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dba Dominion Energy Utah

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE REQUEST OF DOMINION ENERGY UTAH FOR APPROVAL OF A VOLUNTARY RESOURCE DECISION TO CONSTRUCT AN LNG FACILITY	Docket No. 19-057-13 **APPLICATION FOR VOLUNTARY REQUEST FOR APPROVAL OF RESOURCE DECISION**

Pursuant to Utah Code Ann. § 54-17-401 *et seq.* and Utah Admin. Code R746-440-1 *et seq.*, Questar Gas Company dba Dominion Energy Utah (Company, DEU, or Dominion Energy) respectfully requests that the Public Service Commission of Utah (Commission) approve the Company's decision to construct a liquefied natural gas (LNG) facility in Salt Lake County, Utah (Resource Decision). Specifically, as described in more detail below and in the supporting pre-filed testimony, the Company requests that the Commission issue an order approving the construction of a Company-owned on-system LNG facility (the DEU-owned LNG Facility) on a proposed site near Magna, Utah. The DEU-owned LNG Facility will consist of a 15 million gallon LNG storage tank, a gas-pretreatment facility, liquefaction facilities, and gas vaporization facilities. The costs and benefits of the facility will be allocated only to sales customers. As proposed, the facility would have a liquefaction rate of 8.2 MMcfd and a vaporization rate of 150 MMcfd (approximately 150,000 Dth/day).

In support of this Application, Dominion Energy provides the following information:

BACKGROUND

A. Dominion Energy's Need for a Long-Term Supply Reliability Solution

1. Dominion Energy, a Utah corporation, is a public utility engaged in the distribution of natural gas primarily to customers in Utah and Wyoming. Its Utah public utility activities are regulated by the Commission, and the Company's rates, charges, and general conditions for natural gas service in Utah are set forth in the Company's Utah Natural Gas Tariff No. 500 (Tariff). Copies of the Company's Articles of Incorporation are on file with the Commission. In addition, the Company serves customers in Franklin County, Idaho. The rates for these Idaho customers are determined by the Utah Commission pursuant to an agreement between the Commission and the Idaho Public Utilities Commission. Volumes for these customers have been included in the Utah volumes.

2. While Dominion Energy serves customers from Southern Idaho to Southern Utah and into Wyoming, its demand center, or the primary area of demand on its system, is located in the counties along the Wasatch Front, including Box Elder County, Cache County, Davis County, Salt Lake County, Weber County and Utah County. The natural gas necessary to satisfy this demand, as well as to serve other parts of the Company's service territory, comes principally

from wells located hundreds of miles from the Wasatch Front in areas of Wyoming and Colorado.

3. After gas is produced at the well, it is gathered on gathering lines and moved to processing plants or to interstate pipelines. Gas delivered to processing plants is processed to remove non-methane hydrocarbons and liquids to render the gas as pipeline-quality gas that can be used by customers. Most of these processing plants are also located in areas of Wyoming.

4. After produced gas has been processed, it is transported on interstate pipelines that are owned and operated by third parties. These interstate systems involve compressor stations and hundreds of miles of gas pipeline, much of which crosses through remote and mountainous regions. The location at which these interstate pipelines deliver gas onto Dominion Energy's distribution system is dependent upon where each interstate pipeline connects with the Company's distribution system.

5. Throughout this path, there are numerous opportunities for supply disruptions to occur, particularly on cold weather days when the demand for natural gas is at its highest and where cold weather impacts gas supply systems the most. These disruptions are most often caused by well "freeze offs," gas processing plant interruptions, and power failures, but there is also risk of disruption caused by third-party line damage, landslides, earthquakes, line corrosion and failure, and flooding.

