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State of Utah
DEPARTMENT OF COMMERCE
Office of Consumer Services

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To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director
Alex Ware, Utility Analyst

Date: September 17, 2019

Subject: Docket 19-057-01

In the Matter of: Dominion Energy Utah's Integrated Resource Plan (IRP) for Plan Year: June 1, 2019 to May 31, 2020

INTRODUCTION

On June 13, 2019, Dominion Energy Utah (DEU or Company) filed its 2019 Integrated Resource Plan (IRP) for the planning period June 1, 2019 to May 31, 2020. On June 18, 2019, the Utah Public Service Commission (Commission) issued a scheduling order that set a deadline of September 13, 2019 for parties to file initial comments and October 11, 2019 for reply comments on the IRP in this proceeding. Subsequently, the Office requested a two business-day comment and reply comment extension for all parties on September 5, 2019. This motion was unopposed and was granted by the Commission on September 6, 2019, ordering a new initial comments deadline of September 17, 2019 and reply comments deadline of October 15, 2019.

The Office of Consumer Services (Office) submits these comments to the Commission regarding the Company's 2019 IRP. The Office provides comments on the following topics:

- Cost of service gas requirements for 2020
- New Sustainability section in the 2019 IRP
- Proposed High-Pressure Corridor
- Anticipated rural expansion
- Transponder Replacement Program

COST-OF-SERVICE GAS REQUIREMENTS

The Office's review of DEU's 2019 IRP included an assessment of the Company's progress toward reduced reliance on cost-of-service gas supply. In Docket No. 15-057-10, in which DEU and Wexpro sought the inclusion of a new drilling property under the Wexpro II agreement, a settlement stipulation was reached that requires the Company to reduce the proportion of Wexpro supply of its total supply to 55 percent by the 2020 IRP year (2020-2021). The following figure shows DEU's progress toward this target so far, according to information found in the Company's IRPs.

	Forecasted Demand - MMDth		
IRP Year	**Cost-of-Service**	**Total**	**COS % of Total**
2016	64.0	111.6	57%
2017	70.7	115.0	61%
2018	70.6	115.2	61%
2019	65.9	117.4	56%

The Office noted in our IRP comments last year that while the stipulation agreement does not require the cost-of-service reduction target until IRP year 2020, it was unclear as of yet how DEU planned to scale back on its percentage use of Cost of Service gas. However, in this 2019 IRP, the Company acknowledged the requirement in Section 9 – Cost-of-Service Gas. The Office notes that this coming year, DEU will near the 55 percent requirement if its forecasted percentage use of cost-of-service gas of 56 percent proves accurate. We commend the Company for providing this additional information detailing its planning toward this target. This is a metric that the Office will continue to monitor in next year's 2020 IRP.

NEW SECTION IN THE 2019 IRP: SUSTAINABILITY

DEU has added a new section to its 2019 IRP entitled Sustainability (section 12). In this new section of the report, the Company outlines how its parent company (Dominion Energy Inc. or DEI) has set new sustainability goals and describes how DEI plans to meet those goals. Specifically, DEU provides these emission reduction targets in this year's IRP:

- 55 percent reduction in carbon emissions by 2030 in comparison to 2005 levels.
- 80 percent reduction in carbon emissions by 2050 in comparison to 2005 levels.
- 50 percent reduction in methane emissions by 2030 in comparison to 2010 levels.

In DEI's western region, it appears that DEU will work toward these targets by primarily focusing on methane emissions reductions. To achieve these reductions, beginning in

2019, DEU plans to utilize new equipment during construction projects on large-diameter distribution system pipes in order to reduce the need for a blowdown and subsequent methane emissions into the atmosphere. Similarly, the Company will implement a pilot project of new technology to reduce gas loss during inline inspections of distribution system pipe. However, the Company does not indicate how the emission reduction targets relate to the Utah specific Dominion Energy market, and whether DEU has specific targets or plans related to the new corporate sustainability goals.

In addition, the new Sustainability section of the IRP reports DEU's participation in the 2019 Utah legislative session that resulted in the modification of House Bill 107: The Sustainable Transportation Energy Plan Act (STEP). The Company emphasized one aspect of the bill that allows the Company to use STEP funds, collected through rates, toward development of renewable natural gas (RNG) projects in order to reduce methane emissions. However, DEU did not provide details on any specific STEP projects for which it intends to request approval.

