–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

IN THE MATTER OF APPLICATION OF ENBRIDGE GAS UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	)))))))	**DOCKET NO. 25-057-06** **Exhibit No. DPU 4.0 DIR** **Direct Testimony of David Williams**

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

Direct Testimony of

David Williams

August 26, 2025

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INTRODUCTION AND QUALIFICATIONS

Q. PLEASE STATE YOUR NAME, EMPLOYER, AND BUSINESS ADDRESS.

A. My name is David Williams. I am employed by the Utah Division of Public Utilities (Division). My business address is 160 East 300 South, Salt Lake City, UT 84114.

Q. BRIEFLY OUTLINE YOUR EMPLOYMENT BACKGROUND.

A. I have worked for the Division for six years, first as a Utility Analyst and now as a Utility Technical Consultant. Prior to working at the Division, for seven years I was employed as a Research Analyst in the Economics group at an engineering firm that served as a consultant to electric utilities and natural gas utilities.

Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

A. I received a Bachelor of Science in Nuclear Engineering from North Carolina State University and a Juris Doctor from the University of Wisconsin-Madison.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH (COMMISSION)?

A. Yes, I have served as a witness for the Division several times, in natural gas and electric utility dockets.

SUMMARY AND PURPOSE OF TESTIMONY; OVERVIEW OF WILLIAMS DPU ADJUSTMENTS

Q. PLEASE BRIEFLY SUMMARIZE THE WORK AND INVESTIGATIONS THAT YOU HAVE PERFORMED IN THIS MATTER.

A. I have reviewed and analyzed the testimony of Enbridge Gas Utah (Enbridge, EGU, or the Company) witness Jordan K. Stephenson. I also reviewed the exhibits referenced by Mr. Stephenson. I focused on items that make up the rate base, including the relevant Company exhibits to Mr. Stephenson's testimony (EGU Exhibits 4.01 through 4.34), and the relevant parts of the Company's model (EGU Exhibit 5.14U).

Q. PLEASE GIVE A BRIEF SUMMARY OF YOUR TESTIMONY.

A. I recommend the following adjustments.

1. Adjustment 4.01 is a result of the errors discussed in Division Data Requests (DRs) 13.3, 13.4, 13.5 (attached as DPU Exhibit 4.01). The Division noticed some anomalous numbers in the Company's model. The Company investigated and found that it had entered some incorrect values in its model. The Company sent the Division an updated model that corrected these errors. This adjustment covers several FERC accounts.

2. Adjustment 4.02 changes the Company's projected 2025 and 2026 monthly values for FERC Account 378 (Measuring & Regulations Station Equipment).[1] The Company's projected values represented unrealistic monthly values that inflated the 13-month average used in the test year. The main change resulting from this adjustment is a reduction in the Account 378 rate base of around $45.5 million.

3. Adjustment 4.03 reduces the Company's proposed rate base adjustment for FERC Account 394 (Tools, Shop & Garage Equipment). The historical values were not sufficiently explained, nor were the proposed increases. This adjustment reduces the Company's proposed adjustment for Account 394 (Utah) from $18,336,856 to $9,168,428.

4. Adjustment 4.04 reduces the Company's proposed rate base adjustment for FERC Account 380 (Services). The Company's proposed increases are much larger than past increases for this account and are not sufficiently explained. This adjustment results in changes to several FERC accounts. The main change resulting from this adjustment is a reduction in the Account 380 rate base of around $6.6 million.

[1] The Division's understanding is that Account 378 (Measuring & Regulations Station Equipment) has some items from Account 375 (Structures and Improvements) mixed in with it. Account 378 is sometimes referred to by the Company as "Account 378… 5" or "Account 378, 375".

5. Adjustment 4.05 is a reduction in capitalized operation and maintenance (O&M) costs for the liquid natural gas (LNG) facility. The Division proposes removing $1,151,895 of the capitalized O&M costs from Account 363, as those costs are not appropriate candidates for capitalization.

OVERVIEW OF MR. STEPHENSON'S DIRECT TESTIMONY AND EGU EXHIBIT 5.14U (ELECTRONIC MODEL); WILLIAMS DPU ADJUSTMENT 4.01

Q. WHAT WAS THE FOCUS OF MR. STEPHENSON'S DIRECT TESTIMONY?

A. Mr. Stephenson's testimony explains how he calculated the Company's revenue requirement and why the proposed test period "best reflects the conditions that will exist during the rate-effective period."[2]

The base period used by the Company is the 13-month period ending December 31, 2026. Mr. Stephenson states that:

> Beginning with December 2024 rate base balances, I projected net plant and other rate base accounts for 2025 and 2026. Rate base changes are largely driven by capital expenditures required to serve new customers in 2025 and 2026 and to maintain the distribution system to continue to safely serve existing customers.[3]

My focus was on the rate base. Much of my testimony deals with FERC Account 101 (Gas Plant in Service) and associated issues. Part of the focus in my testimony is comparing the historical rate base to the projected rate base to see if there are anomalies or increases that need further explanation.

Q. WHAT KIND OF ANOMALIES ARE YOU TALKING ABOUT, AND HOW DOES EGU EXHIBIT 5.14U FIT IN?

A. First, let me give an example of "historical" rate base for a given FERC rate base category. EGU Exhibit 5.14U is the Utah Rate Case Model, which is a "working Excel model that includes all revenue requirement, cost of service, and rate design calculations."[4] The Company submitted an updated Exhibit 5.14 (EGU Exhibit 5.14U)

[2] Direct Test. of Jordan K. Stephenson at 1:13-17.
[3] Id. at 5:97-100.
[4] Direct Test. of Austin C. Summers at 24:632-34.

on May 14, 2025, in the present docket. The tab "Rate Base" shows historical and projected rate base amounts by FERC categories. For example, FERC Account 302 is "Intangible Plant," which is for non-physical plant and contains things such as costs for obtaining franchise rights. Exhibit 5.14U shows the historical amount of rate base in Account 302, and in other accounts. A partial screenshot of the tab is shown below as Figure 1.

