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State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

PHILIP POWLICK
Director, Division of Public Utilities

Memorandum

To: Utah Public Service Commission

From: Division of Public Utilities
Philip Powlick, Director
Artie Powell, Manager, Energy Section
Marlin Barrow, Technical Consultant
Carolyn Roll, Utility Analyst

Date: May 30, 2008

Subject: Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines, Docket No. 08-057-02

On April 3, 2008 the Utah Public Service Commission ("PSC") issued Draft Questar Gas Company Integrated Resource Planning Standards and Guidelines 2008 ("Draft Standards and Guidelines 2008") and invited comments by interested parties. The Utah Division of Public Utilities ("Division") is submitting the following comments as requested by the PSC.

HISTORY

Since the early 1990s, Questar Gas Company ("QGC" or "Company"), formerly known as Mountain Fuel Supply Company, has been filing Integrated Resource Plans ("IRP") with the PSC.

The purpose of the IRP filing is to provide regulators with an update of the "process in which known resources are evaluated on a uniform basis, such that customers are provided quality natural gas services at the lowest cost to Questar Gas and its customers consistent with safe and reliable service."¹ For planning purposes, the time period of this

¹ Proposed IRP Guidelines for Questar Gas Company, Docket No. 97-057-06, p 1.

process runs from May of the current year through April of the following year. The plan reviews the demand forecasts, gas supply resources, system delivery and storage capabilities, as well as any constraints which are foreseen within the next several years. On June 4, 2007, the PSC issued a Request for Comments giving parties until July 2, 2007 to file comments not only on the IRP itself but also regarding the approved IRP process (Docket No. 07-057-01) and invited parties to make recommendations regarding whether changes should be made to the process. Based on the recent review of the Company's 2007 Integrated Resource Plan in Docket 07-057-01, "In the Matter of the Filing of Questar Gas Company's Integrated Resource Plan for the Plan Year: May 1, 2007 to April 31, 2008," the PSC determined it is now appropriate to re-evaluate and revise the September 26, 1994, IRP Standards and Guidelines.

The December 14, 2007, Report and Order in Docket 07-057-01 specified a new docket will be opened to address modification to the Standards and Guidelines. Pursuant to this Report and Order, Docket 08-057-02, "In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines" was established. After due notice, on February 13, 2008, a technical conference was held to obtain input, ideas, and feedback regarding modifications to the September 26, 1994, IRP Standards and Guidelines. Based upon the discussion of specific topics during the technical conference, Draft Standards and Guidelines 2008 have been developed. On April 3, 2008 the PSC issued Draft Questar Gas Company Integrated Resource Planning Standards and Guidelines 2008 ("Draft Standards and Guidelines 2008") and invited comments from interested parties. Comments are due to the Commission May 30, 2008.

BACKGROUND

The Draft Standards and Guidelines 2008 allow the alignment of the integrated resource planning process with these ratemaking proceedings such that the results of the IRP process, as contained in an annual plan, may be used to evaluate the Company's requests for recovery of gas costs in Account 191 pass-through proceedings as well as recovery of non-gas costs in general rate cases.

As outlined in the Division's comments for the 2007 IRP there were differences between the IRP stipulation (Docket No. 97-057-06) and the IRP standards and guidelines order 91-057-09. The differences can fall into three categories: (1) reducing the requirements for holding meetings and communicating with interested parties; (2) reducing the scope of the IRP (and concurrently the workload imposed on the Company) by eliminating language requiring analyses of externalities, reducing the scope of outside comments, reducing or eliminating action plans or strategies for dealing with alternative futures, reducing or eliminating language regarding analysis of demand-side resources and related avoided costs, and eliminating the requirement for coordination with other states; and (3) cost effectiveness tests are not described in the stipulation whereas the Order has specific standards and an authoritative source for those tests, rather it appears that the Company is left to its own devices to define its models and its tests.

COMMENTS

As a result of the Division's review of QGC's IRP report Docket No. 07-057-01 there were several items that the Division proposed for areas of improvement. These improvements are summarized as follows: (1) the Division would like the Company to provide a Gas Balance Exhibit for the first year which summarizes, by month, Gas Demand broken out by Sales to GS-1 residential and GS-1 commercial separately and then Total Sales (the difference being sales to all other rate classes), Company Use and Lost and Unaccounted For. Gas Supply should show Company Production, Company Purchases, Storage Injections and Withdrawals; (2) break out the GS-1 Use Per Customer (UPC), as shown in Exhibit 3-2 ("Utah GS-1 Temp Adj Use Per Customer (UPC)"), with a line for the Commercial class UPC which yields the total GS-1 expected UPC of 111.98 decatherms. The Commercial class classification should be based on a Load Factor, which the Company feels will distinguish commercial operations that are more typical to having residential type load factors; and (3) include the capital cost projections for projects included in the IRP document.

The Division reviewed the draft standards and guidelines as proposed by the Commission and concluded that the areas of concern are addressed in the draft with just a minor

clarification. Under the General Requirements, the Division requests that the reporting requirements includes reporting of residential customers separately regardless of the outcome of the cost of services proposals that are to be decided in the current rate case Docket No. 07-057-13. In the Accounts 191-Related Issues the proposed guidelines includes the level of detail the Division recommended in the report for Docket No. 07-057-01.

Cc: Michele Beck, CCS
Barrie McKay, Questar Gas Company