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TABLE OF CONTENTS

I. INTRODUCTION.....1

II. ISSUES FOR REBUTTAL2

1) THE COMPANY DID NOT ISSUE A REQUEST FOR PROPOSALS (RFP) FOR THE IDENTIFIED NEED.....2

2) THE COMPANY DID NOT FULLY VET THE MAGNUM ENERGY STORAGE (“MAGNUM”) SERVICE OPTION.3

3) THE PIPELINE CAPACITY TO BE USED TO FILL THE PROPOSED LNG FACILITY IS A COMPANY FEEDER LINE, NOT AN INTERSTATE PIPELINE.4

4) THE COMPANY’S PLANS FOR ECONOMIC DISPATCH TO FILL THE PROPOSED LNG FACILITY ARE NOT CONSISTENT WITH LEAST COST ECONOMIC DISPATCH REQUIREMENTS.5

5) THE FUEL LOSS FACTOR OF 5% ASSUMPTION FOR COMPRESSORS USED DURING THE LIQUEFACTION STAGE IS OVERSTATED.6

6) SATELLITE LNG POTENTIAL SHOULD NOT BE INCLUDED FOR CONSIDERATION. 7

III. OTHER CONCERNS8

IV. SUMMARY9

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1 **I. INTRODUCTION**

2
3 **Q. Mr. Neale, please identify yourself for the record.**

4 A. My name is Allen R. Neale. I am a Consultant working in conjunction with Daymark
5 Energy Advisors (“Daymark”). My business address is Allen R. Neale c/o Daymark
6 Energy Advisors, 370 Main Street, Suite 325, Worcester, MA 01608.

7
8 **Q. Have you previously filed testimony in this proceeding?**

9 A. Yes, I submitted direct testimony in this proceeding on August 16, 2018 on behalf of the
10 Utah Division of Public Utilities (“Division”) with regard to the application filed on April
11 30, 2018 by Dominion Energy Utah (DEU) with the Public Service Commission of Utah
12 (the “Commission” or “PSC”) for approval of a voluntary resource decision to construct a
13 liquefied natural gas (LNG) facility to be directly connected to its distribution system (the
14 “Application” or the “Filing”).

15
16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony is to rebut comments and issues raised by other parties in
18 this proceeding related to my direct testimony in the rebuttal testimonies of Company
19 witnesses Faust, Gill, Mendenhall and Paskett, as well as in the rebuttal testimony of the
20 Office of Consumer Services (OCS) witness Vastag. In my response below I also
21 reference the Direct Testimony of Magnum Energy Midstream Holdings LLC (MEM)
22 witness Holder.

23
24 The issues I am addressing are:

- 25 1) The Company did not complete a thorough analysis because it did not issue a
26 Request for Proposals (RFP) for the identified need;
27 2) The Company did not fully vet the Magnum Energy Storage (“Magnum”) option;
28 3) The pipeline capacity used to fill the proposed LNG Facility is a Company owned
29 and operated feeder line, not an interstate pipeline;
30 4) The Company’s plans for economic dispatch to determine the sources of supply

- 31 used to fill the Proposed LNG Facility should not include fixed or stranded costs;
32 5) The fuel loss factor of 5% used to run compressors during the liquefaction stage is
33 inappropriate.
34 6) Satellite LNG potential should not be included for consideration when reviewing
35 this Proposed LNG Facility.
36

37 **II. ISSUES FOR REBUTTAL**

- 38 1) **The Company did not issue a Request for Proposals (RFP) for the identified**
39 **need.**

40
41 **Q. Company Witness Faust (Faust Rebuttal testimony lines 288-292) argues that the**
42 **Company issued an RFP for a peak-hour service in 2016 and concludes that issuing**
43 **another RFP would not identify options other than those considered already. Do**
44 **you agree with this conclusion?**

45 A. No, I do not. As stated in my testimony, the proposed LNG Facility has been sized for a
46 specific maximum daily quantity (150,000 Dth/d), number of days of service (8 days) and
47 storage tank capacity. And I recommended that the Company issue an all-source RFP for
48 these specific characteristics (Neale Direct, Recommendation 5, lines 305-306) to
49 demonstrate a robust RFP process has been followed that allows for an apples-to-apples
50 comparison of bidder responses to the stated need (Neale Direct, lines 1193-1195).