Figure 1 Excerpt from "Rate Base" Tab of Company Exhibit 5.14U

	FERC Acct	Description	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
939		**UTILITY RATE BASE**						
940	**NET UTILITY PLANT**							
941	Gas Plant In Service							
942		Intangible Plant						
943	302	Franchises & Consents						
944		Distribution - Wyoming	10,883	10,883	10,883	10,883	10,883	10,883
945		Distribution - Utah	2,213,069	2,213,069	2,213,069	2,213,069	3,995,352	5,145,474
946		Distribution - General	0	1,713,848	1,713,848	2,303,787	2,304,348	2,304,348
947		Total Intangible Plant	2,223,952	3,937,800	3,937,800	4,527,739	6,310,583	7,460,705
948								
949		Production & Gathering Plant						
950	325	Land & Land Rights	6,266,764	6,266,764	6,266,764	6,266,764	6,266,764	6,266,764
951	326...9	Structures	1,437,704	1,437,704	1,437,704	1,437,704	1,437,704	1,437,704
952	330	Gas Wells - Construction	52,175,294	52,175,294	52,175,294	52,175,294	52,175,294	52,175,294
953	331	Gas Wells - Equipment	17,216,356	17,216,356	17,216,356	17,216,356	17,216,356	17,216,356
954	332...4	Field Lines & Comp, Meas & Reg St E	2,693,816	2,693,816	2,693,816	2,693,816	2,693,816	2,693,816
955	336	Purification Equipment	57,015	57,015	57,015	57,015	57,015	57,015
956	337	Other Equipment	121,187	121,187	121,187	121,187	121,187	121,187
957								
958		Total Production & Gathering Plant	79,968,136	79,968,136	79,968,136	79,968,136	79,968,136	79,968,136

Historical values are provided for 2023 and 2024 by month. The Company also provides projected 2025 and 2026 values for these categories (in this tab and in the "RB FORECAST" tab). The rate base values on the "Rate Base" tab feed into other sheets.

Therefore, the "Rate Base" tab and "RB FORECAST" tab theoretically allow stakeholders to compare historical values to projected values for a given FERC account.

Q. PLEASE GIVE ANOTHER EXAMPLE OF HOW THE RATE BASE IS BROKEN DOWN IN EGU EXHIBIT 5.14U.

A. On tab "Rate Base" of Exhibit 5.14U, the Company breaks down rate base categories by month and by FERC category. For example, FERC Account 396 is

"Power Operated Equipment" on the Rate Base tab. The amount of rate base in that category (Company-wide) is $17,747,864 in Jan 23 and $18,317,852 in Dec 24, staying within a fairly narrow range during the intervening months.[5] These figures are actual historical numbers. For the test year period, the rate base in this category is based on projected values for 2025 and 2026 (the test year is the average 13-month forecasted test period for the year ending December 31, 2026). The year-end rate base for Account 396 is projected to be $13,100,333 in Dec 2026 (indicating that on balance, some power operated equipment is expected to be removed from rate base in 2025 and 2026).

Q. WHEN LOOKING AT THE MONTHLY RATE BASE CATEGORIES IN TAB "RATE BASE" OF COMPANY EXHIBIT 5.14U, WHAT TYPE OF INFORMATION DO YOU LOOK FOR THAT MIGHT REQUIRE EXPLANATION BY THE COMPANY?

A. I looked for months or years where the amount of rate base in the category had large increases or decreases or was otherwise out of line with historical averages. I compared projected values to historical trends. For example, in FERC Accounts 381 and 382 (Meter & Meter Installation), for the Utah-only amount (in tab "Rate Base"), the Jul 2024 rate base total was $399,187,671, but for August 2024 and Sep 2024 it was $187,663,819. For Oct 2024, the total went back up again to $398,985,438.

The Division asked data requests about several such unexpected increases or decreases in the "Rate Base" tab of Company Exhibit 5.14U. In some cases, those were simply errors (the model was linked to the wrong line in the greyback (a Company accounting sheet), or the source material listed the amount in the wrong FERC account). These errors are mentioned in DPU Data Requests 13.3, 13.4, and 13.5 and the Company responses to them, which are collectively attached to this testimony as DPU Exhibit 4.01.

[5] EGU Ex. 5.14U, at tab "Rate Base" at rows 1066-70..

The Division's understanding is that the Company corrected these errors in a later version of its 5.14U model that it sent to the Division—the model attached to the Company's response to DPU Field Data Request (FDR) 1.18. The model provided for DPU FDR 1.18 is the version the Division used to calculate its adjustments. The effects of correcting the errors mentioned in my Adjustment 4.01 on the rate base are therefore already included.

For some other FERC accounts, the Division asked about a particular increase or decrease in rate base, and there was not an error but rather a deviation from the historical trend. For example, Division Data Request 13.2 asked the following:

> In reference to Exhibit 5.14, Tab "Rate Base". FERC accounts 378 and 375 (Measuring & Regulation Station Equip) for Utah increased approximately 20% from Jan 2023 to Dec 2024 ($149,201,951 to $178,789,970). This item is projected to increase approximately 50% from Dec 2024 to YE 2026.[6]

The Division's position is that this type of increase merits extra scrutiny, and requires justification from the Company.

Q. WHY IS IT IMPORTANT TO EXAMINE THE TYPES OF INCREASES MENTIONED IN DIVISION DATA REQUEST 13.2?

A. For the moment, let us consider a hypothetical FERC account and compare two time periods for that account: (1) the two-year historical period leading up to the test year (in this case, this would be 2023-2024), and (2) the two-year period of projected values that serve as the basis of the test year (2025 and 2026). When rate base amounts stay constant or increase at approximately the same rate over the two two-year periods, then there is less danger that the test year has a rate base value that is out of line with historical periods.

