

IN THE MATTER OF THE
APPLICATION OF DOMINION
ENERGY UTAH FOR APPROVAL
OF A NATURAL GAS CLEAN AIR
PROJECT AND FUNDING FOR
THE INTERMOUNTAIN
INDUSTRIAL ASSESSMENT
CENTER

Docket No. 19-057-33

APPLICATION
(REDACTED)

All communications with respect to
These documents should be served upon:

Jennifer Nelson Clark (7947)
Dominion Energy Utah
333 S. State Street
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
(801) 324-5935 (fax)
Jennifer.clark@dominionenergy.com

Cameron L. Sabin (9437)
Stoel Rives LLP
201 South Main Street, Suite 1100
Salt Lake City, UT 84111
Phone: (801) 578-6985
Fax: (801) 578-6999
Cameron.sabin@stoel.com

Attorneys for Dominion Energy Utah

APPLICATION
AND
EXHIBITS

December 31, 2019

Jenniffer Nelson Clark (7947)
Dominion Energy Utah
333 South State Street
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
(801) 324-5935 (fax)
Jenniffer.clark@stoel.com

Cameron L. Sabin (9437)
Stoel Rives LLP
201 South Main Street, Suite 1100
Salt Lake City, UT 84111
Phone: (801) 578-6985
Fax: (801) 578-6999
Cameron.sabon@dominionenergy.com

Attorneys for Dominion Energy Utah

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR APPROVAL OF A NATURAL GAS CLEAN AIR PROJECT AND FUNDING FOR THE INTERMOUNTAIN INDUSTRIAL ASSESSMENT CENTER	Docket No. 19-057-33 APPLICATION (REDACTED)
---	---

Pursuant to Utah Code Ann. §§54-4-13.1 and 54-20-105, and Utah Administrative Code §§ R746-1-101 *et seq.* and R746-405-1 (2017) *et seq.*, Questar Gas Company dba Dominion Energy Utah (Dominion Energy or Company) respectfully submits this Application to the Utah Public Service Commission (Commission) and requests approval (1) for the Natural Gas Clean Air Project described more fully below; (2) for funding to the Intermountain Industrial Assessment Center (IIAC) as more fully described below;

and (3) the implementation of a balancing account as described more fully in the pre-filed Direct Testimony of Kelly B Mendenhall, DEU Exhibit 4.0.

In support of its Application, Dominion Energy states the following:

I. 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. During the 2019 Utah state legislative session, the Utah State Legislature passed House Bill 107, the Sustainable Transportation and Energy Plan Act Amendments (HB 107). HB 107 provides, among other things, the opportunity for Large-scale Natural Gas Utilities to advance natural gas clean air programs, the development of communities that can reduce greenhouse gases and NOx emissions, funding programs for research and development of other efficiency technologies, and other technology programs. Utah Code Ann. §§54-4-13.1 and 54-20-105(3)(a). HB 107 became law in mid-2019.

3. In 2019, the Company met with local stakeholders to determine how natural gas could be used to reduce greenhouse gases and particulate emissions, improve air quality in other ways, and drive energy efficiency. One of the early stakeholders

identified was the Intermountain Industrial Assessment Center (IIAC), within the Department of Chemical Engineering at the University of Utah. The IIAC performs industrial audits and has a history of identifying high-impact energy efficiency projects that, if undertaken, can result in a reduction in particulate emissions, greenhouse gas emissions, and other air quality benefits.

4. The IIAC is affiliated with the University of Utah and receives funding from the United States Department of Energy (DOE). The IIAC performs assessments at industrial facilities within Dominion Energy's service territory to promote the implementation of energy efficiency projects. The IIAC provides investigation and analysis for potential efficiency and clean air projects and, with the funding proposed here, will provide assistance in implementing the projects that receive Commission approval.

5. In discussions with the Company, the IIAC identified several projects the Company believes meet the requirements of HB 107 by utilizing natural gas to provide clean air benefits. The most beneficial project involved providing an incentive to one of the Company's industrial customers (the Customer) to replace its existing natural gas boiler with a combined heat and power unit (CHP) before the end of the useful life of the boiler (the CHP Project). The project would involve the use the heat generated from the combustion of natural gas to power the Customer's manufacturing process. In addition, electricity generated by the CHP unit, which is considered a secondary benefit of the project, would be used to reduce the overall energy the Customer would need to draw from the electrical grid during a normal business day. The project would also involve the installation of selective catalytic reduction (SCR) equipment to further reduce emissions that contribute to air quality problems. As set forth more fully in the Direct Testimony of

Kody M. Powell, attached hereto as DEU Exhibit 2.0, implementation of this project would remove 253 tons of NOx annually and 95,000 tons of CO2 annually. Without the incentive proposed by the Company, the Customer will not undertake the project.

