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Date: August 22, 2024

Subject: Docket 24-057-04 – Comments

In the Matter of: Enbridge Gas Utah's Integrated Resource Plan (IRP) for
Plan Year: June 1, 2024 to May 31, 2025

INTRODUCTION

On June 14, 2024, Enbridge Gas Utah ("EGU" or "The Company") filed its 2024-2025 Integrated Resource Plan ("IRP" or "2024 IRP") with the Utah Public Service Commission ("PSC"). On June 27, 2024, the PSC issued a Scheduling Order that set a deadline of August 22, 2024 for interested parties to file initial comments and September 26, 2024 to file reply comments. Pursuant to this schedule, the Utah Office of Consumer Services ("OCS") submits these initial comments on EGU's 2024 IRP.

The OCS submits limited comments on the 2024 IRP to the PSC addressing the following topics:

- Summary of IRP vs Technical Conference Detail
- Supplying Natural Gas to Data Centers
- Storage Overview
- Improving Price Stabilization & Supply Reliability with Additional Storage
- Long Term Planning

Summary of IRP vs Technical Conference Detail

For several years in EGU's (formerly Dominion Energy Utah) IRP dockets¹, the OCS has submitted comments recommending that EGU ensures documentation, analysis, and discussion provided during technical conferences is fully included in the IRP document itself. For the 2024 IRP, EGU has clearly put significant effort into incorporating these recommendations. The OCS had no difficulty finding material presented throughout technical conferences in the actual IRP. The OCS commends EGU for this implementation in this year's IRP. The complexity and importance of resource planning seems to only be growing year after year. Having a fully complete, information-rich planning document that adequately summarizes and supports the process is essential in communicating the important issues and solutions to stakeholders and in maintaining an easily accessible record of the issues that have been addressed.

Supplying Natural Gas to Data Centers

In the Industry Overview section on page 2-3 of the IRP, EGU includes the following section on Data Centers:

Across the U.S. the need for electricity continues to grow. One of the key drivers of this growth is the addition of data centers. Data centers are facilities that house many networked computers that process, store, and share data. Data centers are very intensive energy users. These facilities can use as much as 50 times the energy used by a similar typical commercial building. The electric demand for these facilities can use as much as 100 MW to 300 MW.

Power utilities in some states are expressing that they are unable to meet the increased demand for these data centers. "For example, Portland General Electric in Oregon adjusted its estimates and doubled its previous forecast for the next five years due to more industrial growth, including data centers. The company told one group of data center developers that it would need to assess whether it could provide their facility with 60 MW of power, enough to power 45,000 homes. The developers came up with a solution: off-the-grid, high-tech fuel cells that turn natural gas into lower-emissions electricity, supplemented by the power grid."

In Utah, data center developers are facing similar challenges. In response, the Company has received multiple requests to serve direct power generation at specific data center locations.

The OCS greatly appreciates that EGU recognizes the growing importance of data centers and breaking out the topic to its own section, yet the OCS asserts that EGU could provide some additional details in this section. The CEO of EGU parent company Enbridge, Greg

¹ Docket No. 21-057-01, Comments from the OCS, October 1, 2021, Docket No. 22-057-02, Comments from the OCS, September 1, 2022, Docket No. 23-057-02, Comments from the OCS, August 24, 2023

Ebel, even recently highlighted some of these details during a second quarter earnings call where Mr. Ebel explained:

*"In Gas Distribution, integration is well underway with Enbridge Gas Ohio and Enbridge Gas Utah. The new utilities have been fully funded and will provide long-term, rate-regulated, low risk, capital investment opportunities. **We are seeing this play out in Utah where we are in negotiations to connect up to 200 MW of power to serve data center customers and have had numerous inbound requests to connect up to an additional 1.5 GW over the long-term.**"*² (emphasis added)

The OCS submitted a DR to EGU to gain more understanding of these specific requests and appreciates the Company's quick response time. In response to OCS 3.1, EGU states that a total of 11 requests have been received to-date and while only 1 signed agreement is currently in place, the combined estimated load if all 11 requests were built would be 378 mmcf/day. This equates to approximately 378,000 Dth/day. For comparison, Exhibit 3.9 in the 2024 IRP, *Design Peak-Day Demand Forecast*, shows the highest actual daily sendout for Transportation customers was 364,000 Dth/day in 2023/2024. Given these estimates, the new requests for service could more than double the peak volume being moved for Transportation customers. Additionally, the estimated timeline for construction of these facilities is only 18 to 24 months. This is a relatively short period of time for such significant change and could create a scenario in which parts of EGU's system must rapidly expand to meet demand.

