

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Request of)	
Dominion Energy Utah for Approval)	Docket No. 18-057-03
of a Voluntary Resource Decision to)	
Construct an LNG Facility)	

REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

SEPTEMBER 6, 2018

1 **Q. WHAT IS YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?**

2 A. My name is Béla Vastag. My business address is 160 East 300 South Salt
3 Lake City, Utah 84111. I am a Utility Analyst for the Utah Office of
4 Consumer Services (Office).

5 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

6 A. Yes, I filed direct testimony on August 16, 2018.

7 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

8 A. I will respond to the direct testimonies of Douglas D. Wheelwright and Allen
9 R. Neale of the Utah Division of Public Utilities (Division) and of Kevin B.
10 Holder of Magnum Energy Midstream Holdings, LLC (Magnum). My rebuttal
11 only addresses a limited number of issues. Silence on an issue should not
12 be interpreted to be support or opposition.

13

14 **Division of Public Utilities**

15 **Q. DOES THE DIVISION TAKE A POSITION THAT IS FUNDAMENTALLY**
16 **DIFFERENT FROM THE OFFICE'S POSITION IN THIS CASE?**

17 A. At a high level, no. The Office agrees with the Division's characterization of
18 Dominion Energy Utah's (Company or DEU) filing for approval to construct
19 an LNG facility – that the filing has not provided sufficient evidence and
20 analyses. Specifically, one of Mr. Neale's conclusions states "this is not
21 sufficient to adequately demonstrate it is most likely to be the lowest
22 reasonable cost option" (Neale Direct, lines 262 – 263), which is a key
23 consideration for approval under the requirements of the Utah Energy

24 Resource Procurement Act, §54-17-402(3)(b). However, both Mr.
25 Wheelwright and Mr. Neale appear to partially accept DEU's evidence
26 asserting that the Company has a supply reliability problem due to shortfalls
27 of gas supply caused by cold weather. I address the lack of clarity in this
28 position. In addition, both Mr. Wheelwright and Mr. Neale recommend DEU
29 issue an all source RFP to properly discover all possible alternate solutions
30 to the assumed supply reliability problem. The Division witnesses further
31 propose two alternatives for how DEU could provide additional supporting
32 evidence. I support the suggestion for an RFP but oppose one of the
33 Division's suggestions for providing additional evidence.

34 **Q. WHAT DO MR. WHEELWRIGHT AND MR. NEALE SAY REGARDING**
35 **THE COMPANY'S EVIDENCE OF THE EXISTENCE OF A SUPPLY**
36 **RELIABILITY PROBLEM THAT PURPORTEDLY REQUIRES AN LNG**
37 **PLANT?**

38 A. On lines 101 - 104 of Mr. Wheelwright's direct testimony, he states, "A more
39 reasonable and likely reason for using an LNG facility would be in the event
40 of short term supply cuts due to a cold weather event, well freeze off, or
41 short term system maintenance condition."

42 Mr. Wheelwright also raises concerns about the DEU's statement of
43 need in lines 178 – 180 by saying: "Furthermore, it appears the need has
44 been defined by the capacity of the Company's preferred resource, rather
45 than being independently identified and a facility being sought to meet the
46 need."

47 Later, it is not clear whether Mr. Wheelwright accepts DEU's
48 statement of need when he says in lines 268 – 270, "While DEU has
49 identified its concern, there has been no analysis presented or short term
50 solution identified to satisfy a potential supply shortfall prior to the
51 completion of the proposed LNG facility."

52 Mr. Neale, also on behalf of the Division, appears to more clearly
53 support DEU's statement of need by stating the following:

- 54 • "...to some extent the Filing explains and documents events that
55 raise reliability concerns that could be addressed by the
56 Proposed LNG Facility" (Neale Direct, lines 228 – 229),
- 57 • "The Company has provided documentation that it has
58 experienced design peak day deficiency events since 2011 that
59 have exceeded 100,000 Dth/d and reached as high as 150,000
60 Dth/d." (Neale Direct, lines 413 – 415), and
- 61 • "Q. Why is an LNG facility an appropriate solution to this
62 problem?" (Neale Direct, line 423)

63 In fact, although Mr. Neale includes in his second conclusion the critique
64 that DEU has not demonstrated its proposal as "most likely to be the lowest
65 reasonable cost", he also states that, "[t]he Proposed LNG Facility will
66 adequately address the stated need to provide a reliable and low-cost
67 service to firm customers." (Neale Direct, lines 261 – 263)

68 **Q. WHILE THE DIVISION QUESTIONS THE COMPANY'S ANALYSIS OF**
69 **ALTERNATIVES, IT APPEARS THAT THE DIVISION DOES ACCEPT**

70 **THAT DEU HAS ADEQUATELY DOCUMENTED ITS DESIGN DAY**
71 **RELIABILITY PROBLEM DUE TO SUPPLY CUTS. DOES THE OFFICE**
72 **AGREE WITH THIS VIEW?**

73 A. While the Division, in general, is very critical of the Company's filing, the
74 statements referenced above appear to suggest that the Division is satisfied
75 that the Company has provided sufficient evidence, analysis and regulatory
76 history defining the reliability problem that it proposes to address with an
77 LNG facility. If this is the Division's position, the Office strongly disagrees.