6. If the Commission approves the CHP project proposed here, then IIAC will work with the Customer to implement the project, including soliciting competitive bids from vendors, verifying technological claims by each vendor, managing the project and conducting any additional research necessary for the project.

7. The CHP project is just one recent example of the IIAC's effectiveness in identifying projects that would improve local air quality through more efficient energy usage by customers. The Company believes there are a number of other improvements that, if implemented by customers, could provide additional and significant air quality and energy efficiency benefits. As noted previously, the IIAC has identified a number of projects that may be suitable candidates for future applications. The Company also believes the IIAC is a valuable resource to evaluate other projects that it independently identifies. However, the IIAC's is currently limited by its current funding mechanism. Its primary funding comes from the DOE. This funding may only be used for conducting energy assessments at manufacturing facilities. If the Commission permits the Company to fund IIAC, as requested herein, then the IIAC will not only be able to conduct substantially more assessments, it will become more actively engaged in the implementation of the projects. Therefore, the Company believes providing additional funding to the IIAC would be beneficial to the state, as more fully described in the pre-filed Direct Testimony of Michael O. Orton, attached hereto as DEU Exhibit 1.0 and Kody Powell, attached hereto as DEU Exhibit 2.0. Specifically, the Company proposes to provide the IIAC with \$800,000 in funding each year for the next three years, for a total

funding amount of \$2.4 million. The Company believes that the IIAC will provide valuable research, analysis and input during that time and, if the Company deems the funding is generating projects that are beneficial for the state, the Company may seek Commission approval to extend more funding after the initial 3-year request contained in this Application.

II. REQUEST FOR APPROVAL OF THE CHP PROJECT

8. Utah Code. Ann. § 54-4-13.1 provides: “The commission may authorize a gas corporation to establish natural gas clean air programs that promote sustainability through increasing the use of natural gas or renewable natural gas that the commission determines are in the public interest, subject to the funding limits set forth in Subsection 54-20-105(3)(d).” It further provides that a “natural gas clean air program” is “an incentive or program to support the use of natural gas” or “a program to improve air quality through the use of natural gas.” Incentivizing the proposed CHP Project falls squarely within this language because it is an incentive program that supports the use of natural gas, and because it will measurably and materially improve air quality through the use of natural gas.

9. The CHP Project also falls within the parameters of Utah Code. Ann. § 54-20-101 *et seq.* Utah Code Ann. § 54-20-105(3)(a) provides that “[t]he commission may authorize a large-scale natural gas utility to implement and fund programs that the commission determines are in the public interest of large-scale natural gas utility customers to provide for the investigation, analysis, and implementation of . . . (iv) the development of communities that can reduce greenhouse gases and NOx emissions; . . . or (vii) any other technology program.” In determining whether the proposed program is in the public interest, the Commission considers the following factors:

- (i) to what extent the use of renewable natural gas is facilitated or expanded by the proposed project;
- (ii) potential air quality improvements associated with the proposed project;
- (iii) whether the proposed project could be provided by the private sector or would be viable without the proposed incentives;
- (iv) whether any proposed incentives were offered to all similarly situated potential partners and recipients; and
- (v) potential benefits to ratepayers.

Utah Code Ann. § 54-20-105(3)(c).

10. Though the proposed CHP project does not contemplate the use of renewable natural gas, each of the other factors weigh strongly in favor of the project. As noted above, Mr. Powell has testified that the proposed CHP project would provide significant clean air benefits, and will result in air quality improvements. Mr. Orton also offers testimony that the Customer would not be able to implement the CHP project unless it receives an incentive like that proposed here. Though the Customer is the first such proposed recipient of the incentive, the Company expects to advance for Commission approval any additional projects it identifies with similarly-situated recipients in the future. Finally, as Mr. Orton and Mr. Powell testify, the implementation of the CHP project would have significant benefits for Dominion Energy customers in terms of cleaner air, more efficient use of energy, and data that will be useful in pursuing other such projects.

11. The Company proposes to incentivize the Customer to make the needed upgrades by funding the lesser of \$13.5 million or █████ of the total actual CHP Project cost. The Company would do so by contributing \$4.5 million each year for the next two years (2020 and 2021) to the CHP Project, with the remainder (if any) contributed during

the third year (2022). This contribution would result in an annual increase of \$3.27 or 0.52% per year for a typical GS customer. This expenditure falls within the funding limits set forth in Subsection 54-20-105(3)(d).

12. The proposed CHP Project meets of the statutory requirements necessary to support approval of the project incentive proposed by the Company.

