Docket No. 25-057-06
ANGC Exhibit 1R
Bruce R. Oliver

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. 1R**

DIRECT TESTIMONY OF AMERICAN
NATURAL GAS COUNCIL WITNESS

Rebuttal Testimony of ANGC Witness
On Class Cost of Service
And Rate Structure Issues

Bruce R. Oliver
Exhibit 1R
Phase 2

October 16, 2025

CONTENTS

I. 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. ARE YOU THE SAME BRUCE R. OLIVER WHO HAS PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF ANGC?

A. Yes, I am.

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

A. This testimony responds to portions of the Phase II Direct Testimonies of witnesses for Nucor Steel ("Nucor"), the Utah Energy Users Association ("UEA"), the Division of Public Utilities ("DPU"), and the Office of Consumer Services ("OCS").

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

A. Yes, they were.

II. RESPONSE TO THE DIRECT TESTIMONY OF OTHER PARTIES

A. Response to Nucor Witness Kaufman

Q. DOES NUCOR'S WITNESS KAUFMAN OFFER ANY RECOMMENDATIONS WITH RESPECT TO THE DESIGN OF RATES FOR TRANSPORTATION SERVICE CUSTOMERS?

A. Yes. Witness Kaufman's Transportation Service rate design recommendations

focus on the Transportation Service Large ("TSL") rate classification. His recommendations for the TSL class are twofold. First, he proposes separate recovery of costs associated with IHP distribution mains. Second, he proposes a restructuring of the Volumetric rate blocks for the TSL class.

Q. DO YOU SUPPORT WITNESS KAUFMAN'S PROPOSED CHANGES TO ENBRIDGE'S RATE DESIGN FOR TSL CUSTOMER?

A. In general, I believe Witness Kaufman has sound cost rationales for his proposed changes to the Company's TSL rate design.

I support Witness Kaufman's position that the cost of IHP distribution mains attributed to the TSL class in EGU cost of service allocations should be recovered from only those customers within the TSL class who utilize IHP distribution mains. Customers within the TSL class who do not utilize IHP distribution mains should be insulated from bearing the costs of such mains. However, I differ from Witness Kaufman somewhat regarding how costs for IHP distribution mains should be recovered form TSL customers.

I also find that Witness Kaufman's proposal for restructuring the Company's Volumetric Charges for TSL customers better reflects cost-causation. Witness Kaufman's TSL rate design represents a significant improvement over EGU's fixed dollars per Dth increase for TSL Volumetric rate blocks. EGU's proposed adjustments to its volumetric charges for all of its Transportation Service rate classes clearly reflect a lack of recognition of important economies of scale. As I noted in my Direct Testimony, EGU's proposed Volumetric charges for its

Transportation Service rate classes significantly erode the declining block nature of the Company's existing charges without establishing a sound basis within its distribution costs for those changes. Moreover, the increases in "tail block" charges that EGU proposes for each of its Transportation Service rate classes impose inordinately large increases on larger users within each Transportation Service rate class without cost-based justification for those increases.

EGU's witness Summers' Direct Testimony represents that the Company proposes no changes in its rate designs in this proceeding that would affect subsidies **within** its rate classes.[1] That representation is simply incorrect. The Company's application of uniform dollars per Dth increases for all volumetric rate blocks within each of its Transportation Service rate schedules represents substantial changes in rate designs for those classes and clearly shifts cost responsibilities among customers within each of those rate classes. Moreover, the Company's approach to the adjustment of its Volumetric Charges for its Transportation Service rate classes imposes inordinately large increases on tail block usage. Even if we accepted ***arguendo*** that EGU could show a cost basis for such adjustments to its Volumetric Block charges for its Transportation Service rate classes, implementation of those adjustments without any demonstrated consideration of the principles of gradualism and rate continuity is inappropriate, and should be rejected

[1] EGU Exhibit 6.0, the Phase II Direct Testimony of Witness Summers, page 15, lines 391-393.

B. Response to UEA Witness Higgins

Q. DOES UEA WITNESS HIGGINS OFFER ANY RECOMMENDATIONS REGARDING RATE DESIGN FOR TRANSPORTATION SERVICE RATE CLASSES?

A. Yes. Witness Higgins recommends that any reduction in the revenue requirements for the TSS, TSM or TSL classes be applied on an equal percentage basis to the volumetric rates for those classes Enbridge has proposed. Witness Higgins also recommends that the TBF volumetric rate be calculated by applying an equal percentage discount to the proposed TSL volumetric rate for each rate block.

