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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

<p>IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO EXTEND SERVICE TO EUREKA, UTAH</p>	<p>Docket No. 19-057-31</p> <p><b>APPLICATION FOR APPROVAL OF A RURAL NATURAL GAS INFRASTRUCTURE DEVELOPMENT PRJOECT TO EXTEND SERVICE TO EUREKA, UTAH</b></p>
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Pursuant to Utah Code Ann. §§ 54-17-401 *et seq.* and 54-4-25, 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 natural gas infrastructure to extend service to Eureka, Utah (Rural Infrastructure Decision) and the Company's request for a Certificate of Public Convenience and Necessity. 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 facilities including interconnect facilities with Dominion Energy Questar Pipeline Company (DEQP) at Goshen, Utah, approximately 48,000 linear feet of six-inch high pressure natural gas main from the DEQP interconnect at Goshen to the town of Eureka, and approximately 48,400 linear feet of intermediate high pressure natural gas main throughout the town of Eureka, and associated regulator stations (collectively, the Rural Expansion Facilities). The Company further requests that the Commission approve the use of a tracker as a cost-recovery mechanism for the costs associated with the construction of the Rural Expansion Facilities. Finally, the Company requests that the Commission grant a Certificate of Public Convenience and Necessity to serve Eureka, Utah and surrounding communities.

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

### **BACKGROUND**

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. Dominion Energy has long worked with remote rural communities in Utah to find ways to extend its natural gas distribution infrastructure to those communities. The availability of safe, reliable, affordable energy resources is critical to growth and economic development in

those communities. Historically, the cost of extending the Company's natural gas distribution to many of those communities has been prohibitive. Said another way, the residents and business of those communities could not afford to bear the costs of system expansion.

3. In 2018, the Utah State Legislature (Legislature) passed House Bill 422, Natural Gas Infrastructure Amendments. With HB 422, the Legislature established the opportunity for these communities to obtain natural gas service funded by the Company's customer base. HB 422 is now embodied in Utah Code Ann. § 54-17-401 *et seq.* This Application is the Company's first application brought pursuant to that statute.

4. After HB 422 became effective, the Company contacted presently-unserved rural communities to gather information necessary to determine which communities were interested in natural gas service and which were the best candidates for such service. The process the Company employed in making this determination is detailed in the pre-filed Direct Testimony of Austin C. Summers, attached hereto as DEU Exhibit 1.0 and incorporated herein. As Mr. Summers testifies, Eureka was identified as a good candidate for natural gas service because the cost to serve Eureka was lower than the cost to serve other candidate communities, the Company's existing personnel could operate a system in Eureka, and because the Mayor of Eureka, Nick Castleton, offered great support in advancing the opportunity. Indeed, Mayor Castleton represented to the Company that there was broad support in the community for natural gas service to Eureka and that extending service to Eureka would result in growth and economic development.

5. The Company reached out to the citizens of Eureka to confirm that there was in fact broad support and enthusiasm for the expansion of natural gas service to Eureka. Through a series of community meetings, a survey, and other activities, the Company was able to confirm

that the residents of Eureka are in fact very supportive of having natural gas service extended to their community. Specifically, on October 21<sup>st</sup> and October 23<sup>rd</sup>, the Company held open houses at Tintic High School in Eureka. Company personnel were present to discuss the prospective project, and to answer residents' questions. The Company also provided attendees with a written survey to gauge interest in receiving natural gas service. The surveys showed that 92% of the respondents were interested in natural gas service, with the remaining 8% of respondents saying they weren't sure. None of the respondents answered that they did not want gas service.

6. Given the Company's own analysis, and the response from Eureka's leadership and residents, the Company selected Eureka as the first candidate to receive natural gas service under HB 422.

