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From: Division of Public Utilities
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Date: July 13, 2009

Subject: Action Request Docket No. 09-057-07, QGC 2009-10 IRP Report.

RECOMMENDATION

The Division of Public Utilities ("DPU") recommends to the Utah Public Service Commission ("PSC") that the IRP plan filed by Questar Gas Company ("QGC") be 'acknowledged' for reasons discussed in the IRP Process Comments section. 'Acknowledgement' of the Plan means the PSC deems the planning process and the Plan itself reasonable at the time the Plan is presented. "Acknowledgement of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions."[1]

HISTORY

Since the early 1990s, QGC, 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 QGC and its customers consistent with safe and reliable service."[2] For planning purposes, the time period of this 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 that are foreseen within the next several years.

[1] Final Standards and Guidelines for Integrated Resource Planning for Mountain Fuel Supply Docket No. 91-057-09.
[2] Proposed IRP Guidelines for Questar Gas Company, Docket No. 97-057-06, p. 1.

In order to make these projections, which require a multitude of interrelated variables and processes, QGC utilizes a powerful computer model called SENDOUT which has been designed specifically for local natural gas distribution systems. This computer model is marketed and maintained by New Energy Associates out of Atlanta, Georgia. QGC used version 12.5.5 in the preparation of the IRP for the 2009-2010 year.[3]

Originally, QGC's IRP filing was on a biennial schedule with an annual update in the intervening years.[4] In December 1997, Mountain Fuel Supply Co. ("QGC") submitted, to the PSC, a petition to modify the Final Standards and Guidelines for Integrated Resource Planning.

Subsequent to that filing, QGC met with the staffs of the Committee of Consumer Services, Office of Consumer Services ("OCS") and the DPU and developed a new set of proposed guidelines. Under these new guidelines, QGC is to prepare and file annually a new IRP. In addition, QGC is required to prepare and file with the PSC, DPU and OCS confidential quarterly reports that update the differences between actual results and those projected in the IRP. Questar's final IRP report also considers comments from regulators and other parties obtained during meetings held with regulators to discuss assumptions and events that are taking place, or expected to take place, regarding natural gas markets, demand forecasts and system capabilities or constraints.

The PSC has been considering new IRP guidelines and the provisions of the Energy Independence and Security Act of 2007 ("EISA") as they apply to utilities. On December 14, 2007, the PSC issued its Report and Order on Questar Gas Company's integrated resource plan for the plan year extending from May 1, 2007 to April 30, 2008.[5] The PSC required QGC to "continue with its current IRP approach and time lines," requested the inclusion of some additional information, and also requested that specific issues be addressed in the 2008 IRP. Those issues were addressed in QGC's 2008 IRP.[6] On April 3, 2008, the PSC issued draft standards and guidelines governing IRPs for QGC with comments by interested parties due by May 30, 2008.[7] Comments were submitted by interested parties including the DPU and discussion meetings were held. On March 31, 2008, the PSC issued its Report and Order on Standards and Guidelines for Questar Gas Company requiring QGC to file its 2009 IRP in accordance with the December 14, 2007, Report and Order.[8] QGC was ordered to prepare and

[3] Questar Gas Company Integrated Resource Plan (For Plan Year: May 1, 2009 to April 30, 2010) pp. 2-7.
[4] Docket 95-057-04, p. 1.
[5] In the Matter of the Filing of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2007 to April 30, 2008, Report and Order, Public Service Commission of Utah, Docket No. 07-057-01, Issued: December 14, 2007.
[6] Questar Gas Company Integrated Resource Plan (For Plan Year: May 1, 2008 to April 30, 2009), Submitted: May 1, 2008.
[7] "In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines, Request for Comments on Draft Standards and Guidelines, Docket No. 08-057-02, Issued: April 3, 2008.
[8] In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines, Report and Order on Standards and Guidelines for Questar Gas Company, Docket No. 08-057-02, March 31, 2009.

file future IRPs effective June 1, 2009, in compliance with new IRP standards and guidelines attached to the Order. Consequently, QGC is filing its IRP this year during May of 2009 in conformity with the December 14, 2007 Order.

