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 MODIFICATIONS	**Docket No. 25-057-06**

PHASE II REBUTTAL TESTIMONY

AND EXHIBIT

OF

COURTNEY M. HIGGINS

On Behalf of the

Utah Association of Energy Users

October 16, 2025

TABLE OF CONTENTS

I. INTRODUCTION 3

II. OVERVIEW & CONCLUSIONS 3

III. RESPONSES TO PHASE II DIRECT TESTIMONY 5

Allocation of Feeders, Compressor Stations, and Measuring & Regulating Stations 5

Allocation of Large-Diameter IHP Mains 7

Allocation of Interest on Past Due Accounts 8

TBF Class Issues 10

TSL Class Volumetric Rate Design 12

Revenue Allocation 14

IV. CLASS COST-OF-SERVICE STUDY RESULTS AT THE STIPULATED REVENUE REQUIREMENT 17

EXHIBIT LIST

UAE Exhibit COS 4.0	Rebuttal Testimony of Courtney M. Higgins
UAE Exhibit COS 4.1	UAE Cost-of-Service Results Summaries

PHASE II REBUTTAL TESTIMONY OF COURTNEY M. HIGGINS

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Courtney M. Higgins. My business address is 111 E Broadway, Suite 1200, Salt Lake City, Utah, 84111.

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

A. I am an Associate Principal at Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. Are you the same Courtney M. Higgins who prefiled Phase II direct testimony on behalf of the Utah Association of Energy Users ("UAE") in this proceeding?

A. Yes, I am.

II. OVERVIEW & CONCLUSIONS

Q. What is the purpose of your Phase II rebuttal testimony in this proceeding?

A. My testimony responds to the Phase II direct testimonies of Federal Executive Agencies ("FEA") witness Mr. Matthew P. Smith, Nucor Steel-Utah ("Nucor") witness Dr. Lance D. Kaufman, Office of Consumer Services ("Office") witness Mr. James W. Daniel, Division of Public Utilities, Department of Commerce ("Division") witnesses Mr. Matt Pernichele and Ms. Annette T. Orton, and American Natural Gas Council ("ANGC") witness Mr. Bruce R. Oliver. I also update the class cost-of-service study results I presented in my direct testimony to

reflect the revenue requirement stipulated in the Phase I Settlement Stipulation, submitted September 26, 2025 ("Phase I Settlement").

Q. Please summarize your conclusions and recommendations.

A. My testimony offers the following recommendations:

1) I do not oppose the allocation proposals advanced by Mr. Smith and Dr. Kaufman for the feeder-line system, compressor stations, and measuring and regulating stations. However, I continue to believe that my recommended 66% Design-Day/34% Throughput allocation method is a balanced approach to allocating these costs.

2) If Mr. Smith's recommendation to utilize Excess Design-Day Demand and Throughput to allocate the costs of large-diameter Intermediate High Pressure ("IHP") mains is approved by the Commission, the calculation of this allocator should exclude the load connected directly to the high-pressure feeder-lines or upstream pipeline.

3) Mr. Daniel's recommendation to allocate Interest on Past Due Accounts based on customer counts should be rejected, as he has not demonstrated that these revenues are related to the number of customers.

4) I disagree with Mr. Pernichele's assertions that the discount applicable to the Transportation Bypass Firm ("TBF") class is 50% rather than 40% in this case, and that the TBF rate of return index demonstrates that Enbridge Gas Utah ("Enbridge" or the "Company") loses money by serving TBF.

5) My recommended TBF load adjustment is distinct from the broader policy concerns raised by Mr. Daniel pertaining to new large load. I recommend that the Commission adopt my TBF load adjustment in this case.

6) Dr. Kaufman's recommendation to redesign the Transportation Service Large ("TSL") volumetric rates should be rejected, as this proposal would unduly impact smaller users within the class.

7) I do not oppose employing gradualism by limiting class increases in this case, to mitigate the impacts that certain classes would otherwise experience.

8) I do not oppose other parties' recommendations to eliminate or limit Enbridge's proposed Natural Gas Vehicle ("NGV") class subsidy. However, if any NGV subsidy is approved, I disagree with Mr. Daniel's proposal to allocate cost responsibility based on Throughput and recommend that Enbridge's Distribution Non-Gas ("DNG") Revenue allocation be approved.