#### **REQUEST FOR CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY**

7. As described in greater detail below, the Company proposes to serve Eureka by way of an interconnect with DEQP's interstate natural gas pipeline. Utah Code Ann. § 54-4-25 provides that "a gas corporation . . . may not establish, or begin construction or operation of a line, route, plant, or system or of any extension of a line, route, plant, or system, without having first obtained from the commission a certificate that present or future public convenience and necessity does or will require the construction." The statute further indicates that it "may not be construed to require any corporation to secure a certificate for an extension . . . into territory, either within or without a city or town, contiguous to its line, plant, or system, that is not served by a public utility of like character . . ." *Id.*

8. Eureka is located in the easternmost portion of Juab County, immediately adjacent to Utah County and other communities that receive natural gas service from Dominion Energy. Nonetheless, the best way to offer service to Eureka would be to extend service from an

interconnect with DEQP's interstate pipeline system rather than connecting directly to the Company's existing natural gas system. While the proposed extension would serve an area adjacent to the Company's existing natural gas system, it is unclear whether the proposed extension would be determined to be "contiguous" with the Company's Utah County operations in the strict sense of the word. Therefore, out of an abundance of caution, the Company respectfully requests a Certificate of Public Convenience and Necessity to serve Eureka and surrounding areas.

9. There are no other natural gas utilities operating in the area and therefore extending service to Eureka, as proposed, will not interfere with any line, plant or system of any other public utility.

10. Dominion Energy is in the process of working with Mayor Castleton and the town of Eureka to ensure that the Company obtains any franchise rights and permits it will need to serve the town.

#### **THE PROPOSED RURAL EXPANSION FACILITIES**

11. As discussed in more detail in the Company's pre-filed testimony, Dominion Energy proposes to construct (1) interconnect facilities with DEQP at Goshen, Utah, including facilities to be owned by DEU and facilities to be owned by DEQP; (2) approximately 48,000 linear feet of six-inch high pressure natural gas main from the DEQP interconnect at Goshen to the town of Eureka; and (3) approximately 48,400 linear feet of intermediate high pressure natural gas main throughout the town of Eureka.

12. Company obtained estimates from Dominion Energy Questar Pipeline (DEQP) in order to estimate DEQP's costs associated with constructing interconnect facilities. Company personnel created a detailed cost estimate for the Dominion Energy Utah interconnect facilities,

13. the High Pressure main, the IHP main system within the town of Eureka, and the required regulator station. Based on those estimates, the Rural Expansion Facilities are expected to cost \$\*\*\*\*\*

The Company breakdown for the Rural Expansion Decision is as follows:

Cost Item	Amount
DEQP Interconnect Costs	*****
DEU Interconnect Costs	*****
HP Main Costs	*****
IHP Main Costs	*****

14. Based on this cost information, the Company performed an analysis, which, as explained in detail in Mr. Summers’ direct testimony, results in a cost estimate of \$\*\*\*\*\* million for the Rural Expansion Facilities. This equates to an annual bill impact for customers of \$1.80 or 0.28%. The Company proposes that this cost be allocated to all of its customers.

**REQUEST TO INCLUDE COSTS OF THE RURAL EXPANSION**

**FACILITIES IN A TRACKER**

15. The Company recognizes that the costs of the Rural Expansion Facilities are significant and is concerned about regulatory lag that may occur if cost recovery is delayed. Mayor Castleton has also indicated that extension of natural gas service to Eureka will result in immediate safety, reliability, and cost savings to residents, as well as economic development and growth opportunities. As described in the pre-filed direct testimony accompanying this Application, the Company proposes to commence construction of the Rural Expansion Facilities

as soon as possible, but to avoid regulatory lag associated with delayed cost recovery by recovering the approved cost in a Rural Expansion Rate Adjustment Tracker.

16. The Commission has authority to approve such a cost-recovery mechanism by virtue of its broad regulatory authority embodied in Utah Code Ann. § 54-4-1, and has authorized such cost-recovery mechanisms for infrastructure replacement costs. Cost recovery of the expenses associated with the Rural Expansion Facilities is just and reasonable here, for the reasons described in the pre-filed Direct Testimonies of Austin C. Summers and Mayor Nick Castleton. The Company has proposed language to be included in its Utah Natural Gas Tariff No. 500 (Tariff) to enable the Company to utilize the proposed Tracker for this purpose. *See* DEU Exhibit 1.09.

17. Should the Commission decline to include all of the Rural Expansion Facilities in a Rural Expansion Rate Adjustment Tracker, the Company would anticipate delaying construction of the Rural Expansion Facilities until completion of construction would coincide with the Company's next general rate case.

