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dba Dominion Energy Utah*

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE REQUEST OF
DOMINION ENERGY UTAH FOR
APPROVAL OF A VOLUNTARY
RESOURCE DECISION TO CONSTRUCT
AN LNG FACILITY

Docket No. 18-057-03

**APPLICATION FOR VOLUNTARY
REQUEST FOR APPROVAL OF
RESOURCE DECISION**

Pursuant to Utah Code Ann. § 54-17-401 *et seq.* and Utah Admin. Code R746-440-1 *et seq.*, Questar Gas Company dba Dominion Energy Utah (“Company” or “Dominion Energy”) respectfully requests that the Public Service Commission of Utah (“Commission”) approve the Company’s decision to construct a liquefied natural gas (“LNG”) facility in Salt Lake County, Utah (“Resource Decision”). Specifically, as described in more detail below and in the supporting pre-filed testimony, the Company requests that the Commission issue an order approving the construction of an LNG facility on a proposed site near Magna, Utah, consisting of

a 15 million gallon LNG storage tank, gas-pretreatment, liquefaction facilities, and gas vaporization facilities, with the costs and benefits of the facility allocated only to sales customers. As proposed, the facility would have a liquefaction rate of 8.2 MMcfd and a proposed vaporization rate of 150 MMcfd (approximately 150,000 Dth/day).

In support of this Application, Dominion Energy provides the following information:

BACKGROUND

A. Dominion Energy's Need for a Long-Term Supply Reliability Solution

1. Dominion Energy, a Utah corporation, is a public utility engaged in the distribution of natural gas primarily to customers in the states of Utah and Wyoming. Its Utah public utility activities are regulated by the Commission, and the Company's rates, charges, and general conditions for natural gas service in Utah are set forth in the Company's Tariff. Copies of the Company's Articles of Incorporation are on file with the Commission. In addition, the Company serves customers in Franklin County, Idaho. The rates for these Idaho customers are determined by the Utah Commission pursuant to an agreement between the Commission and the Idaho Public Utilities Commission. Volumes for these customers have been included in the Utah volumes.

2. While Dominion Energy serves customers from Southern Idaho to Southern Utah and into Wyoming, its demand center, or the primary area of demand on its system, is in the counties along the Wasatch Front, including Utah County, Salt Lake County, Davis County and Cache County. The natural gas necessary to satisfy this demand, as well as to serve other parts of the Company's service territory, comes principally from wells located hundreds of miles from the Wasatch Front in areas of Wyoming and Colorado.

3. When gas is produced from wells in these locations, it is delivered to processing plants or to interstate pipelines. Gas delivered to processing plants is processed to remove non-methane hydrocarbons and liquids to render the gas as pipeline-quality gas that can be used by customers. Most of these processing plants are also located in areas of Wyoming.

4. After produced gas has been processed, it is transferred to the Company's distribution system, with other natural gas, through interstate pipelines that are owned and operated by third parties. These interstate systems involve compressor stations and hundreds of miles of gas pipeline, much of which crosses through remote and mountainous regions. The location at which these interstate pipelines deliver gas onto Dominion Energy's distribution system is dependent upon where each interstate pipeline connects with the Company's distribution system.

5. As natural gas is moved from the wellhead to processing plants and then through interstate pipelines to Dominion Energy's distribution system, there are numerous opportunities for supply disruptions to occur, particularly on cold weather days when the demand for natural gas is at its highest and where cold weather impacts gas supply systems the most. These disruptions are most often caused by well "freeze offs," gas processing plant interruptions, power failures, but there is also risk of disruption caused by third-party line damage, landslides, earthquakes, line corrosion and failure, and flooding.

6. In recent years, and on repeated occasions during the past five years, the Company has experienced natural gas supply disruptions, some of which have resulted in supply shortfalls. The causes of these shortfalls have varied, but all have resulted ultimately from unanticipated supply disruptions upstream from the Company's distribution system and outside of the Company's ability to control or manage. Fortunately for Dominion Energy, these events

were fairly short-lived or occurred when temperatures were not at extreme lows. However, had these shortfalls lasted for an extended period (multiple days) or occurred during extremely cold periods (when supply disruptions are most likely to occur), they would have threatened the Company's ability to provide safe and reliable service to its customers and, in fact, could have resulted in a significant loss of service to customers in Dominion Energy's demand center.

