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COMMENTS

To: Public Service Commission of Utah

From: Division of Public Utilities
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Date: September 17, 2019

Subject: Action Request Docket No. 19-057-01,
Dominion Energy Utah 2019-2020 Integrated Resource Plan (IRP) Report

RECOMMENDATION (Acknowledge)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge the Integrated Resource Plan (IRP) filed by Dominion Energy Utah (Gas Utility) as this IRP generally complies with the requirements of the 2009 Standards and Guidelines.

BACKGROUND

The purpose of the IRP filing is to provide regulators with an update of the "process in which known resources are evaluated on a uniform basis, such that customers are provided quality natural gas services at the lowest cost to QGC and its customers consistent with safe and reliable service."[1]

[1] Proposed IRP Guidelines for Questar Gas Company, Docket No. 97-057-06, p. 1.

On March 31, 2009, the Commission issued its Report and Order on Standards and Guidelines for the Gas Utility requiring it to file its 2009 IRP in accordance with the December 14, 2007, Report and Order.[2] The Company was also ordered to file future IRPs, in compliance with new IRP standards and guidelines attached to the March 31, 2009 Order. On March 22, 2010, the Commission issued its Clarification Order[3] where it made a number of findings clarifying the 2009 IRP Standards.

In its January 5, 2018 order the Commission directed the Gas Utility to, among other things, provide modeling sensitivity analyses and other information identified in Section 3, of the order,[4] in future IRPs pertaining to all evaluated solutions for addressing perceived peak hour deficiencies and in "filings related to approval of an LNG facility."

It its order on November 19, 2018, the Commission found that future IRPs should provide complete information rather than incorporating information by reference, it also addressed the handling of confidential information and directed the Gas Utility to convene a stakeholder meeting to "address the OCS's concerns regarding the insufficiency of certain information". That stakeholder meeting was held on December 17, 2018.

On June 13, 2019, the Gas Utility filed its IRP for the plan year June 1, 2019 to May 31, 2020. On June 15, 2018 the Commission issued a Notice of Filing and Comment Period. This memorandum represents the Division's comments.

ISSUE

In Docket No. 91-057-09 the Commission specified that "Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions."

[2] 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, Docket No. 08-057-02, March 31, 2009. It is assumed that the order referenced on page 20 as the "December 17, 2007, Report and Order" is in fact the "December 14, 2007, Report and Order."

[3] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2009 to April 30, 2010, Report and Order, Docket No. 09-057-07, Issued: March 22, 2010.

[4] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2017 to May 31, 2018, The Public Service Commission of Utah, Report and Order, Docket No. 17-057-12, Issued: January 5, 2018. Page 11-14.

Notwithstanding this statement, the Gas Utility frequently uses the IRP to help support its acquisitions and plans. Last year it included a section on Peak-Hour to support its decision to implement new contracts with its supply pipelines. This year it included a section on Supply Reliability, which touts the merit of its proposed LNG facility, and one on "Sustainability" that addresses its Renewable Natural Gas venture in an apparent effort to provide regulatory support for the decisions it has made. The Commission's orders on the IRP specify what it should contain as a minimum, but does not preclude the Gas Utility from including any information it wants. Using the IRP as a way to bolster the Gas Utility's arguments for Commission approval of its upcoming projects, is an inappropriate use of the IRP because the Gas Utility unilaterally decides to include information of its choosing in an un-discovered, un-rebutted format. The IRP is intended as a planning document, not a platform to support specific projects.

OVERVIEW

This IRP has 15 sections. The Division's comments are on the certain topics discussed in these sections. It will not address every issue or section, rather it will address only those items that it believes the Commission should take notice of. Therefore, the following are brief comments on segments of this IRP.

SECTION 3 - CUSTOMER & GAS DEMAND FORECASTS

System Total Temperature-Adjusted DTH Sales and Throughput Comparisons – 2018-2019 IRP and Actual Results.

