
Application of Dominion Energy Utah to
Extend Service to Green River, Utah

DOCKET NO. 21-057-12

ORDER

ISSUED: June 12, 2023

SYNOPSIS

The Public Service Commission (PSC) approves Dominion Energy Utah's (DEU) Request for Review and Consideration of an Order to Proceed¹ ("Request")² filed in the referenced docket.

PROCEDURAL BACKGROUND

On April 14, 2023, pursuant to Utah Code Section 54-17-404, Utah Admin. Code R746-440-3, the Settlement Stipulation filed on December 10, 2021, in the referenced docket ("Settlement Stipulation"), and the Order Approving Settlement Stipulation ("Order"),³ DEU filed the Request along with supporting testimony and exhibits.

The PSC issued an Action Request on April 14, 2023, and a Notice of Filing and Comment Period on April 19, 2023. On May 10, 2023, the Division of Public Utilities (DPU) and the Office of Consumer Services (OCS) filed comments and recommendations regarding the Request ("DPU Comments" and "OCS Comments,"

¹ DEU's filing requests a "Notice to Proceed." The PSC's phrasing of an "Order to Proceed" is consistent with the statutory language found in Utah Code Section 54-17-404.

² DEU's Request is supported by direct testimony and exhibits filed by Michael L. Gill and Austin C. Summers.

³ The Settlement Stipulation states in paragraph 13 that "should the costs of the [Green River Expansion Project] exceed the cost estimates provided in the pre-filed direct testimony of R. Scott Messersmith, the Company will seek Commission approval of any excess costs prior to including those costs in the Rural Expansion Rate Adjustment Tracker."

respectively). On May 17, 2023, DEU filed reply comments (“DEU Reply Comments”). No other party petitioned to intervene or filed comments in the Docket.

BACKGROUND

DEU's Request seeks (a) PSC review and consideration of certain changes in projected costs associated with the Green River rural expansion project previously approved in the Order; (b) approval of the proposed cost increases outlined in the Request; and (c) for the PSC to issue an Order to Proceed with this approved resource decision.⁴

DEU states that since the PSC issued the Order it has become aware that the projected costs associated with the Green River project are no longer accurate due to inflationary pressures on materials and labor and other factors outside of DEU's control. DEU now estimates total project costs of \$44.3 million, an increase of approximately \$11 million. DEU also states that the new cost increases do not impact the project's qualifications under applicable law and completion of the project is still in the best interests of ratepayers.⁵ Additionally, DEU states that the Request and associated supporting testimony fully complies with the relevant statutes and regulations, and demonstrates that issuance of an Order to Proceed by the PSC is in the public interest.⁶

⁴ See Request at 1.

⁵ See *id.* at 2, ¶ 5.

⁶ See DEU Exhibit 5.01 for a list of applicable statutes and regulations and where in the Request DEU satisfies each requirement.

According to DEU, the proposed cost increases for the Green River project equate to an annual bill impact for customers of \$2.77, or 0.29 percent.⁷

DPU Comments

DPU states that it reviewed the supporting testimony and exhibits filed by DEU witnesses. DPU also submitted 36 additional questions to DEU seeking clarification on specific statements made in direct testimony, which led to “extensive conversations” with DEU’s witnesses.⁸ DPU also states that it reviewed the statutory requirements and DEU’s exhibits showing the locations in its supporting testimony and exhibits that satisfy each requirement, and ultimately found them sufficient.

According to DPU, it has not yet received a copy of the necessary permits needed for the Green River project as outlined in the Settlement Stipulation and requests DEU file those permits or provide an explanation.⁹

DPU states that DEU seems to have provided three different estimates for the total service line footage needed to build out Green River and is now hesitant to rely on DEU’s new updated service line footage estimate provided in the Request.¹⁰ DPU requests clarification from DEU on the correct service line footage.

Regarding the cathodic protection cost increases, DPU states that the associated unknown costs were already granted to DEU in the Settlement Stipulation

⁷ See DEU Exhibit 5.02 at 4.

⁸ See DPU Comments at 2-3.

⁹ See *id.* at 4.