The following is a brief discussion of the major components found in the current IRP for the plan year May1, 2009 through April 30, 2010.

CUSTOMER & GAS DEMAND FORECASTS

For the calendar year of 2009, QGC is expecting system sales to decrease by 500,000 decatherms from 2008's level of 108.0 million. This decrease is due to a lower expected growth in new customers, and an estimated lower usage per customer. Usage is estimated to be 108.6 decatherms by the end of 2009 compared to 110.0 for the end of 2008 or approximately a 1.05% decline in usage per customer. QGC attributes this decline in usage to a combination of more efficient gas appliances in the market, more energy efficient new homes, as well as conservation measures undertaken by customers and participation in QGC's energy efficiency programs.

SYSTEM CONSTRAINTS AND CAPABILITIES

With continuing customer growth anticipated on QGC's distribution system, system capacity is always a concern, as is the cost of gas supplies.

For planning and meeting supply requirements, QGC separates its distribution system into three distinctive areas. Those areas or systems are the Northern System, the Central System and the Southern System.

The Northern System, which serves the Wasatch Front, receives gas from Questar Pipeline Company ("QPC") and Kern River Transmission Company ("KR") at six major city gates. The Northern System currently has enough capacity to meet peak day requirements of 1,256,000 Dths for the projected 2009-2010 IRP year. In order to ensure that peak day capacity requirements can be met, QGC is constantly looking at the condition of the physical distribution system and planning for system integrity upgrades or expansion. The following replacement and system expansion projects are scheduled for 2009-2010: 1) FL 19 Weber Canyon to Harrisville, Utah – estimated cost of $10.0 million and 2) FL 99 SR-248, Summit County, Utah – this is a continuation project to provide gas service to the Victory Ranch subdivision, estimated cost $4.3 million of which the developer will pay $2.2 million.

The Central System, which is relatively new, is served from KR; the Hunter Park station will require upgrades to meet required capacity of 152.1 mmcfd. These upgrades are at Kern River's expense and will be completed prior to the 2009-2010 heating season.

It is assumed that the order referenced on page 20 as the "December 17, 2007, Report and Order" is in fact the "December 14, 2007, Report and Order."

The Southern System receives its gas supply from QPC at Indianola and from KR at the WECCO and Central taps. Central Station was upgraded in December 2008; however, increasing Southern System loads will require construction of a new gate and feeder line within the next 2-3 years.

QGC also models and reviews the Intermediate High Pressure ("IHP") system to ensure that it also can meet peak day requirements. This involves checking the regulator-station capacities for proper pipe sizing and configurations. Based on the model calculations and prior modifications and reinforcements made, the current status of the IHP system is adequate for the upcoming season.

In Docket No. 04-057-03, QGC applied for and received permission to defer costs accrued for the inspection of QGC's high pressure lines located in high consequence areas. This inspection program is a federally-mandated program and is an ongoing process to insure the integrity of the pipelines that exist in populated areas. Currently, due to a Stipulation reached in Docket No. 05-057-T01, QGC will begin to amortize, over the next five years, $3.0 million of costs currently deferred for the pipeline inspection program. This amounts to $0.6 million per year. In addition, QGC is authorized to collect current annual costs of up to $1.4 million in current rates with any excess or under payment of this amount to go into a deferred account and settled at the next general rate case which occurred in December, 2007. In that case the annual expense was increased to $5.18 million.[9] The costs for this program could become substantially more as the system continues to age and more and more areas of the system are found that need to be reinforced to meet the established requirements of the federal program.

The federal government continues to take an aggressive stance toward increasing pipeline safety for natural gas pipelines. The United States Congress and the U.S. Department of Transportation both continue to have a broad national agenda for increasing natural gas pipeline safety. The enactment of the "Pipeline Safety Improvement Act of 2002" and the "Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006," resulted in rule changes and other related regulatory and non-regulatory initiatives. To comply with the federal requirements, operating and capital expenditures for QGC have increased. It is likely that further increases in operating and capital expense will result from aspects of this aggressive federal agenda on pipeline safety, particularly as new distribution integrity management regulations are implemented. The DPU will monitor these initiatives as required.

