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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, Utility Analyst

Date: December 16, 2015

Subject: Action Request Response regarding Docket No 15-057-19.

Replacement Infrastructure 2016 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 2016 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. Along with that approval, on an annual basis, the Company could now collect \$65 million (with an annual automatic escalation based on the GDP Deflator Index). It also allowed the program to include Intermediate High Pressure (IHP) pipelines (also called

Belt Lines (BL)). 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 in November.

On November 16, 2015, the Company submitted its 2016 budget and plan to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2016 calendar year. On November 16, 2015, the Commission issued an Action Request to the Division requesting that the Division “Review for Compliance and Make Recommendations”. On November 18, 2015, the Commission issued a Notice of Filing and Comment Period reiterating that initial comments are due on December 16, 2015 with reply comments due on December 23, 2015. This is the Division’s response to the Action Request as well as its initial Comments.

ISSUE

In its exhibits attached to the November 16, 2015 letter, the Company provided its annual plan and budget for the Replacement Infrastructure Tracker (Tracker) for 2016. The Company expects to replace 160,468 linear feet (LF) of these feeder lines (FL) in 2016. It also plans on replacing 22,900 LF of BL pipes. It should be noted that 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 since the lines run nearly parallel and therefore, it is not a separate BL project.

DISCUSSION

The Division examined the Company’s filing, issued three rounds of data requests and spent several hours with Company representatives to discuss this filing 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.

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

The 2016 budget and plan

Feeder Lines

Exhibit #1 outlines the Company plans for replacing parts of four FL's. These are: 6, 24, 21, and 11/13. (11/13 is not a fraction, rather it is used to indicate the cross-over where FL 11 meets FL 13). The corresponding budgets for these FL's are: \$8.5 million, \$29.3 million, \$17 million and \$1.25 million respectively. The Company says that it will complete work on all of these projects in 2016 except for FL 21. Exhibit #1 also includes the budget for the IHP lines totaling \$10.29 million. The 2016 Pre-engineering budget is \$0.55 million. All these projects sum to \$66.89 million, which is just shy of the \$66.9 million budget cap.

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 2016. It is noteworthy that the Company is replacing 56,889 LF of pipe that is arguably not "aging infrastructure", but was originally installed after 1970.

FL 6. The Company plans to replace 36,885 LF of FL 6. The Company plans to replace 19,958 LF originally installed in 1948, 801 LF installed between 1953 and 1966 and 16,126 LF originally installed after 1970.

FL 11. The Company plans to replace 200 LF of FL 11 where it intersects with FL 13. Some of that 200 LF was initially installed in 1961 and some was installed after 1970.

FL 13. The Company expects to replace only 100 LF of FL 13 originally installed in 1952 at the place where FL 13 intersects with FL 11.

FL 21. The Company plans on replacing 22,000 LF of FL 21. Some was originally installed in 1957 (a very good year for Chevy coupes), some from 1964, 1968, and some originally installed after 1970. This project includes replacing the Davis County BL in conjunction with the FL replacement.

FL 34. The Company expects to replace 101,283 LF of FL 24. Of that total, 97,493 LF is of pipe originally installed in 1948, 518 LF installed between 1948 and 1970, with 3,272 installed after 1970.

Belt Lines

In its BL replacement program, the Company expects to spend \$10,290,000 in 2016. For that amount, 22,900 LF is expected to be replaced in Salt Lake County. There is no BL replacement work planned for either Weber or Utah Counties. The BLs in Davis County on the other hand, are estimated to be 29,000 LF of replacement (this is in conjunction with the FL 21 work and will be performed by the FL crews and paid for using FL funds).

Other

The Company proposes to spend \$550,000 on “Future Projects” or preliminary work.

Summary

The total LF of pipe (both FL and BL) the Company plans to replace in 2015 is 212,368 or just over 40 miles. This is roughly ten miles more than the Company planned on replacing in 2015. The pipe sizes scheduled for replacement are 20”, 12”, 10”, 6”, 4”, 3”, 2”, and 1” diameter steel pipe. The Division believes that this is the first time that the Tracker plan includes pipe less than 2” in diameter.

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 16, 2015, outlining the Replacement Infrastructure 2016 Annual Plan and Budget, is in compliance with paragraph 22 b of the Partial Settlement Stipulation, in Docket No. 13-057-05. The Division recommends the Commission acknowledge the letter as complying with that requirement.

However, the Division notes that this recommendation is only that the filing of the letter fulfills the 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.

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