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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Dominion Energy Utah's Integrated Resource Plan (IRP) for Plan Year: June 1, 2019 to May 31, 2020	Docket No. 19-057-01 **DOMINION ENERGY UTAH'S REPLY COMMENTS**

Questar Gas Company dba Dominion Energy Utah (Dominion Energy, DEU, or the Company) respectfully submits these Reply Comments to the Action Request Response (Division's Response) issued by the Division of Public Utilities (Division) on September 17, 2019, and to the comments issued by the Office of Consumer Services (Office) in its Memorandum also dated September 17, 2019 (Office's Memo), in the above-referenced docket.

I. BACKGROUND

On June 13, 2019, the Company filed its Integrated Resource Plan (IRP) for the planning period of June 1, 2019, to May 31, 2020 (2019-2020 IRP). On June 18, 2019, the Utah Public Service Commission (Commission) issued a Notice of Filing and Comment Period and on September 6, 2019, the Commission issued an Amended Notice of Filing and

Comment setting a deadline of September 17, 2019, for parties to file initial comments. On September 17, 2019, the Division filed its Action Request Response (Division's Response) and the Office filed its Memorandum regarding the Company's 2018-2019 IRP. The Company respectfully submits this Reply in response to the Division's Response and the Office's Memo.

The Company appreciates the comments and feedback offered by the Office and Division, and looks forward to working with the parties to improve the IRP process going forward.

II. REPLY TO THE DIVISION'S RESPONSE

In its Response, the Division concludes that Dominion Energy Utah "has generally adhered to the Commissions orders and IRP Guidelines." Division's Response at p. 11. While the Division noted that it did not believe the analysis for the Company's proposed Liquefied Natural Gas (LNG) facility was sufficient, it nevertheless recommended that "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 Guidelines." *Id.*

As a preliminary matter, the Division raised concerns about the sufficiency of analysis provided in support of various projects—sometimes arguing that insufficient analysis was provided and at other times arguing that the detail of projects should be provided in other dockets to avoid litigating projects in the IRP docket. *See* Division's Response at pp. 1-3. For example, the Division objected to the Company's inclusion of detailed information related to its purchase of upstream Firm Peaking Services and its defined need for a Supply Reliability solution, arguing that "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 . . . ." Division's Response at p. 3. The Division then indicated that the Company should include greater explanation regarding a number of projects, including the proposed LNG facility. Division's Response at pp. 3 and 6.

The Company strives to include the appropriate amount of information in the Integrated Resource Plan, without "bolstering" arguments in other dockets where the same project may be at issue. The Division's comments are unclear on this point: did the Company include too much information or too little?

The IRP process is "a process in which known resources, both supply and demand, and resource development options for meeting current and future natural gas energy service needs are evaluated on a systematic, consistent and comparable basis." Report and Order on Standards and Guidelines for Questar Gas Company issued March 31, 2009, Appendix A, page 1 ("2009 IRP Guidelines"). The 2009 IRP Guidelines further require the Company to identify "substantial projects" and include a "summary of the analyses of alternatives evaluated for each project," and a "comparison of the selected project with the next best alternative." Id. at p. 32. The 2009 IRP Guidelines require summary information, not detailed information. Indeed, the Division notes that "detailed justification for the plant might justifiably be presented in the application it [the Company] files." Division's Response at p. 6.

The Company believes its current approach to be the correct approach. It included sufficient information in the IRP to meet the 2009 IRP Guideline requirements, while reserving more detailed discussions for other dockets, like the LNG Pre-Approval docket (Docket Nos. 18-057-03 and 19-057-13). Should any party believe that more information is appropriate, it is free to seek such information through data requests, or to request the inclusion of such information in IRP Variance Reports or in future Integrate Resource Plans. If a party believes the Company has included too much information, it is free to make such observations in comments. However, the Company welcomes any additional guidance the Commission may offer.

The Division raised a number of additional issues in its response. The Company addresses each, below.

A. Electric Generation Demand Forecast

First, the Division noted that on pages 3-1 and 3-3 of the 2019-2020 IRP there were two inconsistent statements regarding growth among electric generation customers. On page 3-3, the Company incorrectly referred to the change in demand as a decrease from the prior year. It should be noted this was actually an increase as correctly stated on page 3-1.

