BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF ENBRIDGE GAS UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF REVISIONS.	**Docket No. 25-057-06** **Exhibit No. 1.00**

DIRECT TESTIMONY OF AMERICAN
NATURAL GAS COUNCIL WITNESS

Direct Testimony of

Bruce R. Oliver

Phase 2

September 16, 2025

CONTENTS

LIST OF EXHIBITS

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications	Docket No. 25-057-06

DIRECT TESTIMONY OF ANGC WITNESS BRUCE R. OLIVER

ANGC EXHIBIT 1

Phase 2

TESTIMONY ON CLASS COST OF SERVICE AND RATE STRUCTURE ISSUES

September 16, 2025

Testimony on Behalf of

American Natural Gas Council

CONTENTS

LIST OF EXHIBITS

INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Bruce R. Oliver. My business address is 7103 Laketree Drive, Fairfax Station, Virginia, 22039.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am employed by Revilo Hill Associates, Inc. and I serve as President and Chief Executive Officer of the firm.

Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?

A. I am appearing on behalf of the American Natural Gas Council ("ANGC").

Q. WHAT IS THE PURPOSE OF YOUR PHASE II REBUTTAL TESTIMONY?

A. I have been asked by ANGC to review the Direct Testimonies of witnesses for Enbridge Gas Utah (here in after "Enbridge," "EGU," or "the Company") relating to the Company's proposals regarding cost of service allocations, revenue increase distribution, and rate design issues with particular focus on the manner in which those proposals impact the Company's Transportation Service rate classes. This testimony responds primarily to portions of the Direct testimonies of Enbridge witnesses Summers and Parks.

Q. PLEASE SUMMARIZE YOUR EXPERIENCE AND QUALIFICATIONS?

A. I am an economist specializing in the areas of utility rates, energy, and regulatory policy matters. I have nearly 50 years of experience in the analysis of energy and utility policy issues. That experience includes employment in management positions in the rate departments of two major utilities (the Pacific Gas and Electric

Company and the Potomac Electric Power Company), as well as service in management and senior staff positions for three firms engaged in energy, utility and public policy consulting. Those firms include: Revilo Hill Associates, Inc., the Resource Dynamics Corporation, and ICF Incorporated.

As a consultant, I have served a diverse group of clients on issues encompassing a wide range of energy and utility related activities. My clients have included state regulatory commissions, utilities, state Attorneys General, state-funded consumer advocacy groups, municipal governments, hospitals and universities, federal agencies, commercial and industrial energy users, suppliers of equipment and services to utility markets, residential consumer intervenors, the Electric Power Research Institute (EPRI), and the World Bank. Projects for those clients have included work on gas, electric, water, and wastewater utility regulatory proceedings, as well as analyses and forecasts of supply, demand, and prices for utility and non-utility energy markets. I have also assisted a number of commercial, institutional, and industrial energy users in the negotiation of energy service contracts, including contracts for the procurement of competitive electricity and natural gas services.

To date, I have filed more than 450 separate pieces of testimony in over 300 proceedings before regulatory commissions in 26 jurisdictions. The regulatory jurisdictions in which I have testified include: the states of Pennsylvania, New York, New Jersey, Maryland, Delaware, Virginia, North Carolina, Rhode Island, Vermont, Connecticut, Massachusetts, Ohio, Illinois, Wisconsin, South Dakota,

Arizona, New Mexico, Utah, and California, as well as the District of Columbia, Guam, the Virgin Islands, the City of Philadelphia, the Provence of Alberta, Canada, and the U.S. Federal Energy Regulatory Commission (FERC). My testimonies in those jurisdictions have addressed such topics as industry restructuring, utility mergers and acquisitions, divestiture of generation assets, siting of energy facilities, utility revenue requirements, costs of capital, capacity planning, affiliate transactions, rate design, rate unbundling, incentive ratemaking, revenue decoupling, capacity expansion planning, demand-side management, energy conservation, weather normalization of usage, cash working capital requirements, contracts for non-tariff service provided to large energy users, natural gas procurement practices, gas cost and fuel cost adjustment mechanisms, gas transportation service, interruptible service, natural gas processing, economic development rates, load research, load forecasting, weather normalization, metering, and fuel pricing issues. I have also testified before legislative committees in Virginia, Maryland, and the District of Columbia. (See the resume which is provided as ANGC Exhibit 1.01.)

Q. HAVE YOU PREVIOUSLY APPEARED BEFORE THIS COMMISSION?

A. Yes, I have appeared before this Commission in Docket No. 19-057-02.

Q. WERE THIS TESTIMONY AND THE ACCOMPANYING EXHIBITS PREPARED BY YOU OR UNDER YOUR DIRECT SUPERVISION AND CONTROL?

A. Yes, they were.

OVERVIEW

Q. WHAT IS YOUR OVERALL ASSESSMENT OF THE COST OF SERVICE AND RATE STRUCTURE PROPOSALS FILED BY WITNESSES FOR EGU IN THIS PROCEEDING?

A. The cost of service allocations and rate structure proposals presented by EGU witnesses are poorly supported and do not reasonably reflect cost causation. In addition, the Company's proposals place inappropriate rate burdens on its Transportation Service customers. The Company's proposed distribution of its requested revenue increase fails to reflect necessary and appropriate consideration of gradualism and rate continuity principles, and in the context of the large overall revenue increase that EGU seeks (i.e., greater than 20%), the Company's proposals for its Transportation Service rate classes yield unacceptably large rate increase percentages. EGU's proposed increases for its Transportation Service rate classes also create unwarranted disincentives for customers to utilize transportation service alternatives. Further, as will be explained, herein, the Company's rate structure testimony, supporting exhibits, and data request responses are riddled with inconsistencies that undermine the credibility of the Company's rate proposals.

EGU's rate design methods are primarily focused on recovery of the Company's revenue requirements and display little sensitivity to cost-based

ratemaking determinations for its customers. Contrary to witness Summers' representations,[1] the Company's rate design proposals do have noticeable impacts on subsidies within rate classes. Under the Company's proposals differences between EGU's non-gas charges for distribution services for General Service customers and for Transportation Service customers are increased without sound cost basis and have the effect of discouraging further growth in transportation services. Continued subsidization of EGU's declining Natural Gas Vehicle service[2] is not reasonable or appropriate, and that subsidization provides no demonstrable benefits for other gas system customers.

Finally, the Commission should be troubled by the numerous inconsistencies, inaccuracies, and undocumented data inputs upon which the Company relies to support its rate structure proposals in this proceeding.

SUMMARY OF FINDINGS

Q. PLEASE SUMMARIZE THE KEY FINDINGS OF THIS TESTIMONY REGARDING EGU'S CLASS COST OF SERVICE ANALYSES AND RATE DESIGN PROPOSALS.

A. The key findings of this Rebuttal Testimony are as follow:

[1] EGU Exhibit 5.0, the Direct Testimony of Witness Summers, page 11, lines 276-277, and page 15, lines 391-392, which suggest that rate proposals in this proceeding neither create inter-class rate subsidies nor change intraclass rate subsidies.

[2] EGU's Response to ANGC Data Request 2.31, Attachment 1, shows that annual Dth for NGV service have fallen from a peak of over 660,000 Dth in 2014 to approximately 156,000 Dth in 2024. That equates to a decline of more than 75%.

Class Costs of Service

- EGU's classifications of costs in its Class Cost of Service analysis are not reflective of cost-causation, and for several FERC accounts and subaccounts the allocator factors EGU employs are inconsistent with the Company's classification of costs in those accounts.
- EGU's class cost of service analyses employ several allocation factors that do not depict appropriate cost-causative relationships.
- EGU's allocations of customer service and billing costs are based on poorly supported assumptions regarding the services and actual levels of assistance provided to transportation service customers.

Revenue Increase Distribution

- EGU's proposed distribution of its requested revenue increase among rate classes fails to reflect necessary and appropriate consideration of the principles of gradualism and rate continuity in the adjustment of class revenue requirements.
- EGU's proposed distribution of its requested revenue increases fails to address the fact that the operational, planning, and financial risks imposed by its Transportation Service customers are less than those for its service to Firm Sales Service customers.
- EGU's has failed to justify continued subsidization of its significantly declining Natural Gas Vehicles service.

Rate Structure

- Elements of the costs included in EGU's Basic Service Fees are duplicated by costs the Company seeks to recover through its Administrative Charge for Transportation Service customers.
- EGU's proposed use of a single Administrative Charge for all of its Transportation Service rate classes is inappropriate and fails to reasonably reflect the manner in which the Company's costs for administering its Transportation Services are actually incurred.
- EGU's proposed 25% increase in its Administrative Charge for Transportation Service customers is not justified and does not warrant approval by the Commission.
- EGU's rate proposals do not differentiate its Administrative Charges for its Transportation Service Rate Schedules TSS, TSM, TSL, MT and TBF despite the Company's efforts to separately identify its cost of service by rate schedule and propose separate demand and volumetric charges for each transportation service rate schedule.
- EGU's proposed Volumetric rates (i.e., throughput charges) for its Transportation Service rate classes greatly reduce the declining block nature of those charges without establishing a sound basis within its distribution service costs for the resulting changes in its charges for throughput by rate block.

- EGU's restrictions on when within each calendar year customers can begin taking Transportation Services are unduly restrictive, and they do not reflect typical practice for gas distribution utilities in the U.S. that offer transportation service alternatives to customers.
- All Firm Sales Service customers, whose volumes would qualify them for Transportation Service, should be subject to the same Firm Contract Demand, Daily Nomination, and penalty requirements currently applied to Transportation Service customers.
- EGU's proposed rates and charges for its Transportation Service and Firm Gas Sales Service are structured in a manner that effectively discourages customers who have sufficient volumes to qualify for transportation service from pursuing such gas supply options.
- If Enbridge believes it is not in the public interest for the Company to be required to serve customers under Transportation Service rates, EGU should be required to make a demonstration to the Commission to support its assessment, rather than subtlely structuring its rate and charges to effectively discourage use of transportation services.
- A marketer of gas supply services to a Transportation Service customer must be free to terminate their service to a customer for the customer's non-payment of charges billed by the marketer.
- If the Company's restrictions on when a marketer of gas supply services can terminate their service to a customer are continued, the

Commission should require EGU to implement a **Purchase of Receivables** ("POR") program.

- EGU's continued subsidization of Natural Gas Vehicle is not in the public interest.

RESPONSE TO EGU'S RATE STRUCTURE PROPOSALS

Q. HOW IS YOUR RESPONSE TO EGU'S RATE STRUCTURE PROPOSALS ORGANIZED?

A. The following discussion is organized in four sections. Section A addresses the Company's Customer Class Cost of Service analyses, the methods EGU has employed in its efforts to identify its costs of service by rate schedule, and the results of those analyses. Section B examines EGU's approach to the determination of class revenue requiremethreeas well as the impacts of the Company's recommendations. Section C delves into the details of EGU's development of its proposed charges for gas distribution services, with particular focus on the cost-basis for the charges proposed and the impacts of the Company's rate design proposals on Transportation Service rate classes. Section D addresses provisions within the EGU tariff and related practices as they impact the economics of transportation service alternatives for both customers and suppliers.

A. <u>EGU'S CLASS COST OF SERVICE STUDY</u>

Q. WHAT IS THE ROLE OF CLASS COST OF SERVICE ANALYSES IN THE RATEMAKING PROCESS FOR REGULATED GAS UTILITIES?

A. Class Cost of Service studies are intended to provide a guide to the assessment of cost-causative relationships as part of the determination of: (a) class responsibilities for the utility's incurrence of costs to provide services to its customers; (b) the revenue requirements appropriately applied to each rate class; and (c) the reasonableness and equity of charges for service that are proposed for each rate class. Although precise depiction of cost responsibilities for all elements of a utility's costs of providing service is not always possible, class cost of service analyses should endeavor to portray cost-causative relationships as closely as possible.

Q. WHAT ARE THE MAJOR ELEMENTS OF A CLASS COST OF SERVICE STUDY?

A. The preparation of a class cost of service analysis requires the performance of three basic types of analyses in an effort to identify the costs each rate class causes the utility to incur. Those are:

1. Cost Functionalization
2. Cost Classification
3. Cost Allocation

Cost functionalizations segregate the Company's costs by the functional activities they are incurred to support. For a gas utility typical functional categories for plant costs generally include: production, transmission, storage, distribution and general functions. Functionalized costs for operating and maintenance expenses tend to follow the plant categories those expenses are incurred to

support. However, they also include separate functional categories for customer-related activities (e.g., customer account management, billing and records, and customer assistance), as well as Administrative and General expenses.

Cost Classifications are intended to relate elements of the Company's functionalized costs to the measures of service that influence the magnitudes of the costs incurred. Cost classifications are intended to relate individual elements of the Company's costs in each functional category to the primary factors that tend to drive the incurrence of such costs. Where the levels of expense in a given FERC Account are influenced by two or more factors, costs for the account are divided among cost classifications as appropriate.

Cost allocations are used to distribute responsibilities for costs by FERC Account, or subcategory, among rate classes in a manner that reflects, as closely as practicable, the basis on which the costs were incurred. In instances where the costs for a given account have elements that are assigned to more than one cost classification, either separate cost allocation factors are applied to each element of the classified costs or a composite allocation factor is developed to produce allocations that reasonably weight the factors that drive cost incurrence for the account. Each class's overall cost responsibilities should reflect the sum of the class's allocated operating expense responsibilities plus the product of the classes allocated net rate base costs multiplied by the utility's authorized rate of return and adjusted for taxes.

Q. DOES EGU OFFER AN ANALYSIS OF ITS COSTS OF SERVICE BY RATE CLASS IN THIS PROCEEDING?

A. Yes. A summary of the results of the Company's allocations of costs by rate class and its distribution of the revenue increase among rate classes is presented in EGU Exhibit 5.07. However, the supporting detail for that analysis is buried in the Electronic Model that is offered as EGU Exhibit 5.14. That Electronic Model contains over 90 often inter-linked spreadsheets on separate "Tabs" within a very large Excel file. The Company's class cost of service allocations represent only eight (8) of the more than 90 "Tabs" (or spreadsheets) contained within that model,[3] users must scroll past 74 Tabs to find the first Tab of EGU's Class Cost of Service analyses.

