BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

| IN THE MATTER OF THE REQUEST OF DOMINION ENERGY UTAH FOR APPROVAL OF A VOLUNTARY RESOURCE DECISION TO CONSTRUCT AN LNG FACILITY | DOCKET NO. 18-057-03 |

DIRECT TESTIMONY

OF

ALEX WARE

FOR THE OFFICE OF CONSUMER SERVICES

August 16, 2018
INTRODUCTION

Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS ADDRESS.

A. My name is Alex Ware. I am a Utility Analyst for the Office of Consumer Services (Office). My business address is 160 East 300 South, Salt Lake City, Utah 84111.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I received a Masters of Public Policy and a B.S. in Economics from the University of Utah. I previously worked as a Performance Auditor for six years for the Utah Office of the Legislative Auditor General where my duties involved conducting in-depth compliance, financial, and efficiency and effectiveness audits of various state funded agencies and programs. Those audits and associated recommendations were presented before the Legislative Audit Subcommittee. I have worked for the Office for less than a year. I have completed a Utility Analyst training course from New Mexico State University. This is my first time submitting testimony before the Utah Public Service Commission.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS DOCKET?

A. The purpose of my testimony is to present the regulatory history of Dominion Energy Utah (DEU or the Company) informing its regulators and various stakeholders of its stated need in this docket for a liquefied natural gas (LNG) facility to address reliability concerns due to supply shortfalls.
Q. WHAT REGULATORY PROCESSES DID YOU REVIEW TO DETERMINE DEU’S STATED NEED FOR AN LNG FACILITY?

A. I reviewed DEU’s Integrated Resource Plan (IRP) filings across the IRP years 2014 to 2018.

Q. WHY DID YOU FOCUS ON THE IRP PROCESS?

A. Based on IRP guidelines adopted by the Public Service Commission (Commission) in 2009 for DEU in Docket No. 08-057-02, the Company has certain responsibilities to inform its regulators and stakeholders of its resource decisions in annual IRP documents. The Office believes it is important to review if the Company has adhered to these responsibilities in seeking a resource decision as large and costly as an LNG facility. In Section VIII of the guidelines, it states in part:

Each IRP must detail the Company’s intentions for the planning year(s) and must also provide sufficient information and analyses to show how the Company reaches its resource selection conclusions as to the least-cost plan for providing energy services, including acquisition of natural gas and storage, transportation, and distribution services, consistent with the Company’s duties specified in Utah Code 54-3-1 (emphasis added).\(^1\)

Also, in Section IV of the guidelines it states in part:

IRP information, conclusions, and operating strategies may be used by regulators and other parties as evidence in their evaluation of cost recovery of both gas and non-gas cost for the relevant period.\(^2\)

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\(^1\) Docket No. 08-057-02, Report and Order on Standards and Guidelines for Questar Gas Company, Appendix A, Section VIII.

\(^2\) Docket No. 08-057-02, Report and Order on Standards and Guidelines for Questar Gas Company, Appendix A, Section IV.
I conducted a review of DEU’s relevant IRPs to determine if the Company has provided its regulators and stakeholders “sufficient information and analyses” regarding the proposed LNG facility in accordance with the guidelines. The Office asserts reviewing the IRPs will aid the Commission in assessing the reasonableness of the Company’s LNG decision-making process. It would be reasonable to expect that with an investment as large as an LNG facility to address DEU’s stated reliability concerns that there would be consistent long-term planning and thorough review evidenced in its IRPs.

REGULATORY HISTORY OF DEU’S STATED NEED FOR AN LNG FACILITY

Q. WHEN DID DEU FIRST ADDRESS A NEED FOR AN LNG FACILITY IN AN IRP?

A. It appears that DEU first mentioned an LNG facility in its 2014 IRP. This information is found in Exhibit 7 of the IRP, titled Gathering, Transportation, and Storage.

Q. AT THAT TIME, DID DEU PRESENT RELIABILITY CONERNS DUE TO SUPPLY SHORTFALLS AS THE REASON FOR A NEED FOR AN LNG FACILITY?
A. No. DEU asserted a need for an LNG facility in reference to a peak-shaving facility. The Company wrote in total:\(^3\)

\[\text{LNG Peak-Shaving Facility}\]

Questar Gas is currently evaluating the feasibility of an on-system storage facility for peak shaving. This facility could serve as a peak-shaving facility. As part of the evaluation, Questar Gas has contracted with a consultant, CH-IV International, to perform a “Conceptual Cost Study”. This analysis is underway due to the long-lead times required to complete an LNG storage facility project.

Q. DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS 2015 IRP?
A. Yes. Similar to the 2014 IRP, but in more depth, DEU discussed an LNG facility in its 2015 IRP. This information is again found in Exhibit 7 of the IRP, titled Gathering, Transportation, and Storage.

