

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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	)	<b>DOCKET NO. 17-057-20</b>
<b>IN THE MATTER OF THE PASS</b>	)	
<b>THROUGH APPLICATION OF</b>	)	<b>DPU Exhibit 2.0 DIR</b>
<b>DOMINION ENERGY UTAH FOR AN</b>	)	
<b>ADJUSTMENT IN RATES AND</b>	)	
<b>CHARGES FOR NATURAL GAS</b>	)	<b>Direct Testimony</b>
<b>SERVICE IN UTAH</b>	)	<b>Eric Orton</b>
	)	
	)	

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**FOR THE DIVISION OF PUBLIC UTILITIES**

**DEPARTMENT OF COMMERCE**

**STATE OF UTAH**

**Direct Testimony of**

**Eric Orton**

**April 23, 2018**

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## INTRODUCTION AND SUMMARY

**Q: Please state your name, business address and title.**

A: My name is Eric Orton; my business address is 160 East 300 South, Salt Lake City, Utah 84114. I am a Technical Consultant with the Division of Public Utilities (Division).

**Q: On whose behalf are you testifying?**

A: The Division of Public Utilities

## OVERVIEW

**Q: What is the purpose of your testimony in this matter?**

A: To explain that Dominion Energy Utah (the Company) had other avenues it chose not to pursue when it asked Dominion Energy Questar Pipeline (DEQP) to initiate a new tariff, signed up for service under that new tariff, and committed ratepayer funds to support it, which created unnecessary costs for ratepayers to pay for pipeline transportation. I address the decision making process under the Joint Operating Agreement (JOA), describe the Peak-Hour service, system enhancements the Company chose not to pursue that are being implemented anyway and the No-Notice Transpiration (NNT) service currently being used.

**Q: Are you arguing against the testimony and analysis of the Company's engineers who offered direct testimony in this case?**

A: No. However, I do need to point out that nearly all of the information contained in this testimony was garnered from the information I received from meetings with Company personnel and particularly the Company's witnesses in this case. Also, our silence on any other issue or claim raised by the Company that is not addressed should not be interpreted as agreement.

28 **Q: Please describe the preparation undertaken by the Division as a basis for**  
29 **this testimony.**

30 A: In order to understand what the Company was facing, what the real issues were,  
31 why it chose to take the steps it took, and many other related questions, almost  
32 as soon as the Division heard of the issue of Peak-Hour, Mr. Wheelwright and I  
33 began our investigation, through extensive interviews, discussions, questions  
34 and probing the Company's witnesses, regulatory personnel, system operators,  
35 and DEQP personnel.

36

37 **Q: Were you prevented, in any way, from obtaining the information you were**  
38 **seeking?**

39 A: No. The Company went out of its way to provide personnel, time and facilities  
40 where we could ask open and frank questions and where they could provide  
41 candid, detailed responses. We spent nearly 80 hours in direct conversations  
42 with the Company, at its offices, on this topic and it was helpful.

43

44 **JOINT OPERATING AGREEMENT – JOA**

45

46 **Q: The Company states that it was informed by DEQP during the 2015 JOA**  
47 **that DEQP would not guarantee a certain amount of pressure at certain**  
48 **times of a Peak Event. Please explain how the JOA works.**

49 A: Functionally, the JOA is a spreadsheet(s) or model(s) that DEQP and DEU work  
50 on jointly in an iterative process in an attempt to come to an understanding of  
51 how to operate their systems with particular focus on the next heating season.  
52 Apparently the Company works on the JOA, then notifies DEQP, who then  
53 reviews the Company's results, makes revisions/changes, and then notifies the  
54 Company. The Company then repeats the process, in a back-and-forth type  
55 environment, until an agreed upon result is determined.

56

57 **Q: What happened during this 2015 JOA.**

58 A: Based on the assumptions and constraints, the DEQP and the Company could  
59 not reach a mutually agreeable result.

60

61 **Q: Does the JOA process normally reach an agreeable outcome?**

62 A: Yes. We were told that until 2015 the process resulted in an agreeable solution  
63 being reached.

64

65 **Q: What assumptions, variables and constraints limit the JOA?**

66 A: The transportation contract limit between the Company and DEQP is mentioned  
67 as a constraint. Also in response to Division Data Request 3.12 Exhibit B  
68 attached as DPU Exhibit 2.1, we see that some variables include “pack and  
69 draft”, “contracted gas not being nominated”, and “historical operating data”.

