BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF APPLICATION OF ENBRIDGE GAS UTAH TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	)	**Docket No. 22-057-03**
	)	**Phase II Rebuttal Testimony of James W. Daniel On behalf of the Office of Consumer Services**

October 16, 2025

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas, 78701.

Q. ARE YOU THE SAME JAMES DANIEL THAT PROVIDED PHASE II DIRECT TESTIMONY ON BEHALF OF THE OFFICE OF CONSUMER SERVICES ("OCS")?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to respond to certain claims and proposals made by the intervenors and the Division of Public Utilities ("DPU") witnesses in Phase II of this proceeding. In particular, I address issues raised in the Phase II direct testimony of Federal Executive Agencies ("FEA") witness Matthew Smith, Nucor Steel-Utah, A Division of Nucor Corporation ("Nucor") witness Lance Kaufman, Utah Association of Energy Users ("UAE") witness Courtney Higgins, American Natural Gas Council (ANGC) witness Bruce Oliver, and DPU witnesses Matt Pernichele, Eric Orton, and Ryan Daigle.

Allocation of Feeder Mains, Compressor Stations, and Measuring & Regulation Stations

Q. PLEASE DESCRIBE HOW EGU ALLOCATES THE COSTS ASSOCIATED WITH FEEDER MAINS, COMPRESSOR STATIONS, AND MEASURING & REGULATION STATIONS.

A. EGU allocates costs related to feeder mains, compressor stations, and measuring & regulation stations using allocation factor #230. As discussed on EGU Exhibit

5.02, allocation factor #230 is calculated by using 60% of the design-day demand allocation factor and 40% of the throughput allocation factor. On EGU Exhibit 5.02, EGU states that the 60%/40% weighting factors are "similar to the allocations used in previous cost of service studies."

Q. DID EGU PROVIDE ANY OTHER EXPLANATION OR SUPPORT FOR THE 60%/40% WEIGHTING FACTORS IN THEIR TESTIMONY?

A. No. Since EGU was not changing what it has done in previous rate cases, the Company apparently did not believe it was necessary to explain the basis for the 60%/40% weighting factors. In a previous EGU rate case,[1] the Company provided the following explanation and support for the 60%/40% weighing factors:

> These facilities fulfill a two-part function. They are designed to meet the peak requirements of firm customers, and they are used 365 days of the year to move gas to all customers, both firm and interruptible. The allocation of these costs does not lend itself to a single definitive solution. On the one hand it has been argued that firm customers should pay the entire cost in recognition of the underlying design demand function of these facilities. On the other hand it has been argued that customers should have responsibility for these facilities in proportion to actual use of the facilities. It is generally agreed that it would be unreasonable to allocate 100% on Peak Responsibility, just as it would be unreasonable to allocate 100% on Commodity Throughput.
>
> The cost-of-service task force that resulted from the 2002 general rate case looked at studies based on alternative weightings between peak and commodity of 75/25, 60/40, and 50/50. No consensus was reached as to the most appropriate weighting. However, the 60/40 weighting more closely matches the results of the COS that the Company has proposed over time.

[1] The Company's response to data request DPU No. 3.25 in Docket No. 13-057-05.

Q. DID OTHER PARTIES PROPOSE ADJUSTMENTS TO ALLOCATION FACTOR #230, INCLUDING DIFFERENT WEIGHTING PERCENTAGES?

A. Yes, UAE witness Courtney Higgins proposes different weighting percentages. I will address these proposed weighting percentages in the following testimony. However, I first want to explain the significance of the weighting factors. In comparison to the design day allocation factor, the throughput allocation factor will allocate a higher percentage of costs to customer classes with high load factor customers. Therefore, the higher the percent weighting factor for the throughput allocation factor, the higher the costs that are allocated to customer classes with high load factors. For example, in this case the throughput allocation factor for the TSL class is 14.50% while the design-day demand allocation factor is only 4.69%. Obviously, a higher weighting of the throughput allocation factor will allocate more costs to the TSL class.