If, to take a hypothetical example, a particular FERC account had remained basically steady at around (for example) $1,000,000 for the past two years but suddenly shot up to a projected balance of $5,000,000 during the test period, the Company should

[6] DPU Exhibit 4.02 (DPU DR 13.2).

explain why. Regulators and other stakeholders would want to know: why is the test period so different than the historical amount? Is it just a one-time increase for the test year that should not be built into rates going forward? Is the $5,000,000 projection for a project that is prudent? The Company should provide explanation in this type of situation.

The historical period can also be extended to five years, which in this case would be 2020 to the end of 2024. If the test year projections are substantially different than historical trends, there is the danger that the increase (or decrease) for the test year is not representative of the category historically or not representative of years going forward (following the test year). Ideally, the test year would be representative of the years following the test year; otherwise, the projected values in the test year could be a one-time aberration.

WILLIAMS DPU ADJUSTMENTS 4.02 THROUGH 4.05

Q. HOW DO THE PROJECTED VALUES OF FERC ACCOUNT 378 (MEASURING AND REGULATING STATION EQUIPMENT) COMPARE TO HISTORICAL VALUES?

A. The Jan 2020 balance of these accounts was $120,907,857.[7] The value on Dec 2024 was for Utah was $178,789,970.[8] This is a 48% increase over a period of just under five years. These accounts are projected to increase approximately 50% from Dec 2024 to Dec 2026, a period of just two years.[9]

Q. WHAT WAS THE COMPANY'S EXPLANATION FOR THIS INCREASE?

A. The Company stated:

> The calculated 50% increase [from Dec 2024 to Dec 2026] includes $48M related to capital spend from prior periods but not yet moved to the specified 101 account. Prior to 2025, the Company had spent $24.7 million that had accumulated in the 106 account for completed M&R

[7] DPU Ex. DPU 4.02 (Division DR 13.2).
[8] EGU Ex. 5.14U, at tab "Rate Base" at cell AE71.
[9] DPU Ex. DPU 4.02 (Division DR 13.2).

> station projects, and another $17.5 million accumulated in the 107 account for unfinished M&R station projects. […]
>
> Setting aside the prior period capital spend rollover, new capital spend from 2025-2026 adds $49 million in incremental capital through December 2026, accounting for an increase of 27% over the $178.8 million December 2024 balance. ($49M/$178.8M). […]
>
> Looking ahead, the Company anticipates elevated capital expenditures for M&R stations compared to past years. Inflationary pressures have increased the overall costs of M&R projects compared to just 5 years ago. This impacts contractor and material costs for each project. Additionally, in response to the Mega Rule requirements of TVC (Traceable, Verifiable, and Correct) records, the Company has identified many stations requiring accelerated replacements/remodels to achieve TVC compliance. Partially because of this, the Company is doing more station projects than it was previously.[10]

Q. WHAT ARE ACCOUNTS 106 AND 107?

A. Account 106 is "Complete Construction Not Yet Classified." Account 107 is "construction work in progress" (CWIP). The Company described the use of these accounts as follows:

- Capital expenditures are booked to the 107 account, Construction Work in Progress, until complete.
- Completed projects are transferred to the 106 account, which represents non-classified completed work.
- Finally, once classified, these dollars are moved to the 101 account Plant in Service, and reside in a 300 series sub account.[11]

Historically, some projects have been completed but stay in Account 106 for a year or more, before eventually being transferred to their final residing account (e.g., Account 378).

Q. ARE THERE ANY TAX OR DEPRECIATION DIFFERENCES IF A PROJECT IS IN ACCOUNT 106, AS OPPOSED TO ITS ULTIMATE FERC ACCOUNT (FOR EXAMPLE, ACCOUNTS 378 AND 375?

[10] *Id.*
[11] Enbridge Gas Utah's Presentation for the June 10, 2025 Technical Conference at slide 7.

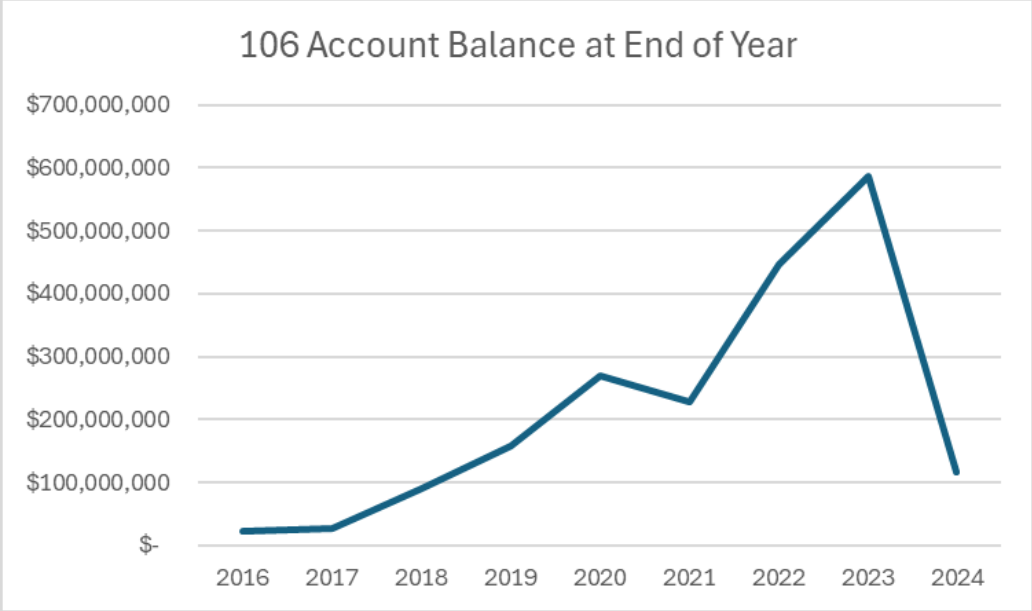
A. The Division's understanding is that there are no such differences.[12]

