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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH TO EXTEND SERVICE TO EUREKA, UTAH And IN THE MATTER OF THE APPLICATION OF DOMINION ENERGY UTAH FOR APPROVAL TO IMPLEMENT A GSE RATE TO PROVIDE SERVICE LINES TO CUSTOMERS IN EUREKA, UTAH	Docket No. 19-057-31; 19-057-32 CONSOLIDATED PETITION TO INTERVENE UNDER UTAH CODE §63G-4-207

Consistent with Utah Code §63G-4-207 and Utah Administrative Code R746-1-108, Rocky Mountain Propane Association (RMPA) does hereby respectfully petition the Commission for intervention in the Application for Approval of Rural Natural Gas Infrastructure Development Project to Extend Service to Eureka, Utah as Docket Number 19-057-31 and Application for Approval to Establish a New GSE Rate to Provide

Service Lines to Customers in Eureka, Utah as Docket Number 19-057-32("Application").

In support of this Petition, RMPA does submit this memorandum containing the following:

1. Statement of facts demonstrating RMPA and its members have a pecuniary interest along with other interests that will be substantially affected by the adjudication of the Application;
2. A statement of the relief RMPA requests from the Commission.

STATEMENT SHOWING RMPA'S INTERESTS WILL BE SUBSTANTIALLY AFFECTED

INTRODUCTORY STATEMENT

RMPA is an association representing members which primarily comprise small businesses providing propane services within the affected area. As demonstrated by the Applicants own survey and preliminary findings, propane heat is used by a majority of the Eureka respondents. *See* DEU Exhibit 1.06. By Applicant's own estimates, Applicant is heavily relying on most, if not all, of these respondents, and by extrapolation a significant portion of the population of Eureka, to discontinue use of propane for heat

to meet Applicant's projections for new users. Obviously, this will have a significant economic impact upon the propane service providers and the Eureka economy.

Moreover, by Applicants own admission, Applicant's decision to apply for an expansion into Eureka to service some potential fraction of the 360 identified residents relied heavily upon the statements from Nick Castleton, Eureka's mayor. Mayor Castleton's statements supporting his opinion that there is broad support for natural gas expansion is made without any qualification of his complete lack of evidence-based data to support any of his conclusions. Most particularly, on page 3 of his testimony at paragraphs 60-68, Mayor Castleton admits that he does not currently use propane or natural gas but purports to know the monthly and annual household costs for both. *See* DEU Exhibit 3.0. The Commission should not base its decision upon such testimony that lacks any indicia of truth or credibility.

Mayor Castleton and Applicant also rely upon future growth of residential and commercial development in and around Eureka. Mayor Castleton refers to mines, potential 180 home developments, and a business that once considered Eureka but needed natural gas rather than propane. Not only are Mayor

Castleton's assertions highly speculative in nature, they do not by themselves support the Applicant's Petitions.

Applicant's Petition is premised upon an assumption that has not yet been supported by adequate data. This assumption is that there will be a net positive to the Eureka community with the proposed expansion. As demonstrated by the testimony of Eric Orton, Applicant has failed to submit sufficient data to allow the Commission to conduct an appropriate cost-benefit analysis of the project's impacts upon Eureka and the larger customer base. This analysis must take into account the negative costs to these communities which should include the impacts upon the local small businesses currently providing propane services and the impact that the loss of future growth upon these small businesses. It is impossible for RMPA or the public to evaluate Applicant's own cost-benefit analysis, as inadequate as it is, because Applicant has redacted and claimed as confidential its associated costs for expansion.

One of the key assumptions made by both the Applicant (See DEU Application Dkt No. 19-057-31 at pg. 2, ¶2) and Mayor Castleton is that without the approval of the project, growth in Eureka is unlikely or impractical. This is not supported by any

publicly available data presented thus far. RMPA members have a directly affected economic interest in the Commission's decision to grant the Applicant a significant competitive and economic advantage in expanding into the Eureka and surrounding area market. This economic interest is not only the impact that this subsidized expansion will have upon their current customer base, but the potential to compete going forward for future customers while the Applicant's expansion is subsidized by customers across the state.

Further, to the extent that Applicant's entry into the Eureka market may be currently warranted, the Applicant's Petitions lack adequate data to demonstrate that the still-significant costs that will be incurred justify subsidization or expansion into the Eureka market. According to the testimony of Eric Orton, Applicant's cost estimates are not even close to finalized, its future customer estimates are wildly overestimated, and its presentation to the Eureka community lacked meaningful cost analysis and other relevant data; therefore, the Commission lacks the necessary data to determine whether subsidizing the entrant of another gas provider into the Eureka market will result in the benefits Applicant and Mayor

Castleton tout rather than merely replace the current gas providers which are predominantly small, family-owned businesses.