7. The Company has historically managed supply disruptions through gas purchases or available storage. While it is conceptually feasible to continue doing this in the future, that option presents increasing risk to the Company given current conditions and assumes that a supply disruption will not also impact the same upstream supplies the Company would turn to in response to a shortfall. The Company's calculations demonstrate that, given its current gas supply portfolio and growing customer demand, a disruption in its upstream supply and storage sources on a very cold day or for several days at very cold temperatures could cause a significant gas shortfall on the Company's system and result in many customers losing service. This loss of service, by extension, would give rise to health risks for Company customers, cause business and property damage, and result in significant expense necessary to bring the system back on-line when gas supply has been restored.

8. Dominion Energy is not the only utility that has experienced these kinds of supply interruptions and shortfalls. Most other gas utilities throughout the country have experienced significant supply interruptions, including some utilities that have faced this issue in recent years resulting from unpredictable and extreme weather conditions that have wreaked havoc on upstream natural gas supply chains.

B. The Company's Assessment of Long-Term Supply Reliability Options

9. In response to the Company's recent supply disruptions, it has estimated the amount of gas supply it would need to ensure service if an upstream supply shortfall occurred on a Design-Peak Day. Based on that estimate, Dominion Energy has determined that it would likely need an additional 150,000 Dth/day to avoid a significant shortfall and loss of service to customers.

10. Dominion Energy's Gas Supply and Engineering departments have spent many months analyzing the options the Company could pursue to obtain the necessary supply reliability to respond to a significant natural gas supply shortfall. The purpose of this analysis was to identify the best option available to avoid such a shortfall. In assessing the options, the Company considered various factors, including: (i) the costs associated with each option; (ii) whether each option would provide adequate, safe, and reliable gas supply when other planned supply is disrupted; (iii) the risks associated with each option; (iv) the long- and short-term impacts the options would have on the Company, its operations and its system; and (v) other factors relevant to the analysis. DEU Highly Confidential Exhibit 2.11 (Supply Reliability Option Evaluation Summary) summarizes each option the Company considered and the relevant factors relating to that option.

11. After its extended review process, the Company concluded that the best available long-term supply reliability solution to address future supply shortfalls is to construct an on-system LNG facility with liquefaction in the center of the Company's demand center – Salt Lake County, Utah.

THE PROPOSED LNG FACILITY

12. As is discussed in more detail in the Company's pre-filed testimony, Dominion Energy proposes to construct the LNG facility near Magna, Utah. The site layout and the specifications for the proposed facility were developed by a third-party consulting company, HDR Incorporated ("HDR"), which was selected after Dominion Energy sent a request for proposal for engineering and site evaluation services. HDR has extensive experience in providing design and construction services for LNG facilities worldwide.

13. Through the site evaluation process, the proposed plant location near Magna, Utah was identified as a suitable location for the facility. In addition, HDR prepared a pre-Front End Engineering Design ("FEED") study, as well as a complete FEED study for the selected site. These studies defined the project scope and provided the detail needed to define the engineering, procurement, and construction contract documents that would need to be developed if the Commission approves the Resource Decision.

14. Based on the FEED study, it was determined that the facility should incorporate a 15 million gallon LNG storage tank, an amine gas-pretreatment process, a liquid nitrogen refrigeration cycle, and gas vaporization facilities. As proposed, the facility would have a liquefaction rate of 8.2 MMcfd and a vaporization rate of 150 MMcfd (approximately 150,000 Dth/day), meaning that the LNG facility would be able to provide an additional 150,000 Dth/day of natural gas to Dominion Energy's system in the event of a supply shortfall. Liquefaction refers to the process whereby natural gas is converted into liquid form for storage purposes. Vaporization refers to the process whereby LNG is converted back into a gaseous state to be injected into the Company's gas distribution system.

15. The Company also retained HDR to assist in obtaining preliminary permitting for the LNG facility that would allow the project to proceed forward if the Commission approves the Resource Decision. HDR and Dominion Energy have held discussions with the Salt Lake County Planning Department regarding conditional use requirements for the site, and with the Utah State Department of Environmental Quality regarding permitting for air emissions. In addition, Phase I and Phase II environmental studies for the proposed site have been completed. Finally, HDR has evaluated and cleared the projects for impacts to endangered species, cultural resources, or waters of the United States.

