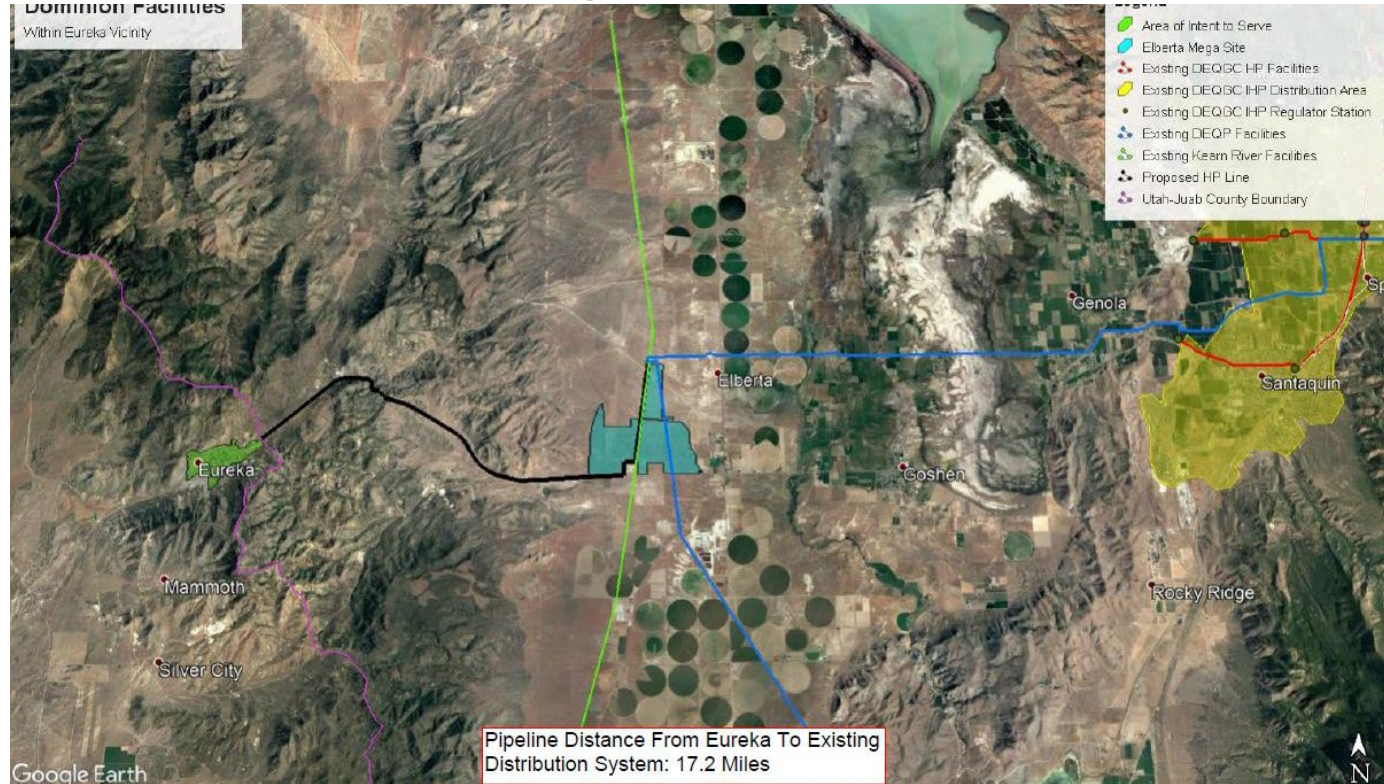


# **Eureka Expansion Technical Conference**

**Docket No. 19-057-31 & 19-057-32**



# DPU 1.05 & 1.06 - Geography



# Approach -

- Developed questionnaires to be completed by the communities and internally
- Questionnaires sent to –
  - Dugway
  - Eureka
  - Garden City
  - Genola
  - Goshen
  - Green River
  - Kanab
  - Rockville
  - Springdale
  - Virgin

# To Date Returns -

- Green River
  - Initial estimate \$30 million
    - \$27.7 HP / 16 miles of 8" HP
    - \$2.3 IHP / ~ 530 services
- Eureka
  - Initial estimate \$15.9 million
    - \$14.5 HP / 8.6 miles of 6" HP
    - \$1.3 IHP / ~360 services
- Kanab
  - Initial estimate \$137.6 million
    - \$133.1 HP / 70 miles of 12" HP
    - \$4.5 IHP / ~2,920 services
    - Most efficient way – go through Arizona
- Rockville / Springdale – Run these two together
  - Initial estimate \$38.2 million
    - \$35.2 HP / 20 miles of 8" HP
    - \$3 IHP / ~470 services