51
52 **Q. Witness Faust states that “the Company realized that the parties who responded to**
53 **that RFP (the 2016 RFP) would be the same parties who could potentially provide**
54 **supply reliability services. Rather than issue another RFP to the same parties, DEU**
55 **just continued discussions with those parties for supply reliability solutions.” Do**
56 **you agree with this conclusion?**

57 A. No, I do not. First, it is not known for certain that the same parties who bid into one RFP
58 would be bidders in a subsequent RFP. Had the Company issued a new all-source RFP,
59 as much as two years would have elapsed between the earlier RFP and the date of this
60 Filing. In that interim, new bidders could have been identified and some bidders could

61 have left or been acquired. Further, continuing discussions with prior bidders does not
62 mean that they understand when they must make a best and final offer under competitive
63 pressure to meet clearly identified performance requirements, including both cost and
64 non-cost components, or the scoring system used by the Company. An all-source RFP
65 process would assure that these important conditions are met in a documented manner.

66

67 **Q. Do you still maintain that the Company's Filing is incomplete?**

68 A. Yes, I do. And I have recommended to the Commission that the Company be required to
69 issue an all-source RFP pursuant to which they would make a new filing, which could be
70 reviewed in Phase II of this proceeding or in a separately docketed new proceeding.

71

72 **2) The Company did not fully vet the Magnum Energy Storage ("Magnum")**
73 **service option.**

74

75 **Q. Company Witness Faust (Faust Rebuttal testimony lines 306-310) argues that the**
76 **Company has fully reviewed and evaluated the Magnum options. Ms. Faust further**
77 **concludes that my "suggestion that there may be some other variation of the**
78 **Magnum proposal that would provide a viable and competitive alternative to the**
79 **proposed LNG facility is speculative and unfounded." Do you agree with this**
80 **characterization of your observation about the Company's review of the Magnum**
81 **option?**

82 A. No, I do not. As stated in my testimony, I based my observation on the Company's own
83 exhibit 2.11 that summarized both cost and non-cost criteria. As I said on lines 772-774,
84 the Company evaluated or partially evaluated several different types of alternative
85 solutions that could fully or partially meet the 150,000 Dth/d shortfall. But this is not the
86 same thing as giving bidders the opportunity to provide the same number of days of
87 service at the same level of no-notice firm service.

88

89 **Q. What reason do you have for being concerned that the Company has not fully**
90 **evaluated Magnum options or Magnum's ability to provide the same level of service**

91 **required?**

92 A. While I did not speak with Magnum representatives directly, I learned of Magnum’s open
93 season and thought that they may have more than a passing interest in being given the
94 opportunity to learn more about what level of services they could offer. In fact, Magnum
95 did submit direct testimony on the same day as me, so I did not have the opportunity to
96 reference it in my testimony. However, witness Holder confirms (lines 250-255) that
97 “the Magnum Scaled-Down Option supports withdrawal for several additional days more
98 than the proposed LNG plant would support ... and can be designed to customize any
99 reasonable withdrawal requirements and at a lower cost than LNG facilities.” Magnum’s
100 testimony supports my observation that other options could be obtained from a robust
101 RFP process and negates the Company’s characterization of “speculation” on my part.
102

103 **Q. Do you agree with Witness Faust’s conclusion (Faust Rebuttal testimony lines 356-**
104 **358) that the Company failing to participate in the Magnum Open Season held**
105 **earlier this year is meaningless?**

106 A. No. While I understand the Company’s concern about an open season that requests non-
107 binding expressions of interest, such an event is often followed by one that is binding.
108 Participating in this non-binding event would at a minimum demonstrate that the
109 Company continues to seek alternatives to the Proposed LNG Facility without
110 commitment or may need additional service incremental to LNG in the future. While my
111 conclusion may seem speculative to some, I would respond by saying that the way to
112 establish whether it is speculative or not is to issue an all-source RFP, as I have
113 recommended above and in my direct testimony. In fact, that is the one reason why
114 anyone issues an RFP, to test one’s assumptions about the marketplace.
115

116 **3) The pipeline capacity to be used to fill the proposed LNG Facility is a**
117 **Company feeder line, not an interstate pipeline.**

