

1 **Q: Please state your name, business address and title.**

2 A: My name is Douglas D. Wheelwright; my business address is 160 East 300 South, Salt Lake
3 City, Utah 84114. I am a Technical Consultant with the Division of Public Utilities
4 (Division).

5 **Q: On whose behalf are you testifying?**

6 A: The Division.

7 **Q: Have you previously filed testimony in this case?**

8 A: Yes. I filed direct testimony on August 15, 2019.

9 **Q: What is the purpose of your testimony in this matter?**

10 A: I will provide comments related to the rebuttal testimony of Dominion Energy Utah (DEU or
11 Company) representatives Kelly B. Mendenhall, Tina Faust, William Schwarzenbach,
12 Michael Platt and Michael Gill. I will also respond to the rebuttal testimony of Alex Ware
13 who filed rebuttal testimony on behalf of the Office of Consumer Services and Justin Bieber
14 who filed rebuttal testimony on behalf of the Utah Association of Energy Users (UAE). The
15 fact that I do not address every specific detail or issue should not be construed as acceptance.

16 **Q. Mr. Mendenhall and Mr. Bieber were critical of your recommendation that**
17 **transportation customers should bear part of the cost of the proposed LNG facility.**
18 **Are you persuaded to change your original position by any of the additional**
19 **information?**

20 A. No. Mr. Mendenhall admits that there may be some transportation customers that could use
21 the facility during cold weather periods but maintains that the best way to manage the
22 unauthorized use of the facility is through strict penalties.¹ This strategy does not provide a
23 solution to the Company's stated system reliability claims. Once transportation customers
24 consume the natural gas that was intended for sales customers, the gas is gone. Assessing a
25 penalty during the next billing cycle does not provide the gas necessary to maintain system

¹ Rebuttal Testimony of Kelly B. Mendenhall, Page 6, Line 117.

26 pressures or to ensure that the gas purchased by the Company will be available for sales
 27 customers. The Company does not have a mechanism in place to turn off the transportation
 28 customers usage if their own gas fails to be delivered. Thus, these transportation customers
 29 should share the cost of the facility.

30 In addition, if the claim is correct that the distribution system will be more reliable with an
 31 LNG facility, then there is a reduced probability that interruptible customers will be asked to
 32 interrupt service. These customers are already receiving a reduced rate and would be
 33 receiving the benefit of a more reliable system with a reduced probability of interruptions
 34 while sales customers bear the entire cost.

35 **Q: Do you still believe that the high cost of the facility is not supported by the risk that it is**
 36 **trying to alleviate?**

37 A: Yes. Mr. Mendenhall provides a revised estimate of the impact to customer rates in his
 38 rebuttal testimony.² The revised estimate would increase a typical GS customer's annual bill
 39 by ██████████ for a facility that may at best be used for a few days during the year and
 40 might not be used at all for system reliability. What the Company is proposing is an LNG
 41 facility that would be available if we were to experience extremely cold temperatures (minus
 42 5 degrees) and experience supply cuts on that peak day and no other purchase options were
 43 available. Supply cuts on a non-peak day could most likely be covered with additional
 44 market purchases or withdrawal from storage facilities.³ Most of the costs associated with
 45 this facility are fixed and unrelated to volume while the variable cost will be passed on the
 46 customers though the gas cost recovery mechanism of the 191 balancing account. Gas from
 47 the LNG facility will be significantly more expensive than gas coming from the other storage
 48 facilities. The Company has estimated that the cost to liquefy, hold and vaporize gas back to
 49 its usable state will add approximately \$1.92 per Dth to the cost of gas compared to \$0.18 per
 50 Dth for gas withdrawn from other storage facilities. This is a very expensive insurance

² Rebuttal Testimony of Kelly B. Mendenhall, Page 8, Line 184.

³ Response to DPU Data Request 3.01

51 policy for a facility that may never be used as proposed. In addition, the requirement to
52 withdraw 30% of the storage annually will force the Company to include this more expensive
53 gas in the 191 balancing account during the spring when less expensive market purchase gas
54 would likely be available. This expensive fixed cost facility is not in the best interest of
55 ratepayers and would be included in rates for many years to come.

56 **Q: Your direct testimony expressed concern that the Company's proposed schedule did**
57 **not comply with the required in-service date identified in the RFP. Mr. Mendenhall,**
58 **Mr. Schwarzenbach and Mr. Gill all address this issue and have now changed the**
59 **schedule to show that the facility will begin to fill the storage tanks earlier than**
60 **originally represented. Do you have any comment about the change in the dates and**
61 **the revisions to the answered data requests?**

62 A: Yes. The schedule to begin filling the facility was identified in two separate data requests.
63 Date Request 3.14 was answered by Mr. Mendenhall and Data Request 3.17 was answered
64 by Mr. Schwarzenbach. Both answers identified December 2022 as the start date for
65 beginning to fill the LNG facility. In rebuttal testimony, Mr. Gill states that the previous
66 answers were based on incorrect assumptions. Mr. Gill now states that the construction will
67 be completed earlier than originally represented, which will allow the facility to begin filling
68 the tanks in September. Even with the new schedule, the proposed facility will not be
69 completely filled prior to the heating season, which was a requirement for the other bidders
70 in the RFP. It is troubling to the Division that these dates were changed only after it was
71 identified by the Division that the proposed facility did not meet the established requirement.
72 It is reasonable to assume that the first set of data requests would have received some level of
73 scrutiny and internal review to determine if the answers provided were correct. The in-
74 service date is a critical component of the anticipated time line and not one that could be
75 easily moved forward by several months.