Moreover, Applicant has admitted that it failed to document substantially all of its work related to determining the community interest. Applicant's survey does not include any documentation that respondents were provided meaningful information regarding the negative impacts of switching energy sources nor is their any evidence that respondents were provided meaningful information about the likely costs. As Eric Orton pointed out, there are several cost barriers to conversion that were likely not discussed with respondents.

Additionally, Applicant appears to have actively concealed the true costs of the expansion from the Eureka residents. Applicant has provided no evidence the Eureka residents were notified that they would e paying double the GS rate for a minimum of 20 years or until a collective $1,000,000.00 was collected to repay the installation of service lines. No evidence has been presented that Eureka residents were informed that Applicant intended to charge almost three times the approved interest rate on their balances. Instead, Applicant has

provided documentation that it presented the costs associated with their energy source as being more in line with the regular GS rate which is deceptive.

Finally, the Commission has a responsibility to assess the project's impacts upon other communities which will be impacted. This not only includes the communities where propane businesses servicing Eureka are located, but other small communities that also rely upon those same propane businesses for their gas supply demands. Applicant's Petitions lack any data on the impact that their project will have on the economic feasibility of continuing to provide those communities with propane services when such services are no longer able to rely upon the Eureka customer base. Further, Applicant's Petitions do not provide any sort of projected costs or timelines for eventually providing services to these communities.

ECONOMIC IMPACT UPON RMPA MEMBERS

There are several small businesses currently servicing the Eureka and surrounding area market with propane delivery. These businesses would be directly impacted by the proposed project:

1. Freeway Propane; 1240 S. 2000 W., Springville, Utah 84663: Freeway Propane representative Richard Maughan indicated

that Freeway Propane services 84 customers in and around Eureka. Freeway has invested significant amounts in capital equipment to service Eureka. This includes a storage facility five miles southwest of Eureka with a capacity of 200,000 gallons; 7 delivery trucks, 15 employees. Freeway recently did a survey of homes in Eureka and estimated 275 with several vacant or abandoned indicating that Applicant's estimates are also likely exaggerated.

2. Blue Flame; Blue Flame services 128 customers in and around Eureka. Blue Flame has two 20,000 gallon storage tanks, three delivery trucks, one crane, two service trucks, and seven employees servicing the Eureka market.
3. Propane Network, 6520 W. Mills Rd, Levan, Utah 84639.
4. Sawtooth Caverns: http://sawtoothcaverns.com/; multi-million dollar propane storage facility located within 35 miles of Eureka developed in part to insure supply stability across all seasons.

Based upon information provided to RMPA by these businesses, average **annual** customer costs for propane ranges from $700.00 to $900.00, not the ridiculous and unsupported estimates as provided by Mayor Castleton. New customer set up is

approximately $1,500.00; however, cost to remove discontinued tanks would be approximately $2,100.00. The storage and removal of tanks must comply with Utah law which has adopted the International Fire Code, 2015 Edition. Utah Code §15A-5-103. There is no evidence that Applicant provided residents with information regarding their need to comply with these codes regarding storage or removal of equipment or conversion or replacement of appliances.

These customer numbers also demonstrate that Applicant's survey is likely inaccurate, significantly underestimating the number of propane customers in the affected market.

ANALYSIS OF SUBSIDIZING NATURAL GAS INFRASTRUCTURE EXPANSION BY THE NATIONAL PROPANE GAS ASSOCATION (NPGA)

The NPGA has conducted economic analysis and research regarding the policies and feasibility of subsidizing natural gas infrastructure. The economic analysis shows that when projects like the proposed Eureka expansion are subsidized by a tracker or tax payer fund providers such as Applicant are encouraged to over build and over promote unnecessary infrastructure. *See* NPGA Talking points and Summary as exhibit A. Eureka is a good example of this. By their preliminary

estimates, which are almost certain to go up, Applicant's proposal to service 360 new customers will cost in excess of $20 million dollars to Utah customers. When the Commission considers the testimony of Eric Orton regarding the State's projections of only 190 new customers, Applicant's proposal looks even more like unnecessary gas infrastructure. However, there is little support for either of these projections and the number of likely new customers is probably much lower. Without a survey which adequately discloses the true costs to Eureka residents, Applicant and the State are merely speculating.

