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 SURREBUTTAL TESTIMONY

AND EXHIBIT

OF

COURTNEY M. HIGGINS

On Behalf of the

Utah Association of Energy Users

November 4, 2025

TABLE OF CONTENTS

EXHIBIT LIST

PHASE II SURREBUTTAL TESTIMONY OF COURTNEY M. HIGGINS

I. INTRODUCTION

Q. Please state your name and business address.

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

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

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

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

A. Yes, I am.

II. OVERVIEW & CONCLUSIONS

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

A. My testimony responds to the Phase II rebuttal testimonies of Enbridge Gas Utah ("Enbridge," "EGU," or the "Company") witness Mr. Austin C. Summers, Office of Consumer Services ("Office") witness Mr. James W. Daniel, Division of Public Utilities, Department of Commerce ("Division") witness Mr. Matt Pernichele, Nucor Steel-Utah ("Nucor") witness Dr. Lance D. Kaufman, and American Natural Gas Council ("ANGC") witness Mr. Bruce R. Oliver.

Q. Please summarize your conclusions and recommendations.

A. My surrebuttal testimony offers the following recommendations:

1) I maintain that the Design-Day is the appropriate basis on which to allocate the demand-related costs of feeders, compressor stations, and measuring and regulating stations.
2) I reaffirm my recommendation to utilize a 66% Design Day/34% Throughput weighting for Allocation Factor 230.
3) I continue to recommend that the allocation of large-diameter intermediate-high pressure ("IHP") mains include a Distribution Design-Day component.
4) To appropriately account for projected Transportation Bypass Firm ("TBF") class load growth, I continue to recommend that the Commission adopt my TBF load adjustment.
5) If the Commission declines to adopt my TBF load adjustment, I recommend adopting Mr. Summers' rebuttal proposal to limit the TBF class increase to no more than 1.5 times the system average as a reasonable alternative.
6) I continue to recommend that Enbridge's originally proposed volumetric rates for the Transportation Service ("TS") classes be decreased proportionately to target the approved volumetric revenues for the respective classes.
7) I recommend that the Commission deny Dr. Kaufman's proposed Transportation Service Large ("TSL") volumetric rate restructuring and his rebuttal proposal to greatly increase the TS firm demand charge.

III. RESPONSES TO PHASE II REBUTTAL TESTIMONY

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

Q. Please summarize your recommendations regarding the allocation of the costs of feeders, compressor stations, and measuring and regulating stations.

A. I continue to support the use of the Design-Day to allocate the demand-related costs of these facilities, and recommend utilizing a 66% Design-Day/34% Throughput weighting to calculate Allocation Factor 230. As explained in my direct testimony, allocating costs for particular facilities on both a Throughput basis and a Peak basis represents an application of the "Average and Peak" allocation method, as described in the National Association of Regulatory Utility Commissioners' Gas Distribution Rate Design Manual ("NARUC Manual").[1] Under that method, the weight assigned to the Average component should not exceed the system load factor, which is 34% after incorporating my recommended adjustment to TBF Throughput, or 33% absent that adjustment.[2]

Q. How did Enbridge witness Mr. Summers respond to your proposal?

A. In his discussion of the cost allocation alternatives recommended by parties in direct testimony, Mr. Summers' rebuttal testimony states:

> Of all the proposals, the one offered by Ms. Higgins carries the most analytical weight. Ms. Higgins acknowledges that the system is used to meet customer needs (including TS customer needs) on a Design Day, and that customers with a high load factor are still using the system during the rest of the year and should be allocated some costs for that use by including throughput in the allocation. In this respect, I view her proposal as the most reasonable alternative to the Company's proposal.[3]

[1] NARUC Manual (June 1989), pp. 27-28, included in UAE Exhibit COS 2.2 to my direct testimony.
[2] Phase II Direct Testimony of Courtney M. Higgins (UAE Exhibit COS 2.0), lns. 282-306.
[3] Phase II Rebuttal Testimony of Austin C. Summers (EGU Exhibit 5.0R) lns. 88-93.