PURCHASED GAS AND COMPANY PRODUCTION

As shown in the table below, during the past few years, natural gas prices have seen dramatic volatility, spiking at $10.21/Dth in November 2005, mainly due to weather- related issues interrupting the natural gas distribution infrastructure in parts of the country. Since that November 2005 peak, prices did moderate, with the low being in October 2007. Since that time

[9] In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and charges and Make Tariff Modifications, Docket No. 07-057-13, QGC Exhibit 6.0, p. 13, lns. 312-314.

prices increased and then moderated during the 2008-2009 heating season. Markets are experiencing downward pressure on natural gas prices primarily due to weak economic conditions and decreased demand. The current forecast shows prices increasing to a slightly higher level through the coming heating season.[10]

Natural Gas Prices							
Questar Pipeline - First of Month Index							
(Bold Italic numbers are projections)							
Winter Season							
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
October	$4.00	$4.42	$9.48	$2.42	$1.36	$3.36	***$2.73***
November	$3.91	$6.55	$10.21	$5.80	$3.53	$2.61	***$4.11***
December	$4.31	$5.91	$8.46	$5.54	$5.85	$4.83	***$4.36***
January	$5.10	$5.47	$8.78	$3.71	$5.89	$4.21	***$5.09***
February	$4.92	$5.32	$6.39	$6.00	$7.89	$2.87	***$4.87***
March	$4.33	$5.38	$5.81	$5.79	$7.72	$2.43	
Summer Season							
	2004	2005	2006	2007	2008	2009	2010
April	$4.19	$6.02	$5.32	$3.10	$7.75	$2.28	
May	$4.89	$6.04	$5.39	$4.34	$8.87	$2.46	
June	$5.52	$5.24	$4.53	$2.82	$8.91	$2.40	
July	$5.20	$5.74	$4.75	$3.05	$8.45	$2.61	
August	$5.22	$5.75	$5.50	$2.78	$6.51	***$3.65***	
September	$4.39	$7.64	$4.12	$2.00	$1.77	***$2.56***	

Due to the price volatility in natural gas markets, QGC has embarked on a hedging program for the portion of its winter gas supply purchases that cannot be met from Company-owned production. This program consists of three basic strategies. The first strategy consists of buying approximately one-third of the estimated winter requirement at physical swap prices. The second strategy uses financial hedges, if priced prudently, for an additional one-third in order to place an upside cap on the prices. The last strategy lets the other third of the purchase requirement float with the market, which is based on the first of month price as quoted in Inside FERC's Gas Market Report. This three-pronged approach was developed in 2000-01 through consultation with regulatory officials. Regular update meetings have been held with regulatory authorities where input has been sought by QGC on the strategies being deployed.

The IRP gas purchase plan is based on a set of assumptions derived from the best available data at the time the IRP is put together. Throughout the plan year, actual results will vary from the plan due to circumstances that are different than the plan's assumptions. These variances have been tracked and reported on a quarterly basis. For the 2008-09 IRP three of the quarterly reports have been filed with the Commission.

For the first quarter of the 2008-09 plan-year (May-July, 2008) purchase volumes were 46% lower than the plan due to prices averaging 50.9% higher than planned, resulting in a dollar increase variance of $10 million. The variance due to decreased volumes was a decrease of $17

[10] Per forward price curve provided in Docket No. 09-057-03 Pass-Through Application of Questar Gas Company for an Adjustment in rates and Charges for Natural Gas Service in Utah".

million. Because of higher prices in the market-place, company owned production was increased 15.1 % during the first quarter. With higher prices in the market, QGC increased the Purchase Gas Adjustment from $4.81/Dth to $6.54/Dth in Docket No. 08-057-15 filed with the Commission on June 5, 2008.

