



State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

CHRIS PARKER
Director, Division of Public Utilities

GARY HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Recommendation

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant

Eric Orton, Utility Technical Consultant

Date: December 11, 2018

Re: Action Request Response and Comments Regarding Docket No. 18-057-22.
Dominion Energy Utah's Replacement Infrastructure 2019 Annual Plan and Budget.

Recommendation (Acknowledge)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge the Dominion Energy Utah (Gas Utility) proposed 2019 annual plan and budget in accordance with the Company's Tariff 400 § 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 15, 2018, the Gas Utility submitted the required forward looking budget to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2019 calendar year. On that same day, the Commission issued an Action Request to the Division requesting that the Division “Review for Compliance and Make Recommendations” with a due date of December 17, 2018. On November 19, 2018, the Commission issued a Notice of Filing and Comment Period stating that initial comments are due on or before December 11, 2018 with reply comments due on December 18, 2018. This altered the due date of the Division’s Action Request to December 11, 2018. This is the Division’s response to the Action Request as well as its Comments.

ISSUE

In its filing, the Gas Utility provided what it calls its “annual plan and budget describing the estimated costs and schedule for the Replacement Infrastructure for 2019” According to the filing, the Gas Utility expects to replace 74,842 linear feet (LF) of feeder lines (FL). This would be 18,849 LF more than the expected replacement in 2018 (55,993 LF) – a significant increase over 2018 which was 9,626 LF more than the plans the Gas Utility submitted for the calendar year 2017. The Gas Utility also plans on replacing 45,050 LF of BL pipe which is 7,350 LF more than it expected to in 2018 (37,700 LF) and 15,537 LF less than it proposed to replace in 2017.

DISCUSSION

The Division examined the Gas Utility’s filing, asked questions, and spent time with Gas Utility representatives to discuss this filing in more detail in order to gain a better understanding of its plans. This provided the Division with the additional information needed to perform its review and provided the Gas Utility an opportunity to elaborate on its plans.

Summary of the 2019 budget and plan

In the Gas Utility’s cover letter to the Commission, it stated that in its attached “Exhibit 1, Dominion Energy has budgeted \$53,886 million to replace segments of Feeder lines 22, 23, and 47 during 2018 (Column B, Line 5).” The Division presumes that the Gas Utility meant 2019,

not 2018. Additionally, Exhibit 1 has more FL's listed which were not mentioned in the cover letter (FL 21 shown on line 3). Following discussions with the Gas Utility the Division was informed that FL 21 should have been mentioned on the cover page and was excluded in error.

Exhibit 1 outlines the Gas Utility's FL replacement plans. It mentions: FL 23/22, 21 and 47. The corresponding budgets for these three FL's are: \$34.352, \$16.535, and \$3 million respectively. Exhibit 1 also includes the budget for the IHP lines totaling \$16.5 million or about \$4 million more than it planned on spending on IHP replacement in 2018 (\$12.35 million). The budget includes \$.55 million for Pre-engineering as is consistent with and each previous filing. All these projects sum to \$70,936,572 - the exact amount to the dollar, allowed for in 2019 (including the GDP Deflator rate). Also worth noting is that the description on line 2 "FL23/22" represents the same pipe with two names. One part of the pipe is in Box Elder (FL 23) and one part is in Weber County (FL 22). In this project the Gas Utility plans on working on FL 23 in 2019 only, but the larger project is to replace FL 22 and FL 23.

Exhibit 2 shows the year of original installation and the linear footage of the FL the Company plans on replacing in 2019. Exhibit 2 shows only three FL being replaced in 2019 as opposed to Exhibit 1 that shows four— FL 22 is not mentioned as work on it is not planned in 2019. Likewise, Exhibit 2 shows the sections of pipe the Gas Utility plans to replace in the IHP system correlated with the size and date of installation for each county, all of which are said to be Vintage (installed prior to November 1970) and large diameter (8 inches or larger).

Exhibit 3 offers photographs of the geographic sections where the pipe planned for replacement is located.

Exhibit 4 provides a Gantt chart projecting the time-line of the replacement work. According to the chart, the work on FL23 is expected to continue throughout the year. The work on FL 21 is scheduled for February through November. The FL 47 project is expected to be finished by the end of June. The IHP work in Davis and Salt Lake Counties is expected to continue through the end of October 2019.

Exhibit 5 provides the source information for the DGP Deflator Rate the Gas Utility uses to annually inflate the \$65 million which is allowed to be collected in the Tracker.

Feeder Lines

FL 23. The Gas Utility expects to have its contractors work on replacing over 57,900 LF of 12 inch pipe. Of that amount 57,223 LF was originally installed in 1957, 218 LF was originally installed in 1967 and 459 LF was originally installed in 1993. It expects that it will continue work on this project through the entire year.

FL 22. This is comingled with the work on FL 23, without any actual work on FL 22 planned in 2019.

FL 21. The Gas Utility plans on replacing 12,050 LF of FL 21 (about 27,500 LF less than 2018 and 5,000 LF less than in 2017). Of the total to replace in 2019, 8,688 LF was originally installed in 1957, while 3,362 LF was installed in 2010 - just eight years ago. However, the Gas Utility claims that this particular section was a relocation required by Layton City for the construction of the Layton Parkway overpass and was paid for by the City. The replacement of this section will increase the diameter from the current 20 inches to 24 inches in an effort to make the entire FL the same diameter.

FL 47. The Gas Utility expects to replace 4,892 LF consisting of 77 LF of 3.5 inch diameter pipe and 4,815 of 12 inch diameter pipe both originally installed in 1964. The 3.5 inch pipe is a tap line, not a feeder line. Additionally Exhibit 3 calls FL 47 a “relocation” not a replacement for no apparent reason.

Belt Lines

The Gas Utility expects to spend \$16.5 million replacing BL's in 2019 consisting of \$12 million in Davis County and \$4.5 million in Salt Lake County, for 35,200 LF in Davis County and 8,950 LF Salt Lake County.

There is no IHP replacement work scheduled for Weber or Utah Counties in 2019.

All the expected IHP replacement work for 2019 totals 45,050 LF.

Other

The Gas Utility proposes to spend \$550,000 on “Future Projects” or preliminary work (the exact same amount as each previous year).

Summary

The total LF of pipe (both FL and BL) the Gas Utility plans to replace in 2019 is 119,892 (22.71 miles) or 26,199 LF more than 2018’s plan of 93,693 LF. The pipe sizes that are currently serving customers which are scheduled for replacement in FL 21 is 20 inch while the diameter scheduled for FL 23 is 12 inch, FL 22 is not scheduled for this coming year, and FL 47 has both 3.5 inch and 12 inch diameter steel pipe being replaced. The IHP line in Davis County scheduled for replacement is 10 inch while the IHP project in Salt Lake County will be replacing both 12 inch and 16 inch 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 Gas Utility filed with the Commission on November 15, 2018, outlining the Replacement Infrastructure 2019 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 only fulfills the annual budget filing requirement identified in the stipulation, 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 pipe under eight inches in diameter and/or pipe newer than 1970 should not be included in the Tracker. 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 smaller than 8 inch and/or originally installed more recently than 1970. That being said, the Division does not believe that the purpose of the Tracker is to replace small pipe or recently installed pipe as in this case, (a 3.5 inch tap line and 3,362 LF installed eight years ago). The Division remains concerned about including some of this pipe the Gas Utility proposes to replace in 2019 (as it was in 2018) would not qualify as "Aging Infrastructure". 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 Gas Utility requests rate recovery of these capital expenses.

Cc: Kelly Mendenhall, Dominion Energy Utah

Michele Beck, Office of Consumer Services