While acknowledging the reasonableness of my proposal, Mr. Summers continues to recommend the use of the 60% Design-Day/40% Throughput weighting, contending there is insufficient rationale to deviate from the method that the Company has been using.[4]

Q. How did the Office respond to your proposal?

A. In his rebuttal testimony, Mr. Daniel asserts that Enbridge's allocation method is not an application of the Average and Peak method because the Company has not characterized it as such. On that basis, he argues that the NARUC Manual's description of the Average and Peak method, which utilizes a load factor weighting, is not relevant to Enbridge's system. He further contends that my recommended load factor weighting is understated since it relies on Design-Day demand instead of test year coincident peak demand. Finally, he argues that I have not identified any changes since the last rate case that would warrant departing from the allocation methods previously approved by the Commission.[5]

Q. What is your response to Mr. Daniel's arguments pertaining to the NARUC Manual?

A. Mr. Daniel's argument regarding the applicability of the Average and Peak method to Enbridge's system is largely semantic. Whether Allocation Factor 230 is labeled as "Average and Peak" or simply a weighted allocator, the underlying principle remains the same. The purpose of the Throughput component is to allocate costs

[4] Phase II Rebuttal Testimony of Austin C. Summers (EGU Exhibit 5.0R) lns. 107-113.
[5] Phase II Rebuttal Testimony of James W. Daniel (OCS-3R Daniel), pp. 3-5.

associated with baseload usage, and system load factor is a well-accepted measure of the portion of facilities that serve the baseload function.

While attempting to dismiss the relevance of the Average and Peak method to Enbridge's system, Mr. Daniel simultaneously argues that my use of the Design-Day is inconsistent with the NARUC Manual. I disagree with Mr. Daniel's assertion that the NARUC Manual prescribes the use of "class coincident peak demands at the time of the test year system peak," rather than Design-Day demand.

Q. Please explain your disagreement on this point.

A. My understanding is based on the NARUC Manual's guidance regarding demand-related costs when read in its full context. As a foundational matter, the NARUC Manual offers the following definition of demand costs:

> Demand or capacity costs vary with the quantity or size of plant and equipment. They are related to *maximum system requirements which the system is designed to serve during short intervals* and do not directly vary with the number of customers or their annual usage.[6]

This definition underscores that demand-related costs are driven by the maximum requirements for which the system is designed. That framing aligns directly with the use of a Design-Day approach, since the Design-Day represents the short-duration, high-demand conditions that Enbridge's distribution system is designed to meet.

The NARUC Manual's discussion of the Average and Peak method does not prescribe a single way to measure coincident peak demand. Given that Enbridge's distribution system is built to ensure reliable firm service under extreme

[6] NARUC Manual, pp. 23-24 (emphasis added), included in UAE Exhibit COS 5.1.

conditions, it is appropriate that peak-related costs be allocated based on expected Design-Day usage.

The NARUC Manual itself provides an Illustrative Embedded Cost of Service Study that confirms a Design-Day approach is a valid means of determining peak-related cost responsibility. As described in that example:

> The Peak Day Demand (Allocation Factor 100) is the computed quantity of gas which would be supplied on a day when the mean temperature of the utility's service territory is 5 degrees Fahrenheit (the coldest day in 20 years for this particular system), which equates to a 60 degree-day deficiency.[7]

This example clearly reflects a Design-Day approach. When the NARUC Manual is read in its full context, it supports the use of Design-Day demand as the appropriate basis for allocating peak-related costs.

Q. Are you familiar with the Commission's order in the last general rate case that approved the 60% Design-Day/40% Throughput weighting for Allocation Factor 230?

A. Yes. I recognize that Enbridge's current weighting approach is consistent with the Commission's prior order on this subject. However, there is a sound analytical basis for my recommendation, as Mr. Summers acknowledges in rebuttal. My proposal represents a refinement of the existing allocation method and I respectfully recommend that the Commission consider adopting a 66% Design-Day/34% Throughput weighting in this proceeding.

[7] NARUC Manual, p. 31, included in UAE Exhibit COS 5.1.