Q. PLEASE DO YOU AGREE WITH WITNESS HIGGINS' RECOMMENDATIONS FOR ADJUSTING THE VOLUMETRIC RATES FOR EGU'S TRANSPORTATION SERVICE RATE CLASSES?

A. No, I do not. Although I accept the concept that EGU's volumetric charges should be adjusted on an equal percentage basis within each rate class, I do not view Enbridge's proposed volumetric rates as the appropriate starting point for any required adjustment.

Q. PLEASE EXPLAIN THE RATIONALE FOR YOUR DISAGREEMENT WITH WITNESS HIGGINS RECOMMENDATION.

A. EGU has developed its proposed volumetric charges for its Transportation Service rate classes by increasing its volumetric charges within each Transportation Service rate schedule in a manner that departs sharply from the current declining block structure of the Company's existing charges for those rate classes. EGU's

proposed adjustments to its existing Volumetric Charges for the TSS, TSM, and TBF classes reflect an equal-dollars-per-Dth adjustments to the existing block charges within each of those rate schedules. For the TSS class the Company's proposed Volumetric Charges for Rate Blocks 1, 2, and 3 are all increased by $0.47516 per Dth. For the TSM class EGU proposes to increase the Volumetric Charges for both Rate Block 1 and Rate Block 2 by $0.30776 per Dth, and the adjustment per Dth for each TBF Volumetric rate block is $0.22009 per Dth. However, for unexplained reasons, EGU's proposed Volumetric Charges for the TSL class increase in magnitude for higher usage rate blocks, increasing progressively through the TSL volumetric rate blocks from $0.20354 per Dth for Rate Block 1 to $0.28707 per Dth for Rate Block 4.

Given the current declining block structures applied to each of these rate classes, EGU's approach to the adjustment of its Volumetric Charges for each of its Transportation Rate classes would apply dramatically larger percentage increases for tail block usage by customers in each Transportation Service rate class than it would for usage in the initial volumetric rate block for each class. For example, the increase EGU proposes in the tail block (Block 3) Volumetric Charge for TSS customers is **241.1%**. By comparison EGU's proposed increase in the TSS Block 1 volumetric charge is 39.6%. Similarly, for the TSL class EGU's proposed increase in its Volumetric Charge for Block 1 usage 29.9% while its proposed increase in the Volumetric Charge for Block 4 usage is **136.3%**.[2] These

[2] EGU's rate design for Transportation Customers is explained in one two-sentence paragraph at page 21, lines 548-552, in EGU Witness Summers' Direct Testimony (EGU Exhibit 5.0). In that brief explanation,

extremely large percentage increases in EGU's Volumetric Charges for tail block usage are unwarranted and inappropriate as they fail to provide any consideration of the principles of rate continuity and gradualism in this adjustment of charges. Moreover, Nucor Witness Kaufman demonstrates there are sound cost-based rationales for not substantially altering the existing relationship of Volmentric Charges across rate blocks as EGU seeks to do through the rate increases in proposes in Volumetric Charges by rate block for its Transportation service classes.

For the foregoing reasons, I recommend that any required adjustments to Volumetric Block Charges for EGU's Transportation Service rate classes be accomplished in a manner that applies equal percentage adjustments to the Company's **existing** charges for each rate schedule. In doing so, the relative levels of the Company's Volumetric Charges within each rate schedule would be maintained, and unjustified and exorbitant increases in tail block usage charges for Transportation Service rate classes would be avoided.[3]

C. Response to DPU Witnesses

1. *Overview of DPU Rate Structure Testimony*

Q. WHAT IS YOUR ASSESSMENT OF DPU'S TESTIMONY WITH RESPECT TO RATE STRUCTURE CONSIDERATIONS IN THIS PROCEEDING?

Witness Summers suggests that the Company's Transportation Service rate classes will have rates designed "*in the same way as they have in the past … with a declining block structure*." No mention is made of the significantly greater percentage increases proposed for usage in tail block charges within each Transportation Service rate schedule.

[3] This approach to adjusting charges is also consistent with Witness Higgin's objective of maintaining the existing discount between the Volumetric Charges for TSL and TBF customers.