## Next Steps -

Evaluate all sites based on –

- Estimated cost
- Potential new customers
- Impact on current operations
- Impact on current system

Reduce list to top three

Canvas areas to fine tune assumptions

Gain final internal approval to move forward

File with the PSC for expansion by end of 2019

Begin expansion in 2020

# Time Line

- May 2018 – HB 422 signed
- May 2018 - DEU HB 422 team assembled
- October 2018 - Interest emails sent to 10-communities
- November 2018 - Eureka response received
- March 2019 – High level estimates from responding communities reviewed by team
- May 2019 - Focus narrowed to Eureka
- June – October – Closer project review internal and external
- October 21 & 23 – Open House meetings held in Eureka
- December 2, 2019 - Filed with PSC to extend natural gas service to Eureka

# Customer Interest

- Web page on Dominionenergy.com
  - <https://prd-dom-cm.dominionnet.com/company/natural-gas-projects/utah-rural-expansion-program>
- Water bill insert
- Two open houses
  - Surveys
- Canvassing

# DPU Question 1.10 – Water Bill Insert

## Dominion Energy Community Meeting

Please join Dominion Energy to learn more about natural gas and a proposed expansion project to Eureka, Utah. We hope to see you there!

Residents are invited to attend one or both community meetings:

### Monday, Oct. 21

6 - 8 p.m.

Tintic High School  
525 East Main Street  
Eureka, UT 84628

### Wednesday, Oct. 23

6 - 8 p.m.

Tintic High School  
525 East Main Street  
Eureka, UT 84628

Subject-matter experts will be on hand to share details about this project, including:



Natural Gas Facts



Safety Information



Environmental Stewardship



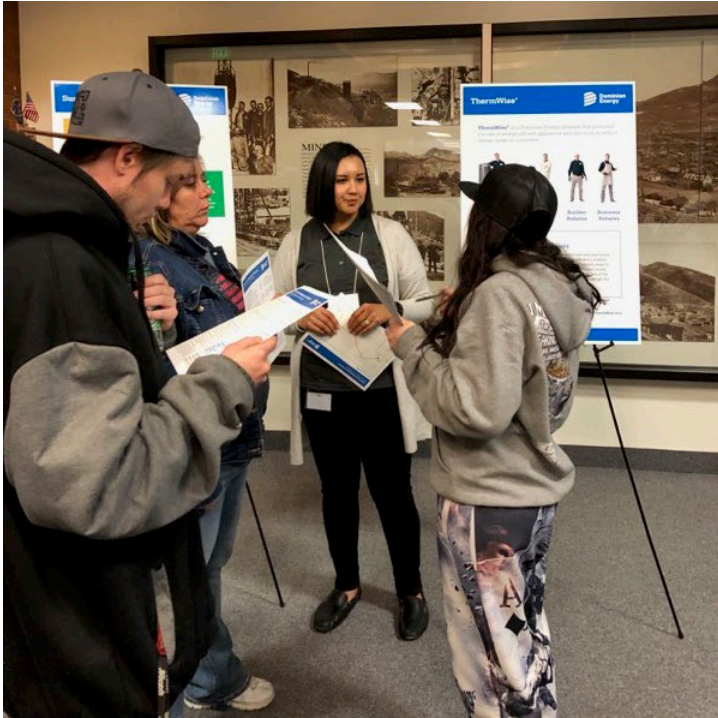
Eureka Project Overview



# Open House



# Open House



# Survey Results

- 206 Responses – 57%
- 94% Own; 6% rent
- 92% interested in natural gas service; 8% unsure
- 68% use propane for heat; 16% wood-fired
- 46% use propane for heat; 50% Electric

# Legislation Summary

- “In a decision relating to a request for approval of rural gas infrastructure development, the Commission may determine that spreading all or a portion of the costs of the rural gas infrastructure development to the larger customer base is in the public interest.”
- “...Commission may approve the inclusion of rural gas infrastructure development costs within the gas corporation’s base rates if:
  - Inclusion of those costs will not increase the base distribution non-gas revenue requirement by more than **2%** in any three-year period **\$50 million**
  - The distribution non-gas revenue requirement increase related to the infrastructure development costs under Subsection (1)(c)(i) does not exceed **5%** in the aggregate; and **\$125 million**
  - The applicable distribution non-gas revenue requirement is the annual revenue requirement determined in the gas corporation’s most recent rate case.”