9) I update my recommended class cost-of-service study results to reflect the revenue requirement stipulated in the Phase I Settlement.

III. RESPONSES TO PHASE II DIRECT TESTIMONY

Allocation of Feeders, Compressor Stations, and Measuring & Regulating Stations

Q. Before addressing other parties' proposals, please summarize your primary recommendation regarding the allocation of costs of the feeder-line system, compressor stations, and measuring and regulating stations.

A. My primary recommendation, set forth in my direct testimony at lines 300-306, is to allocate these costs using a Throughput weighting that matches the system load

factor as prescribed in the NARUC Manual for the Average and Peak method. The system load factor is 34% when my proposed TBF adjustment is incorporated and, therefore, I recommend a 66% Design-Day/34% Throughput weighting. While the 60% Design-Day/40% Throughput weighting used by Enbridge is consistent with the Commission's order on this point in Docket No. 22-057-03, that weighting is not tied to any system utilization metric and departs from the nationally-recognized weighting approach. The result is an over-allocation of costs based on Throughput as compared to the standard application of the Average and Peak method.

Q. What have other parties proposed regarding the allocation of costs of the feeder-line system, compressor stations, and measuring and regulating stations?

A. Mr. Smith for the FEA and Dr. Kaufman for Nucor propose methods for allocating these costs that differ from the Company's Average and Peak method.

Mr. Smith recommends utilizing an Excess Design-Day/Throughput approach, whereby the peak component of the allocator is based on each class's share of Excess Design-Day Demand.[1] His approach utilizes Enbridge's 60% Peak/40% Throughput weightings, but replaces the Design-Day component with an Excess Design-Day component, based on the amount by which each class's Design-Day demand exceeds its Average Demand.[2]

[1] Direct Testimony of Matthew P. Smith (FEA Exhibit 2.0), pp. 15-21.
[2] Based on FEA Exhibit 2.02 and MPS Testimony Tables 1 & 2 workpaper, "COS Input" and "COS Alloc Factors" tab. I also note that, based on the "Dist Plant" tab, Mr. Smith did not adjust the allocation of related accumulated depreciation or regulatory liabilities be consistent with his Excess Design-Day/Throughput approach. It would be reasonable to apply a consistent allocation method to these rate base elements if an Excess Design-Day/Throughput method were adopted.

Dr. Kaufman recommends a 60% Design-Day/40% Winter Throughput allocation approach, with the Throughput component based on each class's usage during the months of January, February, March, November, and December. [3]

Q. Do you oppose FEA's or Nucor's allocation approaches for these facilities?

A. No. I agree with both parties that Design-Day demand is the primary cost driver for feeder-lines, compressor stations, and measuring and regulating stations. My recommendation to increase the Design-Day weighting from 60% to 66% advances the same principle and represents a balanced approach to allocating the cost of these facilities. I recommend the Commission adopt my approach, or consider an alternative method that emphasizes demand cost causation, such as those recommended by FEA and Nucor.

Allocation of Large-Diameter IHP Mains

Q. What does Mr. Smith recommend regarding the allocation of large-diameter IHP mains?

A. Mr. Smith uses the same Excess Design-Day/Throughput allocation factor he developed for feeder-lines to allocate large-diameter IHP mains.[4]

Q. Do you agree with Mr. Smith that the allocation of large-diameter IHP mains should include a demand component?

[3] Direct Testimony of Lance D. Kaufman (Nucor Exhibit 1.0), p. 14.
[4] Direct Testimony of Matthew P. Smith (FEA Exhibit 2.0), p. 21; MPS Testimony Tables 1 & 2 workpaper, COS Alloc. Factors tab.

A. Yes. In my direct testimony, I recommend that the allocation of large-diameter IHP mains include a Distribution Design-Day component, utilizing a weighted Distribution Design-Day/Distribution Throughput allocation factor.

