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Department of Commerce

Division of Public Utilities

FRANCINE GIANI CHRIS PARKER
Executive Director *Director, Division of Public Utilities*

Recommendation

To: Public Service Commission of Utah
From: Utah Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager
Doug Wheelwright, Utility Technical Consultant
Jeff Einfeldt, Utility Analyst
David Williams, Utility Analyst
Date: May 28, 2019
Re: **Application of Dominion Energy Utah for Approval of a Special Contract with Fleet Saver, LLC for RNGT Service, Docket No. 19-057-11**

Recommendation (Approval With Conditions)

The Utah Division of Public Utilities (“Division”) recommends that the Public Service Commission of Utah (“Commission”) approve with conditions the contract proposed by Dominion Energy Utah (“Dominion” or the “Company”) in Docket No. 19-057-11. The conditions relate to certain language in the agreement and a report to present data that could be used to determine whether pre-existing compressed natural gas customers have been affected by this contract.

Background

On April 11, 2019, Dominion filed an application with the Commission seeking approval of a contract with Fleet Saver, LLC (“Fleet Saver”) involving renewable natural gas transportation.¹ The Division submits this Recommendation in accordance with the Commission’s Scheduling Order.²

Dominion states in its Application that its proposed RNGT Service Agreement (“Agreement”) with Fleet Saver “is just, reasonable and in the public interest because of the economic benefits that it will provide to current NGV users as well as the environmental benefits it will provide by delivering renewable natural gas to our system.”³

Fleet Saver, LLC

Fleet Saver is part of the WRH Group, “which builds, owns and operates a variety of energy related projects, including landfill and digester RNG plants” in the U.S.⁴ WRH owns the gas rights to the Bayview Landfill in Elberta, Utah. RNG is renewable natural gas, also known as raw biogas, and it is the product of organic matter decomposition in landfills. Biogas contains methane, CO₂, water, and other substances. WRH collects the biogas from the landfill and processes it by removing CO₂, water, and other unwanted compounds. The finished product is renewable natural gas, and it is meant to be pipeline-quality gas (i.e. appropriate amounts of methane and acceptable amounts of other compounds), functionally interchangeable with “regular” natural gas.⁵

The Fleet Saver Agreement

Dominion proposes a contract with Fleet Saver whereby Fleet Saver collects the biogas, processes it into pipeline-quality methane RNG, and uses the Dominion pipeline system to

¹ See *Application*, Docket No. 19-057-11 (Application of Dominion Energy Utah for Approval of a Special Contract with Fleet Saver, LLC for RNGT Service).

² *Scheduling Order and Notice of Hearing*, Docket No. 19-057-11, April 29, 2019.

³ *Direct Testimony of Kelly B. Mendenhall for Dominion Energy Utah*, Docket No. 19-057-11, April 11, 2019.

⁴ Testimony of Kelly B. Mendenhall, lines 24-25.

⁵ Testimony of Kelly B. Mendenhall, lines 30-42.

deliver it to Dominion natural gas vehicle (“NGV”) stations. The RNG, once it enters the pipeline, would be mixed with Dominion’s “regular” natural gas. At the NGV stations, Dominion would sell compressed natural gas (“CNG”) to companies who have contracted with Fleet Saver. These companies would use the NGV stations to fill their CNG vehicles.⁶ Dominion’s current NGV station users would continue to use the stations as they normally do. The Fleet Saver sales would be tracked separately, in order to bill Fleet Saver.

Dominion states that capturing this biomethane and delivering it to the Dominion system has environmental benefits:

If emitted into the atmosphere, methane has approximately 25-30 times more global warming potential than CO₂. If that methane is processed and converted into RNG, it can be injected into a commercial pipeline and used for energy. The byproducts produced when burning that methane for energy are essentially CO₂ and water. Thus, there can be a net-negative carbon impact by capturing methane from biogas source and converting that into useable RNG.⁷

Dominion also hopes that as the Fleet Saver program expands, local commercial fleets might switch from standard diesel or gasoline vehicles to CNG vehicles. CNG vehicles have lower emissions than conventionally-fueled gas vehicles, and this could result in lower emissions.⁸

Dominion also believes that the Fleet Saver contract will help ease upward pressure on CNG prices. Dominion states that total usage at all CNG stations in 2018 was about 41% of the usage in 2014.⁹ Given this declining usage, Dominion expects that absent the Fleet Saver program, NGV rates will increase in the expected 2019 general rate case. However, it believes the additional volumes from the Fleet Saver contract “will help reduce the NGV rate in the next general rate case and benefit all other customers in this class.”¹⁰

⁶ *Id.* lines 46-56.

⁷ *Id.* lines 46-51.

⁸ *Id.* lines 54-56. Dominion does not quantify the environmental benefit CNG engines have over traditional gasoline or diesel engines. The U.S. Dept. of Energy Alternative Fuels Data Center states that “In a 2011 study of RNG production methods, Argonne National Laboratory concluded that all RNG methods show significantly less GHG emissions and fossil fuel consumption than conventional fossil natural gas and gasoline.” See https://afdc.energy.gov/vehicles/natural_gas_emissions.html

⁹ Testimony of Kelly B. Mendenhall, lines 114-115; see also Exhibit 1.8 *Historical Usage, NGV Sales by Month*.

¹⁰ Testimony of Kelly B. Mendenhall, lines 178-179.

