

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

REBUTTAL TESTIMONY

OF

ALEX WARE

FOR THE OFFICE OF CONSUMER SERVICES

September 12, 2019

1

INTRODUCTION

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**
3 **ADDRESS.**

4 A. My name is Alex Ware. I am a Utility Analyst for the Office of Consumer
5 Services (Office). My business address is 160 East 300 South, Salt Lake
6 City, Utah 84111.

7 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?**

8 A. Yes, I filed direct testimony on August 15, 2019 on behalf of the Office in
9 response to Dominion Energy Utah's (DEU or Company) application to self-
10 build and operate a liquefied natural gas (LNG) facility.

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

12 A. I will respond to the direct testimonies of Douglas D. Wheelwright and Allen
13 R. Neale for the Utah Division of Public Utilities (Division). My rebuttal only
14 addresses a limited number of issues. Silence on an issue in this docket
15 should not be interpreted to be support or opposition.

16

17 **REBUTTAL TO THE DIVISION OF PUBLIC UTILITIES**

18 **Q. WHAT IS THE POSITION OF THE DIVISION IN THIS DOCKET?**

19 A. The Office finds the Division's overall position in this case to be unclear.
20 While Mr. Wheelwright states that "the Division is not convinced that
21 approval [of DEU's application for an LNG facility] is warranted as
22 proposed..." (Wheelwright Direct, lines 44 – 45), the Division's consultant
23 Mr. Neale, who primarily reviewed DEU's RFP process (Neale Direct, lines

24 85 – 88), states “the RFP and this filing meet the burden of proof that the
25 proposed LNG facility is in the public interest” (Neale Direct, lines 671 –
26 672). Despite Mr. Neale’s endorsement of the Company’s self-build LNG
27 facility, Mr. Wheelwright states “DEU should bolster its analysis with a more
28 balanced assessment of risks” (Wheelwright Direct, lines 50 – 51) and
29 “several questions remain concerning the cost benefit analysis and the
30 ongoing operational cost given the large increase in the rate base”
31 (Wheelwright Direct, lines 62 – 63). Thus, it is unclear whether the Division
32 concludes that DEU’s proposed LNG facility is in the public interest.

33 **Q. TAKEN AS A STANDALONE POSITION, HOW DOES THE OFFICE**
34 **RESPOND TO MR. WHEELWRIGHT’S TESTIMONY?**

35 A. The Office generally agrees with Mr. Wheelwright’s conclusion that DEU
36 has not justified Commission approval for an LNG facility because DEU’s
37 application fails to provide adequate assessment of risks or a sufficient cost-
38 benefit scenario analysis. Specifically, the Office agrees with Mr.
39 Wheelwright’s statement that “DEU has failed to show that the cost is
40 appropriate for the level of risk identified” (Wheelwright Direct, lines 44 –
41 45).

42 **Q. TAKEN AS A STANDALONE POSITION, HOW DOES THE OFFICE**
43 **RESPOND TO MR. NEALE’S TESTIMONY?**

44 A. The Office concludes that Mr. Neale has taken many of DEU’s underlying
45 arguments for the need and location of an LNG facility (versus other
46 resource or reliability options) as a given and did not adequately evaluate

47 the Company's foundational assumptions. Since his evaluation accepts the
48 Company's narrow definition of the supply reliability problem along with the
49 restricted location of the Company's preferred solution, and reviews only
50 portions of the cost benefit analysis, the Office cannot agree with Mr.
51 Neale's conclusions.

52 I note that DEU's RFP process did not include the overview of an
53 independent evaluator (IE). While DPU tasked Mr. Neale to review DEU's
54 RFP process and outcomes, his analysis should not be interpreted as a full
55 or objective assessment on par with the work of an IE. As I demonstrated
56 in my direct testimony in this docket, the process the Company used to
57 develop the assumptions and analyses included in its RFP is flawed.