Q. SHOULD THE COMMISSION ACCEPT EGU'S COST OF SERVICE ALLOCATIONS AS PRESENTED?

A. No. This testimony identifies notable shortcomings in EGU's class cost of service determinations that require revision to properly reflect cost-causative relationships.

Q. WHAT ARE THE ELEMENTS OF EGU'S CLASS COST OF SERVICE ANALYSIS WITH WHICH YOU HAVE THE GREATEST CONCERNS?

A. My Testimony addresses three elements of the Company's class cost of service analyses that are particularly problematic. Those elements include:

(1) EGU's classifications of costs within its Class Cost of Service analyses;

(2) EGU's assignment of costs to cost classifications; and

[3] Counting from left to right, the supporting detail for EGU's Class Cost of Service analyses is found on the 75th though 82nd tabs of the Electronic Model provided as EGU Exhibit 5.14U.

(3) Inconsistencies between the Company classifications of costs and the allocation factors EGU employs to determine cost by rate class.

Further, particular concerns are expressed with respect to the Company's assignment of cost responsibilities for Customer Assistance costs to its Transportation Service rate classes.

1. EGU's Cost Classifications

Q. WHY ARE EGU'S CLASSIFICATIONS OF COSTS WITHIN ITS CLASS COST OF SERVICE STUDY A MATTER OF CONCERN?

A. Typically distribution utility Class Cost of Service Studies classify costs into three categories:

(a) Customer-related costs,

(b) Demand-related costs,

(c) Throughput (or volume-related) costs.

However, EGU's customer class costs of service analyses include a classification labeled "Distribution Plant" that is not commonly found in costs classification for other gas distribution utilities. The introduction of "Distribution Plant" as a cost classification category, without explicit and readily identifiable ties to measures of service provided by the Company, substantially erodes the cost-causative nature of the overall allocation process. In fact, the "Grand Totals" found at the bottom of the "Classifications" tab in EGU Exhibit 5.14U indicate that nearly $428 million of EGU's $654 million total costs are classified as "Distribution Plant" costs. Thus, more than 65% of EGU's total costs have not been tied directly to the

numbers of customers served, the annual Dth of throughput delivered, or the demands for which the system must be planned to ensure reliable service.

Q. PLEASE EXPLAIN WHY EGU'S USE OF A "DISTRIBUTION PLANT" CLASSIFICATION WITHIN ITS CLASS COST OF SERVICE ALLOCATIONS IS INAPPROPRIATE ?

A. Cost classifications are intended to facilitate the identification of cost-causative relationships. Typically, gas distribution utilities classify costs as Customer-Related, Throughput-Related, or Demand-related to reflect the types of factors that generally cause costs to be incurred. "Distribution Plant' is not a classification that depicts cost-causative relationships. Rather, Distribution Plant is the product of other classifications and allocations. As a result, EGU's use of a cost classification labeled "Distribution Plant" only serves to blur the manner in which such costs should appropriately be recovered through rates.

EGU's use of a cost classification category labeled "Distribution Plant' appears to be a product of a rate structure that is dominated by a single rate class (i.e., the GS class). For the projected rate year ended December 2026, EGU's GS class represents **99.9%** of the Company's Utah customers, **98%** of Firm Sales, **87.6%** of its DNG Revenue at present rates, **81.8%** of Distribution Throughput, and **78.7%** of estimated Design Day Demand. No other class accounts for as much as 10% of EGU's total Utah service requirements under any of those measures. Such dominance by a single rate class can create disincentives for more refined allocations of costs to smaller classes. Furthermore, small errors in the estimation

of cost responsibilities for a single dominant rate class, such as EGU's GS class, can have comparatively large impacts on the costs allocated to other rate classes.

EGU's "Distribution Plant" classification also encourages and abets rate structure proposals within rate classes that depart from cost-causative relationships. As is discussed in greater detail in the Rate Design section of this testimony, EGU's decision to hold its Basic Service Fees at their present levels ignores the results of its own assessment of Basic Service costs by meter category, and that, in turn, yields shifting of cost responsibilities within rate classes. It also distorts the comparability of the Company's proposed DNG charges for similarly-sized Firm Sales Service and Transportation Service customers.

2. <u>EGU's Assignment of Costs to Cost Classifications</u>

Q. PLEASE EXPLAIN YOUR CONCERNS REGARDING THE MANNER IN WHICH EGU DETERMINES THE COSTS WITHIN EACH ACCOUNT THAT IT ASSIGNS TO EACH COST CLASSIFICATION.

A. I find notable inconsistencies in the manner in which EGU assigns costs to its cost classification categories. For example, for Account 875, Measuring & Regulating Station Expenses, the Company classifies the costs in that account as "Demand" costs. However, its classification detail shows the costs for that account split between "Demand" and "Throughput" reflecting the "60% Design Day 40% Throughput" allocation it employs for those costs. I have no problem with that split classification of Measuring & Regulating Station Expenses. However, there are a number of Expense accounts for which Enbridge uses composite allocators but

assigns all of the costs to a single classification. More specifically, EGU assigns all of its costs for Administrative & General ("A&G") Expenses to its "Customer" classification, but the Company uses a "Gross Plant" allocation factor for all of it's A&G accounts even though the costs used to construct its "Gross Plant" allocation factor include substantial elements of costs that are not classified as Customer-related costs. Where composite allocation factors are employed the Classification of costs should reflect the classifications of the costs used to construct the allocation factor. EGU has not done consistently so.

3. Inconsistent Cost Classifications and Allocations

Q. PLEASE EXPLAIN THE RELATIONSHIP BETWEEN THE COST CLASSIFICATION AND COST ALLOCATION ELEMENTS OF A CLASS COST OF SERVICE STUDY.

A. After costs are classified they are allocated among rate classes using an array of allocation factors. The identification and development of Allocation Factors is intended to be reflective of cost-causative relationships that portray class contributions to the Company's incurrence of costs by FERC account or subaccount. Although it is recognized that cost-causative relationships are not always easily identified or simulated in the cost allocation process, it is important that the identification of allocation relationships and the development of allocation factors have **sound foundations**. This can be challenging for a utility that provides the vast majority of its service to a single rate class (i.e., in this instance, the GS rate class).

Q. ARE THERE ELEMENTS OF EGU'S COSTS FOR WHICH INCONSISTENT COST CLASSIFICATIONS AND ALLOCATIONS ARE FOUND?

A. Yes. As discussed above, EGU classifies all of its Administrative and General Expenses as "Customer" related costs even though substantial elements of those costs have no nexus to the numbers of customers the Company serves. Additionally, EGU classifies costs in Account 903.2, Collection Expenses, and Account 904.0, Uncollectible Accounts – DNG, as "Customer" related costs, but the Company allocates those expenses on the basis of Distribution Non-Gas ("DNG") Revenues. However, DNG Revenues include substantial non-customer-related charges for service. Furthermore, nowhere does EGU assess the relationships between dollar amounts and frequency of uncollectible expense incurred by rate class and its billed DNG Revenues. In fact, the Company's historical data show that its Transportation Service rate classes have much lower ratios of actual Uncollectible Accounts Expense to DNG revenues than its overall ratio for its Utah distribution operations. For example, as I discuss in greater detail below, the ratio of actual Uncollectible Accounts Expense to DNG Revenue for the TSS class in 2024 was only 0.04%. On the other hand, the **overall** ratio of Uncollectible Accounts expense to total DNG Revenue for 2024 was 0.64%. Thus, based on that historical data, the Company's method for allocating Uncollectible Accounts expense allocates roughly 14 times more Uncollectible Expense to the TSS class than would be supported on the basis of historic test year data.[4] If, the

[4] These representations of TSS class and total Utah DNG Uncollectible Accounts experience are based on actual Uncollectible Accounts data provided by the Company in response to ANGC Data Request 1.06

analyses and data presented herein are ignored and the Company's allocations are accepted as presented, those portions of EGU's Customer Accounts Expenses that are allocated on the basis of DNG Revenue should be at least partially classified as something other than customer-related costs. EGU's failure to do so erodes the meaning and value of the cost classifications within the Company's Class Cost of Service analyses.

Similar concerns are expressed with respect to EGU's Collection Expenses in Account 903.2. EGU offers no assessment of the frequency of collection activities for each rate class, and no analyses that demonstrate a relationship between Collection Expenses actually incurred by rate class and the amounts of DNG revenue billed to in rate class. The fact that a customer in one rate class has less annual billed revenue provides little insight regarding the collection costs the Company must incur if amounts billed are not paid. For most gas utilities, lower use customers tend to have a much higher frequency of non-payment than customers with large gas use requirements and larger annual bills.

I also observe that Enbridge allocates 25% of its costs for Account 901, Customer Accounts Supervision, and Account 903.1, Customer Records Expense, on the basis of DNG Revenues. Yet, once again, the Company establishes no nexus between the amount of revenue billed to a customer class and its costs recorded in the referenced accounts. While the relationship between DNG

for the TSS and TSM for the year 2024 and the Company's 2024 DNG Uncollectibles for all rate classes derived from EGU Exhibit 5.14. DNG Revenues for 2024 for both EGU's total Utah operations and for the TSS class were also derived from EGU Exhibit 5.14.

Revenues and the costs in the referenced accounts may not be uniform, EGU offers no evidence that DNG Revenue is an appropriate proxy for such relationships.

Q. DO TRANSPORTATION SERVICE CUSTOMERS CONTRIBUTE TO EGU'S UNCOLLECTIBE ACCOUNTS EXPENSES IN PROPORTION TO THEIR DISTRIBUTION NON-GAS ("DNG") REVENUES?

A. **No**. As noted above, there is a clear lack of a causal relationship between EGU Uncollectible Accounts Expense by rate class and its billed DNG Revenues by rate class. This is illustrated in part by the information provided in the Company's response to **ANGC Data Request 1.02.** That response indicates the TSS class has had an average annual Uncollectible Accounts Expense of less than $3,800 over the last 2.5 years (i.e., 2023, 2024, and YTD 2025). That equates to only about 0.03% of DNG Revenue for the TSS class. Yet, EGU's cost allocations assign nearly $40,000 of annual Uncollectible Accounts Expense to the TSS class. The highest actual annual Uncollectible Accounts expense for the TSS class over that 2.5-year period was $5,350 in Calendar Year 2024. For CY 2024, total DNG Revenue for the TSS class was $12,033,745. Thus, the TSS class DNG uncollectible expense for CY 2024 was only **0.04%**. By comparison, EGU's CY 2024 ratio of DNG Uncollectible Accounts expense to DNG Revenues for its overall Utah operations was **0.62**%.[5] In fact, the TSS class uncollectibles rate was about

[5] EGU's 2024 Utah DNG Uncollectible Expense was $3,358,239. The Company's total Utah DNG Revenue for 2024 was $522,922,508. Dividing the 2024 DNG Uncollectible Expense by the Company's total Utah DNG Revenue yields an overall jurisdictional Uncollectible Accounts Expense that equates to 0.62% of DNG Revenue.

one-fourteenth of the overall rate for DNG Uncollectible Accounts expense rate for all of the Company's Utah rate classes. Thus, it is apparent that EGU's assumption of a fixed relationship between DNG Uncollectible Accounts Expense and DNG Revenues across all rate classes is, at best, a poor and inappropriate proxy for actual cost causation.

Q. HOW SHOULD EGU'S DNG UNCOLLECTIBLE ACCOUNTS EXPENSE BE ALLOCATED FOR THE PROJECTED RATE YEAR?

A. EGU's allocation of its DNG Uncollectible Accounts Expense in Account 904.0 should be allocated on the basis of the Company's actual historical experience. That historical experience could be premised on either the most recent full calendar year or the most recent twelve-month period for which actual data are available, unless it can be demonstrated that the most recent year is not reasonably representative of expected experience in the projected rate year. If the Company's historical experience for a single rate year is shown not to be representative of projected rate year expectations, then the use of averaged actual data for the three most recent years may be an appropriate alternative.

Q. SHOULD THE COMMMISSION ACCEPT EGU'S ALLOCATION OF CUSTOMER RECORDS EXPENSE IN ACCOUNT 903.1?

A. No. Again, EGU establishes no connection between its DNG revenues and the levels of Customer Records Expense the Company incurs. Although the EGU's provision of service to Transportation Service customers may involve greater amounts of data (e.g., for telemetering, daily nominations, and enforcement of

contracted demands), most of is processed electronically. EGU provides no assessment of the relationship between its costs for data processing and maintenance of records for Transportation customers and the amounts of Distribution Non-Gas revenue it bills to Transportation Service customers. The same is true for other classes of service. EGU has failed to establish a meaningful relationship between the Customer Records Expense the Company incurs for each rate class and the amounts of DNG Revenue billed to each rate class.

In addition, nothing in EGU's development of its allocations for Customer Records Expenses addresses the impact on its record keeping expenses for individual customers in each rate class that is required to track information for customers that become involved in budget billing, participate or apply to participate in the Company's "ThermWise" program; or become involved in collection activities. Participation in each of those activities tends to be far more frequent for General Service customers than for Transportation Service customers. In addition, there also tend to be greater frequency of account turn over among residential and small commercial accounts than is found among transportation service customers. With greater numbers of General Service customers either entering or leave GS service each year, than there are customers that enter or leave the Company's transportation services. As a result, the frequency of changes in customer records, as customers enter or leave the system, tends to be higher for General Service customers. Yet, again, EGU's allocations do not begin to address these cost-causative relationships.