For costs, the Company specifies that "Most of these potential data center customers would be required to pay for system improvements up front. In situations where the additional load would cause constraints on the system the Company would either choose not to serve the customer or charge the customer for upgrades to eliminate the constraint." This statement addresses and mitigates one of the OCS's main concerns, but there are additional factors to consider. The stated potential levels of new load could have a significant impact on both gas supplies and necessary infrastructure, making it an important topic for the resource planning process. Data centers and their respective implications for resource planning are rapidly growing and seem likely to continue to do so into the foreseeable future. By including more specific detail in the IRP going forward, EGU would enable all parties to better evaluate and weigh in on this topic. Given this, the OCS requests that in future IRPS, the data center section be expanded to include as many specific details as possible including how these requests for connections impact future resource and infrastructure needs. The OCS also notes that this would be a good topic for discussion at one of the technical conferences included as part of next year's IRP.

Storage Overview

Due to the price volatility and supply constraints of natural gas experienced widely by utilities and their customers across the United States and the world over the past five years, the OCS maintains its interest in minimizing price and supply risks. In prior comments, the OCS

² <https://www.enbridge.com/media-center/news/details?id=123825>

requested that EGU provide a more detailed assessment of long-term planning issues, which includes gas storage, in its annual IRP. Specifically, the OCS seeks to understand potential storage options in the region and whether there is availability for procurement. EGU has included more information in the 2024 IRP and the OCS appreciates the additional attention to storage issues this year.

During its March 19th, 2024 IRP technical conference, EGU presented the status of its active storage contracts which includes the firm storage at Clay Basin and the peaking storage contracts at three aquifer facilities.³ A notable addition to firm storage this past year is with Spire Storage West, which includes 2,000,000 Dth storage capacity through March of 2029. Withdrawal capacity for this new contract is capped at 22,000 Dth/day. EGU also presented its research into new potential storage at Spire Storage West due to a facility expansion. The Company reports they did not submit a bid due to delivery requirements but states a future gate station with Ruby Pipeline could facilitate takeaway capacity from Spire. EGU states they will continue to work with Spire on this issue. Lastly, EGU presented its findings on the current potential of salt cavern storage with Magnum, aquifer expansion ideas with the Mountain West Pipeline, salt cavern storage with Spire Storage Salt Plains, and whether there is any available storage capacity with Puget Sound Energy, Avista, and Williams. Unfortunately, EGU reports that these options are not currently viable or available to them. EGU states it will continue to review open seasons for pipeline and storage capacity when they are announced.

Beyond the technical conference presentations, EGU provides additional detail in the IRP on the storage facilities which includes notable contract terms and general storage nomination and use procedures. EGU also provides an updated section in the IRP on the Magna Liquid Natural Gas (LNG) Storage facility. In that section, EGU describes the initial commissioning of the facility in December 2022 and how liquefaction was postponed into 2023 due to high natural gas prices and equipment issues that had to be addressed by the manufacturer. EGU reports that the facility is now fully operational, and they will consider both gas pricing and electric costs in liquefaction timing.

Improving Price Stabilization & Supply Reliability with Additional Storage

As discussed above in the Storage Overview section of these comments, the OCS appreciates the expanded discussion of storage options in EGU's 2024 IRP. Storage is an important topic throughout the IRP. For example, on page 8-6 of the IRP's discussion of Price Stabilization, DEU states: "In addition to price stabilization...physical storage also help[s] to secure the reliability of supply." The OCS strongly agrees with this statement. However, price stabilization continues to be a timely issue. Extreme pricing events in the natural gas market during the winters of 2021 and 2023 imposed over \$500 million of additional costs on Utah ratepayers.⁴ Buying gas when it is cheap to put in storage to use later during times when market supplies are constrained and/or when market prices are very high can be a good strategy to address the problem of extreme prices that we endured in

³ On page 10-7 of its 2024 IRP, EGU states that the three aquifer facilities (Leroy, Coalville, and Chalk Creek) will be operated as and referred to as one facility going forward due to a change to Mountain West Pipeline's tariff.

⁴ The balance in EGU's 191 Account stood at \$519,585,000 on February 28, 2023.

2021 and 2023.⁵ Of course, implementing this strategy depends on the cost and availability of new storage options and the ability to perform a robust operational and financial analysis of any potential options.

Proposed Additional Scenario Modeling

Due to the increasing benefits of storage, the OCS requests that for its next IRP the company conduct analyses evaluating cost of storage and carrying cost of gas versus potential savings from avoiding extreme price events like those that occurred in 2021 and 2023. The OCS acknowledges that additional storage adds additional costs to the system and when market prices are low like they are currently, these additional costs may appear imprudent. Nonetheless, if we see more extreme pricing events in the future, the additional storage could more than pay for itself. An analysis of such scenarios would be useful to see in the IRP. If these analyses show that the benefits of additional storage significantly exceed its cost, then the company may want to be more proactive in pursuing new storage options.

Evaluating Potential Uses for Interruptible Storage

Since the filing of the IRP, the OCS has become aware that Williams Cos. Inc. subsidiary MountainWest Pipeline LLC plans to boost the working gas storage capacity at its Clay Basin storage reservoir by nearly 8 Bcf as early as September 2024, pending Federal Energy Regulatory Commission authorization.⁶ This would be an increase in total storage capacity to 128 Bcf from 120.2 Bcf, or about 6.5%. MountainWest proposes to increase working gas capacity to 61.8 Bcf from 54 Bcf (a 14.4% increase) and keep cushion gas flat at 66.2 Bcf. The OCS submitted a DR to EGU asking if the company was aware of this expansion and if the company planned to acquire some of this additional capacity in Clay Basin.

