–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** **Exhibit No. DPU 6.0 SR** **Phase II Surrebuttal Testimony of Matt Pernichele**

FOR THE DIVISION OF PUBLIC UTILITIES

DEPARTMENT OF COMMERCE

STATE OF UTAH

Surrebuttal Testimony of

Matt Pernichele

November 4, 2025

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

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

Q. ARE YOU THE SAME MATT PERNICHELE WHO FILED PHASE II DIRECT AND REBUTTAL TESTIMONY ON BEHALF OF THE DIVISION?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The purpose of my surrebuttal testimony is to respond to other parties' comments proposing a low-pressure surcharge for members of the TSL Class who use the IHP system, gradualism in price changes, and proposed changes to Allocation Factor 230. The scope of this testimony is intentionally limited. The omission of commentary on any issue or proposal should not be construed as either the endorsement or rejection of that issue or proposal.

Low Pressure Surcharge

Q. WHAT IS DR. KAUFMANN'S PROPOSED CHANGE TO THE TSL CLASS?

A. Dr. Kaufman proposes a monthly charge of $7,407 for TSL customers that use the IHP system instead of taking service directly from the feeder system.[1] This would lower the costs allocated to TSL customers who do not use the IHP system by a total of $888,850. He reasons that customers who do not use the IHP system should not be charged for the IHP system. High pressure only TSL customers (which are the majority) are thus subsidizing TSL customers who use the IHP system.

Q. WHAT COMMENTS HAVE OTHER PARTIES MADE REGARDING DR. KAUFMANN'S PROPOSED LOW-PRESSURE CHARGE?

A. In his rebuttal testimony, Mr. Oliver supports Dr. Kaufmann's analysis but not his proposed method to alleviate the intra-class subsidy.[2] Mr. Oliver does not propose an

[1] Nucor Ex. 1.0, Direct Test. of Dr. Lance D. Kaufman, p.16.
[2] ANGC Ex. 1R, Rebuttal Test. of Bruce R. Oliver, p. 2.

alternative method. Mr. Summers opposes Dr. Kaufmann's proposal, arguing that it creates disparate treatment between members of the same class.[3]

Q. DO YOU SUPPORT DR. KAUFMANN'S PROPOSAL?

A. Yes. I support Dr. Kaufmann's proposal because such large disparities between the costs caused by different customers should be remedied when possible. TSL customers who do not use the IHP system do not create costs for the IHP system and charging them for it creates a significant intra-class subsidy. EGU solves a similar problem in a similar way with its BSF charges. Customers pay for the costs of their meter through one of four BSF charges that approximately correspond to the expense of the meter. These charges range from $6.75 per month to $420.25 per month and are meant to more accurately reflect the varying costs of serving heterogeneous customers within the same class. Block rates serve a similar purpose and have a similar effect. Alternatively, the Commission could split the TSL Class into one class that uses and is charged for the IHP system and another that is not. I have not done a rate impact analysis of that proposal.

Gradualism

Q. SUMMARIZE MR. OLIVER'S ARGUMENT THAT SOME OF THE PROPOSED RATE INCREASES VIOLATE THE PRINCIPLE OF GRADUALISM AND CAUSE RATE SHOCK.

A. Mr. Oliver's direct testimony argued that the Company's proposed rate increases for the IS, TBF, and transportation classes were too large to be implemented at one time, even if they were appropriate.[4] Mr. Oliver's rebuttal testimony argues that these increases are still too large after taking into account the reduced overall revenue requirement resulting from the Phase I Settlement.[5] The price increases of particular concern are shown in Table 1.

[3] EGU Ex. 5.0R, Rebuttal Test. of Austin C. Summers, p. 14-15.
[4] ANGC Ex. 1.0, Direct Test. of Bruce R. Oliver, p. 29 – 32.
[5] ANGC Exhibit 1R, Rebuttal Test. of Bruce R. Oliver, p. 10.

Table 1
Concerning Proposed Revenue Increases by Class
Incorporating the Phase I Settlement

Rate Class	Mr. Oliver's Calculated Percent Increase[6]	EGU's Final Proposed Increase[7]
IS	58.2%	53.04%
TBF	41.8%	16.77%
TSS	32.7%	29.09%
TSM	24.9%	22.00%
TSL	23.6%	20.77%

Q. MR. OLIVER ARGUES THAT THE PROPOSED RATE INCREASE TO THE IS CLASS IS TOO LARGE AND SUDDEN TO BE REASONABLE. DO YOU AGREE?

A. Yes, under the current circumstances. The sudden rate increase for the IS class is excessive and should be mitigated if possible. The IS Class is among those that has received a large subsidy for a long time, and they have only been curtailed a few times in the last 25 years. But the 53.04% rate increase proposed as a result of the Phase I Settlement is too much to be imposed at one time when it can be addressed without significant other effects. Such a large increase may also motivate IS customers to change to firm service and deprive the system of the flexibility that results from being able to interrupt a portion of load. Other classes or the Company must always pay for rate mitigation schemes, but the revenue deficiency for the IS Class is only $100,514[8] so it should be feasible to make a cost adjustment to the Company or other classes to limit the IS Class price increase to 1.5 times the aggregate price increase of 11.18%, as suggested by Mr. Oliver.[9]

Q. MR. OLIVER ARGUES THAT THE PROPOSED RATE INCREASE TO THE TBF CLASS IS TOO LARGE AND SUDDEN TO BE REASONABLE. DO YOU AGREE?