Q. ARE THERE OTHER ELEMENTS OF EGU'S DEVELOPMENT OF ITS COSTS OF SERVICE BY RATE CLASS WITH WHICH YOU HAVE CONCERN?

A. Yes. First, EGU's allocations of its costs for **Distribution Load Dispatching** are all allocated on the basis of annual "Throughput." However, that allocation fails to address the more intense and critical nature of Load Dispatching activities during periods of peak demand. Load dispatching activities for gas distribution utilities increase during periods of peak demand, particularly when peaks are driven by weather variations. However, for Transportation Service customers, Firm Demand commitments and required submissions of daily nominations of volumes, as well as the Company's ability to assess penalties for excess demands and daily imbalances between nominations and deliveries, greatly reduce uncertainties regarding Transportation Service customers' peak period service requirements. By contrast, General Service customers' requirements during periods of peak gas often involve considerable uncertainties. In this context, an argument can be made for allocating lesser costs for Distribution Load Dispatching to the Company's Transportation Service classes and other customers for whom contract demands are established and daily nominations of volumes are required.

I also find EGU's allocations of costs for Account 925, Injuries and Damages, and Account 926, Employee Pensions & Benefits, inappropriate. EGU classifies Account 925, Injuries and Damages, as Customer-related costs, but the Company allocates those costs among rate classes using a "Gross Plant" allocation factor. EGU provides no evidence of a cost-causative relationship

between the costs it records for Injuries and Damages and either its numbers of customers served or its Gross Plant investment.

Similarly, EGU classifies its costs recorded in Account 926 for Employee Pensions and Benefits as Customer-related costs and employs its "Gross Plant" allocator to assess class responsibilities for those costs. Yet, Employee Pensions and Benefits represent Labor-Related expenditures with no established linkage to the Company's Gross Plant investment. These costs are more appropriately allocated to rate classes using a "Labor Cost" allocation factor. However, EGU constructs no Labor-related allocation factor. For these reasons the Company's allocations for Accounts 925 and 926 are not reflective of cost-causative relationships and should not be accepted as presented.

4. <u>Further Cost Allocation Issues</u>

Q. WHY DO YOU CALL ATTENTION TO EGU'S ALLOCATION OF CUSTOMER ASSISTANCE EXPENSE?

A. Within the Company's listing of "COS Allocation Factors," Customer Assistance Expense is the only factor (excluding Direct Assignments) for which the Company's Transportation Service rate classes receive a greater share of the total costs allocated than the GS class. In total, EGU's Transportation Service classes are assigned responsibility for 56.2% of EGU's total Customer Assistance Expense while the GS class is allocated only 35.6% of those costs. The TSS rate class which has less than 1,000 customers is assigned 43.1% of the Company's total

Customer Assistance Expense. That is more than 20% greater than the share of those costs allocated to the GS class which has over 1.2 million customers.

The result is the Company's assignment of Customer Assistance costs is an annual expense of less than **$0.75** per customer Rate Schedule GS customers, while the average Customer Assistance cost assigned to EGU's Transportation Service customers is over **$1,130** per customer per year. Yet, an examination of the Company's determination of this allocation finds that this allocation is premised on "hard entry" information in the "COS Input" Tab of EGU electronic model. There is no support within either the Electronic Model provided in as EGU Exhibit 5.14, or the Company's subsequent update of that model,[6] which offers any insight to the manner in which EGU assessed the portions of its Customer Assistance costs attributable its Transportation Service rate classes.

As I discuss in considerable detail later in this testimony, EGU asserts that it incurs substantial annual costs for Key Accounts personnel to assist Transportation service customers. However, the Company's assignment of such costs is based primarily on unsubstantiated **estimates** of time spent by Key Accounts personnel. In fact, EGU's responses to ANGC Data Requests 1.20, 2.01, 2.04, and 3.05 (confidential) indicate that EGU does little to track the activities of its Key Accounts personnel.

I also note that Enbridge leans heavily on its "Gross Plant" allocator to assess class responsibilities for such costs as Account 391 - Office Furniture &

[6] See EGU Exhibit 5.14U, filed on May 15, 2025.

Equipment, Account 392 – Transportation Equipment, Account 395 – Laboratory Equipment, Account 397 – Communication Equipment, and Account 398 Miscellaneous Equipment. Again, the linkage between "Gross Plant" and the Company's incurrence of costs recorded in these accounts is not inherently obvious, and EGU offers no support for the appropriateness of these applications of its Gross Plant allocation factor.

B. REVENUE INCREASE DISTRIBUTION

1. Class Revenue Increase Determinations

Q. HOW DOES EGU DETERMINE CLASS RESPONSIBILITIES FOR THE REVENUE INCREASE IT REQUESTS IN THIS PROCEEDING?

A. EGU's recommended class revenue requirements are reflected on Line 58 of the Cost of Service Summary provided in EGU Exhibit 5.07, Tab **EGU 5.07 Pg1**. As shown in that exhibit, the Company's distribution of the revenue increase (after adjustments for TBF and NGV subsidies) is intended to precisely equalize the Rates of Return for all rate classes based on the results of EGU's class cost of service study.

Q. IS THE COMPANY'S PROPOSED REVENUE DISTRIBUTION OF ITS REQUESTED REVENUE INCREASE BY RATE CLASS REASONABLE?

A. No. The Commission should reject EGU's proposed distribution of the requested revenue increase for several reasons.

First, as discussed in the previous section of this testimony, EGU's allocations of costs among rate classes leave substantial room for improvement

and cannot be appropriately characterized as precise determinations of class cost responsibilities. Moreover, the Company's efforts to portray a precise balancing of class rates of return must be viewed in the context of EGU's, at best, imprecise determinations of class cost responsibilities.

Second, the Company's methodology for computing class revenue requirements implicitly assumes that all rate classes impose comparable risks on EGU's operations, planning, and finances. In doing so, EGU ignores identifiable differences in the risks that various classes impose on the Company. As in considerations relating to EGU's requested Return on Equity ("ROE"), authorized revenue requirements by rate class and class rates of return targets warrant consideration of the level of risk each class imposes on the Company. Classes that impose lesser risk should not be expected to provide the Company the same target returns as classes that impose greater risk. As I discuss further, in later sections of this testimony, EGU's requirements for Transportation Service customers to contract for Firm Demand levels, provide daily nominations of gas volumes, and pay penalty charges if either: (1) contracted demands are exceeded during critical periods; or (2) imbalances between daily nominations and actual flows that exceed allowable amounts are identified. These characteristics of EGU's Transportation Service offerings render their service requirements more predictable than those for the Company's Firm Sales Service rate classes that are not subject to comparable tariff provisions.

Third, even if we accept ***arguendo*** the results of EGU's class cost of service analysis as the basis for determining class cost responsibilities, well-established ratemaking practices suggest that proposed increases in class revenue should reflect consideration of the principles of "*gradualism*" and "*rate continuity*." EGU's proposed rate increases by customer class fail to address "*gradualism*" and "*rate continuity*" which represent particularly critical considerations in the context of size of the overall revenue increase that EGU asks this Commission to approve. Class revenue requirements at equalized rates of return are generally used by utilities and regulators as a guide in the determination of revenue increases by rate class, but not the only factor in those determinations. Again, the size of the overall increase in DNG Revenue that the Company requests in this proceeding, makes sensitivity to concerns regarding "*gradualism*" and "*rate continuity*" essential.

Q. WHAT IS THE MAGNITUDE OF EGU'S REQUESTED INCREASE IN ITS DISTRIBUTON NON-GAS REVENUES?

A. EGU seeks a DNG revenue increase of $114.7 million, and that equates of an overall revenue increase of **20.68%**.[7]

Q. ARE THE COMPANY'S PROPOSED REVENUE INCREASES BY RATE CLASS REASONABLY UNIFORM IN PERCENTAGE TERMS?

A. No. EGU Exhibit 5.07, page 2, (i.e., the electronic spreadsheet Tab labeled "**EGU 5.07 Pg2**") at line 14, displays considerable variation in the percentage increases in revenue requirements that the Company seeks to recover for individual rate

[7] EGU Exhibit 5.07, Tab 50.7 Pg2, line 14.

classes. Although EGU proposes that its GS and FS classes receive increases slightly below the 20.68% overall percentage revenue increase that the Company requests, EGU proposes increases for its TSS, TSM, TSL, TBF, and IS rate classes that range from **30.41% to 65.81%**. Table 1 shows the DNG Revenue increase percentages that the Company proposes for each rate class and their relationship to EGU's proposed overall percentage DNG Revenue increase.

Table 1

EGU's Proposed DNG Revenue Increase Percentages by Rate Class[8]

Rate Class	EGU Proposed Class Revenue Increase %	Ratio of Class Increase to Overall Increase
GS	**18.91%**	**0.91**
FS	**16.89%**	**0.82**
IS	**65.81%**	**3.18**
TSS	**39.56%**	**1.91**
TSM	**31.88%**	**1.52**
TSL	**30.41%**	**1.47**
TBF	**44.74%**	**2.16**
NGV	**-3.42%**	**-0.17**
Overall	**20.68%**	**1.00**

[8] Percentage increases by rate class from EGU Exhibit 5.07, page 2, line 14.

2. Gradualism and Rate Shock Considerations

Q. ARE RATE SHOCK CONSIDERATIONS AND THE NEED FOR GRADUALISM IN THE ADJUSTMENT OF RATES IMPORTANT WHEN CONSIDERING EGU'S RATE INCREASE PROPOSALS IN THIS PROCEEDING?

A. Yes. No class should be subject to exorbitant rate increases, and the principle of gradualism provides the Commission a means of moderating rate impacts. However, past experience suggests that parties may not agree with respect to determinations regarding what constitutes an "exorbitant" rate increase or how gradualism considerations should be applied. Only the Commission can appropriately resolve such matters. Moreover, rate shock concerns and applications of gradualism should only serve as tools for **moderating** rate impacts. Rate shock and gradualism considerations do not justify either total avoidance of rate adjustments or maintenance of the status quo, particularly in the context of the magnitude of the overall revenue increase EGU seeks in this proceeding.

In the context of the large (i.e., greater than 20%) overall revenue increase that EGU requests, the application of a substantially larger percentage increase to any individual rate class is often viewed as violating the principles of "*gradualism*" and "*continuity in ratemaking*." Customers frequently make energy use, conservation, and/or energy efficiency investment decisions based on the presumption of reasonable continuity in the rates they will be billed for regulated utility services. If large one-time increases in rates are permitted, the basis for customers' invest-

ment decisions can be substantially undercut. For these reasons, sound regulatory practice generally endeavors to avoid dramatic increases in rates. As a result, regulators have often expressed concern regarding rate increases that may severely impact customers' planning and operating budgets. Thus, limits on deviations from the overall revenue increase percentage that may be applied to an individual rate class gain increased importance as the size of utility revenue requests increases. For example, a commission may determine that an increase of greater than 1.5 times the overall increase is inconsistent with "*gradualism*" and maintenance of reasonable "rate *continuity*."[9] Although parties may suggest arbitrary limits on rate increases for individual rate classes, determinations regarding limits are ultimately a reflection of the discretion of regulators.

Q. HOW SHOULD THIS COMMISSION RESPOND TO THE POTENTIAL FOR RATE SHOCK UNDER EGU'S PROPOSALS IN THIS PROCEEDING?

A. In the context of EGU's requested 20.68% overall revenue increase, the Commission should find proposals that impose more than 1.5 times the overall revenue increase percentage inappropriate and unacceptable. Thus, action is required to moderate the increases proposed to several of its Transportation Service rate classes and its Interruptible Service ("IS") class.

[9] Acceptable amounts of variation from an overall average increase percentage are not fixed. Acceptable variance from the size of the Company's overall increase can vary with the size of the overall increase that is requested or approved. If the overall increase declines significantly, greater percentage variations in the increases applied to individual rate classes may be found reasonable even though their variation from the overall average may be larger in percentage terms.

The Commission has several means of addressing the extremely large percentage increases that EGU proposes for its transportation service rate classes. First, it can ensure that the Company's revenue increase request is trimmed to allow for recovery of only essential cost increases.[10] Reducing the overall revenue increase directly impacts the level of revenue that EGU must recover from each rate class, and thus, mitigates rate impacts for all customer classes. Second, the Commission can ensure that the Company's cost allocations are developed in a manner that emphasizes cost causation principals and minimizes reliance on arbitrary and generalized allocations of costs. Third, the Commission can employ gradualism, in the form of: (1) limits on the degree to which increases for individual rate classes can deviate from the overall average increase; and/or (2) phased implementation of requested increases (similar to those implemented in Docket No. 19-057-02) to ease the impacts of movements toward more cost-based rate levels.[11] Through such measures the Commission can greatly reduce rate shock concerns and moderate year-to-year changes in rates while still achieving full cost recovery for the Company within the period for which rates are approved.

[10] DPU Exhibit 1.01 indicates the Division is recommending Commission approval of an overall revenue increase of only $47.9 million. At the Division's recommended overall DNG revenue increase, the Company's average percentage DNG revenue increase would be reduced from roughly 21% to less than 9%. Proportionate adjustment to EGU's requested DNG revenue increases by rate class could eliminate the need for any rate class to receive an increase of more than 20%.

[11] The inaccuracies and lack of cost-causative foundation for EGU's cost of service allocations by rate class discussed herein should provide further basis for the Commission to express reluctance regarding large adjustments to achieve, at best, unreliable assessments of class cost responsibilities and class revenue targets.

Q. ACCEPTING, *ARGUENDO*, THE REASONABLENESS OF EGU'S ASSESSMENTS OF ITS COSTS OF SERVICE BY RATE CLASS, ARE THE COMPANY'S PROPOSED REVENUE INCREASES FOR ITS TRANSPORTATION SERVICE RATE CLASSES REASONABLE?

A. No. The Commission should reject the Company's proposals for three reasons. First, they fail to exhibit consideration of gradualism in the adjustment of rates. Second, EGU's proposals by rate class are premised on cost allocations that do not reflect consistent application of cost-causation principles. Third, the Company's determinations of class revenue requirements incorporate inappropriate subsidies of EGU's Natural Gas Vehicle ("NGV") service.

3. NGV Subsidies

Q. EGU WITNESS SUMMERS TESTIFIES THAT "*THE COMPANY IS PROPOSING TO SUBSIDIZE THE NGV CLASS*."[12] SHOULD THE COMMISSION APPROVE THE COMPANY'S PROPOSAL TO SUBSIDIZE ITS NGV SERVICE?

