



SPENCER J. COX  
*Governor*

DEIDRE M. HENDERSON  
*Lieutenant Governor*

# Office of Consumer Services

UTAH DEPARTMENT OF COMMERCE

MARGARET W. BUSSE  
*Executive Director*

MICHELE BECK  
*Director*

To: The Public Service Commission of Utah  
From: The Office of Consumer Services  
Michele Beck, Director  
Alex Ware, Utility Analyst

**REDACTED VERSION**

Date: May 10, 2023

Subject: Docket 21-057-12

**In the Matter of:** Application of Dominion Energy Utah to Extend Service to Green River, Utah

## INTRODUCTION

On April 14, 2023, Dominion Energy Utah (DEU or Company) filed with the Public Service Commission of Utah (PSC) a Request for Review and Consideration of a Notice to Proceed that seeks approval for cost increases in the rural expansion project to Green River, Utah. On April 19, 2023, the PSC issued a Notice of Filing and Comment Period establishing that interested parties may submit initial comments on DEU's filing on or before May 10, 2023 and reply comments on or before May 17, 2023. The Office of Consumer Services (OCS) provides the following comments pursuant to that schedule.

## BACKGROUND

In the filing, DEU claims that due to inflationary pressures and other factors outside its control, the initial cost estimates approved for the rural expansion to Green River have increased by approximately \$11 million, for a total project cost of \$44.3 million.<sup>1</sup> In support of the filing, DEU also submitted the direct testimonies of Company witnesses Austin C. Summers and Michael L. Gill.

---

<sup>1</sup> DEU's Request for Review and Consideration of a Notice to Proceed, p. 2, April 14, 2023

## DISCUSSION

As a preliminary matter, the OCS notes that the cost overruns at issue in this docket are on top of a sizable construction contingency already approved by the PCS as part of the original Green River extension budget.<sup>2</sup>

### DEU's Stated Causes of Project Cost Overruns

In its filing and associated direct testimonies, the Company claims a variety of causes that increased the original cost estimate of the rural expansion to Green River. These stated causes are:

- Inflationary pressure on the cost of pipe and labor,
- Length of the average service line to customer buildings is longer than DEU originally assumed,
- Discovered need for improved alternative current (AC) mitigation on the pipeline DEU purchased from PEMC,
- Recent flooding that lifted some portions of the PEMC pipeline,
- Discovered need for a an interconnect structure not in original engineering assumptions,
- Delays in meeting Bureau of Land Management (BLM) right-of-way requirements lead to a need to redo cultural and environmental surveys, and
- New BLM monitoring requirements.

### To-date Expenses on the Rural Expansion to Green River

The OCS will provide comments in a manner that avoids the confidential dollar amounts provided in DEU's filing. However, it is important to recognize the perspective that by June 30, 2023, DEU will have spent a significant majority of the originally approved Green River expansion budget.<sup>3</sup> Instead of abandoning the Green River project at this point, the Company recommends that the PSC approve the \$11 million cost increase to complete the project.

### **OCS Opinion on DEU's Filing**

After our review of DEU's filing, associated testimony, and data request responses, the OCS does not oppose the Company's request to increase the Green River project's total

---

<sup>2</sup> Docket No. 21-057-12, Confidential DEU Exhibit 2.14 - Cost Estimate 8-5-2021, cell G23. [REDACTED]

<sup>3</sup> Docket No. 21-057-12, Confidential DEU Exhibit 2.14 - Cost Estimate 8-5-2021, cell G34.

Docket No. 21-057-12, Confidential portion of DEU Confidential Exhibit 6.0, Direct Testimony of Michael L. Gill, p.11.

costs. We understand that unforeseen events can occur that put upward pressure on project costs, such as the recent global inflationary trends and damage from flooding. However, the OCS is concerned with cost overruns that seemingly result from updates to planning and/or engineering assumptions following original approval. Specifically, the OCS questions whether DEU could have minimized cost increases in this case had it collaborated with the BLM and updated its engineering assumptions earlier in the project planning process. For example, it appears DEU's work to update the service line length assumptions only required a simple review of satellite images to locate where a propane tank is located on a prospective customer's property – which can be used to identify where the new DEU gas line would likely need to enter the home. Instead, in its original filing for the Green River rural expansion, DEU states it used its common average line length assumption of 47 feet vs the updated estimate of 113 feet unique to the Green River project.

Overall, the OCS believes that DEU needs to tighten its planning and engineering processes to better ensure accurate assumptions are used for each unique capital project. Especially in the context of contingencies already approved in the original Green River extension budget, it is clear that DEU should be required to put more work into better up-front estimates. This need is even more essential as DEU nears one of the two fiscal caps that Utah statutes places on rural expansion programs. DEU is not allowed to increase revenue requirement under this program by more than 2 percent in any 3 year period. If DEU receives approval for the cost overruns discussed in these comments, total outlays for the rural expansion program overall will be within \$10 million of the 2 percent cap.<sup>4</sup>

## **RECOMMENDATION**

The OCS has reviewed DEU's filing and does not oppose its request to cover cost overruns in the rural expansion project to Green River, UT.

cc:

Kelly Mendenhall, Dominion Energy Utah

Austin Summers, Dominion Energy Utah

Jenniffer Clark, Dominion Energy Utah

Chris Parker, Division of Public Utilities

Service List

---

<sup>4</sup> Docket No. 21-057-12, DEU Exhibit 5.0, Direct Testimony of Austin C. Summers, p. 5, 4-14-23.