

-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

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DOCKET No. 25-057-06
Exhibit No. DPU 6.0 R
Phase II Rebuttal Testimony of
Matt Pernichele

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Rebuttal Testimony of

Matt Pernichele

October 16, 2025

1 **INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND EMPLOYMENT FOR**
3 **THE RECORD.**

4 A. My name is Matt Pernichele. I am a Utility Technical Consultant for the Utah Division of
5 Public Utilities, located at 160 East 300 South in Salt Lake City, Utah.

6 **Q. ARE YOU THE SAME MATT PERNICHELE WHO FILED PHASE II DIRECT**
7 **TESTIMONY ON BEHALF OF THE DIVISION?**

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. I address Courtney Higgins' Direct Testimony for the Utah Association of Energy Users
11 (UAE), recommending changes to Allocation Factor 230 by changing the load factor
12 calculation. My lack of comment on any other issues does not signify opposition or
13 support for any position on those issues.

14 **Q. BRIEFLY SUMMARIZE YOUR TESTIMONY**

15 A. Enbridge Gas Utah should calculate the system load factor using recent, historical peak
16 usage (Actual Peak Day) instead of the Design Day method used currently because this
17 more accurately reflects customer benefits and cost causation and is more economically
18 efficient. Failing that, the current method should remain in place.

19 **DESIGN DAY VS. ACTUAL PEAK DAY IN THE COST-OF-SERVICE**

20 **Q. WHAT ARE DESIGN DAY AND PEAK DAY?**

21 A. **Design Day** is an estimate of the gas on the system on a hypothetical day when the
22 mean temperature at the Salt Lake City Airport is -5 degrees Fahrenheit.¹ EGU has

¹ *Enbridge Gas Utah's Integrated Resource Plan for Plan Year: June 1, 2025 to May 31, 2025*, Docket No. 25-057-02, *Enbridge Gas Utah Integrated Resource Plan* at 16-3 (June 13, 2025).

23 asserted that the system is designed and constructed solely to meet the demand
24 estimated by the Design Day calculation.²

25 **Actual Peak Day** is the actual amount of gas on the system on the highest send-out day
26 of the year, either calendar year or heating season.

27 **Q. HOW IS ALLOCATION FACTOR 230 CURRENTLY CALCULATED?**

28 A. Allocation Factor 230 allocates the costs of compressor stations and the feeder system
29 to customer classes, with 60% of those costs being assigned based on the percentage
30 of total usage that each class uses on a Design Day³ and 40% being assigned based on
31 each class's percentage of total usage for the year.⁴

32 **Q. HOW DOES UAE PROPOSE TO CHANGE HOW ALLOCATION FACTOR 230 IS**
33 **CALCULATED?**

34 A. UAE proposes using the system load factor calculated using the Design Day load factor,
35 instead of the current 60% Design Day, 40% Throughput allocation. Ms. Higgins
36 calculates that this would result in a 66% Design Day, 34% Throughput after the addition
37 of large Transportation Bypass Firm tariff (TBF) volumes that come on the system during
38 the 2026 test year.⁵ The beneficial effect of the additional TBF volumes in the system is
39 significant enough to actually moderate the revenue requirement increase to all classes
40 relative to EGU's 60%/40% method.⁶

41 **Q. WHY DO YOU BELIEVE THAT USING THE ACTUAL PEAK DAY FOR**
42 **ALLOCATING FACTOR 230 COSTS MORE ACCURATELY REPRESENTS**
43 **COSTS THAN USING THE DESIGN DAY?**

44 A. Actual Peak Day is preferable to Design Day for allocating the costs of EGU's feeder
45 system and regulating and compressor stations. The Actual Peak Day is a measured

² *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, DEU Ex. 4.0, Direct Test. of Austin Summers, p. 11 (December 23, 2022).

³ EGU Ex. 4.05.

⁴ EGU Ex. 5.02 p. 2.

⁵ Phase II Direct Test. of Courtney M. Higgins p. 12-18.

⁶ UAE Ex. COS 2.1, p.1.

