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ACTION REQUEST RESPONSE

To: Utah Public Service Commission

From: Division of Public Utilities
Chris Parker, Director
Artie Powell, Manager, Energy Section
Marlin H. Barrow, Technical Consultant
Carolyn Roll, Utility Analyst

Date: July 9, 2012

Subject: Action Request Docket No. 12-057-07, Questar Gas Company 2012-13 Integrated Resource Plan (IRP) Report, Division's Recommendation - Acknowledgement.

RECOMMENDATION

The Division of Public Utilities (DPU or Division) recommends to the Public Service Commission of Utah (PSC or Commission) that the IRP plan filed by Questar Gas Company (QGC or Company) 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]

ISSUE

On June 8, 2012, the Company filed its IPR for the plan year June 1, 2012 to May 31, 2013. On June 13, 2012 the Commission issued an Action Request for the Division to provide a review of the Company's plan by July 9, 2012. This memorandum is in response to the Commission's Action Request.

[1] Final Standards and Guidelines for Integrated Resource Planning for Mountain Fuel Supply Docket No. 91-057-09.

HISTORY

Since the early 1990s, QGC, formerly known as Mountain Fuel Supply Company, has been filing Integrated Resource Plans 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 had been from May of the current year through April of the following year. QGC recommended that integrated resource planning activities reflect a planning year June 1st through May 31st, which the PSC accepted in its order issued March 31, 2009.[3] 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.

In order to make these projections, which require a multitude of interrelated variables and processes, QGC utilizes a computer model called SENDOUT which has been designed specifically for local natural gas distribution systems. This computer model is marketed and maintained by Ventyx headquartered in Atlanta, Georgia. QGC used version 14.0.0 in the preparation of the IRP for the 2012-2013 year.[4]

Originally, QGC's IRP filing was on a biennial schedule with an annual update in the intervening years.[5] 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 Office of Consumer Services (OCS) and the DPU and developed a new set of proposed guidelines. Under these new guidelines, QGC

[2] Proposed IRP Guidelines for Questar Gas Company, Docket No. 97-057-06, p. 1.
[3] In the Matter of Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines, Report and Order, Public Service Commission of Utah , Docket No. 08-057-02, Issued March 31, 2009, pp.4-6.
[4] Questar Gas Company Integrated Resource Plan (For Plan Year: June 1, 2012 to May 31, 2013) p. 9-1.
[5] Docket 95-057-04, p. 1.

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.[6] 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.[7] 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.[8] Comments were submitted by interested parties including the DPU and discussion meetings were held. On March 31, 2009, 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.[9] QGC was ordered to prepare and file future IRPs effective June 1, 2009, in compliance with new IRP standards and guidelines attached to the Order. Consequently, QGC filed its 2009-2010 IRP during May of 2009 in conformity with the December 14, 2007 Order.

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[6] 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.

[7] Questar Gas Company Integrated Resource Plan (For Plan Year: May 1, 2008 to April 30, 2009), Submitted: May 1, 2008.

[8] 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.

[9] 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. 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."

On May 6, 2009 the PSC issued an action request to the DPU requesting comments on the adequacy of the 2009 IRP, since the PSC acknowledged that there were "many changes and enhancements to the information provided" by Questar Gas in the 2009 IRP. The PSC also asked for comments on changes, if any that would be necessary for the 2009 IRP to meet the requirements of the 2009 IRP Standards as if they had been in effect.[10] Subsequently, the PSC issued an order broadening the action request by inviting all interested parties to comment on the same matters.[11]

In a Clarification Order[12] QGC was commended for its commitment to the IRP process and timely IRP filings. The PSC recognized that QGC's 2008 and 2009 IRP filings contents were improved as required by the PSC in its December 14, 2007 order.[13] The PSC also made a number of findings thereby clarifying the 2009 IRP Standards. For some issues, the comments from parties were so dissimilar that the PSC directed QGC to meet with interested parties in attempt to reach consensus on outstanding issues. Details of these meetings held prior to the filing of the 2010-2011 IRP were included in Section 2 of that filing. Included in the 2010-11 IRP are descriptions of the clarification meetings that were held on June 2 and July 1, 2010.[14]

The Utah Commission required in the Clarification Order that the Company: 1) include in future IRPs a more detailed description of the models used to derive long-term forecasts of residential usage per customer and number of customers; 2) discuss the relationship between avoided gas costs and IRP modeling in a future IRP meeting; 3) include five years of historical information in the peak demand forecast graph; 4) engage in formal and informal training on stochastic modeling; 5) address in a public meeting, the planned increase in Company-owned gas volumes given the costs of Company-owned gas relative to purchased gas; and 6) provide all relevant data

[10] Action Request – Revised, From: Public Service Commission, Subject: Questar IRP; 09-057-07, May 6, 2009.
[11] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2009 to April 30, 2010, Request For Comments, Docket No. 09-057-07, Issued: May 11, 2009.
[12] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2009 to April 30, 2010, Report and Order, Docket No. 09-057-07, Issued: March 22, 2010.
[13] Docket No. 07-057-01, pp.17-22.
[14] Docket No. 11-057-06, pp.2-11 to 2-12.

to the Utah Commission given the change in the quarterly reporting schedule.[15] Guidance and suggestions were discussed with QGC so that future IRPs could be improved and to be in compliance with the IRP guidelines. All Parties presumably recognize that integrated resource planning is a continually evolving process.

The following is a brief discussion of the major components found in the current IRP for the plan year June 1, 2012 through May 31, 2013.