During the second quarter of the 2008-09 plan-year (Aug-Oct, 2008), purchase volumes were below plan by 40.2 percent due to higher market prices, resulting in a dollar decrease variance of $2.1 million and a volume decrease variance of $13.1 million. Company-owned production was up 12.4 percent during the quarter. For the six months ending October 2008, firm sales were 5.9% above the cumulative IRP estimate.

November, 2008 and January, 2009 were slightly warmer than normal and December, 2008 was a little colder than normal, thus purchase volumes during the third quarter were below plan by 5% while Company production was 5% above plan levels. Gas purchase prices averaged 26% below plan for the quarter resulting in purchase cost that was $66.7 million lower than plan amounts. Firm sales have exceeded plan levels all three quarters resulting in cumulative sales above plan for the year. With lower prices in the market, QGC decreased the Purchase Gas Adjustment from $6.54/Dth to $4.83/Dth in Docket No. 08-057-23 filed with the Commission on October 2, 2008.

The 2009-10 IRP reflects Company-owned production of 50.4 MDth and gas purchase volumes of 72.1 MDth, resulting in an average total system cost of $5.36/Dth. For plan purposes the price of natural gas peaks during January 2010 at $5.09/Dth. Currently, the Company is anticipating that for the upcoming year, a mixture of purchase gas supply will be hedged with fixed price swaps and first-of-month spot price purchases. The exact amounts of each will depend on the trends in the spot market as compared to forecasts. The current FOM price for July 2009 of $2.61/Dth is $.97/Dth lower than anticipated in the IRP.

The DPU recognizes the price volatility that still exists in the natural gas markets and the complexity of the interaction between the variables used in preparing an IRP. As actual events unfold, it is a given that actual results will vary from the planned IRP. QGC will continue meetings to keep regulators informed about the magnitude and the reasons for any variance that will occur from the base plan of this 2009-10 IRP. The DPU feels that the current strategy being followed does provide a degree of stability but also recognizes the risks associated from locking in with physical swaps when compared to actual spot purchases. However, due to the current market volatility, the DPU feels the risk of rising prices mitigates the risk of missing a market on the down-swing.

GATHERING, TRANSPORTATION & STORAGE

Most of the Company-owned gas produced by WEXPRO is gathered under the System Wide Gathering agreement between QGC and Questar Gas Management. This agreement is based on cost-of-service and was approved by the Commission in Docket No's. 95-057-30, 96-057-12 and

97-057-11. The rates change each year on September 1st. The table below summarizes the history of the one-part cost-of-service rate broken out between the monthly reservation charge and the commodity charge. The billing determinant for the commodity rate is based on the previous calendar-year gathering-system throughput. The total cost of service declined slightly from the previous year resulting in a slightly lower monthly reservation charge. The usage charge increased due to a lower billing determinant resulting from the shut-in of some of the cost-of-service supplies QGC is entitled to receive under the Wexpro Agreement during the summer and fall of 2007. The Company shut in these sources of supply to take advantage of the availability of low-cost purchased gas. The DPU has hired a consultant to review the costs included in System Wide Gathering agreement rates.

Effective Date	One-Part Rate ($/Dth)	Monthly Reservation Charge ($)	Commodity Charge ($/Dth)
9/1/1993	0.55682	844,610	0.22273
9/1/1994	0.55682	844,610	0.22273
9/1/1995	0.48295	761,644	0.19318
9/1/1996	0.48295	761,644	0.19318
9/1/1997	0.34956	432,668	0.13982
9/1/1998	0.33282	394,284	0.13313
9/1/1999	0.28656	379,372	0.11463
9/1/2000	0.26276	361,552	0.10510
9/1/2001	0.24863	376,435	0.09945
9/1/2002	0.28413	390,229	0.11365
9/1/2003	0.27273	473,384	0.10909
9/1/2004	0.28067	496,173	0.11227
9/1/2005	0.30718	541,336	0.12287
9/1/2006	0.34424	628,108	0.13770
9/1/2007	0.48664	888,053	0.19148
9/1/2008	0.46694	852,099	0.22616