A. DPU's Phase II Direct Testimony is essentially devoid of sensitivity to gradualism and rate continuity considerations relating to the revenue spread and rate designs that EGU has presented. DPU's acceptance of the Company's representation that it "*does not propose to make any changes to its rate design*"[4] ignores extremely large percentage increases in elements of the Company's rate proposals. Those increases fail to reflect reasonable and necessary consideration of ***gradualism*** and ***rate continuity*** principles. Large percentage changes in class revenue requirements and in the relative magnitudes of charges within rate schedules have as much or more impact on customers and their budgets for gas distribution services as maintaining existing rate classifications and/or existing rate block structures and charges.

DPU's limited review and consideration of the details of Enbridge's cost allocations and rate structure analyses must not be accepted by this Commission as an adequate or appropriate examination of the details of EGU's rate proposals in this proceeding or the impacts of those proposals on customers within each rate class. The most insightful element of DPU's Phase II testimony is sponsored by DPU witness Pernichele. However, his testimony focuses primarily on the need to restructure Enbridge's General Service ("GS") class, and does not address problems associated with either EGU's pricing of distribution services for other rate classes or inconsistencies in the Company's pricing and terms of service for Firm Gas Sales Service customers and Transportation Service rate classes.

[4] DPU Exhibit 1.0 DIR Phase II, page 2, lines 36-37, and EGU Verified Application (May 1, 2025) at 10.

Q. CAN YOU HIGHLIGHT THE INCREASES IN CLASS REVENUE REQUIREMENTS AND RATE CHARGES THAT YOU FIND TO BE EXTREMELY LARGE AND IN NEED OF MORE GRADUAL ADJUSTMENT?

A. Yes. **Table 1** shows the percentage increases in DNG Revenues by rate class that EGU initially proposed and those that it computed based on the Phase I Settlement. It also indicates the relationship of each proposed increase to the overall average DNG Revenue increase percentage for all classes. Similarly, **Table 2** highlights the percentage increases in charges for individual rate classes that are unduly large in the context of the overall revenue increase.

Increases in rates for utility services of the magnitudes reflected in EGU's proposals, as highlighted in Tables 1 and 2, are, at best, difficult for customers to anticipate and reflect in their budgeting, planning, and investment decisions. The principle of ***ratemaking continuity*** suggests that customers should be able to rely on the reasonableness of past Commission determinations and undertake their budgeting and planning activities with the understanding that they will be protected from dramatic changes in rates and/or dramatic changes in regulatory policies that will substantially alter their costs of utility services. EGU's rate proposals appear to give zero weight to such considerations. Increases in rates for utility services of the magnitudes reflected in EGU's proposals, as highlighted in Tables 1 and 2, are, at best, difficult for customers to anticipate and reflect in their budgeting and planning. The results of EGU's class costs of service allocations suggest sub-

stantial deviations from its allocated cost for most of its Transportation and Interruptible Service rate classes. Yet, EGU highlights no dramatic changes in its cost structures or units of service that explain the emergence of such large deviations between its billed revenues and costs of providing service by rate class. On the basis of EGU's class cost of service analyses, it appears that the Commission's past efforts to equalize class rates of return were not successful. Therefore, it is important to understand what in the Company's cost allocation and rate structure determinations impeded the success of those efforts. The Division's failure to address these matters, as part of an objective review of Enbridge's rate proposals in this proceeding, should be a concern to this Commission. The dominant nature of EGU's General Service class[5] must not be accepted as justification for lesser scrutiny of proposed rate changes for other classes of service.

In addition, Enbridge's efforts to equalize class rates of return unjustifiably assumes a level of precision in the Company's allocations and assignments of costs by rate class that does not exist. The Company represents its rate design process "*is used to make sure customers are paying for the costs they cause*." However, as I noted in my Direct Testimony, the details of EGU's development of its proposed charges for gas distribution service in this proceeding identify marked departures from cost-based charges for the services provided to customers in each

[5] As noted in my Direct Testimony (ANGC Exhibit 1.0) at page 14, EGU's GS rate classification accounts for **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.

rate class. Except in the context for restructuring the GS class, DPU does not address these the details of EGU's rate design proposals rate class.

