State of Utah

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Division of Public Utilities

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Action Request Response

To: Public Service Commission of Utah

From: Utah Division of Public Utilities
Artie Powell, Director
Doug Wheelwright, Utility Technical Consultant Supervisor
Eric Orton, Utility Technical Consultant

Date: September 1, 2020

Re: **Docket No. 20-057-02,** Dominion Energy Utah's Integrated Resource Plan (IRP) for Plan Year: June 1, 2020 to May 31, 2021

Recommendation (Acknowledge)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge the Integrated Resource Plan (IRP) filed by Dominion Energy Utah (Dominion or Company) as this IRP generally complies with the requirements of the 2009 Standards and Guidelines.

Issue

The purpose of the IRP filing is to provide regulators with an update of the "process in which known resources are evaluated on a uniform basis, such that customers are provided quality natural gas services at the lowest cost to QGC and its customers consistent with safe and reliable service."[1]

[1] Proposed IRP Guidelines for Questar Gas Company, Docket No. 97-057-06, p. 1.

While the Commission has made it clear that "Acknowledgement of an acceptable [IRP] Plan will not guarantee favorable ratemaking treatment of future resource acquisitions"(Docket No. 91=-57-09), the Division uses the IRP as one tool among many to help judge the reasonableness of Dominion's acquisitions and regulatory plans. Therefore, it is important that the IRP not just simply adhere to the Standards and Guidelines set forth by the Commission but that it also provide regulators some measure of comfort that Dominion is making reasoned forward-looking choices.

Background

On March 31, 2009, the Commission issued its Report and Order on Standards and Guidelines for the Gas Utility requiring it to file its 2009 IRP in accordance with the December 14, 2007, Report and Order.[2] The Company was also ordered to file future IRPs, in compliance with new IRP standards and guidelines attached to the March 31, 2009 Order. On March 22, 2010, the Commission issued its Clarification Order[3] where it made a number of findings clarifying the 2009 IRP Standards.

It its order on November 19, 2018, the Commission found that future IRPs should also provide complete information rather than incorporating information by reference, it also addressed the handling of confidential information, and directed the Company to convene a stakeholder meeting to "address the OCS's concerns regarding the insufficiency of certain information", which it has done.

On January 16, 2020, the Commission issued its Report and Order on the 2019-2020 IRP finding that "the 2019 IRP as filed generally complies with the requirements of the 2009 Standards and Guidelines." The Commission adopted the Company's commitment to include an additional subsection in the "System Capacity and Constraints section, labeled "Long-Term Planning,"

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[2] In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines, Report and Order on Standards and Guidelines for Questar Gas Company, Docket No. 08-057-02, March 31, 2009. It is assumed that the order referenced on page 20 as the "December 17, 2007, Report and Order" is in fact the "December 14, 2007, Report and Order."

[3] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2009 to April 30, 2010, Report and Order, Docket No. 09-057-07, Issued: March 22, 2010.

which will "provide an outline of demand growth trends along with any known future projects beyond the scope of the DNG Action Plan." It also adopted Dominion's commitments to provide information related to sustainability goals, STEP initiatives, and expansion in rural areas. The Commission also ordered Dominion to "convene a stakeholder meeting as early as practicable prior to DEU's filing of the 2020 IRP to discuss concerns regarding the sufficiency of information in the IRP." On March 10, 2020, Dominion, the Division and Office Staff met to discuss these issues.

On February 6, 2020 Dominion filed its Notice of Intent to File IRP and Request for Scheduling Order and Notice of Technical Conferences. The specified Technical Conferences were held and on June 12, 2020, it filed its IRP for the plan year June 1, 2020 to May 31, 2021. On June 26, 2020 the Commission issued its Scheduling Order stating that comments are due by September 3, 2020. This memorandum represents the Division's comments.

