

Phillip J. Russell (10445)  
HATCH, JAMES & DODGE, P.C.  
10 West Broadway, Suite 400  
Salt Lake City, Utah 84101  
Telephone: (801) 363-6363  
Facsimile: (801) 363-6666  
Email: gdodge@hjdllaw.com  
prussell@hjdllaw.com

*Attorneys for Magnum Midstream Energy  
Holdings, LLC*

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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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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
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**PREFILED SURREBUTTAL TESTIMONY OF DAVID SCHULTZ**

Magnum Midstream Energy Holdings, LLC ("Magnum") hereby submits the Prefiled  
Surrebuttal Testimony of David Schultz in this docket.

DATED this 23rd day of September 2019.

HATCH, JAMES & DODGE



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Phillip J. Russell  
*Attorneys for Magnum Midstream Energy Holdings, LLC*

Certificate of Service  
Docket No. 19-057-13

I hereby certify that a true and correct copy of the foregoing was served by email this 23rd day of September 2019 on the following:

DOMINION ENERGY UTAH

Jenniffer Nelson Clark	jenniffer.clark@dominionenergy.com
Cameron L. Sabin	cameron.sabin@stoel.com

DIVISION OF PUBLIC UTILITIES

Chris Parker	chrisparker@utah.gov
William Powell	wpowell@utah.gov
Erica Tedder	dpudatarequest@utah.gov
Patricia Schmid	pschmid@agutah.gov
Justin Jetter	jjetter@agutah.gov

OFFICE OF CONSUMER SERVICES

Michele Beck	mbeck@utah.gov
Cheryl Murray	cmurray@utah.gov
Steven Snarr	stevensnarr@agutah.gov
Robert Moore	rmoore@agutah.gov

/s/ Phillip J. Russell

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In the Matter of the Request of Dominion  
Energy Utah for Approval of a Voluntary  
Resource Decision to Construct an LNG  
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Docket No. 19-057-13

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**Surrebuttal Testimony of David Schultz**

**On Behalf of**

**Magnum Midstream Energy Holdings, LLC**

**Septembdr 23, 2019**

1   **Q.     Please state your name and business address.**

2   A.           My name is David Schultz. My business address is 35 Lake Mist Drive, Sugar  
3           Land Texas, 77479.

4   **Q.     By whom are you employed and in what capacity?**

5   A.           I am an independent consultant contracted by Magnum Energy Midstream  
6           Holdings, LLC, a subsidiary of Magnum Development, LLC (“Magnum”). I have been  
7           hired to assist Magnum in its efforts to develop and build its proposed underground  
8           natural gas storage cavern and associated pipeline at its Western Energy Hub located near  
9           Delta, Utah.

10  **Q.     Are you the same David Schultz who previously submitted direct testimony in this**  
11  **docket on behalf of Magnum?**

12  A.           Yes, I am.

13  **Q.     What is the purpose of your Surrebuttal testimony in this proceeding?**

14  A.           The purpose of my testimony is to rebut certain portions of the Rebuttal testimony  
15           of certain DEU witnesses, in particular Mr. Gill, Mr. Platt and Mr. Schwarzenbach. I will  
16           also touch upon the rebuttal testimony of Ms. Faust and Mr. Mendenhall.

17  **Response to Rebuttal Testimony of Michael Gill**

18  **Q.     In lines 51-72 of his rebuttal testimony, Mr. Gill claims that DEU provided full**  
19  **responses to Magnum’s RFP related questions. Do you agree with Mr. Gill’s**  
20  **characterization?**

21  A.           No. As clearly set forth in Exhibit 1.3 to my direct testimony, which includes the  
22           questions posed by potential bidders to DEU’s RFP and DEU’s responses to those  
23           questions, DEU often refused to provide meaningful responses to Magnum’s questions

24 during the RFP process. Instead, in response to a Magnum request for information, DEU  
25 would state that “Responses should include the information sought in the RFP *regardless*  
26 *of considerations* related to a potential LNG facility” or “Responses should include the  
27 information sought in the RFP *regardless of considerations* outside the RFP” or other  
28 similar nonresponsive statements. (Italics added for emphasis).

