

**Virginia State Corporation Commission
eFiling CASE Document Cover Sheet**

2020042103

Case Number (if already assigned)	PUR-2019-00207
Case Name (if known)	public version of the Motion of Virginia Natural Gas, Inc.' for Leave to File Supplemental Rebuttal Testimony and for Expedited Consideration
Document Type	EXMO
Document Description Summary	Application of Virginia Natural Gas, Inc. For approval and certification of natural gas facilities: the Header Improvement Project, and for approval of Rate Schedules and Terms and Conditions for Pipeline Transportation Service
Total Number of Pages	13
Submission ID	18560
eFiling Date Stamp	4/21/2020 10:35:05AM

McGuireWoods LLP
Gateway Plaza
800 East Canal Street
Richmond, VA 23219-3916
Phone: 804.775.1000
Fax: 804.775.1061
www.mcguirewoods.com

Lisa R. Crabtree
Direct: 804.775.1327

McGUIREWOODS

lcrabtree@mcguirewoods.com

202004210203

April 21, 2020

BY ELECTRONIC FILING

Joel H. Peck, Clerk
Document Control Center
State Corporation Commission
1300 E. Main St., Tyler Bldg., 1st Floor
Richmond, Virginia 23219

*Application of Virginia Natural Gas, Inc.
For approval and certification of natural gas facilities: the Header Improvement Project, and for
approval of Rate Schedules and Terms and Conditions for Pipeline Transportation Service
Case No. PUR-2019-00207*

Dear Mr. Peck:

Please find enclosed for electronic filing in the above-captioned proceeding the **PUBLIC VERSION** of the *Motion of Virginia Natural Gas, Inc. ' for Leave to File Supplemental Rebuttal Testimony and for Expedited Consideration*. A confidential version is also being filed under seal under separate cover.

Please do not hesitate to call if you have any questions in regard to the enclosed.

Highest regards,

/s/ Lisa R. Crabtree

Lisa R. Crabtree

Enclosures

cc: Ms. Shepelle Watkins-White
Mr. Tyler Lake
Elizabeth B. Wade, Esq.
Joseph K. Reid, III, Esq.
Jennifer D. Valaika, Esq.
Service List

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

APPLICATION OF)
)
VIRGINIA NATURAL GAS, INC.)
) Case No. PUR-2019-00207
For approval and certification of natural gas)
facilities, the Header Improvement Project,)
and for approval of Rate Schedules and a Terms)
and Conditions for Pipeline Transportation Service)

**MOTION OF VIRGINIA NATURAL GAS, INC.
FOR LEAVE TO FILE SUPPLEMENTAL REBUTTAL TESTIMONY
AND FOR EXPEDITED CONSIDERATION**

Pursuant to Rules 110 and 240 of the Rules of Practice and Procedure of the State Corporation Commission of Virginia (the "Commission"), 5 VAC 5-20-110 and 5 VAC 5-20-240, Virginia Natural Gas, Inc. ("VNG" or the "Company"), by counsel, hereby moves the Commission (the "Motion") for leave to file the supplemental rebuttal testimony of Kenneth W. Yagelski, a copy of which is attached as Attachment A. In support of its Motion, the Company states as follows:

1. On December 6, 2019, the Company filed its application ("Application"): (i) for approval of and a certificate of public convenience and necessity ("CPCN") for the proposed Header Improvement Project (the "Project"), and, (ii) for approval of Rate Schedules and Terms and Conditions for Pipeline Transportation Service. The Application was supported by the pre-filed direct testimony and schedules of five witnesses.

2. On December 23, 2019, the Commission issued an Order for Notice and Hearing that, among other things, docketed the Application and established a procedural schedule for notice, the filing of notices of participation, respondent testimony, testimony of the Commission Staff ("Staff"), and rebuttal testimony.

3. No party to the case filed respondent testimony. Staff filed its pre-filed testimony in this matter on March 31, 2020.

4. The Company timely filed the rebuttal testimony and schedules of three witnesses, including Kenneth Yagelski, Director of Gas Supply for AGL Services Company, on April 14, 2020.