A. No. EGU's NGV volumes have fallen precipitously over the last decade. In response to ANGC Data Request 2.31, the Company includes historical NGV Dth usage for the years 2009 to 2024. Between 2009 and 2014, EGU's reported usage for NGV service rose from 425,903 Dth to 660,345 Dth, an increase of 55% over five years. However, since 2014 the Company's reported NGV Dth use has fallen dramatically. For 2024, reported NGV gas use was only 156,268 Dth. That reflects a 75% decline from the 2014 peak NGV volumes. The Company's projection of

[12] EGU Exhibit 5.0, the Direct Testimony of Witness Summers, page 9, line 227.

NGV Dth for the twelve months ended December 2026 is even lower.[13] The use of ratepayer funds to support this seriously declining service must be questioned.

The proposed subsidy for NGV Service is not large relative to the Company's total DNG Revenues. However, in the context of the Company's greater the 20% overall revenue increase request, the proposed NGV subsidy represents an unnecessary additional burden for customers already confronted with large rate increases.

Q. WITNESS SUMMERS NOTES THAT UTAH RULE 54-4-13.1 GIVES THE COMMISSION AUTHORITY TO APPROVE A SUBSIDIZED RATE FOR NGV SERVICE. SHOULD THAT OBSERVATION INFLUENCE THE COMMISSION'S DETERMINATION WITH RESPECT TO THE PROPOSED NGV SUBSIDY?

A. Not significantly. The Company's proposal should be given due consideration, but the key factor witness Summers does not address is the whether EGU's subsidy proposal is consistent with the "*public interest*." On this key consideration, the Company's presentation is substantially lacking. EGU Witness Summers offers no evidence that its Utah ratepayers can expect to derive benefits from the proposed subsidy that equal or exceed the amount of the proposed subsidy. In the absence of a substantive and quantified demonstration of net benefits for the Company's Utah ratepayers, the Commission has no basis for concluding that the proposed subsidy is "*in the public interest*."

[13] The Rate Model provided in EGU Exhibit 5.14U reflects only 145,818 Dth of NGV gas use for the twelve-month period ended December 2026.

Considering Witness Summer's representation that an RFP has been issued to sell a portion of its NGV stations, it is not even clear how much of the Company's NGV business will continue to be served under its NGV rates during the rate effective period. It is also curious that the Company indicates it has issued an RFP to sell a portion of its NGV Stations, when EGU's response to ANGC Data Request 2.03 indicates that no assessment of the "*anticipated market value*" of EGU's NGV stations has been completed at this point in time. Generally, the market value of assets is assessed prior to the solicitation of bids.

Q. ARE THERE FURTHER ASPECTS OF EGU'S SUBSIDY PROPOSAL THAT WARRANT THE COMMISSION'S CONSIDERATION?

A. Yes. The Commission should carefully consider Witness Summer's representation that "*Some NGV users have also built their own fueling facilities that has (sic) taken volume away from the Company owned stations*." That statement suggests that the declining volumes at EGU's NGV stations is not a problem associated with the relative cost of natural gas. Rather, if customers can find construction and operation of their own NGV fueling facilities economic, the problem that EGU faces appears to stem from its own inability to construct and operate NGV fueling stations economically.

The Commission should also question the fact that EGU has issued a RFP for the sale of a portion of its NGV Station, when EGU's response to ANGC Data Request 2.03 indicates that the Company has no current assessment of the market value of the assets for which it is soliciting bids.

Furthermore, EGU has provided no assessment of the extent which the Company's substantial declines in NGV volumes reflect losses of service to customer-owned facilities versus losses due to a general erosion of the economics of using NGVs. At least some NGV users are apparently obtaining gas supplies for their NGV from non-EGU-owned refueling stations. The Commission should not overlook evidence that the Company's operation of NGV fueling stations may not be essential to continued use of NGVs within the Company's service territory. Moreover, there is no evidence that a failure to subsidize EGU's NGV operations will result in lost environmental benefits when other entities may absorb some or all of that role. At least some NGV users have apparently found that they can build and operate NGV fueling facilities more economically than Enbridge. Thus, a Commission decision to deny EGU's NGV subsidy proposal could simply reflect recognition that EGU may not be the most cost-effective and price competitive supplier of those services.

C. RATE DESIGN AND TARIFF ISSUES

Q. HOW IS YOUR DISCUSSION OF RATE DESIGN ISSUES STRUCTURED?

A. Following a discussion of the Company's overall approach to the identification of costs to be recovered through each charge, rate design proposals that Enbridge offers in this proceeding are examined in four parts. First, I examine the cost basis for the Company's proposed Basic Service Fees. Second, I provide a review of EGU's foundations for its proposed increase in its requested 25% increase in its Administrative Charges for Transportation Service customers. The third section

explores the Company's proposed changes in Volumetric and Demand Charges, as well as the impacts that the Company's overall rate design proposals have on rate equity and the comparative costs of EGU's sales and transportation services. Fourth, I highlight elements of EGU's tariff that impact Transportation Service customers and the comparative costs of transportation and firm sales services.

Q. SHOULD THE COMMISSION FIND EGU'S APPROACH TO THE DESIGN OF CHARGES BY RATE CLASS REASONABLE?

A. No. The rationales and cost analyses upon which EGU has relied to develop its proposed rates reflect marked departures from sound ratemaking practice. The Company's rate design proposals produce both revenue increases by rate class and distributions of rate increases within rate classes that are not well-considered and that will impose extreme increases on larger usage customers within each rate class. EGU's decision to freeze its BSF charges for all meter categories at their present levels, while proposing large increases in other charges, does **not** reflect a **balanced** consideration of ratemaking principles and objectives.[14]

1. EGU's Basic Service Fees

Q. DOES EGU PRESENT AN ANALYSIS OF THE COSTS UNDERLYING ITS BASIC SERVICE FEES FOR THIS PROCEEDING?

A. Yes. That analysis is set forth in EGU Exhibit 5.08.

[14] EGU's response to ANGC Data Request 4.04, part d. references Bonbright's *Principles of Public Utility Rates*, and states that "*effective ratemaking should reflect objectives such as revenue sufficiency, stability, fairness, cost causation, simplicity, and gradualism*." It further suggests that "*These principles must be considered collectively, with no single objective dominating*." Yet, EGU's rate design proposals allow the Company's views with respect to impacts on low-income customers to dominate its rate design recommendations for essentially all sizes and types of its Utah gas service customers.

Q. WHAT DO THE RESULTS OF THE COMPANY'S ANALYSIS OF ITS BASIC SERVICE FEE COSTS INDICATE?

A. EGU Exhibit 5.08 indicates that its current Basic Service Fees for all Meter Categories under-recover the Company's identified Basic Service Fee costs by at least double digits. Table 2 below, depicts the relationship between EGU's current Basic Service Fee charges and the Basic Service Fee costs by Meter Category computed in EGU Exhibit 5.08.

Table 2

Comparison of EGU's Current Basic Service Fees and Identified Basic Service Fee Costs by Meter Category

Meter Category	Current Annual BSF Charge	Identified Annual BSF Cost	% Incr. Required for Full BSF Cost Recovery
I	$ 81.00	$ 91.14	**12.5%**
II	$ 219.00	$ 289.34	**32.1%**
III	$ 762.00	$ 1,515.27	**98.9%**
IV	$ 5,043.00	$11,984.15	**137.6%**

For each of the Company's Meter Categories, EGU's Basic Service Fee Analysis in Exhibit EGU 5.08 suggests that at least double digit increases are required to achieve full cost-based BSF charges. For Category III and Category IV meters, the BSF increases required to achieve cost-based charges are nearly **five to seven times** the percentage increase represented by the Company's already large overall revenue increase request.

Q. BASED ON THE ANALYSIS OF BASIC SERVICE FEE COSTS PRESENTED IN EGU EXHIBIT 5.08, DOES THE COMPANY PROPOSE CHANGES TO THE LEVELS OF ITS CURRENT BASIC SERVICE FEES?

A. No. Witness Summers states: "*The Company has determined that the existing fees are **sufficient***." (Emphasis Added).

Q. SHOULD THE COMMISSION APPROVE EGU'S RECOMMENDATION THAT THE BASIC SERVICE FEES BE RETAINED AT THEIR CURRENT LEVELS?

A. No. Considering the size of EGU's overall revenue increase request in this proceeding and the results of the analysis presented in EGU Exhibit 5.08, the Company's proposal to maintain its Basic Service Fees by Meter Category at their present levels constitutes a marked departure from cost-base ratemaking that only serves to further magnify the increases the Company seeks in other charges for each rate class. Moreover, given the identified differences between EGU's existing BSF charges and is computed Basic Service costs (as shown in Table 2 above), a failure to provide for at least some noticeable movement toward cost-based Basic Service Charges for each Meter Category is both appropriate and necessary.

However, before any determination is made regarding acceptable and appropriate levels of increases in EGU's Basic Service Fees, the Commission should require EGU to clearly demonstrate that:

(a) There is no duplication of cost recovery between the costs included in its BSF costs analysis and the costs the Company seeks to recover through its Administrative Charge for Transportation Service customers; and

(b) EGU's classifications and allocations of costs within its Class Cost of Service Study appropriately portray cost-causative relationships.

Q. WITNESS SUMMER'S SUGGESTS THAT "*THE RATE DESIGN PROCESS IS USED TO MAKE SURE CUSTOMERS ARE PAYING FOR COSTS THEY CAUSE*."[15] IS THAT REPRESENTATION CONSISTENT WITH THE COMPANY'S PROPOSAL TO MAINTAIN ITS BASIC SERVICE FEES AT LEVELS BELOW THE COMPANY'S IDENTIFIED BASIC SERVICE COSTS?

A. No. Charges cannot be arbitrarily maintained a below cost levels (as EGU proposes for its Basic Service Fees) without necessarily departing from the objective that each customer should pay for the costs that they cause the Company to incur. Clearly, Witness Summer's rhetoric is inconsistent with the Company's rate design proposals. Not only are Basic Service Fees held below identified cost-based levels, but additionally, the Company's volumetric charges, and where applicable demand charges, must be increased above cost-based levels to offset the Basic Service Costs not recovered through Basic Service Fees. As a result, **none of the Company's proposed charges can be considered cost-based** (except perhaps in terms of the overall revenue EGU seeks to recover from each rate class).

Q. AT PAGE 14 OF WITNESS SUMMERS' DIRECT TESTIMONY HE ARGUES THAT "*COLLECTING ALL CUSTOMER COSTS THROUGH* [BASIC SERVICE

[15] EGU Exhibit 5.0, the Direct Testimony of Witness Summers at page 13, lines 332-333.

FEES] *COULD DISTURB THE STABILITY THAT HAS BEEN MAINTAINED FOR DECADES*." HOW DO YOU RESPOND?

A. Maintenance of "*stability*" for one element of the Company's charges for service in the context of the large overall increase EGU proposes is irrational and does not reflect the very cost-based ratemaking concepts the Company otherwise espouses.

Q. DO YOU HAVE ANY FURTHER RESPONSE TO WITNESS SUMMERS' RATE STABILITY ARGUMENT?

A. There is a large gap between "*collecting **all** customer costs through* [BSF] *charges*" (emphasis added) and allowing **some** increase in those charges. Witness Summers' testimony does not well that gap or the potential for solutions that constitute neither extreme. In response to ANGC Data Request 4.04, the Company suggests that including all of the costs identified in EGU Basic Service Fees in EGU's proposed BSF charges "*would result in a significant increase, which could affect those on fixed incomes and low income households*."[16] Although I can appreciate concerns regarding the affordability of gas service for low income households, EGU's decision to not propose **any increase** its Basic Service Fees **for any meter category**, is inappropriate and goes far beyond addressing concerns relating to fixed income or low income households. Allowing for **some measure** of increase in BSF charges, that is consistent with movement toward cost-based levels, in the context of EGU's requested greater than 20% overall

[16] EGU's response to ANGC Data Request 4.04, part c.

revenue increases, need not necessarily be viewed as imposing undue burdens on fixed income and low income customers.

Second, Witness Summers Direct Testimony also suggests that: "*Collecting all customer costs through [EGU's BSF] charges could disturb the **stability** that has been maintained for decades."* This argument regarding rate "***stability***" is not factually supported and overly broad in is application. Part b. of EGU's response to ANGC Data Request 4.04 clearly shows that, over the last three decades, adjustments have been made to all of EGU's Basic Service Fees. Moreover, the fees for larger meter sizes (i.e., Meter Categories 2, 3, and 4) have been adjusted at least four times.

The Commission should further note the Basic Service Fee analysis in EGU Exhibit 5.08 shows that only 12.5% increase in the Company's BSF charge for Category 1 meters is required, to achieve the Company's computed full cost level for that meter category. In other words, the increase required to achieve EGU's computed full cost level for Category 1 meters equates to only 60% of the Company's requested 20.68% overall average DNG revenue increase. It would also be roughly 33% less than the average increase that EGU proposes for its GS rate class.[17]

Further, when the BSF charge for Category 1 meters was last adjusted, more than a decade ago, that charge was increased from $5.00 per month to $6.75

[17] This argument is not advocating any specific level of increase in the Basic Service Fee for Category I meters. The appropriate level of increase in that charge is a matter best left to the Commission's judgment. However, some measure of increase for each Meter Category can be easily justified in terms of both the Company's identified Basic Service Fee costs, and past Commission precedents.

per month, and that represented a 35% increase. ANGC Exhibit 1.02 shows the Company's history of Basic Service Fees and the percentage changes in EGU's Basic Service Fees that have been implemented in the past. That exhibit also compares those past increases in Basic Service Fees with the increases that would be necessary in this case to Company's computed full cost-based levels for 2026 for each Meter Category.

Finally, the Company's proposal to hold all Basic Service Fees at their current levels for larger meter categories does not impact concerns regarding the affordability of gas service for fixed income and low income customers. Accepting for discussion purposes, the reasonableness and accuracy of EGU's analysis of Basic Service Fee costs, there are substantial reasons to seek gradualism in the adjustment of BSF charges for particularly Meter Categories 3 and 4. However, no adjustment of those charges only serves to exacerbate other problems in the Company's rate designs rate designs. Not the least of those problems is the impact EGU's proposal to retain its existing BSF charges on the comparative economics of Transportation Service and Firm Sales Service rates.