29 I will give an example. In question 33, found on page 9 of Exhibit 1.3, Magnum  
30 asked “Please explain what value, if any, the proposed LNG facility would offer in the  
31 event of a significant seismic event along the Wasatch Fault”. DEU did not directly  
32 respond to the question. Instead, DEU stated that “Responses should include the  
33 information sought in the RFP regardless of considerations related to a potential LNG  
34 facility.” Clearly there was a material reason for asking the question because DEU  
35 ultimately downgraded the Magnum storage options because of an alleged potential of  
36 the pipeline crossing the fault. Magnum’s question sought to determine the value DEU  
37 was placing on that potential and how DEU came up with that valuation. DEU should  
38 not be allowed to hide behind non-answers and then use the exact issue to discount the  
39 Magnum option. If Magnum had known how important the issues were in the evaluation  
40 it could have either designed around the issue or otherwise determined if the weight of  
41 the issue was low enough that it was an acceptable risk.

42 As set forth in Exhibit 1.3 to my direct testimony, there were at least 15 questions  
43 posed by Magnum to which DEU responded with similar non-answers.

44 **Q. Has DEU explained why it declined to provide responses to information that**  
45 **Magnum requested during the RFP process?**

46 A. In lines 62-64 of his Rebuttal testimony, Mr. Gill confirms that DEU declined to  
47 provide information requested by Magnum in the RFP process that DEU unilaterally  
48 deemed to be irrelevant. Instead of providing answers to Magnum's questions, DEU  
49 simply referred Magnum back to the RFP itself. The RFP did not provide the  
50 information that Magnum was requesting, which was why Magnum sought the additional  
51 information in the first instance.

52 **Q. Do you agree with Mr. Gill that the information that Magnum sought was irrelevant**  
53 **to the bidding process?**

54 A. No. Magnum's intent in asking questions during the RFP process was to obtain  
55 information from DEU such that Magnum could make the most conforming and complete  
56 response possible. DEU's refusal to provide information in response to those questions  
57 kept Magnum in the dark regarding DEU's true needs and underlying evaluation criteria.  
58 DEU's refusal to provide information in response to Magnum's questions is particularly  
59 troubling because DEU designed the RFP, designed the criteria by which bids would be  
60 evaluated, and evaluated the bids—all while submitting its own option that it was  
61 financially incentivized to select in the process.

62 Because DEU controlled the process from beginning to end, there has been little  
63 examination of whether the criteria and the underlying development of the criteria were  
64 appropriate in this situation. DEU is incentivized to tilt the criteria in its own favor. In  
65 this case, DEU wanted the LNG facility to be the solution and established a process to  
66 ensure that outcome. If the Company would have been more communicative with  
67 Magnum and other bidders I am sure that a more comprehensive solution would have

emerged for the good of DEU ratepayers and shareholders and for the long term reliability of gas service in Utah.

**Response to Rebuttal Testimony of Michael Platt**

**Q. In lines 204 to 214 of his Rebuttal testimony, Mr. Platt asserts that there has only been one Optimal Delivery Location. Do you agree with that assertion?**

A. No I do not. Over the past several years Magnum and DEU have had numerous discussions regarding proposals for supply solutions and each time DEU has suggested the delivery point and Magnum has responded with a proposal just as we have in this Docket and in Docket No. 18-057-03. DEU has “moved the goal posts” in an apparent attempt to advantage the LNG facility against Magnum’s storage option. Magnum has over time provided DEU proposals for service delivered to Goshen, Payson, Bluffdale and in this proceeding the “Optimal Delivery Point.” As the point moves north, Magnum must install more high pressure pipeline to connect its facility to the DEU system, and the costs associated with any bid from Magnum must increase. Magnum does not believe that what DEU is now calling the “Optimal Delivery Location” is a necessary delivery point to provide supply reliability to the DEU system.

