

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

Dominion Energy Utah's Integrated Resource Plan (IRP) for Plan Year: June 1, 2018 to May 31, 2019	<u>DOCKET NO. 18-057-01</u> <u>REPORT AND ORDER</u>
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ISSUED: November 19, 2018

On June 14, 2018, Dominion Energy Utah (DEU) filed its 2018 integrated resource plan for the plan year of June 1, 2018 through May 31, 2019 (2018 IRP) with the Public Service Commission of Utah (PSC).¹ The Division of Public Utilities (DPU) and the Office of Consumer Services (OCS) each filed comments on September 14, 2018, and on October 12, 2018, DEU filed reply comments.

1. Summary of the 2018 IRP

The 2018 IRP presents DEU's plan to meet, provide infrastructure for, and manage its ongoing natural gas demand. DEU represents its 2018 IRP focuses on four primary objectives: (1) projected future customer requirements; (2) alternatives for meeting customer requirements for gas supply, upstream capacity, and distribution system; (3) developing a plan using stochastic data and methods, and risk mitigation programs to achieve reliable gas supply service at reasonable long-term costs to customers, within system constraints and capacities; and (4) using IRP-developed guidelines to create a flexible framework for day-to-day and longer-term gas supply decisions, including cost-of-service gas, gas purchases, gathering, processing, upstream transportation, and storage.

¹ DEU's annual IRP is filed pursuant to the PSC's Report and Order on Standards and Guidelines for Questar Gas Company, issued March 31, 2009, in Docket No. 08-057-02, *In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines* (2009 Standards and Guidelines). Questar Gas Company is now Dominion Energy Utah.

DOCKET NO. 18-057-01

- 2 -

DEU submits the following findings and forecasts for the 2018-2019 IRP year:

- (1) DEU forecasts a Design-Peak Day firm sales demand of approximately 1.330 million decatherms (MMDth) at the city gates for the 2018-2019 heating season.
- (2) DEU forecasts a cost-of-service gas production level of approximately 70.6 MMDth assuming the completion of new development drilling projects (61% of forecast demand).
- (3) DEU forecasts a balanced portfolio of gas purchases of approximately 49.7 MMDth.
- (4) DEU will maintain flexibility in purchase decisions pursuant to the planning guidelines listed in the IRP, because actual weather and load conditions will vary from assumed conditions in the modeling simulation.
- (5) DEU does not forecast a current need for any additional price stabilization, but DEU will review this on an annual basis to determine whether such measures are appropriate in the future.
- (6) DEU will continue to monitor and manage producer imbalances.
- (7) DEU will continue to promote cost-effective energy-efficiency measures.
- (8) DEU will enter into contracts to serve peak-hour requirements and to secure needed storage and transportation capacity.
- (9) DEU will take the necessary steps to obtain required approvals for the design and construction of an on-system liquefied natural gas (LNG) facility to ensure system reliability for customers.

The 2018 IRP presents DEU's annual forecasts, summaries of system and gas modeling activities, and resource selection results. It also includes a discussion of regulatory, resource, and operational challenges that DEU faced during the previous year or could face in the future.

The following tables summarize price, sales, peak demand, throughput, and usage per customer information provided in the 2018 IRP. For comparison, historic information is provided where available:

Table 1. Price² (\$/Dth) (2018 IRP at 8-1 and 2017 IRP at 5-1)

Actual First of Month Index Price for Natural Gas on Dominion Questar Pipeline			
Annual average price (January – December)	2017: \$2.74	2016: \$2.24	2015: \$2.49
Heating season average price (November – March)	2017-2018: \$2.57	2016-2017: \$2.95	2015-2016: \$2.01

Note: DEU forecasts a price of approximately \$2.41 per Dth for the 2018-2019 heating season.

