,120,621		45,987,427			101,120,625	56,851,049		
Utah Total Tariff DNG Revenues	216,309,144		\$416,029,876			216,309,148	\$503,914,193		
Utah Other DNG Revenues			\$9,152,594				\$9,152,594		
Utah Total Revenues			\$425,182,470				\$513,066,787		
Total Utah Cost of Service Difference							\$513,066,787		0

Revenue Requirement
(Net Cost of Service
Collected in Rates)

Rate Design Model

Forecasted Revenue at
Current Rates

Nucor Discrepancy - “Dominion has designed rates to produce an \$87,884,317 revenue increase”

Forecasted Revenue at Current Rates

Net Cost of Service Collected in Rates

Rate Design Tab									
UTAH		@ Current Rates		@ Proposed Rates					
Firm		Dth	Revenues			Dth	Revenues		
	GS	112,038,555	364,579,475		GS	112,038,555	439,711,988		
	NGV	289,772	2,500,388		NGV	289,772	3,152,986		
	FS	2,589,192	2,724,039		FS	2,589,192	3,969,193		
Total Utah Firm		114,917,519	\$369,803,902			114,917,519	\$446,834,166		
Interruptible									
	IS	271,004	\$258,548		IS	271,004	\$248,978		
Total Utah Interruptible		271,004	\$258,548			271,004	\$248,978		
Total Utah Sales		115,188,523	\$370,062,450			115,188,523	\$447,083,144		
Transportation									
	TBF	9,749,670	\$6,395,660		TBF	9,749,670	\$6,404,382		
	TBFL	43,403,526	\$2,240,124		TBFL	43,403,526	\$2,240,124		
	MT	25,468	28,825		MT	25,468	31,536		
	TS	47,941,960	37,234,253		TS	47,941,960	48,155,007		
	TSS	7,737,389	14,074,217		TSS	7,737,389	12,627,574		
	TSM	15,305,116	12,711,775		TSM	15,305,116	16,979,714		
	TSL	24,899,452	10,516,825		TSL	24,899,456	18,547,719		
Total Utah Transportation		101,120,621	45,967,427			101,120,625	56,831,049		
Utah Total Tariff DNG Revenues		216,309,144	\$416,029,876			216,309,148	\$503,914,193		
Utah Other DNG Revenues			\$9,152,594				\$9,152,594		
Utah Total Revenues			\$425,182,470				\$513,066,787		
Total Utah Cost of Service Difference							\$513,066,787		0

Forecasted Revenue at
Current Rates

Revenue Requirement
(Net Cost of Service
Collected in Rates)

503,914,193

416,029,876

87,884,317

Nucor Discrepancy - “Dominion has designed rates to produce an \$87,884,317 revenue increase”

Nucor Comparison

- \$416M does not include increase in revenue due to future tracker filings
- Does include adjustment for customer class changes

Class	Forecasted Rev at Current Rates	Revenue Requirement	Deficiency
GS	\$366,255,697	\$441,388,210	\$75,132,513
NGV	\$2,502,787	\$3,155,384	\$652,598
FS	\$2,751,149	\$3,996,303	\$1,245,154
IS	\$259,952	\$250,382	(\$9,570)
TBF	\$6,505,578	\$6,514,299	\$8,722
TSS	\$14,171,150	\$12,724,507	(\$1,446,643)
TSM	\$12,880,993	\$17,151,643	\$4,270,650
TSL	\$10,702,570	\$18,733,464	\$8,030,894
Total	\$416,029,876	\$503,914,193	\$87,884,317

DEU Proposed Deficiency

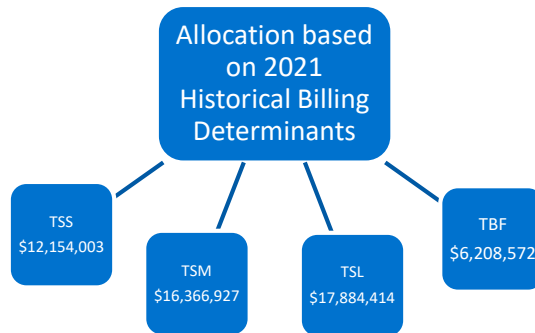
- \$433M does include increase in revenue due to future tracker filings
- Does not include adjustment for customer class changes

Class	Avg Projected Revenue	Revenue Requirement	Deficiency
GS	\$383,478,856	\$441,388,210	\$54,421,565
NGV	\$2,605,737	\$3,155,384	\$544,656
FS	\$2,822,850	\$3,996,303	\$1,117,044
IS	\$264,831	\$250,382	(\$17,371)
TBF	\$4,748,718	\$6,514,299	\$6,197,995
TSS	\$14,266,930	\$12,724,507	(\$1,744,116)
TSM	\$13,984,843	\$17,151,643	\$2,874,678
TSL	\$11,229,738	\$18,733,464	\$7,117,238
Total	\$433,402,504	\$503,914,193	\$70,511,689

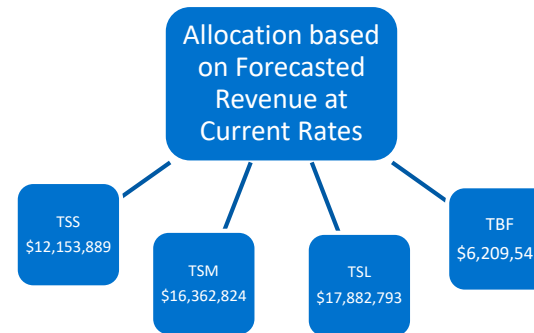
UAE Discrepancy – “DEU’s depiction of current DNG revenue for the individual TSS, TSM, TSL, and TBF classes is inconsistent with the current revenue for these classes shown in its rate design.”

- Problem: Booked revenue did not exist for TSS, TSM, TSL classes. Total TS booked revenue needed to be allocated to each class

Revenue Requirement - DEU Approach



Revenue Requirement - UAE Approach



- Next rate case booked revenue will exist for TSS, TSM, and TSL classes so no allocation will be necessary