

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**Application of Enbridge Gas Utah to
Increase Distribution Rates and Charges
and Make Tariff Modifications.**

Docket No. 25-057-06

Rebuttal Testimony of

Matthew P. Smith

On behalf of

United States Air Force

FEA Exhibit 3.0

October 16, 2025



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I. INTRODUCTION

1

2 Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A Matthew P. Smith. My business address is 16690 Swingley Ridge Road, Suite 140,
4 Chesterfield, MO 63017.

5 Q ARE YOU THE SAME MATTHEW P. SMITH WHO FILED DIRECT TESTIMONY IN
6 THIS PROCEEDING?

7 A Yes, I am.

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

9 A I am appearing in this proceeding on behalf of the Federal Executive Agencies ("FEA").
10 The FEA consists of certain agencies of the United States Government which have
11 offices, facilities, and/or installations in the service area of Enbridge Gas - Utah ("EGU"
12 or "Company"), such as Hill Air Force Base. The Department of Defense has been
13 delegated authority by the General Services Administration to represent, through
14 Department of the Air Force counsel, the consumer interest of the FEA in these
15 proceedings under 40 U.S.C. §§ 501(c) and 121(d). Utility costs represent one of the
16 largest variable expenses of operating federal offices, facilities, and installations, and

17 all will be significantly affected by any action the Commission takes in these dockets.
18 For these reasons, the FEA has a substantial interest in the above-captioned docket.

19 **Q ARE YOU SPONSORING ANY EXHIBITS IN CONNECTION WITH YOUR**
20 **TESTIMONY?**

21 A No.

22 **II. SUMMARY**

23 **Q WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

24 A The purpose of my rebuttal testimony is to comment on several parties' proposed class
25 revenue spreads based on their proposed Cost of Service Study ("COSS") results,
26 including the alignment on the rate setting benefits of using gradualism to mitigate the
27 increase in rates to all rate classes.

28 **Q PLEASE PROVIDE A SUMMARY OF YOUR REBUTTAL TESTIMONY.**

29 A I will begin with a brief discussion on intervenor filed COSS results and proposed
30 revenue spreads. Then, I discuss the principle of gradualism with respect to rate
31 spread and outline parties' positions, if any, on the subject of gradualism. I then present
32 my own suggested move to gradualism for the rate spread in this case.

33 **Q PLEASE SUMMARIZE YOUR FINDING AND CONCLUSIONS**

34 A. Many parties recommend the use of a gradual movement to cost of service as a means
35 of mitigating the rate increase in this case to all customers. Several parties recommend
36 limiting rate increases to 1.5x the system average increase, which results in classes
37 priced above cost of service being adjusted to remove some, but not all, of the

38 subsidies. A gradualism adjustment protects customers from excessive increases in
39 rates in a single rate case.

40 **III. RATE SPREAD AND GRADUALISM**

41 **Q DO PARTIES AGREE ON THE STRUCTURE, AND ALLOCATION METHODS, FOR**
42 **THE COSS?**

43 **A** No. While some parties' positions may vary only in small part from one another, and
44 others have wide gaps between positions, the correlating factor observed among party
45 COSSs, and proposed revenue spreads, is large increases, well above 1.5x system
46 average in some cases, to several classes within the various COSSs presented. This
47 can be observed below in Table 1. Table 1 displays party proposed revenue spreads,
48 presented as proposed increase indices with the value of 1 representing a proposed
49 class increase to revenue equal to the system average. An increase index above 1
50 represents an increase greater than the system average, and an increase below 1
51 represents an increase below system average.

TABLE 1					
Class Revenue Allocation					
<u>(Party Proposed Revenue Spread Increase Indices)</u>					
Proposed Increase Indices					
Rate Class	Company	OCS	Nucor	UAE	FEA
	(1)	(2)	(3)	(4)	(5)
GS	0.91	0.91	1.02	0.93	1.06
FS	0.82	0.86	0.46	0.14	0.00
IS	3.18	3.26	3.14	2.98	1.50
TSS	1.91	1.97	1.95	2.62	1.50
TSM	1.54	1.60	0.93	1.35	0.25
TSL	1.47	1.54	0.25	0.86	0.00
TBF	2.16	2.25	0.79	1.96	1.50
NGV	(0.17)	(0.13)	(0.22)	(0.32)	0.00
Total	1.00	1.00	1.00	1.00	1.00

Sources:
 (1) Exhibit EGU 5.07 - COS Summary, EGU 5.07 Pg2 Tab.
 (2) OCS Phase II-3D, Direct Testimony of James W. Daniel, TABLE 1, at 22.
 (3) Nucor Exhibit 1.2 COS Recommended Results, Rev Neutral Tab.
 (4) UAE Exhibit COS 2.0, Direct Testimony of Courtney M. Higgins, Table CMH-2, at 23.
 (5) FEA Exhibit 2.0, Direct Testimony of Matthew P. Smith, TABLE 2, at 23.

52 **Q DO PARTIES ACCEPT GRADUALISM AS A BALANCED REGULATORY TOOL?**

53 A Yes. Many parties have discussed or recommended a process of gradualism to move
 54 rate classes' revenue requirement toward cost of service while mitigating the harm that
 55 an excessive increase to any specific rate class, or classes, would create. This process
 56 can include limiting rate class increases/decreases to a certain multiple of the system
 57 average increase, and/or limiting class decreases to zero.

58 **Q DO YOU SUPPORT THE CONCEPT OF GRADUALISM AS PROPOSED BY**
 59 **CERTAIN PARTIES IN THIS CASE?**

60 A Yes. By mitigating the maximum increase for classes which may be experiencing
 61 higher than usual increases, when compared to the system average, such as a limit of

62 1.5x the system average, customers are prevented from experiencing rate shock which
63 could have negative consequences within the classes, and for the system as a whole.

