BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Request of )
Dominion Energy Utah for Approval ) Docket No. 18-057-03
of a Voluntary Resource Decision to )
Construct an LNG Facility )

SURREBUTTAL TESTIMONY OF

BELA VASTAG

FOR THE

OFFICE OF CONSUMER SERVICES

SEPTEMBER 20, 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 and rebuttal testimony on September 6, 2018.

Q. WHAT IS THE PURPOSE OF YOUR SUURREBUTTAL TESTIMONY?
A. I will respond to the rebuttal testimonies of Dominion Energy of Utah (DEU or Company) witnesses Kelly B. Mendenhall, Tina M. Faust, Michael L. Platt and Michael L. Gill filed on September 6, 2016. I will also summarize the Office's position on the Company's request for approval to construct an LNG facility.

Response to the rebuttal testimony of Kelly B. Mendenhall

Q. IN HIS REBUTTAL, MR. MENDENHALL STATES THAT THE DOMINION INVESTOR PRESENTATION THAT YOU REFERRED TO AND INCLUDED WITH YOUR DIRECT TESTIMONY IS IRRELEVANT TO THIS PROCEEDING. PLEASE RESPOND.
A. I disagree with Mr. Mendenhall. The investor presentation is not irrelevant to this proceeding. On lines 132 – 138, Mr. Mendenhall stated:

While the facility could be a factor in the future, the prudency determination will be known before the facility is ever included in an EPS estimate that is given to investors. For this reason alone, the investor presentation is irrelevant to this proceeding.
Contrary to Mr. Mendenhall’s suggestion that the proposed LNG plant has not yet been included in Dominion’s EPS growth expectations, slide 28 of the Dominion Energy investor presentation lists Utah projects, including the Wasatch Front LNG facility, that support Dominion’s stated goals on slide 4 of driving value and dividend growth for its shareholders. Additionally, on slide 31, Dominion projects “post 2020 annual earnings per share growth of at least 5%”. Based on this presentation, the LNG plant at issue in this docket is already being touted by Dominion with respect to future earnings expectations. The impact of corporate earnings growth goals on the Company’s motives to pursue the construction of an LNG plant make the investor presentation very relevant to this proceeding.


A. Mr. Mendenhall misses the Office’s point. The Commission’s IRP Guidelines require that the Company provide sufficient information and analyses in its IRPs to show how it reaches its resource selection conclusions. If the Company had properly complied with the IRP Guidelines, then that evaluation could have been used as evidence in this
proceeding. The Office’s point in filing testimony about prior IRPs is that such evidence does not exist, thus the Commission must solely rely on evidence provided in this current docket which the Office has shown to be insufficient to support the Company’s request for approval.

Mr. Mendenhall also states: “To the extent that the Office has concerns about the data provided in the IRP dockets, it should (and has) raised those issues in that docket and the Company will address them there.” The Office, or other parties, could not raise concerns on the data provided in an IRP regarding the Company’s decision to construct an LNG plant because none was provided until the 2018 IRP was filed on June 14, 2018. The data and analyses in this docket were provided for the first time on April 30, 2018, before such specific LNG and supply reliability data and analyses were ever filed in an IRP proceeding.

Response to the rebuttal testimony of Tina M. Faust

Q. MS. FAUST, ON LINES 24 – 28, CLAIMS THAT MY DIRECT TESTIMONY STATED THAT DEU DOES NOT NEED TO PLAN FOR OUTAGES LIKE THOSE THAT OCCURRED IN 2011 IN ARIZONA BECAUSE THOSE OUTAGES ARE UNIQUE TO ARIZONA. IS THAT CORRECT?

A. No, Ms. Faust mischaracterizes my testimony. I stated that Southwest Gas’ and Dominion’s systems are not analogous. As I explained in my direct testimony, the two systems are configured differently. For example, at the time of the outage, Southwest Gas did not have nearby access to multiple
storage facilities as Dominion does. Also, the interdependence of electric
generation and natural gas production played a major role in the Southwest
Gas outage – an interdependence not currently significant to Dominion’s
operations. Despite DEU’s assertions, the fact that Arizona approved an
LNG facility for Southwest Gas does not automatically support Dominion’s
request for an LNG facility. DEU must explain the differences in the two
company’s gas systems before the Arizona outage can become relevant
evidence in this proceeding. Furthermore, as cited in my direct testimony,
when Southwest Gas asked its commission in October 2016 to increase the
approved costs of its new LNG plant by 60%, Commission Staff
recommended that the construction of the LNG plant be paused because
two underground salt cavern storage facilities then appeared to be viable,
cheaper and more flexible.

