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DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
Alex Ware, Utility Analyst

Date: September 14, 2018

Subject: Docket 18-057-01

In the Matter of: Dominion Energy Utah's Integrated Resource Plan (IRP)
for Plan Year: June 1, 2018 to May 31, 2019

INTRODUCTION

On June 14, 2018, Dominion Energy - Utah (Dominion or Company) filed its 2018 Integrated Resource Plan (IRP) for the planning period June 1, 2018 to May 31, 2019. On June 27, 2018, the Utah Public Service Commission (Commission) issued a scheduling order that set a deadline of September 14, 2018 for parties to file initial comments and October 12, 2018 for reply comments on the IRP in this proceeding.

The Office of Consumer Services (Office) submits these comments to the Commission regarding the Company's 2018 IRP. The Office provides comments on the following topics:

- Improvements to report formatting,
- Cost of service gas requirements for 2020,
- Increasing Integrity Management costs, and
- Compliance with guidelines.

IMPROVEMENTS TO REPORT FORMATTING

In our last year's comments on DEU's 2017 IRP, dated August 31, 2017, the Office recommended that the Company "[r]estructure future IRP filings so that the Action Plan is a separate, clearly identified section." This recommendation arose from a concern that DEU's infrastructure planning information, found in the annual Distribution System

Action Plan, was difficult to locate in the IRP. After our review of this year’s 2018 IRP, the Office acknowledges and commends DEU for making improvements to the report’s formatting. Specifically, DEU took a single section containing multiple topics, titled *System Capabilities and Constraints*, and broke it out into these four individual sections:

- Section 4 – System Capabilities and Constraints
- Section 5 – Distribution System Action Plan
- Section 6 – Integrity Management
- Section 7 – Environmental Review

The Office believes this formatting improvement is beneficial to stakeholders, including the public that may not be as familiar with how the Company reports its future plans or where that information is located. While the Office only requested for the Action Plan to be placed in a separate section, we agree with DEU’s decision to place all of these separate topics into separate sections for easy identification and access.

COST OF SERVICE GAS REQUIREMENTS

The Office’s review of DEU’s 2018 IRP included an assessment of the Company’s progress toward reduced reliance on cost of service gas supply. In Docket No. 15-057-10, in which DEU and Wexpro sought the inclusion of a new drilling property under the Wexpro II agreement, a settlement stipulation was reached that requires the Company to reduce the proportion of Wexpro supply of its total supply to 55 percent by the 2020 IRP year (2020-2021). The following figure shows DEU’s progress toward this target so far, according to information found in the Company’s IRPs.

	Forecasted Demand - MMDth		
IRP Year	Cost of Service	Total	COS % of Total
2016	64.0	111.6	57%
2017	70.7	115.0	61%
2018	70.6	115.2	61%

While the stipulation agreement does not require the cost of service reduction target until IRP year 2020, it is unclear as of yet how DEU plans to scale back. The Office reviewed the confidential “Wexpro Update Presentation” filed under this 2018 IRP docket, but it contained no information regarding DEU’s plans for meeting the 55 percent target. This is a metric that the Office will continue to watch as the 2020 requirement date continues to approach.

INTEGRITY MANAGEMENT COSTS ARE INCREASING

Federal regulations require DEU to assess its transmission lines and distribution system to identify threats, rank risks, and address any identified concerns. After years of relatively stable integrity management costs, DEU has increased spending on these activities over the past two years. In the sub-area of transmission integrity management,

the Company plans to increase spending this year by about two million dollars or 35 percent. Similarly, over the past two years, DEU has increased spending on distribution integrity management by about two million dollars or 217 percent. These next figures break down these cost increases.

Transmission Integrity Management

IRP Year	Dollars	% Change from Prior Year
2014	\$ 5,281,000	
2015	\$ 5,182,000	-2%
2016	\$ 5,807,000	12%
2017	\$ 5,586,000	-4%
2018	\$ 7,536,000	35%
		% Change from 2014 to 2018
		43%

Distribution Integrity Management

IRP Year	Dollars	% Change from Prior Year
2014	\$ 1,462,000	
2015	\$ 1,486,000	2%
2016	\$ 1,000,000	-33%
2017	\$ 2,750,000	175%
2018	\$ 3,170,000	15%
		% Change from 2014 to 2018
		117%

As shown in the first figure, between IRP years 2014 to 2018, DEU’s forecasted transmission integrity management costs have increased by 43 percent. Across the same time period as documented in the second figure, the Company reports its distribution integrity management costs have increased by 117 percent.

Besides these cost increases, the Company reports that a newly proposed federal regulation, called the Mega Rule, could increase costs further. The Mega Rule, if it goes into effect, would require additional integrity management activities outside the current scope of the work. The Office will continue to monitor this issue.

COMPLIANCE WITH GUIDELINES

While the Office appreciates the improvements in IRP formatting, as discussed earlier, we continue to be concerned that DEU is not in full compliance with the 2009 Integrated

Resource Planning Standards and Guidelines, as found in Appendix A of the Commission's Report and Order from Docket No. 08-057-02. Specifically, the Office notes deficiencies in analysis and level of detail for the Company's proposed capital projects as found in the Distribution System Action Plan.

