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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
Carolyn Roll, Utility Analyst
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Date: December 15, 2014

Subject: Action Request Response regarding Docket No 14-057-29.

Replacement Infrastructure 2015 Annual Plan and Budget

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) accept the letter outlining the proposed 2015 annual plan and budget as outlined by Questar Gas Company (Company) in its letter of November 14, 2014 and in accordance with the Questar Gas Company Tariff 400 Section §2.07.

BACKGROUND

In Docket No. 13-057-05, the Company requested permission to expand the infrastructure replacement program current at the time to include Intermediate High Pressure (IHP) pipelines

(also called Belt Lines (BL)). The final order in that docket approved an increase in the amount included in the infrastructure replacement program from \$55 million to \$65 million.

Additionally, this amount can increase by the GDP Deflator Index on an annual basis. The February 21, 2014 Report and Order¹ allows the infrastructure replacement pilot program to continue while also requiring a forward looking budget to be submitted to the Commission each year before November 15th.

On November 14, 2014, the Company submitted its budget to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2015 calendar year. On November 14, 2014, the Commission issued an Action Request to the Division requesting that the Division “Review for Compliance and Make Recommendations”. On December 1, 2014, the Commission issued a Notice of Filing and Comment Period reiterating that initial comments are due on December 15, 2014 with reply comments due on December 22, 2014. This is the Division’s response to the Action Request and its initial Comments.

ISSUE

In its exhibits attached to the November 14, 2014 letter, the Company provided its annual plan and budget for the Replacement Infrastructure for 2015. The Company expects to replace 121,375 linear feet (LF) of three feeder lines (FL) in 2015. It also plans on replacing 33,000 LF of BL pipes for total spending of \$66.1 million.

DISCUSSION

The Division examined the Company’s filing, issued several data requests and met with Company representatives on several occasions to discuss this filing and 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 time to correct errors.

¹ Report and Order Docket No. 13-057-05, pages 73-76

The 2015 budget and plan

Feeder Lines

The Company's 2015 Infrastructure Replacement program specifies three FL replacement projects as listed in Exhibit 1, page 1 through 3. The replacement projects are FL's 6, 24, and 34.

Exhibit 1, pages 4 through 13 are maps detailing the proposed routes of the FL's and BL's. Exhibit 2 is a graphic representation of the project's timeline in 2015. Exhibit 3 provides support for the Company's position that the Global Insight GDP Deflator rate is 1.07% in 2015. (This is provided to demonstrate the Company's position that the allowed budget for 2015 can be up to \$66,100,000. Also, that this amount is within the allowed limits for annual expenditures, as described in the Partial Settlement Stipulation in Docket No. 13-057-05.)

According to the Company's filing, FL 24 should be completed in 2015 and about one-third of FL 6. In its May, 5, 2014, filing the Company stated that FL 34 was scheduled to begin in 2019, but the work actually began in 2014 to accommodate a city project. However, as that project progressed there was a bore failure that prevented the Company from completing this section in 2014. The work will continue on this section in 2015. The work on all three FL's sums to 121,375 LF scheduled to be replaced in 2015, at a cost of \$55,000,000.

FL 6. The Company expects to replace 24,000 LF, or and complete the replacement of the 10" pipe installed in 1948 in Utah County. It is projected to cost \$5 million. It was originally scheduled for replacement in 2014-2015. Even with right-of-way and permit issues, which postponed this replacement somewhat, the Company still expects to complete this project in 2015.

FL 24. The Company expects to substantially complete FL 24 in 2015 doing the entire 96,725 LF of 10.75" pipe that it installed in 1948 also in Utah County. It is expected to spend \$49 million in 2015 on this replacement. Nothing was installed in FL 24 prior to 1948, and less than 1,000 LF were installed thereafter through 1970.

FL 34. The Company expects to replace 650 LF of the 84,582 LF of 20” pipe that it installed in 1962 in the West Jordan area. Less than 50 LF were installed prior to 1962, and less than 1,000 LF were installed thereafter through 1970. This 650 LF is expected to cost \$1 million because in 2014 there was a failed bore when attempting to cross a creek and, this year’s work is expected to be expensive as they re-attempt the crossing.

In its May 5, 2014 letter to the Commission the Company included Confidential Attachment 2, which outlined the planned FL replacement schedule. In that attachment, two FL’s were included in the 2015 schedule which are not included in this filing. They were excluded because the currently planned projects on FL’s 6, 24 and 34 took priority.

Belt Lines

In its BL replacement program, the Company expects to spend \$9,610,000 in replacements in 2015. 20,400 LF is expected to be completed in 2015 in Salt Lake County while in Weber County it expects to replace 12,800 LF. No BL replacement work is planned in Utah or Davis Counties in 2015. The total 33,200 LF of BL is expected to be replaced in 2015. With the BF replaced in 2014 (31,572) and the replacement planned in 2015 (33,200), the Company will have completed approximately 18% of the total (367,573) BL replacement project.

The BL replacement projects are mainly on: 1700 South, 400 East, Main Street, 400 South and 200 West in Salt Lake County. In Weber County the replacement projects are mainly on Harrison Blvd. It should be noted that streets like 400 South, which is very congested and comprised of concrete, will be more difficult and costly to replace than others.

Other

The Company proposes to spend \$1,490,000 on “Future Projects”. This includes preliminary work on FL’s 26, 21-50, 21-5, 21-4 and 47 along with BL preliminary work, all of which is scheduled for 2016-2018 replacement.

Summary

The total LF of pipe (both FL and BL) the Company plans to replace in 2015 is 154,575 or nearly 30 miles. It will replace 20", 16", 14", 12", 10" and 8" 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 14, 2014, outlining the Replacement Infrastructure 2015 Annual Plan and Budget, is in compliance with paragraph 22 b of the Partial Settlement Stipulation, that was attached as Appendix A to the Commission's Report and Order, issued February 21, 2014 in Docket No. 13-057-05. The Division recommends the Commission accept the letter as being compliant with that requirement.

CC: Barrie McKay, Questar Gas Company
 Kelly Mendenhall, Questar Gas Company
 Michele Beck, Office of Consumer Services