Q. Do you have any concerns with Mr. Smith's approach to allocating these costs?

A. Yes. The allocation factor used for large-diameter IHP mains should exclude load connected directly to the feeder-line system or upstream pipeline. This recommendation is consistent with Enbridge's approach to allocating these costs based on Distribution Throughput and my recommended Distribution Design-Day/Distribution Throughput allocation factor. Mr. Smith does not adjust his Excess Design-Day/Throughput allocation factor to exclude load connected directly to the high-pressure systems. If the Commission adopts an Excess Design-Day/Throughput allocation method for large-diameter IHP mains, it should exclude load served directly from the feeder-line system or upstream pipeline.

Allocation of Interest on Past Due Accounts

Q. What is Interest on Past Due Accounts?

A. Enbridge assesses interest on past due bills, at a rate of 1.0% per month, based on § 8.03 of its tariff. The Company's rate case model includes $4.1 million of Interest on Past Due Accounts in Utah General Related Other Revenue, which totals $12.5 million. This Other Revenue reduces the revenue requirement that needs to be collected through base rates.[5] The Company allocates Interest on Past Due

[5] See Direct Testimony of Jordan K. Stephenson (EGU Exhibit 4.0), p. 9, lns. 190-197.

Accounts to classes using the DNG Revenue allocation factor, based on adjusted current DNG revenue.

Q. What does Mr. Daniel for the Office recommend regarding the allocation of Interest on Past Due Accounts?

A. Mr. Daniel takes issue with Enbridge's approach to allocating this revenue based on the DNG Revenue allocation factor. He argues that the Company's method will over-allocate this revenue to large customers, who are not typically the source of past due accounts. Instead, Mr. Daniel recommends using the Customer allocation factor to allocate this revenue.[6]

Q. Do you agree with Mr. Daniel's recommendation?

A. No. Mr. Daniel has not established a nexus between customer count and Interest on Past Due Accounts, which is assessed as a percentage of past due bills and therefore varies with the amount of arrearages, not the number of customers. His proposal is also asymmetric, in that he does not propose to change the allocation of Uncollectible Accounts or Collection Expense, which are expenses that are also allocated based on DNG Revenue. In addition, the Company includes a bad debt component in its gross-up factor, which is used to calculate the revenue increase required to achieve its proposed net operating income. That gross-up factor is applied by class based on the required net operating income increases, without regard to the class's actual bad debt incurrence.

[6] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), pp. 6-7.

Q. What do you recommend regarding Mr. Daniel's Interest on Past Due Accounts allocation recommendation?

A. I recommend that the Commission reject his recommendation and retain the current allocator. Any changes to this allocation should be considered in tandem with the allocation of Uncollectible Accounts, Collection Expense, and the assumed increase to bad debt.

TBF Class Issues

Q. Does the Division express concerns about the TBF class?

A. Yes. Mr. Pernichele states the TBF discount appears to remain at 50% rather than the Commission-authorized 40% discount. He also contends that the TBF negative rate of return index demonstrates that Enbridge loses money by serving TBF.[7]

Q. How do you respond to Mr. Pernichele's concerns?

A. Mr. Pernichele's assertion regarding the TBF discount percentage is unfounded. The 40% discount is calculated on the "COS Input" tab of Enbridge's model, EGU Exhibit 5.14U.[8] I continue to recommend that the TBF discount be set at no less than 40% of full cost of service, which is consistent with Enbridge's approach and the treatment approved in Docket No. 22-057-03.

I also disagree with Mr. Pernichele's claim that the TBF rate of return index indicates that Enbridge "loses money" by serving TBF. As an initial matter,

[7] Direct Testimony of Matt Pernichele (DPU Exhibit 6.0), p. 8.
[8] See 25-057-06 EGU Exhibit 5.14U - Electronic Model - Summers 5-14-2025, "COS Input" tab, Excel rows 47-51.

Enbridge shareholders are not assigned any cost responsibility for funding the TBF discount. Consistent with the Commission-approved design, the cost responsibility is spread to the non-TBF classes, in recognition of the system benefits of retaining TBF load. By remaining on Enbridge's distribution system, TBF customers contribute to fixed cost recovery, benefiting non-TBF classes. An intentional discount designed to retain load, such as applied to TBF, inevitably reduces the class rate of return when measured against fully allocated embedded costs. This is not evidence of losses at the margin, but rather is an expected outcome of the rate design.