Q. PLEASE DESCRIBE UAE'S PROPOSED WEIGHTING PERCENTAGES.

A. UAE proposes a 66.0% design day and 34.0% throughput weighting factors for this allocation factor. The throughput weighting factor of 34.0% is equal to UAE's calculation of EGU's adjusted annual system load factor of 34.0%. UAE witness Courtney Higgins claims her use of this system load factor as the throughput weighting percentage is supported by the National Association of Regulatory Utility Commissioners ("NARUC") Gas Distribution Rate Design Manual ("NARUC Manual").

Q. DOES THE NARUC MANUAL PRESCRIBE THAT EGU'S THROUGHPUT WEIGHTING FACTOR MUST BE EQUAL TO ITS ANNUAL SYSTEM LOAD FACTOR?

A. Not exactly. Ms. Higgins claims that this EGU allocation factor is based on an Average and Peak ("A&P") allocation methodology. However, it is my understanding that this EGU allocation factor is simply an allocation factor that EGU developed and has been using for a long time to allocate feeder mains, compressor stations, and measuring & regulation stations costs. EGU has not represented it as an A&P allocation factor.

Q. IS THERE ANOTHER PROBLEM WITH UAE'S PROPOSAL TO USE THE A&P ALLOCATION METHODOLOGY?

A. Yes. UAE wants to use the A&P methodology to support using a lower weighting percentage for the throughput component. However, UAE fails to use the correct peak demands for the "peak" allocation factor used for the A&P allocation methodology. As discussed in the NARUC Manual, the A&P methodology uses class coincident peak demands at the time of the test year system peak to determine the class peak component. However, UAE uses estimated class design day demands rather than test year coincident peak demands for that purpose. Using the estimated design-day demand to calculate the system load factor results in an artificially low load factor. This results in an artificially low weighting factor for the throughput component. The estimated design-day demand has no relationship with actual test year throughput and should not be used to calculate the system load factor

Q. IN EGU'S PREVIOUS RATE CASE IN 2022 IN DOCKET NO. 22-057-03, DID THE COMMISSION REJECT UAE'S PROPOSED WEIGHTING OF THE DESIGN DAY DEMAND AND THROUGHPUT COMPONENTS BASED ON SYSTEM LOAD FACTOR?

A. Yes. In the Commission's Order in that case less than three years ago, the Commission rejected UAE's identical load factor weighting proposal. While UAE is using a different witness in this case, the testimony in this case is similar to the UAE testimony in the 2022 case. In addition, UAE's testimony in this case does not identify any changes since the last case that would warrant departing from the allocation factor used to determine just and reasonable rates in the Commission's Order in the prior EGU rate case.

Q. DID ANY PARTY PROVIDE DIFFERENT OBJECTIONS TO EGU'S ALLOCATION FACTOR #230?

A. Yes. FEA objects to using the design day demand for calculating allocation factor #230.

Q. PLEASE DESCRIBE FEA'S PROPOSED ADJUSTMENT TO THE COMPANY'S ALLOCATION FACTOR #230.

A. FEA witness Matthew Smith describes EGU allocation factor #230 as a Peak & Average (P&A[2]) demand allocation methodology. He then then objects to using a P&A demand allocation methodology because he claims the P&A calculation effectively counts throughput (or average demand) twice. To correct his claimed double counting of throughput, Mr. Smith replaces the design day demand

[2] Mr. Smith's use of the acronym P&A and Ms. Higgins' use of the acronym A&P are different, but they are referring to the same demand allocation methodology.

component of allocation factor #230 with an “excess design day demand component”. His excess design day demand component is calculated by subtracting average class demand (or throughput divided by 8,760 hours) from the estimated class design day demand.

Q. DOES FEA WITNESS MR. SMITH ALSO RELY ON THE NARUC MANUAL TO SUPPORT HIS PROPOSAL TO NOT USE THE ENTIRE DESIGN DAY DEMAND?

A. Yes, Mr. Smith makes several references to the NARUC Manual and claims that it supports his proposal to only use his “excess” portion of the design day demand. for determining his allocation factor #230. However, the NARUC Manual does not recognize or discuss the use of excess design day demand when allocating distribution system costs. Accordingly, Mr. Smith’s new demand allocation factor should not be referred to as a P&A methodology.