Table 1

EGU's Proposed DNG Revenue Increase Percentages by Rate Class[6]

	EGU Initial Rate Filing		EGU Phase I Settlement Model	
Rate Class	**Proposed % Incr.**	**Ratio to Avg Increase**	**Proposed % Incr.**	**Ratio to Avg Increase**
GS	22.3%	0.92	12.4%	0.88
NGV	0.0%	0.00	0.0%	0.00
FS	20.4%	0.85	10.7%	0.75
IS	**72.0%**	**2.99**	**58.2%**	**4.10**
TBF	**54.4%**	**2.25**	**41.8%**	**2.95**
TSS	**44.4%**	**1.84**	**32.7%**	**2.31**
TSM	**35.9%**	**1.49**	**24.9%**	**1.76**
TSL	**33.1%**	**1.43**	**23.6%**	**1.67**
MT	20.6%	0.85	13.2%	0.83
Overall	24.1%	1.00	14.2%	1.00

[6] Percentage increases by rate class under the Company's Initial Rate Proposal in this proceeding are computed from the information provided in EGU Exhibit 5.07, page 2, line 14. Percentage increases based on the rates suggested by Enbridge to recover the Phase I Settlement Revenue Requirement are computed from the information provided on the "Rate Design 10yr" tab of the Company's Electronic Model for Settlement.

Table 2

Examples of Large Percentage Increases in Charges That Are Included in EGU's Proposed DNG Rate Designs[7]

Rate Class/Charge	EGU Initial Rate Filing Proposed % Incr.	EGU Initial Rate Filing Ratio to Avg Incr.	Ph I Settlement Model Proposed % Incr.	Ph I Settlement Model Ratio to Avg Incr.
Volumetric Charges Increases				
GS				
Winter > 45 Dth	44.2%	1.83	25.7%	1.82
Summer > 45 Dth	**50.7%**	**2.10**	24.2%	1.71
FS				
Winter Block 3	**48.7%**	**2.02**	**33.6%**	**2.37**
IS				
Block 1	**69.6%**	**2.88**	**56.2%**	**3.97**
Block 2	**587.2%**	**24.34**	**474.0%**	**33.46**
Block 3	**1288.3%**	**53.41**	**1040.1%**	**73.42**
TBF				
Block 3	**54.3%**	**2.25**	**39.5%**	**2.79**
Block 4	**127.1%**	**5.27**	**92.4%**	**6.52**
TSS				
Block 2	**66.7%**	**2.77**	**41.5%**	**2.93**
Block 3	**241.1%**	**10.00**	**150.0%**	**10.59**
TSM				
Block 2	**50.3%**	**2.09**	**31.1%**	**2.19**
TSL				
Block 3	48.0%	1.99	**31.6%**	**2.23**
Block 4	**127.1%**	**5.27**	**97.9%**	**6.91**
Contract Demand Charges				
TSS, TSM, TSL	39.3%	1.63	**39.3%**	**2.78**
Overall DNG Rev. Incr.	24.1%	1.00	14.2%	1.00

[7] The increases by charge under EGU's initial rate proposal are derived from EGU Exhibit 5.10. The percentage increases by charge for the rate designs included in the Company's Phase I Settlement Model are computed from the information provided on the "*Rate Design 10yr*" tab of EGU's "Electronic Model for Settlement."

As shown in Table 2, above, there are twelve charges for which EGU would impose increase greater than twice the system average increase in DNG revenue under the Phase I Settlement revenue requirement. In nine of those instances, the Company's suggested design of charges to recover the Phase I Settlement DNG revenue requirement would produce increases in the identified charges of greater than 2.5 times the overall average DNG Revenue increase. Furthermore, there are five instances in which EGU's suggested charges based on the Phase I Revenue Requirement would result in increases more than five (5.0) times the overall average DNG Revenue Increase. All of these instances represent **exceptionally large** increases the impacts of which warrant careful consideration by the Commission and all parties.

Q. HOW MUCH OF AN ADDITIONAL INCREASE TO THE GS CLASS WOULD BE REQUIRED TO CONSTRAIN THE CLASS REVENUE INCREASES AT THE SETTLEMENT REVENUE RQUIREMENT TO NOT MORE THAN 1.5 TIMES THE OVERALL AVERAGE INCREASE IN DNG REVENUES?

A. I compute that an additional increase of approximately 0.8% would generate sufficient additional revenue to allow for a revenue spread that would cause no class to receive more than 1.5 times the overall average DNG revenue increase.

1. GS Rate Restructuring

Q. WHAT IS YOUR RESPONSE TO THE POSITION OF DPU WITNESS PERNICHELE REGARDING RESTRUCTURING OF THE GS RATE CLASS?

A. I strongly support DPU witness Pernichele's call for restructuring the GS rate class. Use of a single rate class to provide distribution services to customers that represent highly diverse usage characteristics and end-use activities does not facilitate the development of rates that reasonably reflect the utility's costs of providing service. As witness Pernichele suggests EGU's use of a single rate schedule to address over 99% of its customers, despite considerable diversity in the service requirements, is not a common practice among gas distribution utilities.