Whether the Applicant's Petitions met the policy goals behind HB 22, now Utah Code 54-17-401, cannot be assessed without taking into account the larger impacts upon the taxpayer, the Eureka community, affected businesses, and the larger customer base. Applicant's Petitions seek to expand service to Eureka's residence at tremendous per resident cost and request that these costs be in part covered by current customers across the State. As the NPGA points out, this is not only a subsidization of the costs of expanding infrastructure into a sparsely populated area, it is a subsidization of the Applicant's shareholders. Applicant has not demonstrated that it

lacks the operating cash or capital to make this investment without significantly burdening its Utah customers. Neither has the Applicant demonstrated that shifting this burden to the Utah customers and subsidizing it growth and shareholder dividends is in the public's interest through an appropriately informed cost-benefit analysis.

BARRIERS TO CONVERSION

Applicant's Petitions fails to provide sufficient data to show that it has accounted for the affect that the existing barriers to customer conversion will have upon its projected future customers in the Eureka market. Applicant either did not provide the Eureka residents with accurate disclosures of the true costs or has failed to document its disclosures of the true costs.

As noted by the testimony of Eric Orton, Applicant's disclosures were deficient with respect to the costs associated with each customer providing their own connection to Applicant's infrastructure, the costs of converting or replacing current appliances, the costs associated with disposing of discontinued propane tanks, appliances, wood burning stoves, the carrying costs and interest proposed by Applicant to be assessed to cover

installation of the service lines, and the costs associated with the Applicant's ongoing service. Neither the Applicant's Petition nor Eric Orton on behalf of the Utah Division of Public Utilities provided a methodology or data to show how they arrived at their estimates for customers who would switch to Applicant's utility. Given the potential significance of the barriers to conversion, Applicant's Petitions falls short of providing the data necessary for the Commission to evaluate the cost-benefits of the project. RMPA has an interest in protecting its existing customers from potentially misleading and inaccurate information.

APPLICANT'S UNSUPPORTED AND INACCURATE ASSERTIONS

Much of Applicant's Petitions are based upon unsupported and speculative conclusions and assertions. This includes projections of growth and use which are almost wholly derived from Mayor Castleton's testimony. Mayor Castleton failed to support virtually all of his testimony with any kind of corroborative facts or evidence. Instead, he engages in speculation and hyperbole, the preferred medium of politicians, rather than in data-driven analysis. His testimony should be

completely disregarded as an insufficient substitute for actual data and evidence.

Applicant also asserts that Eureka's residents "will enjoy lower, predicable, regulated rates for energy instead of relying on unpredictable energy prices that currently vary significantly based on market forces…Further, residents of Eureka will have the benefit of a more reliable energy source that is not dependent upon the availability of propane, wood, coal, and fuel oil." These statements are made without any evidence or data to support the assertions contained.

The Applicant also makes assertions that are contradicted by its own statements. Applicant's Petitions proposes assessing a GS rate to Eureka residents double that of normal GS customers and assessing an interest rate of 9.33% on the carried balance Applicant will incur for installing all service lines. At the current GS rate, when doubled and accounting for interest assessed, Applicant has misled Eureka residents on the cost comparisons and potential cost savings of natural gas vs. propane. Based upon their own numbers, Applicant's rates will result in natural gas service being far more expensive than propane costs. As indicated by several small businesses

currently providing propane services in Eureka, the average annual costs for propane in Eureka is between $600.00 to $900.00. With what data Applicant has provided, RMPA estimates that the annual costs of natural gas for Eureka residents will be approximately $1,500.00 or more.

RMPA has an interest in participating before the Commission on this matter to demonstrate that these statements are untrue and that communities served by locally owned small businesses such as the ones listed in this Petition do in fact provide their customers with a reliable, stable, and affordable energy source.

APPLICABLE STANDARD

Applicant's Petitions must meet the applicable legal standards for approval under Utah Code. The Petitions fail to meet these standards.

RURAL GAS INFRASTRUCTURE PROJECT UNDER §54-17-402

The Applicant was required to include in its Petition the following:

(i) A description of the proposed rural gas infrastructure development project;

(ii) An explanation of projected benefits from the proposed rural gas infrastructure development project;

(iii) The estimated costs of the rural gas infrastructure development project; and

(iv) Any other information the commission requires.

Further, under Utah Administrative Code R746-440-1, where this is a request for approval of a resource decision, the Applicant was required to demonstrate the foregoing with "testimony and exhibits" that must include engineering studies, data, information and models used, descriptions and comparisons of other resources and alternatives to be considered; sufficient data, information, spreadsheets, and models to permit an analysis and verification of the conclusions reached by the Applicant; financial information demonstrating financial capability to implement the resource decision. By Applicant's own admission, they have not even provided a firm bid for its proposed connection to DEQP and instead are treating this a preliminary approval mechanism with the stated intent to acquire the actual firm costs only after approval of the project.