Discussion

This current IRP has 15 sections including the new Glossary. The Division's comments are on the certain topics discussed in these sections. It will not address every issue or section, rather it will address only those items that it believes are of primary interest. Therefore, the following are brief comments on specific segments of this IRP.

EXECUTIVE SUMMARY

> In Key Finding #9 Dominion states: "The Company has purchased land and is moving forward with constructing an LNG facility for supply reliability purposes. The facility is planned to be functional and have 9 million gallons of LNG available for vaporization for the 2022 – 2023 heating season. In subsequent heating seasons the full 15 million gallons will be available for vaporization." This was the first notification the Division has received from the Company where the possibility of the LNG plant operating at something less than full capacity was presented. The Division has since had discussions with Company personnel regarding the ability of the LNG facility operating at less than full capacity. The Division understands that the Company expects that the facility will

not be completed and ready to begin receiving gas to be liquefied until late summer. This will cause the injection season to be shorter the first year, thus resulting in the estimated ability to re-gasify only 9 million gallons of the 15 million gallon capacity into the Company's distribution system. The LNG plant is able to pressurize and distribute any volume of gas that is in the tank – whatever that amount may be.

SECTION 2 – INDUSTRY OVERVIEW

Section 2-5 speaks about the increase in LNG export capacity in the country. In the middle of the page it states "By the end of 2018, export capacity from the Lower 48 states increased to 4.9 Bcf/d." Following discussions with Company personnel it was determined that this sentence should not have been included in this filing. It was included as the result of an editing error and should have been deleted. Therefore, this information is irrelevant to this year's IRP.

Section 2-8 speaks of the goals and objectives the Company has maintained during the course of the IRP process. Goal and Objective #4 is "To provide the framework by which the Company will become the most sustainable natural gas company in the country." The Division was curious regarding how the Company defines "the most sustainable natural gas company in the country" and how that status will be achieved. The response from Company personnel was that these statements represent a subset of the goal of Dominion Corporation (which includes significant electrical generation). The overall corporate goal is to become carbon and methane neutral by 2050 measured against 2005 for carbon emissions and 2010 for methane emissions. Admittedly, most of the impact will be based on the efforts of the electric generation arm of the parent corporation. For the natural gas LDC, it is expected that attaining that goal will come mainly by increased Renewable Natural Gas (RNG), methane reductions by reducing Lost and Unaccounted For (LUAF) amounts, Greenhouse gas emissions reductions, reliance on forthcoming new technologies, and yet-to-be-determined legislative and regulatory policies. As a total corporation, the steps in achieving the goal are: 65%

achieved by 2030, 85% by 2040, and 100% by 2050. The Company's natural gas goal is to be net zero by 2040.

SECTION 3 - CUSTOMER & GAS DEMAND FORECASTS

Section 3-6 discusses Gas Lost and Unaccounted For. In recent years, the Company has reduced the amount of lost gas by implementing more granular temperature and elevation correction of customer meter readings. This has reduced the estimated loss from 1.5% to approximately 1.4%.

The IRP includes a curious statement for comparing Dominion with other LDCs. It states: "Estimates by other LDCs provided to the U.S. Energy Information Administration vary considerably across the industry and range from negative percentages to some at 30% or higher." The Division was skeptical of the ability of LAUF to be a negative number. Following discussions with the Company its opinion is that an LDC may have a negative LAUF due to inaccurate estimations or timing discrepancies. The strict interpretation of having a negative LAUF (more gas used than the volume of gas that came into the distribution system) is nonsensical on its face.

Lost gas on the system is also be the result of damage or tear-outs in the distribution system. The Lost & Unaccounted for Gas in Table 3.1 on page 3-8 shows that about 30,000 Dth/year (on a three year rolling average) are due to "DEUWI loss due to tear-outs". The Division met (virtually) with representatives of Dominion to determine the source or cause of these tear-outs. This number is an estimated summation of gas lost due to all tear-outs caused by Company personnel (first party), Company contractors (second party), or others (third party) independent of the reason or operator who caused the leak.