Table 2. Sales (MMDth) (2018 IRP at 3-1, Exhibit 3.10; and 2017 IRP at 3-1, Exhibit 3.10)

Annual System Sales	2018 IRP Forecast 2018/19-2027/28	2017 IRP Forecast 2017/18-2026/27	2017 Actual
Temperature-adjusted sales ³	115.2 – 122.2	115.0 – 123.6	116
Actual sales			104

Table 3. Peak Demand (MMDth/day) (2018 IRP, Exhibit 3.9; and 2017 IRP, Exhibit 3.9)

Peak Demand at the City Gate	2018 IRP Forecast Heating Season 2018-2019	2017 IRP Forecast Heating Season 2017-2018	Actual Heating Season 2017-2018
Total	1.799	1.778	1.065
Firm Sales	1.330	1.337	0.775
Transportation	0.469	0.441	0.290

Table 4. System Throughput (MMDth) (2018 IRP at 3-2, Exhibit 3.10; and 2017 IRP at 3-2, Exhibit 3.10)

System Throughput	2018 IRP Forecast 2018/19-2027/28	2017 IRP Forecast 2017/18-2026/27	2017 Actual
Temperature-adjusted system throughput	202.7 – 214.3	206.8 – 222.1	199.0
Actual system throughput			187.0

² In the 2015 IRP, Questar changed its First-of-Month (FOM) index price reference from Questar Pipeline to Northwest Pipeline. Questar stated the Northwest Pipeline index is now a better indication of price.

³ The projections contained in the IRP reflect the temperature and elevation compensation the PSC approved in Docket No. 09-057-16, *In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges and Make Tariff Modifications* (Report and Order, issued June 3, 2010).

Table 5. Usage per Customer (Dth) (2018 IRP at Section 3, Exhibits 3.1 – 3.11 – System GS Customers (Excel), Worksheet: UPC Data)

Temperature Adjusted Average Annual Usage per Customer (IRP Year)	2018 IRP Forecast 2018/19-2027/28	2017 IRP Forecast 2017/18-2026/27	2017 Actual
Utah GS	104.6 – 92.8	105.6 – 94.9	107.1
Utah Residential GS	80.8 – 72.6	80.6 – 72.8	81.5
Utah Commercial GS	436.0 – 383.4	450.7 – 408.1	457.7

Table 6. Natural Gas Supply Requirements (MMDth) (2018 IRP at 13-4; 13-5, Exhibit 13.90)

Natural Gas Supply Requirement	2018 IRP Forecast June 2018 – May 2019	2017 IRP Forecast June 2017 – May 2018
Total	136.1	130.8
Cost-of-Service Gas	70.6	70.7
Purchased Gas	49.7	45.6
Other (storage)	15.8	14.5

Note: Actual cost-of-service gas supply for the 2017 IRP year was 74.3 MMDth.

DEU also identified several reinforcement, replacement, and new construction projects or programs that are currently in the planning, design, or construction phase. These projects include: ten high pressure station projects, three feeder line projects (one of which is its Utah Feeder Line Replacement Program), and two intermediate high pressure programs (Belt Main Replacement Program and the Aging Infrastructure not included in the Infrastructure Tracker Replacement Program). DEU also identifies and discusses two southern system expansion projects and an on-system LNG facility that are currently in the planning and design phases. DEU provides an update on its transponder replacement project with an estimated completion date of mid-2020 at a cost of \$70 million.

DEU separated the topics previously presented in the System Capabilities and Constraints section of the IRP into four individual sections: System Capabilities and Constraints,

Distribution System Action Plan, Integrity Management, and Environmental Review (Report Reformatting).

2. Parties' Comments

The DPU

The DPU's comments provide a history of DEU's IRP requirements, a summary of the information presented in the 2018 IRP, a summary of the quarterly variance reports from the 2017 IRP, and an evaluation of the 2018 IRP's compliance with the 2009 Standards and Guidelines. Specifically, the DPU discussed DEU's 2018 IRP, including: customer and gas demand forecasts; system constraints and capabilities; purchased gas and company production; gathering, transportation, and storage; peak-hour demand and reliability; energy-efficiency programs; and DEU's compliance with PSC-directed general information reporting requirements. The DPU addressed DEU's integrity management (IM) requirements and federal IM proposed rulemaking activities and stated it will monitor these items as required.

The DPU concluded DEU's 2018 IRP meets the IRP's general information requirements and generally satisfies the requirements for the 191 Account. The DPU stated DEU has made reasonable attempts to satisfy the 2009 Standards and Guidelines and noted DEU's commitment, through continuing discussions with parties, to continue to improve on details of some aspects presented in the 2018 IRP. The DPU recommended the PSC acknowledge the 2018 IRP.

