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Division of Public Utilities

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ACTION REQUEST RESPONSE

To: Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Energy Section
Artie Powell, Manager
Doug Wheelwright, Technical Consultant
Eric Orton, Technical Consultant

Date: December 13, 2016

Subject: Action Request Response regarding Docket No 16-057-17. QGC Replacement Infrastructure 2017 Annual Plan and Budget.

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge the letter outlining the proposed 2017 annual plan and budget as outlined by Questar Gas Company (Company) in accordance with the Questar Gas Company Tariff 400 Section §2.07.

BACKGROUND

The final order in Docket No. 13-057-05, approved the continuation of the infrastructure replacement pilot program. That approval allows the Company to collect up to $65 million annually (with an annual automatic escalation based on the GDP Deflator Index). The order also allows the program to include Intermediate High Pressure (IHP) pipelines (also called Belt Lines

(BL)) and allows the infrastructure replacement pilot program to continue while also requiring a forward looking budget to be submitted to the Commission each year in November.

On November 11, 2016, the Company submitted its budget to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2017 calendar year. On November 15, 2016, the Commission issued an Action Request to the Division requesting that the Division "Review for Compliance and Make Recommendations". On November 16, 2016, the Commission issued a Notice of Filing and Comment Period stating that initial comments are due on or before December 13, 2016 with reply comments due on December 20, 2016. This altered the due date of the Division's Action Request to December 13, 2016. This is the Division's response to the Action Request as well as its initial Comments.

ISSUE

In its exhibits, the Company provided what it calls its "annual plan and budget describing the estimated costs and schedule for the Replacement Infrastructure for 2017". According to the filing, the Company expects to replace 46,367 linear feet (LF) of two feeder lines (FL) in 2017. It also plans on replacing 53,235 LF of BL pipes. As was the case last year, the 29,000 LF of 10 inch pipe in Davis County is being replaced by the FL crew as part of the FL 21 replacement.

DISCUSSION

The Division examined the Company's filing and spent time with Company representatives to discuss this filing in order to gain a better understanding of the Company's plans. The Division specifically examined the proposed budget, replacement schedule and footage replacement, correlating those with the Company's criteria for replacement. This provided the Division with the additional information needed to perform its review and it also provided the Company an opportunity to elaborate on its plans.

The 2017 budget and plan

Feeder Lines

Exhibit #1 outlines the Company's plans for replacing parts of two FL's. These are: FL's 21 and 26. The corresponding budgets for these FL's are: $46.1 million and $0.4 million respectively. The Company will complete all the work it planned on doing on FL 26 in 2017 but the FL 21 project will continue into the next year, 2018. Exhibit #1 also includes the budget for the IHP lines totaling $17.1 million. The budget also includes $0.55 million for Pre-engineering. All these projects sum to $64.15 million, which is just shy of the $68.7 million budget cap less the $4 million adjustment from the order in Docket No.15-057-19.

Exhibit #2 page 1 of 2 shows the year of original installation and the linear footage of the FL's the Company plans on replacing in 2017. It is noteworthy that the Company is planning on again replacing pipe that is arguably not "aging infrastructure", but was originally installed after 1970.

FL 21. According to the exhibit, the Company plans on replacing 44,677 LF of FL 21. Some was originally installed in 1949, some from 1952, 1957, 1965 and 1966 with some originally installed after 1970. This project includes replacing the Davis County BL in conjunction with the FL replacement.

While performing its investigation into this filing, the Division was informed of an error in the Company's original filing. The Company discovered that in Exhibit 2 page 1, the 6" line it plans on replacing in 2017, did not total 14,981 LF as filed but rather 8,577 LF. Therefore the total replacement for FL 21 is not 44,677 LF as filed but rather 38,273 LF (see attached).

It is also important to note that of the 38,273 LF, 8,127 LF of this FL is replacing pipe installed after 1970 with most of that (7,979) originally installed since 2002. Of that amount 145 LF was originally installed less than ten years ago.

FL 26. The Company expects to replace 1,690 LF of FL 26. Of that total, 1,573 LF is composed of pipe originally installed in 1968, with 111 LF being installed since 2004. Of that 111 LF, 82 LF were installed just two years ago (2014).

Belt Lines

Exhibit 2 page 2 is its BL replacement program, where the Company expects to spend $17,094,000 in 2017. For that amount, 21,000 LF is expected to be replaced in Salt Lake County (slightly less than last year (22,900 LF)). There is no BL replacement work planned for Weber County and only 3,235 LF in Utah County. The BL replacement in Davis County on the other hand, is 29,000 LF (the exact same amount as last year). This is again in conjunction with the FL 21 work and will be performed by the FL crews.

Other

The Company proposes to spend $550,000 on “Future Projects” or preliminary work (the exact same amount as last year). Exhibit 3 pages 1-5 are some photo depictions of the areas of these replacements. While, Exhibit 4 is a Timeline showing when the Company will work on these lines in 2017. Lastly, the Exhibit 1.5 provides back-up for the inflation factor used to support the annual increase amount.

Summary

The total LF of pipe (both FL and BL) the Company plans to replace in 2017 is 99,602 or just under 19 miles (which is less than half of the amount projected in its budget filing last year). This is roughly ten miles less than the Company planned on replacing in 2016, but roughly the same as in 2015. The pipe sizes scheduled for replacement in FL 21 are 4”, 6” and 20” while the only diameter scheduled for FL 26 is 4” diameter steel pipe. The BL in Utah and Davis County scheduled for replacement is 10” while the project in Salt Lake County will be replacing both 12” and 16” steel pipe.

Effect on a typical GS Customer

This filing is not requesting any change in the Company’s current rates.

CONCLUSION

The letter the Company filed with the Commission on November 11, 2016, outlining the Replacement Infrastructure 2017 Annual Plan and Budget, complies with paragraph 22 b of the

Partial Settlement Stipulation and the Commission's order in Docket No. 13-057-05. The Division recommends the Commission acknowledge the letter as complying with that requirement.

The Division notes that this recommendation is only that the filing of the letter fulfills the budget requirement, and should not be construed in anyway as an endorsement or preapproval that these costs are prudently incurred or should be recovered in the Tracker.

Furthermore, for many years the Division has held that generally the pipe newer than 1970 are not appropriately included in the Tracker (which was when CFR title 49 part 192 became effective). Notwithstanding that, in the stipulation from the 2013 general rate case it was agreed to that the total footages in certain FL's could be included in the Tracker and these FL's may have included sections of lines newer than 1970. That being said, the Division does not believe that the purpose of the Tracker is to replace new pipe – particularly recently replaced pipe. The Division is concerned about the inclusion of pipe proposed to be replaced in 2017, which was originally installed between 2002 and 2014. Therefore, although the budget letter should be acknowledged, the Division is hesitant to agree to the replacement of these particular footages and will examine them more closely when the Company requests rate recovery of these capital expenses.

CC: Barrie McKay, Questar Gas Company
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