Discussion

The Division agrees with Dominion that absent the enactment of the Fleet Saver program, or a cross-class subsidy, NGV rates will likely increase significantly in the expected 2019 rate case. The Division also agrees that a successful Fleet Saver program will help to mitigate this rate increase, although it is not clear if an NGV rate increase can be avoided altogether; this will not be known until the adjudication of the rate case.

However, the risk to the average residential or small commercial NGV customer appears to be low, especially when compared to the risk that without the program, prices will almost certainly increase. Dominion will be collecting an administrative fee for each year of the contract: this is designed to cover items such as “account management, measurement and allocation, billing, commercial support, nominations, and scheduling.” In addition, the fee is designed to cover the card-reading system that will be set up to bill Fleet Saver customers.¹¹ Thus, under a worst-case scenario wherein Fleet Saver customers do not purchase much or any CNG over the life of the contract, Dominion will still collect enough in administrative fees to mitigate the basic costs of the program.

There are other possible concerns about the program. For example, are the current NGV stations equipped to handle the higher usage that will result from Fleet Saver customers? Will the higher usage substantially adversely affect the refueling convenience of the current NGV customers? In addressing these concerns, Dominion notes that the NGV stations are currently underutilized, due to the recent drop in usage. Dominion also conducted an analysis wherein the maximum hourly usage expected from the Fleet Saver Agreement was added to the highest usage at each station currently experienced by current customers. Dominion concluded that the current capacities are sufficient to handle the expected maximum load (upstream capacity, service line capacity, meter capacity, and equipment capacity of each station).¹² There is also the likelihood

¹¹ *Id.* lines 136-141.

¹² *Id.* lines 113-126.

that Fleet Saver vehicles will be refueling at times different than times for “normal” NGV vehicles.

In order to verify that the program does not unduly affect current CNG customers, DPU recommends that Dominion prepare a report to be published in this docket a year after the Fleet Saver trucks begin using the CNG stations, listing the following:

- The actual maximum daily amounts and actual maximum hourly usage at each station, as compared to the proscribed amounts in Columns F and G of Attachment A.
- A list of anonymized complaints from: (1) other NGV owners who use the stations (regarding inconvenience caused by Fleet Saver trucks, etc.), and (2) neighboring property owners (regarding noise, traffic, etc. caused by Fleet Saver trucks).

This report can be confidential if needed and may be required in subsequent years as well if problems arise. Alternatively, Dominion could propose including the information in another pertinent report in order to avoid the burden of adding a report to its list of required reports.

Another possible concern is that some of Dominion’s CNG stations are on leased land, and there is always the danger that the land-owner could terminate the lease, thus requiring the closing of the NGV station. If this happened to a high-usage station, the program could be disrupted. Dominion has stated that the stations with the highest expected usage for Fleet Saver vehicles are either owned by Dominion or have lease terms that will last at least until the end of the Fleet Saver Agreement.¹³

Tariff Contract Requirements

Dominion’s tariff requires that the Fleet Saver Agreement include the following provisions:

1. An Approved Receipt Point and daily contract limit for each station where RNG will be delivered.
2. Identification of potential Alternate Receipt Points, at which the Company may also, in its sole discretion, accept the RNG transporter’s gas. The Company reserves the right to

¹³ Informal conversations with Dominion.

require each RNG transporter to utilize the Approved Receipt Point when, in the Company's sole discretion, its operational needs support such a change from any Alternate Receipt Point(s).

3. Provisions to ensure that RNG transporters will defend and indemnify the Company against all claims, demands, costs or expenses for losses of any nature (whether direct or consequential), damage, or injury to persons or property in any manner directly or indirectly connected with or growing out of the service or use of gas service by the RNG transporter, or its NGV customers.

4. Fees and charges as described below.¹⁴

Attachment A to DEU Confidential Exhibit 1.2 meets the requirements of item (1) of the contract requirements.

With respect to item (2), it is not clear that Dominion has listed Alternate Receipt Points as required by the tariff (there is no such column or list in the Agreement). The Division assumes that each station listed in Exhibit 1.2 serves as both an Approved Receipt Point and as an Alternate Receipt Point to the other stations. The Division recommends clarification on this point.

Regarding the indemnity provisions required by the tariff, the Division recommends adding the following language or similar (shown in underlining) to the liability section of the Agreement: "The provisions of this Paragraph 13 are supplemental to and in addition to those indemnity provisions set forth in Section 5.07 of the Tariff, which provisions are hereby adopted as part of this Agreement."

The fees and charges listed in the tariff are covered in the Agreement.

Conclusion

Dominion has stated that the Fleet Saver Agreement "will require no additional rate base."¹⁵ The Division agrees that the proposed Agreement has little downside, as rate base will not be increased and the administrative fee should mitigate the basic costs of the program. The Division

¹⁴ Dominion Energy Utah Tariff for Natural Gas Service in the State of Utah, Section 5.07.

¹⁵ Testimony of Kelly B. Mendenhall, lines 232-233.

recommends some minor Agreement language changes that: (1) make clear that each Approved Receipt Point serves as an Alternate Receipt Point for all the other receipt points, and (2) incorporate indemnity language from section 5.07 of the tariff.

The Division also recommends a report after the first year of operation that lists (1) the actual maximum one-day Fleet Saver amount at each station, (2) the actual maximum hourly usage at each station, and (3) any complaints by “normal” CNG customers and neighboring residents/businesses regarding Fleet Saver usage of the stations. With these conditions, the Division recommends approval of the Agreement.

Cc: Kelly Mendenhall, Dominion Energy
Jenniffer Clark, Dominion Energy
Michelle Beck, Utah Office of Consumer Services