

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)	

SURREBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

SEPTEMBER 20, 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 and rebuttal testimony on
7 September 6, 2018.

8 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

9 A. I will respond to the rebuttal testimonies of Dominion Energy of Utah (DEU
10 or Company) witnesses Kelly B. Mendenhall, Tina M. Faust, Michael L. Platt
11 and Michael L. Gill filed on September 6, 2016. I will also summarize the
12 Office's position on the Company's request for approval to construct an LNG
13 facility.

14

15 **Response to the rebuttal testimony of Kelly B. Mendenhall**

16 **Q. IN HIS REBUTTAL, MR. MENDENHALL STATES THAT THE DOMINION**
17 **INVESTOR PRESENTATION THAT YOU REFERRED TO AND**
18 **INCLUDED WITH YOUR DIRECT TESTIMONY IS IRRELEVANT TO THIS**
19 **PROCEEDING. PLEASE RESPOND.**

20 A. I disagree with Mr. Mendenhall. The investor presentation is not irrelevant
21 to this proceeding. On lines 132 – 138, Mr. Mendenhall stated:

22 *While the facility could be a factor in the future, the prudence*
23 *determination will be known before the facility is ever included in an*
24 *EPS estimate that is given to investors. For this reason alone, the*
25 *investor presentation is irrelevant to this proceeding.*

26

27 Contrary to Mr. Mendenhall's suggestion that the proposed LNG plant has
28 not yet been included in Dominion's EPS growth expectations, slide 28 of
29 the Dominion Energy investor presentation lists Utah projects, including the
30 Wasatch Front LNG facility, that support Dominion's stated goals on slide 4
31 of driving value and dividend growth for its shareholders. Additionally, on
32 slide 31, Dominion projects "post 2020 annual earnings per share growth of
33 at least 5%". Based on this presentation, the LNG plant at issue in this
34 docket is already being touted by Dominion with respect to future earnings
35 expectations. The impact of corporate earnings growth goals on the
36 Company's motives to pursue the construction of an LNG plant make the
37 investor presentation very relevant to this proceeding.

38 **Q. IN REBUTTAL, LINES 162 – 193, MR. MENDENHALL DISMISSES THE**
39 **OFFICE'S CRITICISM THAT THE COMPANY HAS NOT PERFORMED**
40 **ADEQUATE ANALYSES OF THE LNG FACILITY OR THE SUPPLY**
41 **RELIABILITY PROBLEM IN ITS IRPs. HE POINTS TO THE 2018 IRP**
42 **AND THE INSTANT DOCKET AS EVIDENCE OF THE COMPANY'S**
43 **ANALYSES. HOW DO YOU RESPOND?**

44 A. Mr. Mendenhall misses the Office's point. The Commission's IRP
45 Guidelines require that the Company provide sufficient information and
46 analyses in its IRPs to show how it reaches its resource selection
47 conclusions. If the Company had properly complied with the IRP
48 Guidelines, then that evaluation could have been used as evidence in this

49 proceeding. The Office's point in filing testimony about prior IRPs is that
50 such evidence does not exist, thus the Commission must solely rely on
51 evidence provided in this current docket which the Office has shown to be
52 insufficient to support the Company's request for approval.

53 Mr. Mendenhall also states: "To the extent that the Office has
54 concerns about the data provided in the IRP dockets, it should (and has)
55 raised those issues in that docket and the Company will address them
56 there." The Office, or other parties, could not raise concerns on the data
57 provided in an IRP regarding the Company's decision to construct an LNG
58 plant because none was provided until the 2018 IRP was filed on June 14,
59 2018. The data and analyses in this docket were provided for the first time
60 on April 30, 2018, before such specific LNG and supply reliability data and
61 analyses were ever filed in an IRP proceeding.