Q. ON LINES 296 – 303, MS. FAUST CRITICIZES THE OFFICE AND OTHER
PARTIES FOR NOT REQUESTING ADDITIONAL DETAILS, NOT
PROVIDING ANALYSES AND NOT OFFERING ALTERNATIVE
SOLUTIONS OR ADDITIONAL OPTIONS TO THE COMPANY’S
PROPOSED LNG PLANT. HOW DO YOU RESPOND?

A. The Commission should give no credence to the Company’s obvious and
improper attempt to shift the burden of proof. The utility, i.e. Dominion
Energy of Utah, clearly bears the burden of proof. Utah statute, Section 54-
17-402 (2)(b), Voluntary Request For Resource Decision Review, states
“The request for approval required by this section shall include any
information required by the commission by rule. Commission Rule R746-440-01 (1)(f), Voluntary Resource Decision Filing Requirements, states that the utility shall provide “Sufficient data, information, spreadsheets, and models to permit an analysis and verification of the conclusions reached and models used by the Energy utility”. The Rules applicable to Resource Decision Requests are consistent with the burden of proof that must be required of the utility. This requirement stems from the fact that (1) utilities regulated by the Commission must bear the burden of establishing that their rates are just and reasonable, (2) that because of the information utilities possess, they hold an asymmetrical advantage over other participants in the regulatory arena, and (3) DEU is the applicant or proponent in this proceeding and must, of course, bear the burden of proof.

Response to the rebuttal testimony of Michael L. Platt

Q. MR. PLATT, AT LINES 18 – 39, CLAIMS THAT THE COMPANY HAS PERFORMED ADEQUATE ANALYSIS VERIFYING THE NEED FOR AN LNG PLANT AND ASSERTS THAT THE OFFICE FAILED TO IDENTIFY ANY ADDITIONAL REQUIRED ANALYSIS OR INFORMATION. HOW DO YOU RESPOND TO THESE STATEMENTS BY MR. PLATT?

A. First, as discussed above, the Company has the burden of proof to perform adequate analyses. Second, Mr. Platt appears to only focus on the Company’s system analysis incorporating the LNG plant and misses the Office’s criticism that the Company has not adequately completed an overall
system analysis. The Office has reviewed the information referenced in Mr. Platt’s rebuttal testimony. However, the referenced system analysis only involves looking at the Company’s preselected LNG plant and how it can handle one scenario – a 150,000 Dth shortfall at a Wasatch Front city gate station. Mr. Platt’s rebuttal actually confirms the Office’s criticism that the Company has not provided sufficient system analysis. As Mr. Mierzwa explained in his direct testimony, the Company has a very robust system encompassing demand, supply, pipelines and storage spread over a large area – already giving it many options to approach supply reliability issues.

The Office asserts that the Company is pre-selecting an LNG plant to meet one shortfall scenario instead of performing a complete system analysis looking for the best and most resilient combination of solutions to meet potential supply reliability problems. The Office also maintains that the supply reliability issue must first be adequately defined before solutions can be properly evaluated. For example, what is the primary concern – well freeze-offs, lack of supply diversity, lack of pipeline diversity, insufficient storage capacity, lack of demand side management options, lack of redundancy of critical system components, lack of plans to handle emergencies or lack of systems to speed up recovery efforts after an outage? Again, until the problem is adequately defined, the best set of solutions cannot be identified. The Company has the burden of proof to present such analyses so that the Commission can properly evaluate a request for resource decision approval.
Q. ON LINES 138 – 164, MR. PLATT ARGUES THAT IT IS APPROPRIATE TO USE SOUTHWEST GAS’ CONSTRUCTION OF AN LNG PLANT IN ARIZONA AS EVIDENCE SUPPORTING DEU’S PROPOSED LNG FACILITY. HE STATES THAT MY OBSERVATION THAT DEU’S AND SOUTHWEST GAS’ SYSTEMS ARE NOT COMPARABLE IS NOT VALID. HOW DO YOU RESPOND?