In its response to OCS discovery request 2.1, the company responded that it learned of this potential increase in capacity for Clay Basin in July 2024, after it had filed the 2024 IRP. EGU stated that this expansion of Clay Basin is for interruptible capacity and because of that “it will likely not be of significant impact to decisions going forward.” The response also indicated that “EGU is currently working with MountainWest to determine the details of the expansion and to ensure that the Company’s Firm Storage Service contracts will not be negatively impacted.”

OCS proposes that another storage scenario that could be examined in future IRPs is how and at what cost could additional interruptible capacity at Clay Basin be effective in addressing the price stabilization problem we have seen recently and, though interruptible, in increasing supply reliability.

⁵ For example, natural gas traded below \$2 per Dth for the months of February, March and April 2024, see <https://tradingeconomics.com/commodity/natural-gas>

⁶ See <https://www.capitaliq.spglobal.com/apisv3/spg-webplatform-core/news/article?id=82519374>.

Long Term Planning

Starting on page 4-13, in the Long-Term Planning Section, the 2024 IRP discusses EGU's assessment of what is needed to plan the company's system for the long-term to accommodate growing population and customer demand for natural gas. Table 4.5 on page 4-16 lists the six largest counties by population in Utah and provides their projected increases in population through the year 2060. These six counties represented approximately 85% of total Utah population in 2020.⁷ Table 4.5 in the IRP indicates that these six counties will grow in population by over 1.6 million people by 2060, which represents an increase of over 58%.⁸ Due to this projected growth in population by 2060, EGU states:

“With a steady customer demand and growth rate expected to continue, long term plans and options must be considered to maintain the existing and growing system. The Company is considering a number of methods to maintain the level of service with the increased demand as well as sustainability. The Company has identified a number of projects that could contribute to a long-term solution.”

Following this statement, the IRP then discusses several ways the company could increase capacity on its system to meet this increased demand as Utah's population grows significantly by 2060. However, the Biden Administration has plans for the US to decarbonize our energy and has goals of achieving a carbon pollution-free power sector by 2035 and a net zero emissions economy by no later than 2050.⁹ It is uncertain if the current administration's goal of a net carbon-free energy economy by 2050 is attainable and decarbonization goals may change depending on the outcome of the upcoming election, but the current trend for the energy industry in the US is slowly moving in that direction. Certainly, by the 2060 date used in the IRP's Table 4.5, a carbon-free energy economy could be closer to reality than today.

With this long-term decarbonization trend in mind, the OCS would like the IRP to consider how EGU could address these two large, yet opposing trends: increasing demand for energy, especially for the heating of buildings during cold Utah winters, and an increasing trend toward a carbon-free energy economy. The OCS understands that it is critical for EGU to plan for the near-term for increased demand and to maintain the capacity of its system to supply this increased demand. However, at what point is it imprudent to continue to plan and construct large natural gas infrastructure projects, for example, the planned 720 psig MAOP corridor discussed in this section of the IRP.¹⁰ The company admits that:

⁷ See data provided by the University of Utah Kem C. Gardner Policy Institute, August 2021 Fact Sheet – 2020 Census Utah Counties and Communities at <https://gardner.utah.edu/wp-content/uploads/C2020-Counties-FS-Aug2021.pdf?x71849>

⁸ See page 4-16 of the 2024 IRP

⁹<https://www.whitehouse.gov/briefing-room/statements-releases/2023/04/20/fact-sheet-president-biden-to-catalyze-global-climate-action-through-the-major-economies-forum-on-energy-and-climate/>

¹⁰ See page 4-16 of the 2024 IRP.

“Establishing this corridor will require significant capital investment such as pipe replacement, in-line inspection facilities, heaters, pressure cut stations, etc.” Making large capital investments that may become stranded well before the end of their useful lives would create a financial burden for ratepayers. The OCS does not know the answer to this challenging problem but proposes that the company start considering issues related to it in future IRPs.

RECOMMENDATIONS

The OCS recommends that the PSC acknowledge EGU’s 2024 IRP.

The OCS further requests that EGU address the following in its next IRP cycle:

- Include all applicable and specific detail in the Data Center section of the IRP regarding requests for EGU to connect to and provide natural gas service to data centers.
- Include a discussion on the impact of potential future data centers in a Technical Conference.
- Include more analyses of storage options to provide price stabilization and supply reliability, in particular evaluating scenarios involving cost/benefit analyses of acquiring new storage to address extreme pricing events like those seen in 2021 and 2023 and whether interruptible storage capacity could provide benefit to the system.
- Discuss how EGU could address two opposing trends: increasing demand for energy, especially for the heating of buildings during cold Utah winters, and an increasing trend toward a carbon-free energy economy. This evaluation should include assessing whether proposed large capital investments that have long useful lives are reasonable and in the public interest considering these trends.

cc.

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