6. In recent years, and on repeated occasions, the Company has experienced natural gas supply disruptions, some of which have resulted in supply shortfalls. The causes of these shortfalls have varied, but all have resulted ultimately from unanticipated supply disruptions upstream from the Company's distribution system and outside of the Company's ability to control or manage. Fortunately for Dominion Energy, these events were fairly short-lived or

occurred when temperatures were not on a day when the average daily temperature is at or below -5 degrees at the Salt Lake City Airport (Design Day), or even a day when temperatures were very low. However, if these shortfalls had lasted for an extended period (multiple days), occurred during extremely cold periods (when supply disruptions are most likely to occur), or on a Design Day, they would have impacted the Company's ability to provide safe and reliable service to its customers and, in fact, could have resulted in a significant loss of service to customers in Dominion Energy's demand center.

7. The Company has historically managed supply disruptions through gas purchases or available storage. However, continuing to rely on gas purchases in the future presents increasing risk to the Company given current system conditions and the fact that a supply disruption is likely to impact the same upstream supplies the Company would turn to in response to a shortfall. The Company's calculations demonstrate that, given its current gas supply portfolio and growing customer demand, a disruption in its upstream supply and storage sources on a very cold day or for several days at very cold temperatures could cause a significant gas supply shortfall on the Company's system and result in hundreds of thousands of customers losing service. This loss of service, by extension, would give rise to health risks for the Company's customers, cause business and property damage, and result in other significant expense, including the substantial expense necessary to bring the system back on-line when gas supply has been restored.

8. Other similarly situated natural gas local distribution companies (LDCs) have experienced supply shortfalls. Some LDCs have faced supply disruptions in recent years resulting from unpredictable and extreme weather conditions or from pipeline ruptures. These disruptions have severely impacted the upstream natural gas supplies. The risk of such

disruptions is discussed in detail in the pre-filed direct testimony of Tina M. Faust, DEU Exhibit 2.0, which is attached hereto and incorporated herein by this reference.

B. The Company's Assessment of Long-Term Supply Reliability Options

9. In response to the Company's 2017 supply shortfall, the Company estimated the amount of gas supply it would need to ensure service if an upstream supply shortfall occurred on a Design Day. Based on that estimate, Dominion Energy has determined that it would likely need an additional 150,000 Dth/day to mitigate a significant shortfall and loss of service to customers.

10. In 2017 and 2018, Dominion Energy's Gas Supply and Engineering departments analyzed options the Company could pursue to obtain the necessary supply reliability to respond to significant supply disruptions. The purpose of that analysis was to identify the best available resource to provide the needed supply reliability. In assessing the options, the Company weighed various factors, including those set forth in Utah Code Ann. § 54-17-402(3). Factors considered included: (i) whether the option was the lowest reasonable cost; (ii) whether the option would provide adequate, safe, and reliable gas supply when other planned supply is disrupted; (iii) the risks associated with each option; (iv) the long- and short-term impacts the options would have on the Company, its operations and its system; (v) the financial impact on DEU; and (vi) other factors relevant to the analysis.

11. After this extended review, the Company concluded that the best available long-term supply reliability solution to address future supply shortfalls is to construct the DEU-owned LNG Facility with liquefaction near the center of the Company's demand center – Salt Lake County, Utah.

12. On April 30, 2018, the Company filed an Application for Voluntary Request for Approval of Resource Decision in Docket No. 18-057-03, seeking Commission pre-approval of the construction of the DEU-owned LNG Facility. On October 22, 2018, the Commission denied the Company's Application stating, among other things, "that because DEU did not follow the common industry practice of requesting proposals from the market to address the risk it seeks to mitigate through the LNG Facility, it has not adequately supported its conclusion that its chosen solution is in the public interest." October 22, 2018 Order, Docket No. 18-057-03 at 16 (Order).

13. Pursuant to the Commission's Order, the Company conducted a request for proposal process to determine what options are available. On January 2, 2019, the Company issued a Request for Proposal for a Supply Reliability Resource (the RFP). Prior to issuing the RFP, the Company met with representatives of the Utah Division of Public Utilities (Division) and the Utah Office of Consumer Services (Office) to obtain input and feedback that was incorporated into the RFP and that helped shape the RFP process.

14. In an effort to reach as many prospective bidders as possible, the Company sent notice of the RFP to all known potentially interested parties, and published an advertisement in S&P Global Platts Gas Daily newsletter, an industry periodical, notifying the industry of the RFP. The Company also posted the RFP on its website: https://www.dominionenergy.com/utah-rfp. A copy of the RFP is attached as DEU Exhibit 3.02.