70

71 **Q: What are other possible constraints?**

72 A: Gate station inlet pressure and other flow limitations certainly would have an  
73 impact. Also, line loss, Maximum Allowable Operating Pressure (MAOP),  
74 operational convenience, future plans, corporate goals, etc. may have an impact.

75

76 **Q: What was determined from this particular JOA?**

77 A: During certain sub-day periods within a peak event, DEQP notified the Company  
78 that it would not guarantee the Company certain pressure at Coalville (see the  
79 inset below).

80

81 **Q: Have you seen this notification?**

82 A: No. Apparently it was not a formal notification, but rather a verbal disclosure.  
83 Again, in response to Division Data Request 3.12 the Company stated, “There is  
84 no single document expressing an inability to serve the DEU (QGC) peak hour  
85 requirements. There were many discussions relating to this issue during DEU’s

86 meetings with DEQP for purposes of updating exhibits to the Joint Operating  
87 Agreement. The resulting exhibit updates to the 2015 Joint Operating  
88 Agreement, attached as DPU 3.12 Confidential Attachment, has many caveats  
89 that other years' JOA's did not require. The footnotes on Exhibit B outline some  
90 of the constraints and mitigations put in place to deal with the hourly pressure  
91 issues.”

92

93 **Q: So, this 2015 JOA “has many caveats that other years” did not require.**  
94 **Was this the issue of hourly peak pressure?**

95 A: It appears that this was at least one of the issues that the 2015 JOA broached  
96 that the previous JOA's did not.

97

98 **Q: During this 2015 JOA process was the proposed Peak Hour Service offered**  
99 **as a solution to this lack of intraday pressure guarantee?**

100 A: No. Again, in response to data request 3.12, Exhibit B, **BEGIN**

101 **CONFIDENTIAL** [REDACTED]  
102 [REDACTED]  
103 [REDACTED]  
104 [REDACTED]  
105 [REDACTED] **END CONFIDENTIAL**

106

107 **Q: So the solution that was offered was back-haul.**

108 A: Yes.

109

110 **Q: Did the Company pursue this recommendation?**

111 A: It was reviewed by the Company and was included as number 5 in its Exhibit 3.8  
112 of its direct testimony in this docket.

113

114 **Q: In that exhibit the Company said that this option has supply concerns.**

115 **Does this solution present different supply concerns than other options?**

116 A: The Division does not see how it could. Wherever there is supply there is room  
117 for supply concerns. In other words, if there is a supply problem it could happen  
118 at any gate station. The reality is that if there is a 'supply issue' in the producing  
119 fields, or on a major pipeline delivering gas to the Company, no contract will stop  
120 or prevent the supply problem. If Opal goes down, there will be problems. If  
121 there is a pipeline rupture, there will be problems.

122

123 **Q: So, the topic was first broached in the 2015 JOA process where a remedy**  
124 **was offered but a different solution was later proposed based on the**  
125 **request of the Company. Is that right?**

126 A: Yes. In the past to get more supply in the cold winter days, the Company would  
127 enter into peaking contracts, often transporting the gas through Goshen. That fix  
128 now is apparently not as preferable as the Peak Hour one. However, if the  
129 Company is not granted cost recovery for this service, we presume it will revert  
130 back to using peaking contracts as implied in its past practice and in response to  
131 Division Data Request Response 2.74, attached as DPU Exhibit 2.2.

132

### 133 **PEAK-HOUR SERVICE**

134

135 **Q: Please briefly describe the service that DEQP is offering to provide.**

136 A: The DEQP contract will provide more pressure at Coalville.

137 **Q: Outside of its current business operations, what is DEQP required to do to**  
138 **fulfill this new service agreement?**

139 A: Not really anything. It is not installing more infrastructure, moving more gas, or  
140 hiring new employees, not retraining current employees, or writing new  
141 operations manuals. In short, we were told that the Control Room Operations of

142 DEQP and the Company will not operate any differently with or without this  
143 agreement.

144

145 **Q: Please summarize how DEQP would provide this increased pressure.**

146 A: In response to Division Data Request 1.44 attached as DPU Exhibit 2.3 and in  
147 discussions with the Company we learn that DEQP would provide a Firm  
148 Peaking capacity of 250 MDth/d. This is comprised of:

- 149 1) Increasing the amount of reservation in Dominion Energy  
150 Overthrust Pipeline (DEOP) by 40 MDth/d,
- 151 2) Pulling 45 MDth/d from aquifers, and
- 152 3) Drafting the remaining 165 MDth/d on DEQP as is currently  
153 available.