58 **Q. PLEASE IDENTIFY THE OFFICE'S CONCERNS WITH DPU**
59 **SPONSORED TESTIMONY IN THIS CASE?**

60 A. The Office has the following concerns with DPU testimony:

61

- 62 • Mr. Wheelwright and Mr. Neale appear to come to different
63 conclusions regarding DEU's RFP bid requirement for an in-service
64 date.
- 65 • Mr. Neale appears to accept without question or analysis DEU's RFP
66 bid location requirement.
- 67 • Mr. Neale appears to believe DEU's RFP process allowed for
68 technology-independent bids, but the results suggest otherwise.
- 69 • Mr. Neale's testimony provides analysis of only one of the Company-

70 added cost components for comparable bids before concluding that
71 DEU's self-build LNG facility is the most cost-effective option.

72 • Mr. Neale's concern of DEU potentially transferring control of its
73 proposed LNG facility to another entity is premature.

74

75 **Q. IN WHAT WAY DOES THE OFFICE SEE CONTRADICTION IN DPU'S**
76 **POSITION REGARDING DEU'S IN-SERVICE DATE RFP**
77 **REQUIREMENT?**

78 A. Mr. Wheelwright notes that "The proposed LNG facility will not be available
79 for the 2022/2023 heating season and is not required to meet the same in-
80 service requirements as outlined in the RFP for the other bidders"
81 (Wheelwright Direct, lines 54 - 56). In apparent contradiction, Mr. Neale
82 simply presents DEU's estimated LNG facility in-service date as fact, but
83 does not take issue with it as a bias against the bidders in the RFP process
84 (Neale Direct, lines 244 – 248). This inconsistency is one concrete example
85 of the lack of clarity in the DPU position.

86 **Q. WHAT CONCERN DOES THE OFFICE HAVE WITH MR. NEALE'S**
87 **HANDLING OF DEU'S RFP LOCATION REQUIREMENT?**

88 A. In regards to the parameters of DEU's stated optimal location based on the
89 Company's split MAOP distribution system, Mr. Neale appears to accept
90 these parameters without question. The Office is concerned that Mr. Neale's
91 evaluation of the RFP process does not question the appropriateness of the
92 RFP's foundational requirements, which limits the scope of reliability

93 solutions that might be considered to adequately deal with DEU's claimed
94 reliability needs. As stated in my direct testimony, there are other potentially
95 effective solutions, or mixes of solutions, that DEU has failed to fully
96 evaluate for a variety of reasons, including a poorly defined reliability risk to
97 be addressed, an RFP too narrowly defined, and a lack of robust analysis
98 to evaluate potential solutions across various scenarios. Neither DEU nor
99 the Division justified the narrow evaluation supporting DEU's solution.

100 **Q. DOES THE OFFICE AGREE WITH MR. NEALE THAT DEU'S RFP**
101 **REQUIREMENTS ALLOWED FOR UNRESTRICTED BIDS?**

102 A. No. While Mr. Neale appears to believe DEU's RFP requirements allowed
103 for a variety of technology-independent bids (Neale Direct, lines 106 – 109
104 & 124 – 129), the results suggest the opposite is true. Specifically, the only
105 two additional bids received by DEU, beyond the pre-existing bids from
106 Magnum for salt cavern storage, were for LNG facilities similar to or the
107 same as the Company's own self-build option. In fact, Mr. Neale's
108 conclusion that the RFP process allowed for technology-independent bids
109 is belied by his own statement that DEU's RFP requirements are actually
110 based on the capabilities of its self-build LNG option (Neale Direct, lines 133
111 – 135).

112 The Office fails to see how an RFP with minimum requirements that
113 are based on the capabilities of DEU's favored LNG facility solution could
114 possibly result in technology-independent resource option bids. As I pointed
115 out in my direct testimony in this docket, the Office asserts that the

116 requirements of DEU's RFP are so narrow that it limited consideration of a
117 full range of potential solutions. Thus, while the stated intention of the RFP
118 in theory may have been to consider technology-independent resource
119 options, the Office asserts that the outcomes show that did not occur.

120 **Q. IN WHAT WAY DOES THE OFFICE FIND THAT MR. NEALE FAILED AT**
121 **CONDUCTING AN ADEQUATE COST COMPARISON OF RFP BIDS?**

122 A. Mr. Neale states in his testimony that DEU "4) Demonstrated that the
123 proposed LNG facility appears to remain the most cost-effective option
124 compared to the alternative bids received;" (Neale Direct, lines 136 – 137).
125 However, Mr. Neale provided testimony discussing the appropriateness of
126 only one of the cost adjustments DEU made to the received RFP bids, but
127 did not provide evidence of having analyzed any of the other adjustments.

