



SPENCER J. COX  
Governor

DEIDRE M. HENDERSON  
Lieutenant Governor

State of Utah  
DEPARTMENT OF COMMERCE  
Office of Consumer Services

MICHELE BECK  
Director

To: The Public Service Commission of Utah

From: The Office of Consumer Services

Michele Beck, Director  
Béla Vastag, Utility Analyst  
Alex Ware, Utility Analyst

Date: October 1, 2021

Subject: Docket 21-057-01

**Dominion Energy Utah's Integrated Resource Plan (IRP) for Plan  
Year: June 1, 2021 to May 31, 2022**

## INTRODUCTION

On June 14, 2021, Dominion Energy Utah (“DEU”) filed with the Utah Public Service Commission (“PSC”) its 2021-2022 Integrated Resource Plan (“IRP” or “2021 IRP”). On July 8, 2021, the PSC issued a Scheduling Order that set a deadline of September 15, 2021 for parties to file initial comments and October 27, 2021 to file reply comments on DEU’s IRP. On September 9, 2021, DEU filed a Motion to Amend the Scheduling Order and change the due date for initial comments on the IRP to October 1, 2021. On September 14, 2021, the PSC issued an Order granting DEU’s motion to amend the schedule in this docket. Also on September 14, 2021, DEU submitted an update to its IRP, providing Supplemental Information regarding additional hedging of DEU’s gas supply for the upcoming 2021-2022 heating season. Pursuant to the amended schedule, the Utah Office of Consumer Services (“OCS”) submits these initial comments on DEU’s 2021-2022 IRP.

The OCS provides comments on the 2021 IRP regarding the following topics:

- Compliance with PSC Order on last year’s IRP – the 2020 IRP
- DEU’s 2021 Supplemental Filing on Gas Supply Hedging

## **COMPLIANCE WITH PSC ORDER ON THE 2020 IRP**

In the PSC's January 5, 2021 Order on the 2020 IRP, the commission confirmed commitments made by DEU in its October 7, 2020 reply comments. Based on those commitments, the PSC ordered DEU to:

- a. include an additional subsection labeled "Supply Reliability" in future IRPs, which will include updates on the operation of the LNG facility and discuss any other concerns regarding supply reliability;*
- b. provide pandemic-related updates in the quarterly variance reports going forward;*
- c. provide additional details when management overrides the SENDOUT model recommendations in future variance reports;*
- d. provide additional details in the Long-Term Planning and Sustainability Sections of future IRPs; and*
- e. include summaries of stakeholder meetings in future IRPs and IRP-related technical conferences.*

The OCS reviewed the 2021 IRP and DEU's last three IRP Quarterly Variance Reports (since the PSC's January 5, 2021 Order) and finds that DEU has mostly complied with the commitments listed above. Specifically, the OCS provides a review below of DEU's progress on each of these commitments from its reply comments from last year's IRP docket.

### **Supply Reliability**

In the 2020 IRP, the OCS noted that the Company did not include its newer supply reliability section. Perhaps the removal of this section was the result of the approval by the PSC in Docket No. 19-057-13 for DEU to build its liquefied natural gas ("LNG") storage facility. However, we recommended then to the PSC to require DEU to bring back that section in the 2021 IRP (and future IRPs) and ensure that any future and completed projects based on supply reliability concerns are presented there. We note that this year's IRP does include the return of the Supply Reliability section and includes an update on the LNG facility still under construction.

### **Update related to COVID-19 Pandemic Impacts**

In this year's IRP, DEU reports on the impacts of the pandemic on its services over 2020 and into 2021. The company states that while there was a two percent drop in total customer usage between February 2020 and February 2021, that is primarily made up of reductions in the commercial and industrial sectors – likely due to the mandatory stay-at-home government orders that occurred during that time. However, the Company reports that a surprising result is residential customer growth and a continued boom in the housing construction sector in Utah (that was not impacted by government restrictions) offset much of the usage declines experienced in other areas. DEU forecasts continued customer growth over the coming IRP year. The Company

anticipates that it will take months to years to see how the shift of many employees across the entire economy to working from home may impact the distribution of gas demand between rate classes. The OCS is interested in any such findings and appreciates that DEU plans to track and report that information to the PSC and other parties.

### **Sendout Model Update**

There was no mention of overriding the SENDOUT model in the Quarterly Variance Reports. The OCS assumes that the model was not overridden, but it would be helpful for DEU to state this in the variance reports.

### **Update on Long-Term Planning and Sustainability**

The Long-Term Planning section is only 1 and 1/3 pages long or about the same length as in the 2020 IRP. Long-term planning is one of the quintessential functions of an integrated resource plan. PacifiCorp's IRP, for example, plans for a 20-year look into the future. The OCS asserts that the Long-Term Planning section in DEU's IRPs should be more substantial, showing how the company is looking ahead to ensure safe, reliable and cost-effective service for ratepayers.