Q. How did the Division respond to your proposal?

A. Mr. Pernichele argues in his rebuttal testimony that if the Commission decides to modify Allocation Factor 230, it should utilize the Average and Peak method discussed in the NARUC Manual, using a load factor based on a rolling three-year average of Actual Peak Day usage. Like Mr. Daniel, Mr. Pernichele argues that the NARUC Manual's reference to coincident peak is inconsistent with a Design-Day approach.[8] He further characterizes Design-Day demand as hypothetical and contends that such conditions are increasingly improbable due to warming trends.[9]

Q. What is your response to Mr. Pernichele on this subject?

A. I disagree with Mr. Pernichele's interpretation of the NARUC Manual and his treatment of the Design-Day concept. As I explained above, the NARUC Manual clearly contemplates the use of the Design-Day as a measure of coincident peak demand. While actual peak usage may fluctuate with weather patterns, system capacity must be built to withstand extreme conditions and ensure reliable service.

Enbridge's Integrated Resource Plan relies on Design-Day modeling to ensure that the distribution system maintains adequate pressures to serve firm customers, prioritizing system improvements in areas where projected pressures approach minimum required levels.[10] If the Division believes that long-term warming trends warrant a change to the Design-Day definition, that proposed

[8] Phase II Rebuttal Testimony of Matt Pernichele (DPU Exhibit 6.0 R Phase II), p. 6.
[9] *Id.*, pp. 3-5.
[10] EGU IRP, Docket No. 25-057-02, (Plan Year June 1, 2025 to May 31, 2026, Submitted June 13, 2025), page 4-17.

change should be thoroughly evaluated, and if adopted, reflected in the Company's system planning process so the distribution system remains properly sized.

Notably, another Division witness, Mr. David Fields, raised concerns in his direct testimony about the "tenuous" empirical basis of the Company's proposal to shorten the period used for its weather normalization adjustment to billing determinants from twenty years to ten years. He cautioned, "If climate change is a significant variable, a ten-year window may not fully capture the significant outliers or variations that climate change constitutes."[11]

By that same reasoning, any changes to the Design-Day framework should be approached with caution. Design-Day conditions are outlier events during which reliable system performance is most critical. I therefore continue to support the use of the Design-Day to allocate the demand-related costs of feeders, compressor stations, and measuring and regulating stations. I recommend that the Commission reject the proposals advanced in rebuttal by the Division and the Office to abandon the use of the Design-Day to allocate these costs.

[11] Phase II Direct Testimony of David Matthew Fields (Exhibit No. DPU 9.0 DIR), pp. 6, 8.

Allocation of Large-Diameter IHP Mains

Q. Please summarize your recommendation regarding the allocation of large-diameter IHP mains.

A. I continue to recommend that the allocation of large-diameter IHP mains include a Distribution Design-Day component and propose adoption of a weighted Distribution Design-Day/Distribution Throughput allocation factor.[12]

Q. How did other parties respond to your proposal?

A. Mr. Summers argues that the Company's allocation based solely on Distribution Throughput is superior to my recommendation and that there is no compelling reason to change it.[13] Mr. Daniel for the Office argues that there have been no relevant changes in circumstances since the last rate case to justify changing this allocation factor.[14] Dr. Kaufman for Nucor finds that my recommendation better reflects peak-related cost drivers than the Company's method and is an acceptable alternative to Nucor's proposed approach.[15]

Q. What is your response on this subject?

A. My proposal to include a Distribution Design-Day component in the allocation of large-diameter IHP mains would better align cost allocation with system design characteristics. My recommendation is not based on changed circumstances, but rather is a reasonable enhancement to improve cost allocation accuracy. I continue

[12] Phase II Direct Testimony of Courtney M. Higgins (UAE Exhibit COS 2.0), lns. 331-373.
[13] Phase II Rebuttal Testimony of Austin C. Summers (EGU Exhibit 5.0R) lns. 134-138.
[14] Phase II Rebuttal Testimony of James W. Daniel (OCS-3R Daniel), lns. 254-257.
[15] Phase II Rebuttal Testimony of Lance D. Kaufman, Ph.D. (Nucor Exhibit 2.0), lns. 73-80.

to recommend that a Distribution Design-Day component be incorporated in the allocation of these facilities.