62

63 **Response to the rebuttal testimony of Tina M. Faust**

64 **Q. MS. FAUST, ON LINES 24 – 28, CLAIMS THAT MY DIRECT TESTIMONY**
65 **STATED THAT DEU DOES NOT NEED TO PLAN FOR OUTAGES LIKE**
66 **THOSE THAT OCCURRED IN 2011 IN ARIZONA BECAUSE THOSE**
67 **OUTAGES ARE UNIQUE TO ARIZONA. IS THAT CORRECT?**

68 A. No, Ms. Faust mischaracterizes my testimony. I stated that Southwest Gas'
69 and Dominion's systems are not analogous. As I explained in my direct
70 testimony, the two systems are configured differently. For example, at the
71 time of the outage, Southwest Gas did not have nearby access to multiple

72 storage facilities as Dominion does. Also, the interdependence of electric
73 generation and natural gas production played a major role in the Southwest
74 Gas outage – an interdependence not currently significant to Dominion’s
75 operations. Despite DEU’s assertions, the fact that Arizona approved an
76 LNG facility for Southwest Gas does not automatically support Dominion’s
77 request for an LNG facility. DEU must explain the differences in the two
78 company’s gas systems before the Arizona outage can become relevant
79 evidence in this proceeding. Furthermore, as cited in my direct testimony,
80 when Southwest Gas asked its commission in October 2016 to increase the
81 approved costs of its new LNG plant by 60%, Commission Staff
82 recommended that the construction of the LNG plant be paused because
83 two underground salt cavern storage facilities then appeared to be viable,
84 cheaper and more flexible.

85 **Q. ON LINES 296 – 303, MS. FAUST CRITICIZES THE OFFICE AND OTHER**
86 **PARTIES FOR NOT REQUESTING ADDITIONAL DETAILS, NOT**
87 **PROVIDING ANALYSES AND NOT OFFERING ALTERNATIVE**
88 **SOLUTIONS OR ADDITIONAL OPTIONS TO THE COMPANY’S**
89 **PROPOSED LNG PLANT. HOW DO YOU RESPOND?**

90 A. The Commission should give no credence to the Company’s obvious and
91 improper attempt to shift the burden of proof. The utility, i.e. Dominion
92 Energy of Utah, clearly bears the burden of proof. Utah statute, Section 54-
93 17-402 (2)(b), Voluntary Request For Resource Decision Review, states
94 “The request for approval required by this section shall include any

95 information required by the commission by rule..” Commission Rule R746-
96 440-01 (1)(f), Voluntary Resource Decision Filing Requirements, states that
97 the utility shall provide “Sufficient data, information, spreadsheets, and
98 models to permit an analysis and verification of the conclusions reached
99 and models used by the Energy utility”. The Rules applicable to Resource
100 Decision Requests are consistent with the burden of proof that must be
101 required of the utility. This requirement stems from the fact that (1) utilities
102 regulated by the Commission must bear the burden of establishing that their
103 rates are just and reasonable, (2) that because of the information utilities
104 possess, they hold an asymmetrical advantage over other participants in
105 the regulatory arena, and (3) DEU is the applicant or proponent in this
106 proceeding and must, of course, bear the burden of proof.

107

108 **Response to the rebuttal testimony of Michael L. Platt**

109 **Q. MR. PLATT, AT LINES 18 – 39, CLAIMS THAT THE COMPANY HAS**
110 **PERFORMED ADEQUATE ANALYSIS VERIFYING THE NEED FOR AN**
111 **LNG PLANT AND ASSERTS THAT THE OFFICE FAILED TO IDENTIFY**
112 **ANY ADDITIONAL REQUIRED ANALYSIS OR INFORMATION. HOW**
113 **DO YOU RESPOND TO THESE STATEMENTS BY MR. PLATT?**

114 A. First, as discussed above, the Company has the burden of proof to perform
115 adequate analyses. Second, Mr. Platt appears to only focus on the
116 Company’s system analysis incorporating the LNG plant and misses the
117 Office’s criticism that the Company has not adequately completed an overall

