BEFORE THE NORTH CAROLINA UTILITIES COMMISSION
DOCKET NO. G-5, SUB 642

In the Matter of: Application of Public Service Company of North Carolina, Inc. for Annual Review of Gas Costs Pursuant to N.C.G.S. § 62-133.4(c) and Commission Rule R1-17(k)(6)	)))))))	POST-HEARING BRIEF OF HAW RIVER ASSEMBLY

Consistent with the Commission's scheduling order, Haw River Assembly submits this Post-Hearing Brief.

I. Introduction

Haw River Assembly (HRA) supports the Public Staff's request that Public Service Company of North Carolina (PSNC or the Company), doing business as Dominion Energy, provide an economic analysis of its proposed strategies for meeting design day requirements. Tr. p. 101 (citing Order Requiring Reporting, Docket No. G-100, Sub 91 (June 28, 2013) (Sub 91 Order)). The Company promotes its precedent agreement for 250,000 dekatherms/day of incremental firm transportation on the Mountain Valley Pipeline (MVP) and the MVP Southgate project—capacity that must be paid for every day of the year—as a strategy for meeting its short-term winter peak demand. In this docket, the Commission is now confronted with a different proposal for meeting that same need—the Company's plan to construct a new liquified natural gas (LNG) facility able to provide 200,000 dekatherms/day for ten days. This is a much more targeted strategy for meeting short-term winter peak needs than a new greenfield pipeline providing year-round capacity. Given the continuing uncertainty and ongoing delays with the MVP and MVP Southgate projects, PSNC's proposal for the new LNG facility in this year's docket, and the reality that these resources provide dramatically different services with different costs to customers, HRA agrees with the Public Staff that it is appropriate for the Commission to request a more thorough economic analysis of the Company's strategies for meeting the peak demands of its firm customers.

For these reasons, HRA respectfully requests that (1) consistent with its authority under the Sub 91 Order, the Commission require PSNC to submit an economic analysis of its proposed strategies (including MVP/MVP Southgate and its proposed new LNG facility) and other viable alternatives for reliably for meeting design day requirements to this docket within sixty days of a Commission order. As part of the economic analysis, the Commission should require PSNC to compare the costs of alternative strategies for meeting design day requirements and to show how the costs for each strategy will be allocated among the Company's customer classes. HRA also requests that (2) the Commission grant HRA and the Public Staff thirty days in which to submit comments on the Company's analysis after it has been filed.

II. Public Staff's Request

The Public Staff raised concerns about the firm capacity shortfall that PSNC may face "during cold weather events[,]" agreeing with the need that PSNC identified in order to serve its firm sales customers on a peak winter day. Tr. pp. 100–101. After identifying that need, the Public Staff recommended further economic analysis of strategies for meeting that need. Public Staff witness Dustin

Metz recommended "that PSNC, pursuant to the [Sub 91 Order], provide the results of an evaluation, including a cost-benefit analysis, regarding *optimal supply resources* to resolve the currently identified capacity shortfall." Id. at 101 (emphasis added). Public Staff witness Metz agreed that the Company's "current load duration curve supports the need for a firm peaking source of gas, which could be met by an LNG supply resource." Id. at 101-02. But he continued:

> However, given the absence of an economic or cost-benefit analysis, and potential supply constraints at this time, the Public Staff cannot determine the *optimal resource* to meet the Company's firm supply needs. The Public Staff, therefore, recommends that PSNC provide a detailed economic analysis for the Commission's information, pursuant to the Sub 91 Order. The analysis should clearly demonstrate that such a facility aligns with the Company's best cost supply strategy.

Id. at 102 (emphasis added).

The Public Staff noted that its request for an economic and cost-benefit analysis is in part related to the ongoing uncertainties and delays with the MVP projects which "have created additional complexities to PSNC's efforts to determine the *most optimal solution*[.]" Id. (emphasis added) Company Witness Jackson confirmed that, in PSNC's view, its capacity on the MVP projects and the capacity provided by the proposed LNG facility are intended to meet the same short-term peak demand but with very different types of service. Id. at 55-56.

In last year's annual gas cost docket, HRA made a similar request of the Commission, specifically asking that the Company be required to analyze the costs of viable alternatives for meeting firm design-day requirements in a manner that considers (1) the scale of PSNC's projected demand shortfall and its duration; and

(2) allows a fair comparison of costs between options.[1] Though the analysis proposed by HRA Witness Lander in Docket No. G-5, Sub 635 was not labeled a cost-benefit analysis, the "All-In Cost" analysis that he put forward nevertheless is a method of economic analysis that allows a comparison between the costs of various alternatives for meeting particular needs, in this case, capacity shortfalls for short-term winter peaks.