5. In his pre-filed rebuttal testimony, Company Witness Yagelski provided an update to the Commission related to the customer agreements for the Project for Virginia Power Services Energy (“VPSE”), Columbia Gas of Virginia (“CVA”) and C4GT, LLC (“C4GT”). Mr. Yagelski testified that while all customers had affirmed their commitment to the Project, C4GT had indicated to VNG just prior to the filing of the Company’s rebuttal testimony the need for a slight delay in certain Project-related deadlines.

6. At the request of Staff and in order to provide additional information regarding (i) potential implementation of the slight delay introduced in Mr. Yagelski’s rebuttal testimony, and (ii) additional discussion the Company’s risk mitigation and protection of VNG’s customers as it relates to the Project, the Company moves the Commission for leave to file the supplemental rebuttal testimony included with this Motion as Attachment A.

7. As discussed in Mr. Yagelski’s supplemental rebuttal testimony, VNG continues to seek Commission approval of the Application on the current timetable (*i.e.*, by the end of June 2020) in order to provide VPSE and CVA with their requested service by the agreed upon in-service dates. In addition, the current Project in-service date for utility customers allows for the benefit of additional supply diversity for the Company’s distribution customers for the 2023 winter heating season.

8. As such, the Company requests expedited consideration of this Motion so that the

remaining procedural in this matter can be maintained. As the evidentiary hearing in this proceeding does not commence until May 13, 2020, there are still three full weeks for Staff and parties to this proceeding to review this information and seek discovery on the Company. Further, introduction of this supplemental rebuttal testimony at this time will allow for full development of this issue on the record.

9. WHEREFORE, for good cause shown, the Company moves the Commission for leave to file the supplemental rebuttal testimony of Company Witness Kenneth Yagelski, which is attached to this Motion as Attachment A, and for expedited consideration of this Motion.

Respectfully submitted,

By: /s/ Lisa R. Crabtree
Counsel

Elizabeth B. Wade*
Southern Company Gas
Ten Peachtree Place
Atlanta, Georgia 30309
(404) 584-3160 (telephone)
(404) 584-3599 (facsimile)
ewade@southernco.com
*Not admitted to practice in Virginia

Joseph K. Reid, III
Lisa R. Crabtree
Jennifer D. Valaika
McGuireWoods LLP
Gateway Plaza
800 East Canal Street
Richmond, Virginia 23219-3916
(804) 775-1198 (JKR)
(804) 775-1327 (LRC)
(804) 775-1051 (JDV)
(804) 698-2222 (facsimile)
jreid@mcguirewoods.com
lcrabtree@mcguirewoods.com
jvalaika@mcguirewoods.com

Counsel for Virginia Natural Gas, Inc.
April 21, 2020

Attachment A

WITNESS SUPPLEMENTAL REBUTTAL TESTIMONY SUMMARY

Witness: Kenneth W. Yagelski

Title: Director, Gas Supply AGL Services Company

Summary:

Company Witness Kenneth Yagelski provides additional information regarding the slight delay he introduced in his rebuttal testimony, and also discusses the Company's risk mitigation and protection of VNG's customers as it relates to the Project.

Mr. Yagelski first testifies that C4GT, LLC ("C4GT"), Virginia Power Services Energy ("VPSE") and Columbia Gas of Virginia ("CVA") have again all affirmed their intent to take service under the proposed rate schedules upon commercial operation of the Project, and summarizes the slight delay discussed in his rebuttal testimony.

Next, Mr. Yagelski explains that Commission approval of a certificate of public convenience and necessity ("CPCN") on the current timetable is necessary to provide requested service to the remaining Project customers in order to meet VPSE and CVA in-service dates, as well as allow for the benefit of additional supply diversity for the Company's distribution customers for the 2023 winter heating season.

Mr. Yagelski concludes by explaining how the Company will hold its distribution customers harmless through a staged approach to construction, as well as other protections in place.

**'SUPPLEMENTAL REBUTTAL TESTIMONY
OF
KENNETH W. YAGELSKI
ON BEHALF OF
VIRGINIA NATURAL GAS, INC.
BEFORE THE
STATE CORPORATION COMMISSION OF VIRGINIA
CASE NO. PUR-2019-00207**

1 **Q. Please state your name, position, and business address.**

2 A. My name is Kenneth W. Yagelski, and I am the Director of Gas Supply for AGL Services
3 Company ("AGSC"). In this role, I am responsible for gas supply activities for the
4 AGSC distribution operations, which includes Virginia Natural Gas, Inc. ("VNG" or the
5 "Company"). In addition, I direct business advocacy in proceedings before the Federal
6 Energy Regulatory Commission ("FERC") on behalf of Southern Company Gas
7 ("GAS"), formerly known as AGL Resources Inc. ("AGLR"), and its four local
8 distribution companies. My business address is 544 S. Independence Boulevard, Virginia
9 Beach, Virginia 23452.