Q. IS FEA’S PROPOSED ALLOCATION FACTOR #230 DIFFERENT THAN ITS ALLOCATION FACTOR #230 PROPOSAL IN EGU’S PREVIOUS RATE CASE?

A. Yes. In the previous EGU rate case, the FEA proposed using just the design day demand for allocation factor #230 and excluded any throughput component. In this case, as previously described, FEA includes the throughput component in the allocation factor #230 calculation but modifies the design day demand component to only include what the FEA describes as the “excess” design day demand. I would note that in this case FEA is using a different witness from the firm Brubaker & Associates.

Q. WHAT IS THE IMPACT OF FEA'S REVISED ALLOCATION FACTOR #230?

A. FEA takes service under one or more of EGU's TS rate schedules. Using FEA's revised cost of service model will result in a revenue deficiency of $2,550,796 for the TS rate classes as compared to EGU's proposed revenue deficiency of $15,716,796 for the TS classes. In other words, using FEA's revised allocation factor #230 will reduce the allocated cost of serving the TS rate classes by $13,166,007.

Q. IN THIS CASE, HAS FEA IDENTIFIED ANY CHANGES IN THE EGU SYSTEM THAT WOULD SUPPORT DEPARTING FROM THE COMMISSION'S DECEMBER 22, 2022, ORDER IN DOCKET NO. 22-057-03 WHICH APPROVED THE USE OF EGU'S METHODOLOGY FOR CALCULATING ALLOCATION FACTOR #230?

A. No. While FEA does not like the result of the allocation factor #230 methodology previously approved by the Commission, the FEA does not point to any change since the last rate case that would support the Commission departing from its methodology for determining just and reasonable rates in its recent Order.

Q. DID NUCOR PROPOSE ANY ADJUSTMENTS TO EGU'S ALLOCATION FACTOR #230?

A. Yes. As discussed on lines 112 through 315 of the direct testimony of Nucor witness Dr. Lance Kaufman, Nucor is proposing to replace the annual throughput component of EGU's allocation factor #230 with just the winter months throughput.

Q. WHAT IS THE BASIS FOR NUCOR'S PROPOSED USE OF ONLY WINTER THROUGHPUT?

A. As discussed in the referenced Nucor testimony, Dr. Kaufman supports not using the throughput component of allocation factor #230, i.e., only using class estimated design day demands for allocation factor #230. He is only using a winter throughput component as a transition allocation factor to be used in this case and wants the Commission to then use only design day demands in future EGU rate cases.

Q. DIDN'T THE COMMISSION REJECT NUCOR'S PROPOSED USE OF ONLY CLASS DESIGN DAY DEMANDS IN EGU'S PREVIOUS RATE CASE?

A. Yes, it did.

Q. WHAT IS THE BASIS FOR NUCOR RE-PROPOSING THE SAME REJECTED ALLOCATION METHODOLOGY IN THIS CASE?

A. Nucor bases re-proposing the same design day demand allocation percentages for allocation factor #230 on a quote from the Commission's Order in Docket No. 22-057-03 that is provided on lines 275 through 283 of Dr. Kaufman's testimony. However, that quote is taken out of context and does not support Nucor's position for re-proposing its previously rejected design day demand only allocation factor #230.

Q. PLEASE EXPLAIN.

A. The section of the Commission's Order quoted by Nucor relates to the Commission's decision regarding the weighting factors to be applied to the design day demand component and the throughput component of allocation factor #230.

As stated by the Commission in the quoted section of their Order, the distribution system facilities subject to the #230 allocation factor "fulfill two functions including, (1) meeting design day requirements, and (2) moving gas to all customers 365 days per year". The "moving gas to all customers 365 days per year" function is addressed by the throughput component of allocation factor #230. Thus, Dr. Kaufman's proposal to eventually eliminate the throughput component is similar to Nucor's argument in Docket No. 22-057-03 that the Commission rejected.

Q. PLEASE DESCRIBE ANGC'S PROBLEM WITH ALLOCATION FACTOR #230.

A. ANGC witness Bruce Oliver seems to accept EGU's allocation factor #230 methodology and only has a problem with how EGU describes its application. The distribution system costs being allocated by EGU with allocation factor #230 are classified as demand-related costs. Since allocation factor #230 includes a throughput component, Dr. Oliver claims that it reclassifies part of the distribution system costs as throughput or volume-related costs. He also discusses other claimed inconsistencies between EGU's cost classifications and allocations of other costs in EGU's COSS model. I will discuss these other claimed problems later in my rebuttal testimony.