¹⁰ See *id.* at 6.

considering that DEU anticipated the need for additional work.¹¹ According to DPU, DEU must provide additional details on the revised cost estimates, including comparing cost estimates from contractors, in conjunction with justifications for the proposed changes.

DPU also recommends that DEU provide a more thorough and detailed explanation regarding the decision to include an interconnect building at the interconnect with Northwest Pipeline in the Request.

DPU concludes that “[a]lthough [it] is concerned about the thoroughness of some of [DEU’s] work, it is not sufficient to recommend that the [PSC] deny the Request.”¹² DPU therefore recommends that the PSC approve the Request while requiring DEU to provide the additional information discussed above.

OCS Comments

OCS states that after reviewing DEU’s Request, accompanying testimony, and data request responses, it does not oppose DEU’s request to increase the total costs associated with the Green River project.¹³ OCS comments that it is mainly concerned with cost overruns that are related to design and engineering updates such as the updated service line length needed for each customer. OSC specifically notes “the cost overruns at issue [in the Request] are on top of a sizable construction contingency

¹¹ *See id.* at 6-7.

¹² *Id.* at 8.

¹³ *See* OCS Comments at 2-3.

already” provided for in the “original Green River [expansion] budget.”¹⁴ OCS states that the original assumption of 47 feet needed for each customer service line could have been verified using publicly available satellite images.¹⁵

Additionally, OCS states that DEU could have collaborated with the Bureau of Land Management (BLM) to update its engineering assumptions earlier in the process. OCS also notes that if the cost overruns are approved, DEU’s increase in revenue requirement will be within the statutory requirement, which limits natural gas infrastructure development costs to no more than a two percent increase in the utility’s base distribution non-gas revenue requirement in any three-year period.

Overall, OCS states it “believes that DEU needs to tighten its planning and engineering processes to better ensure accurate assumptions are used for each unique capital project[,]” asserting “it is clear that DEU should be required to put more work into better up-front estimates.”¹⁶ However, OCS concludes that approving the Request is preferred over DEU abandoning the project.¹⁷

¹⁴ *Id.* at 2.

¹⁵ *See id.* at 3.

¹⁶ *Id.*

¹⁷ *See id.* at 2.

DEU Reply Comments

Regarding DPU's comments on missing permits, DEU states that it has received 27 permits to date, is working to obtain one more, and anticipates filing all the permits together once it has obtained all of them.¹⁸

DEU agrees that improvements can be made to future service line estimates, but notes that these are unique projects and when the Settlement Stipulation was approved by the PSC it had not yet laid any service line under the Rural Expansion Program. According to DEU, the updated service line estimate was a direct result of lessons learned from the first two projects in Eureka and Goshen/Elberta.¹⁹ DEU agrees that the estimated total service lines needed was confusing but states the updated figure of 39,550 linear feet found in the Request is the correct number. DEU calculates that it will cost approximately \$572,000 to service the 133 additional customers over the initially projected 350 customers DEU expected to service and represents that these related contingency funds will not negatively impact the project.²⁰

DEU provided an explanation at DPU's request regarding DEU's decision to include an interconnect building at the interconnect with Northwest Pipeline. DEU states that during the design phase of the project, personnel from DEU's operations

¹⁸ See DEU Reply Comments at 2. DEU also provides an explanation as to why it will provide all the permits at the same time.

¹⁹ See *id.* at 3.

²⁰ See *id.* at 4.

department voiced concerns about the security of the facility and the potential for extreme heat in DEU's Remote Terminal Unit, which controls the odorant and over-pressurization equipment. Thus, DEU determined that a building to house all the equipment at the interconnect would be necessary.