> The Gas Utility stated that the inaccuracy of its forecasting is mainly caused by a single variance "primarily in the electric generation section where usage in 2018 increased about 43% from prior year." This lone load component represents a drastic variance from forecast – far more than any of the other sector. Also, referencing this 43% change over the past year, the Division notes that the first paragraph on page 3-1 states that this variance was "in the electric generation sector where usage in 2018 increased about 43% from the prior year." Whereas on page 3-3 the Gas Utility stated that "Annual demand

among electric generation customers decreased over the prior year by about 43% in 2018." On page 3-1 it represented that the variance was an increase while on page 3-3 it represented that the variance was a decrease. The Division met with representatives of the Gas Utility and have received clarification that the correct direction of the change was an increase, not a decrease. It appears that this is the result of an editing oversight; therefore, the Division has no recommendation regarding this issue other than the concern over the large variability of the electric sector as it is a major user and its actions have impacts of the rest of the customers. (Page 3-1 and 3-3)

Gas Lost and Unaccounted for

The Lost & Unaccounted for Gas in table 3.5 specifies that in just two years the amount increased from 255,203 Dth to now being 1,290,708 Dth a fivefold increase in a very short time span. The Division met with the Gas utility's representatives and discussed this issue. The Gas Utility stated that they don't worry about the absolute number or the volume of the lost and unaccounted for gas, rather its metric is the percentage. Its benchmark is to keep the percentage around 0.5% of total customer sales. While the percentage is presumably low, the Division is concerned that a large increase in the volume of lost gas, such as reported here, may be indicative of a general trend. The Division, therefore, recommends that when dramatic changes like this occur the Gas Utility should explain, not only the cause of the large increase, but also its remediation plans and its benchmark. Additionally, providing a comparison of other similarly situated natural gas utilities would help regulators understand and evaluate the actions of the Gas Utility and measure the utility's performance accordingly. (Page 3-9)

Design Peak-Day Demand Forecast by Heating Season

This exhibit shows a graphical representation of the difference between the Highest Actual Daily Sendout as compared to the Firm Peak Demand at Design-Day Temperature. This bar graph compares the estimated peak-day usage, to the actual highest day usage for each year. It is noteworthy that, on an overall basis, there is a 30%

cushion between the highest use and the estimated peak day. Roughly this equates to a margin of security when the Gas Utility uses Design-Day in modeling and designing its system. Another option might be to use a lower cushion over actual usage so as to not require ratepayers to continually pay much more than is required to provide a safe and reliable system. The Division has raised this issue previously and is still concerned about its use and relevant applicability. (Exhibit 3.9)

SECTION 4 - SYSTEM CAPABILITIES AND CONSTRAINTS

Ongoing and Future System Analysis Projects

System Supply Analysis and Joint Operating Agreement

The Gas Utility works very closely with its sister company (DEQP) to "ensure that the Company receives adequate inlet pressures…" The Division reasons that if this practice benefits the Gas utility then it might be prudent to perform the same type of analysis with the other pipelines that it draws supply from. However, during the discussion with the Gas Utility's representatives it was explained that the other pipelines have relatively constant pressure which provides the Gas Utility with a level of certainty whereas DEQP's system is unique in that its pressures vary by gate station and thus DEQP is the only pipeline that causes the Gas Utility concern that it may not deliver the pressure that the gas Utility desires. The Division recommends that, the Gas Utility state its reasons and justification for relying on the Joint Operating Agreement in specifying its needs from DEQP and the reasons those differ from the other pipelines (quantitatively) that serve its system. (Page 4-2)

SECTION 5 - DISTRIBUTION SYSTEM ACTION PLAN

High Pressure Projects

The Gas Utility uses the terms “Regulator Station” and “Gate Station” to describe demarcation points on its system. It appears to the Division that these terms are used interchangeably and are undistinguishable from one-another at least as they are used in the IRP. The Division recommends that a clear definition showing the meaning of terms used in the IRP would be beneficial– perhaps a glossary of terms would be the most logical option. (Beginning at page 5-1)

#9. The remodel at the Saratoga gate station, states that it “requires a remodel due to operational concerns.” The Division learned that this statement was not entirely accurate as the Gas Utility representatives stated that the work is necessitated by the increasing demand due to the population growth. This could loosely be interpreted as ‘operational concerns’ but, the Division would propose that a more accurate reason, such as ‘customer growth’ would be more appropriate and would not cause regulators to surmise that the upgrade might be required based on safety related concerns, or an inadequate design, or contractor error, etc. The Division recommends more precise explanations from the Gas Utility. (Page 5-3, 5-4)