16. In addition, based on the FEED study prepared by HDR, the Company and HDR have developed contract documents ready to be released for bid if the Resource Decision is approved by the Commission. The Company also obtained two cost estimates from independent parties for the construction of the facility. HDR provided an estimate of \$ [REDACTED]. Northstar Energy, another entity with extensive LNG experience, provided an estimate of \$ [REDACTED]. To be conservative, the Company has selected the higher estimate for purposes of this matter.

17. Using this cost estimate, the land cost for the selected site, and internal labor costs calculated for the LNG project, the Company arrived at the following cost breakdown for the Resource Decision:

Cost Item	Amount
Materials and Construction	[REDACTED]
Land	[REDACTED]
Internal Labor	\$5,835,000

Allowance for Funds used during construction (AFUDC)	██████████
Inflation	██████████

18. Based on this cost information, the Company performed a revenue requirement calculation, which, as explained in detail in the direct testimony of Company witness Kelly B Mendenhall, results in a levelized thirty-year revenue requirement of \$24,311,859 for the facility. This equates to an annual bill impact for customers of \$18.75 or 2.64%. The Company proposes that this cost and the benefits of the LNG facility to be allocated to the sales customers. Transportation customers would not pay the cost for or receive the benefits of the facility as the Company does not provide natural gas supply for transportation customers.

APPLICABLE STANDARD AND REQUEST FOR APPROVAL

19. Under Utah Code Ann. § 54-17-402(1), “before implementing a resource decision, an energy utility may request that the commission approve all or part of a resource decision” in accordance with the Part 4 of the Energy Resource Procurement Act. Utah Code Ann. § 54-17-402(3) provides:

In ruling on a request for approval of a resource decision, the commission shall determine whether the decision:

- (a) is reached in compliance with this chapter and rules made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; and
- (b) is in the public interest, taking into consideration:
 - (i) whether it will most likely result in the acquisition, production, and delivery of utility services at the lowest reasonable cost to the retail customers of an energy utility located in this state;
 - (ii) long-term and short-term impacts;
 - (iii) risk;
 - (iv) reliability;
 - (v) financial impacts on the energy utility; and

- (vi) other factors determined by the commission to be relevant.

In addition, a request for approval of a resource decision must include “testimony and exhibits” which provide the categories of information set forth in Utah Admin. Code R746-440-1.

20. Dominion Energy’s Application for approval of the Resource Decision fully complies with the requirements of the applicable statutes and regulations, and demonstrates that the Resource Decision is in the public interest.

21. As demonstrated in the Company’s pre-filed testimony, when compared to other supply reliability options, having an on-system LNG facility in the heart of the Company’s system provides supply diversity and an unmatched reliability solution to avoid a significant supply shortfall. Other off-system options are subject to the same supply disruption risks as the Company’s existing supply options, *i.e.* they are located along the same upstream systems that are already impacted by severe weather and other supply disruptions. Further, only an on-system LNG facility can be located in the center of the Company’s demand center where the demand is greatest and where stored LNG can be vaporized and immediately injected into the system to promptly provide gas in the event of a supply shortfall. No other option provides the same level of reliability and efficiency as the proposed Resource Decision.

22. Similarly, from a risk perspective, the proposed LNG facility presents the least risk for the Company and its customers. Other options do not eliminate the risks the Company is attempting to address through its Application. Rather, as noted above, many of those options are exposed to the same supply disruption risks as those that exist with the Company’s current supply sources. Moreover, because Dominion Energy will own the LNG plant, it will have control over the facility, removing any risk stemming from third-party operation and management. The LNG would have one priority – the reliability of gas supply to the Company’s

customers – and would not be subject to competing priorities and loyalties that can impact service provided by third parties. Finally, a number of the other options present serious risk from existing uncertainties. Some of them are unrealistic or would not provide sufficient supply to avoid the supply shortfall concerns at issue. Others are only conceptual, and it is unclear if they are even physically or financially viable. LNG is a proven technology, and a known commodity, and would provide safe and prompt gas supply in the event of a supply disruption.

23. From the cost perspective, the Resource Decision is not the least expensive option. However, a cost comparison is only marginally helpful, as none of the other options addresses the supply reliability and safety needs the Company is attempting to address without being subject to the same vulnerabilities and disruptions as the existing gas supply sources in the Company's supply portfolio. As such, an apples-to-apples comparison is not truly possible. Furthermore, the cost of some of the options is uncertain at best, as they are only conceptual or only roughly estimable at this point. If the Company selected one of the lower-cost options, it would be accepting an alternative that did not adequately solve the supply-reliability issues or address other concerns. Therefore, the proposed LNG facility is the best solution.