Regarding DPU's comments on additional cathodic protection, DEU states that it did not have the opportunity to further inspect the PEMC line since it had not closed on the purchase and noted it would not have that opportunity until after receiving approval from the PSC. DEU states that the documents to which it had access provided no serious concerns about the high voltage transmission lines. After closing on the pipeline, DEU states that it hired a consultant to conduct a more thorough investigation and found that additional protection of the line would be necessary.²¹

DEU does not agree with the OCS's assertion that it could have minimized cost increases if it had collaborated with the BLM and updated some of its assumptions earlier in the planning process. DEU states that it was unable to fully work with the BLM prior to approval of the project, but it did review the BLM's existing grant and attempted to work within the existing parameters. According to DEU, once the BLM received detailed engineering plans of the project, it requested changes to the

²¹ *See id.* at 7-8.

alignment and additional investigations.²² DEU states that these changes by the BLM could not have been predicted prior to approval of the project.

Finally, in response to comments provided by both DPU and OCS, DEU has committed to updating the way it estimates service lines for future rural expansion projects. These commitments include, but are not limited to (a) using publicly available information to develop a service line estimate for every structure in any future project; (b) determine the likely location to set a meter for any prospective customer by using survey responses, satellite images, or in-person inspections; and (c) all service lines will be measured from the anticipated meter location to the likely IHP main location in the street.²³

DISCUSSION, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

The Voluntary Resource Decision Act (“Act”) provides utility companies an opportunity to seek an Order to Proceed, which involves PSC review and determination of whether the energy utility should proceed with the implementation of an approved resource decision due to a change in circumstances or projected costs.²⁴ Utah Admin. Code R746-440-3 provides further guidance to help the PSC determine whether to approve a utility company’s request for an Order to Proceed.

²² *See id.* at 8.

²³ *See id.* at 9.

²⁴ *See* Utah Code Ann. § 54-17-404(1).

DEU is seeking an Order to Proceed due to the changes in projected costs outlined in the Request.

In evaluating whether to approve an Order to Proceed, we must determine whether such approval (a) complies with applicable statutes and rules and (b) is in the public interest, taking into consideration certain factors.²⁵ These factors are the potential benefits to previously unserved rural areas; the potential of new customers; natural gas consumption; and revenues, costs, and other factors determined by the PSC to be relevant.²⁶

Considering the specific requirements of the Act, the PSC finds and concludes DEU filed all the information required by the Act and Utah Admin. Code R746-440-3. The PSC further finds and concludes approval of the Request is in the public interest, as confirmed by consideration of the submissions in this matter, including the direct testimony of DEU's witnesses.²⁷ We also find that DEU's new estimated total project costs of \$44.3 million, an increase of approximately \$11 million, is supported by the record and is not opposed. In addition, the PSC finds that the proposed costs referenced in the Request and attached exhibits of DEU witness Mr. Summers, are within the statutory cap set forth in § 54-17-403(1)(c) of the Act.²⁸

²⁵ See Utah Code Ann. § 54-17-404(1) and § 54-17-402(3)(b)(ii).

²⁶ See Utah Code Ann. § 54-17-402(3)(b)(ii)(A-D).

²⁷ See DEU Exhibit 5.01.

²⁸ See DEU Exhibit 5.03.

The PSC concludes that the record supports our finding that the increase in costs presented in the Request does not change our initial determination that DEU's resource decision to build the Green River Infrastructure Facilities is in the public interest.

The PSC acknowledges the concerns raised by DPU and OCS and appreciates their thoroughness in addressing them directly with DEU. We find that DEU's Reply Comments appropriately addressed these concerns. The PSC also acknowledges the specific commitments DEU made in its Reply Comments to provide more accurate service line estimations in future rural expansion project applications. We believe these commitments should be useful and appreciate DEU making them.

ORDER

Based on the discussion, findings of fact, and conclusions of law referenced above, we approve the proposed cost increases outlined in the Request and issue an Order to Proceed with this previously approved resource decision.

DATED at Salt Lake City, Utah, June 12, 2023.

/s/ John E. Delaney
Presiding Officer

Approved and confirmed June 12, 2023, as the Order of the Public Service
Commission of Utah.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

Attest:

/s/ Gary L. Widerburg
PSC Secretary
DW#328319

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this written order by filing a request for review or rehearing with the PSC within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the PSC fails to grant a request for review or rehearing within 30 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the PSC's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on June 12, 2023, a true and correct copy of the foregoing was delivered upon the following as indicated below:

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