The OCS

The OCS agrees with DEU's Report Reformatting (i.e., separation of the System Capabilities and Constraints section into four separate topics) because it provides for easy identification of and access to the individual topics. Regarding cost-of-service/Wexpro gas

supplies, the OCS noted that while the PSC-approved Canyon Creek Stipulation⁴ limits Wexpro gas supplies to 55 percent of DEU's total supply by the 2020 IRP year, Wexpro-supplied gas has increased from 57 percent in 2016 to 61 percent in 2017 and 2018. The OCS will monitor this issue as it states it is presently unclear how DEU plans to scale back. The OCS also will monitor DEU's IM costs noting that forecasted transmission IM costs have increased 43 percent from 2014 to 2018 and distribution IM costs have increased 117 percent. In addition to these IM cost increases, the OCS discussed the new proposed federal IM regulation which, if approved, would require additional integrity management activities.

The OCS provided two recommendations pertaining to DEU's compliance with the 2009 Standards and Guidelines. First, the OCS recommends the PSC require DEU to ensure all planned capital projects, including the acquisition of other energy services, receive a complete analysis and are fully documented in each IRP as required by the 2009 Standards and Guidelines. The OCS asserts DEU's IRPs have not provided the level of analysis contemplated in the PSC's Report and Order on 2009 Standards and Guidelines.⁵ The OCS listed deficiencies in DEU's analysis and level of detail for certain capital projects in the 2018 IRP's Distribution System Action Plan, including DEU's proposed LNG facility. The OCS maintains the IRP should be a stand-alone document that completely captures the extent of future plans without having to refer to other documents.

⁴ See *In the Matter of the Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property* (Order Approving Stipulation, issued November 17, 2015 at ¶ 20); Docket No. 15-057-10.

⁵ See *In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines* (Report and Order on Standards and Guidelines for Questar Gas Company, issued March 31, 2009, at 14); Docket No. 08-057-02.

The OCS notes the 2009 Standards and Guidelines require a demonstration of how DEU reached its resource selection conclusions and a summary of its analyses of alternatives for distribution projects. The OCS contends that a sufficient analysis also should include a clear description of why each project is needed. In the alternative, the OCS requests clarification from the PSC on its expectations for the depth of analysis it expects in IRPs.

Second, the OCS recommends the PSC require DEU to comply with PSC requirements to ensure regulatory stakeholders are given access to confidential information during the IRP process. The OCS acknowledges the 2009 Standards and Guidelines allow DEU not to disclose confidential information in the IRP documents. However, the OCS asserts a process exists to ensure regulatory review of such information during the IRP process.⁶

DEU Reply Comments

DEU agrees with the DPU's analysis and requests the PSC acknowledge the 2018 IRP. DEU commits to working with interested parties to improve its IRP process and future filings. DEU states it will also ensure interested parties are aware of new developments pertaining to cost-of-service gas requirements for 2020 and increased IM costs. Further, DEU commits to provide additional information as discussed below.

DEU responds to the OCS's comments pertaining to compliance with IRP guidelines:

- DEU maintains it is appropriate to incorporate detail by reference but also recognizes that doing so may be unnecessarily cumbersome. DEU commits to provide complete information in future IRP documents rather than referring the reader to earlier IRPs.

⁶ *Id.* at 9.

DOCKET NO. 18-057-01

- 8 -

- Regarding the OCS's comments pertaining to DEU's treatment of an LNG facility in the IRP, DEU asserts it provided an appropriate level of detail related to the proposed LNG facility and that the 2018 IRP is fully compliant with the 2009 Standards and Guidelines. DEU refers to the LNG summary description in Section 5 of the 2018 IRP and its references to DEU's LNG application in Docket No. 18-057-03.⁷ DEU also refers to its commitment to include complete information in future IRPs rather than incorporating information by reference.
- DEU maintains that creating an IRP document comprised of highly technical engineering and financial information puts it at cross-purposes with the goal of having a more readable document that informs a broader group of individuals. DEU is committed to including information sufficient to comply with the 2009 Standards and Guidelines and to making detailed information available to interested parties through the discovery process.
- Regarding IRP-related confidential information, DEU believes it can usually include information sufficient to comply with the 2009 Standards and Guidelines without disclosing detailed confidential information. However, if necessary, DEU will utilize the tools available in Utah Admin. Code R746-1-601 *et seq.* Additionally, if parties seek a greater level of detail, DEU will provide confidential information in response to data requests.