As discussed in more detail in the May 1, 2008, IRP, the Federal Energy Regulatory Commission (FERC) issued an order on August 6th 2007, accepting tariff sheets proposed by QPC to modify its gas quality provisions.[11] These gas quality provisions established cricondentherm-hydrocarbon-dew-point ("CHDP") zones with CHDP limits for each zone effective January 1, 2008.[12] QGC believes that the implementation of these CHDP zones and limits has worked well during 2008 and early 2009 as no major gas quality issues have arisen. These CHDP provisions appear to be an effective long-term solution to equitably resolving gas quality matters. It is difficult to predict the interchangeability of future gas streams received by QGC. The Company may need to arrange for additional processing or blending in the event it is required to ensure

[11] Questar Pipeline Company, Docket No. RP07-457-000, FERC Gas Tariff Filing, May 18, 2007.
[12] Federal Energy Regulatory Commission, Questar Pipeline Company, Docket No. RP07-457-000, "Order Accepting Tariff Sheets," Issued August 6, 2007.

that the gas received from the transmission systems of either QPC or KR are compatible with the needs of QGC' customers.

QPC has also remedied CHDP issues at its Clay Basin storage facility. On August 23, 2007, QPC filed, with the FERC, revisions to its tariff. QPC also filed the "Stipulation and Agreement" negotiated with all of the Clay Basin storage customers. Included with the filing was the "Joint Petition of Questar Pipeline Company and Firm Customers for Approval of Stipulation and Agreement and Request for Expeditious Action."[13] The FERC accepted the revised tariff sheets on November 7, 2007, to be effective on January 1, 2008 and also approved the Stipulation and Petition.[14] As a result of these FERC actions, the Kastler Processing Plant was refunctionalized as a Clay Basin storage asset (previously it was a transmission asset) and additional processing facilities were installed, thus ensuring a total delivery capability of 320,000 Dth per day to either Northwest Pipeline or QPC. This project was completed in December, 2008 at a cost of approximately $12 million. The costs associated with conditioning storage gas, including the installation and operation of these new facilities, are expected to be recovered from the sale of natural gas liquids over a 20-year time period. The refunctionalization of the Kastler Plant and the installation of new processing facilities have, at this point in time, effectively resolved the liquids issues at Clay Basin.

DEMAND-SIDE RESOURCES

Since the inception of formal integrated resource planning processes in the states of Utah and Wyoming, QGC has periodically investigated the potential of demand-side resources. The first such assessment took place in 1991. The current initiative has its roots in a general rate case filed by QGC on May 3, 2002. On December 30, 2002, the PSC issued an Order stating that the DSM Stipulation was in the "public interest."[15] The Order established a collaborative study group, known as the Natural Gas DSM Advisory Group ("Advisory Group"), and was ordered by the PSC to report on the possible cost-effective DSM measures in Utah.

The DSM Stipulation specified that a jointly funded study of achievable, cost-effective DSM measures in Utah be undertaken. GDS Associates Inc. was the successful bidder for the Utah Natural Gas DSM study. The final GDS Report concluded that ". . . there is significant savings potential in Utah for implementation of additional and long-lasting gas energy-efficiency measures."[16]

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[13] Questar Pipeline Company, Docket No. RP07-606-000, FERC Gas Tariff Filing, August 22, 2007; and Questar Pipeline Company, Docket No. RP07-606-001, Amended FERC Gas Tariff Filing, August 30, 2007.

[14] Federal Energy Regulatory Commission, Questar Pipeline Company, Docket Nos. RP07-606-000 and RP07-606-001, Letter Order Accepting Tariff Sheets dated November 7, 2007, "Reference: Stipulation, Petition, and Revised Tariff Sheets."

[15] In the Matter of the Application of Questar Gas Company for a General Increase in Rates and Charges, Report and Order, Utah Public Service Commission, Docket No. 02-057-02, December 30, 2002.

[16] "The Maximum Achievable Cost Effective Potential for Gas DSM in Utah for the Questar Gas Company Service Area," Final Report, Prepared for the Utah Natural Gas DSM Advisory Group, June 2004, GDS Associates, Inc. Engineers and Consultants, Marietta, GA, Page 1.