118
119 **Q. Company Witness Gill (Gill Rebuttal testimony lines 18-25) disagrees with your**
120 **statement that the proposed LNG Facility will receive gas supply via an**

121 **interconnection with an interstate pipeline. How do you respond?**

122 A. I acknowledge that the Company indicated that it will construct, own and operate a large
123 diameter “feeder” line to deliver gas supply from one of the Company’s major
124 distribution lines to the Proposed LNG Facility. But my understanding is that this feeder
125 line will receive gas supply delivered via capacity contracts the Company holds with
126 interstate pipelines. I note that while Company Witness Gill disagreed with my
127 statement, Company Witness Faust nevertheless agreed with me (Faust Rebuttal, lines
128 398-399).

129

130 **4) The Company’s plans for economic dispatch to fill the Proposed LNG**
131 **Facility are not consistent with least cost economic dispatch requirements.**

132

133 **Q. Company Witnesses Mendenhall (Mendenhall Rebuttal testimony lines 113-119)**
134 **and Faust (Faust Rebuttal testimony lines 400-408) both disagree with your**
135 **conclusion that the Company should ignore fixed costs of supply when determining**
136 **which resources should be used to fill the Proposed LNG Facility. How do you**
137 **respond?**

138 A. My understanding is that least-cost economic dispatch should exclude fixed costs related
139 to demand or reservation charges for gas supply and pipeline transportation capacity
140 contracts and any stranded costs, because these costs will be recovered – subject to
141 Commission review and approval – from customers even if they consume no gas supply.
142 Therefore, only the commodity – or variable component – of gas supply costs should be
143 considered when determining the order of dispatch for delivery to customers whether
144 directly to the distribution system or for ultimate withdrawal from either underground
145 storage or an LNG facility.

146

147 **Q. Do you have reason to believe that the Company includes fixed costs of supply when**
148 **determining which resources will be used to fill the Proposed LNG Facility?**

149 A. Yes, I do. As mentioned in my direct testimony, the Company’s response to DPU 1.03
150 confirmed that by relying on Wexpro gas supply inventory costs will be \$225 million

151 dollars more than if it were based on current spot prices. And Witness Faust (Faust
152 Rebuttal, lines 400-408) confirms that the Company has adjusted its Sendout model to
153 take into consideration “shut-in costs associated with Company-owned supplies”.

154

155 **5) The fuel loss factor of 5% assumption for compressors used during the**
156 **liquefaction stage is overstated.**

157

158 **Q. Company Witnesses Gill (Rebuttal testimony lines 27-53) argues that the**
159 **assumption of 5% for fuel use by compressions during the liquefaction stage of the**
160 **Proposed LNG Facility is incorrect and not appropriate as a base operating**
161 **condition for the Proposed LNG Facility. Do you agree?**

162 A. No, I do not agree. First, when I referred to a 5% fuel loss assumption in my direct
163 testimony, I made it clear that I was using this assumption to address a hypothetical
164 situation by using it in an “example.” (Neale Direct, lines 576-580.) Second, I further
165 clarified my assumption by stating that I was awaiting confirmation from the Company
166 through discovery what the fuel use percentage was for the Proposed LNG Facility,
167 because it was not clear from the Filing. I filed my direct testimony on August 16,
168 2018. But we were not able to confirm this until the following day, August 17, 2018,
169 when we received the Company’s response to DPU 8.03 that electric compression would
170 be used during the liquefaction stage rather than fuel and that this cost was already
171 included in the financial analysis. We received a further clarification to this response in
172 DPU 8.03U on September 13th, almost a month after direct testimony was filed, that fuel
173 gas used during the entire process would be 2.5%.

174

175 **Q. Do you agree with the Company’s estimate of 2.5% for fuel gas used during the**
176 **entire process as appropriate for the Proposed LNG Facility?**

177 A. At this time, I am not able to say that it is the correct percentage. Rather I simply note
178 that because it is lower than my example it supports my expectation that fuel use is de
179 minimis for this process. However, I expect that the amount that the Company will be
180 allowed to recover associated with the fuel use percentage for this Proposed LNG Facility

181 will be reviewed along with other O&M costs in a future proceeding.