⁷ See *Request of Dominion Energy Utah for Approval of a Voluntary Resource Decision to Construct a Liquefied Natural Gas (LNG) Facility* (DEU Application for Voluntary Request for Approval of Resource Decision, filed April 30, 2018); Docket No. 18-057-03.

3. Discussion, Findings, and Conclusions

DEU's IRP process is an open, public process through which all relevant supply-side and demand-side resources are investigated in the search for the optimal set of resources to meet current and future natural gas service needs at the lowest total cost to the utility and its customers, in a manner consistent with the long-run public interest, and public safety, given the expected combination of costs, risks, and uncertainty. Pursuant to the 2009 Standards and Guidelines, we consider comments on the adequacy of the 2018 IRP process and the information presented in the 2018 IRP.

The DPU and DEU recommend the PSC acknowledge the 2018 IRP. No party opposes and the OCS provides recommendations.

We find DEU's commitment to provide complete information in future IRP documents, rather than incorporating information by reference, addresses the OCS's concern regarding the IRP as a standalone document. We also find DEU's commitment to provide confidential information through the discovery process or by using the provisions of Utah Admin. Code R746-1-601 *et seq.* addresses the OCS's concerns regarding confidential IRP-related information. In light of our order in Docket No. 18-057-03, we decline to opine on the sufficiency of the LNG facility information provided in the 2018 IRP.

For the reasons identified by the OCS, we find its recommendation regarding the level of detail and supporting analysis on proposed projects and energy services has some merit. Section III of the 2009 Standards and Guidelines states: "The IRP will be developed in consultation with the [PSC], its Staff, the [DPU], the [OCS], appropriate Utah State agencies, interested members of the general public, and other interested parties. . . ." In addition, Section VIII of the 2009

Standards and Guidelines, which is entitled, “Level of Detail,” states: “Each IRP must detail [DEU’s] intentions for the planning year(s) and must also provide sufficient information and analyses to show how [DEU] reaches its resource selection conclusions” To the extent the OCS asserts DEU is providing insufficient information to satisfy the 2009 Standards and Guidelines, and DEU has committed to work with parties to improve future filings, we direct DEU to convene interested stakeholders prior to the commencement of the 2019 IRP docket to identify the additional information parties contend is necessary to satisfy the 2009 Standards and Guidelines. A summary of these discussions should be provided during a 2019 IRP pre-filing technical conference.

Based on our review of the 2018 IRP and the comments and reply comments from the DPU, the OCS, and DEU, we conclude DEU’s 2018 IRP generally complies with the requirements of the 2009 Standards and Guidelines with the exception noted above. We also adopt DEU’s commitments set forth in its reply comments.

ORDER

- 1) We conclude the 2018 IRP as filed generally complies with the requirements of the 2009 Standards and Guidelines.
- 2) We adopt DEU’s commitments set forth in its reply comments.
- 3) DEU shall convene a stakeholder meeting prior to the initiation of the 2019 IRP docket to discuss how it can address the OCS’s concerns regarding the insufficiency of certain information in the IRP.

DOCKET NO. 18-057-01

- 11 -

DATED at Salt Lake City, Utah, November 19, 2018.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#305557

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on November 19, 2018, a true and correct copy of the foregoing was delivered upon the following as indicated below:

By Electronic-Mail:

Kelly Mendenhall (kelly.mendenhall@dominionenergy.com)
Austin Summers (austin.summers@dominionenergy.com)
Jenniffer Nelson Clark (jenniffer.clark@dominionenergy.com)
Dominion Energy Utah

Patricia Schmid (pschmid@agutah.gov)
Justin Jetter (jjetter@agutah.gov)
Robert Moore (rmoore@agutah.gov)
Steven Snarr (stevensnarr@agutah.gov)
Assistant Utah Attorneys General

Erika Tedder (etedder@utah.gov)
Division of Public Utilities

By Hand-Delivery:

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, UT 84111

Administrative Assistant