154 This would result in an increase in the line pressure of 50 psig at Coalville.

155

156 Increasing DEOP Reservation

157 **Q; Is DEOP connected to the Company's system?**

158 A: No. DEOP has no interconnecting facilities with the Company and therefore,  
159 cannot directly transport gas to the Company.

160

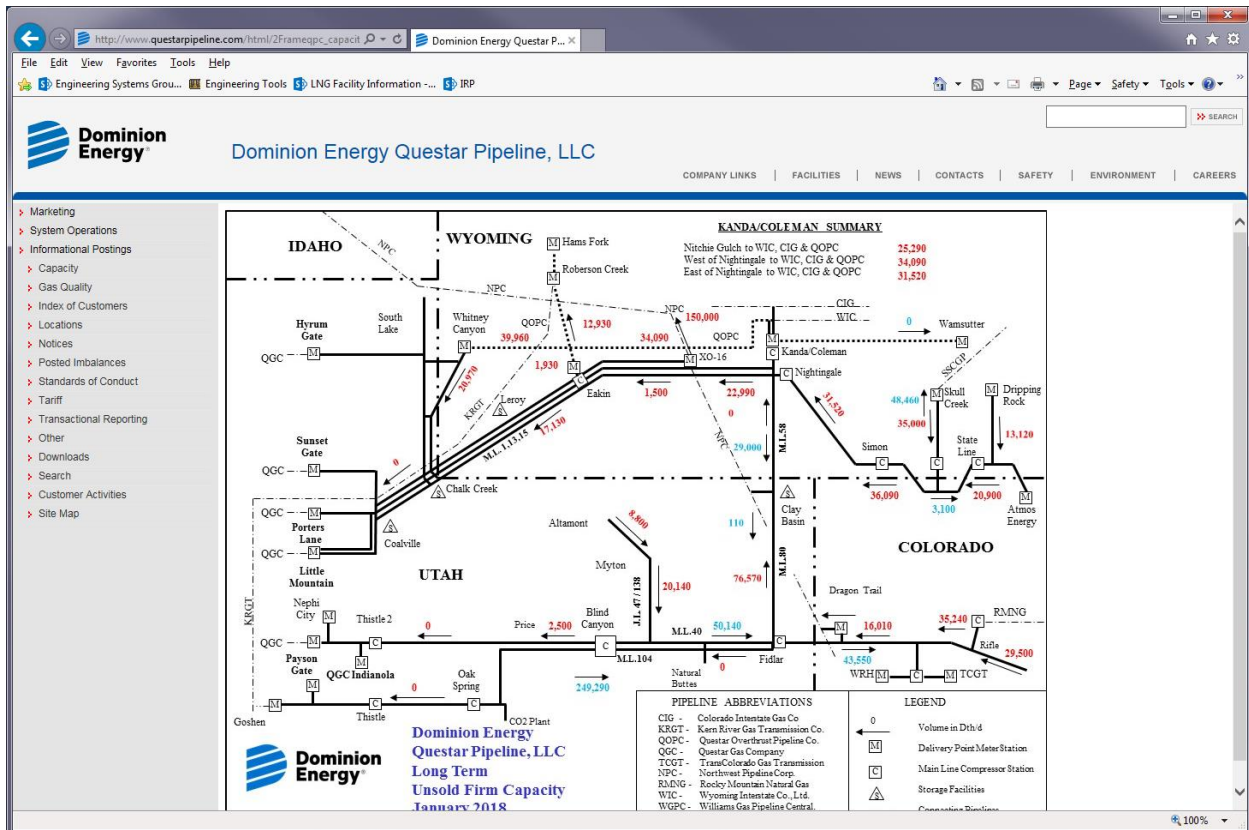
161 **Q: Is there any possible benefit to DEQP to move 40 MDth/d off its system and  
162 onto DEOP's?**

163 A: Yes. It may make more firm capacity available on DEQP's system. On DEQP's  
164 web site on September 27, 2017, DEQP gave a presentation to shippers about  
165 "Acquiring Firm Service – Tariff Revision". The first page stated, "DEQP's tariff  
166 revision proposed to modernize and streamline the sale of firm capacity". So  
167 that indicates that DEQP may be expecting or planning on firm capacity to be  
168 available.