B. Lost and Unaccounted for (LAUF) Gas

In its Response, the Division noted an increase in LAUF during recent years and recommended that Dominion Energy "should explain, not only the cause of the large increase, but also its remediation plans and its benchmark." Division's Response at p. 4. The Company disagrees with this recommendation.

The estimate of gas, measured in dekatherms (Dth), which is lost or otherwise unaccounted for, is derived by calculating the difference between gas delivered to the Company's distribution system and gas usage or loss that can be accounted for. Sources of measurable usage or loss include billed customer usage, Company usage, line pack, and estimated loss from line tear-outs. This estimate is just that – an estimate. It should not be interpreted as an actual and precise measurement of gas volume that has escaped the distribution system through leaks, theft, or other causes.

Variations in the estimated level from year to year are common and are not readily explained. Variables unrelated to actual gas loss can cause variation such as differences in Dth calculations between system delivery points and customer meters. This variability is the reason the Company uses a three-year moving average of annual estimates for the final estimate submitted in the IRP.

It is more important to examine the percentage of gas that is lost or unaccounted for relative to total system delivery rather than the estimated volume of that gas. High variability in that metric from year to year would signal an unstable estimation method or a systemic problem. Since the Company increased the accuracy of meter-level temperature and elevation measurements in the Dth calculation of customer bills, the estimated percent has remained around 0.5%. That is about the level that was expected when those accuracy improvements were approved by the Utah Public Service Commission in Docket No. 09-057-16. The Company, therefore, recommends that the Commission reject the Division's recommendation.

C. Design-Day Forecast

The Division took issue with the Company's Design-Day forecast, mistakenly stating that the forecast includes a "30% cushion." This characterization is not accurate. The Company's estimate of Design-Day Demand is not derived by inflating the prior heating season's highest daily demand by a fixed percentage. It is derived from a much more rigorous modeling approach and the assumption of weather conditions more extreme than those observed in recent heating seasons.

The Division seems to suggest that the Company's assumed Design-Day weather conditions are too atypical and that the Company's decision to maintain those assumptions is excessively cautious. The Company points out that the Design-Day forecast was a central issue in Docket No. 17-057-20, and that the Commission made findings related to the forecast. In fact, in response to the Commission's Order in that docket, the Company reduced its Design-Day estimate in this year's IRP by over 100,000 Dth to reflect a reduced wind-speed assumption in the Company's forecast modeling. Notably, the Commission did not make any findings that would indicate that the Company's Design-Day temperature assumption of -5° Fahrenheit in the Salt Lake Region is inappropriate.

The Company's Design-Day forecast is further supported by historical events. For example, the mean daily temperature in the Salt Lake Region fell to -4.7° Fahrenheit on the December 22-23 gas day in 1990 and in January of 1963 the mean was -7°. The Company believes it imprudent to ignore such occurrences simply because they are rare. It is just such an occurrence the Company believes it is duty bound to consider under its statutory obligation to provide safe and reliable service.

D. Joint Operating Agreement (JOA)

The Division correctly observed that the Company works closely with Dominion Energy Questar Pipeline (DEQP) to ensure that Dominion Energy receives adequate inlet pressures at interconnect points between the two companies' facilities. Division's Response at p. 5. However, the Division mistakenly suggests that the Company does not work with other interconnecting pipelines to ensure proper pressures are received and recommended that Dominion Energy explain "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." *Id.*

Dominion Energy works with all of the interstate pipelines with which it interconnects to define operating parameters at interconnection points. Some interconnecting pipelines have Facilities Agreements with Dominion Energy that define operating parameters such as minimum operation pressures and flows. Because many of the interconnects with DEQP were established as part of an integrated system and did not have written agreements defining those operating parameters. Dominion Energy and DEQP have entered into a Joint Operations Agreement to address those parameters at all interconnecting points. The two companies meet each year to make required updates to that agreement. The Company does so simply to memorialize in writing the agreement between the two companies, just as it does in Facilities Agreements with other pipelines.

E. <u>Confusion Regarding "Regulator Station" vs. "Gate Station"</u>

The Division recommended that the Company clearly define the terms "regulator station" and "gate station." The Company agrees with the Division and will define relevant terms in future IRPs.