As noted by Eric Orton in his testimony, the Applicant's Petitions provides inadequate or no data at all with respect to

many of its conclusions. What data it has provided has been deemed confidential making it impossible for the public, including the residents of Eureka, to fully understand the scope and costs of the proposed project. RMPA has a substantial interest in seeing that this project is based upon accurate information and that the demand for an additional energy source warrants the significant investment the Applicant would make and seek to recover from the residents of Eureka and from its entire customer base.

REQUEST FOR RELIEF

WHEREFORE, based upon the forgoing, RMPA requests that pursuant to Code §63G-4-207 and Utah Administrative Code R746-1-108, that it be permitted to intervene in the Docketed matters and that the Applicant's Petitions be denied.

Dated this 1st day of April 2020.

FROERER & MILES, P.C.

/s/Zane S. Froerer
Zane S. Froerer
Attorney for RMPA

VERIFICATION

I, Tom Clark, as the Executive Director of the Rocky Mountain Propane Association, do verify that the statements contained in the foregoing Petition to Intervene are true and correct, to the best of my knowledge, under penalty of perjury. Dated the 1st day of April 2020.

Tom Clark
RMPA Executive Director

Certificate of Service

I hereby declare that on April 2,2020 I caused a true and correct copy of the CONSOLIDATED PETITION TO INTERVENE UNDER UTAH CODE §63G-4-207 to be served to the following as indicated below:

Via Email: Public Service Commission
psc@utah.gov

Dominion Energy
Leora.abell@dominionenergy.com

Via U.S.P.S in a sealed envelope with first class postage prepaid:

Public Service Commission
160 E 300 S #4
Salt Lake City, UT 84111

Dominion Energy
Legal Department
C/O Leora Abell
PO Box 48433
Salt Lake City, Utah
84145-0433

/s/ Coryne L. Taylor
Paralegal

Exhibit A

NPGA

NATIONAL PROPANE GAS ASSOCIATION

Natural Gas Expansion Should Not Rely Upon Taxpayer or Ratepayer Subsidies

The United States has recently seen dramatic increases in energy production from shale formations. The natural gas industry has been a principal beneficiary of the shale revolution, leading to ever-increasing amounts of natural gas. But this good news has also presented a serious challenge for the propane industry. Rapidly increasing natural gas production has led many policy makers—governors and legislators—to contemplate extending natural gas service to those consumers that do not now have it. As decision-makers focus on low natural gas prices—$3 per million Btu's (about one thousand cubic feet)—they overlook that delivery to the home adds anywhere from $5 to $10 to the total cost for current natural gas customers. Delivery infrastructure for new customers requires, in all likelihood, an even higher all-in cost.

New natural gas infrastructure is expensive. Gas mains can cost $1 million per mile or more. Costs escalate quickly in difficult terrain. These capital costs, together with the costs of operations and maintenance, must be recovered in the delivery charge paid by customers. To make economic and financial sense, the revenue stream from new customers must exceed the total cost of serving them. Given the high capital costs of providing natural gas delivery service, successful service expansions require significant population density so that the revenue stream is sufficient to cover costs. In most areas not now served by natural gas—more sparsely populated areas—the economics simply do not work.

Over time the "rate base" of natural gas utilities declines as they depreciate their assets, and, as a result, their return to shareholders decreases. This causes utilities to seek new customers and new markets. Yet in many, if not most, of those new markets the population density is not adequate to generate sufficient revenues to cover the costs of serving them. As a result, utilities seek taxpayer subsidies to fund the expansion or seek to have current natural gas customers help pay to serve new natural gas customers.

These schemes are unfair to taxpayers and current natural gas customers, who essentially are subsidizing new customers and, more importantly, utility shareholders. They are economically inefficient in that below-market prices to new customers encourage unwarranted construction. They also represent unfair competition for competing energy providers (such as electricity, propane, fuel oil, and wood) because the utility employs its government-granted monopoly power over existing customers to subsidize its market expansions into new areas.

The National Propane Gas Association (NPGA) has more than 2,500 members that distribute propane to customers. These propane retailers compete in free and open markets with the suppliers of other forms of energy and, indeed, with each other. NPGA supports free competition among energy sources and energy retailers. NPGA opposes the uneconomic expansion of natural gas systems that rely upon taxpayer or ratepayer subsidies.