Unrelated to the STEP legislation but also contained in the Sustainability section of the IRP, the Utah Commission in Docket No. 18-057-T05 approved renewable natural gas (RNG) suppliers to transport RNG to their fleet customers at DEU's compressed natural gas (CNG) fueling stations. Also, Docket No. 19-057-T04 was approved through a settlement stipulation July 30, 2019, creating a voluntary renewable natural gas program. This program will allow individual customers to elect to buy renewable natural gas green attributes associated with their residential or business natural gas usage on a monthly basis.

During the February 20, 2019 technical conference associated with its 2019 IRP, DEU reported that two RNG projects are already underway in Utah: 1) a food waste project with Wasatch Resource Recovery (North Salt Lake), and 2) a municipal solid waste project with Bayview Landfill (Elberta).[1] The company stated these projects will produce an estimated 2 million Dth of RNG per year beginning in 2019. However, DEU's presentation does not indicate whether the Company is affiliated with these projects in any way or if these are simply examples of RNG projects being undertaken by other private entities in Utah.

Lastly, during April 2, 2019 IRP technical conference, DEU presented the potential for four bio-methane plants: Central Valley, Milford, Washington, and Dayton (Idaho).[2] However, like the above referenced food waste and landfill RNG projects, the Company has not provided any initial cost estimates or shared how it anticipates funding these

[1] DEU Technical Conference, February 20, 2019, p. 11.
[2] DEU Technical Conference, April 2, 2019, p. 29.

projects. Again, DEU does not indicate whether these will be DEU-affiliated projects or if they are simply examples of RNG projects planned by another entity.

The Office recommends the Commission require DEU to provide more clarity in future IRPs regarding corporate sustainability goals and how local RNG programs and investments do or do not relate to the Company.

HIGH PRESSURE CORRIDOR

During its April 2, 2019 IRP technical conference, DEU presented a long-term plan for a high-pressure corridor that extends from Payson to Hyrum Utah. This corridor will have a maximum allowable operating pressure (MAOP) of 720 psig.[3] The Company presented a map showing the currently installed portion of this corridor stretches north from Payson to land adjacent to about the top third of Utah Lake. DEU has not yet presented timeline-to-completion or cost estimates. In fact, beyond the technical conference presentation, DEU did not include this issue in the 2019 IRP document. This issue is relevant to the evaluation of a siting location for DEU's requested LNG facility in Docket No. 19-057-13 due to its current bifurcated MAOP system. The Office recommends that the Commission require DEU to provide more information on this potential high-pressure corridor and include the supporting analysis in its IRP documents. The Office asserts that all significant planning information presented in DEU's IRP technical conferences should also be included in the Company's IRP reports for clarity and continuity. It is concerning to the Office that DEU would present critical IRP related information in a technical conference without documentation in the written IRP record for further stakeholder review.

ANTICIPATED RURAL EXPANSION

At the end of its Distribution Action Plan in this year's IRP, DEU presents that it has been exploring the possibility of expanding into new rural communities. The Company states this is in response to changes made to the Energy Resource Procurement Act (Utah Code 54-17-401) during the 2017 legislative session. Utah Code 54-17-403(1)(c) specifically states:

> If the commission approves a request for approval of rural gas infrastructure development under Section 54-17-402, the commission may approve the inclusion of rural gas infrastructure development costs within the gas corporation's base rates if:
>
> (i) the inclusion of those costs will not increase the base distribution non-gas revenue requirement by more than **2% in any three-year period**;
>
> (ii) the distribution non-gas revenue requirement increase related to the infrastructure development costs under Subsection (1)(c)(i)

[3] DEU Technical Conference, April 2, 2019, p.30.

does not exceed **5% in the aggregate**; and

(iii) the applicable distribution non-gas revenue requirement is the annual revenue requirement determined in the gas corporation's most recent rate case. (bold emphasis added)

While the 2019 IRP document itself is mostly absent of details, during its April 2, 2019 IRP technical conference, the Company discussed its potential plans to extend its distribution system to rural communities.[4] DEU explained that in accordance with legislative requirement (i) listed above, the 2% in any three-year period limit would equal $50 million of capital investment. The Company also indicated that in accordance with legislative requirement (ii) listed above, the 5% aggregate limit would equal $125 million. However, DEU then presented the following figure listing four potential rural expansion projects; one of which that by itself exceeds its own estimated $125 million / 5 percent aggregate limit.