Q. HISTORICALLY, HOW MUCH PLANT HAS BEEN IN ACCOUNT 106 AT ANY GIVEN TIME?

A. Account 106 has for the past few years had hundreds of millions of dollars of plant in it. For example, in 2023, the amount in 106 related to Utah varied from mid-$400 million to a high of over $568 million. In the Division's understanding, at the end of 2024, the Company made an effort to reduce the amount of projects in Account 106, and the value of the Utah portion of Account 106 went from $445,021,792 in Nov 24 to $89,444,868 in Dec 2024.[13] The Division commends this effort to reduce the number of projects in Account 106. However, this transfer of projects from Account 106 to their ultimate FERC account makes comparison of the test period to historical values for that account difficult, as we see with the example of FERC Account 378. The year-end balances of Account 106 for the past few years are shown in the following figure.[14] Note that Account 106 at any given time contains items that will ultimately reside in many different FERC accounts; Account 378 is just one of those accounts.

[12] See, e.g., DPU Ex. 4.03 (DPU DR 13.1) at sub-question (2).
[13] EGU Ex. 5.14U at tab "Rate Base" at cell AD171.
[14] EGU Ex. 5.14U at tab "101_106 PROJECTION" at row 48.

Figure 2 End of Year Account 106 Balances



Q. HOW LONG DO INDIVIDUAL PROJECTS TAKE TO WORK THEIR WAY FROM ACCOUNTS 106 AND 107 TO THEIR ULTIMATE HOME IN THEIR FINAL RATE BASE ACCOUNT (IN THIS CASE, FERC ACCOUNT 378)?

A. The Division asked this question in a data request: "(5) How long is an item typically in the 106 Account before it is reclassified to the 101 Account?" The answer was:

> There is no formal policy requiring an asset to move from 106 to 101. […] The Company has been working to reduce the time that projects remain in the 106, and is working on developing a process that will move all 106 balances from the 106 to the 101 within 12 months.[15]

Therefore, the amount of rate base ultimately attributable to a particular category (such as FERC Account 378) at a given point in time would be the sum of the actual category in question, plus an amount in the 106 and 107 Accounts that is earmarked for the particular account but not yet in that account. Under the Division's understanding, the 107 balances are not in rate base until they are completed, put in service, and moved to Account 106. Ideally, the Company would have the Account

[15] See DPU Ex. 4.04 (DR 11.3).

106 information broken down by FERC category, by month, so that stakeholders could see what the "true" historical amounts were in each category.[16]

Q. GOING BACK TO FERC ACCOUNT 378, HOW MUCH OF THE FERC 106 BALANCE AT THE END OF DEC 2024 WAS "EARMARKED" FOR 378 AND 375?

A. In the Division's understanding, the value of 106 projects that were still "earmarked" for Account 378 at the end of 2024 was $48,586,014. This figure is from tab "1-1_106 PROJECTION" of Exhibit 5.14U.[17]

Q. WHEN WAS THAT $48,586,014 INCURRED?

A. It is not possible from the Company's filings to determine whether that $48,586,014 was incurred all in 2024 or had accumulated in Account 106 over the years.

Q. DOES THE COMPANY'S RESPONSE TO DIVISION DATA REQUEST 13.2 FULLY EXPLAIN THE HISTORICAL VALUES IN FERC ACCOUNT 378 AND THE PROJECTED VALUES?

A. Not completely. For one, presumably there were some of the same issues in earlier months—for example, there may have been amounts from the 106 or 107 Accounts added to FERC Account 378 after Jan 2020 but were incurred before that date. Furthermore, much of that "$48M related to capital spend from prior periods but not yet moved to the specified 101 account" was incurred in 2024 (in the Division's understanding) and pushed to 2025—therefore, the question about an increase in Account 378 values would just be pushed back a year: Why do the rate base amounts in FERC Account 378 increase at a higher rate in 2024 through 2026, as compared to 2020 through 2023?

The practice of keeping balances in the 106 Account (construction complete—not yet classified) makes it difficult for the Division to assess the progression of rate

[16] Here "true" just means the amount in the relevant FERC account, plus the amount in Account 106 that is earmarked for (expected to ultimately reside in) that FERC account.
[17] See column H, titled "Capital Expenditures Remaining in 106/107".

base balances in accounts such as FERC Account 378. Account 106 is not broken down into the ultimate categories in which the individual items are expected to reside.[18]

Furthermore, the Company does not put numbers on the reasons given for the increases in 2025 and 2026. The Company states:

> Looking ahead, the Company anticipates elevated capital expenditures for M&R stations compared to past years. Inflationary pressures have increased the overall costs of M&R projects compared to just 5 years ago. This impacts contractor and material costs for each project. Additionally, in response to the Mega Rule requirements of TVC (Traceable, Verifiable, and Correct) records, the Company has identified many stations requiring accelerated replacements/remodels to achieve TVC compliance. Partially because of this, the Company is doing more station projects than it was previously.[19]

The Company does not explain the Mega Rule and give details about projects that now require remodeling to meet the rule (and would not have required remodeling without the rule) or estimate how much of the increase is due to the rule. The Company has also not quantified the effects of inflation or stated its assumptions on that topic. It is worth noting that many major inflation indices spiked in 2022 and came back down in 2023 and 2024. For example, the St. Louis Federal Reserve Bank Federal Reserve Economic Data, or FRED, gives an annual inflation of consumer prices of 8% in 2022, around 4.12% in 2023, and around 2.95% in 2024.[20] It is not clear whether inflationary pressures would cause a spike in the costs of M&R projects from the end of 2024 to 2025 and 2026. It is also not clear whether the stated factors are expected to persist indefinitely into the future or represent more of a ”one-time” event that should not be built into rates.