The Advisory Group determined that the GDS Report was a "credible indicator" of the potential for cost-effective demand-side management and also identified several barriers to natural gas DSM implementation. The report specifically identified as an example, QGC's "economic sensitivity to the loss of gas load that increased DSM would foster."[17]

On December 16, 2005, QGC, the DPU, and Utah Clean Energy filed a joint application requesting the approval of a pilot program that would put into application the Conservation Enabling Tariff Adjustment Option (CET).[18] On January 16, 2007, the Commission issued an order approving a three year pilot program of DSM initiatives undertaken by QGC. As part of that order, the Division was to prepare a first year evaluation report and file it with the Commission. This report was filed with the Commission on July 25, 2007 in Docket No. 05-057-T01.

Based on work with the DSM Advisory Group, Utah-based trade allies, program administrators and other energy-efficiency stakeholders, QGC proposed and the Utah Public Service Commission approved the continuation of the eight energy-efficiency programs and the ThermWise Market Transformation initiative for 2008 in Docket No. 07-057-05 and in Docket No. 08-057-22 for 2009. This continuation included the update and/or revision of certain program measures to improve customer uptake and/or program cost effectiveness.[19] During 2008, the Company reported a deemed savings of 348,487 Dth from DSM programs and a total net benefit cost ratio for all programs of 2.1. The first quarter DSM results for 2009 show a projected Dth savings of 400,703 and a total net benefit cost ratio for all programs of 2.2.[20] These programs are reviewed quarterly by the DPU and reported to the PSC on a semi-annual basis.

IRP PROCESS COMMENTS

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 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 was appropriate to re-evaluate and revise the September 26, 1994, IRP Standards and Guidelines.

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[17] Ibid

[18] "Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy", Docket No. 05-057-T01, December 16, 2005.

[19] "In the Matter of the Application for Tariff Change for Third-year Budget for Demand Side Management Programs and Market Initiative " the Commission granted the company's request to change the insulation rebate amounts in the ThermWise Weatherization Rebates Program and the ThermWise MultiFamily Rebates Program, Docket No. 09-057-T04, March 31, 2009,

[20] "Comments of the Division of Public Utilities" Docket No. 07-057-05, March 19, 2009; and Energy Efficiency Results Report for the quarter ended March 31, 2009.

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 were 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. The DPU submitted comments to the PSC on May 30, 2008.

In its Report and Order in Docket 07-057-01, the PSC required that, in the interim, QGC to continue with its current IRP approach and time lines, but outlined eleven items that were to be included in the 2008 and future IRPs. [21] In its review of the 2009 IRP, the DPU has concluded that QGC included the information as directed in the order. The table below itemizes the IRP issues the PSC directed QGC to include in future IRPs.

[21] In the Matter of the Filing of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2007 to April 30, 2008, Docket No. 07-057-01, December 14, 2007, pp.18-20.

Questar Gas Company
IRP Issues

Issue No.	Specific Topic
1	Documentation of Long-Term Sales Forecast Drivers
	Explanation of Throughput Forecast
	Economic and Demographic Information Reference
	Reliability of Economic and Demographic Information
	Use of Information in Forecasting
2	Need for No-Notice Transportation
2	Management of Kern-Only Systems
3	SENDOUT Model Configuration
4	Project-Specific Cost Estimates
	Revenue-Requirement Impacts of Expansion Projects
	Long-Term Gas Quality Issues
	Storage Management
	Modeling of Clay Basin Contract
	Other Long-Term Contracts Under Consideration
5	Producer Imbalance Recoupment
6	Wexpro Production Levels
	Gas Hedging and Gas Price Risk
7	Identification and Discussion of Regulatory Drivers
8	DSM Modeling in SENDOUT Base Case
9	Contingency Plans for an Uncertain Future
10	Utah Gas Assets
11	Rationale for Modeling Constraints
	Constraint Removal

On March 31, 2009 the PSC issued its Report and Order in Docket 08-057-02. Included in the order the PSC stated that they were interested in receiving comments from parties on what changes, if any, would be necessary for the 2009 IRP to fulfill the requirements of the 2009 IRP Standards included in the order. On May 11, 2009 the PSC issued a Request for Comments, giving parties until July 13, 2009 to file comments not only on the IRP (Docket 09-057-07) itself but also regarding changes, if any, would be necessary for the 2009 IRP to fulfill the requirements of the 2009 IRP Standards.

