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 Justin Bieber

On Behalf of

Utah Association of Energy Users

September 12, 2019

I. INTRODUCTION AND SUMMARY

Q. Please state your name and business address.

A. My name is Justin Bieber. My business address is 215 South State Street, Suite 200, Salt Lake City, Utah, 84111.

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

A. I am a Senior Consultant in the firm of Energy Strategies, LLC. Energy Strategies is a private consulting firm specializing in economic and policy analysis applicable to energy production, transportation, and consumption.

Q. On whose behalf are you testifying in this proceeding?

A. My testimony is being sponsored by the Utah Association of Energy Users ("UAE").

Q. Please describe your professional experience and qualifications.

A. My academic background is in business and engineering. I earned a Bachelor of Science in Mechanical Engineering from Duke University in 2006 and a Master of Business Administration from the University of Southern California in 2012. I am also a registered Professional Civil Engineer in the state of California.

I joined Energy Strategies in 2017, where I provide regulatory and technical support on a variety of energy issues, including regulatory services, transmission and renewable development, and financial and economic analyses. During the time I have worked at Energy Strategies, I have filed and supported the development of testimony before various different state utility regulatory commissions.

Prior to joining Energy Strategies, I held positions at Pacific Gas and Electric Company as Manager of Transmission Project Development, ISO Relations and FERC

Policy Principal, and Supervisor of Electric Generator Interconnections. During my career at Pacific Gas and Electric Company, I supported multiple facets of utility operations, and led efforts in policy, regulatory, and strategic initiatives, including supporting the development of testimony before and submittal of comments to the FERC, California ISO, and the California Public Utility Commission.

Q. Have you ever testified before this Commission?

A. No, this is my first opportunity to testify before this Commission.

Q. Have you filed testimony previously before any other state utility regulatory commissions?

A. Yes. I have testified before the Colorado Public Utilities Commission, the Indiana Utility Regulatory Commission, the Kentucky Public Service Commission, the Michigan Public Service Commission, the Montana Public Service Commission, the North Carolina Utilities Commission, the Public Utilities Commission of Ohio, the Public Utility Commission of Oregon, and the Public Service Commission of Wisconsin.

Q. What is the purpose of your rebuttal testimony?

A. My rebuttal testimony responds to the direct testimony by Division of Public Utilities ("DPU") witnesses Douglas D. Wheelwright and Allen R. Neale regarding the allocation of costs for Dominion Energy Utah's ("DEU" or the "Company") proposed Liquified Natural Gas ("LNG") storage facility.

Q. Please summarize your primary conclusions and recommendations.

A. I am not recommending that the Commission approve DEU's application for the proposed LNG facility. However, to the extent that the Commission does approve DEU's request, I recommend that the Commission reject elements of DPU witnesses Mr.

Wheelwright's and Mr. Neal's proposals that would allocate costs of the LNG facility to transportation customers. As an initial matter, I do not believe that this docket is the appropriate forum for a discussion of or any rulings on the allocation of costs for the proposed LNG facility. However, if the proposed LNG facility is approved, its costs should be allocated in accordance with cost causation principles. The Company has confirmed that the proposed LNG facility is planned for the sole benefit of its firm sales customers.[1] Transportation customers are responsible for their own gas supply and should not be allocated costs for a facility that is designed to mitigate supply shortfalls for the Company's firm sales customers.

II. RESPONSE TO MR. NEALE

Q. Please describe Mr. Neale's concerns regarding the allocation of the proposed LNG facility costs and the potential for cross subsidization of Transportation customers by firm sales customers.

A. Mr. Neale is concerned that Transportation customers will benefit from the service provided by the proposed LNG facility without equitably sharing in the costs because DEU proposes to recover costs through rates charged to firm sales customers. Mr. Neale explains that even though the Company has confirmed in this filing that the proposed LNG Facility will be built and used for the sole benefit of firm sales customers, he is concerned the Company does not have effective tools to prevent Transportation customers from contributing to a potential shortfall that would be addressed by the

[1] Direct Testimony of Kelly B. Mendenhall, p. 18.

proposed LNG facility, and that the proposed facility may become a no-cost remedy to offset supply loss for Transportation customers.[2]

Q. What does Mr. Neale recommend regarding the allocation of costs for the proposed LNG facility?

A. Mr. Neale recommends that the Company conduct an allocated class cost of service study prior to its next rate case. Based on the results of that study, he recommends that DEU should develop a Transportation customer tariff that provides for firm rates to receive back-up supply or standby service that recognizes the costs associated with all firm sales supplies, including the cost of the proposed LNG facility, if it is approved.[3]