TBF Class Cost Allocation

Q. Please summarize your concerns and recommendations regarding the TBF class.

A. As I explained in my direct testimony, Enbridge's cost allocation for TBF is inconsistent with the billing determinants it uses to design TBF rates, which materially inflates the proposed TBF rate increase. This inconsistency relates to TBF load growth projected to occur during 2026.

I recommend a TBF load adjustment to align the TBF billing determinants and cost allocation inputs. Specifically, I recommend that the TBF volumes and firm demand billing determinants used for rate design be adjusted to apply the higher projected TBF load to each month of the year. I also recommend the TBF Throughput used for cost allocation be adjusted to reflect the expected post-load growth level. This approach will reasonably reflect TBF's projected cost responsibility, while modestly reducing the costs allocated to all other classes compared to Enbridge's proposal.[16]

Q. How did the Company respond to your proposal?

A. Mr. Summers contends that my TBF load adjustment would have a negative effect on the overall revenue requirement established in the Phase I Settlement Stipulation

[16] Phase II Direct Testimony of Courtney M. Higgins (UAE Exhibit COS 2.0), pp. 8-16.

("Phase I Settlement"). He therefore recommends using the Company's original billing determinants.

However, Mr. Summers also acknowledges that the projected TBF load growth is substantial and warrants modifying the Company's original proposal. To address this, he proposes applying a "gradualism adjustment" that would limit the TBF class revenue increase to 1.5 times the system average, or 16.77% based on the Phase I Settlement revenue requirement.[17]

Q. Please address the "negative effect" on the overall revenue requirement referenced by Mr. Summers.

A. Mr. Summers' concern stems from my proposal to adjust the TBF billing determinants upward to reflect a full year of higher TBF load, rather than only seven months as in the Company's approach. Because my adjustment recognizes an entire year of higher load, it results in a greater denominator for rate design purposes. Consequently, rates designed to collect the Phase I Settlement revenue requirement would be lower than those produced under the Company's billing determinants.

This result was also recognized by Mr. Pernichele in his rebuttal testimony, which states:

> The beneficial effect of the additional TBF volumes in the system is significant enough to actually moderate the revenue requirement increase to all classes relative to EGU's 60%/40% method.[18]

If the TBF load adjustment is not made, the incremental revenues associated with a portion of the projected TBF load growth will accrue to Enbridge between

[17] Phase II Rebuttal Testimony of Austin C. Summers (EGU Exhibit 5.0R) pp. 9-10.
[18] Phase II Rebuttal Testimony of Matt Pernichele (DPU Exhibit 6.0 R Phase II), lns. 38-40.

rate cases. Since the Company's billing determinants capture only seven out of twelve months at the higher TBF load level, Enbridge would benefit from five months of unaccounted-for revenue growth in both 2027 and 2028, assuming approximately three years between rate cases.

The Phase I Settlement, to which UAE is a settling party, stipulates a total revenue requirement of $604 million, but does not specify the adjustments that were accepted or rejected in determining that amount.[19] Based on Enbridge's proposed billing determinants, the Phase I Settlement represents a $62 million increase.[20] My TBF load adjustment increases adjusted revenues at current rates by approximately $1.8 million, thus reducing the overall revenue deficiency by $1.8 million. This means the increase associated with the stipulated revenue requirement would be reduced from $62 million to $60.2 million if my adjustment were adopted. The Phase I Settlement does not foreclose Phase II adjustments to current revenues affecting the revenue deficiency,[21] and I continue to recommend that my TBF load adjustment be adopted in the context of Phase II.

Q. Would Mr. Summers' proposal to limit the TBF increase to 1.5 times the system average represent a reasonable compromise on this issue?

