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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, 2017

Subject: Action Request Response regarding Docket No 17-057-25. DEU Replacement Infrastructure 2018 Annual Plan and Budget.

RECOMMENDATION

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge the Dominion Energy Utah (Company) proposed 2018 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, 2017, the Company submitted the required budget to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2018 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". On November 21, 2017, the Commission issued a Notice of Filing and Comment Period stating that initial comments are due on or before December 13, 2017 with reply comments due on December 20, 2017. This altered the due date of the Division's Action Request to December 13, 2017. 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 2018". According to the filing, the Company expects to replace 55,993 linear feet (LF) comprising parts of four feeder lines (FL) as demonstrated in Exhibit 2. This proposed schedule for 2018 represents 9,626 LF more than the plans the Company submitted for the calendar year 2017. The Company also plans on replacing 37,700 LF of BL pipes or 15,537 LF less than it proposed to replace in 2017.

DISCUSSION

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

Summary of the 2018 budget and plan

Exhibit 1 outlines the Company's plans for replacing parts of four FL. These are: FL 21, 23, 35 and 51. The corresponding budgets for these four FL are: $45.65 million (about one-half million less than last year), \$4.5 million, \$.32 million and \$.5 million respectively. (Exhibit 1 and the Cover Letter are incorrect as they reference FL 34; the correct reference is FL35) (Exhibit 2 shows only three FL being replaced in 2018 as opposed to Exhibit 1 showing four – this will be explained in more detail in the appropriate section of this response).

Exhibit 1 includes the budget for the IHP lines totaling \$12.35 million or about \$5 million less than it planned on spending on IHP replacement in 2017. The budget includes \$.55 million for Pre-engineering as is consistent with 2017 and each previous filing. All these projects sum to \$63.87 million, which is just shy of the \$69.14 million budget cap (which has increased as a result of the GDP Deflator rate by just under half million dollars) less the \$5.27 million adjustment as ordered in Docket No.16-057-17.

Exhibit 2 shows the year of original installation and the linear footage of the FL the Company plans on replacing in 2018. Exhibit 2 shows only three FL being replaced in 2018 as opposed to Exhibit 1 that shows four. The Company explained that this is because although there will be funds dispersed and work performed on FL 23, this project will not be completed in 2018 and therefore will not be placed into service in 2018 and thus not classified as retired.

Likewise, Exhibit 2 shows the sections of pipe the Company plans to replace in the IHP system correlated with the size and date of installation for each county, all of which are 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. The work on FL 21 and the Davis County IHP work is scheduled to continue through the end of the calendar year while the plans for the other projects show completion in March (FL 51), April (Utah County IHP), May (FL 35) and October (FL 23 and Salt Lake County IHP).

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

Feeder Lines

FL 21. According to Exhibit 2, the Company plans on replacing 39,543 LF of FL 21 (about 5,000 LF less than in 2017). Of the total to replace in 2018, 34 LF was originally installed in 1991, 1506 LF originally installed in 2002 while 1039 LF was installed just ten years ago. The Company explained to the Division that the reason that it is replacing the sections of pipe originally installed in 2002 and 2007 is that it is changing the pipe diameter in the entire line and these sections are not compatible with the new size. Also in Exhibit 2, in the FL021 section, it highlights 107 LF of 4.5 inch FL originally installed in 1948 as a "Specific vintages from which the pipe will be retired and replaced in 2018…" However, the Company informed the Division that this cell was highlighted in error and that amount is not included in the "Anticipated Amount to be Retired" in column X. This (FL 21) project includes replacing the Davis County BL in conjunction with the FL replacement.

FL 23. The Company expects to work on replacing over 15,000 LF of 12inch pipe originally installed in 1957. The Company will work on the project in 2018 but not complete the line and thus not place it into service. As the Gantt chart in Exhibit 4 shows this work is scheduled to begin in April and conclude in September. The Company told the Division that the project will then be put on hold until the following year (2019) when work will resume.

FL 35. The Company expects to replace 1,080 LF of 3.5 inch diameter pipe originally installed in 1964. The Company's filing in the Cover Letter and Exhibit 1 both call this FL 34 while Exhibit 2, called it FL 35. The Company has clarified that it is really FL 35 and should be referred to in both exhibits and in the cover letter to the Commission.

FL 51. The Company expects to replace 15,350 LF of 8 inch pipe installed in 1970. Also, 20 LF of 12 inch pipe installed in 2016 for a total of 15,370 LF of FL 51 to be replaced in 2018.

Belt Lines

The Company expects to spend $12.35 million in 2018 or just under $.5 million less than it planned on spending in 2017. Exhibit 2 identifies "Specific vintages from which the pipe will be retired and replaced in 2018 are shown in yellow".

In Exhibit 3, the Company states that it is expecting to replace 9,800 LF of BL in Salt Lake County or 11,200 LF less than last year with a total cost of $7.5 million.

For Utah County, on the last page of Exhibit 3 the plan is to replace 3,235 LF of 10 inch pipe originally installed between 1960 and 1969 which will be "retired and replaced in 2018" However there is no total in the BL amount column entitled, "Estimated 2018 Retirement/Replacement Footages". The Company states that this is because the Company will be doing "restoration related work" that will not replace footages. The footages were replaced and retired in 2017. In other words, the work on the pipe was finished and it was placed into service in 2017, but there remains ancillary work around the site that needs completion such as asphalting and landscape repair, which the Company will be doing in 2018.

There is no BL replacement work planned for Weber County in 2018.

The BL replacement plan in Davis County in Exhibit 3 is 27,900 LF (just shy of last year's plan by about 1,100 LF). This is again in conjunction with the FL 21 work and will be performed by the crew working on that FL.

All the BL replacement work for 2018 totals 37,700 LF.

Other

The Company proposes to spend $550,000 on "Future Projects" or preliminary work (the exact same amount as previous years).

Summary

The total LF of pipe (both FL and BL) the Company plans to replace in 2018 is 93,693 LF or 17.74 miles. This is about 5000 LF shy of last year's 99,602 which is less than half of the amount projected in its budget filing for the calendar year 2016. 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 35 is 3 inch and FL 51 has both 8 inch and 12 inch diameter steel pipe being replaced. The BL in Utah and Davis County scheduled for replacement is 10 inch while the BL 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 Company filed with the Commission on November 15, 2017, outlining the Replacement Infrastructure 2018 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 the smaller pipe 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 could be included in the Tracker and these FL 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. The Division remains concerned about including some of the pipe proposed to be replaced in 2018 that was originally installed very recently. 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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