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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF QUESTAR GAS COMPANY'S REPLACEMENT INFRASTRUCTURE 2016 ANNUAL PLAN AND BUDGET UPDATE	)))))	Docket No. 15-057-19 QUESTAR GAS COMPANY'S REPLY COMMENTS

Questar Gas Company (Questar Gas or Company) respectfully submits these Reply Comments to the Action Request Response issued by the Division of Public Utilities (Division) March 21, 2015 in the above-referenced docket.

I. BACKGROUND

On November 16, 2015, the Company submitted its 2016 budget and plan to the Utah Public Service Commission (Commission) in accordance with section 2.07 of its Utah Natural Gas Tariff No. 400 (Tariff). On November 16, 2015, the Commission issued an Action Request asking the Division to review the filing for compliance and make recommendations. On December 16, 2015, the Division filed an Action Request Response recommending that the Commission acknowledge the Company's filing as compliant with paragraph 22.b. of the Partial Settlement Stipulation in Docket No. 13-057-05 (Stipulation). On December 22, 2015, the Company submitted Reply Comments agreeing with the Division's determination and requesting that the Commission acknowledge the proposed budget as filed. On December 28, 2015, the Commission acknowledged the Company's 2016 budget filing.

On February 22, 2016, Questar Gas Company submitted a Replacement Infrastructure 2016 Annual Plan and Budget Update in this docket requesting that the budget be adjusted to allow additional investment up to a total level of $70,890,000 for the 2016 year. On February 22, 2016, the Commission issued an Action Request to the Division directing the Division to review the submission for compliance and to make recommendations. On March 21, 2016, the Division submitted an Action Request Response (Division's 2016 Response) in which it commented upon the Company's proposed updated budget and recommended that the Commission approve the budget increase for 2016, but decrease the 2017 budget by $4 million. The Company respectfully submits these Reply Comments in response to the Division's 2016 Response.

II. DISCUSSION

A. FL 51 and FL 89 will have a $4 million impact on the 2016 budget.

The need to increase the 2016 budget arose as a result of two projects: Feeder Line (FL) 51 and FL 89. As the Company indicated in its updated budget, neither project was initially included in the 2016 Budget.

FL 51 will be impacted by a Weber County road project that conflicts with the line. Questar Gas coordinated with Weber County regarding the road design, in an effort to avoid conflicts. However, as Weber County's project developed, it became clear that FL 51 conflicted with Weber County's plans. Weber County ordinances require Questar Gas to relocate facilities when required "as a result of rebuilding, reconstruction or realignment of a county road or highway." Weber County Code of Ordinances Sec. 32-2-1. The Weber County road construction project conflicts with the FL 51 and poses an immediate concern, leaving the Company little alternative to replacing the portion of pipe in conflict during 2016.

Failure to replace FL 89 this year in Vernal could jeopardize the Company's ability to provide safe and reliable service to customers in the 2016-17 heating season. The Division mistakenly suggests that "the replacement of this section of FL89 is more of a pre-emptive move rather than providing the solution to a current or immediate problem." Divisions 2016 Memorandum at p. 4. As noted in its response to Division Data Request No. 4.03 (attached as Exhibit A), the failure to replace the identified section of FL 89 would result in risk that Questar Gas may not be able to meet the peak day demands in the coming heating season. In fact, peak day pressures drop to 87 psig (in the 2015-2016 model), below high pressure system design pressure of 125 psig. This situation is compounded by an estimated 6% demand growth in the impacted area in the last year. Without the FL89 replacement, Questar Gas may not be able to meet peak day demands in the 2016-2017 heating season.

Notably, Questar Gas has modified its plans for other replacement projects to minimize the budget impact of these two projects. Though, collectively, the projects require capital expenditures of approximately $8 million, the Company examined the budget closely to determine whether there was any scheduling flexibility. The Company was able to modify the schedule to make approximately $4 million available from the 2016 budget. Unfortunately, the Company could not make further reductions to the budget without impacting the safety and reliability of the system. As a result, the Company seeks Commission approval to spend approximately $4 million more than originally budgeted for a total revised 2016 budget of $70,890,000.

B. Allowing flexibility in scheduling should not result in unnecessary delay of future projects.

The Division argues that reduction of the 2017 budget and delay of some yet-to-be-identified projects is appropriate, because it sees no apparent urgency for such replacements. It said, "the original FL replacement program had a much shorter expected life than it does today" and that therefore replacement projects are "not too time sensitive." Division's 2016 Response at p. 6. The Company disagrees with these statements.

