BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO EXTEND SERVICE TO EUREKA, UTAH	Docket No. 19-057-31

REDACTED SUPPLEMENTAL DIRECT TESTIMONY OF MICHAEL L. GILL

FOR DOMINION ENERGY UTAH

April 15, 2020

DEU CONFIDENTIAL Exhibit 2.0S

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Michael L. Gill. My business address is 1140 West 200 South, Salt Lake City, UT 84104.

Q. Are you the same Michael L. Gill that filed direct testimony in this proceeding?

A. Yes.

Q. Have you testified before this Commission before?

A. Yes. I testified in Docket Nos.18-057-03 and 19-057-13.

Q. Attached to your written testimony are DEU Exhibits 2.11S through 2.14S. Were these prepared by you or under your direction?

A. Yes, unless otherwise indicated. In that case, they are true and correct copies of what they purport to be.

Q. What is the purpose of your direct testimony?

A. The purpose of my testimony is to provide an overview of the planned installation of service lines to serve new customers in Eureka, Utah. I discussed all other facilities required to bring natural gas service to Eureka in my direct testimony. This overview will include the scope and costs of service line construction, the timing of such construction, and estimates on the potential number of new customers.

II. PROJECT SCOPE AND SCHEDULE

Q. What facilities, in addition to those described in your direct testimony, is Dominion Energy Utah (DEU or the Company) proposing to install?

A. In addition to the facilities described in my direct testimony, DEU Confidential Exhibit 2.0, the Company proposes to install service lines to deliver natural gas to customers in Eureka. The Company proposes to construct the service lines and include the associated costs as part of the overall cost to serve Eureka. Mr. Summers details the proposed mechanism for cost recovery in his Direct and Supplemental Direct testimonies.

Q. Did the Company estimate the number of service lines that could potentially be installed as part of this expansion program?

A. Yes. The Company's IHP Engineering department utilized a combination of information provided by the city of Eureka and satellite images to estimate the number of individual service lines that may be required. Depending on community interest, the Company estimates that approximately 360 services may be required to initially serve the Eureka. The following table lists the size, length and installation methods for these service lines.

Assumptions for Eureka Service Lines			
Size (in.)	**Quantity (Ea.)**	**Average Length (ft.)**	**Installation Method**
2	5	100	Bore
1.25	5	100	Bore
0.75	150	60	Bore (Hard Surfaces)
0.75	200	60	Open Trench

The Company estimates the initial installation costs for the service lines described above to be approximately [redacted]. This cost estimate is attached as DEU Confidential Exhibit 2.11S. The Company anticipates seeking bids from contractors for construction of the natural gas facilities and contracting with the selected bidder.

Q. The above table indicates the Company is assuming a large number of service lines will need to be installed with directional drilling (bores). Why is this necessary?

A. Providing service to existing homes and businesses means that the alignment of the proposed service lines in some instances would cross hard surface areas (asphalt or concrete). DEU compared the costs of removing and later restoring these surfaces after installation of the service line and found it less costly to install the services via boring. DEU's IHP Engineering department utilized Google earth to estimate the number of service lines that would be installed in this manner.

Q. How reliable are the cost estimates contained in both your Direct Testimony and in this Supplemental Direct Testimony?

A. While we will not know the final costs until further engineering design has been completed and contracts have been signed, these costs are reliable. DEU has utilized its own expertise in estimating the

costs associated with facilities that it will own. The Company conferred with Dominion Energy Questar Pipeline (DEQP) and Kern River Gas Transmission Company (KRGT) to obtain high level estimates for the construction of the interconnect facilities that they, respectively, would own if the Company interconnected with either of their facilities. While the costs provided here are not final costs, the Company is confident that the facilities described in my testimony can be constructed at or below the estimated all-in cost.

Q. What steps has DEU taken to ensure that the costs you provide are reliable?

A. First, the Company utilized years of its own data related to actual construction costs on past projects to determine the likely costs of the Rural Expansion Facilities (as defined in the Amended Application). Additionally, the Company has been very conservative in its estimating approach and has placed a 20% contingency on the entire project. This is a very common industry approach for construction cost planning. This equates to over $4 million dollars in contingency funding for unforeseen events. Finally, where appropriate, the Company relied on estimates provided by DEQP and KRGT for facilities those companies would construct.