Moreover, as I noted in my Direct Testimony the dominance of a single rate class erodes the confidence that can be placed in the reasonableness and accuracy of rate determinations for other rate classes. Small errors in the costs assigned to such a dominant rate class can yield comparatively large errors in the Company's assessment of costs for other classes. I appreciate that such restructuring can require considerable analytics and should not be pursued in an off-handed or cavalier manner. However, it is not a task that requires decades to complete. Now is the time for this Commission to require more careful and detailed consideration of structuring of the current GS rate class.

2. NGV Subsidies

Q. THE DIRECT TESTIMONY OF DPU WITNESS ANNETTE ORTON ADDRESSES ENBRIDGE'S PROPOSAL FOR SUBSIDIZATION OF THE NGV CLASS. DO YOU AGREE WITH HER ASSESSMENT OF THE COMPANY'S NGV PROPOSAL?

A. In general, I do. However, there are elements of witness Orton's approach to this matter that can, and should, be improved. I agree with witness Orton that long-term subsidization of a dwindling NGV class is not in the public interest. Unlike other natural gas distribution services that EGU offers, the Company's NGV service must compete in an unregulated market with alternative vehicle fueling methods. Yet, over the last decade, it has not done so successfully. As I noted in my Direct Testimony in this proceeding, the Dth of gas provided by the Company for its NGV rate class have fallen dramatically over the last decade. Moreover, as witness Orton illustrates on page 4 of her Direct Testimony, the numbers of NGVs registered in Utah have also fallen sharply as the popularity of electric vehicles has increased.

Q. IS THERE ANY EVIDENCE THAT ENBRIDGE'S NGV SERVICE CAN SURVIVE WITHOUT CONTINUED LONG-TERM SUBSIDIZATION?

A. No. As witness Orton observes "*additional subsidization will likely be needed in the future*." EGU's recognition of this failing business segment is reflected in its representation that the Company is considering selling or closing at least some of its NGV refueling facilities.

Q. DO YOU AGREE WITH WITNESS ANNETTE ORTON'S SUGGESTION FOR A PHASE-OUT OF ENBRIDGE'S NGV SERVICE?

A. No, I do not. The Division's recommendation is that "*Enbridge phase out its NGV program by its next GRC*" or "*increase its charges to the NGV class*."[8] However,

[8] DPU Exhibit 8.0, page 2, lines 30-33.

that proposal, if accepted by the Commission, is only likely to prolong the Company's termination of this business which has lost its competitiveness, as the economics of owning and operating natural gas vehicles has been eroded by an expanding Electric Vehicle market. With the Company considering the sale or closing of its NGV facilities, the Division's proposal serves to lessen the pressure on the Company to take such necessary corrective action.

I also note that, relative to the overall revenue requirement for the GS rate class, the dollar amount of subsidy Enbridge proposes for its NGV service appears small. However, for other rate classes that may already face comparatively large rate increases, every dollar of subsidy for other EGU services that can be avoided is meaningful.

Q. SHOULD THE COMMISSION BE CONCERNED ABOUT ENSURING THE CONTINUED AVAILABILITY OF NGV REFUELING FACILITIES FOR CURRENT USERS OF NATURAL GAS VEHICLES?

A. No. I take this position for several reasons.

First, the presumed need for a phase out of Enbridge's NGV service appears to be premised on concerns regarding the continued availability of refueling service for existing owners of NGVs. However, those concerns warrant little weight in this proceeding. As noted in my Direct Testimony, a termination of Enbridge's NGV service does not necessitate a conclusion that NGV refueling facilities would be unavailable to existing owners or operators of NGVs. Rather,

the Company indicates that at least some NGV users have found that they can build and operate NGV fuel facilities more economically than Enbridge.[9]

Second, subsidization of Enbridge's NGV vehicle service, even in the context of a proposed phase-out of that business is inappropriate. Enbridge has already issued an RFP for the sale of at least a portion of its NGV stations. The subsidies for NGV service that Enbridge proposes are built into the Company's rate proposals for distribution service to other rate classes in this proceeding. If Enbridge sells some or all of its NGV refuel stations between now and the end of its next GRC, the Division's proposal provides no mechanism for removing subsidies from the rate that will be billed to customers in other rate classes.

Third, as witness Orton demonstrates there has been a substantial decline in the number of registered NGV's over the last decade (i.e., from approximately 10,000 in 2016 to 2,200 in 2023).[10] As a result, it should be expected that the remaining NGV fleets in Utah are heavily depreciated, and ripe for replacement with newer, most likely non-NGV, vehicles.