A. Mr. Platt’s statements are incorrect. DEU’s and Southwest Gas’ situations are very different. Southwest Gas’ January 2014 application for an LNG plant (provided as DEU Exhibit 2.14) states:

“In order to deliver gas supplies purchased from the Permian and San Juan Basins to customers in its Tucson service area, Southwest Gas relies exclusively on El Paso Natural Gas (“El Paso”) interstate transportation services.” [page 4, section 10, emphasis added] and

“Located in and around Texas are providers that offer storage services on El Paso…While these storage arrangements can provide an alternative supply source to gas typically sourced from gas production areas, injection of gas supplies from Texas-based storage into El Paso – some 700 miles upstream of the Company’s distribution system – offers no support for the immediate pressure needs on the distribution system during peak demand or supply shortage events” [page 6, section 16, emphasis added]

These statements demonstrate that Southwest Gas’ situation is very different than DEU’s. DEU has the ability or potential to connect to several pipeline companies that operate near its system – DEQP, Kern River, Northwest Pipeline and Ruby Pipeline (See map in DEU Exhibit 2.02). DEU has service from 5 underground storage facilities – all 200 miles or less away from the Wasatch Front. In addition, Magnum Storage appears to be another storage facility option close to the Wasatch Front.
Q. WHAT DOES MR. GILL SAY ABOUT THE NOT-IN-MY-BACKYARD (NIMBY) ISSUES THAT YOU RAISED IN YOUR DIRECT TESTIMONY?

A. On lines 87 – 89, Mr. Gill states: “Mr. Vastag has not identified a single actual objector to the facility’s construction. As such, his concern is purely hypothetical, and therefore, not a legitimate basis for objecting to the facility.”

Q. WHAT IS YOUR RESPONSE TO MR. GILL’S ASSERTIONS?

A. The general public is unaware of the Company’s plans to construct an LNG facility near Magna. I could not find any Utah media news stories on the proposed plant. The Company has not performed any outreach to the surrounding community - and the Company working with county officials is very different than notifying the neighbors and surrounding areas of a potential LNG plant. Objectors to the construction of the proposed facility cannot be identified because no one in the public arena knows about the plans to build it. It is the Company’s responsibility to reasonably assess public reaction to the risks associated with its LNG plant construction plans.

In an attempt to show that the Office’s nimby concerns are misplaced, Mr. Gill states that the closest residential property is ½ mile away from the Company’s proposed site for its LNG facility (lines 74 – 75).

In my direct testimony, I referenced an explosion at a Washington state LNG plant. When this LNG plant in Plymouth, WA failed in 2014, a 2 mile
radius was evacuated. A May 22, 2014 article (attached as Vastag Exhibit 1.1S) on the Plymouth LNG plant explosion from The Oregonian stated: “It forced an evacuation of 400 residents and agricultural workers within a two-mile radius of the facility.” The article elaborates further: “Jerry Havens, a chemical engineering professor at the University of Arkansas, helped develop the vapor dispersion models that federal regulators used until recently to evaluate hazards from the facilities….Havens was hired in 2005 to assess risks of putting an LNG import terminal in the Port of Long Beach, Calif. Based on his analysis of industry and scientific studies, he defined the hazard zone to the public as a minimum of a 3-mile radius from the facility.” These guidelines make it clear that the Company must evaluate the potential impacts of an LNG plant on current and future neighbors for a much greater radius than ½ mile.

Summary

Q. PLEASE SUMMARIZE THE OFFICE’S OVERALL POSITION.

A. The Office continues to recommend that the Commission deny the Company’s request for approval to construct an LNG facility. The Company’s insufficient evidence and inadequate problem definition and alternative analyses are in conflict with the requirements of the Utah Energy Resource Procurement Act, §54-17-402(3)(b). As filed, it cannot be determined if 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.

In addition, in its rebuttal testimony, the Company attempts to shift the burden of proof away from itself and onto other parties which also is in conflict with the Energy Resource Procurement Act and Commission Rules.

As I stated in my direct testimony, DEU has failed to present sufficient evidence to meet its burden of proof that an LNG facility is needed. The Company’s request is inadequate for the following reasons:

1. Lack of evidence in its application and in DEU’s regulatory history defining a supply reliability problem or that a supply reliability problem clearly exists; and if needed, that an LNG plant is the optimal solution.

2. Failure to adequately investigate all potential supply reliability solutions considering the resilient, inter-connected nature of the DEU system.

3. Lack of evidence that LNG plants are typically used by the natural gas industry as a back-up supply – just to deal with supply disruptions such as well freeze-offs.

4. Failure to demonstrate that 150,000 Dth/day is an appropriately sized plant to remedy its alleged supply reliability problem.

5. Failure to consider the risks of siting an LNG plant in the highly populated Salt Lake Valley.
Q. DOES THAT CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes it does.