Q. IN ITS 2015 IRP, DID DEU PRESENT RELIABILITY CONCERNS DUE TO SUPPLY SHORTFALLS AS THE REASON FOR A NEED FOR AN LNG FACILITY?
A. No. DEU discussed its assessment of an LNG facility under the section heading Liquefied Natural Gas Peak-Shaving Facility. DEU did not report any evaluation of an LNG facility for purposes other than peak shaving.

Describing its conclusion of its analysis of a potential LNG facility, the Company stated in part:

\[\text{Questar Gas has concluded an evaluation of the viability of an LNG peak-shaving facility as an alternative to the existing peak-shaving storage currently provided by the}\]

\(^3\) Docket No. 14-057-15, Questar 2014 IRP, Exhibit 7, p.7-12
Aquifers...Based on the operational and cost evaluations of an LNG peak-shaving facility, it is not in the best interest of the customers to proceed with this type of facility at this time.\(^4\)

Q. **DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS 2016 IRP?**

A. Yes. Despite reporting in its 2015 IRP that “it is not in the best interest of the customers to proceed with this type of facility at this time”, DEU nevertheless indicated its intention to consider an LNG facility in its 2016 IRP. This information is found in Section 7 of the IRP, titled **Gathering, Transportation, and Storage.**

Q. **IN ITS 2016 IRP, DID DEU PRESENT RELIABILITY CONCERNS DUE TO SUPPLY SHORTFALLS AS THE REASON FOR A NEED FOR AN LNG FACILITY?**

A. No. DEU again only addressed using an LNG facility to meet peak demand issues, addressing it under the heading **LNG Peak-Shaving Facility.** As it recounted the conceptual study completed the prior year, the Company stated in part:

As part of the evaluation, Questar Gas conducted research regarding LNG peak-shaving facilities. Questar Gas also contracted with a consultant, CH-IV International, to perform a conceptual cost study of an on-system facility. The study revealed a number of operational advantages of owning and operating an on-system storage facility. These operational advantages could be used as a long-term solution to the hourly demand swing issues...The Company could withdraw supply from the facility during hours of peak demand as required.\(^5\)

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\(^4\) Docket No. 15-057-07, Questar 2015 IRP, Exhibit 7, p.7-13 to 7-14

\(^5\) Docket No. 16-057-08, Questar 2016 IRP, Section 7, p.7-8
The Company also indicated it planned to proceed with the initial engineering work for a proposed LNG facility during the 2016-2017 IRP year. The Company did not indicate what factors or circumstances had changed leading it to proceed with such engineering work when it stated an LNG facility was not in the best interest of customers just the prior year.

Q. **DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS 2017 IRP?**

A. Yes. However, in this IRP year, the Company altered its stated need for the facility.

Q. **IN WHAT WAY DID DEU ALTER ITS STATED NEED FOR AN LNG FACILITY IN ITS 2017 IRP?**

A. After three years of discussing a need for an LNG facility to address peak demand, and stating it was not in the best interest of customers in 2015, DEU created a new IRP Section 8 in 2017, titled Peak Hour Demand and Reliability. Concerning this new reliability issue, the Company stated in part:

> Over the past few years, the Company has encountered unexpected supply shortfalls due to upstream disruptions including well freeze-offs and plant outages. Three examples of these events were on December 5, 2013, December 31, 2014, and January 6, 2017. These events resulted in intraday supply reductions and reduced supply availability.\(^6\)

However, it is important to note that the majority of this section continued to focus on DEU’s need to address peak-hour demand issues. For the short-

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\(^6\) Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-2
term, the Company stated it contracted with Kern River pipeline for additional services that provide peak-hour supply. Regarding long-term solutions for peak-hour supply, the company stated in part:

The Company considered the following potential remedies for meeting future peak-hour demand requirements (separately or in combination): 1) implementing demand response programs, 2) contracting for additional firm upstream transportation capacity and purchasing excess supply to meet peak demand, 3) additional off-system storage, 4) upgrading facilities, 5) contracting for upstream hourly firm peaking services, and 6) building on-system storage.7

Under potential remedy 6, DEU further stated in part:

The Company’s engineering analysis concluded that owning and operating an on-system storage facility is a critical component of the long-term solution to the peak-hour demand issue...This alternate source of supply would provide additional operational advantages, including the ability to replace supply shortfalls that often occur during periods of high demand, thereby enhancing system flexibility and supply reliability.8

Thus, although DEU mentioned supply reliability in connection with an LNG facility, the 2017 IRP continued to address an LNG facility primarily in the context of peak-hour supply. Further, DEU did not provide supporting details regarding unexpected supply shortfalls, evaluation of potential remedies, or any analysis that demonstrated LNG was the most cost-effective solution.