10 **Q. Have you previously submitted testimony in this proceeding?**

11 A. Yes. I submitted pre-filed direct testimony on behalf of VNG to the State Corporation
12 Commission of Virginia ("Commission") in this proceeding on December 6, 2019, in
13 support of approval and certification of the Company's proposed Header Improvement
14 Project (the "Project"), which includes construction of the (i) Transco Interconnect
15 Pipeline, (ii) Transco Interconnect Compressor Station, (iii) Quantico Parallel Pipe, (iv)
16 Mechanicsville Parallel Pipe, (v) Ladysmith Compressor Station Expansion, and (vi)
17 Gidley Compressor Station. In addition, I submitted rebuttal testimony on April 14, 2020
18 ("Rebuttal Testimony").

1 Q. **What is the purpose of your supplemental rebuttal testimony?**

2 A. The purpose of my supplemental rebuttal testimony (“Supplemental Rebuttal
3 Testimony”) is to provide additional information regarding the slight delay I introduced
4 in my Rebuttal Testimony, as well as discuss the Company’s risk mitigation and
5 protection of VNG’s customers as it relates to the Project.

6 Q. **In your Rebuttal Testimony, you provided an update on the status of the customer
7 service agreement for the Project. Please summarize that status update.**

8 A. The Company has spoken with C4GT, LLC (“C4GT”), Virginia Power Services Energy
9 (“VPSE”) and Columbia Gas of Virginia (“CVA”), and they have again all affirmed their
10 intent to take service under the proposed rate schedules upon commercial operation of the
11 Project. As I noted in my Rebuttal Testimony, due to uncertainty in the gas supply and
12 financial markets caused by the spread of the novel coronavirus, or COVID-19, C4GT
13 has indicated that they will require a slight delay [BEGIN CONFIDENTIAL] [REDACTED]
14 [REDACTED] [END CONFIDENTIAL]

15 Q. **Does the Company believe that this should impact the current timetable for
16 Commission approval in this certificate of public convenience (“CPCN”)
17 proceeding?**

18 A. No, the Company still requests Commission approval of the CPCN on the current
19 timetable so that it may provide requested service to the remaining Project customers.
20 VPSE and CVA have contracted December 31, 2022 in-service dates and are affirmed to
21 be still on course. In addition, the current Project in-service date for utility customers
22 allows for the benefit of additional supply diversity for the Company’s distribution
23 customers for the 2023 winter heating season. A delay to the current procedural schedule

1 and contemplated approval date would threaten those benefits; the Company would also
2 be required to renegotiate Precedent Agreements ("PAs") with all of the customers if the
3 track of the current CPCN timetable is delayed at this time.

4 **Q. Is the slight delay discussed in your Rebuttal Testimony significantly different from**
5 **what VNG filed as part of its Application?**

6 **A. No, it is not. Pursuant to C4GT's PA, [BEGIN CONFIDENTIAL] [REDACTED]**
7 **[REDACTED]**
8 **[REDACTED] [END**
9 **CONFIDENTIAL]** Indeed, as originally filed, the Company requested a final order by
10 June 2020 to accommodate C4GT's **[BEGIN CONFIDENTIAL] [REDACTED]**
11 **[REDACTED]**
12 **[REDACTED]**
13 **[REDACTED] [END CONFIDENTIAL]**

14 **Q. Does this create additional risk for the Company's distribution customers?**

15 **A. No. As I testified before, we believe this slight delay can be accommodated without**
16 **undue impact to the overall Project or the value it will bring to customers—that includes**
17 **the Company's commitment to holding the distribution customers harmless related to**
18 **C4GT's participation in the Project through the protections I outlined in my Rebuttal**
19 **Testimony. The Company continues to assure the Commission that we will hold VNG's**
20 **distribution customers harmless [BEGIN CONFIDENTIAL] [REDACTED]**
21 **[REDACTED] [END**
22 **CONFIDENTIAL]**