15. On January 14, 2019, the Company held a bidder's conference to provide additional detail relating to the RFP requirements, and to answer prospective bidder's questions. Representatives of the Division also attended that meeting.

16. Subsequent to the bidder's conference, prospective bidders sent questions to DEU, and DEU provided written responses to those questions. Copies of the questions and answers were posted on the website referenced above.

17. On March 4, 2019, the Company received responses from three bidders which, collectively, provided six different options in response to the RFP. In addition, the Company updated its evaluation of the DEU-owned LNG Facility, updated cost estimates related to that project, and conducted further analysis relating to ancillary benefits the DEU-owned LNG Facility could provide.

18. After careful consideration, analysis, and evaluation of all of the options, the Company determined that the DEU-owned LNG Facility was the lowest reasonable cost option and most effective solution to address the supply reliability need, given all relevant considerations, including those set forth in Utah Code Ann. § 54-17-402. In addition to being the lowest-reasonable-cost option, the DEU-owned LNG Facility is the least risky from a creditworthiness standpoint and is among the least vulnerable to supply disruption risks. Additionally, the DEU-owned LNG Facility can provide the most ancillary benefits, including the ability to serve outlying communities that currently do not have gas service. A detailed description of the Company's analysis can be found in DEU Highly Confidential Exhibit 3.03, and in the pre-filed direct testimonies of Kelly B Mendenhall (DEU Highly Confidential Exhibit 1.0), Tina M. Faust (DEU Exhibit 2.0), William F. Schwarzenbach (DEU Highly Confidential Exhibit 3.0), Michael L. Platt (DEU Highly Confidential Exhibit 4.0), Michael L. Gill (DEU Highly Confidential Exhibit 5.0), and Bruce Paskett (DEU Highly Confidential Exhibit 6.0), all of which are incorporated herein by this reference.

THE PROPOSED LNG FACILITY

19. As discussed in more detail in the Company's pre-filed testimony, Dominion Energy proposes to construct the DEU-owned LNG Facility near Magna, Utah. The preliminary site layout and the specifications for the proposed facility were developed by a third-party consulting company, HDR Incorporated (HDR), which was selected after Dominion Energy sent a request for proposal for engineering and site evaluation services. HDR has extensive experience in providing design and construction services for LNG facilities worldwide.

20. Through the site evaluation process, the proposed location near Magna, Utah was identified as a suitable location for the facility. In addition, HDR prepared a pre-Front End Engineering Design (FEED) study, as well as a complete FEED study for the selected site. These studies defined the project scope and provided the detail needed to define the engineering, procurement, and construction contract documents that would need to be developed if the Commission approves the Resource Decision.

21. Based on the FEED study, the Company determined that the DEU-owned LNG Facility should incorporate a 15 million gallon LNG storage tank, an amine gas-pretreatment process, a liquid nitrogen refrigeration cycle, and gas vaporization facilities. As proposed, the facility would have a liquefaction[1] rate of 8.2 MMcfd and a vaporization rate of 150 MMcfd (approximately 150,000 Dth/day), meaning that the LNG facility would be able to provide an additional 150,000 Dth/day of natural gas to Dominion Energy's system in the event of a supply shortfall.

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[1] Liquefaction refers to the process whereby natural gas is converted into liquid form for storage purposes. Vaporization refers to the process whereby LNG is converted back into a gaseous state to be injected into the Company's gas distribution system.

22. The Company also retained HDR to assist in obtaining preliminary permitting for the DEU-owned LNG Facility that would allow the project to proceed, subject to Commission Approval. HDR and Dominion Energy have held discussions with the Salt Lake County Planning Department regarding conditional use permit requirements for the site, and with the Utah State Department of Environmental Quality regarding permitting for air emissions. In addition, Phase I and Phase II environmental studies for the proposed site have been completed, and have determined that no contaminants prevent the construction of the facility. Finally, HDR has evaluated and cleared the projects for impacts to endangered species, cultural resources, and waters of the United States.