2. EGU's Proposed Administrative Charge

Q. DOES EGU PROPOSE TO INCREASE ITS ADMINISTRATIVE CHARGE FOR TRANSPORTATION SERVICE CUSTOMERS?

A. Yes. The Company's proposal, as presented in the Direct Testimony of EGU witness Summers is to increase its Administrative Charge by **25%** from $200 per month or $2,400 annually to $250 per month or $3,000 annually.

Q. WHAT SUPPORT DOES EGU OFFER FOR ITS PROPOSED ADMINISTRATIVE CHARGE INCREASE?

A. The Company's offers in EGU Exhibit 5.08 as support for its proposed Administrative Charge for Transportation Service customers.

Q. HOW DOES WITNESS SUMMERS EXPLAIN THE 25% INCREASE IN EGU'S PROPOSED ADMINISTRATIVE CHARGE?

A. Witness Summers attributes the increase in EGU's proposed Administrative Charge primarily to **two main drivers**. Those are:

i. Increased cost for its **gas control function** as a result of the elimination of sharing of gas control function costs with Mountain West Pipeline; and

ii. An increase in the headcount for the Company's Key Accounts department, **which added one new employee**.

As I will demonstrate herein, neither of those two factors are actually primary drivers of the Company's proposed Administrative Charge increase.

Q. IS APPLICATION OF ADMINISTRATIVE CHARGES FOR TRANSPORTATION SERVICE CUSTOMERS A COMMON PRACTICE FOR GAS DISTRIBUTION UTILITIES?

A. No. In response to ANGC Data Request 2.23, EGU indicates that the only other utility known to the Company that utilizes an Administrative Charge is Enbridge Gas Wyoming ("EGW"). EGW's Administrative Charge is applicable only to Non-Core Interruptible Transportation Service.

Q. WHAT ARE THE COMPONENTS OF THE COSTS THAT EGU INCLUDES IN THE DEVELOPMENT OF ITS PROPOSED ADMINISTRATIVE CHARGE?

A. EGU Exhibit 5.09 identifies five components of its Administrative costs. Those are:

1. Account Management costs
2. Measurement and Allocation costs
3. Billing costs
4. Gas Supply costs
5. Gas Control costs

Q. HOW HAVE THE COMPONENTS OF THE COSTS THE COMPANY INCLUDES IN ITS ADMINISTRATIVE CHARGE CHANGED SINCE ITS LAST RATE CASE?

A. Where in this case EGU recognizes the five components of costs included in its Administrative Charge listed above, the Company's development of its Administrative Charge in Docket No. 22-057-03 included six components with no separate identification of Gas Control Costs. Those six components included:

1. Account Management
2. Measurement and Allocation
3. Billing
4. Gas Supply
5. **Commercial Support**
6. **Nominations/Scheduling**

EGU's labeling of the first four categories listed in this case and in Docket No. 22-057-03 is identical to the first four categories of costs reflected in the

Company's Administrative Charge analysis for this proceeding. However, in Docket No. 22-057-03 costs for "**Gas Control**" were not presented separately.[18] Instead, the Company's Administrative Charge analysis in that case included costs for "**Commercial Support**" and "**Nominations/Scheduling**" that are not shown separately in EGU Exhibit 5.09 in this proceeding. Based on the information contained in EGU Exhibit 5.09, the comparability of the components of costs EGU includes in its Administrative Charge analysis for this case with those included in its Administrative Charge analysis in Docket No. 22-057-03 could not be determined. However, in response to ANGC Data Request 3.03 EGU states that its Gas Supply and Commercial Support activities have been consolidated under a restructured "Gas Supply" department. In addition, the same response suggests that the activities and costs that the Company now refers to as "Gas Control" are equivalent to what was formerly identified as "Nomination/Scheduling." Still, the absence of explicit ties to costs by FERC account limits the ability of other parties to verify the reasonableness and appropriateness of the costs that EGU proposes to recover through its Administrative Charges.

Q. FOR THOSE ADMINISTRATIVE CHARGE COST COMPONENTS THAT APPEAR TO BE COMMON BETWEEN THIS CASE AND THE COMPANY'S ADMINISTRATIVE CHARGE ANALYSIS FROM ITS LAST CASE, ARE THE OBSERVED CHANGES IN COSTS ADEQUATELY EXPLAINED?

[18] Docket No. 22-057-03, DEU Exhibit 4.12.

A. No. A comparison of the cost detail presented in **EGU Exhibit 5.09** with the Administrative Charge analysis presented Docket No. 22-57-03 shows large unexplained percentage changes in the data inputs used to compute elements of the Company's claimed Administrative Charge costs. In particular, the Company's representations regarding its Labor Costs and Labor rates have changed significantly. Overall, the Labor costs that EGU attributes to its Administrative Charge in this proceeding are **82.73% greater** than the Labor costs that the Company included in its Administrative Charge calculations in Docket No. 22-057-03. By contrast, the Company's claimed overall increase in its total Administrative Charge costs is only **37%.** Furthermore, both those observed increases are large in comparison to the projected increase in the Company's numbers of transportation service customers for 2026. EGU's numbers of Transportation Service Customers, across all Transportation Service rate classes (i.e., TSS, TSM, TSL, MT, and TBF) are projected to increase only **9.7%** when compared to the overall number of TS customers used in the development of the Company's Administrative Charge in Docket No. 22-057-03.

Q. ARE EGU'S COSTS FOR ITS GAS CONTROL FUNCTION A MAIN DRIVER OF ITS CLAIMED ADMISTRATIVE CHARGE COSTS IN THIS PROCEEDING?

A. No. EGU's representation of its costs for the Gas Control Function represent only 13.2% of the overall increase in the Company's claimed Administrative Charge costs. Between this case (as presented in EGU Exhibit 5.09) and the Company's last base rate proceeding (i.e., Docket No.22-057-03, Exhibit DEU 4.12) EGU's

claimed Administrative Charge costs increased from $2,562,130 to $3,498,708. That equates to an **overall increase** of **$936,578.** EGU's identified Gas Control Costs represent only **$123,601** or **13.2%** of that overall increase.

Q. IS THE INCREASE IN THE HEADCOUNT FOR EGU'S KEY ACCOUNTS DEPARTMENT A PRIMARY DRIVER OF THE OVERALL INCREASE IN THE COMPANY'S COMPUTED ADMINISTRATIVE CHARGE COSTS?

A. Again the answer is no. The overall increase in Labor Costs assigned Transportation Service customers within EGU's Administrative Charge analyses are a major driver of the Company's claimed increase in its Administrative Charge costs. However, the addition of one employee to the headcount for the Key Accounts department represents only a small portion of the overall increase in Labor costs assigned to Transportation Service customers in EGU Exhibit 5.09.[19] Across all functions identified in EGU's Administrative Charge analysis, Labor cost increases account of **$710,361** or **75.8%** of the overall increase. The Labor costs associated with a one employee addition to the Key Accounts department represents only a small minority of that the Company's claimed overall Labor cost increase.

Table 3 summarizes the Company's computed increase in its Administrative Charge costs **by cost component** (i.e., Labor, Labor Overheads, and Other costs). Table 4, below, summarizes EGU's claimed increase in its Administrative Charge costs **by function**.

[19] See EGU's Confidential response to ANGC Data Request 3.05, part e.

Table 3

Labor and Non-Labor Component of EGU's Claimed Increase in Administrative Charge Costs

Cost Component	Cost Increase	% Increase
Labor Costs	$ 710,361	75.8%
Labor Overheads	$ (28,136)	-3.0%
Non-Labor Related Costs[20]	$ 254,353	27.2%
Total	$ 936,577	100.0%

[20] For the purposes of this table, Non-Labor-Related Costs include costs for Maintenance Materials and for Quorum Software Support.

Table 4

Increases in EGU's Administrative Charge Costs By Function

Function	Cost Increase	% Increase
Gas Supply[21]	$ 340,623	36.4%
Measurement & Allocation	$ 311,623	33.3%
Account Management	$ 251,041	26.8%
Billing	$ 44,520	4.8%
Gas Control	$ (11,523)	-1.2%
Other[22]	$ 0	0.0%
Total	$ 936,577	100.0%

Q. IS IT POSSIBLE TO ASSESS WHAT COSTS WERE INCLUDED IN EGU'S ADMINISTRATIVE CHARGE ANALYSIS IN DOCKET NO. 22-057-03 THAT WOULD BE COMPARABLE TO THE GAS SUPPLY COSTS THE COMPANY ASKS THE COMMISSION TO RECOGNIZE IN THIS PROCEEDING?

A. No. Although the Company's analysis of Administrative Charge costs for this separately recognizes costs for its Gas Control Function, the Company did not do so in Docket No. 22-057-03.[23] However, in Docket No. 22-057-03, the Company's Administrative Charge analyses in Docket No. 22-057-03 did separately identify

[21] Includes costs identified as Commercial Support in Docket No. 22-057-03.
[22] Other includes two functions that were included in the Company's Administrative Charge analysis for Docket No. 22-057-03, but are not shown separately in the Administrative Charge analysis EGU has prepared for this proceeding. Those functions are: (1) Commercial Support; and (2) Nominations and Scheduling.
[23] Docket No. 22-057-03, DEU Exhibit 4.12.

costs for two functions that are not separately recognized in EGU's Exhibit 5.09 in this proceeding. Those functions are Commercial Support and Nominations/ Scheduling. EGU's testimony and exhibits in this case provide no indication of how or where costs for those functions are reflected in its analysis of Administrative Charge costs it has developed for this proceeding. Yet, regardless how the costs for those functions are recognized, if at all, it is apparent that they are not major drivers of the overall increase in Administrative Charge costs in this case.

Q. ARE THERE OTHER DETAILS OF EGU'S ANALYSIS OF THE COSTS UNDERLYING ITS PROPOSED ADMINISTRATIVE CHARGE FOR THIS PROCEEDING WITH WHICH THE COMMISSION SHOULD EXPRESS CONCERN?

A. Yes. There are several.

First, EGU more than doubles the percentage of Gas Supply Labor costs assigned to transportation customers compared to the analysis the Company presented in the last case. In this case EGU Exhibit 5.09 indicates that 38.71% of the Company's Gas Supply Labor costs are assigned to Transportation Service customers. In DEU Exhibit 4.12 in Docket No. 22-057-03, the Company assigned only 18% of its Gas Supply Labor costs to Transportation Service customers. Yet, the basis for this change in Labor cost assignments is not documented or explained in meaningful detail.

Second, there are significant changes in the hourly Labor rates used in EGU's development of its costs for Billing and for Measurement & Allocation. For example, in Docket No. 22-057-03 the Company's Administrative Charge analysis

in DEU Exhibit 4.12 used an hourly labor rate for Billing of $23.92. In this case, EGU's comparable hourly rate for Billing labor is $37.71. That constitutes a **57.5% increase** for which no explanation or supporting documentation is provided. This increase in the hourly labor rate is far more than than would appear justified by labor cost inflation.

Third, without explanation or justification EGU increases the number of annual hours per customer that it attributes to Measurement & Allocation for Transportation Service customers from 3 hours per customer per year to 4 hours per customer per year. Although that change may appear small, it yields a 33% increase in assigned Labor hours with no documented change in required activities.

Fourth, EGU's Account Management Labor costs for 2024 in EGU Exhibit 5.09 are 27.8% higher than the Account Management Labor costs used by the Company in Docket No. 22-057-03, DEU Exhibit 4.12, for the same purpose. That increase, which is well in excess of the rate of inflation over that three-year period, is not well-documented or explained. In addition, the percentage of Account Management Labor costs assigned to Transportation Service customers is increased from 70.62% in Docket No. 22-057-03 to 81.41% without well-documented supporting analytics. In fact, EGU's responses to ANGC Data Requests 1.18 and 2.04 suggest that the Company does not track either the number or frequency of site visits to Transportation Service customer locations or the number or frequency of its Key Accounts representatives' in-person meetings with Transportation

Service customers. EGU's assignments of time and costs for Key Accounts personnel are the, thus, the product of two factors: (1) undocumented and unsupported estimates of time spent assisting Transportation Service activities; and (2) an unsupported assumption that the annual time and costs incurred to assist customers in each of the Company's Transportation Service rate classes (i.e., TSS, TSM, and TLS) are reasonably uniform and can be distributed among those rate classes simply on an equal cost per customer basis.

Fifth, EGU's Administrative Charge analysis in EGU Exhibit 5.09 indicates the Company incurs costs for Maintenance Material of $609.10 per customer. Moreover, the Company uses that input to compute an annual cost for Maintenance Material of $766,248, which is the second largest component of EGU's claimed overall Administrative Charge costs accounting for 22% of the EGU's computed total Administrative Charge costs. However, the Company provides no explanation of the materials included in those costs or support for its derivation of the cost per customer that is used.

Such unsupported elements in the Company's analyses of the costs underlying its proposed increase in the Administrative Charge do not represent a sound basis for EGU's recommended 25% increase in that charge.

Q. EGU WITNESS SUMMERS TESTIFIES THAT THE COMPANY MANAGES GAS SUPPLY NOMINATIONS FOR EACH OF ITS 1,258 INDIVIDUAL TRANSPORTATION SERVICE CUSTOMERS ON A DAILY BASIS. DOES THAT MEAN

THAT EGU PERSONNEL MUST INTERACT WITH EACH OF ITS TRANS-PORTATION SERVICE CUSTOMERS EACH DAY?

A. **No**. Daily gas supply nominations for the vast majority of EGU's Transportation Service customers are made for them by their designated gas suppliers (marketers). Specifically, EGU's response to ANGC Data Request 2.05 indicates, "***Currently there is only one customer who is NOT set up to be nominated for by a gas supplier***." (Emphasis Added). Further, EGU's response to ANGC Data Request 2.26, Attachment 1, shows that the Company consistently receives daily nominations of volumes for essentially all of its Transportation Service customers from just twelve "*nominating agents.*" The Commission should also recognize that such nominations are generally submitted in electronic format and generally require limited direct contact between EGU and either its Transportation Service customers or their designated representatives (i.e., nominating agents).