1 Q. How will VNG hold its distribution customers harmless?

2 A. The Project is comprised of six components, and from a construction management
3 standpoint, each is a standalone component with distinct and separate construction
4 schedules and costs. For example, Appendix Attachment I.I.1 illustrates how each
5 component is on its own separate timeline – from survey, to design, to permitting to
6 material/land acquisition, to construction. Additionally, Appendix Section I.J breaks
7 down each individual component by cost. To further assure the Commission that
8 distribution customers would be held harmless [BEGIN CONFIDENTIAL] [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [END CONFIDENTIAL] As a result of a possible delay in certain of these components,
21 the Company’s preliminary forecast of high-level spending on the Project between April
22 1, 2020 and December 31, 2020 would be \$10.47 million, as opposed to approximately
23 \$15.62 million of spend if the Project were to proceed with all six components with no
24 delay as filed. The estimated \$5.15 million of spend [BEGIN CONFIDENTIAL]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]

6 [REDACTED] [END CONFIDENTIAL]

7 Q. What will be VNG's next steps if this slight delay extends longer than anticipated?

8 A. As previously noted, VPSE and CVA have affirmed their interest in this Project
9 independent of C4GT. Should C4GT [BEGIN CONFIDENTIAL] [REDACTED]
10 [REDACTED] [END CONFIDENTIAL] the Company would, at that time, petition the
11 Commission for an amended CPCN for a project within the scope of needs of participants
12 at that time, and [BEGIN CONFIDENTIAL] [REDACTED]
13 [REDACTED] [END CONFIDENTIAL]

14 Q. How would the staged approach described above impact rates to transportation and
15 distribution customers?

16 A. As Company Witness John Cogburn described in his rebuttal testimony, the Company
17 has always intended for the rates that all customers pay to be based on the actual cost of
18 the Project. Ultimately, this "staged" or "sectioned" approach would not materially
19 change the overall costs of the Project; therefore, there would be no impact to final rates.
20 The only impact would be an extension of the time between the initiation of service under
21 the indicative rates and the true up to the permanent rates for transportation customers
22 and a delay in the Company's ability to include final Project costs for recovery in a
23 distribution ratemaking proceeding.

1 Regardless, the Company agrees to hold its distribution customer harmless—whether in
2 the context of this Project CPCN proceeding or in a future amended project CPCN
3 proceeding—from any costs that do not benefit these customers. In any event, any such
4 costs sought for recovery from customers would of course be subject to review for
5 reasonableness and prudence in an appropriate future rate proceeding.

6 **Q. Any final remarks?**

7 A. Yes. The Header Improvement Project brings value to VPSE, CVA, C4GT and the
8 Company’s distribution customers. The Company believes that there will be no material
9 change to overall costs of the Project by a “staged” or “sectioned” approach to
10 construction, as I discussed above, once a CPCN is granted. However, in order to
11 minimize risk in the unlikely event that a customer is not able to proceed with the Project,
12 the Company would be willing to commit to a condition of approval limiting all
13 expenditures to those components not required for that customer’s participation until it
14 has met all conditions precedent in the Precedent Agreement, thereby further assuring no
15 financial harm to distribution customers.

16 **Q. Does this conclude your pre-filed Supplemental Rebuttal Testimony?**

17 A. Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of April 2020, a true and accurate copy of the foregoing filed in Case No. PUR-2019-00207 was delivered by hand, email, mail first class postage pre-paid, or otherwise provided electronically as agreed to by counsel, to the following:

Alisson P. Klaiber, Esq.
Aaron Campbell, Esq.
William H. Harrison, IV, Esq.
Office of the General Counsel
State Corporation Commission
Tyler Building, 1300 E. Main St., 10th Floor
Richmond, Virginia 23219

William C. Cleveland, Esq.
Gregory D. Buppert, Esq.
Jonathan Gendzier, Esq.
Southern Environmental Law Center
201 W Main Street, Suite 14
Charlottesville, VA 22902-5065

Evan D. Johns, Esq.
Appalachian Mountain Advocates
Post Office Box 507
Lewisburg, West Virginia 24901

Taylor Lilley, Esq.
Jon A. Mueller, Esq.
Chesapeake Bay Foundation
6 Herndon Avenue
Annapolis, MD 21403

/s/ Lisa R. Crabtree