169

170 **Q: Is there firm capacity available now?**

171 **A:** There is in some places, but not where it would be beneficial to the Company,  
 172 which is directly to the right of Coalville in the diagram below.  
 173



174  
 175  
 176 **Q: Would moving this 40 MDth/d from DEQP's system to DEOP's free up**  
 177 **space in DEQP's system that it could sell?**

178 **A:** It could.

179  
 180 **Q: Would this help increase the transportation revenue on DEOP's pipe that is**  
 181 **not fully subscribed?**

182 **A:** Yes. It could.



183

184 **Q: Is transporting on DEOP costlier than transporting on DEQP, as the**  
185 **Company currently does?**

186 A: No. According to the tariff rates, it costs less to transport gas on DEOP than on  
187 DEQP.

188

189 **Q: Since it would cost less to transport on DEOP rather than on DEQP is there**  
190 **an offsetting decrease in the charges to the Company?**

191 A: No. No mention has been made that DEQP would reduce its charges to the  
192 Company as a result. Additionally we are unaware of any pipeline that contracts  
193 with another pipeline to provide service to one of its shippers. This kind of deal is  
194 unprecedented.

195

196

#### Aquifer Usage

197 **Q: With respect to the aquifers, what does the contract provide?**

198 A: DEQP would be using the aquifers to provide 45 MDth/d to help increase the  
199 line pressure at Coalville. It should be noted however, this is a service that the  
200 Company already has the rights to and pays for and has had for decades. This  
201 is described in DEQP's tariff General terms and Conditions section 8.1

202

203

#### Drafting on DEQP

204 **Q: What additional service is DEQP providing regarding the drafting of 165**  
205 **MDth/d?**

206 A: This drafting on DEQP is not an extra service. The ability to pack-and-draft  
207 DEQP's system is already available and used by the Company.

208

209

## SYSTEM ENHANCEMENTS

210

211 **Q: Are there any examples of different avenues the Company has taken in the**  
212 **past to increase pressure?**

213 A: Yes. By the fall of 2013, less than four years ago, the Company said that it was  
214 concerned about the pressure in southern Utah. Therefore, it built a compressor  
215 station near Central Utah which increased the pressure from 650 to 1000 psig at  
216 a cost of \$15.436 million.

217

218 **Q: Has the Company installed other compressors recently to help increase the**  
219 **pressure on its system?**

220 A: No. Rather, in the last few years, it has eliminated three compressors that it  
221 states did not have “the capacity to effectively serve as a solution for Company’s  
222 growing needs.” See the response to the Division’s Data Request 3.03 attached  
223 as Exhibit 2.4. The only one left is the Central compressor station just  
224 mentioned.

225

226 **Q: Could the installation of compressors be a viable alternative to increase**  
227 **pressure?**

228 A: Yes it could. Additionally, it would provide the Company with tangible assets that  
229 it would control for the life of the asset.

230

231 **Q: Is the Company doing any system enhancements currently that could**  
232 **increase the flow and volume along its system?**

233 A: Yes. Just this last February it began construction of the West Gate station, which  
234 will increase the volume by 40,000 Dth/d in the NW part of the SLC Valley.

235

236 **Q: Are there other system enhancements currently that could increase the**  
237 **flow and volume along its system?**

238 A: Yes. The High Pressure Feeder Line Replacement program is a major  
239 expenditure, which is increasing the capacity of the Company's system. Of  
240 particular relevance is the FL 23, which is a project that will provide additional  
241 pressure and flow from the north. This should help mitigate the possible issues  
242 listed in the Company's Exhibit 2.4. From the response to the Division's Data  
243 Request 3.11, attached as DPU Exhibit 2.5, we see that "The FL23 expansion  
244 will likely increase the amount of available Firm Peaking Service to the Wasatch  
245 front"

246

247 **Q: Did the Company's exhibit 3.8 list these system enhancements as possible**  
248 **options?**

249 A: These system enhancements were not mentioned. These are possibilities, and  
250 there may be more. Also, missing from the Company's eight options was option  
251 4 in section 8.4 Peak-Hour Demand and Reliability from the Company's IRP.  
252 That option proposed upgrading or constructing gate stations. Apparently this  
253 was dismissed before testimony was filed although it is precisely what the  
254 Company is now doing with the feeder line enhancements and the new tap.