78 As discussed in the Office's direct testimony, the Company has had
79 no outages due to supply shortfalls. The Company's only documented
80 outages on its system would not have been prevented by the proposed LNG
81 facility, and the Company's first regulatory filing attempting to provide
82 detailed evidence of a design day reliability problem is in this proceeding.
83 Furthermore, as Office witness Mr. Mierzwa explained in his direct
84 testimony, the construction of LNG plants to solve unexpected supply
85 shortfalls is not a practice of the gas industry. Thus, not only has the
86 Company failed to demonstrate that its proposed LNG solution is the least
87 cost, as suggested by the Division, it also has failed to document the
88 existence (or quantify the magnitude) of a supply reliability problem for
89 which a solution is necessary.

90 **Q. HOW DOES THE DIVISION PROPOSE THAT THE COMPANY REMEDY**
91 **SOME OF THE SHORTCOMINGS OF ITS FILING?**

92 A. In their direct testimonies, Mr. Wheelwright (lines 410 – 413, 438 – 439) and
93 Mr. Neale (lines 305 – 306, 1214 – 1217, 1423 – 1424) recommend that the
94 Commission order the Company to issue an all-source RFP to allow
95 potential solutions to be considered for the purported supply reliability
96 problem.

97 **Q. WHAT TIMELINE DOES THE DIVISION PROPOSE FOR THE RFP IT**
98 **RECOMMENDS?**

99 A. The Division's process recommendations are unclear. Mr. Neale's fifth
100 recommendation suggests two options when he states, "If it wishes to
101 proceed, the Company should be required to supplement its Filing, or make
102 a new one." (Neale Direct, lines 270 – 271)

103 **Q. WHAT IS THE OFFICE'S RESPONSE TO THE DIVISION'S**
104 **RECOMMENDATION FOR AN RFP AND FOR DEU TO SUPPLEMENT**
105 **THIS FILING?**

106 A. The Office agrees that bids from an RFP process would be preferable to the
107 Company's self-selected alternatives. However, the Office maintains that a
108 cold weather supply shortfall problem has not been adequately shown or
109 defined and that the timeline of this resource decision proceeding cannot
110 properly accommodate the addition of an RFP. Parties would be
111 disadvantaged if the process involved a hurried RFP and a short timeline to
112 evaluate the RFP results. Supplementing this filing with an RFP would
113 essentially constitute a new filing. If DEU has new evidence to provide,
114 particularly that from a robust RFP which would be a more appropriate level

115 of analysis and due diligence for such a large investment, then it should
116 withdraw this filing, conduct the RFP and additional analysis, and then make
117 a new filing if appropriate.

118 **Magnum Energy Holdings**

119 **Q. WHAT DOES MR. HOLDER SAY ABOUT DEU'S REPRESENTATION OF**
120 **THE CAPABILITIES AND COSTS OF MAGNUM ENERGY'S**
121 **FACILITIES?**

122 A. Mr. Holder states that DEU has modeled Magnum's services in its filing
123 such that they are not an apples-to-apples comparison to the Company's
124 proposed LNG facility. In his direct testimony, Mr. Holder claims that some
125 of the major misrepresentations in DEU's filing include:

- 126 • The costs of the Magnum services are based on providing both
127 peak hour and supply reliability services while the costs of the
128 proposed LNG plant are just for supply reliability. (Holder Direct,
129 lines 145 – 147).
- 130 • The Magnum supply reliability service could provide 150,000
131 Dth/day of supply backup for more days - twelve days for
132 Magnum versus eight days for the LNG facility. (Holder Direct,
133 lines 232 – 236).
- 134 • The Magnum service can also be directly connected to DEU's
135 distribution system eliminating the need for maintaining service
136 on an interstate pipeline. (Holder Direct, lines 333 – 335).

137 **Q. IF MR. HOLDER'S STATEMENTS ARE CORRECT, WHAT DOES THIS**
138 **SAY ABOUT DEU'S FILING?**

139 A. The information provided by Mr. Holder is further evidence that the
140 Company has not adequately evaluated all alternatives to its preferred LNG
141 facility for supply reliability services, if needed.

142 **Conclusion**

143 **Q. PLEASE SUMMARIZE THE OFFICE'S REBUTTAL POSITION.**

144 A. In general, the direct testimony of the Division and Magnum support the
145 overall conclusions advanced by the Office that DEU's voluntary request for
146 approval should be denied since the Company did not adequately evaluate
147 alternatives and has not provided sufficient evidence to justify its request. It
148 is not clear whether the Division agrees with DEU's assertion that there is a
149 reliability problem in supply shortfalls associated with cold weather, which
150 the Office maintains has not been demonstrated by the evidence. The Office
151 supports the Division's recommendation that DEU should be required to
152 conduct an RFP, but only if a supply shortfall issue can be clearly
153 demonstrated such that alternative solutions can be clearly targeted and
154 addressed in an RFP process. The Office strongly recommends that any
155 significant additional evidence (especially a lengthy process such as an
156 RFP) should only be addressed in a new docket. The Office also asserts
157 that Magnum's direct testimony is additional evidence that DEU did not
158 adequately evaluate all alternatives prior to requesting approval for its
159 preferred alternative of the LNG facility.

160 Finally, the Office agrees with the Division that the Company's
161 insufficient evidence and inadequate alternative analyses do not satisfy the
162 public interest criteria of the Utah Energy Resource Procurement Act, §54-
163 17-402(3)(b). As filed, the evidence does not support a finding that the
164 Company's proposed resource decision will result in the lowest reasonable
165 cost resource to retail customers or will result in the resource with the best
166 long-term and short-term impacts, risk and reliability.¹

167 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?**

168 **A. Yes it does.**

¹ Utah Code 54-17-402(3)(b), subparts (i), (ii), (iii) and (iv).