



State of Utah

Department of Commerce
Division of Public Utilities

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Action Request Response

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Manager

Doug Wheelwright, Utility Technical Consultant Supervisor

Eric Orton, Utility Technical Consultant

Date: December 16, 2019

Re: **Docket No. 19-057-30, DEU Replacement Infrastructure 2020 Annual Plan and Budget.**

Recommendation (Acknowledge)

The Division of Public Utilities (Division) recommends that the Public Service Commission of Utah (Commission) acknowledge Dominion Energy Utah's (Gas Utility) proposed 2020 annual plan and budget in accordance with the Company's Tariff 500 § 2.07. The filing fulfills the annual budget filing requirement identified in the stipulation in Docket No.13-057-05.

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 2020." The letter the Gas Utility filed outlines the Replacement Infrastructure 2020 Annual Plan and Budget. It complies with paragraph 22 b of the Partial Settlement Stipulation and the Commission's order in Docket No. 13-057-05.

Background

In paragraph 22b of the final order adopting the Partial Settlement Stipulation in Docket No. 13-057-05, the Commission approved the continuation of the infrastructure replacement pilot program with an annual budget of \$65.0 million adjusted for inflation using the GDP Deflator Index. The budget covers the replacement of feeder lines and belt lines (also known as Intermediate High Pressure (IHP) lines). The Commission also required the Gas Utility to file a forward looking budget each November for the subsequent year.

On November 15, 2019, the Gas Utility submitted the required forward looking budget, entitled Replacement Infrastructure 2020 Annual Plan and Budget (2020 Budget), to the Commission along with exhibits outlining the planned infrastructure replacement projects for the upcoming 2020 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 16, 2019. On November 19, 2019, the Commission issued a Notice of Filing and Comment Period stating that interested parties could submit initial comments on or before December 16, 2019, with reply comments due on or before December 31, 2019. This is the Division’s response to the Action Request as well as its comments.

Discussion

According to this filing, the Gas Utility expects to replace 114,869 linear feet (LF) of feeder lines (FL), which is approximately 1.5 times the amount proposed in 2019 (74,842 LF). The Gas Utility also plans on replacing 5,321 LF of belt line (BL) pipe, which is nearly 40,000 LF less than it proposed to replace in 2019 (45,050 LF). It proposes to do this with a total budget of \$80 million. This is the amount the Gas Utility is requesting in its current rate case, Docket No. 19-057-02, and is more than the original \$65 million adjusted for inflation as ordered in Docket No. 13-057-05. An inflation adjusted budget would be approximately \$72 million. The budgeted amount and presumably the replacement projects will need to be adjusted if the requested amount is not approved by the Commission in the general rate case. The Division will not repeat its arguments from the general rate case here.

As indicated in the Gas Utility's Exhibit 1, of the total \$80 million budget, \$69.4 million is allocated to replacing segments of three FLs: 21, which will be replaced by FL 122; 22 and 23, which is one continuous line and will be replaced by FL 127; and 43. Approximately \$10.1 million is allocated to replacing IHP lines in Salt Lake and Davis counties. The remaining balance, approximately \$0.55 million, is allocated to pre-engineering studies.

Exhibit 2, page 1 shows the sections of pipe the Gas Utility plans to replace in the HP system, correlated with the size and date of installation, most of which are said to be Vintage (installed prior to November 1970) and large diameter (8 inches or larger). It also provides additional details for the replacement project for FL 22/23. The Gas Utility is planning on replacing 276 LF of the highlighted 229 LF 6" initially installed in 1958 in FL 23. The additional 47 LF has not been explained. What the year of initial installation to get the other 47 LF from is not shown. The 88,205 LF of 12" in FL23 is presumably from 1957 pipe, but it is not identified.

Exhibit 2, page 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 and large diameter. It also shows linear feet of Belt Line the Gas Utility plans on replacing in 2020. The budget anticipates replacing 5,321 LF in Salt Lake County with an estimated budget of \$10.0 million. This represents a very expensive replacement when compared on a per linear foot basis. In Davis County, the Gas Utility plans on replacing zero feet but shows a budget of \$65,000. There is no IHP replacement work scheduled for Weber or Utah Counties in 2020.

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 FL23/22 is expected to continue throughout the year. The work on FL 21 is scheduled for March, April and May. The FL 43 project is expected to go from March through October. The IHP work in Davis (with a budget amount but no footage) is expected to go from

March through May and the Salt Lake County work is expected to continue from March through the end of October 2020.

There was no Exhibit 5 provided with this filing; such an exhibit is generally the source information for the DGP Deflator Rate. This is what the Gas Utility used to annually inflate the \$65.0 million to the new budget amount. Rather than provide that Exhibit to validate the 2020 budget amount, the Gas Utility is using its proposed base amount of \$80.0 million as it has advocated in the present General Rate Case.

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

Conclusion

The letter the Gas Utility filed with the Commission on November 15, 2019, outlining the Replacement Infrastructure 2020 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 fulfills only 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.

This filing is not requesting any change in the Company’s current rates.

CC: Kelly Mendenhall, Dominion Energy Utah
Michele Beck, Office of Consumer Services