255

256 **NO-NOTICE TRANSPORTATION – NNT**

257

258 **Q: What other provisions in DEQP's tariff would enable the Company to get**  
259 **this service outside of this new contract?**

260 A: The Company already pays for no-notice transportation (NNT) service.  
261

262 **Q: Is NNT an interruptible service?**

263 A: The DEQP Rate Schedule NNT tariff says that, if the shipper has firm service  
264 then it can get NNT service, which “Shall be firm service” See 1.1 (a) and 2.1 (a).  
265 Additionally it is reinstated in section 9.1 Priority of Service, which states “NNT  
266 and FP service will have the same priority as the shipper’s corresponding T-1  
267 service agreement.” Again T-1 service is firm service. So, according to DEQP’s  
268 tariff, NNT is a firm service.  
269

270 **Q: In the interest of full disclosure, doesn’t the NNT tariff also state that it is**  
271 **subject to curtailment and according to availability (Rate Schedule NNT 2.1**  
272 **(d) (e)?**

273 A: Yes. However if one looks closely at the entire tariff, those terms or clauses are  
274 common in other tariff sections. Even the T-1 or Firm Transportation tariff  
275 Schedule T-12.1(c) (d) says that this firm service is subject to curtailment and  
276 shall be provided according to availability. If that language means that NNT is  
277 not firm, then DEQP’s firm service (T-1) is not firm, neither is DEQP’s (Overland)  
278 Rate Schedule FR Firm Transportation Service firm.  
279

280 **Q: There seems to be at least some room for interpretation of the tariff**  
281 **language. What does the Division recommend?**

282 A: If the tariff leaves room for misunderstandings, then it should be interpreted in  
283 favor of the customer, not the author of the tariff.  
284

285 **Q: Does the NNT tariff allow the Company to take gas above its RDC and daily**  
286 **nominations?**

287 A: Yes. DEQP handles the gas nomination process for the Company and it is not  
288 limited by the Shippers’ RDC. The DEQP tariff Rate Schedule NNT states in  
289 section 3.c.”Irrespective of shipper’s scheduled daily nominations.” 3.g “may

290 authorize Questar to act on its behalf to nominate quantities of gas required...”  
291 and 3.i “Questar will receive from or deliver to a shipper a quantity of gas in  
292 excess of the RDC specified...”  
293

294 **Q: Has DEQP ever provided more gas for DEU than its NNT maximum?**

295 A: Yes. Many times. The NNT contract number limit is not a strict cap.  
296

297 **Q: Like the NNT, does this new Peak Hour contract ‘guarantee’ supply to the  
298 city gates?**

299 A: No. DEQP’s General Terms and Conditions 9.2 Interruption and Curtailment  
300 Procedures says that “due to any cause whatsoever...curtailment or interruptions  
301 will be instituted...” and it doesn’t preclude Firm Peaking deliverability Service.  
302

### 303 CONCLUSION

304  
305 **Q: Do you have any final comments?**

306 A: Yes. The customers of the Company already pay for Firm Transportation  
307 service, NNT service, and whatever costs that are incurred to make sure that  
308 nominations are within the allowable tolerance balance by the end of each  
309 month. The question arises as to how many times customers need to pay the  
310 pipeline for providing transportation service. The Division believes the Peak  
311 Hour contract is a redundant, unnecessary cost.  
312

313 **Q: Was the Company’s decision to contract with DEQP for this service  
314 prudent?**

315 A: No. The Company initiated the idea of Peak-Hour in the JOA, set aside DEQP’s  
316 suggested remedy, contracted with DEQP to pay for a new tariff service without  
317 receiving a tangible benefit, left off the table the options of system

318 enhancements, some of which are being installed now, and downplayed the  
319 importance of the current services it receives from the pipeline. For these  
320 reasons, and those discussed by other Division witnesses, the Division  
321 recommends the Commission deny the Company's request for recovery of the  
322 costs arising from the Peak Hour contract.

323

324 **Q: Does this conclude your direct testimony?**

325 **A: Yes.**