Thus, Witness Summers' representation regarding the Company's manage-ment of daily gas supply nominations for 1,258 customers may provide the impression of much greater contact between the Company and its Transportation service customers than actually occurs. The number of parties with whom EGU personnel must interact on a daily basis is far smaller than its total number of transportation service customers. In addition, Transportation Service customers' nominating agents/marketers/gas suppliers are generally well-acquainted with the gas nomination process and rarely require extensive assistance from EGU

personnel to understand their responsibilities and the nomination information that must be provided to the Company.

Q. AT PAGE 17 OF WITNESS SUMMERS' DIRECT TESTIMONY HE SUGGESTS THAT SMALLER TRANSPORTATION SERVICE CUSTOMERS OFTEN REQUIRE MORE TIME WITH COMPANY PERSONNEL BECAUSE THEY ARE LESS FAMILIAR WITH THE NOMINATION, INTERRUPTION AND CURTAIL MENT PROCESSES. WHAT WEIGHT SHOULD THE COMMISSION GIVE TO THOSE REPRESENTATIONS?

A. Very little. As indicated above, most of these matters are handled by the customers chosen marketer/nominating agent. As a result, individual transportation service customers have limited requirements for direct interactions with Company Key Accounts personnel. In essence, Witness Summers' representations do not provide a realistic portrayal of Transportation Service customers' requirements for assistance from EGU personnel. In the absence of more substantive support for Witness Summers' representations regarding smaller transportation service customers' requirements for assistance from EGU personnel, that representation should be ignored.

Q. WITNESS SUMMERS ALSO ASSERTS THAT THE COMPANY'S ACCOUNT REPRESENTATIVES "*WORK WITH CUSTOMERS AND THEIR NOMINATING PARTIES* [MARKETERS] *DURING INTERRUPTION EVENTS, HOLD-BURN-TO-SCHEDULED QUANTITY EVENTS, AND OTHER MATTERS IMPACTING*

***TS CUSTOMERS*."[24] HOW MANY GAS SUPPLY INTERRUPTIONS OR CURTAILMENTS OF SERVICE HAVE BEEN IMPLEMENTED FOR EGU'S TRANSPORTATION CUSTOMERS IN THE LAST THREE CALENDAR YEARS?**

A. **None**. EGU's responses to ANGC Data Requests 1.21, 1.22, 1.23, and 1.24 confirm that there have been no interruption or curtailment events within the last three full calendar years (2022, 2023, and 2024) and within calendar year 2025 to date.

Q. HOW MUCH OF EGU'S TRANSPORTATION SERVICE <u>SUPPORT ACTIVITIES</u> COMPRISE DIRECT INTERACTIONS WITH INDIVIDUAL TRANSPORTATION SERVICE CUSTOMERS AS OPPOSED TO INTERACTIONS WITH THEIR GAS MARKETERS/NOMINATING AGENTS?

A. Very little of that activity involves direct interaction with individual customers, particularly for customers in the TSS class. EGU's assessment of the costs underlying its proposed Administrative Charge fails to provide adequate recognition of the role of marketers in facilitating such nomination and scheduling processes and informing customers of their responsibilities.

Witness Summer's Direct testimony suggests that "*smaller* [transportation service] *customers … require more time with Company personnel to discuss and manage* [nomination, curtailment and interruption] *matters*."[25] However, EGU's response to ANGC Data Request 1.20 asked the Company to "*Document the numbers of meetings (in person, virtual, or by telephone) between EGU personnel*

[24] EGU Exhibit 5.0, the Direct Testimony of Witness Summers, page 17, lines 450-453.
[25] EGU Exhibit 5.0, the Direct Testimony of witness Summers, page 17, lines 450-453.

and individual TSS customers in each of the last three calendar years and in 2025 to day that were required to aid customers' management of nomination, interruption, and curtailment processes." EGU's response simply states, "*The Company does not track or keep records of each meeting with individual TSS customers*." Again, for small Transportation Service customers the role of third-party marketers in the management of Transportation Service activities is important and must not be ignored.

Q. WITNESS SUMMERS' DISCUSSION OF THE COMPANY'S PROPOSED INCREASE IN ITS ADMINSTRATION CHARGE FOR TRANSPORTATION SERVICE CUSTOMERS INDICATES THAT EGU EMPLOYEES "*MONITOR AND TROUBLE SHOOT METERING AND BILLING ISSUES*." HAS EGU PROVIDED ANY DOCUMENTATION TO SUPPORT: (1) THE FREQUENCY OF METERING AND BILLING ISSUES FOR ITS TRANSPORTATION SERVICE CUSTOMERS; (2) THE SOURCE OF SUCH ISSUES; OR (3) THE TIME AND RESOURCES REQUIRED TO RESOLVE SUCH ISSUES?

A. No, it has not. Additionally, EGU offers no assessment of the frequency that the referenced metering and/or billing issues its employees must troubleshoot are issues that originate within the Company's own operations. Transportation Service customers should not be held responsible for time and resources required to "*troubleshoot*" metering and billing issues that emanate within metering, billing, accounting and/or data management activities that are within the Company's control.

Q. WITNESS SUMMERS' DISCUSSION OF THE COMPANY'S PROPOSED INCREASE IN ITS ADMINSTRATION CHARGE FOR TRANSPORTATION SERVICE CUSTOMERS ALSO INDICATES THE TELEMETRY USED FOR TRANSPORTATION SERVICE CUSTOMERS "*REQUIRES SITE VISITS FOR PERIODIC MAINTENANCE*."[26] WHAT IS THE FREQUENCY OF SUCH MAINTENANCE ACTIVITIES, AND WHAT ARE THE COSTS THAT EGU ASSOCIATES WITH TELEMETRY MAINTENANCE?

A. EGU's response to ANGC Data Request 1-19 indicates the Company performs scheduled maintenance on Telemetry equipment for Transportation Service customers at least once a year, generally within the first two calendar quarters of each year. The same response also indicates the Company performs unscheduled maintenance for Transportation Service customers' telemetry equipment, and although EGU does not track its site visits for unscheduled maintenance, the Company only offers estimates of the unscheduled maintenance visits it performs each year. The Company's estimates of unscheduled Telemetry Maintenance site visits reflect unscheduled visits to the equivalent of added site visits for approximately 55% of its Transportation Service customers each year.[27] EGU further indicates that variances in the frequency of site visits for telemetry maintenance can be a product of customers with higher flows (i.e., greater annual Dth), higher delivery pressures, or greater gas quality requirements. Those characteristics

[26] EGU Exhibit 5.0, the Direct Testimony of Witness Summers, page 17, lines 456-457.
[27] EGU's response to ANGC Data Request 1-19, part b, indicates the Company has engaged in an average of about 640 unscheduled site visits for customers over the last three full calendar years, and that equates to approximately 55% of its average numbers of Transportation service customers for those years.

tend to be more frequently associated with TSL customers or some larger TSM customers.

Q. HAS EGU MADE A REASONABLE ATTEMPT TO ASSOCIATE COSTS FOR ITS TELEMETRY MAINTENANCE ACTIVITIES WITH THE INDIVIDUAL TRANSPORTATION RATE CLASSES IT SERVES?

A. No. EGU's response to ANGC Data Request 1.19 indicates the Company does not track unscheduled maintenance and has only provides a skeletal outline of its scheduled maintenance activities. None of that information is readily verifiable.

Q. HAS EGU DEMONSTRATED THAT THERE IS NO DUPLICATION OF COSTS INCLUDED IN ITS BASIC SERVICE FEE ANALYSIS AND THE COSTS USED TO SUPPORT ITS PROPOSED ADMINISTRATIVE CHARGE FOR TRANS-PORTATION SERVICE CUSTOMERS?

A. No, it has not. The spreadsheet labeled **EGU 5.08p1** within **EGU Exhibit 5.08** shows development of EGU's Basic Service Fees. The Company's support for its Administrative Charges is presented in **EGU Exhibit 5.09**. Both analyses include costs for essentially the same activities (e.g., meter reading, billing, and account management).

Q. IS THE DUPLICATION OF COSTS BETWEEN EGU'S BASIC SERVICE FEE ANALYSIS AND ITS ADMINISTRATIVE CHARGE ANALYSES ADDRESSED BY THE COMPANY'S EXCLUSION OF CERTAIN CUSTOMER-RELATED COSTS FROM ITS BSF CALCULATIONS?

A. No. **EGU 5.08p2** shows the Company's exclusion of costs for FERC Accounts 904-910 from its BSF costs. However, the excluded costs represent less than 21% of the Company's total Customer Service & Information Expense, and as shown below, the largest components of those excluded costs are costs for Account 908, Customer Assistance, and Account 904, Uncollectible Accounts – DNG. Substantial reason for concerns regarding duplicative treatment of specific cost elements remain.

Table 5

EGU Customer Costs Excluded from BSF

Acct	Description	Total Expense	Transportation Expense[28]
904	Uncollectible Accounts - DNG	$ 1,599,769	$ 181,398
907	Supervision	$ 744,141	$ 767
908	Customer Assistance Expense	$ 2,339,531	$ 1,314,365
909	Info & Instructional Advertising Expense	$ 448,083	$ 461
910	Misc Customer Service & Info Expense	$ -	$ -
	Total Costs Excluded from BSF	$ 5,131,524	$ 1,496,991

As can be seen above, the vast majority (i.e., 88%) of the excluded costs for Transportation Service customers are costs for Account 908, Customer Assistance Expense, the treatment of which I have previously discussed herein. However, among the costs that **remain** in EGU's analysis of its Basic Service Fee

[28] The sum of EGU's allocated costs to all Transportation Service rate classes for each referenced account, as shown in **EGU 5.08p2**.

Costs are costs for Accounts 901, 902, 903.1 and 903.2, as well as costs recorded in Accounts 920 through 935. In **EGU 5.08p2** the Company characterizes its costs in Accounts 920 through 935 as "Customer-Related A&G Expenses," but the costs in those accounts lack direct ties to specific **customer-related** activities or investments. Moreover, rightfully or wrongly, EGU allocates the costs in all of those accounts on the basis of "Gross Plant," not solely on the basis of numbers of customers, where Gross Plant necessarily includes substantial non-customer-related investment expenditures.

Particular concerns regarding the potential duplication of costs is found in the analyses supporting both EGU's Basic Service Fees (EGU Exhibit 5.08) and the Company's Administrative Charge (EGU Exhibit 5.09). Both of those analyses include costs for metering and billing-related activities. Yet, the Company offers no evidence on which the Commission can rely to ensure that the same costs are not incorporated in both charges. In other words, there is no evidence that costs for such activities as metering and billing that are included in one of those charges are specifically excluded from the calculation of cost to be recovered through the other charge.

More specifically the Commission should note that **EGU 5.08p1**[29] shows the inclusion of Weighted Billing/Meter Reading costs in the development of the proposed Basic Service Fees. Further, **EGU 5.08p2** shows the Company's weighting of its estimate of Billing Expenses per Telemetry/Flow Meters in the

[29] **EGU 5.08p1** and **EGU 5.08p2** are "Tabs" or pages within the electronic spreadsheet file that is presented as **EGU Exhibit 5.08**.

development of its Basic Service Fees by Meter Category. The analysis in **EGU 5.08p2** also shows EGU's weighting of telemetry costs attributes the vast majority of those costs on customers with Category III and Category IV meters. However, **EGU Exhibit 5.09,** which shows EGU's development of its proposed **Administrative Charge** also clearly includes costs for Measurement & Allocation, and Billing, where Measurement & Allocation for Transportation Service customers is understood to include costs associated with the collection of usage date through the use of telemetry and billing of such service to Transportation Service customers using that data.

EGU 5.08p2 further represents that its "*weighted average billing cost by meter category*" include **$300 per meter** for Telemetry/Flow Meters. However, that $300 figure represents nothing more than an **undocumented estimate**. ANGC Data Request 3.06.a. asked EGU to "*Provide the workpapers, data, assumptions, analyses, studies, and other information upon which the Company has relied to determine its cost per Telemetry/flow meter*." Yet, the Company's response includes no supporting workpapers. Rather, EGU represents that the referenced **$300 per meter costs** for Telemetry/Flow Meters is simply another undocumented estimate produced by unnamed personnel in the Company's Gas Measurement and Regulation Department.

Moreover, the reliability of EGU's presentation on this matter is further eroded by an incorrect application of simple mathematics. In **EGU 5.08p2** the Company represents that dividing the Company's estimated **$300** per meter

annual cost for Telemetry/Flow Meters by 12 months yields a monthly cost of $30. Yet, accepting *arguendo* the Company undocumented estimate of annual Telemetry costs, EGU's response to ANGC Data Request 3.06.b.recognizes that the $30.00 per month figure it shows in **EGU 5.08p2** for monthly Telemetry/Flow Meter costs is **incorrect**. It should be $25.00 per month.

Q. DO YOU OPPOSE EGU'S APPLICATION OF AN ADMINISTRATIVE CHARGE TO TRANSPORTATION SERVICE CUSTOMERS?

A. No. Most gas distribution utilities that I have encountered utilize monthly Customer Charges or System Charges for individual rate classes that are intended to recover customer-related costs. EGU's reliance on a single set of Basic Service Fees that are applied by meter category to all rate classes is not a common practice. However, in the context of continued use of Basic Service Fees differentiated by meter category applied to all rate classes, a separate Administrative Charge, to recover incremental costs incurred by EGU's to provide service to Transportation customers that are not incurred for customers in other classes of service is not objectionable in concept.[30]

However, as I have discussed herein, EGU's Basic Service Fees are not cost-based charges, and that lack of cost-basis for EGU's Basic Service Fees causes its other charges for service to also lack clear ties to cost-causation. As a

[30] As I have noted elsewhere in this testimony, a separate Firm Sales Service rate classification for sales service customers with usage sufficient to qualify them for Transportation Service EGU's, along with comparable requirements for telemetry, establishment of Firm Contract Demands, and daily nominations of gas volumes would greatly improve rate equity for comparably sized Transportation and Firm Sales Service customers.

result, efforts to identify cost-based charges for the Company's Transportation and Firm Sales Service are often quite challenged. Greater parallels in the service conditions and pricing of the Company's distribution services for Firm Gas Sales and Transportation customers could greatly improve the comparability of their distribution service charges.