Plant Projects

The Gas Utility sites two concerns that building an on-system LNG plant will address. The first is potential supply disruptions, which “have become an increasing concern” and the second is that “in the event of a significant supply disruption, it would be unable to provide safe and reliable service to its customers.” The Division notes the absence of a concise explanation with cost/benefit analysis or other documentation that demonstrates how this proposed solution will alleviate or mitigate the two stated concerns. This level of detail is appropriate for the IRP filing, while the detailed justification for the plant might justifiably be presented in the application it files. (Page 5-10 and 11-1 through 11-5)

Intermediate High pressure Projects

The current IHP Tracker is to replace a specific designated 70 miles of large diameter steel pipe. In this narrative, the Gas Utility states that it "is currently working on replacing all 58 miles of its 1929-1939 steel IHP main as well." Even after discussing this with the Gas Utility, it is not clear to the Division if these 58 miles are included in the 70 miles of the Tracker or some other project it is working on. Likewise, it is unclear what segregates these "4,300 miles of pre-regulatory (pre-1971) steel main and service lines, some dating back to 1929, that are not currently in the Infrastructure Rate Adjustment Tracker" from those 70 miles that are in the Tracker. The Division recommends a clear separation of these different mileage numbers if the Gas Utility is going to discuss them again. (Page 5-10)

Rural Expansion

Utah

It is rare for the Utah Legislature to alter the law concerning the Gas Utility. However, it did so in 2017 in an effort to "encourage expansion of natural gas service to rural communities." The Division recommends that this expansion analysis be separated out in the Quarterly IRP Variance Reports such that a clear cost/benefit of future plans is demonstrated. (Page 5-11)

SECTION 6 - INTEGRETY MANAGEMENT

Key Performance Integrity Metrics

Table 6.1 shows the High Consequence Area (HCA) Miles Accessed and Anomalies Repaired per year. The miles per year range from approximately 55 to 11. The Division recommends that the Gas Utility provide an explanation of the reason for such a wide variation in an area so critical to customer safety. (Page 6-6)

SECTION 8 - PURCHASED GAS

Annual Gas Supply request for Proposal

The Gas Utility stated that: "Supply needs not met by cost-of-service gas must be purchased from natural gas providers." The Division discussed this item with Gas Utility representatives and was told that the SENDOUT model choses the best supply source (whether it is Company Owned or Purchased Gas) by well considering Shut-In costs and responses to its purchased gas RFP. The Division recommends the Gas Utility show, on a detailed basis, the cost to shut in the Company-owned gas versus purchased gas supplies showing what wells are being shut-in and what the benefits or savings are for customers. This could be done similar to Table 9.1. (Page 8-2)

SECTION 9 - COST OF SERVICE GAS

Production Shut-ins

The Gas Utility stated that in 2018 it planned to shut-in 652 MDth between June and October. However, it actually shut in 1,678 MDth during that period, an amount that is approximately three times the forecasted amount (Page 9-6).

As stated by the Gas Utility, "The Company has relied on the expertise of Wexpro…" in these circumstances (Page 9-4). While the Division recognizes and appreciates the dedication and expertise that Wexpro management and staff bring to the table, the Gas Utility has a responsibility to ensure that Wexpro properties are managed for the benefit of its captive rate payers. Therefore, in future IRPs where actual shut-ins differ significantly from previous forecasts, the Division recommends the utility provide detail of the benefits and costs of doing so.

SECTION 11 – SUPPLY RELIABILTY

In its order on January 5, 2018 in Docket No, 17-057-12, page 13, the Commission concluded that the 2017 IRP lacked "technical analysis and supporting workpapers identifying the costs, benefits, and risks used to determine and support the selection of an LNG facility as the least cost alternative to address peak-hour demand." In the same order, item number 3 on page 15, the Commission directed the Gas Utility to provide in future IRPs "modeling sensitivity analyses and other information identified in Section 8 above in future IRPs pertaining to all evaluated solutions for addressing perceived peak hour deficiencies and in all filings related to approval of an LNG facility."