46 number based on actual historical usage instead of an estimate of usage for a
47 hypothetical day. Design Day is a theoretical worst-case scenario that rarely, if ever,
48 happens. It is useful for designing the system but inadequate for allocating costs
49 actually incurred on the system.

50 The Design Day method ignores other benefits provided by system capacity over an
51 average day's usage. Actual Peak Day better reflects cost causation and aligns with
52 the benefits customers receive from the system and is based on the actual known
53 usage of the customers on the system. Actual Peak Day is more economically
54 efficient because it is a better reflection of the benefits derived, and the costs
55 incurred by customers. The unlikely circumstance where the Design Day conditions
56 occur and all interruptible customers actually cease taking gas from the system is
57 much less likely to reflect the system's costs.

58 Basing this allocation on the Design Day brings the risk of lower load factor
59 customers subsidizing higher load factor customers by paying for more costs than
60 they cause and paying for capacity that they are unlikely to ever use. The pipe in the
61 ground and supporting infrastructure has been designed to meet the system needs
62 on Design Day; however, the costs should be allocated to the customers based on
63 how the system is generally being used. Throughput is one measure of that and the
64 Actual Peak Day is another. The system exists not to just meet design day demand
65 but also to satisfy the daily use.

66 **Q. THE SYSTEM IS BUILT SPECIFICALLY TO BE ABLE TO PROVIDE SERVICE**
67 **DURING THE DESIGN DAY.⁷ WHY DO YOU BELIEVE THAT DESIGN DAY**
68 **DEMAND IS A HYPOTHETICAL NUMBER?**

69 A. The Design Day is "an estimate of how much gas will be used on the system during
70 and extremely cold period."⁸ It is a calculation based on an occurrence that hasn't
71 happened on the existing system. It is deliberately conservative and drives marginal

⁷ *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, DEU Ex. 4.0, Direct Test. of Austin Summers, p. 11.

⁸ *Id.*

72 investment to provide supply more than adequate for the system's actual needs.
73 Usage patterns and levels during a Design Day that are used to design the system
74 are extrapolations from significantly warmer days. Days when most customer usage
75 data was only recorded monthly and on a variety of billing cycles.

76 A day where the mean temperature at the Salt Lake City Airport is under -5°
77 Fahrenheit is increasingly unlikely. I conducted a rudimentary analysis of historical
78 temperatures at the Salt Lake City Airport using the websites Weather Underground⁹
79 and Current Results¹⁰ to actual occurrences of a Design Day as defined by EGU. I
80 used data from Climate.gov¹¹ to confirm the other sources' data. Weather
81 Underground had daily data with mean temperature available starting only in 1948. I
82 was able to find two days since 1948 that met EGU's Design Day criteria. On
83 January 5, 1949, the mean average temperature at the Salt Lake City Airport was -5°
84 Fahrenheit and on January 12, 1963, it was -7.25° Fahrenheit. The next coldest
85 mean temperature was on December 23, 1990, at -3.46° Fahrenheit. This was the
86 last day that a negative mean temperature was recorded at the Salt Lake City
87 Airport.

88 I calculated the average low temperature at the beginning and end of the most
89 recent four decades, summarized in DPU Table 6.01 R. This showed a general
90 warming trend broadly consistent with that discussed in EGU's direct testimony on
91 Weather Normalization.¹² This likely makes the possibility of a future Design Day
92 increasingly remote.

93 **Decadal Change in Average Low Temperature, Salt Lake City Airport**

94 **DPU Table 6.01 R**

Decade	Beginning Average Min. Temp. (°F)	Ending Average Min. Temp. (°F)	Decadal Change (°F)
1985-1994	16.50	25.67	+9.17
1995-2004	28.50	20.67	-7.83
2005-2014	26.00	28.33	+2.33

⁹ <https://www.wunderground.com/>.

¹⁰ <https://www.currentresults.com/>.

¹¹ <https://www.climate.gov/maps-data/dataset/past-weather-zip-code-data-table>.

¹² See, EGU Ex.6.0, Direct Test. of David C. Landward.