#### **APPLICABLE STANDARD AND REQUEST FOR APPROVAL**

18. The Company's proposal meets the applicable legal standard for approval of a rural gas infrastructure development project. Under Utah Code Ann. § 54-17-402(2)(c), "A request for approval of natural gas infrastructure development shall include:"

- (i) a description of the proposed rural gas infrastructure development project;
- (ii) an explanation of projected benefits from the proposed rural gas infrastructure development project;
- (iii) the estimated costs of the rural gas infrastructure development project; and
- (iv) any other information the commission requires.

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.

19. Utah Code Ann. § 54-17-402(3) further provides that, in ruling on a request for approval of rural gas infrastructure development, the Commission shall consider:

- (i) the potential benefits to previously unserved rural areas;
- (ii) the potential number of new customers;
- (iii) natural gas consumption; and
- (iv) revenues, costs, and other factors determined by the Commission to be relevant.

20. Dominion Energy’s Application for pre-approval of the Rural Expansion Facilities fully complies with the requirements of the applicable statutes and regulations, and demonstrates that the rural gas infrastructure development project is in the public interest.

21. A description of the proposed rural gas infrastructure development project appears in Michael L. Gill’s pre-filed Direct Testimony, attached hereto as DEU Exhibit 2.0.

22. As demonstrated in the Company’s pre-filed testimony, the expansion of natural gas service to Eureka, Utah will result in significant benefits to Eureka residents with only a negligible impact on the Company’s other customers. Eureka’s residents will enjoy lower, predictable, regulated rates for energy instead of relying on unpredictable energy prices that currently vary significantly based on market forces. Those residents will also have the benefit of Dominion Energy’s workforce who will provide support and respond to emergencies as it does elsewhere on its system. Further, residents of Eureka will have the benefit of a more reliable energy source that is not dependent upon the availability of propane, wood, coal and fuel oil.

23. The benefits also would extend beyond Eureka, to residents of nearby Utah County. As Mayor Castleton testifies, though Eureka enjoys clean air, when its residents burn



coal and wood, as many do, it increases pollution in Utah County. Natural Gas is a cleaner burning fuel and will reduce pollution near Eureka.

24. Extension of the Company's natural gas distribution system to Eureka will also result in greater growth and economic development than Eureka would otherwise expect. As Mayor Castleton testifies, there are a number of economic development opportunities that are dependent upon the extension of natural gas infrastructure to Eureka.

25. Mr. Summers offers evidence related to the revenues associated with the customer additions in Eureka, as well as the impact approval of this project will have on all Utah natural gas customers. Indeed, the impact of this project on a typical natural gas customer using 80 Dth per year is approximately \$1.80 per year.

26. The Company's Application is supported by the pre-filed testimonies of Austin C. Summers (Manager Regulation for Dominion Energy), Michael L. Gill (Director of Engineering and Project Management for Dominion Energy), and Eureka Mayor Nick Castleton, as well as other exhibits and materials accompanying their testimony.

27. The foregoing testimony and the attached exhibits contain the information that is required by Utah Admin. Code R746-440-1 to be filed with the rural gas infrastructure development proposal. Mr. Summers' 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 RURAL GAS  
INFRASTRUCTURE DEVELOPMENT PROJECT**

28. 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." Prompt resolution of this matter will ensure that, if approved, construction

can commence and residents of Eureka can begin to receive the benefits of natural gas service as soon as possible. Accordingly, there is no apparent reason that additional time would be required.

29. 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 §54-4-25, 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;
- b. Issue an order:
  - i. Granting the Company a Certificate of Public Convenience and Necessity to serve Eureka and surrounding areas;
  - ii. approving the Resource Decision to construct mains as described herein;

- iii. permitting the Company to recover the costs associated with the Rural Expansion Facilities utilizing a Rural Expansion Tracker as described more fully herein; and
- iv. approve the Tariff changes set forth herein.

DATED this 2<sup>nd</sup> day of December, 2019.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

This is to certify that a true and correct copy of the APPLICATION FOR APPROVAL OF A RURAL NATURAL GAS INFRASTRUCTURE DEVELOPMENT PRJOECT TO EXTEND SERVICE TO EUREKA, UTAH was served upon the following persons by e-mail on December 2<sup>nd</sup> , 2019:

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