

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 OF
KELLY B MENDENHALL FOR
ENBRIDGE GAS UTAH**

October 16, 2025

EGU Exhibit 1.0R

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Kelly B Mendenhall. My business address is 333 South State Street, Salt Lake City, Utah.

Q. By whom are you employed and what is your position?

A. I am employed by Questar Gas Company dba Enbridge Gas Utah (“Enbridge Gas”, “EGU” or the “Company”) as Vice President of Regulation.

Q. Did you previously file testimony in this proceeding?

A. Yes, I filed direct testimony on May 1, 2025.

Q. Attached to your written testimony are EGU Exhibits 1.08R and 1.09R. Were these prepared by you or under your direction?

A. Yes.

Q. What is the purpose of your direct testimony?

A. I will address certain issues raised in the Phase II direct testimonies of Mr. Ryan Daigle, witness for the Division of Public Utilities (“DPU”, “the Division”), Mr. James Daniel, witness for the Office of Consumer Services (“OCS”, “the Office”), and DPU witness Mr. Matthew Fields. Specifically, my testimony offers clarification and corrects some misunderstandings relating to the Conservation Enabling Tariff (“CET”) mechanism and shows that the CET continues to be just, reasonable, and in the public interest as an effective revenue decoupling mechanism. I also address the Transportation Imbalance Charge analysis and proposals raised by Mr. Daigle.

II. REBUTTAL OF RYAN DAIGLE

Q. Mr. Daigle points out that after a rate case, revenues grow with customer growth.¹ Is this growth caused by the CET?

A. No. The Company's revenues would grow as it connects new customers whether or not the CET mechanism was in place. The CET ensures that the actual revenue booked for each new customer is equal to the approved revenue per customer as set in the Company's most general rate case. Without the CET, the Company would still collect revenues from new customers, they just would not be adjusted to match an approved level of revenues per customer.

Q. Mr. Daigle observes that the CET has been over-collected since November 2022.² Is this accurate?

A. Yes. The balance has been over-collected since November 2022.

Q. Does this over-collection cause long-term inequities between current and future customers?

A. No. While the balance has been persistently over-collected since November 2022 this balance is the result of incremental changes over time rather than November 2022 over-collections persisting in the account since that time. Each year the Company sets the CET amortization rate to amortize the existing CET balance fully over a 12-month rate-effective period. Thus, the CET balance has not remained over-collected since November 2022 because customers have not received a refund, but rather because new incremental overcollections have occurred in parallel to the refund back to customers for prior overcollections.

Q. Can the Company provide a history of the amounts amortized back to customers?

A. Yes. The following table provides the CET balance at certain points in time when the amortization rate was set, as well as the actual amortization that followed:

¹ DPU Exhibit 7.0 Daigle DIR Phase II at 2-3.

Docket Number	CET Balance Used for Amortization Rates	Planned Amortization Period	Amortization During Planned Period
20-057-16	\$4.1M – Aug 2020	Nov 20 – Oct 21	-\$4.0M
21-057-20	\$2.9M – Aug 2021	Nov 21 – Oct 22	-\$2.9M
22-057-15	\$4.1M – Aug 2022	Nov 22 - Oct 23	-\$4.4M
23-057-19	-\$23.3M – Oct 2023	Jan 24 – Dec 24	\$20.1M
24-057-19	-\$22.5M - Aug 2024	Nov 24 - Oct 25	\$21.2M*

*Includes amortizations through August 2025

This table demonstrates that, while not perfect, the CET rates have been very effective at amortizing the intended CET balances over the planned amortization period. Between January 2024 through August 2025, the Company has returned \$41.3 million to customers.

Q. Mr. Daigle proposes more frequent filings in the event that the CET exceeds certain thresholds. Does the Company agree?

A. There could certainly be situations where more than one amortization filing would be necessary in a year but the Tariff already gives the Company this flexibility. In Section 2.08 under subsection “Amortization of Accrual” it states “At least annually, the Company will file with the Commission an application to amortize the balance (positive or negative) in Account 191.9.” There is no prohibition on filing monthly if necessary. Because the Tariff already allows for this flexibility I don’t believe any additional requirements are necessary.

