

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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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
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**DIRECT TESTIMONY**  
**OF**  
**ALEX WARE**  
**FOR THE OFFICE OF CONSUMER SERVICES**

August 16, 2018

1

**INTRODUCTION**

2 **Q. PLEASE STATE YOUR NAME, OCCUPATION, AND BUSINESS**  
3 **ADDRESS.**

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

7 **Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

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

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

19 A. The purpose of my testimony is to present the regulatory history of  
20 Dominion Energy Utah (DEU or the Company) informing its regulators and  
21 various stakeholders of its stated need in this docket for a liquefied natural  
22 gas (LNG) facility to address reliability concerns due to supply shortfalls.

23 **Q. WHAT REGULATORY PROCESSES DID YOU REVIEW TO DETERMINE**  
24 **DEU'S STATED NEED FOR AN LNG FACILITY?**

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

27 **Q. WHY DID YOU FOCUS ON THE IRP PROCESS?**

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

35 Each IRP must detail the Company's intentions for the  
36 planning year(s) and *must also provide sufficient information*  
37 *and analyses to show how the Company reaches its resource*  
38 *selection conclusions as to the least-cost plan* for providing  
39 energy services, including acquisition of natural gas and  
40 storage, transportation, and distribution services, consistent  
41 with the Company's duties specified in *Utah Code 54-3-1*  
42 (emphasis added).<sup>1</sup>

43  
44 Also, in Section IV of the guidelines it states in part:

45 IRP information, conclusions, and operating strategies may  
46 be used by regulators and other parties as evidence in their  
47 evaluation of cost recovery of both gas and non-gas cost for  
48 the relevant period.<sup>2</sup>

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<sup>1</sup> Docket No. 08-057-02, Report and Order on Standards and Guidelines for Questar Gas Company, Appendix A, Section VIII.

<sup>2</sup> Docket No. 08-057-02, Report and Order on Standards and Guidelines for Questar Gas Company, Appendix A, Section IV.

50 I conducted a review of DEU's relevant IRPs to determine if the Company  
51 has provided its regulators and stakeholders "sufficient information and  
52 analyses" regarding the proposed LNG facility in accordance with the  
53 guidelines. The Office asserts reviewing the IRPs will aid the Commission  
54 in assessing the reasonableness of the Company's LNG decision-making  
55 process. It would be reasonable to expect that with an investment as large  
56 as an LNG facility to address DEU's stated reliability concerns that there  
57 would be consistent long-term planning and thorough review evidenced in  
58 its IRPs.

59 **REGULATORY HISTORY OF DEU'S STATED NEED FOR AN LNG FACILITY**

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

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

65 **Q. AT THAT TIME, DID DEU PRESENT RELIABILITY CONCERNS DUE TO**  
66 **SUPPLY SHORTFALLS AS THE REASON FOR A NEED FOR AN LNG**  
67 **FACILITY?**

68 A. No. DEU asserted a need for an LNG facility in reference to a peak-shaving  
69 facility. The Company wrote in total:<sup>3</sup>

*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.

70 **Q. DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS**  
71 **2015 IRP?**

72 A. Yes. Similar to the 2014 IRP, but in more depth, DEU discussed an LNG  
73 facility in its 2015 IRP. This information is again found in Exhibit 7 of the  
74 IRP, titled Gathering, Transportation, and Storage.

75 **Q. IN ITS 2015 IRP, DID DEU PRESENT RELIABILITY CONCERNS DUE TO**  
76 **SUPPLY SHORTFALLS AS THE REASON FOR A NEED FOR AN LNG**  
77 **FACILITY?**

78 A. No. DEU discussed its assessment of an LNG facility under the section  
79 heading *Liquefied Natural Gas Peak-Shaving Facility*. DEU did not report  
80 any evaluation of an LNG facility for purposes other than peak shaving.  
81 Describing its conclusion of its analysis of a potential LNG facility, the  
82 Company stated in part:

83 Questar Gas has concluded an evaluation of the viability of an  
84 LNG peak-shaving facility as an alternative to the existing  
85 peak-shaving storage currently provided by the

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<sup>3</sup> Docket No. 14-057-15, Questar 2014 IRP, Exhibit 7, p.7-12

86 Aquifers...Based on the operational and cost evaluations of  
87 an LNG peak-shaving facility, it is not in the best interest of  
88 the customers to proceed with this type of facility at this time.<sup>4</sup>  
89

90 **Q. DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS**  
91 **2016 IRP?**

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

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

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

104 As part of the evaluation, Questar Gas conducted research  
105 regarding LNG peak-shaving facilities. Questar Gas also  
106 contracted with a consultant, CH-IV International, to perform  
107 a conceptual cost study of an on-system facility. The study  
108 revealed a number of operational advantages of owning and  
109 operating an on-system storage facility. These operational  
110 advantages could be used as a long-term solution to the  
111 hourly demand swing issues...The Company could withdraw  
112 supply from the facility during hours of peak demand as  
113 required.<sup>5</sup>

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<sup>4</sup> Docket No. 15-057-07, Questar 2015 IRP, Exhibit 7, p.7-13 to 7-14

<sup>5</sup> Docket No. 16-057-08, Questar 2016 IRP, Section 7, p.7-8

114

115 The Company also indicated it planned to proceed with the initial  
116 engineering work for a proposed LNG facility during the 2016-2017 IRP  
117 year. The Company did not indicate what factors or circumstances had  
118 changed leading it to proceed with such engineering work when it stated an  
119 LNG facility was not in the best interest of customers just the prior year.