The 2009 IRP Standards presented in the PSC's order in Docket No. 08-057-02 under 191 Account Issues discusses a results section "depicting the Company's proposed gas supply portfolio and operational strategy".[22] Quoting further from that order, "The results section should also include gas supply/demand results showing for the IRP year a summary, by month, of gas demand broken out by residential, commercial and non-General Service ("GS") categories (the non-GS category will be broken out by commercial, industrial and electric generation),

[22] Docket No. 08-057-02 "Report and Order on Standards and Guidelines for Questar Gas Company, p. 30.

Company use, and lost and unaccounted for gas; and gas supply broken out by purchased gas, cost-of-service gas and storage (both injection and withdrawals)."[23]

The table below is a sample of the DPU's proposed Gas Balance format as discussed in IX.B.2 of the order and as quoted above.

GAS BALANCE 2009-2010
Mdth

			May	June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
Demand															
Sales															
	GS Res														
	GS Com														
	Non GS com														
	Non GS Ind														
	Non GS Gen														
Total Sales			4,952.0	3,294.0	2,887.3	2,983.4	3,805.4	6,853.4	11,222.8	18,744.7	18,831.7	18,295.4	12,615.5	6,660.4	111,146.0
Company Use		0.00249	12.3	8.2	7.2	7.4	9.5	17.1	27.9	46.7	46.9	45.6	31.4	16.6	276.8
Shrinkage,Loss & Unaccouted			455.5	527.2	372.9	537.5	339.4	490.9	544.7	501.7	607.6	484.8	476.1	490.4	5,828.8
Total Demand			5,419.8	3,829.4	3,267.4	3,528.4	4,154.2	7,361.4	11,795.4	19,293.1	19,486.2	18,825.8	13,123.1	7,167.4	117,251.6
Supply															
Company Production			4,015.0	4,364.1	3,594.6	4,392.7	3,372.0	4,370.6	4,263.2	4,601.6	4,537.7	4,090.6	4,482.0	4,301.1	50,385.2
Contract Purchases															
	Hedged		-	-	-	-	-	-	-	-	-	-	-	-	-
	Spot		3,950.9	1,516.5	1,951.7	1,231.2	2,940.3	4,924.0	8,483.4	10,690.5	16,338.7	12,179.9	4,486.6	3,423.7	72,117.4
Total Purchases			3,950.9	1,516.5	1,951.7	1,231.2	2,940.3	4,924.0	8,483.4	10,690.5	16,338.7	12,179.9	4,486.6	3,423.7	72,117.4
Storage															
Clay Basin															
	Injections		(2,503.5)	(2,016.9)	(2,240.8)	(2,060.5)	(1,808.1)	(1,557.3)	(924.0)		(1,544.2)			(663.3)	(15,318.6)
	Withdrawls							170.8	117.3	4,081.0	188.9	2,607.7	3,246.4	84.2	10,496.3
Aquifers															
	Injections						(313.9)	(508.7)	(131.8)	(191.0)	(99.4)	(149.1)			(1,393.9)
	Withdrawls								7.4	186.8	97.3	146.0	979.9	35.0	1,452.4
Total															
	Injections		(2,503.5)	(2,016.9)	(2,240.8)	(2,060.5)	(2,122.0)	(2,066.0)	(1,055.8)	(191.0)	(1,643.6)	(149.1)	-	(663.3)	(16,712.5)
	Withdrawls		-	-	-	-	-	170.8	124.7	4,267.8	286.2	2,753.7	4,226.3	119.2	11,948.7
Net Storage			(2,503.5)	(2,016.9)	(2,240.8)	(2,060.5)	(2,122.0)	(1,895.2)	(931.1)	4,076.8	(1,357.4)	2,604.6	4,226.3	(544.1)	(4,763.8)
Fuel		0.017	(42.6)	(34.3)	(38.1)	(35.0)	(36.1)	(38.0)	(20.1)	(75.8)	(32.8)	(49.3)	(71.8)	(13.3)	(487.2)
Total Supply			5,419.8	3,829.4	3,267.4	3,528.4	4,154.2	7,361.4	11,795.4	19,293.1	19,486.2	18,825.8	13,123.1	7,167.4	117,251.6

