

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Questar Gas Company's
Replacement Infrastructure 2016 Annual
Plan and Budget

DOCKET NO. 15-057-19

ORDER

ISSUED: May 2, 2016

BACKGROUND

On February 22, 2016, Questar Gas Company (Questar, Questar Gas or Company) filed an update to its Replacement Infrastructure 2016 Annual Plan and Budget (Annual Plan Update) with the Public Service Commission of Utah (Commission). The Annual Plan Update includes Questar's request for Commission approval to increase its 2016 replacement infrastructure budget by \$4 million.¹ The filing was made pursuant to the Partial Settlement Stipulation (Stipulation) approved by the Commission in the Report and Order, issued February 21, 2014, in Docket No. 13-057-05.² Paragraph 24 of the Stipulation states:

. . . the Infrastructure Rate-Adjustment Mechanism shall be limited to a total of \$65 million per year to cover the costs associated with replacing both high pressure and intermediate high pressure natural gas facilities. The annual budget shall be indexed each year for inflation using the most recent corresponding Global Insight inflation rate reported as the 'GDP Deflator.'³

Paragraph 22.a of the Stipulation further provides: "The Company may request Commission approval to exceed the budget cap if there are exigent circumstances requiring immediate capital expenditures."⁴

¹ Questar's initial Replacement Infrastructure 2016 Annual Plan and Budget was filed on November 16, 2015 and identified a total 2016 feeder line replacement budget of \$66.89 million.

² See In the Matter of the Application of Questar Gas Company to Increase Distribution Rates and Charges and Make Tariff Modifications, Docket No. 13-057-05.

³ Stipulation at 12.

⁴ *Id.* at 11.

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Pursuant to the Commission's February 23, 2016 notice of filing and comment period, the Division of Public Utilities (Division) filed comments on March 21, 2016, and Questar filed reply comments on April 6, 2016. No other party filed comments in this docket.

QUESTAR'S FILING

Questar's Annual Plan Update addresses two new projects, Feeder Line 51 (FL 51) located near Plain City in Weber County, and Feeder Line 89 (FL 89) located near Vernal in Uintah County. Questar's Annual Plan Update requests an increase in the allowed infrastructure replacement level of investment from \$66.890 million to \$70.890 million for 2016.

Questar represents it scheduled FL 51 for replacement in 2016 at an estimated cost of \$4 million because Weber County is requiring it to relocate the line to accommodate a road project. In addition, Questar represents it scheduled replacement of 20,135 feet of FL 89 in 2016 "because it has discovered that the diameter of the pipe is smaller [i.e., four inches] than previously understood [i.e., eight inches] when Questar Gas purchased the Utah Gas System."⁵ Questar maintains that "[t]he restriction in the pipe has changed pressure projections at the VN0001 regulator station"⁶ and that "[c]urrent peak day projections show pressures could reach as low as 80 psig."^{7, 8} Questar states that it will complete the necessary work on FL 89 within the original budgeted amount of \$4 million. To accomplish the FL 89 work Questar indicates it will

⁵ Questar's Annual Plan Update at 2, filed February 22, 2016.

⁶ *Id.*

⁷ *Id.*

⁸ Questar identifies a revised VN0001 regulator station pressure of 80 psig in its February 22, 2016 filing. In its April 16, 2016 reply comments however, Questar states that the VN0001 peak day pressure drops to 87 psig in the 2015-2016 model.

reduce spending on the intermediate high pressure projects in Salt Lake County by \$2 million and on the 2016 work on Feeder Line 24 in Utah County by another \$2 million.

COMMENTS

I. The Division's Comments

The Division recommends the Commission approve Questar's infrastructure replacement proposed budget increase of \$4 million as requested by Questar. The Division also recommends that Questar "reduce its 2017 Infrastructure Replacement Pilot Program (Tracker)⁹ budget by the same amount."¹⁰ The Division bases its recommendation on its determination that these two projects – FL 89 and FL 51 – are not the result of "exigent circumstances requiring immediate capital expenditures,"¹¹ the condition established by Paragraph 22.a of the Stipulation as justifying an increase in the annual Tracker budget.

According to the Division, FL 89, which was originally installed in 1956, "was scheduled to be replaced [through the Tracker program] many years in the future, based on its risk ranking and prioritization."¹² The Division states that FL 89 supplies the VN0005 regulator station. The Division explains that the line Questar recently identified as four inches in diameter, rather than the assumed eight inches, is FL89-3, which is not included on the feeder line replacement schedule. Using this updated information, the Division indicates that the Vernal distribution system may, at times, have lower pressure than Questar previously thought and that, "at some

⁹ The "infrastructure replacement program" and the "Tracker program," or simply "Tracker," are used synonymously throughout the remainder of the order.

¹⁰ Division's Action Request Response at 1, filed March 21, 2016.

¹¹ Stipulation at 11.