24. A careful review of the Resource Decision also demonstrates that the Company is fully capable of absorbing the financial impact of the Resource Decision. The Company has the cash and the ability to obtain the necessary financing to complete the Resource Decision without negatively impacting the Company or impairing its ability to fulfill its charter and obligations.

25. Finally, there are no negative short-term or long-term impacts associated with the Resource Decision. Indeed, in addition to providing the increased long-term supply reliability Dominion Energy is attempting to obtain, an on-system LNG facility will provide long-term flexibility for the Company, resulting in additional benefits to customers. The proposed facility

would allow Dominion Energy to truck LNG to rural communities in need of gas supply, and to better balance the day-to-day and intra-day supply needs of the Company's distribution system.

26. The Company's Application is supported by the pre-filed testimonies of Kelly B Mendenhall (Director of Regulatory Pricing for Dominion Energy), Christina Faust (Director Gas Supply and Commercial Support for Dominion Energy), Michael L. Platt (Manager of Engineering Systems for Dominion Energy), Bruce Paskett (an industry expert and Chief Regulatory Engineer with Structural Integrity Associates, Inc.), and Michael L. Gill (Manager of Engineering for Dominion Energy), as well as other exhibits and materials accompanying their testimony.

27. The foregoing testimony, and the attached exhibits, contains the information that is required by Utah Admin. Code R746-440-1 to be filed with Voluntary Request for Resource Decision. Mr. Mendenhall's testimony explains where each category of information can be found within the Company's pre-filed testimony and exhibits.

TIMING FOR APPROVAL AND COMMENCEMENT OF THE RESOURCE DECISION

28. Utah Code Ann. § 54-17-402(6) requires that a Commission determination on a request for a resource decision should be made within 180 days of the filing of the request "unless the Commission determines that additional time to analyze a resource decision is warranted and is in the public interest." As discussed below, the 180-day period provides ample time for the Commission and the parties to evaluate the Resource Decision. Moreover, a decision within that timeframe will provide the Company with the proper lead time to implement the Resource Decision and complete the LNG facility by its planned in-service date in 2020 while minimizing the costs and avoiding unnecessary delays.

29. The Resource Decision focuses on the construction of a single facility, and the Company has conducted an extensive review of the Resource Decision and other potential

alternatives the Company considered, and provided the Commission with significant evidence supporting the Resource Decision.

30. While the nature of the Resource Decision is straightforward, its implementation will require years for the Company to complete planning, conduct a bidding process, finalize contracts, construction plans and permits, and construct the facility. All of this must await approval by the Commission. In this regard, the Company's proposed cost estimates assume an in-service date of 2022. If a decision is materially delayed beyond the 180-day approval timeframe, the Company is concerned that the overall project timeline will also be delayed, resulting in increased costs, and potentially delaying the permitting process and the liquefaction scheduled for the 2022/2023 heating season. Additionally, the real estate purchase option on the land for the project site expires at the end of 2018. To extend that option, the Company would have to pay an additional [REDACTED]. The Company believes it is in the public interest to avoid unnecessary delays and costs.

31. Dominion Energy respectfully requests that the Commission establish a schedule for this proceeding that will ensure a determination on the Resource Decision within the 180-day timeframe.

REQUEST FOR RELIEF

32. Without an on-system LNG facility, the Company's current supply portfolio does not provide sufficient margin to address serious supply shortfalls upstream of Dominion Energy's system. WHEREFORE, Dominion Energy respectfully requests that the Commission, in accordance with its authority, rules and procedure:

- a. Notice a scheduling conference to set a schedule for interested persons to file comments on Dominion Energy's request for approval of the Resource

Decision, for any technical conferences deemed useful to the Commission or interested parties, for a hearing on the Company's Application and request for approval and for other processes and procedures deemed reasonably or necessary by the Commission in reviewing Dominion Energy's request; and

b. Issue and order pursuant to Utah Code Ann. § 54-17-402 approving the Resource Decision.

DATED this 30th day of April, 2018.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the APPLICATION FOR VOLUNTARY REQUEST FOR APPROVAL OF RESOURCE DECISION was served upon the following persons by e-mail on April 30, 2018:

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