IRP treatment of the LNG facility

The Office has been critical of DEU for the lack of substantive analysis and budget estimates for the proposed LNG facility when it was both suggested as a solution to peak-hour issues and now that it is suggested this year to only address the Company's stated reliability concerns. Specifically, before this year, the LNG facility was only discussed by DEU in very general descriptive terms.

For the 2018 IRP, the Office acknowledges that DEU has presented a bit more information regarding the proposed LNG facility, such as size, capability estimates, and more specific descriptions of other considered alternatives, but again, substantive analysis is absent. Instead, the Company instructs the IRP reader to refer to a newly opened docket that seeks preapproval from the Commission to construct an LNG facility – Docket No. 18-057-03. The company claims this was done because it was unable to provide a more thorough analysis of LNG in an IRP due to confidentiality reasons.

The Office acknowledges that the 2009 IRP standards and guidelines allow the Company to not disclose confidential information in the IRP documents. However, there is a process in place to ensure regulatory review of such information as part of IRP planning.¹

The Office notes that in this instance, since the LNG plant has already been requested in another docket prior to the filing of the 2018 IRP, its treatment in this IRP is too late. However, the Office's concern is that the IRP be improved moving forward so that it serves the regulatory purpose envisioned in the standards and guidelines. To do so, additional analysis must be presented, as further described next.

Lack of Sufficient Detail

In the report and order that accompanies the 2009 standards and guidelines, the Commission wrote:

“Our decision on the broader issue of the analytical requirements of the IRP is based upon the intent of the IRP, which is to pursue the least-cost alternative for the provision of natural gas services subject to certain other factors. In order to achieve this objective, the Company must complete the referenced analyses and evaluations during the Planning Process. Absent the inclusion of these analyses and evaluations in the IRP, parties have no basis to determine whether the goals and purposes of integrated resource planning are being achieved.”²

¹ Docket No. 08-057-02, Report and Order on Standards and Guidelines, p.9

² Docket No. 08-057-02, Report and Order on Standards and Guidelines, p.14

The Office asserts that DEU is generally not providing the level of analyses and evaluations contemplated by the Commission's order.

For example, the 2018 IRP contains several instances of incomplete information to support planned capital projects. In some instances, the description of a project is very brief because it simply refers back to prior documentation. The Office acknowledges that this has been DEU's practice for some time, but maintains that changing this practice would provide benefit and better comply with the guidelines. The following is an example excerpt.

"TG0006 District Regulator Station, Lehi, Utah: The Company first discussed this project on page 4-15 of the 2017-2018 IRP. The third option presented in the 2017-2018 IRP was chosen due to the cost savings compared to the other options. The project is currently in the construction phase, and the Company anticipates commissioning the station in 2018. The estimated cost for this project is \$3,200,000 with a first-year revenue requirement of \$427,000."³

While the Office does often refer back to past years' IRPs to conduct a review of a new IRP, the IRP should be a standalone document that completely captures the extent of the Company's future plans. Any interested stakeholder should be able to review the support and rationale for a project without consulting other documents.

The Office notes that the standards and guidelines indicate the IRP should include:

"...sufficient information and analyses to show how the Company reaches its resource selection conclusions as to the least-cost plan for providing energy services, including acquisition of natural gas and storage, transportation, and distribution services..."⁴

The standards and guidelines further require for DNG issues:

"A summary of the analyses of alternatives evaluated for each project, including costs, benefits, and risks associated with the alternatives, and the reason for their rejection."⁵

The Office recommends that the Commission require DEU to more completely meet the requirements of the standards and guidelines and ensure that all its planned capital projects, including the acquisition of other energy services, receive a complete analysis and are fully documented in each IRP. The standards and guidelines require a demonstration of how the Company reaches its resource selection conclusions and a summary of analyses of alternatives for DNG projects, which to a large extent have not been included in this and past IRPs. The Office contends that a sufficient analysis should also include a clear description of why each project is needed as discussed

³ Docket No. 18-057-01, DEU 2018 Integrated Resource Plan, Section 5, p.1

⁴ Docket No. 08-057-02, Report & Order, Appendix A IRP Standards and Guidelines, VIII

⁵ Docket No. 08-057-02, Report & Order, Appendix A IRP Standards and Guidelines, IX.C.2.b

above. In the alternative, the Office seeks clarity from the Commission on its expectations for the depth of analysis it expects from the Company in IRPs regarding its resource decisions, which may require amending the standards and guidelines.

RECOMMENDATIONS

Based on the discussion contained in this document, the Office recommends that the Commission require DEU to:

1. provide additional detail and supporting analysis on IRP-selected projects and services in order to be in compliance with the IRP standards and guidelines that require the Company to provide alternatives, costs, benefits, risks, and reasoning, and
2. follow the Commission order regarding confidential information to ensure regulatory stakeholders are given access to such information during the IRP process.

cc:

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