128 While Mr. Neale weighed in and concluded that the Company's cost
129 adjustments were appropriate to account for infrastructure upgrades
130 needed to connect the bid projects to DEU's distribution system, he made
131 no mention of the other two cost adjustments made by the Company.
132 Specifically, in addition to infrastructure cost adders, DEU also added costs
133 to bid proposals for 1) credit support and 2) imputed debt. Without an
134 evaluation of the appropriateness of all cost components combined, it is
135 impossible to declare the most cost-effective option. Therefore, Mr. Neale's
136 conclusion that DEU's self-build LNG facility option is the most cost-
137 effective is questionable because he conducted an analysis of only one of
138 the Company's cost adjustments. Mr. Neale himself concedes that

139 considering a bidder's credit-worthiness was outside of the scope of his
140 review (Neale Direct, lines 473 – 474). In contrast, the Office's expert
141 witness Mr. Lawton provided direct testimony in this docket showing that
142 DEU's imputed debt cost adder was inappropriately applied and skewed the
143 results in favor of the Company's self-build LNG facility over another
144 bidder's proposal (Lawton Direct, lines 177 – 186).

145 **Q. WHAT IS THE OFFICE'S RESPONSE TO MR. NEALE'S CONCERN OF**
146 **A POTENTIAL OF DEU TO TRANSFER CONTROL OF THE PROPOSED**
147 **LNG FACILITY?**

148 A. The Office asserts that Mr. Neale's concern is premature because there are
149 checks in the regulatory system that would prevent that from occurring
150 without an appropriate review. If the Commission were to approve DEU's
151 application in this docket and then the Company decided later to transfer
152 the control of the facility to another entity, DEU would be obligated to obtain
153 Commission approval before such an operational change would be
154 permitted. Thus, parties would have the opportunity to study and take a
155 position on the issue before the Commission at that time.

156 **Q. DOES THE OFFICE WISH TO RESPOND TO ANY ADDITIONAL ISSUES**
157 **PRESENTED IN DPU SPONSORED TESTIMONY IN THIS DOCKET?**

158 A. Yes, the Office notes that Mr. Neale presented argument in his testimony
159 that DEU's transportation customers cannot be prevented from benefiting
160 from an LNG facility during a supply shortfall and should therefore bear
161 some of the costs (Neale Direct, lines 529 – 541). Mr. Neale raises an

162 interesting point, but without a more complete assessment of the issue, the
163 Office is unable to take a specific position at this time.

164 I would like to emphasize that this is exactly the type of scenario
165 analysis the Office believes is missing from DEU's application in this docket.
166 Proper scenario analysis could have assessed Mr. Neale's concern as to
167 whether an LNG facility could actually prevent a service outage if DEU and
168 transportation customers simultaneously experienced gas supply cuts and
169 transportation customers then choose to continue to flow gas (which would
170 include DEU's replacement gas from the LNG facility) and accept
171 retroactive fines for doing so. This scenario requires a full assessment
172 before the Commission can possibly determine the effective potential of the
173 Company's proposed LNG facility or how costs should be allocated between
174 customer classes.

175 Additionally, this issue raises the question of whether DEU could
176 implement commercial arrangements with transportation customers to allow
177 the Company to use confirmed transportation gas supplies in the event of a
178 severe DEU supply shortfall that threatens an outage across its distribution
179 system. Once again, it is not clear that DEU has evaluated every potential
180 tool at its disposal to minimize the impact of supply cuts on its system. Even
181 DEU's own evidence presented in this proceeding suggests that other local
182 distribution companies (LDCs) sometimes use "gas supply recall
183 arrangements with large end users" as possible insurance against gas

184 supply failures.¹ Any objective, robust, and meaningful analysis of
185 alternatives that might be available as a solution to a DEU gas supply
186 shortfall should have at least studied this possibility.

187 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

188 A. Yes it does.

¹ DEU Confidential Exhibit 2.06, p.3. (The Office conferred with DEU and verified that the summary data is properly presented as public information)