Under EGU's current rates, Transportation Service customers are confronted by an array of additional charges and service requirements that Firm Sales Service customers do not experience. Those added charges, which greatly increase the fixed costs associated with using Transportation Services, and unnecessarily retard the economics of transportation service options for many medium sized commercial, industrial, and institutional customers, thereby, unduly discourage use of gas Transportation Service alternatives.

Given the Company's implementation of separate rate schedules for TSS, TSM, and TSL customers, the Commission should also require EGU's development and implementation of separate Administrative Charges for each of its Transportation Service rate classifications. Further, the Commission should require EGU's development and presentation of cost support for those separate Administrative Charges is reflective of actual cost incurrence for each rate class. Shortcuts, such as allocations of costs among all classes, or within the Company's transportation service classes, based solely on numbers of customers or DNG revenues cannot be relied upon to reflect cost-causation for many of the types of costs EGU includes in the computation of its proposed Administrative Charges.

Q. DO YOU FIND EVIDENCE THAT SUCH DUPLICATION OF COST RECOVERY IS FOUND IN EGU'S PROPOSED ADMINISTRATIVE CHARGE AND IN ITS BASIC SERVICE FEE?

A. Yes. For example, both the Company's Basic Service Fees and its Administrative Charge include expenses for Billing. Although I recognize that the Company's billing of activities may include considerations not applicable to customers billed under the Company's General Service rates (e.g., charges for contractually established Firm Demands, charges for imbalances between gas deliveries and gas use, and charges for failure to interrupt or curtail service upon request), nothing in EGU's development of its proposed Administrative Charge provides evidence that the Company has eliminated Billing costs recovered through its Basic Service Fees from the Billing costs its seeks to recover through its Administrative Charges for Transportation Service customers.

Likewise, there is nothing in the Company's presentation of its costs for **Account Management** and **Measurement & Allocation** in Exhibit 5.09 that demonstrates those costs do not effectively duplicate costs recovered through EGU's Basic Service Fees.

Q. SHOULD THE COMMISSION APPROVE THE INCREASE IN THE ADMIN-ISTRATIVE CHARGE FOR TRANSPORTATION SERVICE CUSTOMERS THAT EGU PROPOSES IN THIS PROCEEDING?

A. No. EGUs analysis of the costs that its seeks to recover through its Administrative Charge are not well supported by data and analytics and are not well explained.

Moreover, the Company's assessment of the costs underlying its proposed Administrative Charge fail to reflect operational realities and is generally insensitive to differences in cost responsibilities among transportation service customers and rate schedules. In Docket No. 22-057-03 this Commission acted to separate the Company's transportation service (TS) customers into three rate classes (i.e., TSS, TSM, and TSL). Yet, despite the Commission creation of those new rate classes, EGU's analysis of the costs to be recovered through its Administrative Charge in this proceeding inappropriately continues to treat all of the Company's transportation service customers based on an implicit assumption that transportation service customers represent a single rate class with reasonably homogeneous requirements for assistance.

Q. EGU WITNESS SUMMERS' DIRECT TESTIMONY AT PAGE 18, LINES 479-482, ASSERTS THAT THE COMPANY ADMINSTRATIVE CHARGE "*PROVIDES GREATER TRANSPARENCY WHILE ADHERING TO COST CAUSATION PRINCIPLES*." DO YOU AGREE?

A. No. That representation is contradicted by Witness Summer's own testimony at page 14, lines 373-379, where he indicates that "***No attempt has been made to tie*** [either EGU's proposed Basic Service Charges or its Administrative Charge] ***directly to customer costs***." Furthermore, despite the segregation of the Company's transportation service into three rate classes (i.e., TSS, TSM, and TSL) in its last rate case, EGU's development of its proposed Administrative Charge in this proceeding represents an attempt to continue a "**one-size-fits-all**" approach

for its assignment of Administrative Charge related costs to Transportation Service customers.

Q. WITNESS SUMMERS' DIRECT TESTIMONY CLAIMS THAT "*THE COMPANY UTILIZES SPECIFIC STUDIES FOR THE BSF AND THE ADMINSTRATIVE CHARGE THAT HAVE BEEN USED CONSISTENTLY OVER TIME TO DETERMINE* [THE COSTS TO BE RECOVERED THROUGH THE COMPANY'S BSF AND ADMINISTRATIVE CHARGE.]"[31] IS THAT AN ACCURATE REPRE-SENATION?

A. No. As I have explained earlier in this testimony, substantial changes are found in both the structure of EGU's BSF and Administrative Charge analyses and the data inputs used in those analyses.

3. Disincentives for Use of Transportation Services

Q. DO EGU'S RATE PROVIDE FOR EQUITABLE TREATMENT OF FIRM SALES SERVICE AND TRANSPORTATION SERVICE CUSTOMERS?

A. No, they do not. There are significant differences in EGU's rates for Firm Sales Service and Transportation Services that can result in two customers with substantially similar usage characteristics receiving noticeably different billings for the distribution service they require. In concept, the pricing of distribution services for purchases of gas from the Company and purchases of gas from third-party suppliers should not be used influence customers' efforts to find the lowest cost gas supplies available. The only differences in the Company's charges for

[31] EGU Exhibit 5.0, page 14, lines 374-376.

distribution service between Firm Gas Sales and Transportation Service rate schedules should be those that truly reflect cost-based differences that result from identifiable and necessary differences in the costs EGU must incur to provide those services. EGU's charges for Firm Sales Service and Transportation Service customers with comparable service characteristics should be essentially the same such that competition in gas supply markets reflects differences in gas supply costs. Customer's decisions between Firm Sales Service and Transportation Service alternatives should not be distorted by uneven treatment of Transportation and Firm Sales Service customers. If a customer's usage characteristics enable the customer to purchase gas more economically in competitive gas supply markets, non-cost-based differences in the utility's distribution service rates should not impede that opportunity.

Q. ARE THE COMPANY'S RATE STRUCTURES FOR FIRM GAS SALES AND TRANSPORTATION SERVICES REASONABLY PARALLEL IN TERMS OF THE CHARGES CUSTOMERS UNDER THOSE RATE SCHEDULES ARE BILLED FOR COMPARABLE DISTRIBUTION SERVICES?

A. No. The only comparable element of the charges billed to Transportation Service customers and Firm Sales Service customers are the Company's Basic Service Fees. Beyond Basic Service Fees, EGU's charges for comparable distribution services can differ significantly. Both Firm Sales Service and Transportation Service customers pay charges based on throughput, but the structures of the applicable throughput charges and the levels of those charges are quite distinct.

Further, Transportation customers pay charges that are not billed to Firm Sales Service customers. Those added charges include Demand Charges and Administrative Charges. Additionally, transportation customers are subject to penalties for imbalances between volume nominations and actual deliveries. The Commission should also note that Transportation Service customers are subject to "*Minimum Yearly Distribution Non-Gas Charges,*" but no comparable minimum charges are applied to EGU's Firm Sales Service customers.

Even without considering potential penalty charges, the added costs imposed by Administrative Charges and Demand Charges raise the level of annual throughput a Transportation customer must achieve just to breakeven versus the Company's billings for comparable Firm Sale Service volumes. Yet, the comparative costs for a customer electing Transportation Service are further enlarged by EGU's requirement that Transportation Service customers pay upfront for Telemetry equipment. For customers who began Transportation Service in July 2025, the average cost of Telemetry equipment was over **$7,600** per customer. Considering the upfront costs of telemetry equipment, a Transportation Service customer must achieve a level of annual gas use well in excess of the minimum annual usage for TSS customers to just to break even on their costs of distribution service relative to those that they would incur for comparable gas use under the Company's General Service ("GS") rate schedule.

Q. ARE THESE ADDED COSTS DISTRIBUTION SERVICE COSTS FOR TRANSPORTATION SERVICE CUSTOMERS JUSTIFIED?

A. No. It can be argued that Transportation Service customers are less costly to serve. Absent from EGU's cost allocations and pricing proposals is any consideration of the advantages of serving Transportation customers. Transportation Service customers provide the system with attributes not presently associated with, or obtainable from, the Company's Firm Gas Sales Service. Those attributes include:

1. Greater certainty of DNG revenues,

2. Greater ability for the Company to plan for, and manage, their service requirements, through the establishment of Contract Demands and the submission of Daily Volume Nominations; and

3. The Company's ability to assess penalties for Volumes subject to penalties or excess a result of requirements for, and penalties for excess demands, daily imbalances, and unauthorized gas use during periods of curtailment on service interruptions.

EGU's failure to consider these important attributes in its pricing of transportation service, creates a market in which only comparatively large gas users can achieve savings through use of transportation service options. However, under EGU's proposed adjustments to its Throughput charges in this proceeding, even many relatively large gas users may see the economics of transportation service eroded.

The Company's existing block rates for throughput under both its Firm Sales Service rate schedules and its Transportation Service rates reflect declining block rate structures. However, EGU's proposed throughput charges for each of its

Transportation Service rate class place substantially greater percentage increases on its second, third, and fourth block charges (where applicable), than on the charges for initial rate block usage. For all rate classes, other than the TSL class,[32] EGU's proposed block charges reflect equal cost per Dth increases for all rate blocks under each rate schedule. However, those equal cost per Dth increases when imposed on the Company's existing declining block rate throughput charges impose significantly greater percentage increases on second, third, and fourth block charges.

Q. ARE THE COMPANY'S PROPOSED ADJUSTMENTS TO THOUGHPUT CHARGES REFLECTIVE OF COST CAUSATION?

A. No. As Witness Summers explains in his Direct Testimony, the Company's proposed volumetric rates collect identified Throughput Costs, as well as "**any other costs that have not been collected in the BSF, Administrative Charge, or Firm Demand Charge**."[33] In other words, EGU's volumetric rates are simply a "catchall" for any types of costs not fully collected through other charges. Thus, it must not be overlooked that EGU's decision not to increase its Basic Service Fees closer to full cost-based levels effectively results in proposals to recover large portions of the Company's identified, customer-related, Basic Service Fee costs, as part of its adjustments to Throughput charges. From the perspective of EGU's

[32] For the TSL class, EGU's proposed second, third and fourth block charges reflect larger increases in terms of dollars per Dth than the Company's proposed increase in the initial block charge. Why the Company differentiated its cost per Dth increases across its TSL rate blocks is not explained, and no cost basis or other analytic support for that differentiation of increases is provided.

[33] EGU Exhibit 5.0, the Direct Testimony of Witness Summers, page 19, lines 507-509.

customers, this is **not a cost-based rate design methodology**. The only cost-based element of the Company's rate structure proposals is EGU's effort to ensure that the Company's recovers all of its requested revenue requirement. Fairness, equity, gradualism in the adjustment of charges, and appropriate price signals are, at best, secondary considerations.

4. Tariff Issues

Q. DO THE TRANSPORTATION SERVICE PROVISIONS IN THE COMPANY'S TARIFF PLACE RESTRICTIONS ON THE TIMING OF WHEN WITHIN EACH CALENDAR YEAR AN EXISTING SALE SERVICE CUSTOMER CAN BEGIN TAKING TRANSPORTATION SERVICE?

A. Yes. The Company's Transportation Service tariff, Section 5.01, page 5-2, includes provisions relating to requests for initiating Transportation Service and requests for terminating Transportation Service. For existing customers, transfers to Transportation Service are only permitted if they are effective on July 1 of the year a transportation service request is submitted. Moreover, an existing customer who wishes to become a Transportation Service customer must meet four separate deadlines between March 7th and May 31st of the year service is requested. If the customer fails to meet "*any of those deadlines*" the customer is not permitted to receive transportation service during that year. The Commission should revisit the need for such restrictions, and ask why comparable restrictions are not found for many other U.S. gas distribution utilities that offer transportation service options to their customers.

Q. ARE SIMILAR REQUIREMENTS IMPOSED ON NEW CUSTOMERS WHO SEEK TO UTILIZE EGU'S TRANSPORTATION SERVICES?

A. No. The Company's Transportation Service tariff provisions allow a new customer who provides a fully executed contract for transportation service and has facilities installed to facilitate telemetry by the 15th day of "***any given month***" may begin taking Transportation Service on the 1st day of the following month. EGU does not explain why new customers can be provided such flexibility when existing Firm Sales Service customers must work within much more restrictive parameters. Moreover, EGU offers no evidence of added costs, if any, that the transfer of an existing Firm Sales Service customer to Transportation Service at other times during the year. I am aware of other gas distribution utilities that appear to operate their systems successfully without such extreme restrictions on when a customer can transfer from Firm Sales Service to Transportation Service. I also note that neither of Enbridge's sister utilities in Ohio and North Carolina appear to place such restrictions on Transportation Service customers.

Q. WHAT TIMING RESTRICTIONS ARE PLACED ON A CUSTOMER'S TERMINATION OF TRANSPORTATION SERVICE?

A. EGU's tariff provides that all transportation service contracts will have an initial term of 1 year. After the initial 1-year term, a termination notice provided by the 15th day of any month will terminate the customer's transportation service effective the 1st day of the following month. However, if a transportation service customer seeks to move to firm sales service, it can only do so effective the following July

1st, if the Company receives a request for such a transfer by the prior March 31st. Moreover, the customer must execute at least a 2-year service agreement for firm sales service and bear responsibility for any required changes in equipment to facilitate class-appropriate meter reading (e.g., the removal of telemetry).

Q. ARE EGU'S RESTRICTIONS ON MOVEMENTS BETWEEN TRANSPORTATION SERVICE AND FIRM SALES SERVICE COMMON PRACTICE AMONG GAS DISTRIBUTION UTILITIES IN THE U.S.?