**Q. In lines 250-258 of his Rebuttal testimony, Mr. Platt states that “the sizing of the LNG Facility or any supply reliability resource is dependent upon expected shortfalls, not projected demand.” Do you agree?**

A. No. Shortfalls only occur if projected demand is not satisfied. The underlying theory propounded by DEU in this Docket is that there is a possibility of a 150,000 Dth/day shortfall and that an attendant increase in supply reliability is required to meet the system’s total DEMAND. Further DEU states that a shortfall of 150,000 Dth/Day represents “about 12% of the current total demand and is based on historical and anticipated shortfalls on the system, not projected demand.” Mr Platt also states that “So long as the total demand is greater than the total expected shortfall, the missing gas supply must be replaced”. As such the location of the increase in demands is critical to system supply reliability planning. It is precisely the linkage between a system shortfall and specific locational growth in system demand that caused Magnum to make the observations in its direct testimony.

**Q. On lines 111-135 of his Rebuttal testimony, Mr. Platt discusses the Company’s plans to increase operating pressures system-wide and to reach a consistent Maximum Allowable Operating Pressure (MAOP). Would these long term plans necessarily affect any supply-reliability solution?**

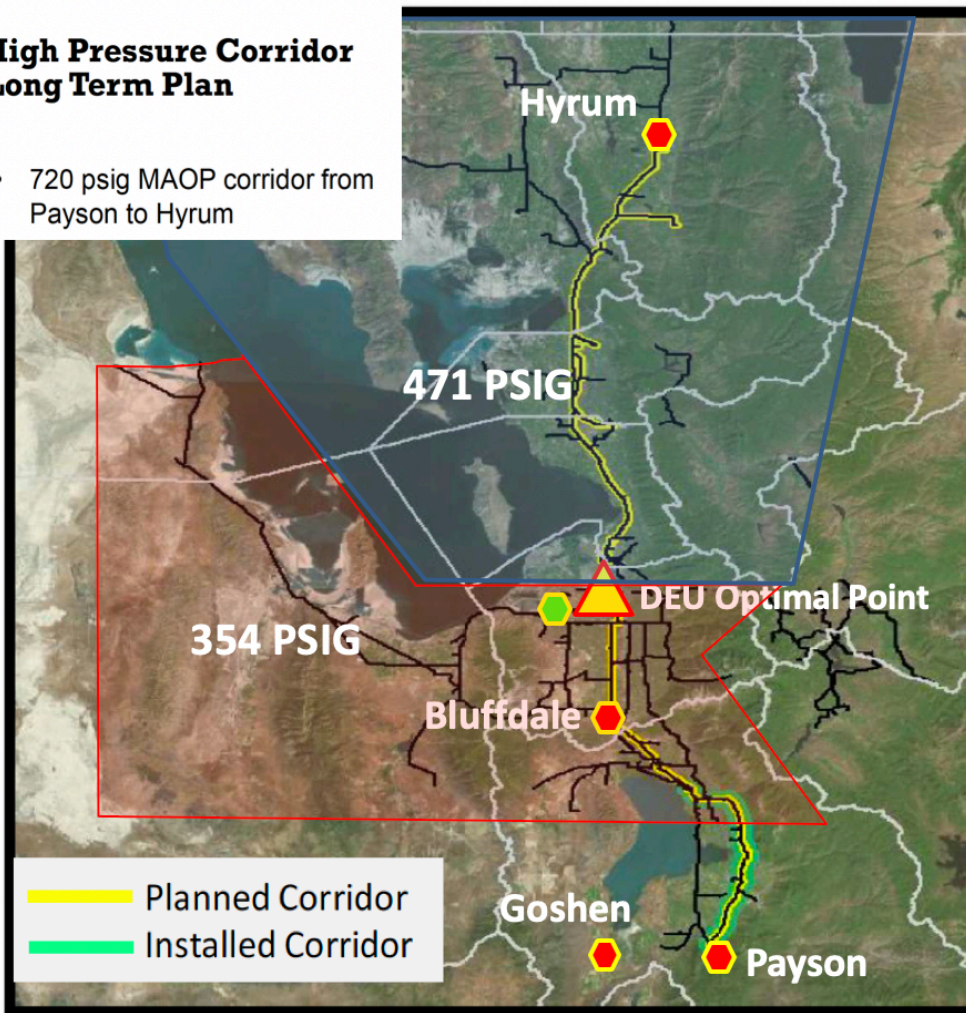
A. Yes. In DEU’s 2019 IRP docket (Docket No: 19-057-01), DEU identified its long-term plan to install a High Pressure Corridor from Payson to Hyrum. The illustration is a map initially provided by the Company in its April 2, 2019 technical conference presentation in the 2019 IRP docket, showing the route of the Company’s planned High Pressure Corridor from Payson to Hyrum. I have modified the map to