Q. Are there any corrections to the costs estimates discussed in your Direct Testimony?

A. Yes. In his direct testimony, Mr. Orton identified an error in the calculation of a portion of the labor and overhead line items in each of the estimates. The Company had inadvertently included some third party costs in its overhead calculations. This resulted in a reduction of approximately $28,000 on the DEQP options and a reduction of approximately $112,000 on the KRGT option. These costs were originally discussed between lines 71 and 89 of my Direct Testimony.

Q. Are there other corrections to costs?

A. Yes. Further review of DEQP's estimated cost for its portion of the interconnect facilities revealed an error. DEQP had not added a line item for tax gross-up required as a result of what will be DEU's contribution in aid of construction (CIAC). This payment is required to offset the tax implications to DEQP caused by the CIAC payment from DEU. This tax burden is estimated at approximately 16% of total costs and should have been added to the DEQP base costs. The table below shows the total costs to construct interconnection facilities with DEQP and KRGT.

Third-Party Company	Third-Party Base Cost	CIAC Gross-up	DEU Cost	Total Tap Cost
DEQP	[redacted]	[redacted]	[redacted]	[redacted]
KRGT	[redacted]	[redacted]	[redacted]	[redacted]

Q. It appears that the KRGT option is considerably more expensive than the DEQP option. Is there a reason for the variation in costs?

A. Yes. The KRGT option would require a tap on two 36" high-pressure lines while the DEQP option would only require one 24" tap.

Q. What were the impacts of the above mentioned changes on the evaluation of options to serve Eureka?

A. The Changes described above did not materially change the outcome of the evaluation. The table below shows each option discussed in my direct testimony and how the above changes impacted the estimated costs. The DEQP options (Option # 1 and Option # 3) saw a slight increase in their estimated costs due to the additional CIAC gross-up costs applied to the DEQP interconnect. The estimated cost of the KRGT option was reduced due to the error in calculating construction overhead. As seen in the table below Option 1 is still the preferred option to serve Eureka.

Option	Original Cost Estimate	Revised Cost Estimate
Option #1 (DEQP)	$17,898,072	$17,952,032
Option #2 (KRGT)	$18,125,481	$18,013,506
Option #3 (DEQP)	$16,112,353	$16,165,514

Q. How reliable are the DEQP and KRGT estimates?

A. They are high-level estimates, but DEU has experience building gate stations with each company and is familiar with the likely costs to build facilities of the size needed to serve Eureka. The estimates provided were consistent with actual costs for constructing similar facilities. Additionally, the Company has included a 20% contingency on the overall estimated project costs. If there were cost overruns with the interstate pipeline, they would likely fall below this contingency level.

It is important to note that it is typical for interstate pipelines to provide high-level estimates like those referenced here. Those companies do not provide detailed engineering until shippers like DEU pay, up-front, for the engineering work to occur. The cost of that kind of work can be more than $100,000. Some interstate pipelines will charge 25% of the estimated construction costs to design facilities and provide refined estimate. DEU does not see a need to make an expenditure of that magnitude, given the relative accuracy of the high-level estimates and the inclusion of the 20% contingency.

Q. Did DEU give the same information to DEQP and KRGT when it sought cost estimates for those interconnects?

A. Yes. DEU provided both DEQP and KRGT the same criteria. The Company asked for a high-level estimate for an interconnect facility that could provide full line pressure with a daily demand of 9.1 MMcfd and a peak hourly rate of 12.3 MMcfd. Attached DEU Confidential Exhibit 2.12S shows an email discussion between DEU and KRGT in which the above sizing criteria were identified. DEU Exhibit 2.13S shows the summary sheet from DEQP's cost estimate in which the same sizing criteria were noted.

Q. Have you forecast the natural gas consumption that will be used by Eureka customers per Commission Rule § 54-17-402(3)(b)(ii)(C)?