Q. Does the Company have a single, comprehensive summary of the CET accrual, amortization, and overall balance?

A. Yes. EGU Exhibit 1.08R provides a full accounting of the CET mechanism since its inception. Column B provides each month. Column C provides the commission allowed revenue per customer for each month. Column D provides the customer count in each month. Column E provides the total allowed revenues for the month under the CET mechanism, which is the product of the customer count and the allowed revenue per

² *Id.* at 3.

customer (Column C x Column D). Column F provides the actual base DNG revenues collected by month. Without the CET mechanism, these would be the revenues recognized by the Company. Column G provides the monthly CET accrual, which represents the difference between actual collections (column F) and the allowed CET revenue (column E). The CET accrual ensures that the Company does not over collect due to volatility in the monthly billing determinants. The CET amortizations are provided in Column O. These amounts represent the amortizations of the CET balance through the CET rate. The overall account balance is provided by month in column T.

Q. Mr. Daigle also proposes that any amounts over this 2.5% cap be amortized through the account 191 within 45 days of the month close. What is the Company's view on this proposal

A. The Company views this proposal as unnecessary because the CET balances are already included in the 191.9 account. The Company understands Mr. Daigle to be proposing a transfer to a different 191 account (*e.g.*, commodity costs to be handled in the pass through) within 45 days. The Company believes this proposal would reduce transparency and make it more difficult to track the CET balance over time. Transferring the balance from one 191 balancing account (the CET) to another 191 balancing account (*e.g.*, the pass through) serves little meaningful purpose other than optically making the CET related balance appear to have been addressed.

Transportation Imbalance Charge

Q. Would the Company also like to address Mr. Daigle's analysis of the Transportation Imbalance Charge (TIC)?

A. Yes. Mr. Daigle has proposed a working group to review the methodology underlying the transportation imbalance charge. The Company does not necessarily oppose working groups if there is a specific problem that needs to be addressed. In this particular case, the Company does not have any operational concerns arising from daily transportation imbalances at the current levels. The Commission approved the TIC in a fully litigated and contested docket that included significant disagreement among the parties regarding

its methodology and calculation. The TIC was established because many customers were not taking their obligation to accurately nominate seriously, and some failed to submit any nominations at all. As a result of the TIC, transportation customers' nomination practices are measurably more accurate.

In addition, other Tariff provisions are now in place that the Company can use to address more pointed concerns about imbalances. These include a hold-burn to scheduled quantity and outright restrictions in usage. The TIC is working as intended and the Company has the tools it needs to manage balancing on the system. While Mr. Daigle observes higher imbalances in recent years these imbalances are not at a level to cause concern or to adversely impact the Company's ability to operate its system. Moreover, the TIC is compensating sales customers for services required to manage imbalances. For this reason, the Company does not view a working group as necessary.

III. REBUTTAL OF DANIEL

Q. Have you reviewed the direct testimony of Mr. Daniel regarding the CET?

A. Yes. Mr. Daniel raises two arguments that I have already addressed in my direct testimony. In the table below I have summarized Mr. Daniel's arguments with a citation to the evidence in my direct testimony that refutes these arguments.

Argument in Mr. Daniel's Direct Testimony	Evidence in Mr. Mendenhall's Direct Testimony Refuting the Argument
"I contend that the claimed customer benefits are of little consequence to typical utility customers and that the utility is the primary beneficiary of the CET." ³	Energy efficiency is a customer benefit and through the CET the Company has encouraged energy efficiency with its customers. ⁴ Return of overcollections that the Company would otherwise have kept is a customer benefit, and through the CET the

³ OCS Exhibit 3.0 Daniel DIR Phase II at 15:328-329.

⁴ EGU Exhibit 1.0 Mendenhall DIR at 15.