# Rural Utah Expansion Allowed Spend Example

Year 1	Year 2	Year 3	Year 4	Year 5
\$20	\$10	\$20	\$20	\$10
\$50M spent years 1-3				
	\$50M spent years 2-4			
		\$50M spent years 3-5		

Total spent years 1-5 = \$80 million

Total allowed at current revenue requirement: \$125 million

Remaining that may be spent in future years \$45 million

# Mechanics of GSE Rate

- \$1 million dollars available
- When it's gone, it's gone
- Customers can use funds until it's gone, or until 10 years has passed
- Participants will pay the rate until either
  - 20 years
  - Sooner if paid off
- Customers who come after 10 years or after funds are depleted will be treated as regular customers, paying GS rate and subject to tariff for new service
  - Time limits encourage quick adoption of natural gas

# Funding Amount - \$1,000,000

- Revenue from current residents provides enough to pay for existing customers
  - 20 year period
  - Current allowed return used for discount rate
- This pays for service lines for 360 current customers
- Rounded up to \$1,000,000 to allow for some growth

# Is GSE the same as GSS?

- GSS brought gas to southern Utah
- Tracking costs, tracking revenue
- Eureka customers are only paying for service line, not main
- Encouraged to sign up because the offer expires when the money is gone



# GSE Rate

## GSE VOLUMETRIC RATES

Rates Per Dth Used Each Month  
 Dth = decatherm = 10 therms = 1,000,000 Btu

	Summer Rates: Apr. 1 - Oct. 31		Winter Rates: Nov. 1 - Mar. 31	
	First 45 Dth	All Over 45 Dth	First 45 Dth	All Over 45 Dth
Base DNG	\$1.72670	\$0.72670	\$2.34949	\$1.34949
Base GSE	XXXXXXXX	XXXXXXXX	XXXXXXXX	XXXXXXXX
CET Amortization	0.00033	0.00014	0.00045	0.00026
DSM Amortization	0.25373	0.25373	0.25373	0.25373
Energy Assistance	0.01244	0.01244	0.01244	0.01244
Infrastructure Rate Adjustment	0.25197	0.09629	0.34284	0.18716
Tax Reform <u>Surcredit</u>	(0.10813)	(0.10813)	(0.14722)	(0.14722)
Tax Reform <u>Surcredit 3</u>	(0.03438)	(0.03438)	(0.04550)	(0.04550)
<b>Distribution Non-Gas Rate</b>	<b>\$2.10266</b>	<b>\$0.94679</b>	<b>\$2.76623</b>	<b>\$1.61036</b>
Base SNG	\$0.42320	\$0.42320	\$0.90136	\$0.90136
SNG Amortization	0.01216	0.01216	0.02590	0.02590
<b>Supplier Non-Gas Rate</b>	<b>\$0.43536</b>	<b>\$0.43536</b>	<b>\$0.92726</b>	<b>\$0.92726</b>
Base Gas Cost	\$3.14885	\$3.14885	\$3.14885	\$3.14885
191 Amortization	0.43865	0.43865	0.43865	0.43865
<b>Commodity Rate</b>	<b>\$3.58750</b>	<b>\$3.58750</b>	<b>\$3.58750</b>	<b>\$3.58750</b>
<b>Total Rate</b>	<b>\$6.12552</b>	<b>\$4.96965</b>	<b>\$7.28099</b>	<b>\$6.12512</b>

- New class of customers
- GSE rate will be equal to Base DNG
- Adds \$189 to annual bill (typical)
- Will change with general rate cases
- Revenue from GSE line will be used to pay for service lines

## DPU Question 1.14 – Reconciling Gate Station Costs

- Two sets of gate station costs were developed. One for tapping Kern River (KRGT) and one for tapping Dominion Energy Questar Pipeline (DEQP)
  - DEU received estimates for KRGT and DEQP for their portions of the interconnect facilities
    - KRGT Estimated costs are discussed starting at line 44 of DEU Exhibit 2.0
    - DEQP Estimated costs are discussed starting at line 53 of DEU Exhibit 2.0
  - DEU also developed an estimate for its portion of the interconnect facilities.
    - DEU Estimated costs are discussed on line 58 of DEU Exhibit 2.0
  - The DEU-developed estimated costs were added to the KRGT and DEQP estimates to develop the total estimated gate station costs for each option. Those costs are shown in DEU confidential exhibits 2.06, 2.07, and 2.08.

# DPU Question 1.19 – Estimated Total Project Costs

- The total estimated cost for the expansion project is broken into two main portions
  - One portion consists of estimated costs for gate station construction, High Pressure (HP) main extension and regulator station construction
  - Another portion consists of estimated costs to construct the intermediate high pressure (IHP) main system within Eureka.
- DEU Confidential Exhibits 2.06, 2.07, and 2.08 are the estimated costs to construct three different HP extension options.
- DEU Confidential Exhibit 2.10 is the estimated cost to construct the IHP system
  - Page 2 of DEU Confidential Exhibit 2.0 shows the detail behind the construction contractors costs shown on page 1.
- The total estimated costs can be determined by adding the total of exhibit 2.06 to 2.10