¹² *Supra* n.10, at 4.

point in the future, the pressure in Vernal’s distribution system could be low enough to cause operational concerns on a Peak Day.”¹³ To remedy the situation, the Division explains that “[Questar] chose to replace a section of FL 89, not FL 89-3[.]”¹⁴ The Division contends that “[c]urrently . . . there is sufficient pressure in the Vernal system” and “replacement of this section of FL 89 is more of a pre-emptive move rather than providing the solution to a current or immediate problem.”¹⁵

Regarding FL 51, the Division explains that replacement of 62,426 feet of pipe was moved forward to 2016 due to a Weber County road project. Of the 62,426 feet, the Division states that 61,903 feet of eight-inch pipe were installed in the summer of 1970 “before the new standards became effective in the fall of 1970[.]”¹⁶ 291 feet of eight-inch pipe were installed in 1972, 22 feet of one-inch pipe were installed in 1974; and 210 feet of eight-inch pipe were installed in 1975. The Division further states that FL 51 was also scheduled for replacement many years in the future under the Tracker program based on its risk ranking and prioritization. In response to a data request, the Division represents Questar provided an internal analysis “showing [the] Company decided to replace the current [eight-inch pipe with a twelve-inch] one. The ‘maps provided by Weber County’ were copies of drawings from the engineering firm engaged by the County concerning this road project and, according to the Company, were given by the County to the Company and are dated October 1, 2014.”¹⁷ In attempting to determine

¹³ *Id.*

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* at 5.

¹⁷ *Id.*

whether the FL 51 project was “exigent,” the Division asked Questar to provide documents showing when Weber County first contacted Questar regarding replacement of FL 51. The Division states that Questar responded that it was informed verbally of Weber County’s road project, and that it had no paper or electronic documentation to offer.

The Division submits that the Tracker is a “method of rapid recovery of costs [Questar] incurs to replace its aging infrastructure.”¹⁸ The Division further maintains that the Tracker “is not a means to rapidly recover costs for system capacity enhancements (like the FL89 project) or moving pipe for road construction projects (like the FL51 project).”¹⁹ The Division concludes that the FL 89 and FL 51 projects “would normally not qualify for inclusion in the Tracker replacement projects that are ‘exigent circumstances requiring immediate capital expenditures.’”²⁰ However, because sections of the two proposed projects were installed before implementation of the 1970 standard²¹ and are on the future replacement schedule, the Division believes it is not unreasonable for Questar to reschedule the replacement of these lines and to include the \$4 million of related costs in the 2016 Tracker. While the Division does not object to increasing the 2016 Tracker budget, it recommends reduction of the 2017 Tracker budget by the same amount, so the overall impact to customers is stabilized and remains at the current Commission-approved level for the two years in question.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.* at 5-6.

²¹ The Commission assumes that the 1970 standard referred to by the Division is 49 C.F.R.pt. 192 Part 192 – Transportation of Natural and Other Gas by Pipeline: Minimum Federal Safety Standards.

II. Questar's Reply Comments

Questar disagrees with the Division's analysis of FL 89, asserting that "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."²² Furthermore, Questar disagrees with the Division's recommendation to decrease the 2017 Tracker budget arguing it is both premature and arbitrary. Questar states that all pipelines identified in the 2017 budget must meet the qualifying criteria and if they do not, the Division can raise the issue after the budget is filed. Questar refers to its application in Docket No. 09-057-16 that included testimony stating that the existing infrastructure replacement schedule 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."²³ Questar asserts the Division recommends a budget reduction simply because Questar requested additional funds in 2016 and argues it is not appropriate to review the 2017 budget in this docket. Therefore, Questar encourages the Commission to reject the Division's recommendation to decrease the 2017 budget.

²² Questar Gas Company's Reply Comments at 3, filed April 6, 2016.

²³ Direct Testimony of Barrie L. McKay, QGC Exhibit 1.0 at 12, lines 288-291, filed December 3, 2009. In the Matter of the Application of Questar Gas Company for Authority to Increase its Retail Gas Utility Service Rates in Utah and for Approval of Its Proposed Gas Service Schedules and Gas Service Regulations, Docket No. 09-057-16.

FINDINGS, CONCLUSION, AND ORDER

As a general matter, we support Questar's efforts to operate and maintain a safe, reliable system. Based on Questar's asserted need for the FL 51 and FL 89 projects, its efforts to reallocate the 2016 budget, and the Division's recommendation, we find Questar's requested \$4 million budget increase for the 2016 Infrastructure Annual Plan is reasonable.

The Stipulation specifies the annual level of Tracker expenditures that parties to the Stipulation agreed to be acceptable and which we have approved. The only anticipated deviation from the levels of spending contemplated by the Stipulation is for projects meeting the "exigent circumstances" criterion. The Division provides convincing information that the FL 51 and FL 89 projects do not satisfy this criterion. Accordingly, we find the Division's recommendation to reduce the 2017 Tracker budget by the amount of the 2016 Tracker budget increase preserves the spirit and effect of the Stipulation, while providing current cost recovery for the FL 51 and FL 89 projects. As the Division's recommendation ensures the amount of Tracker spending over time will remain the same as agreed to in the Stipulation, we find it to be reasonable and in the public interest.

Based on the information supporting the request and the Division's comments, we approve Questar's requested budget increase of \$4 million and order that the 2017 allowed infrastructure replacement budget be decreased by an equal amount.

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DATED at Salt Lake City, Utah, May 2, 2016.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#275547

Notice of Opportunity for Agency Review or Rehearing

Pursuant to Utah Code Ann. §§ 63G-4-301 and 54-7-15, a party may seek agency review or rehearing of this order by filing a request for review or rehearing with the Commission within 30 days after the issuance of the order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission fails to grant a request for review or rehearing within 20 days after the filing of a request for review or rehearing, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a Petition for Review with the Utah Supreme Court within 30 days after final agency action. Any Petition for Review must comply with the requirements of Utah Code Ann. §§ 63G-4-401, 63G-4-403, and the Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on May 2, 2016, a true and correct copy of the foregoing was served upon the following as indicated below:

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