120 **Q. DID DEU AGAIN ADDRESS THE NEED FOR AN LNG FACILITY IN ITS**  
121 **2017 IRP?**

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

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

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

130 Over the past few years, the Company has encountered  
131 unexpected supply shortfalls due to upstream disruptions  
132 including well freeze-offs and plant outages. Three examples  
133 of these events were on December 5, 2013, December 31,  
134 2014, and January 6, 2017. These events resulted in intraday  
135 supply reductions and reduced supply availability.<sup>6</sup>  
136

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

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<sup>6</sup> Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-2

139 term, the Company stated it contracted with Kern River pipeline for  
140 additional services that provide peak-hour supply. Regarding long-term  
141 solutions for peak-hour supply, the company stated in part:

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

150

151 Under potential remedy 6, DEU further stated in part:

152 The Company's engineering analysis concluded that owning  
153 and operating an on-system storage facility is a critical  
154 component of the long-term solution to the peak-hour demand  
155 issue...This alternate source of supply would provide  
156 additional operational advantages, including the ability to  
157 replace supply shortfalls that often occur during periods of  
158 high demand, thereby enhancing system flexibility and supply  
159 reliability.<sup>8</sup>

160

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

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

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<sup>7</sup> Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-2 to 8-3

<sup>8</sup> Docket 17-057-12, DEU 2017 IRP, Section 8, p.8-5



169 A. No. In Dockets 17-057-09 and 17-057-20, DEU represented that it solved  
170 its peak-hour demand concerns by contracting with Dominion Energy  
171 Questar Pipeline (DEQP) and Kern River Pipeline for more economical  
172 peak-hour services that provide additional gas supply when needed. The  
173 Commission recently approved cost recovery to DEU for most of the costs  
174 of these services.

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

178 A. While DEU first mentioned reliability in connection with the LNG plant in its  
179 2017 IRP (filed on June 14, 2017), the first substantial description of any  
180 reliability concerns is found in the filing made by DEU in this LNG docket.  
181 No justifications for an LNG facility based on reliability issues were ever  
182 noted in the 2014 through 2017 IRPs. Prior to this docket, the LNG was  
183 primarily discussed in the context of peak hour supply needs.

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

185 A. Yes. DEU opened Docket No. 18-057-01 with the Public Service  
186 Commission (Commission) on January 12, 2018 providing notice of its  
187 intent to file its 2018 IRP. The Company filed its 2018 IRP document with  
188 the Commission on June 14, 2018. The 2018 IRP process initiated in  
189 Docket No. 18-057-01 is still ongoing with initial comments due September  
190 14, 2018.

191 **Q. DOES DEU DISCUSS A NEED FOR AN LNG FACILITY TO MEET PEAK**  
192 **DEMAND ISSUES IN ITS 2018 IRP?**

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

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

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

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

209 A. No. It is important to note that DEU filed this application for an LNG facility  
210 in this docket a month and a half before it filed its 2018 IRP in Docket No.  
211 18-057-01. Thus, little information regarding a proposed LNG facility was

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<sup>9</sup> Docket No. 18-057-01, DEU 2018 IRP, Section 11, p.11-1 to 11-6

212 available to regulators and stakeholders before this LNG docket  
213 commenced.

214 **Q. WHAT ARE THE OFFICE'S CONCLUSIONS CONCERNING DEU'S**  
215 **COMPLIANCE WITH IRP GUIDELINES AND RESPONSIBILITIES**  
216 **FOLLOWING YOUR REVIEW OF DEU'S REGULATORY HISTORY IN**  
217 **THESE MATTERS?**

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

224  
225 While the Office acknowledges that DEU has begun to present a more  
226 detailed analysis (including costs, benefits, and risks associated with  
227 alternatives) of its stated need for an LNG facility in this docket, this is the  
228 first time such information has been presented to the Company's regulators  
229 and other stakeholders. None of the discussions of an LNG facility in prior  
230 IRPs contained analytics, but merely presented a description of DEU's  
231 choice of LNG, based on inconsistent and shifting rationale for need.

232

233 While these shortcomings are primarily a matter to be addressed within the  
234 IRP dockets, I also note that the IRP guidelines discuss the use of IRP

235 information as evidence in proceedings such as this docket. Specifically, in  
236 Section IV in which it states in part:

237 IRP information, conclusions, and operating strategies may  
238 be used by regulators and other parties as evidence in their  
239 evaluation of cost recovery of both gas and non-gas cost for  
240 the relevant period.<sup>10</sup>  
241

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

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251 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

252 A. Yes.

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<sup>10</sup> Docket No. 08-057-02, Report and Order on Standards and Guidelines for Questar Gas Company, Appendix A, Section IV.