D. <u>Response to OCS Witness Daniel</u>

Q. WHAT ELEMENTS OF WITNESS DANIEL'S DIRECT TESTIMONY TO YOU ADDRESS?

[9] See the Direct Testimony of EGU Witness Summers, EGU Exhibit 5.0, page 10, lines 252-253, which states, "*Some NGV users have built their own fueling facilities that has (sic.) taken volume away from Company-owned stations*." It is presumed that customers would not build and operate their own NGV fuel facilities if they did not find it more economic to do so.

[10] DPU Exhibit 8.0, page 4, lines 88-90.

A. This Rebuttal testimony responds to two elements of OCS Witness Daniel's Direct Testimony. Those elements include: (1) his position with respect to the distribution of the Company's revenue increase among rate classes (i.e., the "revenue spread"); (2) his concerns regarding New Large Natural Gas Customers; and (3) his discussion of elements of EGU's cost allocation methods.

1. Revenue Distribution

Q. IS WITNESS DANIEL OPPOSED TO THE APPLICATION OF GRADUALISM IN THE ADJUSTMENT OF CLASS REVENUE REQUIREMENTS?

A. No. As stated in his testimony, "*I would not be opposed to applying a gradualism adjustment*."[11] However, his recommended class revenue increases actually amplify the disparity in class revenue increase percentages with the classes facing the largest rate increases under EGU's proposed revenue increase distribution being given even larger increases under his proposals. Witness Daniel's presumption is that the Commission's decision to attempt to equalize class rates of return in the Company's last base rate case will be carried forward into this case and applied using OCS cost of service allocation results. As I have discussed in both this testimony and in my Direct testimony, there are sound reasons for not adhering to a strict equalization of class rates of return as the basis for the revenue spread in this proceeding.

[11] OCS Exhibit 3D, page 22, line 477.

Q. IS IT APPROPRIATE SIMPLY ASSUME THAT THE COMMISSION'S EFFORTS TO EQUALIZE CLASS RATES OF RETURN IN THE LAST CASE SHOULD ALSO BE APPLIED IN THIS CASE?

A. No. Despite the Commission's effort to equalize class rates of return in the Company's last GRC, large disparities in computed class rates of return are, once again, found in the Company's class cost of service results in this proceeding. As Witness Daniel observes, the Company offers no explanation for the cause of the disparity in class rates of return in this proceeding.[12] The fact that efforts to equalize class rates of return in the last case have produced even larger disparities in this case as well as with a somewhat different mix of classes requiring greater than average increases to achieve equalized rates of return, the Commission would be well advised to tread more carefully on this matter going forward. By applying gradualism considerations to the levels of rate increases approved for individual rate classes, the Commission can move toward the objective of more equalized class rates of return and possibly lessen the potential for large swings in class rate of return results in future cases.

2. <u>New Large Customers</u>

Q. WHAT IS OCS WITNESS DANIEL'S CONCERN WITH RESPECT TO NEW LARGE CUSTOMERS?

A. Witness Daniel's believes that new Large Customers, particularly those that may support Data Centers could impose added costs on existing EGU customers.

[12] OCS Exhibit 3D, page 21, lines 456-459.

Q. SHOULD THE COMMISSION BE CONCERNED ABOUT THE POTENTIAL THAT NEW LARGE CUSTOMER ADDITIONS MAY IMPOSE ADDED COSTS THAT WOULD IMPACT THE REVENUE REQUIREMENTS OF OTHER CUSTOMERS?

A. Efforts to ensure that customers pay the costs they require a utility to incur should be an on-going concern of regulators in all jurisdictions. I am aware of nothing that impedes this Commission ability to structure rates to ensure that costs incurred to serve new Large Customer loads are appropriately billed to those customers. Moreover, my experience suggests that there are few rate case participants in any jurisdiction (except perhaps advocates for low-income residential customers) that would challenge the concept that customers of all types should be responsible for the costs they cause the utility to incur.

However, in this proceeding OCS witness Daniel identifies no specific costs in Enbridge's revenue increase request that have been incurred specifically to serve, or to prepare to serve, new Large Customer loads that have been inappropriately used to increase the revenue requirements of other EGU customers. Thus, Witness Daniel's testimony on this matter is attempting to address hypothetical cost concerns that may or may not arise in future proceedings. Witness Daniel references a risk that "*an LDC may have begun construction of required new facilities and the data center developer cancels their plans*."[13] Yet, Witness Daniel cites no specific instances in which such events have occurred.