III. REQUEST FOR APPROVAL OF FUNDING TO THE IIAC

13. Similarly, the Company's request to provide funding to the IIAC is consistent with the statutory requirements and is in the public interest. Utah Code Ann. § 54-20-105(3)(a) provides that “[t]he commission may authorize a large-scale natural gas utility to implement and fund programs that the commission determines are in the public interest of large-scale natural gas utility customers to provide for the investigation, analysis, and implementation of . . . (ii) research and development of other efficiency technologies; and . . . (vii) any other technology program”

14. Funding the IIAC meets all of the same statutory requirements discussed above. Funding provided to IIAC will be used to provide “investigation, analysis, and implementation” of both the “research and development of other efficiency technologies” and a “technology program.” The IIAC funding will be used to analyze projects for advancement under HB 107, the IIAC provides significant benefit. In order to do so, the IIAC will provide evidence of the clean air benefits of any proposed project, evidence related to whether the private sector could advance the project. Indeed, the Company has already identified possible projects that would facilitate and expand the use of renewable natural gas. The IIAC's research and support will assist the Company in increasing the use of renewable natural gas and reducing greenhouse gas emissions, improving air quality, and supporting projects that would not be advanced by the private sector alone.

15. The Company proposes to fund the IIAC in the amount of \$800,000 per year during 2020, 2021 and 2022. This funding would result in an annual increase of \$0.58 or 0.09% for the typical GS customer. This funding, combined with that required for the CHP project, falls well within the funding limits set forth in Subsection 54-20-105(3)(d).

16. The Company's proposal to fund the IIAC meets of the statutory requirements necessary to support approval of the funding proposed by the Company.

IV. BALANCING ACCOUNT

17. Utah Code Ann. §54-20-105(3) provides that “[a] large-scale natural gas utility shall establish a balancing account that includes: (i) funds allocated for projects that have been approved by the commission under subsection (3)(a); and (ii) a carrying charge in an amount determined by the commission.” The Company proposes to implement such a balancing account, as more fully described in Mr. Kelly Mendenhall's direct testimony.

V. SUPPORTIVE EVIDENCE

19. In support of its Application, the Company offers the attached pre-filed direct testimonies of Michael O. Orton (DEU Exhibit 1.0), Kody M. Powell (DEU Exhibit 2.0), Dr. Kerry E. Kelly (DEU Exhibit 3.0), and Kelly B Mendenhall (DEU Exhibit 4.0), and their respective accompanying exhibits. The Company incorporates these attachments by reference.

20. Additionally, the Company provides DEU Application Appendix A, which is a table setting forth the statutory factors relative to the requests set forth in this Application, and where the Company has provided evidence relating to each factor.


VI. REQUEST FOR RELIEF.

WHEREFORE, based upon the Company's Application, testimony and exhibits, and pursuant to Utah Code Ann. §§ 54-4-13.1 and 54-20-101 *et seq.*, Dominion Energy

respectfully requests that the Commission, in accordance with its authority, rules and procedure:

- 1) Notice a scheduling conference to set a schedule for interested persons to file comments on Dominion Energy's Application, any technical conferences deemed useful to the Commission or interested parties, and other processes and procedures deemed reasonable or necessary by the Commission in reviewing the Application; and
- 2) Enter an Order pursuant to Utah Code. Ann. §§ 54-4-13.1 and 54-20-101 *et seq.*,
(a) authorizing Dominion Energy to advance the CHP Project described herein; (b) authorizing Dominion Energy to fund the IIAC, as more fully described herein; (c) authorizing the Company to utilize a balancing account to collect the funding required for the Natural Gas Clean Air Project and the funding for the IIAC, as more fully described herein; and (d) approving the Tariff changes set forth herein.

Respectfully submitted this 31st day of December 2019.



Jennifer Clark (7947)
Dominion Energy Utah
333 S. State Street
PO Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
Jennifer.clark@dominionenergy.com

Cameron L. Sabin (9437)
Stoel Rives LLP
201 S. Main Street, Suite 1100
Salt Lake City, Utah 84111
(801) 328-3131
Cameron.sabin@stoel.com

*Attorneys for Respondent Dominion
Energy Utah*

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Application and

Exhibits were served upon the following persons by e-mail on December 31, 2019:

Patricia E. Schmid
Justin C. Jetter
Assistant Attorney Generals
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@agutah.gov
jjetter@agutah.gov
Counsel for the Division of Public Utilities

Chris Parker
William Powell
Utah Division of Public Utilities
160 East 300 South
PO Box 146751
Salt Lake City, Utah 84114-6751
cparker@utah.gov
wpowell@utah.gov

Robert J. Moore
Steven Snarr
Assistant Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
rmoore@agutah.gov
ssnar@agutah.gov
Counsel for the Office of Consumer Services

Michele Beck
Director
Office of Consumer Services
160 East 300 South
PO Box 146782
Salt Lake City, UT 84114-6782
mbeck@utah.gov



Jinger Johnson