Specific information regarding the LNG plant was not included in this IRP. The information, however, is provided by reference in the LNG docket, Docket No. 19-057-13. Given the two dockets are running concurrently, and the Commission's support of the Gas Utility's commitment on page 9 of the order in Docket No. 18-057-01 "to provide complete information in future IRP documents, rather than incorporating information by reference,", the Division requests the Commission provide clarification on whether duplicative information should be filed in two or more open dockets now or in the future.

SECTION 13 - ENERGY-EFFICIENCY PROGRAMS

Utah Energy-Efficiency Programs 2018

The Division notices that the same paragraph ended the first four sub-sections of this topic, namely Utah ThermWise Appliance Rebates, Utah ThermWise Builder Rebates, Utah ThermWise Business Rebates and Utah ThermWist Weatherization Rebates. The representatives of the Gas Utility stated that this was intentional and is applicable to each of these programs. (Pages 13-1,2 and 3)

Sendout Model Results for 2019

The IRP incorrectly directs the reader to Exhibit 12.1 for the SENDOUT model results in table format. The correct reference, as acknowledged by the Gas Utility, is Exhibit 13.1. (Page 13-13)

SECTIN 14 - FINAL MODELING RESULTS

Weather and Demand

The Gas Utility uses the SENDOUT model, among other things, to "calculate the customer demand." The Division recommends that the Gas Utility provide a comparison of the SENDOUT's peak demand verses the Company's Peak-Day forecast as shown on page 3-1 to compare and contrast the two forecasting methods or results. (Page 14-3).

Exhibit 14.90 shows the Required v. Supply amounts. On the row entitled Production Company, the February production drops by about 10% and then returns to approximately the January level in March. Gas Utility personnel explained that the monthly number is simply based on the sum of daily output from the wells. In other words, February's output is summed over 28 days rather than 30 or 31 days for the other months.

IRP COMMENTS

On January 5, 2018, the Commission issued its Report and Order on the 2017 IRP.[5] The Commission found, with the exception of Chapter 8, Peak-Hour Demand and Reliability, that the 2017 IRP generally complied with the requirements of the 2009 IRP Guidelines. The

[5] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2017 to May 31, 2018, The Public Service Commission of Utah, Report and Order, Docket No. 17-057-12, Issued: January 5, 2018.

Commission directed the Gas Utility to, among other things, provide in future IRPs modeling sensitivity analyses and other information pertaining to all evaluated solutions for addressing perceived peak hour deficiencies and in all filings related to approval of an LNG facility. [6] The Division did not see such analysis or modeling sensitivity pertaining to "all evaluated solutions for addressing perceived peak hour deficiencies and in all filings related to approval of an LNG facility, rather a sentence was provided for each 'evaluated solution' but the body of information was referred to in the LNG docket.

This IRP included a section on Supply Reliability, which touts the merit of its proposed LNG facility, and one on "Sustainability" that addresses its Renewable Natural Gas venture in an apparent effort to provide support for the decisions it has made. The Commission's orders on the IRP specify what it should contain as a minimum, but does not preclude the Gas Utility from including any information it wants. Using the IRP as a way to bolster the Gas Utility's arguments for Commission approval of its upcoming projects is not an appropriate use of the IRP, because the Gas Utility unilaterally decides to include information of its choosing in an un-discovered, un-rebutted format.

SUMMARY AND CONCLUSIONS

With the current IRP filing, except as noted herein, the Gas Utility has generally adhered to the Commissions orders and IRP Guidelines. The notable exception regards the sensitivity and other analysis for the LNG plant. This information is purportedly found in a separate but concurrent docket.

In summary the Division recommends the Commission acknowledge the Dominion Energy Utah / Wyoming 2019-2020 IRP as the IRP guidelines have been sufficiently met in this filing to satisfy the 2009 IRP Guidelines.

[6] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2017 to May 31, 2018, The Public Service Commission of Utah, Report and Order, Docket No. 17-057-12, Issued: January 5, 2018. Page 11-14.

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IRP Service List