In the Demand Section of the table Total Sales (Ln 9, Col 15) are represented graphically in the QGC's IRP in Exhibit 9.38. The monthly sales spread was provided to the DPU by QGC. The detail of the total sales (Lns 4-8) was not required in this IRP, but in Exhibits 3.3, 3.4 and 3.6 of the IRP, information about the GS residential and GS commercial usage per customer and non GS sales information is shown graphically. Exhibit 3.8 also shows total system sales on a calendar year basis. For the next IRP, the detail of the total sales will need to be provided, especially the non-GS sales sector. Economic conditions influence each of these sales sectors and in order to arrive at a more complete analysis of the Supply requirements, the DPU believes the sales forecasts need to be developed and explained at this level of detail. The DPU assumes the SENDOUT model will allow for inputs at this level of detail. If not, QGC will need to investigate what changes will be necessary to incorporate these inputs into the model.

Sales demand is what drives the Supply requirement. Weather and gas price are the two variables that influence the demand requirement as mentioned in the IRP on page 9-2. Currently in the SENDOUT model when performing the Monte Carlo analysis, weather is the only variable

[23] Ibid, p. 30-31.

that influences sales demand however, with the recent reported increase in usage per customer, (Exhibit 3.2), price also appears to have an influence on customer's usage patterns. Because price does play an important role in usage patterns, the Company needs to investigate how the SENDOUT model can be adapted to reflect the influence the pricing variable has on customer usage.

Company use represents natural gas consumed by compression to move the gas supply in the distribution system. For the purpose of the table above, the DPU used a constant fuel factor derived from an exhibit provided to the DPU in the most recent pass-through filing.

Shrinkage, Loss and Unaccounted For is a calculated figure used to balance the Demand requirement with the Supply requirement. It is unclear to the Division how or if the SENDOUT model determines this demand requirement. It represents gas supply required for liquids extraction makeup (shrinkage) as well as Loss and Unaccounted For to balance the Supply total.

In the Supply Section of the table Company Production, as well as the detail on Storage Withdrawals, is provided in Exhibit 9.83 of the IRP. Contract Purchases, as well as the detail on Storage Injections, is provided in Exhibit 9.84 of the IRP.

The DPU also included a storage fuel factor that was derived from the same exhibit provided to the DPU in the most recent pass-through filing as mentioned above. It is assumed the SENDOUT model also calculates this supply requirement which is used by compressors to inject or withdrawal gas from the storage reservoirs.

The DPU feels a complete monthly representation of the Demand/Supply portfolio is important in the IRP process to ensure that all components of the actual accounting process followed in 191 pass-through proceedings are presented in the planning process.

The DPU realizes that actual results will vary from the IRP plan due to actual weather, gas price variances, production field capabilities and supply system constraints. Those differences can be explained in the quarterly variance analysis reports. Those variance analysis reports should present the analysis at the same level of detail as the IRP Gas Balance presentation outlined in this section.

Under the DNG Issues, No. 2[24] the Order requires "Identification of substantial projects including feeder line, large diameter main, small diameter main, and measurement and regulation station equipment projects." The DPU recommends that the analysis should be limited to projects that require $1,000,000 or more for replacement or growth during the next two year period. Growth projects should include feeder line and large diameter mains with the attendant revenue requirement calculations. Projects under $1,000,000 should be reported in aggregate with a total expected capital expenditure amount for the next two years, and exclude the analysis of revenue requirement, alternatives evaluated or cost benefit of next best alternative.

[24] Docket No. 08-057-02 "Report and Order on Standards and Guidelines for Questar Gas Company", p. 32.