For clarity, the Company offers the following definitions. The term "regulator station" describes the facilities used to reduce pressure at various points on its system. These stations are not interconnects between two different parties. The term "gate station" is used to describe facilities where the Company receives gas into its system from an interconnecting interstate pipeline. Gate stations generally include measurement, pressure regulation, odorization, SCADA, and line heating if necessary. These are generally larger, more expensive facilities.

F. Saratoga Gate Station Remodel

The Division expressed concern regarding the explanation for the Saratoga Springs Gate Station remodel. The Division believes that the initial reasoning offered for the remodel, to address operational concerns, was not "entirely accurate." Division's Reply at p. 6. The Company offers this further clarification. The main driver for this project is the need to increase operational flexibility to ensure that in the event of supply upset, the Company can maintain supply to its customers. The Company's Gas Control department indicated that, based on its operating experience at this gate station, it required more flexibility (flow control vs. pressure control). The Company determined that its design could also address anticipated growth in the area. Dominion Energy's Engineering department also determined that the gate station should be retrofitted with a different MAOP protection for FL85 in order to limit fugitive emissions. In order to do so, Dominion Energy's Engineering department determined that a different control valve configuration would be preferred. All of these considerations contributed to the Saratoga Springs Gate Station redesign.

G. Aging Infrastructure Replacement

The Division questioned whether 58 miles of 1929-1939 steel IHP main that is planned for replacement will be included in the Company's Infrastructure Rate Adjustment Tracker. Division's Response at p. 7. While the vintage of this pipe is pre-1971, the replacement of these 58 miles of main is not included in the Infrastructure Rate Adjustment

Tracker because the pipelines are not considered "belt mains" as they are smaller diameter pipes. The Company hopes this clarification resolves the issue.

H. Rural Expansion

The Division also recommended that any analysis related to rural expansion be separated out in the Quarterly IRP Variance Reports such that a clear cost/benefit of future plans is demonstrated. Division's Response at p. 7. The Company disagrees with this recommendation. It appears the Division is referencing rural expansion projects that may be brought to the Commission for approval under Utah Code Ann. §54-17-401 *et seq.* Once again, the Division seems to argue that the Company must make its case for the construction of such facilities within the IRP, but not use the IRP to "bolster" arguments for use in another docket.

The Company believes that summary-level information is appropriate for inclusion in the IRP, with detail being provided in a separate docket. That way the Company can avoid "bolstering" arguments in another docket, as the Division urges, while still making detail available in the docket seeking approval of the projects. The Company plans to include summary information in future IRPs, but to include greater detail within defined docket where the project can be reviewed. While the Quarterly variance report is a suitable location to provide updates in its analysis, once a project has been approved, the costs and benefits of any given rural expansion project are best discussed in a docket devoted to the purpose of evaluating the prudency of that project.

I. Integrity Management Variance

The Division notes that the High Consequence Area (HCA) miles Assessed and Anomalies Repaired per year range from about 55-11 miles. (IRP Table 6.1)[1] (Division's Response at p. 7). The Division recommends that the Company explain this difference.

There are several reasons for the variance. First, the assessment methods contribute to the variance of mileage assessed each year. One assessment method is Inline Inspections (ILI), or pigging, inspection done by putting a tool in the pipeline and propelling it with the gas flow. Only a few of these types of projects can be completed in a year and each one inspects the entire pipeline from where the inspection tool is inserted into and removed from the pipeline. The lines vary in length (one may be 30+ miles long and another may be less than 10 miles long), and may be located in different areas (those located in rural areas will have fewer miles of HCA than those located within suburban areas). The location and length of the lines inspected each year causes variation on how many miles of HCA are assessed year over year.

The second method used to assess HCAs is a Direct Assessment method called External Corrosion Direct Assessment (ECDA). This is used for pipelines with HCAs that cannot be assessed by ILI because of components of the pipeline, or flow characteristic that do not allow current ILI technology to pass through the line. ECDA can be targeted to just the HCA areas of the pipeline, but similar to ILI, all the HCAs on a continuous pipeline are inspected in a project for a given year. The pipelines being inspected by ECDA can be located

[1] The Company acknowledges that Table 6.1 was mis-labelled and should have been labeled Table 6.2. References to the table should also be modified to match the correct table numbering.

in a more rural area (only a few miles of HCA), or a suburban area (many miles of HCA). ECDA work usually takes two construction seasons to complete starting with a survey in one year and digs at specific sites determined by analysis of the survey data in subsequent years.