Q. DOES DEU STILL MAINTAIN THAT AN LNG FACILITY IS NEEDED TO MEET PEAK-HOUR DEMAND ISSUES?

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7 Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-2 to 8-3
8 Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-5
A. No. In Dockets 17-057-09 and 17-057-20, DEU represented that it solved its peak-hour demand concerns by contracting with Dominion Energy Questar Pipeline (DEQP) and Kern River Pipeline for more economical peak-hour services that provide additional gas supply when needed. The Commission recently approved cost recovery to DEU for most of the costs of these services.

Q. WHEN DID DEU EXPLICITLY PROPOSE THAT THE LNG FACILITY IT HAD BEEN CONSIDERING SINCE EARLY 2014 SHOULD BE BUILT TO ADDRESS RELIABILITY CONCERNS?

A. While DEU first mentioned reliability in connection with the LNG plant in its 2017 IRP (filed on June 14, 2017), the first substantial description of any reliability concerns is found in the filing made by DEU in this LNG docket. No justifications for an LNG facility based on reliability issues were ever noted in the 2014 through 2017 IRPs. Prior to this docket, the LNG was primarily discussed in the context of peak hour supply needs.

Q. HAS DEU RELEASED ITS 2018 IRP FOR THIS YEAR?

A. Yes. DEU opened Docket No. 18-057-01 with the Public Service Commission (Commission) on January 12, 2018 providing notice of its intent to file its 2018 IRP. The Company filed its 2018 IRP document with the Commission on June 14, 2018. The 2018 IRP process initiated in Docket No. 18-057-01 is still ongoing with initial comments due September 14, 2018.
Q. DOES DEU DISCUSS A NEED FOR AN LNG FACILITY TO MEET PEAK DEMAND ISSUES IN ITS 2018 IRP?

A. No. In its 2018 IRP, DEU no longer lists peak-hour issues as a reason why an LNG facility is needed.

Q. IN ITS 2018 IRP, WHAT NEED DOES DEU PRESENT TO JUSTIFY AN LNG FACILITY?

A. Similar to information found in this docket opened by DEU to petition the Commission for preapproval to build an LNG facility, the Company created a new section 11 in its 2018 IRP, titled Supply Reliability, that outlines its asserted need for an on-system LNG plant. This information includes 1) a summary of the Company’s asserted need to address supply reliability due to recent supply shortfalls, 2) a summary of options the Company has reviewed to address its reliability concerns, and 3) a conclusion that LNG is the Company’s preferred option.9

Q. WAS A DETAILED SUMMARY OF ITS RELIABILITY CONCERNS AS FOUND IN ITS 2018 IRP, INCLUDING THE COMPARISON OF SOLUTION OPTIONS, AVAILABLE TO REGULATORS BEFORE THE CURRENT DOCKET WAS OPENED?

A. No. It is important to note that DEU filed this application for an LNG facility in this docket a month and a half before it filed its 2018 IRP in Docket No. 18-057-01. Thus, little information regarding a proposed LNG facility was

9 Docket No. 18-057-01, DEU 2018 IRP, Section 11, p.11-1 to 11-6
available to regulators and stakeholders before this LNG docket commenced.

Q. WHAT ARE THE OFFICE’S CONCLUSIONS CONCERNING DEU’S COMPLIANCE WITH IRP GUIDELINES AND RESPONSIBILITIES FOLLOWING YOUR REVIEW OF DEU’S REGULATORY HISTORY IN THESE MATTERS?

A. Based upon my review of DEU’s 2014 to 2018 IRPs, specifically evaluating the Company’s statements regarding its need for an LNG facility, the Office maintains the Company has not adequately met its responsibility (as outlined in the IRP guidelines) to provide “sufficient information and analyses” to its regulators and stakeholders regarding its stated need for an LNG facility.

While the Office acknowledges that DEU has begun to present a more detailed analysis (including costs, benefits, and risks associated with alternatives) of its stated need for an LNG facility in this docket, this is the first time such information has been presented to the Company’s regulators and other stakeholders. None of the discussions of an LNG facility in prior IRPs contained analytics, but merely presented a description of DEU’s choice of LNG, based on inconsistent and shifting rationale for need.

While these shortcomings are primarily a matter to be addressed within the IRP dockets, I also note that the IRP guidelines discuss the use of IRP
information as evidence in proceedings such as this docket. Specifically, in
Section IV in which it states in part:

IRP information, conclusions, and operating strategies may
be used by regulators and other parties as evidence in their
evaluation of cost recovery of both gas and non-gas cost for
the relevant period.\(^\text{10}\)

If DEU had presented relevant analysis in its IRPs, it could have used that
as evidence as further support of this current request to construct an LNG
facility. Similarly, this Commission should also view the lack of relevant
analysis in the IRPs as evidence in this proceeding. In this docket, the IRPs
are evidence that the purported need for an LNG plant did not develop from
an orderly, advanced planning process. Because this is a newly identified
problem and a newly proposed rationale for the LNG plant, the Commission
must give additional scrutiny to this request.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?
A. Yes.