include certain locations at issue in this docket, as well as the place names for the beginning and end-points of the planned high-pressure system (Payson and Hyrum), and the place names of locations (Goshen, Payson and Bluffdale), where Magnum has —at DEU’s request—submitted proposals for the delivery of gas from Magnum’s facility to DEU’s system.

### High Pressure Corridor Long Term Plan

- 720 psig MAOP corridor from Payson to Hyrum



This high pressure corridor would help to balance its pressure differential in the greater Salt Lake basin. Once this High Pressure line is in place, in the event of a supply disruption of 150,000 Dth/Day at a given gate station the system could flow gas through

the high pressure corridor to completely or partially alleviate the disruption. DEU hasn't made a showing as to how the high pressure corridor would affect the performance of the LNG facility or any other bid provided in response to the RFP. It would certainly cause the costs of Magnum's bids to drop, as it could interconnect at Goshen and not have to build costly pipeline to connect to the DEU system at either Bluffdale or the Optimal Delivery Location. Mr. Platt states in his Rebuttal testimony that DEU's efforts to increase pressure on its system will take a number of years to complete, but does not offer a precise timeline. If the proposed LNG Facility is approved it will operate for 25 years and may prove unnecessary if the high pressure system will allow other, less expensive options to provide the same level of supply reliability on a higher pressure system that DEU intends to build to serve its customers.

**Response to Rebuttal Testimony of Mr. Schwarzenbach**

**Q. In lines 30-66 of his Rebuttal testimony, Mr. Schwarzenbach asserts that incremental connections to Kern River Gas Transmission would not reduce its risk exposure to supply disruptions. Do you agree with that assertion?**

A. No. Mr. Schwarzenbach's assertion requires that you believe that adding new supply points makes no difference because the new supply points are exposed to the identical up stream issues that the utility is exposed to now. This would be true only if the new supply points were simply an upsizing of existing supply points/gate stations. However, if DEU were to do a comprehensive review of the impacts of the addition of the high pressure corridor, plus up-sizing plus adding new supply points with current and new pipelines plus subscribing to additional underground storage (i.e. Magnum) then the answer is considerably different. The RFP process did not allow for this sort of

139 comprehensive review of all options. The RFP sought only proposed solutions that could  
140 supply 150,000 Dth/day for several days. The RFP did not seek to leverage planned  
141 additions to the DEU system that would allow cheaper or more comprehensive solutions  
142 to emerge. Because of the narrow focus of the RFP that DEU designed, it did not allow or  
143 force DEU to examine the full range of options that might be available to provide a  
144 solution to the problem that DEU has defined..

145 **Q. Does this conclude your Surrebuttal testimony?**

146 **A. Yes.**

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