Q. How do you respond to Mr. Neale's recommendation regarding the allocation of costs for the proposed LNG facility?

A. Mr. Neale recommends that if the proposed LNG facility is approved, a cost of service study should be performed so that cost allocation can be established through the next general rate case that occurs after the completion of the proposed facility. I agree that supplier non-gas ("SNG") costs, including the costs of the proposed LNG facility, should be allocated through a general rate case, not in this instant proceeding. This is consistent with the Commission's 2017 Order in Docket No. 17-057-09, in which it declined to allocate certain SNG costs outside of a general rate case.[4]

However, I disagree that those costs should be allocated to Transportation customers. As Mr. Neale recognizes, DEU is planning the proposed LNG facility for the

[2] Direct Testimony of Allen R. Neale, pp. 21-22.
[3] Id, p. 25.
[4] Docket No. 17-057-09, Final Order, December 19, 2017, pp. 8-10.

sole benefit of its firm sales customers.[5] Accordingly, Transportation customers do not contribute to the cost causation for the proposed LNG facility and should not be allocated the potential costs. Further, to the extent that Transportation customers do use gas in excess of their scheduled supply during a supply shortage, those customers will incur substantial penalties, and thus will offset the costs for firm sales customers.

Q. Mr. Neale explains that he is concerned with the effectiveness of the tools that the Company utilizes to prevent Transportation customers from contributing to a potential shortfall.[6] What are those tools?

A. Mr. Neal summarizes those tools as follows:

a) *The Company confirmed all Transportation customers are required to have telemetry installed on their meters allowing DEU the ability to monitor daily imbalances,*

b) The daily imbalance charge is a mere $0.08/Dth for volumes outside of a 5% range.

c) Outside the 5% tolerance range DEU applies a $5/Dth premium to the Daily cost of gas on the first 10% of the Daily imbalance, and $25 thereafter.

d) DEU expressed its preference to continue to manage Transportation customer imbalances through penalties, which has resulted in increasing numbers of customers being penalized and total penalties exceeding $1.3 million in 2017.[7]

Q. Given the penalties for Transportation customers that Mr. Neale describes, why is he still concerned about the potential for cross subsidization?

A. Mr. Neale expresses concern that the penalties are not imposed in a timely manner and that the size of the penalties is not sufficient. Further, Mr. Neale explains that he is concerned that the Company's gas management team may only infrequently be made

[5] Direct Testimony of Allen R. Neale, p. 22.
[6] Id, pp. 21-22.
[7] Id.

aware of a potentially significant deficit within the Transportation customer class. And lastly, Mr. Neale asserts that by relying on penalties as a deterrent in lieu of a physical shut-off for Transportation customers, that DEU is putting the entire system at risk.[8]

Q. How do you respond to Mr. Neale's concerns with the tools that are in place to prevent Transportation customers from contributing to a supply shortfall?

A. I will respond to each of Mr. Neale's concerns below. In general, Mr. Neale recognizes that the proposed LNG facility is not planned to address Transportation customers' supply needs and that Transportation customers are responsible for their own supply. However, he is concerned that the penalties and procedures that are in place might not be effective to prevent Transportation customers from burning gas in excess of the supply they provide.

It is not appropriate to allocate the costs of the proposed LNG facility to all Transportation customers based on concerns that DEU's existing procedures are insufficient. As I explain above, if the proposed LNG facility is approved, the costs should be allocated to customers based on cost causation principles. Mr. Neale would have the costs of the proposed LNG facility allocated to *all* Transportation customers based on a concern that *some* Transportation customers *may* use gas in excess of their scheduled supply. Further, this argument does not properly recognize the fact that any Transportation customer that does exceed its scheduled supply during a supply shortage will incur very substantial penalties that would be used to offset costs for firm sales customers.

[8] Id., p. 23.

Q. Can you clarify the penalties that Mr. Neale describes are in place to prevent Transportation customers from contributing to a supply shortfall?

A. Mr. Neal makes reference to the daily imbalance charge of $0.08/Dth for volumes outside of a 5% range. This daily imbalance charge is assessed on days when there is *not* a concern that there will be a supply shortfall. However, in the event that there actually is a supply issue, the Company can issue a Hold Burn to Scheduled Quantity Restriction.[9] A Hold Burn to Scheduled Quantity Restriction is a tool that allows the Company, in times of severe supply disruptions, to put a restriction on Transportation customers that prohibits a transportation customer from using more gas than it has scheduled to be received on the DEU system, and penalizing it for any gas used above its scheduled quantity. This restriction would activate the $5/Dth plus the Gas Daily Market Index Price penalty for Transportation customers' gas usage up to a 10% imbalance, and a $25/Dth plus the Gas Daily Market Index Price penalty for imbalances outside that range. Funds collected from these penalties would be given back to firm sales customers through the Infrastructure Rate Adjustment Mechanism.[10]

Q. How do you respond to Mr. Neale's concern that the penalties for Transportation customers may not be imposed in a timely manner?