A. Yes. While I continue to recommend adoption of my TBF load adjustment, if the Commission ultimately declines to do so, it would be necessary to mitigate the adverse effects of the mismatch between the Company's TBF cost allocation inputs

[19] Phase I Settlement Stipulation (Submitted September 26, 2025), ¶11-12.
[20] *Id.*, p. 3 n.1.
[21] *Id.*, p. 3 n.1 & p. 5 ¶16.

and billing determinants. This rate moderation should not be interpreted as an increase to the TBF discount, but rather as a necessary corrective measure to prevent an unreasonable rate impact to the TBF class from the Company's original approach. Given the unique circumstances of this case, limiting the TBF increase to 1.5 times the system average would represent a reasonable alternative if the Commission does not adopt my TBF load adjustment.

TS and TBF Rate Design

Q. Please summarize your direct and rebuttal recommendations regarding rate design.

A. In my direct testimony, I recommend that any reduction to the volumetric revenue requirement for the TS classes relative to the Company's original proposal should be applied on an equal percentage basis to each proposed volumetric rate within the respective class. I also recommend that the TBF volumetric rates be derived by applying an equal percentage discount to the proposed TSL volumetric rate for each block to achieve the targeted TBF volumetric revenue requirement.[22]

In my rebuttal testimony, I respond to the direct testimony of Nucor witness Dr. Kaufman concerning TSL rate design. I recommend against adoption of Dr. Kaufman's proposed redesign of the TSL volumetric rates, as it would place an undue burden on smaller TSL customers.[23]

[22] Phase II Direct Testimony of Courtney M. Higgins (UAE Exhibit COS 2.0), p. 24.
[23] Phase II Rebuttal Testimony of Courtney M. Higgins (UAE Exhibit COS 4.0), p. 13.

Q. Did other parties provide rebuttal testimony on these topics?

A. Yes. ANGC witness Mr. Oliver challenges Enbridge's proposed TS volumetric charges, noting the greater increases proposed for the tail block rates applicable to the highest customer usage within the TS classes. Instead of using Enbridge's proposed rates as the starting point, Mr. Oliver recommends applying equal percentage increases to existing charges.[24]

Mr. Oliver also supports Dr. Kaufman's proposed restructuring of the TSL volumetric charges, asserting that it better reflects economies of scale.[25]

In contrast, Company witness Mr. Summers disagrees with Dr. Kaufman's proposed changes to the TSL block breaks, arguing that retaining the existing structure maintains continuity and aligns with the TBF block structure.[26]

Q. What is your response to parties on these issues?

A. My recommended rate design approach largely accepts the Company's proposed volumetric rate structure. This ensures that TS customers of varying sizes benefit proportionately from the stipulated revenue requirement reduction relative to the Company's direct proposal.

Mr. Oliver's recommendation to apply equal percentage increases to existing TS rates conflicts with his support for Dr. Kaufman's TSL proposal, which would disproportionately impact smaller TSL customers. I continue to recommend

[24] Phase II Rebuttal Testimony of Bruce R. Oliver (ANGC Exhibit 1R), pp. 4-6.
[25] *Id.*, pp. 2-3.
[26] Phase II Rebuttal Testimony of Austin C. Summers (EGU Exhibit 5.0R) p. 16.

against adoption of Dr. Kaufman's proposed TSL volumetric rate redesign, which would unreasonably shift costs to smaller customers within the TSL class.

Q. Are there any TS rate design proposals that were newly raised in rebuttal testimony?

A. Yes. Dr. Kaufman proposes in his rebuttal testimony to greatly increase the contract firm demand charge for the TS classes, more than doubling the existing charge.[27]

Q. Do you support an increase to the TS firm demand charge of the magnitude proposed by Dr. Kaufman?

A. No. Dr. Kaufman's proposal would represent an abrupt and substantial increase in fixed charges, significantly altering the economics of firm service for TS customers. Even though TS customers do not necessarily utilize their full contracted firm demand each month, this rate element provides a stable and predictable means of recovering fixed costs. A sudden increase of the magnitude proposed by Dr. Kaufman could prompt TS customers to reevaluate their contracted firm demand levels, potentially creating instability in this rate element. I recommend that Dr. Kaufman's proposal to dramatically increase the TS firm demand charge be denied in order to maintain a reasonable balance in the TS rate structure.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

[27] Phase II Rebuttal Testimony of Lance D. Kaufman, Ph.D. (Nucor Exhibit 2.0), lns. 141-144.