The most significant source of variation when performing ECDA inspections comes from grouping pipelines to be inspected geographically. This improves the efficiency of the survey crews by reducing travel time between pipelines being surveyed. In 2014 the Company was able to complete both the survey and digs in the same year. As a result, the Company completed approximately 17 miles of HCA assessments in 2014 that would otherwise have been completed and counted in 2015 (in IRP Table 6.2). These are the two years with the highest and lowest HCA miles assessed, had they been assessed as planned there would have been approximately 38 miles of HCA inspected in each year. The Company hopes this explanation resolves the issue, and is happy to discuss the matter further with parties who have interest.

J. Purchased Gas vs. Cost-of-Service Production

The Division raised concerns regarding the use of the SENDOUT model to determine the lowest cost supply resources and recommended that the Company provide shut-in costs as a table in the IRP. The Company does not believe this is appropriate information for the IRP. If the Commission determines this information should be provided, the Company would prefer to include it in the quarterly variance report.

The Company agrees with the Division's recommendation that the Company provide an explanation when actual shut-in costs differ from projected costs. In fact, the Company already does so in the Quarterly IRP Variance Reports.

K. Supply Reliability

In the 2019-2020 Section regarding Supply Reliability, the Company included summary-level analysis performed regarding a potential LNG facility, as well as a discussion of other options that the Company considered. The Division requested "clarification on whether duplicative information should be filed in two or more open dockets now or in the future." Division's Response at p. 9. As discussed above, the Company believes the appropriate level of detail was included in the 2019-2020 IRP. Additional detailed information was provided in the docket specific to the approval of the voluntary resource. The Company recommends taking the same approach with regard to any pre-approval proceedings brought under Utah Code Ann. §54-17-401 *et seq.*

L. Energy Efficiency

The Division identified an incorrect reference on page 13-13 of the 2019-2020 IRP. The reference states the SENDOUT results can be found in Exhibit 12.1, when the results are actually found in Exhibit 13.1. The Company acknowledges this error.

M. Final Modeling Results

Finally, the Division recommended that DEU "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." Division's Response at p. 10. A comparison is not necessary. The peak demand used in SENDOUT is the same peak-day demand forecasted in section 3-1. The model uses this demand to determine if the resources will be available to meet the demand requirements on a design peak day.

III. REPLY TO THE COMMENTS OF THE OFFICE OF CONSUMER SERVICES

In its Memorandum, the Office provided comments on the following topics: 1) cost-of-service gas requirements for 2020; 2) the new "Sustainability" section; 3) the proposed high-pressure corridor; and 4) the Transponder Replacement Program. The Office also recommended that the Commission require DEU 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.

Office's Memo at p. 7.

The Company responds to these and recommendations as follows.

A. Cost-of-Service Gas Requirements

The Office commended the Company for providing additional information regarding the forecasted cost-of-service production as a percentage of forecasted demand and stated it will continue to monitor this metric. The Company acknowledges the inclusion of the additional data and notes that the Commission-approved Settlement Stipulations in Docket

Nos. 13-057-13 (the Trail Settlement Stipulation) and 15-057-10 (Canyon Creek Settlement Stipulation) place requirements on the amount of Cost-of-Service production for the Company's customers. Specifically, starting in the 2020 IRP year, if the cost-of-service production exceeds 55% of the forecasted annual demand then the excess volume over 65% will be multiplied by the difference between the actual cost-of-service price for the IRP plan year and the Company's weighted average purchase gas price for that IRP plan year. In other words, even if cost-of-service production does exceed the 55% threshold, customers will only pay the lower of cost-of-service, or market prices for any excess above the 55% threshold.

B. Sustainable Transportation Energy Plan (STEP) Initiatives

The Office correctly noted that the Company did not identify any STEP projects[2] for which it intends to request approval. At the time of filing, the Company had not identified any projects that it intended to advance. The Company will provide details for any such projects if/when it determines that it will pursue Commission approval for a project.