Q. DO YOU HAVE ANY ISSUES WITH ANGC'S ISSUE WITH ALLOCATION FACTOR #230?

A. While Mr. Oliver's claimed cost classification issue with the use of allocation factor #230 may technically result in the outcome he describes, I disagree with his apparent claim that allocation factor #230 is allocating demand-related costs with a throughput allocation factor. The NARUC Manual recognizes the P&A demand

allocation methodology which includes a throughput component. However, the NARUC Manual does not say that allocation methodology reclassifies some distribution system costs as throughput-related costs. Mr. Oliver's concern or issue with allocation factor #230 is unfounded.

Q. BASED ON THE TESTIMONY FILED ON THE ALLOCATION FACTOR #230 AS BEING JUST AND REASONABLE, WHAT IS YOUR RECOMMENDATION?

A. I recommend that the Commission again approve EGU's methodology for calculating allocation factor #230. I would note that the DPU also does not object to EGU's methodology.

Allocation of Large Diameter IHP Mains

Q. PLEASE EXPLAIN HOW EGU ALLOCATES THE COST OF LARGE DIAMETER INTERMEDIATE HIGH-PRESSURE ("IHP") MAINS.

A. As discussed on line 165 through line 167 of the direct testimony of EGU witness Austin Summers, the Company allocates the costs associated with large diameter IHP mains using the distribution throughput allocation factor. EGU's support for this allocation is that large diameter main lines are generally designed to move natural gas from the high-pressure feeder line system to the smaller distribution mains. Based on this, EGU says the large diameter IHP system benefits all customers connected to the IHP system.

Q. WAS THE ALLOCATION OF COSTS ASSOCIATED WITH THE LARGE DIAMETER IHP MAINS AN ISSUE IN EGU'S PREVIOUS RATE CASE?

A. Yes. In EGU's last case, UAE, Nucor, and FEA opposed the use of throughput to allocate these costs to the customer classes. In the Commission's Order in Docket

No. 22-057-03, the Commission approved EGU's throughput allocator. In rejecting UAE's, Nucor's and FEA's proposed alternative allocator, the Commission stated the proposed alternatives did not provide any empirical advantages and "they simply shift costs to the advantage/or disadvantage of specific classes without a meaningful rationale." Also, I am not aware of anything that has changed with the large diameter mains system since DEU's previous rate case.

Q. DID ANY PARTY IN THIS CASE OPPOSE THE COMPANY'S ALLOCATION OF LARGE DIAMETER IHP MAINS?

A. Yes. UAE witness Ms. Higgins is proposing to allocate these costs using class distribution design day demands as a component of the allocation factor.

Q. WHAT IS UAE'S BASIS FOR ALLOCATING THE COSTS ASSOCIATED WITH LARGE DIAMETER IHP MAINS USING BOTH A CLASS DISTRIBUTION DESIGN DAY DEMAND COMPONENT AND A THROUGHPUT COMPONENT?

A. As stated on page 20, line 342 through page 21, line 359 of her direct testimony, UAE witness Ms. Higgins claims the larger diameter IHP mains are designed to meet EGU's design day demand and recommends using her adjusted allocation factor #230 for the allocation of large diameter IHP mains.

Q. IS THIS ARGUMENT SIMILAR TO UAE'S PROPOSAL IN EGU'S PREVIOUS RATE CASE REGARDING THE ALLOCATION OF LARGE DIAMETER IHP MAINS?

A. Yes. While UAE had a different witness in EGU's previous rate case, their arguments and support are very similar. Since no relevant changes in circumstances have been identified to justify changing this allocation factor, UAE's

proposed adjustment to EGU's allocation methodology for allocating large diameter IHP mains should be rejected again.