2014-2025 to October 6, 2025	26.50	31.00	+4.50
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95 **Q. WHAT SYSTEM BENEFITS AND COSTS ARE NOT ACCURATELY ASSIGNED**
96 **BY BASING THIS ALLOCATION ON THE DESIGN DAY?**

97 A. Excess capacity on the system allows additional new customers to use the system.
98 This spreads out system costs over larger volumes, lowering costs for all customers.
99 This is shown in UAE's COS Summary analysis,¹³ where 2.92% more gas was
100 added to the system from the projected growth of TBF volumes and this resulted in a
101 .40% smaller price increase for EGU's aggregated customers when compared to the
102 proposed price increase without adding those additional TBF volumes. Excess
103 capacity also allows existing customers the flexibility to use more gas if they want to.

104 A system designed without sufficient excess capacity above that needed to meet
105 average throughput, would need to be supplemented, upgraded, or prematurely
106 replaced at great cost to meet even modest, beneficial load growth. Such a system
107 would be somewhat less expensive in near term but would be very expensive if there
108 were even modest increases in system load. Such a system would be imprudent.

109 System components like pipes, regulating stations, and compressor stations, are
110 manufactured in standard sizes and pressure capacities. It seems likely that most
111 systems would have to be designed to utilize the various capacities of the
112 components existing on the market. This would necessitate rounding up to the next
113 available size, often without regard for the system's load factor.

114 Much of the wear and tear on the system comes from actual everyday use. It is more
115 appropriate to allocate these costs based on the actual usage of the system than on
116 a theoretical basis. As I noted above, the throughput component of the allocation
117 factor captures only one aspect of this usage; the Actual Peak Day component I
118 propose captures another aspect of this usage.

¹³ UAE Ex. COS 2.1, p. 2.

119 Finally, the costs of building a system with sufficient capacity are not directly
120 proportional to that capacity. System costs are dependent on many factors beyond
121 capacity, such as if the line is buried under a road, how busy the road is, or other
122 underground services that may have to be moved or maneuvered around to install
123 the line. These non-capacity-related costs can account for a large percentage of a
124 line's total costs and ideally would not be allocated to demand because they are not
125 a result of Design Day demand but of other engineering and economic concerns.
126 Allocating costs this way would be unworkably complex.

127 **Q. WHAT IS YOUR SPECIFIC PROPOSAL?**

128 A. If the Commission decides to alter the design of Allocation Factor 230, the Division
129 advocates for calculating the weights of throughput and demand using the Average and
130 Peak method discussed in the NARUC Manual¹⁴ using a load factor based on a rolling
131 three-year average of Actual Peak Day usage. Note that despite Ms. Higgins' claims that
132 this manual supports her proposal, the NARUC Manual plainly refers to using a
133 coincident peak, not a design day. It says, "The remaining costs are considered to have
134 been incurred to meet individual peak demands of the various classes of service and are
135 allocated on the basis of the coincident peak of each class."¹⁵

136 **Q. WHY WAS THIS ISSUE NOT ADDRESSED IN YOUR DIRECT TESTIMONY?**

137 A. The Commission has repeatedly approved the current 60% Design Day 40%
138 Throughput design of Allocation Factor 230 in the Company's General Rate Cases.
139 Recently, in the 2020 GRC, the Commission approved this design after evaluating
140 alternatives similar, but not identical, to those proposed by UAE.¹⁶ In the 2022 GRC,
141 the Commission approved the method noting that it is "consistent with the weightings
142 in prior DEU general rate case applications"¹⁷ The Commission's long history of
143 support for this method creates a strong precedent for its continued use. However,

¹⁴ UAE Ex. COS 2.2, NARUC Manual Excerpt.

¹⁵ *Id.*

¹⁶ *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 19-057-02, Report and Order p. 26 (February 25, 2020).

¹⁷ *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications*, Docket No. 22-057-03, Order p. 40 (December 23, 2022).

144 UAE and other parties have made and supported recommendations to change how
145 Allocation Factor 230 is calculated. If the Commission is interested in revisiting this
146 question, the Division's long-standing position is that the Actual Peak Day should be
147 the basis for this calculation, not the Design Day. The failure to argue for a change in
148 my direct testimony was simply a recognition of the Commission's long and repeated
149 history of using the current allocation method.

150 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

151 A. Yes.