- Green River
  - Initial estimate $30 million
    - $27.7 HP / 16 miles of 8" HP
    - $2.3 IHP / ~ 530 services
- Eureka
  - Initial estimate $15.9 million
    - $14.5 HP / 8.6 miles of 6" HP
    - $1.3 IHP / ~360 services
- Kanab
  - Initial estimate $137.6 million
    - $133.1 HP / 70 miles of 12" HP
    - $4.5 IHP / ~2,920 services
    - Most efficient way – go through Arizona
- Rockville / Springdale – Run these two together
  - Initial estimate $38.2 million
    - $35.2 HP / 20 miles of 8" HP
    - $3 IHP / ~470 services

In total, as shown in the preceding figure, the addition of these five communities (Rockville and Springdale grouped into the same project) onto DEU's distribution system is anticipated to cost about $222 million. The Company estimates this would result in the addition of 4,280 new gas customers. The Office notes the total average cost per customer added to the system would be $51,869. DEU did not provide any additional information such as potential timing, prioritization, or measures to keep the investments within the statutory limits. Future IRP filings should address these more complex questions and provide more specific plans that are consistent with governing

[4] DEU Technical Conference, April 2, 2019, p.41 to 45.

statutes.

TRANSPONDER REPLACEMENT PROGRAM

In its 2019 IRP, DEU included the same paragraph about the transponder replacement program as was in the 2018 IRP filing, which primarily referenced a January 9, 2018 presentation.[5] Unfortunately, the section did not provide a citation to the presentation nor did it include any updates about this issue that has continued to unfold since that January 2018 presentation and has proven to be a problematic situation. For example, from a May 1, 2018 DEU progress report in the same docket as the mentioned presentation (17-057-05), the Company states that it failed to meet two billing metric goals due to battery failures in existing meter transponders. Specifically, DEU did not meet its goal to read each customer's meter monthly and investigate meter problems and notify customers within 15 business days. It is concerning to the Office that the details of this progress report as well any additional updates from that time were not included in this year's IRP report. Instead, DEU simply copied and pasted its statements from last year's IRP. The Office requests the Commission require DEU to provide a more comprehensive and updated treatment of subjects addressed in the IRP. At a minimum, the IRP should point to other dockets where the topic is being further addressed.

The Office also notes that, as evidenced by the problems reported in the May 1, 2018 progress report in Docket No. 17-057-05, the transponder replacement program has resulted in a large number of estimated bills. In some cases bills have been estimated for many months and have resulted in large true-up bills once the transponder was installed. The Office is concerned that with these outcomes, DEU may have violated Commission rules and/or its own tariff.[6] While the IRP may not have been the appropriate forum, DEU should have provided a more updated and complete

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[5] Docket No. 17-057-05, DEU Tech Conference, January 9, 2018, slides 5 to 19.

[6] For example, R746-200-4 B.2. includes language that a public utility ... "shall try to make an actual meter reading at least once in a two-month period and give a bill for the appropriate charge determined from that reading."

Also, R746-320-3 H.3. states, "When there is a nonregistering meter, the customer may be billed on an estimate based on previous bills for similar usage. The estimated period shall not exceed three months." Later in R746-320-8, A.2. defines a "catch up bill" and indicates that "a catch-up bill which exceeds by 50 percent or more the bill that would have been provided under a utility's standard estimation program is presumed to be a backbill." Section C in that same rule states that "a utility shall not provide a backbill more than three months after the utility actually became aware of the circumstance, error, or condition that caused the underbilling and the correct calculation to be used in the backbill has been determined."

Finally, DEU's tariff 8.02 (put in place after the last transponder issue) indicates that "transponder-related billing errors" have an adjustment limitation of 6 months.

While it is not clear if DEU's current actions specifically violate any of these provisions, the details are sufficiently similar to warrant closer evaluation.

explanation to the Commission along with a request for a waiver of existing provisions if necessary. Our understanding is that DEU intends to make an informational filing soon and the Office will further address these issues at that time.

RECOMMENDATIONS

Based on the discussion contained in this document, the Office recommends that the Commission require DEU in future IRP filings to:

1. clarify how the sustainability goals of its parent company will be measured in the DEU market and what actions it will take locally to meet its goals,

2. provide additional detail and supporting analysis on discussed RNG projects, including a full report of the Company's affiliation to these projects,

3. ensure that only DEU-affiliated project outcomes are counted in sustainability measures,

4. provide additional detail and supporting analysis on its high-pressure corridor plans,

5. provide additional detail and supporting analysis on its planned expansion to rural communities, including how these projects would adhere to statutory revenue requirement limits,

6. provide updated and complete information for ongoing topics addressed in the IRP, at a minimum pointing to relevant proceedings if not including a more comprehensive description in the IRP itself, and

7. ensure issues discussed in IRP technical conferences are also included and adequately discussed with appropriate detail in the IRP document.

cc:

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