Exhibit 3-5 are two graphs titled Utah Commercial Temp Adjusted Usage Per Customer. In the 2020-2021 heating season there is a significant dip in the line graph while the bar graph below indicated no such dip. Following discussions with Company personnel it was disclosed that the line graph is calculated on a rolling basis and, although not titled differently, the bar graph below is not representative of the same date or data, rather it is an estimation of each year's heating season only. The dip in the line graph represents Dominion's estimation of the lower usage due to the effects of COVID-19 which it expected to be passed by the time the heating season begins in 2020. This clarifies the differences between the two graphs.

Exhibit 3-9 is the Design Peak-Day Demand Forecast by Heating Season which shows a graphical representation of the difference between the Highest Actual Daily SENDOUT as compared to the Firm Peak Demand at Design-Day Temperature. This bar graph compares the estimated peak-day usage, to the actual highest day usage for each year. On an overall basis, there is roughly a 30% cushion between the highest use and the estimated peak day. This equates to a margin of security when the Company uses Design-Day in modeling and designing its system. The Division has raised this issue previously and is still concerned about how it is used and relevant applicability.

SECTION 4 - SYSTEM CAPABILITIES AND CONSTRAINTS

Ongoing and Future System Analysis Projects

The System Supply Analysis and Joint Operating Agreement section is where the Company describes how it works very closely with its (former) sister company (DEQP) to "ensure that the Company receives adequate inlet pressures…" Stating that: "This is a complicated process that requires detailed collaboration because the flows at these stations fluctuate through the day to match the changing demands on the Company's system. Updating the JOA is a necessary practice for ensuring customers receive safe and reliable service." Recently DEQP was sold as part of an asset sale of Dominion Corporation to a division of Berkshire Hathaway. The sale is subject to regulatory approval and is expected to close in the fourth quarter of this year. This separation of former sister companies is a concern when considering the Company's claim that the JOA is "a necessary practice", and "a complicated process which requires detailed collaboration for ensuring customers receive safe and reliable service". The Division is concerned about the repercussions that splitting off DEQP might have on the JOA. It appears critical that this separation process occur in a smooth and seamless manner (from the customer's view) without the Company incurring additional costs while continuing to ensure "customers receive safe and reliable service." The Division asked Dominion personnel about going-forward plans for the JOA given the sale of DEQP. Dominion represented that, although the analysis might change and other nuances might need reworking, it believes that the JOA will be necessary and used by both companies going forward into the foreseeable future.

Gate Station Flows vs. Capacity.

On page 4-5 it states:

> "The Saratoga Tap requires a remodel to meet growing demand. Saratoga Springs, Lehi, and Eagle Mountain are some of the fastest growing communities in DEU's service territory. The Saratoga gate station is designed to serve these communities. The Saratoga gate station, while not at capacity on a Design Day, requires a remodel due to operational concerns, past issues, and design inadequacies. Therefore, the Company will upgrade this station by 2021. This project is discussed in greater detail in the Distribution Action Plan section of this report. 4-5".

The Division asked Company personnel to explain what the "operational concerns" and "past issues" and "design inadequacies" were. Dominion personnel represented that the "past issues" are the constraints inherit in that line as a result of the Lakeside contract. The "operational concerns" represents the difficulty to intermingle multiple pipeline pressures at this interconnect. Finally the "design inadequacies" demonstrates that it underestimated the demand growth in that area.

System Pressures - Northern

Page 4-7 has this sentence: "Hyrum gate station is the only existing station in this area that is not currently at capacity due to upstream constraints." This implies that the invers is true, namely that all other gate stations are "currently at capacity due to upstream constraints." In other words, because of shortfalls or lack of additional capacity on DEQP's system the Company's system is constrained. This was confirmed by Company representatives. It will be interesting to see what the Company does/does not do to manage these constraints as a result of DEQP's system now that DEQP will be under a different corporate umbrella.