In addition, the negative current rate of return simply indicates that current TBF revenue is below its fully allocated, embedded expenses, many of which are fixed and/or non-cash, such as depreciation expense. Those costs would not disappear if a TBF customer were to bypass the system; they would shift to remaining customers.

Finally, the TBF negative rate of return referenced by Mr. Pernichele is calculated prior to the rate increase proposed in this case, whereas TBF produces a positive return after applying Enbridge's proposed increase.

Q. Does the Office raise any concerns about TBF?

A. Yes. Mr. Daniel expresses concerns about the addition of new large load customers to the Enbridge system and questions whether such customers should be allowed to

take TBF service. He recommends opening an investigative docket on new large load issues and closing TBF to new customers pending further study.[9]

Q. In your direct testimony, you recommended a TBF load adjustment to reflect projected growth of a TBF customer in 2026. How should your recommendation be viewed in the context of Mr. Daniel's concerns?

A. My recommendation is a technical adjustment and is distinct from the broader policy concerns raised by Mr. Daniel. Adopting my TBF load adjustment ensures that the TBF billing determinants are consistent with the cost allocation inputs for this class. The misalignment in Enbridge's approach would inflate rates for all TBF customers and allow a portion of the value from additional TBF load to accrue to the Company's shareholders until the next rate case. I recommend that the Commission adopt my recommended adjustment in this case, even if it pursues additional examination of new large load issues in a separate docket.

TSL Class Volumetric Rate Design

Q. What does Nucor witness Dr. Kaufman propose regarding TSL volumetric rate design?

A. Dr. Kaufman proposes redefining the TSL volumetric blocks and widening the price gaps between them, so that each rate declines by 30% as usage increases. He contends that this design is justified because larger diameter pipes can transport gas at a lower per-dekatherm cost than smaller pipes.[10]

[9] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), pp. 27-28.
[10] Direct Testimony of Lance D. Kaufman (Nucor Exhibit 1.0), pp. 20-25.

Q. What is your response to Dr. Kaufman's proposal?

A. Dr. Kaufman's design would disproportionately burden smaller TSL customers by significantly decreasing the rates applicable to higher usage while increasing the lower-usage rates.[11] The basis for Dr. Kaufman's recommendation is the declining per-dekatherm cost of transporting gas through pipes of greater diameter. However, this declining unit cost is not reflected in the allocation of feeder-line costs in any of the cost-of-service studies proposed in this case. On the contrary, Enbridge's current cost allocation method allocates 40% of the total cost of feeder-lines, compressor stations, and measuring and regulating stations based on Throughput. Based on characteristics of the TSL class, 67% of TSL's share of these costs is attributable to its Throughput, under Enbridge's study.[12] Higher-volume TSL customers therefore cause a significant share of these costs to be allocated to the class. Without a cost-of-service study that reflects the economies of scale Dr. Kaufman posits, it would be inequitable to expand the rate differentials to the detriment of smaller TSL customers. Therefore, I recommend that the Commission reject Dr. Kaufman's TSL volumetric rate redesign proposal.

In addition, the TBF volumetric rate blocks mirror the TSL rate blocks, with each current TBF volumetric rate set in proportion to the corresponding TSL rate. I recommend against adopting a rate design that would disrupt this linkage.

[11] Since Dr. Kaufman proposes redefining each volumetric block, comparing current and proposed rates requires calculating average rates applicable to usage in each block.

[12] In EGU Exhibit 5.14U, TSL's Allocation Factor 230 percentage is 8.6%. This is a composite of its 14.5% Throughput share multiplied by 40% plus its Design-Day share of 4.7% multiplied by 60%. (14.5% × 40%) + (4.7% × 60%) = 8.6%. 5.8% + 2.8% = 8.6%. 5.8% ÷ 8.6% = 67.3%.