A. The timeliness of DEU's collection of penalties is an administrative implementation issue that is not relevant to cost causation or allocation. Further, Mr. Neale does not actually provide any evidence that indicates that the penalties are not imposed in a timely manner.

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[9] Direct Testimony of Kelly B. Mendenhall, p. 18.
[10] Id.

Q. How do you respond to Mr. Neale's concern that the size of the penalties for Transportation customers is not sufficient?

A. The \$5/Dth and \$25/Dth penalties for using gas in excess of the scheduled quantity during a Hold Burn to Scheduled Quantity supply event are very significant relative to the underlying commodity cost of the gas itself. These penalties were established by a Settlement Stipulation in Docket No. 18-057-T04 and approved by the Commission in its Order issued on October 23, 2018.[11] The DPU was a party to the Settlement Stipulation through which these penalties were established.

Q. Have there been any Hold Burn to Scheduled Quantity events during which Transportation customers have used significant amounts gas in excess of their scheduled supply?

A. Given the recent adoption of the Hold Burn to Scheduled Quantity Restriction, there have not actually been any instances in which the Company has imposed a Hold Burn to Scheduled Quantity Restriction, since the restriction was put in place in late 2018. As a result, no penalties have been imposed for violations of that restriction. The Company did issue a notification on January 17, 2019 that a Hold Burn to Scheduled Quantity Restriction would be in place starting on January 23, 2019 due to extreme cold temperatures. However, the restriction was lifted on January 22, 2019—before it ever went into place—due a change in the forecasted temperatures.[12]

[11] Docket No. 15-057-T04, Order Approving Settlement Stipulation, October 23, 2018.
[12] DEU Response to UAE Data Request No. 2.01, reproduced in UAE Exhibit 1.1R.

Q. What is your assessment of Mr. Neale's concern that the gas management team may only be infrequently aware of potential supply deficits and that DEU's inability to physically shut off Transportation customers puts the whole system at risk?

A. The gas management team's monitoring of imbalances and lack of physical shut-off apparatus are operating issues. These operating issues are separate and discrete from the alleged need for the proposed LNG facility and are not relevant to cost causation for the proposed facility. Further, as Mr. Neale points out, the Company has confirmed that all Transportation customers are required to have telemetry installed on their meters,[13] so the gas management team should have the necessary visibility to monitor the Transportation customer usage as appropriate for the situation.

III. RESPONSE TO MR. WHEELWRIGHT

Q. Please describe Mr. Wheelwrights recommendation regarding the allocation of costs for the proposed LNG facility?

A. Mr. Wheelwright recommends that if the facility were to be approved, the costs should be allocated to both general service and Transportation customers. According to Mr. Wheelwright, the Company does not have the ability to limit the gas usage to only general service customers.[14] Mr. Wheelwright acknowledges that the Company is planning the facility for the sole benefit of sales customers, but asserts that because there

[13] Direct Testimony of Allen R. Neale, p. 22.
[14] Direct Testimony of Douglas D. Wheelwright, p. 10.

is no mechanism in place to stop transportation customers from using gas on the system and receiving the benefit of the proposed facility, that it is likely they will do so.[15]

Q. How do you respond to Mr. Wheelwright?

A. As I describe above, costs for the proposed facility should be allocated based on cost causation principles. The Company is planning the proposed facility to provide supply reliability service for its firm sales customers. Therefore, no costs should be allocated to Transportation customers who are responsible for procuring their own supply. Since the Company has never imposed a Hold Burn to Scheduled Quantity Restriction since the restriction and associated penalties have been in place,[16] Mr. Wheelwright's presumption that Transportation customers are *likely* to use gas in excess of their scheduled quantity during a supply shortage event is unsubstantiated.

Further, to the extent that a Transportation customer does use gas in excess of its scheduled quantities during Hold Burn to Scheduled Quantity events, that is by no means a free ancillary benefit. As discussed above, those customers will be charged significant penalties and incur considerable costs that would be used to offset the costs for firm sales customers. Those penalties are a substantial deterrent, and as I explain above, were established through the Settlement Stipulation, in Docket 18-057-T04, to which the DPU was a party.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.

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[15] Id, p. 16.
[16] DEU Response to UAE Data Request No. 2.01, reproduced in UAE Exhibit 1.1R.