SECTION 5 - DISTRIBUTION SYSTEM ACTION PLAN

High Pressure Projects

In Station Projects #7 on Page 5-3 we see this statement: "When FL13 is replaced as part of the Feeder Line Replacement Program, FL13 will have an MAOP of 720 psig. This new station will separate the MAOP zones of FL13 at 720 psig MAOP from the rest of the Central HP system at 354 psig MAOP." Following discussions with Company personnel the Division confirmed that the only other northern system line at this pressure is FL 26 in Utah County. FL 13, to this point, will be the only Feeder Line in Salt Lake County at this pressure. It will not interconnect with any other FL at that pressure. However, the Company expects that this higher pressure line will benefit some of the northern system by adding a high pressure line in a centrally located area, thus enhancing and stabilizing the take-away capacity of surrounding lines.

Additionally, it should be remembered that this Feeder Line, is the one connected to the new LNG facility and having a higher pressure in that line increases the ability of the system to distribute the re-vaporized gas from the LNG facility when compared to FL13's current pressure.

SECTION 6 - INTEGRETY MANAGEMENT

New Regulations

The Safety of Gas Transmission and Gathering Lines (Mega Rule) may have an impact on the Company's integrity management operations. On page 6-6 we see: "On October 1, 2019, PHMSA published part one of the rule. Among other topics, this rulemaking addressed MAOP reconfirmation, assessments of pipelines outside of HCAs, in-line inspection, launcher and receiver safety, expanded records requirements, and a moderate consequence area definition." The Division asked Dominion personnel if this new rule would cause it to reexamine, reconfirm or reconfigure the MAOP on its distribution system. The response was that there will be no changes regarding the MAOP on Dominion's system as a result of the Mega Rule.

Plastic Pipe Rule

PHIMSA also published a regulation amending plastic piping systems used in gas service lines. "The amendments change the design factor from 0.32 to 0.40 in determining design pressure of plastic pipe; permit increasing the maximum pressure and diameter" The Division asked Dominion personnel what it is planning on doing/not doing with this change. Dominion representatives stated that there are no plans on doing anything different. The other alternatives available to Dominion based on this new rule would be 1) increase its MAOP from 45 to something higher in its current IHP system, or 2) use that same MAOP but use thinner walled pipe on new construction. It has chosen to make no changes.

SECTION 9 - COST OF SERVICE GAS

Cost-Of-Service Modeling Factors

Page 9-2 states: "From calendar year 2017 to 2018, the total costs, net of credits and overriding royalties, for cost-of-service production declined by approximately 7.6% (the fifth consecutive year of declining net costs). This decrease was caused primarily by a 12.6% reduction in the Wexpro operating service fee. This was partially offset by two cost components. First, the cumulative credits decreased by 40%. Second, Wexpro's royalty costs increased by approximately 15.6%." As a result of Division discussions with Dominion it was determined that the dates on this paragraph were inaccurate. Instead of reading "From calendar year 2017 to 2018…" it should read "From calendar year 2018 to 2019…" Also, while it is true that total cost-of-service production is declining, two increases in costs were noted. Namely; the revenue Wexpro receives in the form of liquids production credits has decreased by the 40% number as a result of decreased liquid production, and the production royalty costs paid to land owners have risen as a result of increasing natural gas prices by the 15.6% figure. On an aggregate basis, the Operator Service Fee is trending downward while these two components are currently increasing.

Section 9-3 states:

> "The Utah Commission, in its Report and Order issued October 22, 2013, concerning the Company's 2013 IRP, required the Company to provide a scenario analysis in future IRPs. The IRPs should contain an analysis consisting of the results from multiple SENDOUT modeling scenarios. These scenarios should include varying percentages of cost-of-service gas with varying levels of Company demand (e.g., low, normal, and high). For each scenario, the Company should provide expected management actions, such as projected well shut-ins. Scenario results should include the impacts of those management actions on overall costs. The requested scenario analysis is included at the end of the Final Modeling Results section of this IRP."