[18] The Division has requested that Account 106 be broken down for year-end balances going back several years, and the Company has agreed to provide this information. However, the information is not available as of the time this testimony was written.
[19] See DPU Ex. 4.02 (DPU DR 13.2).
[20] Inflation, consumer prices for the United States (FPCPITOTLZGUSA), Federal Reserve Bank of St. Louis (Aug. 18, 2025), https://fred.stlouisfed.org/series/FPCPITOTLZGUSA.

Although it is difficult to measure the "true" value of the 378 Account over time, another issue is that the Company's monthly projections for 2025 and 2026 for this account do not make sense.

Q. YOU MENTIONED THE PROJECTED VALUES FOR ACCOUNT 378. WHAT ARE THE COMPANY'S PROJECTED YEAR-END (YE) VALUES FOR ACCOUNT 378 FOR 2025 AND 2026?

A. The YE balances for the Utah portion of 378 are projected to be $240,189,854 for 2025 and $268,496,066 for 2026. For the system as a whole, those numbers are projected to be $253,036,294 for 2025 and $282,856,450 for 2026.[21]

Q. DO THE YE 2025 AND YE 2026 REPRESENT THE WHOLE STORY OF WHAT HAPPENS TO THE PROJECTED VALUES IN ACCOUNTS 378 AND 375 IN 2025 AND 2026?

A. No. The YE balances reflect the "correct" numbers (as indicated by the Company's planned additions for the two years), but the monthly rate base projections for this account do not reflect any plausible real-world monthly figures for that account. There are large increases projected in March of 2025, and then the balance stays at around $350 million for most of the year. Then there is a large dip from Nov 2025 to Dec 2025 in the Utah balances ($355,523,896 to $240,189,854).[22] This final year-end balance may be correct ($240,189,854), but the monthly balances are unrealistically high. The balance for most of the year is well over $100 million greater than the ending balance.

Note that the Company's figure for "AVG RB DEC 2025" (total system) is $328,917,701, which is actually higher than its "AVG RB DEC 2026" of $317,838,848.[23] This makes no apparent sense, as the tab "101_106

[21] EGU Ex. 15.4U at tab "Rate Base", cells AM71; AO71; AM72, AO72.
[22] EGU Ex. 15.4U at tab "RB FORECAST" cells AF74-AG74.
[23] EGU Ex. 15.4U at tab "Rate Base" cells AL72; AN72.

PROJECTIONS" shows that 2026 should have a net addition of $29,820,156 to this category.

These unrealistic balances in turn inflate the 13-month average that is used for the Company's adjustment for Account 378. The Projected 13-Month Avg Period Ended Dec 26 is given as $301,702,437 for Utah and $317,838,848 for the system as a whole.[24]

Similarly, in the 2026 projections, there is a steady rise in the monthly projection until the balance gets to $338,870,873 for the entire system in June 2026, where it stays constant until November. Then there is a drop from Nov 2026 ($338,870,873) to Dec 2026 ($282,856,450). The Division has a data request submitted to the Company on this issue, but the response might not come in time for incorporation into direct testimony.[25] I reserve the right to address this issue later in rebuttal testimony after the response has been received. However, my understanding is that these projections are an artefact of the way the Company wrote the Excel formulas, as described below.

Q. WHAT ARE THE CAUSES OF THESE UNREALISTIC MID-YEAR PROJECTED BALANCES?

A. The Company uses a formula in its Excel sheet that increases the amount from the previous month, using increases from the previous year. Thus (to use an example), the projected amount for March 2025 for the system 378 Account ($325,629,070) is based on a ratio involving increases from the previous year. This results in an increase from $226,986,211 to $325,629,070 in one month, from Feb 25 to Mar 25. Then at the end of the year, the value goes from $374,538,922 in Nov 25 to $253,036,294 in Dec 2025. These huge jumps are completely unrealistic and are in my opinion simply an artefact of the Excel formula that the Company is using for projections. The overall effect is to inflate the value of the middle of the year months (based on how the account fluctuated in previous years), resulting in an inflated 13-

[24] EGU Ex. 15.4U at tab "RB FORECAST" cells BA74-BA75.
[25] See DPU Ex. 4.05 (DPU DR 25).

month average for the test year (2026 has the same issue, although the effect is not as pronounced).

Q. HOW SHOULD ACCOUNT 378 PROJECTIONS BE ADJUSTED?

A. The projected increases during the years 2025 and 2026 should be calculated linearly to remove the effects of this Excel formula. The Division presents in its adjustment tab for DPU Adjustment 4.02 a description of how this was accomplished.[26] In essence, the Company's projections for this category in 2025 and 2026 were replaced with projections that start with the same Dec 2024 balance as the Company's projections, and reach the same Dec 2026 final balance, but that increase linearly through the years from January to December, instead of using the Company's Excel formula. This is Williams Adjustment 4.02.[27]

The main change resulting from this adjustment is a $45,538,263 reduction in the Account 378 rate base. There are also lesser changes to the 108 Account and 403 Account.

The Company should consider changing this Excel formula for future rate cases.