[6] *Id.*
[7] EGU Ex. 5.15R, Electronic Model with NGV Subsidy, Rev. Neutral Tab, Cells M28, N28, and O28.
[8] EGU Ex. 5.15R, Electronic Model with NGV Subsidy, Rev. Neutral Tab, Cell L22.
[9] ANGC Exhibit 1R, Rebuttal Testimony of Bruce R. Oliver, p. 12.

A. No. The proposed TBF rate increase is cost-causative and more than sufficiently gradual. Mr. Oliver's analysis does not account for the continuing significant cost adjustment approved in the last rate case to combat bypass risk. With this allowance, the Company's proposed rate increase, accounting for the Phase I Settlement, is 16.77%.[10] This is 1.5 times the aggregate overall 11.18% increase in rates resulting from the Phase I Settlement. This is the adjustment that Mr. Oliver recommended.[11]

Q. MR. OLIVER ARGUES THAT THE PROPOSED RATE INCREASES TO THE TRANSPORTATION CLASSES IS TOO LARGE AND SUDDEN TO BE REASONABLE. DO YOU AGREE?

A. No. Gradualism is most meaningful to customers when measured against the full cost of the product that they are purchasing. Increases in individual charges are only significant to the extent that they change the total price. EGU's proposed change in the charges to transportation customers cannot be directly compared to its other price changes because the transportation charges do not include the commodity and most of the other classes do. The bill that transportation customers get from the Company is a small component of their total cost of gas. Using an average gas price of $3 per Dth, I calculated EGU's transportation rates to be 29% of transportation customers' total cost of service. Using such a "like for like" comparison, the Company's proposed rate increase to the transportation customers is not excessive and does not significantly exceed the aggregate price increase for all classes. This price increase moves these long-subsidized classes to pay for their actual cost of service without drastically increasing the customers' cost to receive natural gas. Relatively common changes in the cost of gas likely significantly outweigh the changes caused by bring the classes to full cost of service.

Allocation Factor 230

Q. PLEASE SUMMARIZE YOUR PROPOSAL FOR ALLOCATION FACTOR 230.

A. The current calculation of Allocation Factor 230 allocates the costs of feeder mains, compressor stations, regulating and measuring stations, allocating 60% by design

[10] EGU Ex. 5.15R, Electronic Model with NGV Subsidy, Rev. Neutral Tab, Cell P28.
[11] ANGC Ex. 1R, Rebuttal Test. of Bruce R. Oliver, p. 12.

day and 40% by throughput. This is a fair compromise and long-standing Commission precedent. Parties to this proceeding have made several proposals to change this allocation. To provide the Commission with a wider range of alternatives, I proposed calculating the feeder system allocation using the system's load factor calculated by using the actual coincident peak day instead of the design day.[12] This method is more thoroughly described in testimony of Dr. Abdinasir Abdulle for the Division in the Company's last general rate case.[13]

Q. WERE YOU ABLE TO THOROUGHLY EVALUATE THE IMPACT OF YOUR PROPOSAL ON CUSTOMER RATES?

A. No. The Company was unable to provide the full peak day information required to study this calculation in the short period of time between the Rebuttal and Surrebuttal phases of this proceeding. In response to a data request, the Company explained that it does not regularly track peak days except for general rate cases.[14] EGU's response contained peak day information from the 2025 and 2022 general rate cases but not for the other requested time periods. The peak day information in the Company's response was identical for both the 2025 and 2022 general rate cases and did not include the actual date of the peak day.

Without load and date information from several annual peak days it is impossible to calculate the range of likely rate impacts of my proposal or to examine the relationship between temperature and peak load.

I used the single available peak day load that EGU provided to calculate the rate impact of my proposal using the most recently updated electronic model that incorporates the changes made by the Phase I Settlement.[15] The result was system load factor of 39.86%. This results in an allocation of 60.14% actual peak day and 39.86% throughput. I lack the data to properly apply the NARUC method using the actual peak day in place of the design day. The data is not in the record in this case or in discovery.

[12] *See,* Rebuttal Test. of Matt Pernichele.
[13] *Application of Dominion Energy Utah to Increase Distribution Rates and Charges and Make Tariff Modifications,* Docket No. 22-057-03, Direct Test. of Abdinasir M. Abdulle, p. 8 - 15 (September 15, 2022)
[14] DPU Exhibit 6.01SR, EGU Response to DPU DR 29.01 (October 22, 2025).
[15] EGU Exhibit 5.15R – Electronic Model with NGV Subsidy.

Q. DO YOU RECOMMEND ANY CHANGES TO ALLOCATION FACTOR 230?

A. No. It was impossible to confidently determine the range of potential rate impacts of my proposal using information from only one peak day. Absent a more thoroughly supported alternative, the Company should continue to use the current 60/40 allocation. The 60/40 allocation is stable and a long standing, reasonable compromise between competing proposals.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.