[13] DPU Exhibit 3D, page 23, lines 501-502.

He also provides no quantification of costs that have been stranded to date by the cancellation of a Large Customer project after construction was begun.

Q. HOW DO UTILITIES TYPICALLY PROTECT THEMSELVES AND THEIR OTHER CUSTOMERS FROM RISKS OF COST RECOVERY ASSOCIATED WITH CONSTRUCTION FOR NEW LARGE CUSTOMER ADDITIONS?

A. The typical approach to such matters is for the utility to require a Contribution in Aid of Construction ("CIAC") payment for the full estimated cost of the project before construction is initiated. If EGU's existing tariff does not include adequate provisions to ensure its ability to assess necessary Contributions in Aid of Construction, the tariff should be amended to provide such protections.

Furthermore, with recognition of the ability to address these matters through tariff provisions that ensure EGU's ability to make assessments of CIAC to new Large Customers, the need for additional legislation to address concerns associated with Large Customer additions must be questioned. Any such legislation is more likely to limit the Commission's ability to exercise its discretion on matters that are often quite complex and do not necessarily fit a pre-defined set of circumstances, as many legislative efforts tend to produce.

Q. DO YOU AGREE WITH THE TARIFF CHANGES THAT OCS WITNESS DANIEL PROPOSES?

A. No. Witness Daniel's attempts to greatly reduce EGU's exercise of discretion on important considerations relating to such projects, and I find those limitations of, at best, questionable value. If in a subsequent rate case a party can identify

significant costs associated with serving, or preparing to serve, a new Large Customer that were not recovered directly from the customer, such costs can be addressed as a ratemaking matter in the Company's next rate case. In this context, I believe the Commission should give weight to the portion of the Direct Testimony of EGU Witness Parks that discusses the potential complexity of projects involving new Large Customer additions and the scope of work required to evaluate such projects. Those complexities argue for maintaining substantial utility discretion in its assessment of the costs associated with its planning and cost estimation for such projects. Furthermore, allowance must be made for other new customer loads that may be anticipated as a result of Large Customer load additions.[14] Again, if the utility's determinations provide inadequate compensation from a new Large Customer, issues associated with the utility's discretionary determinations can be addressed in a subsequent rate case.

3. Customer Class Cost of Service Allocations

Q. WHAT ARE WITNESS DANIEL'S CONCERNS REGARDING EGU'S ALLOCATIONS OF COSTS AMONG RATE CLASSES?

A. Witness Daniel's cost allocation issues appear to be limited to one element of the Company's class cost of service allocations. That element is the Company's allocation of the portion of Other Revenues that comprises Interest on Late Payments. Witness Daniel's position is that EGU has inappropriately allocate Interest on Late Payments based on each classes DNG Revenues. He submits

[14] The addition of a new Large Customer within EGU's service territory may stimulate for facilitate new or expanded customer loads in the same area of the Company's system.

that "*Large customer typically are not the source of past due accounts*," and suggests that, as a result, use of DNG Revenues to allocate Interest on Past Due Accounts over states the portion of such Other Revenues that is attributed to classes that comprise larger customers.

Q. HOW DOES WITNESS DANIEL PROPOSE TO ALTER THE ALLOCATION OF INTEREST ON LATE PAYMENTS?

A. Witness Daniel recommends that an allocation based on the number of customers in each rate class would be more appropriate than using EGU's DNG Revenue allocation factor.

Q. DO YOU AGREE WITH WITNESS DANIEL'S RECOMMENDATION?

A. Only in part. I agree with Witness Daniel that large customers are not generally the source of past due accounts, and that allocating Interest on Past Due Accounts using DNG revenues most likely overstates the portion of Interest on Past Due Accounts that is appropriately attributable to Large Customers. However, if the Commission accepts Witness Daniel's rationale for his proposed change in the allocation of Interest on Past Due Accounts, the Commission must also find that the same rationale suggests that EGU's allocation of Uncollectible Accounts expenses in Account 904 is also inappropriate and not reflective of actual cost causation for the Company.

Further, if the Commission is asked to examine the Company's allocations of Other Revenues, it should also question EGU's use of Numbers of Customers to allocate Revenues derived from NGV Equipment Leases. No linkage is

established between the numbers of customers EGU serves in each rate class and the levels of NGV Equipment Lease Revenue the Company receives on an annual basis. Given that EGU allocates NGV subsidies on the basis of DNG Revenue by class (less NGV class revenue), it can be argued that the allocation of revenue generated from NGV equipment leases should be allocated in a comparable manner. The inconsistencies in EGU's treatment of such costs and revenues is clearly problematic and necessarily erodes the precision that can be attributed to EGU's cost allocation results.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes. It does.