	Company has returned \$44.9 million to customers over the life of the program. ⁵
<p>“Based on this graph, it is obvious that the average annual gas usage of EGU’s GS residential customers has levelled off and the primary basis for the CET has subsided.”⁶</p> <p>“Based on my Graph 1 and Graph 2, since full revenue decoupling was implemented, the average annual gas usage per GS customer has leveled off rather than continue to decrease significantly. This would indicate that recently EGU’s energy efficiency programs have not performed as well or have mostly maximized their effectiveness.”⁷</p>	<p>There are a number of factors that could cause usage to change over time. In addition to energy efficiency, price, forecasting differences and weather can also have an impact.⁸ Mr. Daniel’s analysis assumes that these other factors have no impact and that the change in usage over time is driven primarily by energy efficiency declines. .</p>

112

113 **Q. Please explain Mr. Daniel’s concern about multi-family units and the calculation of**
114 **the CET?**

115 A. Mr. Daniel argues that EGU should not be allowed to adjust rates through the CET because
116 more customers are living in multi-family housing units or smaller single-family units.⁹

117 **Q. Is this a valid concern?**

118 A. No. While in recent years, about 40% of new customers have been multifamily customers
119 and this trend is expected to continue, these additions on the Company’s system have a
120 very minimal impact on the customer mix of the entire system.

⁵ EGU Exhibit 1.0 at 29; EGU Exhibit 1.06.

⁶ OCS Exhibit 3.0 at 17:3.

⁷ OCS Exhibit 3.0 at 18-19.

⁸ EGU Exhibit 1.0 at 20; EGU Exhibit 1.03.

⁹ OCS Exhibit 3.0 at 17-18.

Q. Why is it not an issue in this case?

A. In theory, there could be situations where Mr. Daniel's concern could be an issue. If for, example, a Company was experiencing extreme growth in multifamily units and that Company went many years between rate cases, then the customer mix could be so different from the mix used to set rates that it could have unintended consequences. The table below shows, however, the current and forecasted mix of single family, multi-family and mobile home customers is expected to increase from 24.5% in 2024 to 24.8% in 2025 and 25.1% in 2026. While that is an increase, it is such a small increase that it would not create a revenue windfall for the Company through the CET.

Year-End	Single Dwelling	Multi Dwellings	Mobile Homes
2009	79.1%	18.5%	2.4%
2010	78.9%	18.7%	2.4%
2011	78.7%	18.9%	2.4%
2012	78.6%	19.0%	2.4%
2013	78.2%	19.4%	2.4%
2014	78.3%	19.4%	2.3%
2015	77.7%	20.1%	2.2%
2016	77.4%	20.4%	2.2%
2017	77.0%	20.9%	2.1%
2018	76.5%	21.5%	2.1%
2019	76.1%	21.9%	2.0%
2020	75.7%	22.3%	2.0%
2021	75.3%	22.7%	1.9%
2022	74.8%	23.3%	1.9%
2023	74.3%	23.9%	1.8%
2024	73.7%	24.5%	1.8%
2025	73.4%	24.8%	1.8%
2026	73.2%	25.1%	1.7%

Q. You mentioned that there could be instances where an increase of multifamily customers on a Company's system could create additional unintended revenue for the Company. Are there any additional safeguards that the Commission has implemented that would protect against this?

A. Yes. Because the Company is required to file a rate case every three years, this ensures the average revenue-per-customer is refreshed and updated to use the most recent customer

mix. Additionally, there are caps on the size of the under-recovery that can be booked each month and over a 12-month period. This helps to ensure that unintended revenue windfalls do not occur.

Q What is Mr. Daniel's main argument related to the CET?

A. As stated in the table above, Mr. Daniel believes that because the slope of the average usage chart is flattening it suggests that the energy efficiency programs are no longer effective in reduction customer usage.

Q. Do you have evidence to suggest otherwise?

A. Yes. In order to get a better determination of whether energy efficiency programs are effective in reducing usage, the Company first attempted to look at all customers who received an energy efficiency rebate between August 2023 and September 2024. Ultimately, due to the amount of data, this query could not be processed. As a result, the Company refined its approach by focusing on three commonly adopted measures: 95% efficient gas furnaces, attic insulation and high efficiency windows. Included in the sample were 1,443 customers who installed high-efficiency gas furnaces, 167 customers who added attic insulation, and 221 customers who upgraded windows. For each group, the Company analyzed 24 months of usage data prior to installation to establish a 12-months average baseline. The Company then compared this to 12 months of post-installation natural gas usage data. The results, summarized in EGU Exhibit 1.09R, show average weather normalized annual reductions in gas usage of 9.13 Dth for furnace replacements, 15.83 Dth for attic insulation and 3.68 Dth for window upgrades. These findings suggest that these energy efficiency measures continue to contribute to meaningful reductions in natural gas consumption.