76 The "incorrect assumption" used to prepare answers to the data requests also raises questions
77 concerning the fairness of the bidding process. It is doubtful the Company would allow the

78 other bidders the opportunity to go back and change critical dates or other elements of their
 79 respective bids. Incorrect assumptions about the completion date raise questions concerning
 80 the accuracy of the other information provided in the filing and analysis. The answers to
 81 regulator questioning should not be tailored and changed to match a desired outcome. The
 82 utility has the burden of proof in matters before the Commission. Changing evidence is not
 83 persuasive evidence.

84 **Q: Ms. Faust disagrees with your analysis of the recent supply cuts and refers to the events**
 85 **that occurred in 1990. Are you persuaded that the supply cuts that occurred in 1990**
 86 **should be used to justify the need for the LNG facility today?**

87 A: No. Ms. Faust talks extensively about the supply cuts that occurred in 1990 and how
 88 different conditions are today since FERC Order No. 636. While Ms. Faust notes the
 89 difference in the Mountain Fuel Resources, she fails to note that since that time, additional
 90 supply became available on the Kern River Gas Transportation Company pipeline (Kern
 91 River) which began operating in 1992.⁴ The majority of her testimony deals with problems
 92 that occurred on the system nearly 30 years ago when conditions were different. This should
 93 not be the main justification for the need for an LNG facility today. The cold weather event
 94 that occurred in January 2017 was of short duration and the Company was able to utilize
 95 additional storage and withdrawals and purchase incremental gas to replace the shortfall.⁵

96 Ms. Faust states;

97 While relying on purchasing additional supplies on short notice is
 98 theoretically viable for at least some supply disruptions, many of these
 99 supplies **could** also be disrupted, fail to materialize as gas supply for the
 100 Company, and **may not** be available in the quantity needed, if at all, during a
 101 supply shortfall. In addition, the cost of purchasing supplies in the spot
 102 market in such a circumstance are likely to spike during supply shortfalls
 103 and/or cold weather events.⁶

⁴ Berkshirehathawayenergy.com/our-business/kern-river-gas-transmission-company.

⁵ Direct Testimony of Tina M. Faust, Page 4, Line 92.

⁶ Direct Testimony of Tina M. Faust, Page 7, Line 166.

104 These events might or might not happen and purchasing additional supplies on short notice is
105 theoretically viable. It is interesting that the Company is concerned with the potential
106 increase in the price of market purchases during short term cold weather events but does not
107 appear to be concerned with the additional cost for gas that will be coming from the LNG
108 facility every year during the required withdrawal periods, never mind the capital costs.

109 **Q: Mr. Schwarzenbach and Mr. Platt are critical of your recommendation to possibly**
110 **obtain additional supply from Kern River. Are you persuaded to change your position**
111 **or recommendation?**

112 A: No. Mr. Schwarzenbach apparently agrees with part of our analysis and acknowledges that
113 “there are several benefits of adding additional access points to KRG T”.⁷ The Company has
114 not provided any analysis to determine if no-notice service or additional access points on
115 Kern River would be a comparable option to the proposed LNG facility. The Division’s
116 position is also supported by the Company witness Bruce Paskett. In the initial application
117 Mr. Paskett states the following;

118 In this process, operators will typically diversify the gas supply portfolio as much
119 as practicable. For example, they will purchase gas from multiple
120 locations/producers, store gas in multiple storage locations and **transport gas to**
121 **their system through more than one interstate pipeline system to diversify**
122 **supply and minimize the potential for a single adverse event from causing a**
123 **significant outage during a peak cold weather event.**⁸

124 The statutory requirement to look for the resource that will most likely result in the
125 acquisition, production and delivery of utility service at the lowest reasonable cost to retail
126 customers requires the Company to look at all possible options.

127 **Q: Mr. Schwarzenbach points out that Kern River did not respond to DEU’s Request for**
128 **Proposal as one of the reasons for not considering the Division recommendation. Do**
129 **you agree?**

130 A: No. Kern River may not have responded to the RFP since the requirements were written

⁷ Rebuttal testimony of William F. Schwarzenbach, Page 2, Line 50.

⁸ Direct Testimony of Bruce L. Paskett, Page 14, Line 292.