182

183 **Q. Do you have any other comments with regard to the Company's characterization on**
184 **your fuel use example?**

185 A. Yes, I note that my conclusion was the fuel use to run compressors during the
186 liquefaction stage would be de minimis; a conclusion with which Witness Gill concurred
187 (Gill Rebuttal testimony, lines 52-53.).

188

189 **6) Satellite LNG potential should not be included for consideration.**

190

191 **Q. Company Witness Gill (Gill Rebuttal testimony lines 54-63) objects to your**
192 **recommendation that the Commission ignore the potential ancillary benefit of using**
193 **the Proposed LNG Facility at some point in the future to support satellite LNG**
194 **facilities yet to be constructed. Do you agree?**

195 A. No, I do not agree. The basis for my recommendation remains unchanged because the
196 potential benefit is not known and measurable at this time. In fact, Witness Gill agreed
197 with me when he stated that "(w)hile it is true that all of the specifics regarding service to
198 remote communities are not known at this time, this does not diminish the fact that the
199 proposed LNG facility will be capable of providing service to remote communities in the
200 future."

201

202 **Q. How do you conclude that the Company agreed with you?**

203 A. I find agreement in two comments made by Witness Gill. First, he acknowledged that
204 not all of the specifics are known at this time, which is consistent with my conclusion that
205 not all costs for these satellite LNG facilities are known and measurable and therefore
206 should not be considered in this proceeding. Second, he references the "specifics" not
207 just the costs, which to me means that the Company cannot say for certain at this time
208 whether serving these remote communities will represent a net addition to demand in the
209 future.

210

211 **III. OTHER CONCERNS**

212 **Q. Do you have any other concerns with the rebuttal testimony filed in this proceeding?**

213 A. Yes, I do. I am concerned that the OCS Witness Vastag has misunderstood my
214 recommendation to the Commission to require the Company to make a revised filing
215 based on a technology-neutral RFP that allows for an apples-to-apples comparison all
216 bidders' ability to meet the resource need based on the same level of service required.

217

218 **Q. Why do you feel that the OCS has misunderstood your recommendation?**

219 A. I note that Witness Vastag (Vastag Rebuttal, lines 63-67) states that my recommendation
220 is unclear because my recommendation states that DEU has not demonstrated that the
221 Proposed LNG Facility is likely to have the lowest reasonable cost, while elsewhere he
222 quotes me as stating that “[t]he Proposed LNG Facility will adequately address the stated
223 need to provide a reliable and low-cost service to firm customers.” However, this quote
224 is taken out of context. To correct the record in this instance, please note that the last
225 sentence Witness Vastag quotes above is in fact my second conclusion appearing on page
226 9 of my direct testimony, which reads in full as

227 “2. The Proposed LNG Facility will adequately address the stated need to
228 provide a reliable and low-cost service to firm customers, but this is not
229 sufficient to adequately demonstrate it is most likely to be the lowest
230 reasonable cost option;”

231

232 **Q. How does showing the full text of the statement referenced by Witness Vastag's
233 clarify the point you made with your recommendation?**

234 A. By inadvertently leaving off the end of my conclusion, Witness Vastag was unable to
235 observe that I recognized that while the Proposed LNG Facility could provide a low-cost
236 solution to meet this particular need, the information provided is not sufficient to
237 demonstrate that it would be the lowest cost option. To do so, the Company would need
238 to issue an all-source RFP and after evaluating the results and making a selection, make a
239 new filing in either a second phase of this proceeding or in a new docket, as discussed
240 above.

241 **IV. SUMMARY**

242 **Q. Please summarize your position based on your responses to rebuttal testimonies**
243 **discussed above?**

244 A. I have addressed all of the concerns raised with my direct testimony in the rebuttal
245 testimonies reviewed above. And no information provided by the Company in rebuttal
246 has changed my conclusions or recommendations to the Commission that the Filing is not
247 complete and, hence, is not in the public interest as filed. Therefore, I continue to
248 recommend that the Commission require the Company to issue a technology-neutral RFP
249 for responses to meet the resource need that provide the same days of service and level of
250 service and make a new filing either in this case or in a new docket.

251

252 **Q. Does this conclude your testimony?**

253 A. Yes.