C. Renewable Natural Gas and Bio-methane

The Office noted that the Company has identified a number of potential Renewable Natural Gas (RNG) projects that are underway in Utah but did not indicate whether the Company was affiliated with any of these projects. While the Company is helping to facilitate deliveries of RNG into its system, the Company does not have any direct affiliation with the companies that are advancing the projects listed in the IRP technical conference held on February 20, 2019.

[2] The Sustainable Transportation and Energy Plan Act Amendments were passed as H.B. 107 during the 2019 Utah State legislative session. The HB 107 amendments provided a mechanism for DEU to advance certain sustainability projects to the Commission for approval.

Similarly, the Company did not offer any cost estimates or funding plans for any of the four potential "bio-methane plants" proposed for the Dominion Energy system. These projects are provided as potential projects that could provide renewable gas to the Dominion Energy system. These projects are not developed to the point where cost estimates are available or viability has been determined.

The Office recommends that the Company "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." The Company agrees and plans to make clear its involvement in sustainability projects in the future.

D. High-Pressure Corridor

The Office expressed concerns regarding the Company's presentation in an IRP Technical Conference of information regarding the long-term plan for a high-pressure corridor through the distribution system without further details being provided in the 2019-2020 IRP. The Office recommends that additional information and analysis on this project should be included in the IRP.

It is important to note that the 2009 IRP Guidelines requires that "[t]he DNG Action Plan will span the period of the IRP year and the subsequent two calendar years." 2009 IRP Guidelines at p. 33. The Company does voluntarily include some discussion of longer-term projects, it cannot and should not include in the IRP detail which may not be well developed, or is subject to substantial variance. In the future, the Company will include an additional subsection labeled "Long-Term Planning" within the "System Capacity and Constraints" section of the IRP. In this section, the Company will provide a general outline of demand growth trends along with any known future projects beyond the scope of the DNG Action Plan. The Company cannot provide specific information such as scheduling of projects because these long-term plans are generally demand-growth based and may be canceled or delayed due to other factors that affect system pressures and capacities. The Company will provide the required level of detail for projects falling within the 3-year-timeframe set forth in the 2009 IRP Guidelines.

E. Rural Expansion

The Office, expressed concern that the 2019-2020 IRP did not contain detail related to proposed projects that may be brought to the Commission for Approval under Utah Code Ann. §54-17-401 *et seq.* As with potential "STEP" projects, the Company had not selected any particular projects at the time the 2019-2020 IRP was filed. The Company will include greater detail if/when it files an application for approval of such a project. It will also provide summary information in IRPs going forward.

F. Transponder Replacement

The Office expressed concern that more details regarding the progress of the transponder replacement or additional updates were not included in the IRP. The Office requested "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." Office's Memo at p. 6.

The Company believes it provided an adequate update regarding the transponder replacement in the IRP. The Company included the percent complete, locations completed, projected completion date of mid-2020, anticipated total cost, annual costs, and revenue requirements.

In its Memorandum, the Office addresses issues related to the Transponder Replacement Program and, specifically, issues associated with estimating some customers' bills. The Office indicates that it is "concerned that with these outcomes, DEU may have violated Commission rules and/or its own tariff." Office Memo at p. 6. The Office further recognizes that the IRP may not be the appropriate forum to address such issues. The Company agrees.

Though the Company recognizes the importance of accurate billing for customers, it believes that the IRP is not the appropriate forum to address such issues. Since the time the Office filed its Memorandum, the Company filed an Informational Filing Concerning the Transponder Replacement Program and Request for Waiver of Applicable Commission Rules (Docket No. 19-057-25). The Company believes that the referenced docket is an appropriate forum for a full and robust discussion of the issues identified by the Office.

IV. CONCLUSION

The Company requests that the Commission acknowledge the 2019-2020 IRP as recommended by the Division. The Company will provide the additional information as indicated herein. The Company will continue to work with the Division and Office and other interested parties to improve its IRP process in future filings.

Dated this 15 day of October, 2019.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of Questar Gas Company dba Dominon Energy's Reply Comments, in Docket No. 19-057-01, was sent by electronic mail on October 15, 2018, to the following:

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