III. Appropriate to Consider Alternatives and Compare Their Costs

When the Commission ordered gas utilities like PSNC to provide information about their contracts for interstate gas supply in annual gas cost proceedings, it noted that one of the reasons for doing so was so that it can "exercise an appropriate level of oversight" regarding efforts by gas utilities to "balance risks and costs in obtaining interstate capacity." Sub 91 Order at 18. The Public Staff's request that the Company be required to conduct further cost-benefit analysis is consistent with the intent of the Sub 91 Order. It is appropriate for the Commission to scrutinize whether PSNC has adequately considered alternatives to its plans to procure firm daily capacity from MVP/MVP Southgate as a strategy for addressing intermittent and limited duration winter peaking needs. Moreover, it is important for the Commission to compare the costs of various alternatives for meeting that need to identify the optimal resource that ratepayers will ultimately be on the hook to pay for. The Commission has previously recognized the importance of considering a gas utility's plans for securing capacity on interstate gas pipelines

[1] Post Hearing Brief of Haw River Assembly, 2021 PSNC Annual Review of Gas Costs, Docket No. G-5, Sub 635 (Oct. 11, 2021).

in part "so that alternative projects can be considered." Id. at 9 (quoting Order Denying Motion for Clarification and/or Rehearing, Piedmont Natural Gas, Annual Review of Gas Cost, Docket No. G-9, Sub 595 (Mar. 14, 2012)).

Nevertheless, the Company asserts that it is not possible to compare the costs of MVP/MVP Southgate with another proposed facility for meeting winter peak needs on an apples-to-apples basis. When asked in discovery whether it had compared the costs of the LNG facility with the costs for MVP Southgate for "meeting design-day requirements," it responded that it had not done so because the two projects "provide two different levels of service," with the LNG facility providing a peaking service and the MVP Southgate providing "year-round service." HRA Jackson Cross Ex. 1. The Company had no further response to how it would evaluate the costs of different strategies for meeting design-day requirements. HRA agrees with PSNC that these two projects provide starkly different levels of service, but a new pipeline that delivers gas every day of the year is not targeted to meet design-day requirements of the Company's firm customers.

The Commission should reject the Company's assertion that it is not possible to compare the costs of alternative strategies for meeting the same need. HRA readily acknowledges that an LNG facility may be an "apple" and a greenfield pipeline may be an "orange." Tr. p. 56. But when the Company's reason for acquiring either resource is the same—to meet firm design-day requirements—it is both appropriate and necessary to compare the costs and benefits of those alternative projects for meeting that same need. While the Company has an obligation to serve the needs of firm customers, that does not equate to a blank check to meet those needs at any possible price, particularly if less costly but equally reliable options are available.

In addition to conducting the economic analysis of the proposed LNG facility, the Public Staff's recommendation is for PSNC to conduct an economic analysis, including a cost-benefit analysis, "regarding *optimal supply resources* to resolve the currently identified capacity shortfall." Id. 101 (emphasis added). HRA would respectfully ask that the Public Staff's request be broadened to consider additional optimal strategies for resolving the identified capacity shortfall, which could include non-pipeline capacity alternatives, such as efficiency programs, a new LNG facility, satellite compressed natural gas stations, and contracts for firm peaking services from wholesale merchants as well as a combination of two or more of these options. In order to protect the public interest, the Commission should have the benefit of understanding the costs to PSNC's customers for each option that could meet the Company's capacity shortfall. The Company never challenged HRA witness Lander's calculation in last year's gas cost docket that "PSNC would have to buy delivered gas at very inflated prices greater than $311.92 per Dth on average across an entire winter period to justify the MVP/MVP Southgate alternative." 2021 PSNC Gas Cost Docket No. G-5, Sub 635, Tr. p. 153. HRA believes that a comparative economic analysis will demonstrate that a resource other than the MVP and MVP Southgate project will likely prove to be the best-cost option to meet the Company's peak needs, saving ratepayers millions of dollars in unnecessary costs.

IV. Conclusion

For these reasons, HRA respectfully requests (1) that the Commission require PSNC to submit an economic analysis of its proposed strategies (including MVP/MVP Southgate and its proposed new LNG facility) and other viable alternatives for reliably for meeting design day requirements to this docket within sixty days of a Commission order. As part of the economic analysis, the Commission should require PSNC to compare the costs of alternative strategies for meeting design day demand and to show how the costs for each strategy will be allocated among the Company's customer classes. HRA also requests (2) that the Commission grant HRA and the Public Staff thirty days in which to submit comments on the Company's analysis after it has been filed.

Respectfully submitted this 19th day of September, 2022.

s/ David Neal
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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Post-Hearing Brief of Haw River Assembly as filed today in Docket No. G-5, Sub 642 has been served on all parties of record by electronic mail or by deposit in the U.S. Mail, first-class, postage prepaid.

This the 19th day of September, 2022.

s/ David L. Neal