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

REBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

SEPTEMBER 6, 2018
Q. WHAT IS YOUR NAME, BUSINESS ADDRESS AND OCCUPATION?
A. My name is Béla Vastag. My business address is 160 East 300 South Salt Lake City, Utah 84111. I am a Utility Analyst for the Utah Office of Consumer Services (Office).

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?
A. Yes, I filed direct testimony on August 16, 2018.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?
A. I will respond to the direct testimonies of Douglas D. Wheelwright and Allen R. Neale of the Utah Division of Public Utilities (Division) and of Kevin B. Holder of Magnum Energy Midstream Holdings, LLC (Magnum). My rebuttal only addresses a limited number of issues. Silence on an issue should not be interpreted to be support or opposition.

Division of Public Utilities

Q. DOES THE DIVISION TAKE A POSITION THAT IS FUNDAMENTALLY DIFFERENT FROM THE OFFICE’S POSITION IN THIS CASE?
A. At a high level, no. The Office agrees with the Division’s characterization of Dominion Energy Utah’s (Company or DEU) filing for approval to construct an LNG facility – that the filing has not provided sufficient evidence and analyses. Specifically, one of Mr. Neale’s conclusions states “this is not sufficient to adequately demonstrate it is most likely to be the lowest reasonable cost option” (Neale Direct, lines 262 – 263), which is a key consideration for approval under the requirements of the Utah Energy
Resource Procurement Act, §54-17-402(3)(b). However, both Mr. Wheelwright and Mr. Neale appear to partially accept DEU’s evidence asserting that the Company has a supply reliability problem due to shortfalls of gas supply caused by cold weather. I address the lack of clarity in this position. In addition, both Mr. Wheelwright and Mr. Neale recommend DEU issue an all source RFP to properly discover all possible alternate solutions to the assumed supply reliability problem. The Division witnesses further propose two alternatives for how DEU could provide additional supporting evidence. I support the suggestion for an RFP but oppose one of the Division’s suggestions for providing additional evidence.

Q. WHAT DO MR. WHEELWRIGHT AND MR. NEALE SAY REGARDING THE COMPANY’S EVIDENCE OF THE EXISTENCE OF A SUPPLY RELIABILITY PROBLEM THAT PURPORTEDLY REQUIRES AN LNG PLANT?

A. On lines 101 - 104 of Mr. Wheelwright’s direct testimony, he states, “A more reasonable and likely reason for using an LNG facility would be in the event of short term supply cuts due to a cold weather event, well freeze off, or short term system maintenance condition.”

Mr. Wheelwright also raises concerns about the DEU’s statement of need in lines 178 – 180 by saying: “Furthermore, it appears the need has been defined by the capacity of the Company’s preferred resource, rather than being independently identified and a facility being sought to meet the need.”
Later, it is not clear whether Mr. Wheelwright accepts DEU’s statement of need when he says in lines 268 – 270, “While DEU has identified its concern, there has been no analysis presented or short term solution identified to satisfy a potential supply shortfall prior to the completion of the proposed LNG facility.”

Mr. Neale, also on behalf of the Division, appears to more clearly support DEU’s statement of need by stating the following:

- “…to some extent the Filing explains and documents events that raise reliability concerns that could be addressed by the Proposed LNG Facility” (Neale Direct, lines 228 – 229),
- “The Company has provided documentation that it has experienced design peak day deficiency events since 2011 that have exceeded 100,000 Dth/d and reached as high as 150,000 Dth/d.” (Neale Direct, lines 413 – 415), and
- “Q. Why is an LNG facility an appropriate solution to this problem?” (Neale Direct, line 423)

In fact, although Mr. Neale includes in his second conclusion the critique that DEU has not demonstrated its proposal as “most likely to be the lowest reasonable cost”, he also states that, “[t]he Proposed LNG Facility will adequately address the stated need to provide a reliable and low-cost service to firm customers.” (Neale Direct, lines 261 – 263)

Q. WHILE THE DIVISION QUESTIONS THE COMPANY’S ANALYSIS OF ALTERNATIVES, IT APPEARS THAT THE DIVISION DOES ACCEPT
THAT DEU HAS ADEQUATELY DOCUMENTED ITS DESIGN DAY RELIABILITY PROBLEM DUE TO SUPPLY CUTS. DOES THE OFFICE AGREE WITH THIS VIEW?

A. While the Division, in general, is very critical of the Company's filing, the statements referenced above appear to suggest that the Division is satisfied that the Company has provided sufficient evidence, analysis and regulatory history defining the reliability problem that it proposes to address with an LNG facility. If this is the Division's position, the Office strongly disagrees.