Revenue Allocation

Q. Do any parties recommend that the Commission limit class increases in the interest of gradualism?

A. Yes. ANGC witness Mr. Oliver recommends that the Commission limit class increases to 1.5 times the overall increase, at Enbridge's originally-requested 20.68% increase. He also recommends that Enbridge's overall increase be reduced and that the Commission consider employing gradualism to limit increases relative to the average and/or implement increases in phases to moderate year-over-year changes.[13]

FEA witness Mr. Smith proposes a revenue allocation guided by the results of his cost-of-service study, while limiting class increases to 1.5 times the system average, at Enbridge's originally-requested increase.[14]

Office witness Mr. Daniel states that he would not be opposed to a gradualism adjustment but does not present such a proposal.[15]

Q. Do you oppose employing gradualism to limit class increases in this case?

A. No. It would be reasonable for the Commission to consider limiting class increases to mitigate the impacts that certain classes would otherwise experience. Moderating sudden, large increases for commercial and industrial customers supports the viability of Utah businesses and encourages ongoing investment in the state economy.

[13] Direct Testimony of Bruce R. Oliver (ANGC Exhibit 1.00 DIR), pp. 29-31.
[14] Direct Testimony of Matthew P. Smith (FEA Exhibit 2.0), pp. 23-24.
[15] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), p. 22.

In my direct testimony, I recommend several changes to the cost-of-service study: the TBF load adjustment, weighting the Throughput component of Allocation Factor 230 based on load factor, and incorporating a Distribution Design-Day component in the allocation of large-diameter IHP mains. These refinements better reflect cost causation and reduce the cost-based increases for the Transportation, TBF and Interruptible Sales classes. The case for rate mitigation is even stronger under Enbridge's cost-of-service study, which yields markedly higher increases for these classes. I would support the Commission's consideration of rate moderation proposals to temper these impacts.

Q. How have other parties responded to Enbridge's proposal to subsidize the NGV class by maintaining current NGV rates?

A. Division witness Ms. Orton,[16] ANGC witness Mr. Oliver,[17] and Office witness Mr. Daniel[18] propose eliminating or limiting the proposed NGV subsidy. Mr. Daniel also argues that if the Commission approves an NGV subsidy, the responsibility for funding the subsidy should be allocated to the non-NGV classes based on Throughput rather than Enbridge's proposed DNG Revenue allocation.[19]

Q. Do you oppose limiting or eliminating the proposed NGV subsidy?

A. No. I do not oppose reducing or eliminating this subsidy. If a general rate increase moderation approach were adopted for other classes, those parameters should reasonably be applied to the NGV class as well.

[16] Direct Testimony of Annette T. Orton (DPU Exhibit 8.0 DIR Phase II), p. 6.
[17] Direct Testimony of Bruce R. Oliver (ANGC Exhibit 1.00 DIR), p. 82.
[18] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), pp. 12-13.
[19] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), p. 13.

Q. How do you respond to Mr. Daniel's recommendation regarding the allocation of the NGV subsidy costs among non-NGV classes?

A. Mr. Daniel's argument is based on faulty logic and I recommend that it be rejected. He argues that allocating the NGV subsidy based on DNG Revenue results in a disproportionate impact on GS customers by comparing the resulting costs per-dekatherm of funding this subsidy. He contends that this cost responsibility should be allocated based on Throughput because "all customers should pay a similar amount."[20]

Contrary to Mr. Daniel's assertions, levying the NGV subsidy responsibility as an equal per-dekatherm charge would *not* result in all customers paying a similar amount towards the subsidy. Volumetric costs comprise a greater share of the bills of higher-volume customers than of lower-volume customers. Therefore, higher-volume customers would be disproportionately impacted by Mr. Daniel's approach. Since the NGV subsidy is not truly caused by any non-NGV class, it is more equitable to apply this uplift charge in proportion to DNG Revenue than based on Throughput. I therefore recommend that if the Commission approves any NGV subsidy, Enbridge's allocation approach based on DNG Revenue should be utilized.

[20] Direct Testimony of James W. Daniel (OCS Phase II-3D Daniel), pp. 12-13.

IV. CLASS COST-OF-SERVICE STUDY RESULTS AT THE STIPULATED REVENUE REQUIREMENT

Q. Have you updated your class cost-of-service study to reflect the revenue requirement stipulated in the Phase I Settlement?