The Company specifically identifies and schedules infrastructure for replacement based upon engineering analysis that includes a risk evaluation. In its application in Docket No. 09-057-16 the Company included its existing infrastructure replacement schedule that would be "reviewed on an ongoing basis and is subject to change depending on factors such as pipeline-integrity testing, customer-growth patterns, highly populated areas, capacity restraints, proposed street-widening projects and other criteria." See Direct Testimony of Barrie L. McKay in Docket No. 09-057-16, lines 279-282. Indeed, the Company made clear that "this is not one, neat, tidy project that can be identified and completed within the framework described in § 54-7-13.4. Replacing this type of aging infrastructure will take many years and will occur incrementally throughout that period." Id.at lines 307-309. In fact, during a technical conference held on February 10, 2010, Mr. McKay indicated that "we are still in the process of discovering pipe, that's why this is still dynamic."

The pipe identified for replacement in 2016 and tentatively scheduled for replacement in 2017 meets the replacement criteria, including criteria related to safety. The Division does not suggest that any pipe has been improperly identified for replacement or that the Company's schedule is too aggressive. The Company believes that the requested increase in the 2016 budget is not a valid reason or basis for delaying other necessary projects and encourages the Commission to reject the Division's recommendation that the 2017 budget be arbitrarily reduced.

C. The Infrastructure Replacement Program encompasses pipe newer than 1970 and as small as 1 inch in diameter.

As noted above, the Company evaluates a number of criteria, including the age of the pipe, in determining the replacement schedule. See Tariff Section 2.07. It does not, and has never limited feeder line replacements to pre-1970 pipe. Exhibit B.[1] *See* Settlement Stipulation Exhibit 4 in Docket 13-057-05, approved by the Commission. The Company notes that it will continue to evaluate the risk and priority of all feeder line pipe in the system, of any size or vintage, and may petition the Commission to modify the current schedule if ongoing risk evaluation reveals a portion of pipe that should be added to the Replacement Schedule.

Though the Company rarely replaces pipe that is as small as 1-inch in diameter in the Infrastructure Replacement Program, such pipe is occasionally part of a larger replacement project. Typically, this pipe represents a very minimal percentage of the total cost of the project. The small portions of pipe referenced in the Division's 2016 Memorandum are part of a larger replacement project. In the Company's replacement schedule detailed in Attachment 2 of the Company's May 19, 2015 letter to the Commission, the Company details the pipe footages targeted for replacement under the Program. Under circumstances when the small diameter pipe represents, as the Division states, "an inseparable and integral part of replacing the specified vintage portion" the Company will and should replace such pipe.

[1] Exhibit B is a copy of Exhibit 4 to the Settlement Stipulation in Docket No. 13-057-05. The Commission approved that Settlement Stipulation in its Report and Order dated February 21, 2014.

D. The Commission should not reduce the 2017 Infrastructure Replacement Program budget.

The Division's recommendation to decrease the 2017 budget before the budget has been filed is both premature and arbitrary. The Company is currently planning the replacement of a number of lines in 2017. The anticipated schedule and budget for 2017 will be submitted in the fall of 2016. The budget will include costs for replacing pipe already identified as aging and already included in the list of pipe to be replaced under the Infrastructure Replacement Program. All must meet the qualifying criteria set forth in the applicable Commission orders and the Company's Tariff. If they do not, the Division can raise the issue after the 2017 budget has been filed.

The Division does not offer any evidence supporting the reduction of the 2017 budget. It has not taken issue with any of the currently-proposed 2017 replacement projects. It appears to argue for the budget reduction simply because the Company requested additional funds for 2016. The pipe at issue must be replaced. It would be appropriate to review the 2017 budget in the docket associated with the 2017 budget filing, not in this docket. If, after reviewing the 2017 budget, the Division harbors concerns about scheduled projects, it may raise those concerns. The Commission should decline to preemptively modify a budget that has not yet been submitted for regulatory oversight.

III. CONCLUSION

The Company agrees with the Division that the 2016 Infrastructure Tracker Budget should be modified and increased to accommodate the replacement of FL 89 and FL 51. The

Company respectfully requests that the Commission decline to take any action related to the 2017 budget until that budget has been submitted.

DATED this ____day of April, 2016.

Respectfully submitted,

QUESTAR GAS COMPANY

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CERTIFICATE OF SERVICE

I certify that a true and correct copy of the foregoing was served upon the following by electronic mail on April ____, 2016:

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