Other ANGC Cost Classification and Allocation Concerns

Q. DID ANGC DISCUSS ANY OTHER COST CLASSIFICATION AND ALLOCATION ADJUSTMENTS IN THEIR DIRECT TESTIMONY?

A. Yes. ANGC witness Mr. Oliver discusses examples of cost classification and allocation issues with what he describes as his greatest concerns with EGU's COSS model. Similar to his concern with allocation factor #230, he has concerns regarding claimed inconsistencies between EGU's classification of some costs and the allocation factor used to allocate those classified costs. For example, Mr. Oliver states that EGU classifies all administrative and general (A&G) expenses as customer-related but then allocates the A&G expenses using the model's gross plant allocation factor, which is only partially based on customer costs.

Q. DO YOU HAVE EGU COSS MODEL CONCERNS SIMILAR TO THOSE OF ANGC WITNESS MR. OLIVER?

A. No. I previously discussed my disagreement with Mr. Oliver's concern with his claimed inconsistency with the classification and allocation of the costs that allocation factor #230 is applied to. Similarly, I do not agree with his other characterizations of inconsistencies between cost classifications and allocations as a problem from an overall COSS model perspective. It is not unusual for utilities to classify costs in their cost classification analysis as either comodity-related, demand-related, or customer-related but then allocate the costs using a more

general allocation factor such as a gross distribution plant allocation factor, a rate base allocation factor, or a distribution non-gas (DNG) revenues allocation factor.

Q. DOES THE NARUC GAS DISTRIBUTION RATE DESIGN MANUAL PROVIDE ANY GUIDANCE REGARDING MR. OLIVER'S CONCERNS?

A. Yes. On page 26 of this NARUC Manual it states that:

> Other costs, such as those associated with common plant, working capital, and administrative and general expenses, cannot be readily categorized as either customer, energy or demand. Thus, they are not normally allocated on the basis of a single classification. These other costs are generally allocated on a composite basis of certain other categories. For example: common plant may be allocated on the composite allocation of all production, transmission, storage and distribution plant; administrative and general expenses may be allocated in accordance with the composite allocation of all other operating and maintenance expense, excluding the cost of gas.

Q. DID ANGC PROVIDE AN ADJUSTED COSS MODEL THAT FIXES MR. OLIVER'S CLAIMED PROBLEMS WITH EGU'S COSS MODEL?

A. No. Also, in only one of ANGC's claimed inconsistency issues did ANGC's testimony describe how to adjust the model to address the claimed inconsistency.

Revenue Distribution and Gradualism

Q. PLEASE DESCRIBE EGU'S PROPOSED REVENUE DISTRIBUTION TO THE CUSTOMER CLASSES.

A. EGU has proposed to set all customer class revenue levels equal to their allocated cost of service, except for the Natural Gas Vehicle Service (NGV) class and the Transportation By-Pass Firm Service ("TBF") class. Historically, the TBF rate is a discounted rate and, in this case, EGU is also proposing a discounted, or below

cost, rate for the NGV rate. EGU assigns the revenue shortfall from the NGV and TBF rate discounts to all other classes. As a result, the NGV and TBF classes pay less than their cost of service while the other customer classes pay above their cost of service. Despite some classes receiving relatively large, proposed percentage rate increases, EGU is not proposing any gradualism.

Q. DID OTHER PARTIES PROPOSE DIFFERENT REVENUE REQUIREMENT DISTRIBUTIONS AND/OR THE APPLICATION OF GRADUALISM?

A. Yes. I will discuss each of these revenue distribution proposals in the following rebuttal testimony.

Q. PLEASE DESCRIBE FEA'S PROPOSED REVENUE DISTRIBUTION.

A. As previously discussed, FEA is proposing a significant change in the allocation of distribution plant costs. This results in a drastic shift in the cost responsibility of customer classes in comparison to EGU's COSS model. FEA witness Mr. Smith also proposes to apply gradualism by limiting any class's percentage revenue increase to 1.5 times the system average revenue increase of 20.68%, or by 31.02%. In addition, he made no change in current revenue levels for the NGV class and any customer class that would receive a rate decrease under FEA's revised COSS model.

Q. PLEASE DESCRIBE UAE'S PROPOSED REVENUE DISTRIBUTION.

A. UAE witness Ms. Higgins stated in her testimony that she was not proposing a revenue spread to the customer classes "at this time," other than recommending that the TBF rates be set no higher than 60% of that class's full cost of service.