VERIFICATION

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

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

CERTIFICATE OF SERVICE
Docket No. 25-057-06

I hereby certify that a true and correct copy of the foregoing **REBUTTAL TESTIMONY OF ANGC WITNESS, BRUCE R. OLIVER AND EXHIBIT 1R, PHASE 2** was served by email this 16th day of October 2025, on the following:

ENBRIDGE GAS UTAH	
Jenniffer Nelson Clark	jenniffer.clark@dominionenergy.com
Cameron Sabin	csabin@mayerbrown.com
Albert D. Sturtevant	sturtevant@whitt-sturtevant.com
Anne W. Mitchell	mitchell@whitt-sturtevant.com
Christopher W. Flynn	flynn@whitt-sturtevant.com
ENERGY GAS UTAH	
Jenniffer Clark	jenniffer.clark@dominionenergy.com
Kelly Mendenhall	kelly.mendenhall@dominionenergy.com
Austin Summers	austin.summers@dominionenergy.com
ASSISTANT UTAH ATTORNEYS GENERAL	
Patricia Schmid	pschmid@agutah.gov
Patrick Grecu	pgrecu@agutah.gov
Robert Moore	rmoore@agutah.gov
DIVISION OF PUBLIC UTILITIES	
Chris Parker	chrisparker@utah.gov
Marison Galt	mgalt@utah.gov
Brenda Salter	bsalter@utah.gov
	dpudatarequest@utah.gov
OFFICE OF CONSUMER SERVICES	
Alyson Anderson	akanderson@utah.gov
Bela Vastag	bvastag@utah.gov
Alex Ware	aware@utah.gov
Office of Consumer Services	ocs@utah.gov
Michele Beck	mbeck@utah.gov
UTAH ASSOCIATION OF ENERGY USERS	
Phillip J. Russell	prussell@jdrslaw.com
Kevin Higgins	khiggins@energystrat.com
Neal Townsend	ntownsend@energystrat.com
Keirsten Ignjatovic	keirsten@energystrat.com
Courtney Higgins	chiggins@energystrat.com
Millicent Pichardo	mpichardo@energystrat.com

AMERICAN NATURAL GAS COUNCIL
Curtis Chisholm cchisholm@ie-cos.com
Stephen F. Mecham sfmecham@gmail.com
UTAH ASPHALT PAVEMENT ASSOCIATION
Roger Swenson Roger.swenson@prodigy.net
Ashley Peck aapeck@hollandhart.com
Thorvald A. Nelson tnelson@hollandhart.com
Reed Ryan reed@utahasphalt.org

BIG ENERGY, LLC
Joseph Bigler joebigler@bigenergyllc.com

AF/JAOE-ULFSC
Maj. Holly L. Buchanan holly.buchanan.1@us.af.mil
Thomas A. Jernigan thomas.jernigan.3@us.af.mil
TSgt Rafael A. Payton rafael.franjul@us.af.mil
Ebony M. Payton ebony.payton.ctr@us.af.mil
Marcus Duffy marcus.duffy.3@us.af.mila

JAMES DODGE RUSSELL & STEPHENS, P.C.
Phillip J. Russell prussell@jdrslaw.com
545 East Broadway
Salt Lake City, UT 84102
Tel.: (801) 363-6363

ENERGY STRATEGIES, LLC
Kevin Higgins khiggins@energystrat.com
Neal Townsend ntownsend@energystrat.com
Justin Bieber jbieber@energystrat.com
Keirsten Ignjatovic keirsten@energystrat.com
111 East Broadway, Suite 1200
Salt Lake City, UT 84111
Tel.: (801) 355-4365

STONE MATTHEIS XENOPOULOS & BREW, P.C.
Damon E. Xenopoulos dex@smxblaw.com
Laura E. Baker lwb@smxblaw.com
1025 Thomas Jefferson Street, N.W.
Suite 800 West
Washington, D.C. 20007
Tel.: (202) 342-0800

COHNE KINGHORN
Jeremy R. Cook jcook@ck.law
111 East Broadway, 14th Floor
Salt Lake City, UT 84111
Tel.: (801) 363-4300

/s/ Sharon Y. Meyer
Sharon Y. Meyer