A. Although I do not claim to have reviewed the tariffs of all U.S. gas distribution utilities, I have examined tariffs for a number of gas utilities in western states, and I find that the types of restrictions on customer movements between Firm Sales Service and Transportation Service that EGU employs have substantial precedents within the industry. The Company's inflexible July 1 service start day for customers transferring from Firm Sales Service to Transportation Service is unwarranted. If that restriction is to be continued, the Company should be required to quantify the costs that implementing such transfers at other times during the year, particularly during other non-peak months would impose on the Company.

Q. IS EGU'S APPLICATION OF A SEPARATE ADMINISTRATIVE CHARGE TO TRANSPORTAION SERVICE CUSTOMERS A COMMON PRACTICE AMONG GAS DISTRIBUTION UTILITIES IN THE U.S.?

A. No. In response to ANGC Data Request 2.23, EGU indicates that the only other utility known to the Company that utilizes an Administrative Charge is Enbridge Gas Wyoming, and there the Administrative Charge is applicable only to None-

Core Interruptible Transportation Service. I have reviewed the tariffs for a number of gas distribution utilities in both western and eastern states, and I find no evidence that the use of Administrative Charges for Transportation Service customers is a common practice.

Q. DOES EGU PLACE RESTRICTIONS ON WHEN A TRANSPORTATION SERVICE CUSTOMER MAY TERMINATION ITS TRANSPORTATION SERVICE OR TRANSFER TO SALES SERVICE?

A. All transportation service contacts are required to have an initial term of one (1) year. After that one-year term is completed a Transportation Service customer may terminate its Transportation service with limited advance notice. A transportation service customer who provides the Company written notice of it's a desire to terminate its service by the 15th day of any month will have that termination effective on the first day of the following month.[34]

On the other hand, if the same customer seeks to transfer to Firm Sales Service, it can only do so effective July 1 after providing a request to transfer to Firm Sales Service by March 31st of the same year and entering into a service agreement with a minimum two-year term.[35] It should be noted that, if a customer

[34] See EGU's Transportation Service tariff. Section 5.01, page 5-2 of the Company Utah Natural Gas Tariff, under the heading "REQUEST FOR TERMINATING EXISTING SERVICE (TBR, ME, TSS, TSM AND TSL)."

[35] EGU's tariff, Section 2.01, page 2-1, which includes the following provision:

> *A request for firm sales service from an existing transportation service or interruptible sales service customer must be received by the Company by March 31st in any given year. If approved, such a request will be effective on the first day of the customer's billing cycle which occurs on or after July 1st. Approval will be conditioned upon execution of a minimum two-year service agreement. The*

moves from EGU's Transportation Service rates to Firm Sales Service, the customer must pay "*any required charges to facilitate class-appropriate meter reading*." In other words, the customer pay for removal of the telemetry the Company requires of its Transportation Service customers. This provision, however, implies that, not only is the customer restricted from returning to Transportation Service for at least two years, but also, if the customer subsequently seeks a return to Transportation Service, the customer faces a requirement to once again pay for the installation of Telemetry (currently a charge of about **$7,600**). These restrictions unnecessarily impede a customer's ability to obtain gas cost savings by finding lower-cost gas supply options.

Q. IF A TRANSPORTATION SERVICE CUSTOMER CEASES PAYING CHARGES BILLED BY ITS GAS SUPPLIER IS THE CUSTOMER'S THIRD-PARTY GAS SUPPLIER FREE TO TERMINATE SERVICE TO THE CUSTOMER?

A. Apparently not until the customer's contract with EGU expires or until EGU receives notice of a formal Bankruptcy filing from the customer. This is a problem for marketers. Without a disconnection of service to the customer by the utility, gas continues to flow to the customer's premises, and EGU continues to hold the customers' gas marketer (supplier) responsible for imbalances between daily nominations and actual gas deliveries. Such situations can leave the marketer in

customer will be responsible to pay for any required changes in equipment to facilitate class-appropriate meter reading.

an untenable situation where EGU requires the marketer to bear costs for which it can expect to receive no further compensation.

Q. ARE THERE ALTERNATIVE MEANS FOR ADDRESSING SUCH PROBLEMS?

A. Yes. Utilities in several states now offer Purchase of Receivables ("POR") under which marketers can elect on an account-by-account basis to participate in utility offered "consolidated billing" of utility and marketer services, the utility purchases the marketer's receivables for the account at a discount regulated by the Commission, and the marketer is compensated by the utility for the services it bills the customers when each monthly bill is rendered. Such programs reduce the potential for conflicts between utility and marketer and protect both the utility and marketers from inordinate financial risks.

Q. DOES THE COMPANY'S TARIFF INCLUDE PROVISIONS RELATING TO THE USE OF TELEMETRY?

A. EGU's Transportation Tariff makes several references to telemetry on page 5-2 under the heading "Request for Service (TBF, MT, TSS, TSM and TSL). For existing customers, the Company's tariff specifies that customers requesting transportation service must meet with an Enbridge Gas telemetry technician by April 15th of the year the customer applies for transportation service. It also requires that "*Any customer facilities required by the Company to facilitate telemetry … must be installed by the customer and in operation by May 15th of the same year*." Nowhere in that provision does the Company's tariff specify who will install telemetry equipment or when such installations will be completed. However,

in a separate provision on the subsequent page under the heading "*Facility Modifications*," the tariff states, "*The Company will require telemetering equipment as a prerequisite to providing transportation service*."[36]

Q. ARE THE COMPANY'S CHARGES FOR INSTALLATION OF TELEMETRY EQUIPMENT SUBJECT TO REVIEW BY THIS COMMISSION?

A. EGU's response to ANGC Data Request 2.08 details the Telemetry Charges EGU has billed to Transpiration Service customers over the last three-and-a-half years. However, those charges are not specified in the Company's tariff. EGU's response to ANGC Data Request 2.08 also indicates that the Company annually updates its costs for telemetry installations, but I find no evidence that the Company's costs for such installations are subject to review and approval by the Commission.

Q. WHAT HAPPENS TO TELEMETRY EQUIPMENT INSTALLED FOR A TRANSPORTATION SERVICE CUSTOMER IF THE CUSTOMER LEAVES THE SYSTEM OR ELECTS TO TRANSFER TO SALES SERVICE?

A. EGU's response to ANGC Data Request 2.09 indicates that when a customer switches from transportation service to sales service, "*The Company is required to visit the customer's meter and remove telemetry equipment*."

Q. IF TELEMETRY EQUIPMENT REMOVED FROM A CUSTOMER'S PREMISES HAS REMAINING USEFUL LIFE, DOES THE CUSTOMER WHO WAS REQUIRED TO PAY THE FULL COSTS OF THE TELEMETRY EQUIPMENT

[36] EGU's tariff, Section 5.01, page 5-3, **FACILITY MODIFICATIONS**.

AND INSTALLATION COSTS UPFRONT RECEIVE ANY COMPENSATION FOR THE REMAINING LIFE OF THE SUBJECT EQUIPMENT?

A. I find nothing in the Company's tariff that provides for such compensation. Without compensation for the remaining value of telemetry equipment, customers are confronted with another disincentive for use of transportation service options. In other words, the customer must be confident when they elect to move to transportation Service that they will remain on that service long enough to justify their upfront expenditure for the installation of telemetry equipment.

Q. EGU'S RESPONSE TO ANGC DATA REQUEST 2.13 REPRESENTS THAT "*ALL INTERRUPTIBLE SALES SERVICE CUSTOMERS ARE REQUIRED TO USE TELMETRY EQUIPMENT*." DO YOU FIND ANY SUCH REQUIREMENT IN THE COMPANY'S TARIFF?

A. No, I do not. I also find the Company's representation regarding requirements for use of Telemetry by Interruptible customers inconsistent with other information the Company has provided in discovery. EGU's response to ANGC Data Request 3.07 provides numbers of telemetry and non-telemetry customers by rate schedule by year for the years 2022, 2023, and 2024. According to that response only three of sixteen Rate Schedule IS customers in 2024 had Telemetry.

Q. IS THERE ANY REASON THAT LARGE SALES SERVICE CUSTOMERS SERVED UNDER RATE SCHEDULE GS SHOULD NOT BE SUBJECT TO

SIMILAR REQUIREMENTS FOR ESTABLISHING FIRM CONTRACT DEMANDS AND PAYING PENALTIES FOR EXCESS DEMAND DURING PEAK PERIODS?

A. No. Large sales service customers' decisions to purchase gas directly from EGU as opposed to third-party suppliers engender greater uncertainty regarding the demands and volume requirements that the Company must address in its capacity planning and management of gas flows than transportation service alternatives. EGU has not shown why the establishment of contract demands, the nomination of daily volumes, and the payment of penalties of excess demands and/or daily imbalances is more essential for transportation service customers than it is for comparably sized sales service customers. For these reasons, I recommend that the Commission consider requiring parallel service provisions and distribution service charges for all Firm Sales Service and Transportation Service customers. That change will ensure more equitable pricing of distribution services for Firm Sales and Transportation Service customers. It should also contribute to greater certainty in the planning and operation of the Company's distribution system, and facilitate freer movement between sales and transportation service alternatives without the expense of installing and removing telemetry each time a customer elects to move between those service options.

Q. ARE YOU SUGGESTING THAT <u>ALL</u> RATE SCHEDULE GS CUSTOMERS SHOULD BE REQUIRED TO ESTABLISH CONTRACT DEMANDS AND/OR MAKE DAILY VOLUME NOMINATIONS?

A. No. My recommendation is that all customers **of sufficient size to qualify for Transportation Service** should face comparable requirements to establish contract demand levels and make daily nominations.

Q. HOW SHOULD THE COMMISSION APPROACH IMPLEMENTATION OF YOUR RECOMMENDATION FOR COMPARABLE RATE TREATMENT OF TRANS-PORTATION SERVICE CUSTOMERS AND FIRM SALES SERVICE CUS-TOMERS WITH VOLUMES SUFFICIENT TO QUALIFY FOR TRANSPOR-TATION SERVICE?

A. With the implementation of approved rates from this proceeding, the charges applicable to Transportation Service customers and equally sized Firm Sales Service customers should be designed to be identical. However, recognizing the need to install telemetry for Firm Sales Service customers and establish contract demands for those customers two distinctions will initially be required for Firm Sales Service customers. First, Firm Sales Service customers should be given a reasonable period (e.g., three - six months) to establish contract demands with the Company. Until such demands are established, demands billing for those customers should be based on the customer's highest average use in the last twelve calendar months. Likewise, the Company should be provided a reasonable period of time (e.g., up to 12 months) to install telemetry equipment for all applicable Firm Sales Service customers. Until such telemetry is installed and operable, no daily nominations of volumes should be required of applicable Firm Sales Service customes. Moreover, those customers should be provided at least

six to twelve months to learn the daily nomination process, and no penalties for imbalances between daily nominations and actual gas use volumes should be assessed during that period.

IV. SUMMARY OF RECOMMENDATIONS

Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS FOR THE COMMISSION WITH RESPECT TO THE MATTERS ADDRESSED HEREIN.

A. On the basis of the matters addressed herein, the following additional recommendations are offered for the Commission's consideration:

1. The Commission should question the level of confidence that can be placed in the reasonableness, accuracy, and cost-causative nature of EGU's class cost of service analysis. Furthermore, the absence of well supported development of cost-causative relationships within EGU's class cost of service study diminishes the value of that study as a guide for determine class revenue responsibilities and for developing appropriate rates and charges by rate schedule.

2. The Commission should find that EGU's proposed distribution of its requested revenue increase among rate classes fails to provide necessary and appropriate consideration of the principles of gradualism and continuity in ratemaking. Moreover, without adjustments to address those concerns, EGU's rate increase proposal will impose inordinately large revenue increases on the Company's Transportation and Interruptible service rate classes.

3. The Commission should conclude that EGU's its proposed subsidy for NGV service is not consistent with the public interest and t should be rejected.

4. The Commission should find that EGU's proposed Basic Service Fees ("BSF") depart significantly from cost-based levels, and those departures serve to expand intra-class rate subsidies.

5. The Commission should find that EGU's proposal to **retain** its Basic Service Fees at current levels for **all meter categories** is not justified by concerns regarding impacts on low-income or fixed income customers and that sound cost support and rationales exist for differentiating increases in Basic Service Fees by Meter Category.

6. The Commission should find that EGU has failed to justify its proposed increase in the Administrative Charge for Transportation Service customers.

7. The Commission should find that EGU has failed to demonstrate that portions of the costs included in the development of its Administrative Charge proposal do not duplicate costs that the Company seeks to recover through its Basic Service Fees. Moreover, the Commission should require that, before any current or future increase in EGU's Administrative Charge is approved, the Company should be required to demonstrate that the analyses supporting the development of

EGU's proposed Administrative Charge do not duplicate costs recovered through its Basic Service Fees.

8. The Commission should find that separate Administrative Charges for the TSS, TSM, and TSL are necessary and appropriate.

9. The Commission should find that EGU's proposed rates and tariff provisions create unnecessary and inappropriate disincentives for customers to use Transportation Services.

10. The Commission should find that EGU's tariff provisions that dictate when and and under what conditions Firm Sales Service customers may transfer to Transportation Service are inappropriate and unduly restrictive. Likewise, EGU's tariff provisions regarding the timing of, and conditions for, the transfer of Transportation Service customers to Firm Sales Service are also inappropriate and unduly restrictive.

11. The Commission should require greater alignment of rates, charges, and tariff provisions for Transportation Service customers and Firm Gas Sales customers with sufficient annual volume requirements to qualify for Transportation Service.

12. The Commission should investigate the offering a utility-sponsored Purchase of Receivables ("POR") program to gas marketers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes. It does.

VERIFICATION

I, Bruce R. Oliver, have reviewed the foregoing Direct Testimony and verify that I have prepared the attached Direct Testimony for the American Natural Gas Council in Phase II of Docket No. 25-057-06.

(DATE) September 16, 2025 (SIGNATURE) */s/ Bruce R. Oliver*
Bruce R. Oliver