As discussed in the Office's direct testimony, the Company has had no outages due to supply shortfalls. The Company's only documented outages on its system would not have been prevented by the proposed LNG facility, and the Company's first regulatory filing attempting to provide detailed evidence of a design day reliability problem is in this proceeding. Furthermore, as Office witness Mr. Mierzwa explained in his direct testimony, the construction of LNG plants to solve unexpected supply shortfalls is not a practice of the gas industry. Thus, not only has the Company failed to demonstrate that its proposed LNG solution is the least cost, as suggested by the Division, it also has failed to document the existence (or quantify the magnitude) of a supply reliability problem for which a solution is necessary.

Q. HOW DOES THE DIVISION PROPOSE THAT THE COMPANY REMEDY SOME OF THE SHORTCOMINGS OF ITS FILING?
A. In their direct testimonies, Mr. Wheelwright (lines 410 – 413, 438 – 439) and Mr. Neale (lines 305 – 306, 1214 – 1217, 1423 – 1424) recommend that the Commission order the Company to issue an all-source RFP to allow potential solutions to be considered for the purported supply reliability problem.

Q. WHAT TIMELINE DOES THE DIVISION PROPOSE FOR THE RFP IT RECOMMENDS?

A. The Division’s process recommendations are unclear. Mr. Neale’s fifth recommendation suggests two options when he states, “If it wishes to proceed, the Company should be required to supplement its Filing, or make a new one.” (Neale Direct, lines 270 – 271)

Q. WHAT IS THE OFFICE’S RESPONSE TO THE DIVISION’S RECOMMENDATION FOR AN RFP AND FOR DEU TO SUPPLEMENT THIS FILING?

A. The Office agrees that bids from an RFP process would be preferable to the Company’s self-selected alternatives. However, the Office maintains that a cold weather supply shortfall problem has not been adequately shown or defined and that the timeline of this resource decision proceeding cannot properly accommodate the addition of an RFP. Parties would be disadvantaged if the process involved a hurried RFP and a short timeline to evaluate the RFP results. Supplementing this filing with an RFP would essentially constitute a new filing. If DEU has new evidence to provide, particularly that from a robust RFP which would be a more appropriate level
of analysis and due diligence for such a large investment, then it should withdraw this filing, conduct the RFP and additional analysis, and then make a new filing if appropriate.

**Magnum Energy Holdings**

**Q. WHAT DOES MR. HOLDER SAY ABOUT DEU’S REPRESENTATION OF THE CAPABILITIES AND COSTS OF MAGNUM ENERGY’S FACILITIES?**

**A.** Mr. Holder states that DEU has modeled Magnum’s services in its filing such that they are not an apples-to-apples comparison to the Company’s proposed LNG facility. In his direct testimony, Mr. Holder claims that some of the major misrepresentations in DEU’s filing include:

- The costs of the Magnum services are based on providing both peak hour and supply reliability services while the costs of the proposed LNG plant are just for supply reliability. (Holder Direct, lines 145 – 147).

- The Magnum supply reliability service could provide 150,000 Dth/day of supply backup for more days - twelve days for Magnum versus eight days for the LNG facility. (Holder Direct, lines 232 – 236).

- The Magnum service can also be directly connected to DEU’s distribution system eliminating the need for maintaining service on an interstate pipeline. (Holder Direct, lines 333 – 335).
Q. IF MR. HOLDER’S STATEMENTS ARE CORRECT, WHAT DOES THIS SAY ABOUT DEU’S FILING?

A. The information provided by Mr. Holder is further evidence that the Company has not adequately evaluated all alternatives to its preferred LNG facility for supply reliability services, if needed.

Conclusion

Q. PLEASE SUMMARIZE THE OFFICE’S REBUTTAL POSITION.

A. In general, the direct testimony of the Division and Magnum support the overall conclusions advanced by the Office that DEU’s voluntary request for approval should be denied since the Company did not adequately evaluate alternatives and has not provided sufficient evidence to justify its request. It is not clear whether the Division agrees with DEU’s assertion that there is a reliability problem in supply shortfalls associated with cold weather, which the Office maintains has not been demonstrated by the evidence. The Office supports the Division’s recommendation that DEU should be required to conduct an RFP, but only if a supply shortfall issue can be clearly demonstrated such that alternative solutions can be clearly targeted and addressed in an RFP process. The Office strongly recommends that any significant additional evidence (especially a lengthy process such as an RFP) should only be addressed in a new docket. The Office also asserts that Magnum’s direct testimony is additional evidence that DEU did not adequately evaluate all alternatives prior to requesting approval for its preferred alternative of the LNG facility.
Finally, the Office agrees with the Division that the Company’s insufficient evidence and inadequate alternative analyses do not satisfy the public interest criteria of the Utah Energy Resource Procurement Act, §54-17-402(3)(b). As filed, the evidence does not support a finding that the Company’s proposed resource decision will result in the lowest reasonable cost resource to retail customers or will result in the resource with the best long-term and short-term impacts, risk and reliability.¹

Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes it does.

¹ Utah Code 54-17-402(3)(b), subparts (i), (ii), (iii) and (iv).