In the Sustainability Section of this year's IRP report, in addition to its renewable natural gas ("RNG") program which was presented in prior IRPs, DEU introduced a hydrogen pilot program. The Company explains that the main goal of this pilot program is to determine if it is possible, safe, and cost-effective to blend hydrogen into its gas supply. There does not appear to be much information yet as the study is in its first of four phases, however, this is an area that the OCS will be monitoring closely.

### **Summaries of Stakeholder Meetings in IRPs and IRP Technical Conferences**

Providing adequate summaries and other information from stakeholder meetings in the IRP is an area where DEU can still improve. The OCS has raised this issue in the past where DEU provides critical information and analyses at IRP technical conferences but not in the IRP document itself.<sup>1</sup> An example in this IRP cycle is the February 9, 2021

---

<sup>1</sup> 20-057-02 OCS comments: "The OCS has raised concerns in other dockets that important information presented in DEU's IRP technical conferences is often not included in the IRP document. Therefore, stakeholders not present at these meetings would be unaware of this information. Also, important information presented verbally would not be in the record at all." 19-057-01 OCS Comments: "The Office asserts that all significant planning information presented in DEU's IRP technical conferences should also be included in the Company's IRP reports for clarity and continuity. It is concerning to the Office that DEU would present critical IRP related information in a technical conference without documentation in the written IRP record for further stakeholder review...6. provide updated and complete information for ongoing topics addressed in the IRP, at a minimum pointing to relevant proceedings if not including a more comprehensive description in the IRP itself, and 7. ensure issues

technical conference where DEU provided an extensive analysis of its gas price market exposure and possible hedging options. There were 14 pages of substantial information in the meeting presentation for this topic.

However, the 2021 IRP provides only a minimal summary on this topic and does not even reference the February 2021 technical conference in this summary. On Page 8-4 of the 2021 IRP, DEU provided the following:

*In 2021, the Company analyzed its exposure to daily price risk based on its existing price stabilization techniques. The results of this evaluation showed that based on 2020-2021 contracts, on a typical winter day, the Company has about 40% of supply purchases exposed to daily price risk. On a Design Day, that exposure increases to 66%.*

*This situation was highlighted during the high-pricing event that occurred in February 2021. Fortunately, the Company was able to utilize cost-of-service production and high storage withdrawals to minimize gas purchases which would have been exposed to record-high pricing. Had this event also corresponded with a high demand event in the DEUWI service territory, any additional supply would have been purchased at extremely high cost.*

*As a result of this analysis, the Company is considering additional price stabilization resources to minimize this exposure on high demand days. The resources being considered include additional storage capacity, additional FOM based supply contracts, and financial hedges. The Company is also working with Wexpro to review any opportunities for increasing cost-of-service production. The Company will continue to review these alternatives with stakeholders prior to adding any alternatives for the 2021-2022 heating season.*

The OCS is very appreciative of DEU's ongoing outreach and collaboration with the OCS and Division of Public Utilities ("PU") on this issue (see hedging discussion below). But, the three short paragraphs above are insufficient coverage of this topic in an annual IRP, considering the importance of the market exposure/hedging issue. The OCS had the same criticism for how DEU documented the need for an LNG plant in the IRP.<sup>2</sup> Substantial analysis and justification for constructing an LNG plant did not occur within the IRP stakeholder process nor was it documented in the annual IRP report. As for this new analysis on gas supply hedging, the OCS believes much, if not all or even more, of the content from the February 2021 technical conference should have been included in the 2021 IRP document, including a discussion on the history of why the

---

discussed in IRP technical conferences are also included and adequately discussed with appropriate detail in the IRP document."

<sup>2</sup> For example, see OCS comments in Docket No. 18-057-01: "For the 2018 IRP, the Office acknowledges that DEU has presented a bit more information regarding the proposed LNG facility, such as size, capability estimates, and more specific descriptions of other considered alternatives, but again, substantive analysis is absent."

process started and a discussion tying all the information together in a cohesive explanation of the problem and possible solutions.

**DEU’S SUPPLEMENTAL FILING – ADDITIONAL 80,000 DTH/DAY HEDGING**

On September 14, 2021, DEU filed supplemental information for the 2021 IRP stating that it had “selected four contracts summing up to 80,000 dth/day” of additional first-of-month fixed priced gas for the 2021/2022 IRP heating season. This is new gas supply not identified or modeled in the main IRP document. DEU’s supplemental filing also explained that the purpose of this additional gas supply is to provide increased hedging or “price stabilization”.

As shown above, Section 8-4 of the 2021 IRP discusses price stabilization. The importance of this issue is new to this year’s IRP<sup>3</sup> and the issue resulted from the extreme high price event for spot market natural gas purchases that occurred in February 2021. DEU’s exposure to market prices during the winter and the cost of the 7-day price spike in February 2021 were explained and discussed in the February 9, 2021 and April 28, 2021 IRP technical conferences, respectively.