23. In addition, based on the FEED study prepared by HDR, the Company and HDR have developed contract documents ready to be released for bid if the Resource Decision is approved by the Commission. The Company commissioned HDR to update the cost estimates previously provided in Docket No. 18-057-03 for the construction of the facility. HDR provided an updated estimate of [redacted].

24. Using this cost estimate together with the land cost for the selected site and internal labor costs calculated for the LNG project, the Company calculated the following cost breakdown for the Resource Decision:

Cost Item	Amount
Materials and Construction	[redacted]
Land	[redacted]
Internal Labor	$5,835,000
Allowance for Funds used during	[redacted]

construction (AFUDC)	
Inflation	[redacted]

25. Based on this cost information, the Company performed a revenue requirement calculation, which, as explained in detail in Mr. Mendenhall's direct testimony, results in a levelized twenty-five revenue requirement of [redacted] per year for the DEU-owned LNG Facility. This equates to an annual bill impact for customers of $18.44 or 2.97%. The Company proposes that this cost and the benefits of the DEU-owned LNG Facility be allocated to sales customers. Transportation customers would not pay the cost for or receive the benefits of the facility as the Company does not provide natural gas supply for transportation customers.

APPLICABLE STANDARD AND REQUEST FOR APPROVAL

26. The Company's initial review of options, and its subsequent review of options offered in response to the RFP, meet the applicable legal standard for approval of a voluntary resource decision. Under Utah Code Ann. § 54-17-402(1), "before implementing a resource decision, an energy utility may request that the commission approve all or part of a resource decision" in accordance with the Part 4 of the Energy Resource Procurement Act. Utah Code Ann. § 54-17-402(3) provides:

> In ruling on a request for approval of a resource decision, the commission shall determine whether the decision:
>
> (a) is reached in compliance with this chapter and rules made in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; and
> (b) is in the public interest, taking into consideration:
>
> (i) whether it will most likely result in the acquisition, production, and delivery of utility services at the lowest reasonable cost to the retail customers of an energy utility located in this state;
> (ii) long-term and short-term impacts;
> (iii) risk;

(iv) reliability;
(v) financial impacts on the energy utility; and
(vi) other factors determined by the commission to be relevant.

In addition, a request for approval of a resource decision must include "testimony and exhibits" which provide the categories of information set forth in Utah Admin. Code R746-440-1.

27. Dominion Energy's Application for pre-approval of the voluntary Resource Decision fully complies with the requirements of the applicable statutes and regulations, and demonstrates that the Resource Decision is in the public interest.

28. As demonstrated in the Company's pre-filed testimony, the DEU-owned LNG Facility is the lowest-reasonable-cost option. Further, when compared to the proposals offered in response to the RFP, having an on-system LNG facility within the Company's demand center provides an unmatched reliability solution to avoid a significant supply shortfall. Off-system options are less reliable. They are subject to the same supply disruption risks as the Company's existing supply options. No other option provides the same level of reliability, efficiency, and benefits as the DEU-owned LNG Facility.

29. Similarly, from a risk perspective, the DEU-owned LNG Facility presents the least risk for the Company and its customers. Other options do not eliminate the risks the Company is attempting to solve. Rather, as noted above, some of those options are exposed to the same supply disruption risks as those that exist with the Company's current supply sources. Moreover, DEU will have control over the facility. Finally, a number of the other options present serious risk from existing uncertainties. With regard to some of the options, there is a potential for high financial or legal risk. The DEU-owned LNG Facility would not only provide safe and prompt gas supply in the event of a supply disruption, it does so at the lowest reasonable cost and is financially and legally viable.

30. To demonstrate that the proposed DEU-owned LNG Facility is the lowest reasonable cost option, Mr. Mendenhall compares, in his pre-filed testimony, the cost of each option considered. The comparison shows that each of the other options is more costly than the proposed DEU-owned LNG Facility.

31. Mr. Mendenhall also demonstrates in his testimony that the Company has the financial capability to obtain the necessary financing to construct the DEU-owned LNG Facility without negatively impacting the Company or its customers.