A. Yes. These results are summarized in Table CMH-1R, below, and are presented in UAE Exhibit COS 4.1, in the same format as UAE Exhibit COS 2.1 to my direct testimony. The Phase I Settlement, to which UAE is a settling party, stipulates a total revenue requirement of $604 million, but does not specify the adjustments that are accepted or rejected in the determination of that revenue requirement.[21] The Phase I Settlement indicates that depreciation rates will be based on the Company's depreciation study as modified by the Phase I Direct Testimony of Office witness David Garrett.[22]

[21] Phase I Settlement Stipulation (Submitted September 26, 2025), ¶ 10-11.
[22] Phase I Settlement Stipulation (Submitted September 26, 2025), ¶ 12.

Table CMH-1R
Cost-of-Service Results with UAE COS Recommendations
At the Stipulated Revenue Requirement

Class	Current DNG Revenue Plus General Revenue	DNG Revenue Change to Achieve Equalized ROR		DNG Revenue Change Plus TBF & NGV Discounts	
		$ Increase/ (Decrease)	% Increase/ -Decrease	$ Increase/ (Decrease)	% Increase/ -Decrease
(a)	(b)	(c)	(d)	(e)	(f)
GS	$485,805,574	$41,298,761	8.50%	$49,255,210	10.14%
FS	$3,728,834	($19,951)	-0.54%	$72,401	1.94%
IS	$199,108	$59,345	29.81%	$63,463	31.87%
TSS	$13,695,558	$3,340,815	24.39%	$3,827,312	27.95%
TSM	$17,985,886	$1,992,855	11.08%	$2,588,341	14.39%
TSL	$21,642,141	$1,157,176	5.35%	$1,987,765	9.18%
TBF	$11,587,887	$11,732,911	101.25%	$2,418,035	20.87%
NGV	$1,673,669	$593,429	35.46%	($57,185)	-3.42%
Total	$556,318,659	$60,155,341	10.81%	$60,155,341	10.81%

Q. Please explain the revenue requirement assumptions in your cost-of-service study.

A. To calculate the results of the class cost-of-service study incorporating my allocation recommendations, I utilized a proxy set of revenue requirement adjustments that produces the stipulated revenue requirement. To clarify, I am not contending that this specific package of adjustments is included in the Phase I Settlement, but rather am utilizing this approach to reasonably estimate the impacts of my cost allocation recommendations.

These proxy adjustments include Mr. Garrett's depreciation rate recommendations and the adjustments recommended in the Phase I Direct Testimony of UAE witness Justin Bieber, but I utilize Enbridge's proposed capital structure and a proxy return on equity of 9.375%. I also include an additional "black box" adjustment of $2.2 million in order to achieve the targeted Phase I

Settlement revenue requirement. I allocated this adjustment such that, prior to including my cost allocation recommendations, total costs are apportioned among classes consistent with Enbridge's revised rate case model provided in response to Data Request DPU FDR 1.18. These results under the Company's allocation methods are summarized in UAE Exhibit COS 4.1, page 1, COS Summary Table 2.

Q. The Phase I Settlement notes that the stipulated revenue requirement represents a $62 million increase based on the billing determinants and projections in Enbridge's application,[23] but your study shows a $60.2 million increase. Why is that?

A. The primary reason for this difference is that my TBF load adjustment increases the TBF billing determinants, thereby increasing the projected TBF revenue at current rates, and reducing the revenue deficiency relative to the stipulated revenue requirement. Phase II issues are not foreclosed by the Phase I Settlement,[24] and I continue to recommend that my TBF load adjustment be adopted in the context of Phase II.

Q. How do you treat the NGV class in your cost-of-service summaries?

A. To be comparable with the cost-of-service summaries I provided in my Phase II direct testimony, I continue to reflect an NGV subsidy based on Enbridge's direct proposal to maintain current NGV rates. As I mentioned above, I do not oppose other parties' recommendations to eliminate or limit the proposed NGV subsidy.

[23] Phase I Settlement Stipulation (Submitted September 26, 2025), footnote 1 at p. 3.
[24] Phase I Settlement Stipulation (Submitted September 26, 2025), ¶ 16.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.