Q. PLEASE DESCRIBE NUCOR'S REVENUE DISTRIBUTION.

A. Nucor witness Dr. Kaufman proposes determining the class revenue changes based on his adjusted COSS model plus his class allocation of the revenue shortfall from the NGV and TBF rate discounts. Nucor's recommended revenue distribution results are summarized on Table 2 on page 15 of Dr. Kaufman's direct testimony. As shown on his Table 2, the GS customer class would receive a revenue increase that is $10,821,579 greater than EGU's proposed increase for the GS customer class. I would also note that the TSL class would receive a decrease of -$5,507,107.

Q. PLEASE DESCRIBE ANGC'S PROPOSED REVENUE DISTRIBUTION?

A. ANGC witness Mr. Oliver is proposing that gradualism be applied to customer classes that receive large rate increases if their revenues are set equal to their allocated cost of service. ANGC's gradualism proposal provides a revenue increase cap of 1.5 times the system average revenue increase. Mr. Oliver also mentions other gradualism options available to the Commission, such as phased rate increases, but does not offer a specific proposal for their application in this case.

Q. DO YOU HAVE ANY COMMENTS REGARDING THESE VARIOUS PROPOSALS ON REVENUE DISTRIBUTION?

A. Yes. As I mentioned in my direct testimony, I do not oppose applying gradualism if the Commission's approved class COSS results in significant rate increases for certain customer classes. However, as I also pointed out in my direct testimony, while EGU's proposed COSS model and revenue distribution proposal does result

in a few classes receiving significant percentage rate increases, those increases are in the range of class rate increases approved by the Commission in EGU's previous rate case. In that case, the Commission did not apply a gradualism adjustment. I would also note that the Company has not experienced good outcomes when applying gradualism adjustments in the past. On lines 294 through 301 of his direct testimony in Docket No. 19-057-02, EGU witness Austin Summers stated that:

> The principle of gradualism is often mentioned as a way to reduce rate shock to customers who may be moved to a higher rate. However, as I discuss in greater detail below, the TS rate class has enjoyed a gradualism approach (i.e., lower than full cost-of service) for nearly three decades. Because the Company has gradually increased rates in recent cases, little if any improvement has been made in reducing the inter-class subsidy. Thus, gradualism, in this instance, has not addressed the problem and, if continued, will only result in TS customers avoiding paying the full cost of service for years into the future.

In my opinion, the Commission should be cautious about how it implements gradualism, if any, in this case so that improvements in rates that reflect cost causation are not significantly eroded. As this Commission noted in its Report and Order in that same docket, 19-057-02, "We affirm that moving each class to its full class cost-of-service recovery is in the public interest …"[3]

[3] Docket 19-057-02, Report and Order, p. 38, dated February 25, 2020.

Basic Service Fees

Q. PLEASE DESCRIBE EGU'S PROPOSAL REGARDING THE BASIC SERVICE FEES INCLUDED IN THE PRIMARY CUSTOMER CLASS RATE SCHEDULES.

A. EGU's Basic Service Fees (BSF) are fixed monthly charges that recover primarily customer-related costs. EGU uses four BSF charges that vary by size of customer. In this case, EGU is not proposing to increase the four current BSFs.

Q IS ANY PARTY PROPOSING THAT THE BSF CHARGES BE INCREASED?

A. Only ANGC witness Bruce Oliver proposes that at least some increase in the current BSF charges is needed to provide some movement towards cost-based BSF charges. However, Mr. Oliver does not make any proposal as to the amount of increase in the BSF charges that he believes is reasonable. Instead, he recommends that before any BSF increases are approved by the Commission that EGU be required to "clearly demonstrate" that (1) there is no duplication of cost recovery between the BSF charges and the Administrative Charge applied to Transportation Service customers, and (2) EGU's classifications and allocations of costs in its COSS model "appropriately portray cost-causative relationships".