131 with narrow parameters. The RFP outlines the following requirements;

- 132 1. Connection to feeder lines 12, 13, 33 or 21-10.
133 2. As needed delivery within 10 to 30 minutes of call time.
134 3. DEU gas control may directly call upon the resource outside of NAESB
135 nomination cycles.

136 It is difficult to see how anything other than an LNG facility would qualify under
137 these strict requirements and not difficult to see why Kern River did not respond to
138 the RFP.

139 **Q: Mr. Platt is critical of the Division's assessment of the risk. Are you persuaded to**
140 **change your original position?**

141 A: No. Company witnesses have stated that supply cuts during normal weather and normal
142 operating conditions have been managed with the use of existing resources. The LNG
143 facility has been presented as a resource that may be needed if there is a supply cut on a peak
144 demand day. The forecast requirement for the peak design day is approximately 17% higher
145 than the highest sendout day of the last five years. A chart of the design peak-day demand
146 forecast from the current IRP has been included as DPU Exhibit 1.1SR. This chart shows the
147 additional capacity above the highest actual sendout day, which includes the volume of
148 transportation customers.

149 **Q: Mr. Platt is critical of the Division's position that the LNG facility will not be sufficient**
150 **to mitigate losses in the event of a major earthquake. Are you persuaded to change**
151 **your original position?**

152 A: No. Mr. Platt agrees with the Division's position and acknowledges that weather related
153 disruptions are far more common than catastrophic events.⁹ He references the landslide that
154 occurred in North Salt Lake and how the Company shut in FL21 as a precaution. This event
155 was managed very well and the Company did not require an LNG facility to supply the
156 system. The LNG facility has been presented to the Commission as resource that can be used

⁹ Rebuttal testimony of Michal L. Platt, Page 3, Line 59

157 in the event of an earthquake. As noted in my direct testimony, FEMA estimates that there
158 could be 197 pipeline breaks and 310 leaks in natural gas pipelines under a 7.0 magnitude
159 earthquake simulation.¹⁰ The LNG resource proposed would do little to mitigate major
160 earthquake conditions and should not be represented as such.

161 **Q: The Division has asked the Company to explain the reasons for operating the system**
162 **with different operating pressures. Has the Company provided a clear understanding**
163 **of the reason and the estimated time to upgrade the system to a single higher-pressure**
164 **system?**

165 A: No. Mr. Platt states in his rebuttal testimony that upgrades will take “decades to complete”
166 and that the Company is taking a “measured approach to pipeline replacement”. The
167 Company has not provided any additional detail other than broad statements that this
168 program will take place over “an extended period.”¹¹ The Company has not provided
169 information to explain what would be required, the cost, or an estimate of the time period
170 required to accomplish the desired goal. An understanding of this related issue is important
171 to understand if the proposed long-life facility will be located in a place that will meet the
172 needs of the Company in future years.

173 **Q: Mr. Ware and Mr. Schultz have expressed concern with the fairness of the**
174 **requirements and deadlines identified in the RFP. Do you have any reason to believe**
175 **that the RFP process may have been biased toward the Company built LNG facility?**

176 A: Yes. In response to DPU data request 4.01, the Company provided the [REDACTED]
177 [REDACTED]
178 [REDACTED]
179 [REDACTED]
180 [REDACTED]
181 [REDACTED]

¹⁰ DPU Exhibit 1.1 DIR, Page 2.

¹¹ Rebuttal testimony of Michael L. Platt, Page 5, Line 133.

182 [REDACTED]
183 [REDACTED]
184 [REDACTED]
185 [REDACTED] The
186 decision by the Company to build its own LNG facility was already made and had been in
187 process long before the first Commission order in the previous LNG Docket and before the
188 RFP for this Docket was initiated.

189 **Q: Mr. Ware states that the Division’s overall position in this case is unclear. Can you**
190 **explain why there is some disagreement in the Division’s conclusion and the conclusion**
191 **reached by the Division’s consultant, Mr. Neale?**

192 A: Yes. As will be explained in his surrebuttal testimony, Mr. Neale was looking at the revised
193 RFP process as well as the assumptions and modeling used by the Company in the analysis
194 of system pressures. The Division’s responsibility and position is to look at the need for and
195 the overall justification for the proposed resource decision as governed by Utah Code §54-
196 17-402 and Public Service Commission Rule R746-440-1. Mr. Neale and I are addressing
197 different components of the same case.

198 **Q: Can you summarize the Division’s position and recommendation?**

199 A: The Division’s position remains unchanged from the position filed in its direct testimony.
200 The Division is not convinced that approval is warranted as proposed. DEU has not
201 demonstrated that the proposed LNG facility is in the public interest or that the proposed
202 facility is commensurate with the level of risk identified or that the large increase in the rate
203 base and ultimately customer rates is the best choice alternative. The Division is not
204 convinced that the proposed facility will result in delivery of utility services at the lowest
205 reasonable cost to retail customers.

206 **Q: Does this conclude your surrebuttal testimony?**

207 A: Yes.
208