Q. ARE THERE OTHER FERC ACCOUNTS THAT HAD VALUES ON THE "RATE BASE" TAB OF EXHIBIT 5.14U THAT MERIT A CLOSER LOOK?

A. Yes. One is FERC Account 394, which is Tools, Shop & Garage Equipment. The balance on that account for Utah in Jan 2020 was $28,976,155 ($31,307,061 for the system as whole).[28] In Dec 2024, the balance was $28,011,997 for Utah. Thus, the category remained mostly flat for that five-year period. However, the YE RB DEC 2025 balance is projected to be $46,095,353 for Utah, and the YE RB DEC 2026

[26] See DPU Ex. 1.1.
[27] I note that the Company Account 378 projection figures used for this calculation are from the model titled "DPU Field Data Request 1.18," which is an updated version of Company Exhibit 5.14U. These figures differ slightly from those in Company Exhibit 5.14U.
[28] *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, DEU Ex. 4.20 – Electronic Model, Tab "Rate Base" (2022 DEU Exhibit 4.20). This Exhibit 4.20 was the model in Enbridge's previous general rate case (the Company was Dominion Energy at the time), the equivalent of Exhibit 5.14U in the present docket.

balance is projected to be $50,464,071 for Utah. The account rises 80% (projected) after staying flat for five years.

Q. WHAT REASONS DID THE COMPANY GIVE FOR THIS PROJECTED INCREASE IN 2025 AND 2026?

A. In a data request, the Division asked about the increase.[29] The Company stated:

> Capital spend for 394 related projects from prior years has accumulated in the 106 account while retirements have decreased the 394 account on the 101 side.
>
> In 2025, the company is moving $18.2 million of prior capital spend from the 106 account to the 394 account. This can be seen on row 31, column K of the 101_106 projection tab of 25-057-06 EGU exhibit 5.14U. This change can also be seen on row 11102 of 25-057-06 EGU exhibit 5.14U on the rate base tab. The 106 account goes from $116.8 million YE 2024 to 0 YE 2025, and $18.2M of that decrease is related to the 394 account.

Q. IS THIS ANSWER SUFFICIENT?

A. No. The Division requires more information before recommending approval of this item. For example, when did the $18.2 million of prior capital spend occur? Has it accumulated over 5 years? 15 years? If a large portion of it was incurred in 2023 and 2024, then that sharp increase (which would have occurred after the previous rate case) would need justification. The problem is that the 106 Account is opaque, as described above in my testimony. If the $18.2 million is spread out over many years, then the Company can argue that much of that amount has already been approved in the prior rate case. However, that is impossible to determine simply by the exhibits the Company filed with in this docket. The Division has requested that the Company supply more details on how the 106 Account has historically been earmarked for more granular FERC categories. The Company proposes $4,697,201 in new capital spend for 2025 and 2026.[30] However, until that information has been provided and evaluated, the Company has not provided sufficient documentation to

[29] DPU Ex. 4.06 (DPU DR 22.2).
[30] EGU Ex. 5.14U at tab "101_106 Projection," cells G73 and H73.

allow the Division to assess whether the $4,697,201 is in line with the five-year historical average.

Q. WHAT ADJUSTMENT DO YOU RECOMMEND FOR THE FERC 394 ACCOUNT?

A. The Division recommends that the Company adjustment for FERC Account 394 (Utah) be cut in half from $18,336,856 to $9,168,428. One issue is that the Division cannot determine the "true" historical balances for this account and thus has difficulty providing a precise amount for the adjustment. Furthermore, the size of the 106 balance for Account 394 is large relative to the historical amount in the category. The halving of the Company's adjustment still represents an increase for this account. This is DPU Adjustment 4.03. The Company could provide additional evidence to allow more precise calculations.

Q. ARE THERE OTHER FERC ACCOUNTS THAT MERIT FURTHER SCRUTINY?

A. Yes. FERC Account 380 is "Services," which according to the Company "contains cost of installing and maintaining service lines and accessories."[31] Looking at Exhibit 4.20 from the Company's previous rate case, this category (the Utah portion) remained very steady throughout 2020 and 2021, going from $420,177,779 in Jan 2020 to $419,628,792 at the end of 2021.[32] In the present rate case model, the amount in this account (Utah portion only) was again very steady, starting at $420,031,218 in Jan 2023, and going to $420,782,850 in Nov 2024.[33] Thus, there was hardly any change in this account for almost five years (Jan 2020 to Nov 2024). Then in Dec 2024, the account jumped to $503,335,516 (an increase of almost $83 million).

The Division asked about this increase in a data request. Speaking of the 2020 to end-of-2022 period, the Company stated:

[31] DPU Ex. 4.07 (DPU DR 22.1).
[32] Docket No. 22-057-03, 2022 DEU Ex. 4.20 at tab "Rate Base", row 75.
[33] EGU Ex. 5.14U at tab "Rate Base", row 76.

> FERC account 380 decreased by 0.03% from $420,177,779 in January 2020 to $420,031,218 in December 2022. The incremental investment in service lines completed during those years remained in the 106 at the end of 2022 which had balances of $44.1 million.

Speaking of the increase from Nov 2024 to Dec 2024, the Company stated:

> The main driver in the increase was due to a transfer from the 106 account to the 101 account (in account 380). For several years the incremental additions for services remained in the 106 account as they were completed. The Company transferred these balances into the 101 account during 2024.[34]

Looking at the projections for 2025 and 2026, the balance for the Utah portion of Account 380 stays close to the Dec 2024 balance of around $503 million for most of 2025 and is projected to be $504 million in Nov 2024. Then there is a jump to around $544 million in Dec 2025. Similarly, the projected values for 2026 stay mostly steady near $544 million, then jump to $572 million in Dec 2026.[35]

Q. HOW MUCH HAS THE "TRUE" AMOUNT OF THE 380 ACCOUNT INCREASED OVER THE YEARS?

A. The "true" amount of the 380 Account is what would be, at any given time: the sum of the actual 380 Account, plus whatever projects in the 106 Account are earmarked for the 380 Account. It is difficult to ascertain this historical balance, due to not having a historical breakdown of the 106 Account. Based on the Company's answer to Division DR 22.01, and the information in Tab "101_106 PROJECTION", the Division estimates the following net capital additions in this category since 2020:

- $526 million (Dec 2024) minus $444 million (Nov 2024) = $82 million transferred from Account 106 in Dec 2024[36]

[34] DPU Ex. 4.07 (DPU DR 22.01).
[35] EGU Ex. 5.14U at tab "Rate Base", row 76.
[36] EGU Ex. 5.14U at tab "Rate Base", cells AD77-AE77.