Q. The exhibit only provides a small subset of all the energy efficiency programs. Is it possible to do a more thorough assessment of all energy efficiency measures?

A. Yes, the Company has hired a third-party evaluator in the past to assess the effectiveness of its programs. Due to the high level of interest and criticism of these programs in this docket, the Company will propose an impact evaluation plan and request funds to conduct

a third-party assessment of its programs as part of its 2026 budget filing. This will provide additional evidence about the effectiveness of the Company's energy efficiency programs.

Q. Mr. Daniel recommends that the CET should be discontinued and that if it is continued, that it should be re-evaluated in every case going forward.¹⁰ How do you respond?

A. Mr. Daniel's recommendation to discontinue the CET ignores the fact that the mechanism has actually been in the customer's benefit in aggregate over the last 20 years. In fact, if the CET had been discontinued in the last general rate case, the Company would have over recovered revenue and over earned over the last three years. Mr. Daniel ignores this fact when he makes the statement, "Based on my experience, customers, customer groups and customer advocates oppose revenue decoupling because it is a major benefit for the utility, but not a benefit for customers."¹¹ He seems to be compelled to argue against revenue decoupling even when the evidence suggests he should do otherwise. Mr. Daniel's proposal to reevaluate the CET in every case is similarly misguided. The data for the past two decades shows that the CET is working as intended and is benefitting customers.¹² This does not mean that the Commission should never reevaluate the CET, but to do so in every case would be a waste of judicial, administrative, and party resources.

IV. REBUTTAL OF FIELDS

Q. Please summarize the arguments raised by Mr. Fields.

A. Mr. Fields has similar concerns to Mr. Daniel's point regarding reevaluating the CET, stating that "only an assumption is made" and arguing that additional support for the CET's efficacy is needed.¹³

¹⁰ OCS Exhibit 3.0 at 20.

¹¹ OCS Exhibit 3.0 at 15:330-332.

¹² See generally EGU Exhibit 1.0 at 14-29.

¹³ DPU Exhibit 9.0 Fields DIR Phase II at 6:134-35 and 8.

187 **Q. Has the Company relied only on assumptions?**

188 A. No, certainly not. The Company has provided evidentiary support as outlined in my direct
189 testimony. Specifically, in accordance with the Commission's Order, EGU held a technical
190 conference and provided additional information in response to party inquiries regarding
191 weather normalization, usage impacts, historical comparisons of GS usage and rates,
192 energy efficiency savings, cost effectiveness tests, ratepayer impact measure tests,
193 decoupling mechanism maps, and economic literature. EGU has also encouraged energy
194 efficiency among its customers and Exhibit 1.09R clearly shows that the Company's
195 energy efficiency programs have been effective in reducing customer usage. No additional
196 support is necessary.

197 **V. CONCLUSION**

198 **Q. Would you please summarize your recommendations?**

199 A. The Company maintains its recommendation that the CET mechanism as currently
200 implemented be approved going forward. The mechanism has allowed the Company to
201 encourage energy conservation and has also provided the added benefit of protecting
202 customers from revenue over collection. For these reasons the CET should be approved
203 on a going forward basis. In addition, the TIC mechanism, along with other imbalance
204 mechanisms available to the Company, are effective in managing imbalances. A working
205 group around that mechanism is unnecessary.

206 **Q. Does this conclude your testimony?**

207 A. Yes.

State of Utah)

) ss.

County of Salt Lake)

I, Kelly B Mendenhall, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.



Kelly B Mendenhall

SUBSCRIBED AND SWORN TO this 16th day of October, 2025.



Notary Public