64 Negative consequences for the system could include, but are not limited to,
65 customers leaving the Company's distribution system by investing in their own, or
66 alternative, transportation systems to avoid realized, and expected future, rate shock.
67 Leaving the Company, and remaining customers, to pay for the sunken costs of the
68 distribution system invested in to serve the Company's existing load at levels prior to
69 customers leaving.

70 **Q HAS THE COMPANY ACKNOWLEDGED THE RISK TO REMAINING CLASSES,**
71 **AND CUSTOMERS, IF LARGE AMOUNTS OF LOAD WERE TO START**
72 **DEPARTING THE SYSTEM?**

73 A Yes. The Company already has a long-standing subsidy in place for the TBF class in
74 recognition of the harm departing load would cause to remaining customers.¹

75 **Q HAVE ANY OTHER INTERVENING PARTIES ACKNOWLEDGED THE MERITS OF**
76 **GRADUALISM?**

77 A Yes, several have.

78 First, American Natural Gas Council ("ANGC") Witness Mr. Bruce R. Oliver
79 states the following in his Phase II direct testimony:

80 Third, even if we accept *arguendo* the results of EGU's class cost of
81 service analysis as the basis for determining class cost responsibilities,
82 well-established ratemaking practices suggest that proposed increases
83 in class revenue should reflect consideration of the principles of
84 "gradualism" and "rate continuity." EGU's proposed rate increases by
85 customer class fail to address "gradualism" and "rate continuity" which

¹ EGU Exhibit 5.0, Direct Testimony of Austin Summers at 11.

86 represent particularly critical considerations in the context of size of the
87 overall revenue increase that EGU asks this Commission to approve.²

88 Second, the Utah Division of Public Utilities (“DPU”) witness Mr. Matt Pernichele
89 lists gradualism “implementing rate changes gradually helps maintain rate stability and
90 minimizes abrupt financial impacts on individual customers”³ as one of the standards
91 the division uses to evaluate utility rates.

92 Third, Utah Office of Consumer Services (“OCS”) witness Mr. James W. Daniel
93 recognizes there are significant percent increases within the Company’s, and OCS’
94 proposed COSSs, and while Mr. Daniel himself doesn’t propose any implementation of
95 gradualism, he states he would not be opposed to applying a “gradualism adjustment.”⁴

96 Forth, Nucor Steel-Utah (“Nucor”) witness Lance D. Kaufman discusses
97 gradualism with respect to his proposed modification to the F230 allocation factor within
98 his proposed COSS model. While Mr. Kaufman believes a full move to a design day
99 demand allocator would be appropriate, he states in the interest of gradualism, he is
100 recommending a partial move by modifying the throughput portion of the allocator,
101 limiting it to winter throughput instead of annual throughput.⁵

102 Finally, Utah Association of Energy Users (“UAE”) witness Ms. Courtney M.
103 Higgins recommends targeted mitigation for the TBF class “consistent with current
104 practice.”⁶ Ms. Higgins continues to state “I am not proposing a general rate mitigation
105 plan at this time. That said, the extent of any rate mitigation that may be appropriate
106 ultimately depends on the Commission’s determinations on the overall revenue
107 requirement and cost allocation methods adopted in this case.”⁷

² ANGC Exhibit 1.00 DIR, Direct Testimony of Bruce R. Oliver at 27.

³ DPU Exhibit 6.0 DIR Phase II, Direct Testimony of Matt Pernichele at 3 - 5.

⁴ OCS Phase II-3D, Direct Testimony of James W. Daniel at 22.

⁵ Nucor Exhibit 1.0, Direct Testimony of Lance D. Kaufman at 14.

⁶ UAE Exhibit COS 2.0, Phase II Direct Testimony of Courtney M. Higgins at 23.

⁷ UAE Exhibit COS 2.0, Phase II Direct Testimony of Courtney M. Higgins at 23-24.

108 **Q ARE THESE PROPOSALS CONCERNING GRADUALISM CONSISTENT WITH**
109 **YOUR RECOMMENDATION IN THIS RATE CASE?**

110 A Yes. I utilized the principle of gradualism by limiting classes to no more than 1.5x the
111 system average increase observed in my proposed COSS, then held classes that
112 would get a rate decrease (at full cost of service) to no change in current rates, or an
113 increase of zero percent, and set the NGV class to no increase. I then allocated the
114 revenue difference to remaining classes which were not at the maximum increase, and
115 were not set to receive a decrease, by spreading the revenue to the remaining classes
116 by their proportion of Present Non-Gas Revenues.⁸

117 **IV. RECOMMENDATION**

118 **Q WHAT IS YOUR RECOMMENDATION WITH RESPECT TO THE RATE SPREAD IN**
119 **THIS CASE?**

120 A I recommend the Commission apply my proposed method of gradualism, outlined
121 above, to any approved COSS results to achieve a reasonable and fair outcome to this
122 case for all parties involved. While parties may differ in their proposed COSS
123 allocations, and in some cases methodology, the prevailing theme among intervenors,
124 and the Company's COSS, is the need for gradualism to prevent rate shock, and
125 possible negative outcomes to several classes. These negative outcomes could spill
126 over to all customers, and rate classes, if the level of rate shock induces customers to
127 depart the system in search of more affordable rates.

⁸ FEA Exhibit 2.0, Direct Testimony of Matthew P. Smith at 24.

128 Additionally, while there is no consensus on a COSS, all parties have expressed
129 either an explicit, or tacit, recognition of the principle of gradualism when it comes to
130 large rate increases within the scope of this rate case.

131 **Q DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

132 **A Yes, it does.**

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