A. Yes. The consumption forecast is included as DEU Exhibit 2.14S. This forecast is based on the anticipated number of customers and appliances in Eureka, assuming 360 total customers.

Q. Has DEU verified that DEQP has adequate transmission capacity to transport that volume of gas to the proposed distribution facilities?

A. Yes. The Company's Gas Supply Department has verified that existing contracts with DEQP could be used to serve the anticipated loads of Eureka.

III. CUSTOMER COSTS

Q. If the Commission approves the Company's proposal for cost recovery as described in Mr. Summers' testimony, will the residents of Eureka bear any costs associated with converting from current energy sources to natural gas?

A. Yes. Customers will still be responsible for costs of any facilities beyond the Company's meter at each of their homes and businesses. Some customers may need to convert furnaces, stoves and water heaters to be able to utilize natural gas instead of propane. In many cases, this type of conversion is relatively simple. There are currently conversion kits on the market that a licensed contractor could provide and install. The contractor may also conduct regulator adjustments at the appliances and make some orifice changes in each appliance. For homeowners currently heating with wood, coal, heating oil or electricity, the home will need to be retrofitted with appropriately sized gas fuel lines and duct work, and the appliances will need to be replaced with new natural gas appliances.

Q. Will the Company perform the appliance conversions?

A. No, the Company will not be involved in the installation of fuel lines or conversion of existing appliances. Each customer will be required to use a certified contractor to perform the work.

Q. Are there other requirements for customers to convert their homes to natural gas?

A. Yes. If the customer's conversion requires installation of natural gas fuel lines, they will need to secure a permit from Eureka City.

Q. Have you developed a project schedule for the proposed expansion of service to Eureka?

A. Yes. I estimate that the entire project would take approximately 9 months to construct. If the Commission approves including the costs in a tracker cost recovery mechanism, we would commence construction during the first quarter of 2021 and expect facilities to be ready for use by October 2021. If the Company must wait for its next general rate case for cost recovery, it would delay expansion by a year and construction would commence during the first quarter of 2022, with an anticipated in-service date of October 2022.

Q. Given the current environment with the Coronavirus pandemic, does the Company anticipate any delays in either starting or completing the project based on social distancing, availability of labor, or difficulties obtaining materials?

A. While it is possible that the pandemic could cause delays, the Company does not anticipate that mandated mitigation measures will have an effect on the construction schedule. Many of the early-stage activities (*i.e.* engineering work and procurement) can be conducted by employees working from home. If the current state of emergency were to persist longer than a few months, DEU would still be able to construct the facilities. The State of Utah has identified Dominion Energy as an essential service provider and, as such, construction activities could occur. The Company does not foresee a change in this designation even if the pandemic worsens. To date, the Company has not had an issue with material or labor availability.

Q. Is there a chance that individual service line connections could be delayed because of the Coronavirus pandemic?

A. Potentially, if the stay-at-home provisions remain in place through 2021. Safety is Dominion Energy Utah's first core value, and the safety of the public and the Company's employees is the highest priority. The Company is providing the required personnel with protective equipment, and takes the temperatures of each operations employee every morning. Additionally, the Company is asking a series of screening questions to customers to ensure that employees entering homes have full knowledge of the health status of the residents within the home they will be entering. If conditions exist where the service line could not be constructed without endangering employees, contractors or the public, the installation would be delayed until safe conditions exist. However, the Company does not anticipate major disruptions to its schedule based on these precautions.

Q. Can you please summarize estimated total cost to serve Eureka?

A. Yes. The Company proposes to invest approximately [redacted] on approximately 360 IHP service lines required to serve the community of Eureka, Utah. The estimated total to bring gas service to the town of Eureka, including construction of gate stations, regulator stations, HP mains, IHP mains and service lines is [redacted]

Q. Does this conclude your testimony?

A. Yes.

State of Utah)
) ss.
County of Salt Lake)

I, Michael L. Gill, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

_____
Michael L. Gill

SUBSCRIBED AND SWORN TO this _____ day of April, 2020.

_____
Notary Public