The Division spoke with Company personnel who stated that, as a matter of practicality, the effects of "expected management actions" basically means that each week management looks at different variables such as; shutting-in wells, well operational issues etc., and will, on occasion, over-ride the SENDOUT models recommendation in an effort to minimize the long term (20 year) costs to customers. Instances such as these should be disclosed in the quarterly IRP variance reports.

Production Shut-ins

The Division has continued to promote that in "IRPs where actual shut-ins differ significantly from previous forecasts, the Division recommends the utility provide detail of the benefits and costs of doing so." On page 9-6 through 9-7 it states: "The Company was able to avoid shut-ins to the availability of a short-term storage contract ". This is an instance where the Division would expect details, benefits and costs explained. However, discussions between Division and Company personnel provided that this is an instance where the Company management over-rode the SENDOUT model. It made winning bid in a Park-and-Loan storage offer made by DEQP on its Electronic Bulletin Board (EBB). DEQP offered short term storage option and the Company was the successful bidder to acquire that service. It is estimated by the Company that it saved customers about $116,250 over a 20 year NPV. This is also one example of items that should be more fully explained in the IRP variance reports.

SECTION 10 – SUPPLY RELIABILTY

Page 10-1, in part, discusses Wexpro activities. On item of interest is that recently Wexpro purchased the rights and assets to most of what has been called the System Wide Gathering Agreement (SWGA). This SWGA has, for many years, been part of the charges Wexpro paid to other companies (like Questar Field Services) to gather Company owned gas. At the spin-off of Questar Energy Production (QEP) it took those assets with it. These assets were then sold to other companies which, in turn, have recently sold them to Wexpro. These gathering assets and the accompanying agreement compose much of the costs for gathering services Wexpro has paid for in the past. However, now these costs are borne in-house as stated by the Company as follows: "The cost for these services will be included in the operator service fee. The transfer of assets will also result in a reduction of costs under the SWGA. The Company expects that overall costs to customers will decrease." Wexpro personnel told the Division that although the transaction was completed months ago that there were transition costs for a few months (March – May 2020) which has reduced the expected savings thus far. However, with the transfer of ownership of these SWGA assets to Wexpro, the results of the transaction should save Dominion customers "a couple hundred thousand dollars a month into the foreseeable future".

SECTION 13 - ENERGY-EFFICIENCY PROGRAMS

Final Modeling Results

Exhibit 13.5.1 shows what is commonly referred to by the Company as the "birthday cake chart." It illustratively shows the different supply mix the Company expects to use over the IRP year. The Division reviewed this year's supply mix and compared it with previous reports for the past five years. The Division discussed the differences year-over-year with Company personnel and, in the Division's view, no variances or trends were significant enough to report.

The Division notes that these modeling results are only a guide and what the Utility actually does over the course of the next year can vary dramatically.

SECTION 14 - GENERAL IRP GUIDELINES/GOALS FOR GAS SUPPLY AND ENERGY EFFICIENCY RESOURCES

Page 14-1 bullet #6 states the Company will "Override the SENDOUT model utilization profiles when producer-imbalance considerations dictate." Following Discussions with Company personnel the Division discovered that this is yet another time when Company management will over-ride the SENDOUT model. These are times when the Wexpro managed resources are out of balance enough with the other partners in wells that it becomes financially advisable for Wexpro to true-up the imbalances.

Conclusion

Although there are parts of the IRP which cause concern to the Division, Dominion has generally adhered to the Commissions orders and IRP Guidelines. The Division recommends the Commission acknowledge the Dominion Energy Utah / Wyoming 2020-2021 IRP as the IRP guidelines have been sufficiently met.

CC: Michele Beck, OCS
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