118 system analysis. The Office has reviewed the information referenced in Mr.
119 Platt's rebuttal testimony. However, the referenced system analysis only
120 involves looking at the Company's preselected LNG plant and how it can
121 handle one scenario – a 150,000 Dth shortfall at a Wasatch Front city gate
122 station. Mr. Platt's rebuttal actually confirms the Office's criticism that the
123 Company has not provided sufficient system analysis. As Mr. Mierzwa
124 explained in his direct testimony, the Company has a very robust system
125 encompassing demand, supply, pipelines and storage spread over a large
126 area – already giving it many options to approach supply reliability issues.

127 The Office asserts that the Company is pre-selecting an LNG plant
128 to meet one shortfall scenario instead of performing a complete system
129 analysis looking for the best and most resilient combination of solutions to
130 meet potential supply reliability problems. The Office also maintains that
131 the supply reliability issue must first be adequately defined before solutions
132 can be properly evaluated. For example, what is the primary concern – well
133 freeze-offs, lack of supply diversity, lack of pipeline diversity, insufficient
134 storage capacity, lack of demand side management options, lack of
135 redundancy of critical system components, lack of plans to handle
136 emergencies or lack of systems to speed up recovery efforts after an
137 outage? Again, until the problem is adequately defined, the best set of
138 solutions cannot be identified. The Company has the burden of proof to
139 present such analyses so that the Commission can properly evaluate a
140 request for resource decision approval.

141 **Q. ON LINES 138 – 164, MR. PLATT ARGUES THAT IT IS APPROPRIATE**
142 **TO USE SOUTHWEST GAS’ CONSTRUCTION OF AN LNG PLANT IN**
143 **ARIZONA AS EVIDENCE SUPPORTING DEU’S PROPOSED LNG**
144 **FACILITY. HE STATES THAT MY OBSERVATION THAT DEU’S AND**
145 **SOUTHWEST GAS’ SYSTEMS ARE NOT COMPARABLE IS NOT**
146 **VALID. HOW DO YOU RESPOND?**

147 **A.** Mr. Platt’s statements are incorrect. DEU’s and Southwest Gas’ situations
148 are very different. Southwest Gas’ January 2014 application for an LNG
149 plant (provided as DEU Exhibit 2.14) states:

150 *“In order to deliver gas supplies purchased from the Permian and*
151 *San Juan Basins to customers in its Tucson service area, Southwest*
152 *Gas relies exclusively on El Paso Natural Gas’ (“El Paso”) interstate*
153 *transportation services.” [page 4, section 10, emphasis added] and*

154
155 *“Located in and around Texas are providers that offer storage*
156 *services on El Paso...While these storage arrangements can provide*
157 *an alternative supply source to gas typically sourced from gas*
158 *production areas, injection of gas supplies from Texas-based*
159 *storage into El Paso – some 700 miles upstream of the Company’s*
160 *distribution system – offers no support for the immediate pressure*
161 *needs on the distribution system during peak demand or supply*
162 *shortage events” [page 6, section 16, emphasis added]*

163
164 These statements demonstrate that Southwest Gas’ situation is very
165 different than DEU’s. DEU has the ability or potential to connect to several
166 pipeline companies that operate near its system – DEQP, Kern River,
167 Northwest Pipeline and Ruby Pipeline (See map in DEU Exhibit 2.02). DEU
168 has service from 5 underground storage facilities – all 200 miles or less
169 away from the Wasatch Front. In addition, Magnum Storage appears to be
170 another storage facility option close to the Wasatch Front.

171 **Response to the rebuttal testimony of Michael L. Gill**

172 **Q. WHAT DOES MR. GILL SAY ABOUT THE NOT-IN-MY-BACKYARD**
173 **(NIMBY) ISSUES THAT YOU RAISED IN YOUR DIRECT TESTIMONY?**

174 A. On lines 87 – 89, Mr. Gill states: “Mr. Vastag has not identified a single
175 actual objector to the facility’s construction. As such, his concern is purely
176 hypothetical, and therefore, not a legitimate basis for objecting to the
177 facility.”