During this 7-day event in February, DEU paid on average \$76.17/Dth for daily priced baseload gas and \$102.61 for daily priced spot/peaking gas.<sup>4</sup> Assuming a “normal” price during a cold streak in February is \$6.00/Dth, ratepayers incurred an extra \$60 million in gas costs during that one week. See Table 1 below.

**Table 1 - DEU Gas Supply Costs – February 12-18, 2021 (7 days)**

	(MDth)	Actual Cost/Dth	Actual Total \$s	"Normal" Cost/Dth	"Normal" Total \$s	Difference
Base (Daily)	104.8	\$76.17	7,982,616	\$6.00	628,800	7,353,816
Spot/Peaking (Daily)	546.8	\$102.61	<u>56,107,148</u>	\$6.00	<u>3,280,800</u>	<u>52,826,348</u>
			64,089,764		3,909,600	60,180,164

If this high-price event would have occurred during a period of high demand for DEU customers (such as a very cold winter week), purchased gas cost for ratepayers would have been much higher – far exceeding the \$60 million shown above. To understand this risk, one must first determine how exposed DEU currently is to spot or daily priced gas on a typical winter day and on a very cold day, such as DEU’s design day. Slide 22 from the February 9, 2021 technical conference calculated that this exposure currently is 40% and 66% respectively. For comparison, the February high price event detailed

<sup>3</sup> On page 1-1 of DEU's 2020 IRP, it states "There is not a current need for any additional price stabilization, but the Company will review this on an annual basis to determine whether such measures are appropriate in the future."

<sup>4</sup> April 28, 2021 IRP technical conference presentation, page 25.

above involved only 15% of the gas supply being exposed to daily priced gas purchases. See Table 2 below from the technical conference.

**Table 2 - DEU Gas Supply % – February 12-18, 2021**

Supply Type	Amount (MDth)	%
Wexpro	1,212.60	28%
Base (FOM)	682.50	21%
Peaking (FOM)	175.00	13%
Clay Basin Withdrawal	928.08	3%
Aquifers Withdrawal	562.75	16%
Belle Butte Withdrawal	116.20	4%
Base (Daily)	104.80	2%
Spot/Peaking (Daily)	546.80	13%
	<b>4,328.72</b>	

If the February 12-18, 2021 event would have occurred during typical winter weather, the cost impact could have been 2.7 times (40%/15%) worse or about \$160 million. If the event had occurred during a very cold period, the cost could have been 4.4 times (66%/15%) worse or \$265 million. As a result, DEU began discussions with the OCS and the DPU in May 2021 on potential strategies to stabilize prices (i.e. additional gas supply hedging) if another high-price event occurred this coming winter heating season.

Based on DEU’s analyses and input from the OCS and DPU, DEU proposed hedging an additional 80,000 Dth/day for the upcoming 2021-22 winter heating season and identified four viable options:

1. Additional First of Month (“FOM”) contracts for gas supply
2. Additional Fixed Price contracts for gas supply
3. Additional Underground Storage
4. Increasing the Cap on Wexpro Production above 55%

Increasing Wexpro production was not available for the upcoming heating season. After more in-depth analyses of the remaining three options, DEU proceeded to issue an RFP for 80,000 Dth/day of FOM fixed price gas. DEU received bids from several suppliers and accepted some of the bids based on cost, delivery location and supplier creditworthiness for an additional 80,000 Dth/day of supply. After this heating season, DEU will review the effectiveness of this new price stabilization effort and further evaluate other options going forward. DEU is also currently working with the OCS and

DPU to jointly evaluate whether changing the Wexpro production cap would be another effective method for price stabilization.

It is important to demonstrate how this additional 80,000 Dth/day affects DEU’s exposure to daily priced (or spot priced) natural gas for the upcoming winter. Using data presented in DEU’s February 2021 and April 2021 IRP technical conferences, the additional 80,000 Dth achieves the following reduction in exposure to spot-priced gas:

**Table 3 - DEU Exposure to Daily Price or Spot Price Gas**

	Current	With New 80,000
	<u>Supply</u>	<u>Dth/day</u>
February 2021 Event	15%	2%
Typical Winter Day	40%	29%
Peak Day	66%	60%

The OCS notes that extreme weather seems to be becoming a more common occurrence. Polar vortex events and other extreme winter cold events have happened several times over the last 20 years. The OCS appreciates DEU’s collaboration with parties on gas price hedging and protecting ratepayers from a potential very high cost gas event and supports DEU’s actions to further hedge its supply as described in its supplemental filing.

**RECOMMENDATION**

The OCS recommends that the PSC acknowledge DEU’s 2021 IRP and require DEU to implement the following improvements:

- Make better efforts to include substantial information and analyses in the IRP document itself for important topics presented in IRP technical conferences.
- Provide more information and detail in the Long Term Planning Section, which is an essential function of an integrated resource plan.
- Ensure that quarterly variance reports explicitly state whether or not the SENDOUT model was overridden.

cc:

Kelly Mendenhall, Dominioun Energy Utah  
Chris Parker, Division of Public Utilities  
Email Service List