NPGA
NATIONAL PROPANE GAS ASSOCIATION

Talking Points on Natural Gas Line Extension Situations

COST ARGUMENTS

- Most Americans who will ever have natural gas service have it now. With some exceptions, those without natural gas service do not have it because the utility cannot financially justify extending service to them.
- While the price of natural gas today is about $3 per million Btu's (approximately one thousand cubic feet), current natural gas customers pay an additional amount between $5 and $10 per million Btu's to have it delivered to their homes.
- New customers of a natural gas utility will likely have to pay an even higher delivery charge because current infrastructure costs are much higher than the costs of infrastructure that was built years ago.
- In order to justify expanding natural gas service a utility must show that the revenues from the expansion will cover the costs, including a profit for the utility.
- Extending natural gas lines today often requires pipe costing approximately $1 million per mile or more, and costs can go higher in metropolitan areas or where there is challenging geology.
    - Significant population density together with a high percentage of customers willing to commit to the costs of connecting to natural gas are

necessary for new customers to generate sufficient revenue for the natural gas utility to pay for system expansions.

- Where the population density is low or moderate, utilities cannot gain sufficient revenue from new customers to pay for the costs of the required infrastructure expansion.

- In situations where natural gas utilities cannot justify system expansions, they typically ask for taxpayer subsidies or subsidies from their existing captive customer to help pay to expand service to new customers, the latter being known as "rolled-in" pricing.
  - Rolled-in pricing of new natural gas lines in most cases will require existing customers to subsidize new customers and subsidize utility shareholders.
  - Rolled-in pricing of new natural gas lines results in service to new customers being underpriced, facilities being overbuilt, and an uneconomic allocation of society's resources.
  - Rolled-in pricing of new natural gas lines permits a natural gas utility to use money from its captive customers in its government-issued monopoly service area to compete for customers and potential customers served by other energy suppliers.

- Rolled-in pricing of new natural gas lines permits a natural gas utility to utilize the resources of its captive customer base to compete unfairly with other sources of energy.
- Rolled-in pricing to fund natural gas expansion amounts to unfair competition with all competitive energy suppliers, including electricity, propane, fuel oil, solar, and wood.

- Propane does not require multi-million dollar infrastructure that must be paid for by consumers over decades.
- Propane does not require complex decisions by regulators as to who should pay for new energy infrastructure.
- Propane infrastructure is funded by the propane industry, not by new or existing ratepayers.
- Propane infrastructure does not require a multi-decade (essentially forever) commitment by ratepayers and regulators.
- Propane is produced and delivered in fully competitive markets that do not require the investment of regulatory resources.

- Natural gas prices at present are relatively low, and many forecasters expect this to continue into the future, but natural gas prices over the last thirty years have varied widely.
- Committing to propane by consumers and policy makers means no regrets, no tears—propane customers can switch to other sources of energy at any time without requiring other energy consumers to pay for infrastructure that was built for them.

EMISSIONS ARGUMENTS

- Propane shares the clean emissions profile of natural gas.
- Propane is cleaner than fuel oil and much cleaner than electricity generated with either coal or natural gas.
- Natural gas line extensions that rely upon possible emissions gains to justify imposing facility expansion costs upon existing captive natural gas customers cannot be justified where propane is available as an alternative.
- On a full-fuel-cycle basis, propane (like natural gas) is much more desirable than electricity from both an efficiency and emissions point of view.
- Unlike propane, natural gas is a potent greenhouse gas if leaked into the atmosphere, may times more powerful than carbon dioxide

NPGA
NATIONAL PROPANE GAS ASSOCIATION

SUPPLY ARGUMENTS

- Propane is a 100% domestic fuel, and its use adds to national and energy security just like natural gas.
- Propane supplies are growing dramatically as a result of the revolution in shale production.
- Propane, unlike natural gas, is portable and can provide service virtually anywhere, including in emergencies.
- Propane can serve a multiplicity of residential, commercial, industrial, and agricultural applications.
- Propane infrastructure is nimble—largely portable and largely without the risk of being "stranded" should demand or market conditions change.
- Propane infrastructure, because it is largely portable, is nimble in serving changing markets.

PUBLIC POLICY ARGUMENTS

- Natural gas infrastructure in many areas is more than one hundred years old.
- Thousands of miles of natural gas lines are cast iron or bare steel.

- Cast iron and bare steel pipes are aged and prone to leak—creating both a pressing public safety issue and a climate change issue involving emissions of unburned natural gas, which is a greenhouse gas twenty-five times more potent than carbon dioxide.
- According to the U.S Department of Energy replacing America's cast iron and bare steel natural gas distribution lines will cost approximately $270 billion
- If current natural gas customers are to be surcharged, they should be surcharged to solve these pressing safety and emissions issues that affect all Americans rather than to allow utilities to expand their markets into new service territories in order to benefit their shareholders.