178 **Q. WHAT IS YOUR RESPONSE TO MR. GILL’S ASSERTIONS?**

179 A. The general public is unaware of the Company’s plans to construct an
180 LNG facility near Magna. I could not find any Utah media news stories on
181 the proposed plant. The Company has not performed any outreach to the
182 surrounding community - and the Company working with county officials is
183 very different than notifying the neighbors and surrounding areas of a
184 potential LNG plant. Objectors to the construction of the proposed facility
185 cannot be identified because no one in the public arena knows about the
186 plans to build it. It is the Company’s responsibility to reasonably assess
187 public reaction to the risks associated with its LNG plant construction
188 plans.

189 In an attempt to show that the Office’s nimby concerns are
190 misplaced, Mr. Gill states that the closest residential property is ½ mile
191 away from the Company’s proposed site for its LNG facility (lines 74 – 75).
192 In my direct testimony, I referenced an explosion at a Washington state
193 LNG plant. When this LNG plant in Plymouth, WA failed in 2014, a 2 mile

194 radius was evacuated. A May 22, 2014 article (attached as Vastag Exhibit
195 1.1S) on the Plymouth LNG plant explosion from The Oregonian stated: “It
196 forced an evacuation of 400 residents and agricultural workers within a
197 two-mile radius of the facility.” The article elaborates further: “Jerry
198 Havens, a chemical engineering professor at the University of Arkansas,
199 helped develop the vapor dispersion models that federal regulators used
200 until recently to evaluate hazards from the facilities....Havens was hired in
201 2005 to assess risks of putting an LNG import terminal in the Port of Long
202 Beach, Calif. Based on his analysis of industry and scientific studies, he
203 defined the hazard zone to the public as a minimum of a 3-mile radius
204 from the facility.” These guidelines make it clear that the Company must
205 evaluate the potential impacts of an LNG plant on current and future
206 neighbors for a much greater radius than ½ mile.

207

208 **Summary**

209 **Q. PLEASE SUMMARIZE THE OFFICE’S OVERALL POSITION.**

210 A. The Office continues to recommend that the Commission deny the
211 Company’s request for approval to construct an LNG facility. The
212 Company’s insufficient evidence and inadequate problem definition and
213 alternative analyses are in conflict with the requirements of the Utah Energy
214 Resource Procurement Act, §54-17-402(3)(b). As filed, it cannot be
215 determined if the Company’s proposed resource decision will result in the
216 lowest reasonable cost resource to retail customers or will result in the

217 resource with the best long-term and short-term impacts, risk and reliability.
218 In addition, in its rebuttal testimony, the Company attempts to shift the
219 burden of proof away from itself and onto other parties which also is in
220 conflict with the Energy Resource Procurement Act and Commission Rules.

221 As I stated in my direct testimony, DEU has failed to present
222 sufficient evidence to meet its burden of proof that an LNG facility is needed.

223 The Company's request is inadequate for the following reasons:

- 224 1. Lack of evidence in its application and in DEU's regulatory history
225 defining a supply reliability problem or that a supply reliability
226 problem clearly exists; and if needed, that an LNG plant is the
227 optimal solution.
- 228 2. Failure to adequately investigate all potential supply reliability
229 solutions considering the resilient, inter-connected nature of the
230 DEU system.
- 231 3. Lack of evidence that LNG plants are typically used by the natural
232 gas industry as a back-up supply – just to deal with supply
233 disruptions such as well freeze-offs.
- 234 4. Failure to demonstrate that 150,000 Dth/day is an appropriately
235 sized plant to remedy its alleged supply reliability problem.
- 236 5. Failure to consider the risks of siting an LNG plant in the highly
237 populated Salt Lake Valley.

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239

240 **Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

241 A. Yes it does.

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