- $23,523,563 still to be transferred from Account 106 and 107 at the end of 2024[37]

Therefore, I estimate a net total of $82 million + $23.5 million = $105.5 million from 2020 to the end of 2024, or around $21 million net per year. Again, this assumes the 106 balance is assigned to the account at the end of 2024.

The Company projects $31,017,916 as a year-end capital increase in this account in 2025, and an additional $29,700,000 in year-end capital increase for 2026.[38] Thus, the Company's projected increases for this account are much more in 2025 and 2026 than they have been historically. The Company should provide a more detailed picture of the "true" historical values for the 380 Account since 2020 and an explanation of why this figure is projected to be substantially higher in 2025 and 2026 than in the past five years. Otherwise, it should only be allowed the 5-year average for its 2025 and 2026 projections.

This conclusion is buttressed by the Company last general rate case, in Docket No. 22-057-03. In that docket, the Company's projected year-end capital increases for Account 380 for 2022 and 2023 were $13,250,000 and $10,000,000, respectively.[39] As noted above, the Company's projected year-end capital increases for 2025 and 2026 are $31,017,916 in 2025 and an additional $29,700,000 in 2026. Since the Company has not provided sufficient support for the increase, the Division recommends the year-end capital increase for 2025 and 2026 be reduced to the five-year average amount of net gain of $21,000,000 for each year. This is Adjustment 4.04. It is difficult to ascertain the "true" historical balance for this account, and its projections for 2025 and 2026 are substantially higher than in past years, without sufficient explanation for the increase.

[37] EGU Ex. 5.14U at Tab "101_106 PROJECTION", cell H21.
[38] See Tab "101_106 PROJECTION" of Company Ex. 5.14U at line 74.
[39] Docket No. 22-057-03, 2022 DEU Ex. 4.20 at tab ""101_106 PROJECTION", row 73.

The changes suggested by the Division for this adjustment are summarized in the tab for DPU Adjustment 4.04.[40] The main change resulting from this adjustment is a $6,613,998.35 reduction in the Account 380 rate base. There are also lesser changes to the 108 Account and 403 Account. The tab for that adjustment shows the effect on the relevant FERC accounts if $21,000,000 in capital increases for 2025 and 2026 are used, in place of the Company's projected year-end capital increases for 2025 and 2026 of $31,017,916 and $29,700,000.[41]

Q. ARE THERE OTHER CATEGORIES OF THE RATE BASE FERC ACCOUNTS WHERE YOU FOUND ITEMS THAT MERIT FURTHER SCRUTINY?

A. Yes. In informal discussions with the Company, the Division learned that the liquid natural gas storage facility (LNG plant) has $1 million in capitalized O&M costs per year. The Division asked about these costs in its Data Request 13.6.[42] The Company responded as follows:

> The builders prediction/recommendation stated "An annual operating expenditure (OPEX) estimate was developed for the facility and is located in Appendix O. The estimate assumes on an annual basis the entire 15 million gallon LNG tank will be vaporized and refilled. Electrical costs are $0.8 per kWh. Natural gas costs are $3 per million BTU. Capital costs of $1 million per year along with a full time staff of 13 people round out the estimate." This can be found in Docket 19-057-13 DEU Highly Confidential Exhibit 5.02. The Company would like to note that in the original preapproval the $1 Million was included in the Revenue Requirement.

The Company appears to be correct that the $1 million was listed in the relevant documents. For example, the Commission's Order in Docket 19-057-13 (LNG Order) states:

> Based on the results of the competitive RFP process, DEU's quantitative and qualitative evaluation of the RFP bids, and DEU's and the DPU's testimony and documentary evidence discussed in this Order and otherwise contained in the record, we find the amount presented in DEU Highly Confidential Exhibit 1.0 page 10, line 244 is the approved

[40] See DPU Ex. 1.1.
[41] I note that the figures used for this calculation are from the model titled "DPU Field Data Request 1.18," which is an updated version of Company Exhibit 5.14U.
[42] DPU Ex. 4.08 (Division DR 13.6).

> projected cost for DEU's self-owned LNG facility. Any increase to this approved cost must be brought before the PSC in compliance with Utah Code Ann. § 54-17-404.[43]

"DEU Highly Confidential Exhibit 1.0" is the Direct Testimony of Kelly B. Mendenhall Highly Confidential Mendenhall Testimony). On line 244 of the Highly Confidential Mendenhall Testimony, Mr. Mendenhall states: "The capital costs of [$XXXXX] represent the construction, land and AFUDC costs related to the construction of the DEU-owned LNG Facility."[44] The Division has removed the exact number so that confidentiality is not needed; this figure is referred to as the Approved LNG Capital Amount. The $1 million figure is also mentioned in Docket No. 19-057-13 DEU Highly Confidential Exhibit 5.02, as the Company states in its response to Division Data Request 13.6 in the present docket.[45]

Q. HOW DOES COMPANY EXHIBIT 4.26 FIT IN TO THE LNG CAPITALIZED O&M COSTS DISCUSSION?

A. Company Exhibit 4.26 is a list of capital projects that are in the rate base. Lines 907 through 918 are listed as "LNG" in the "Function/Asset Class" column and as "LNG - Equipment and Gas Holders" in the "FERC Decr" column. The Division's understanding is that these items represent the capitalized O&M costs for the LNG plant. The Division asked about this in its Data Request 13.6:

> (3) In Exhibit 4.26, the Division's understanding is that 2026 has the general projection of $1 million (Line 975, based on the builder's general estimates), but that the 2025 numbers are based on projects that have been started, or have already been completed, or have detailed estimates, and therefore the $1 million general estimate has been replaced by the $1,676,067 total for 2025 (lines 907 through 918). Please confirm this understanding, or correct if mistaken.
> …
> (5) Please explain how the items in lines 907 and 908 (LNG PLANT-INST ASPHALT ROADWAY-MAGNA; LNG PLANT-INST CONCRETE DRAINAGE-MAGNA) are maintenance items that extend the life of the

[43] *Request of Dominion Energy Utah for Approval of a Voluntary Resource Decision to Construct a Liquefied Natural Gas Facility*, Docket No. 19-057-13, Order (Oct. 25, 2019) at 15 (footnote omitted).
[44] Docket No. 19-057-13, DEU Highly Confidential Exhibit 1.0 at line 244.
[45] DPU Ex. 4.08 (Division DR 13.6).

> plant, rather than items that should have been included in the original LNG construction costs.

The Company responded:

> (3) That is correct, the 2025 number of $1.68 million is the sum of specific projects underway in 2025, and this figure has replaced the general $1 million projection for 2025.
> …
> (5) The asphalt and concrete projects are considered infrastructure improvements based on needs identified following the completion of the plant. The activity shown on line 907 increases the life of the roadway itself. Part 193 requires that road to remain plowed for emergency access. Plowing on roadbase contributed to greatly accelerated erosion of the roadway. Without this project, regrading would likely to have been required every 3-5 years to keep up with the plowing. The activity on line 908 addresses similar concerns. The drainage was such that water was pooling on the roadway, impeding access and accelerating erosion.[46]

Lines 907 and 908 of Exhibit 4.26 are as follows:

LNG PLANT-INST ASPHALT ROADWAY-MAGNA	$646,704
LNG PLANT-INST CONCRETE DRAINAGE-MAGNA	$505,191

The Division objects to the LNG capital costs in lines 907 and 908 of Exhibit 4.26 for two reasons. First, the Division finds the Company's reasons for capitalizing these costs to be insufficient. Second, even if these costs could be capitalized, the Commission's LNG Order states that amounts over the approved costs (for capitalized O&M, this is $1 million per year) should be approved under section 54-17-404 of the Utah Code, and the Company has not shown this.

Q. WHEN CAN O&M COSTS BE CAPITALIZED, AND WHAT ARE THE IMPLICATIONS FOR THE COSTS IN LINES 907 AND 908 OF COMPANY EXHIBIT 4.26?

A. The Division's understanding is that O&M costs can be capitalized in certain circumstances. The paradigmatic case would be maintenance that extends the life of

[46] *Id.*

a piece of machinery. It is not clear that the road and drainage are increasing the life of the LNG plant or of a particular piece of equipment. If regrading would be required absent the work described in lines 907 and 908 (as mentioned in the Company answer to the data request), it is not clear that that is something that would decrease the life of the plant. This is not a replacement of a particular part on a larger piece of equipment that might improve the expected life of a piece of equipment as a whole. O&M costs should not be capitalized if they merely reduce future expenses (e.g. regrading). Therefore, those two items should be taken out of the rate base. This results in a $1,151,895 reduction in FERC Account 363. This is DPU Adjustment 4.05.

Q. EVEN IF THE COSTS ON LINES 907 AND 908 OF COMPANY EXHIBIT 4.26 COULD BE CAPITALIZED, SHOULD THE COMMISSION REDUCE THE $1,676,067 AMOUNT (THE TOTAL OF LINES 907-918)?

A. Yes. Only $1 million in annual capital costs was authorized, based on an estimate prior to construction. Even if the costs in lines 907 and 908 were deemed capitalizable (and DPU Adjustment 4.05 is not accepted), the Division recommends that the $1,676,067 be reduced to reflect identified capital requirements to the allowed amount of $1,000,000.

CONCLUSION

Q. WHAT ARE YOUR CONCLUSIONS?

A. I recommend the adjustments as follows.

1. Adjustment 4.01 is a result of the errors discussed in Division Data Requests (DRs) 13.3, 13.4, 13.5 (attached as DPU Exhibit 4.01). The Division noticed some anomalous numbers in the Company's model. The Company investigated and found that it had entered some incorrect values in its model. The Company sent the Division an updated model that corrected these errors. This adjustment covers several FERC accounts.

2. Adjustment 4.02 changes the Company's projected 2025 and 2026 monthly values for FERC Account 378 (Measuring & Regulations Station Equipment). The Company's values represented unrealistic monthly values that inflated the 13-month average used in the test year. This adjustment results in changes to several FERC accounts, most prominently a reduction in the 378 Account rate base.

3. Adjustment 4.03 reduces the Company's proposed rate base adjustment for FERC Account 394 (Tools, Shop & Garage Equipment). The historical values were not sufficiently explained, nor were the proposed increases. This adjustment reduces the Company's proposed adjustment for Account 394 Utah from $18,336,856 to $9,168,428.

4. Adjustment 4.04 reduces the Company's proposed rate base adjustment for FERC Account 380 (Services). The Company's proposed increases are much larger than past increases for this account and are not sufficiently explained. This adjustment results in changes to several FERC accounts, most prominently a reduction in the 380 Account rate base.

5. Adjustment 4.05 is a reduction in capitalized operation and maintenance (O&M) costs for the liquid natural gas (LNG) facility. The Division proposes removing $1,151,895 of the capitalized O&M costs from rate base Account 363, as they are not appropriate candidates for capitalization.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.