32. Finally, there are no negative short-term or long-term impacts associated with the Resource Decision. In addition to providing the increased long-term supply reliability Dominion Energy requires, an on-system LNG facility will provide long-term flexibility for the Company, resulting in additional benefits to customers. The DEU-owned LNG Facility will also provide the ability to transport LNG to rural communities in need of gas supply, and to better balance the day-to-day and intra-day supply needs of the Company's distribution system.

33. The Company's Application is supported by the pre-filed testimonies of Kelly B Mendenhall (Director of Regulatory and Pricing for Dominion Energy), Tina M. Faust (Director Gas Supply and Commercial Support for Dominion Energy), William F. Schwarzenbach (Manager Gas Supply for Dominion Energy), Michael L. Platt (Manager of Engineering Systems for Dominion Energy), Michael L. Gill (Director of Engineering and Project Management for Dominion Energy), and Bruce Paskett (an industry expert and Chief Regulatory Engineer with Structural Integrity Associates, Inc.), as well as other exhibits and materials accompanying their testimony.

34. The foregoing testimony and the attached exhibits contain the information that is required by Utah Admin. Code R746-440-1 to be filed with Voluntary Request for Resource

Decision. Mr. Mendenhall's testimony identifies where each category of information can be located within the Company's pre-filed testimony and exhibits.

TIMING FOR APPROVAL AND COMMENCEMENT OF THE RESOURCE DECISION

35. Utah Code Ann. § 54-17-402(6) requires that a Commission determination on a request for a resource decision be made within 180 days of the filing of the request "unless the Commission determines that additional time to analyze a resource decision is warranted and is in the public interest." As discussed below, a decision within the 180-day period will provide the Company with the proper lead time to construct the DEU-owned LNG Facility by its planned in-service date in 2022 while minimizing costs and avoiding unnecessary delays.

36. As discussed herein, the Resource Decision focuses on the construction of a single facility, and the Company has conducted an extensive review of the Resource Decision and other potential alternatives offered in response to the RFP, and provided the Commission with significant evidence supporting the Resource Decision.

37. While the nature of the Resource Decision is straightforward, its implementation will require years for the Company to complete detailed planning; conduct a construction bidding process; finalize contracts, construction plans and permits; and construct the facility. These activities will be undertaken if the Commission approves the Resource Decision. In this regard, the Company's proposed cost estimates assume an in-service date of 2022. If a decision is materially delayed beyond the 180-day approval timeframe, the Company is concerned that the overall project timeline will also be delayed, resulting in a delay in providing the needed supply reliability resource, increased costs, and potential delays to the permitting process and the liquefaction scheduled for the 2022/2023 heating season. Additionally, the Company has paid a total of [redacted] to secure an option to purchase the real estate at the site selected for the DEU-

owned LNG Facility. That option expires at the end of 2019. The Company believes it is in the public interest to avoid unnecessary delays and costs.

38. Dominion Energy respectfully requests that the Commission establish a schedule for this proceeding that will ensure a determination on the Resource Decision within the 180-day timeframe.

REQUEST FOR RELIEF

WHEREFORE, based upon the Company's Application, testimony and exhibits, and pursuant to Utah Code Ann. § 54-17-401 *et seq.* and Utah Admin. Code R746-440-1 *et seq.*, Dominion Energy respectfully requests that the Commission, in accordance with its authority, rules and procedure:

a. Notice a scheduling conference to set a schedule for interested persons to file comments on Dominion Energy's voluntary request for approval of the Resource Decision, any technical conferences deemed useful to the Commission or interested parties, a hearing on the Company's Application and request for approval and other processes and procedures deemed reasonable or necessary by the Commission in reviewing Dominion Energy's voluntary request; and

b. Issue an order pursuant to Utah Code Ann. § 54-17-402 approving the Resource Decision.

DATED this 30th day of April, 2019.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the APPLICATION FOR VOLUNTARY REQUEST FOR APPROVAL OF RESOURCE DECISION was served upon the following persons by e-mail on April 30, 2019:

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