Q. DO YOU AGREE WITH ANGC'S PROPOSAL REGARDING THE MONTHLY BSF CHARGES?

A. No. EGU adequately supports its proposal to not increase the current BSF charges in this case. Further, if the Commission was interested in adjusting the BSF charges, then I agree with Mr. Oliver that the Commission should not do that until EGU provides additional analysis regarding the costs to be recovered in the BSF charges. If the Commission desires to consider such analyses, then the

Commission could require EGU to provide those analyses in its next rate case application and review the BSF charges at that time.

Conservation Enabling Tariff

Q. WHAT IS DPU'S RECOMMENDATION FOR CONTINUING THE USE OF EGU'S CONSERVATION ENABLING TARIFF (CET)?

A. As discussed in the direct testimony of witness Ryan Daigle, the DPU is recommending three changes to the CET. These are: (1) to require an EGU filing to adjust the amortization rate for refunding the CET over-recovery balance as soon as the account balance exceeds $10 million, (2) to amend Section 2.08 of EGU's tariff to change the limit on amortizing the CET account accrual from 2.5% to 5.0% of the allowed GS DNG revenues , and (3) to require any amount collected by EGU above the 5.0% limit be returned to ratepayers within 45 days via the 191 Account.

Q. DO YOU AGREE WITH DPU'S PROPOSED CET REVISIONS?

A. Yes, I believe DPU's proposed CET revisions will improve the performance of the CET.

Q. WOULD YOU STILL RECOMMEND THAT THE CET BE DISCONTINUED IF THESE REVISIONS WERE APPROVED?

A. If these CET revisions are approved, it would be acceptable to allow the revised CET to continue until EGU's next base rate case application and to review the performance of the revised CET in that case. I also believe that continuing to review the need for the CET in future EGU rate cases is important since the

average use per residential customer has increased, rather than decreased, in several recent months.

GS Customer Class

Q. IS THE DPU PROPOSING TO SPLIT THE GS CUSTOMER CLASS INTO MULTIPLE SMALLER CUSTOMER CLASSES?

A. No, not in this case. However, DPU witness Matt Pernichele is recommending that the Commission's Order in this case "include a provision opening an investigatory docket with the goal of designing an allocation method based on cost causation with minimal cross-subsidization within and between classes." Prior to this recommendation, Mr. Pernichele makes a statement that the GS customer class should be divided or otherwise reconfigured.

Q. DO YOU AGREE WITH MR. PERNICHELE'S PREMISE FOR HIS RECOMMENDED INVESTIGATORY DOCKET?

A. No. EGU has had a large GS customer class for a very long time. My understanding is that the large GS class has worked well and that some of the concerns with a large GS class were addressed with the expansion of transportation service. I would also point out that one of the more important factors for determining customer classes is that the load factors of the customers in the class should be similar. In response to DPU data request DPU 18.21, EGU split the GS customer class into three customer classes based on customer volumes. The class load factors for the three new GS customer classes were similar, indicating that inter-class and intra-class rate subsidies may not be a problem.

Q. DO YOU HAVE ANY CONCERNS WITH DPU'S PROPOSED INVESTIGATORY DOCKET?

A. One concern is the effort and expense that will be needed to properly study the issue of splitting up the GS customer class. As noted in Mr. Pernichele's direct testimony, the investigatory docket "would be a very complex and time-consuming endeavor." Another concern is that the cost of the effort may exceed any resulting benefits.

Q. ARE YOU OPPOSED TO AN INVESTIGATORY DOCKET TO CONSIDER SPLITTING UP THE GS CUSTOMER CLASS?

A No, other than my concern that such an undertaking may be more costly than its worth.

Tariff Issues

Q. DOES DPU WITNESS ERIC ORTON DISCUSS EGU'S PROPOSAL TO ELIMINATE A "DUPLICATIVE" PROVISION IN TARIFF SECTION 8.03 RELATED TO ENERGY ASSISTANCE ELIGIBILITY?

A. Yes. Mr. Orton states on lines 121 through 133 of his direct testimony that he accepts EGU's proposal to eliminate a claimed duplicative provision in Section 8.03.

Q. DO YOU AGREE WITH MR. ORTON'S POSITION ON SECTION 8.03 0F EGU'S TARIFF?

A. No. The basis for my disagreement is provided on lines 148 through 196of my direct testimony in this case.

Conclusion

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.