CUSTOMER & GAS DEMAND FORECASTS

For the calendar year of 2012, QGC is expecting system sales to decrease slightly to 111.0 million Dth from 2011's level of 112.5 million. This projection and last year's actual incorporates the temperature and elevation compensation that was ordered by the Commission in April of 2010. This projection is lower than last year's projection and reflects the expected switching of large sales customers to transportation service in July of 2012. Usage is estimated to be 109.3 Dth by the end of 2012 compared to 111.0 for the end of 2011. A decline in usage is forecasted as a result of a large number of commercial customers in Utah that will move from sales to transportation service, but the decline should be tempered by the low level of natural gas prices that is expected to persist throughout the year.

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.

[15] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2010 to May 31, 2011, Report and Order, Docket No. 10-057-06, Issued: October 27, 2010.

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 1,290,000 Dths for the projected 2012-2013 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 system expansion and replacement projects are scheduled for 2012-2013: finalize the design and engineering of the 90th South Feeder Line Extension: and Questar Gas is continuing its Feeder Line replacement program in 2012 with replacements planned on FL 25, FL 23, FL 35, FL 50 and FL 14. Pursuant to the Settlement Stipulation and the Utah Commission's bench order approving the Settlement Stipulation, in Docket No. 09-057-16, the Company will file an infrastructure replacement plan each fall detailing the planned projects, the anticipated costs and other relevant information.

The Central System, which is relatively new, is served from KR; Questar Gas has been working on improving the capacity and functionality of the Hunter Park Gate station for 4 years. The Company had anticipated completing this project. However, due to complications in acquiring necessary property, as well as modifications to the plan, this project has been delayed until the 2013 construction season. In 2012, Questar Gas will continue planning the facility improvements, finalize land acquisition, order any long-lead time items, and start the permitting process. Currently Questar Gas has $4,300,000 budgeted for this year's work. If the contract to provide service to PacifiCorp's Lake Side 2 power plant is approved by the Commission (Docket No. 12-057-04) Questar will uprate Feeder Line 26. The Commission issued the order to approve Docket No, 12-057-04 on June 20, 2012. Questar will provide a detailed description of the project as part of the IRP Variance Report Process.

The Southern System receives its gas supply from QPC at Indianola and from KR at the WECCO and Central taps. Questar continues work towards reinforcing the HP feeder line system in St. George. This project description and the comparison of alternatives were included in the 2011-2012 IRP. In 2012, Questar will finalize design of the compressor station and the

uprate procedure for FL 81. Questar Gas plans to spend roughly $5,100,000 during this IRP reporting year and anticipates constructing the reinforcement in 2013. Questar also needs to increase the capacity of the Central Gate Station. Current capacity of the station is 30 MMcfd, with this project, Questar plans to increase the capacity to 47 MMcfd while configuring the site for possible future expansion in the 100 MMcfd range. In 2012, Questar plans to enter into an agreement with KR for the proposed improvements on the KR facilities at Central Gate Station. The estimated costs for these improvements are not currently known.

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 continued 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. On December 4, 2009, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued the final rule titled: "Integrity Management Program for Gas Distribution Pipelines." This final rule became effective on February 12, 2010, with implementation required by August 2, 2011. The distribution integrity management rule requires operators to develop, write, and implement a distribution integrity management program. 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. QGC is forecasting costs for transmission and distribution integrity management will be approximately $7,000,000 per year for 2012-2014. Details on the anticipated costs associated with transmission and distribution integrity management are found on pages 4-26 through 4-32. The DPU will monitor these initiatives as required.

PURCHASED GAS AND COMPANY PRODUCTION

Monthly index prices for natural gas delivered into Questar Pipeline's system during the 2011 calendar year averaged $3.75 per Dth. This was lower than the 2010 average price of $3.83 per Dth, a decrease of $0.09 per Dth or 2 percent. The price for natural gas on Questar Pipeline

during the 2010-2011 heating season (November-March) averaged $3.66 per Dth compared to an average price of $2.94 per Dth during the 2011-2012 heating season, a decrease of $0.72 or 20 percent. The current forecast shows prices increasing 7% to an average of $3.14/Dth for the coming heating season.[16]

QGC implements 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 employed. The Company plans to continue its hedging program for the 2012 – 2013 winter heating season.

The IRP gas purchase plan is based on a set of assumptions derived from the best available data at the time the IRP was 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 2011-2012 IRP, three of the quarterly reports have been filed with the Commission.

For the first quarter of the 2011-12 plan-year (June-Aug, 2011) purchase volumes in June were far higher than projected in the IRP due to colder than normal weather. July purchases were below IRP projections, while August was slightly above estimations due to the need to inject at Clay Basin. The actual purchases for each month varied from IRP projections, the average of the variances for the quarter was 5 percentage points. Actual prices were above IRP estimates with

[16] Per forward price curve provided in Docket No. 12-057-05 Pass-Through Application of Questar Gas Company for an Adjustment in rates and Charges for Natural Gas Service in Utah".

the largest variance in July showing a difference of $0.80 above IRP projections. The cost for purchased gas during the quarter was $4.3 million above the IRP plan.

During the second quarter of the 2011-12 plan-year (Sep-Nov, 2011), purchase volumes were above IRP projections due to colder weather in October and November, for the quarter purchases were 4.0% above estimations. The cost for purchased gas during the quarter was $9.5 million above the IRP plan. For the six months ending November 2011, firm sales were 7 percent above the cumulative IRP estimate.

December, 2011 was a colder month than normal, while January and February 2012 were warmer than normal. Purchase volumes during the third quarter exceeded the plan by 2.5%. Gas purchase prices averaged 10.1% above plan for the quarter resulting in purchase costs that were $2.4 million higher than plan amounts. Firm sales exceeded plan levels during the third quarter resulting in cumulative sales that were 4.7% above projections for the year.

The 2012-2013 IRP reflects Company-owned production of 67.7 MDth and gas purchase volumes of 50.0 MDth, resulting in an average total system cost of $5.27/Dth, compared to $5.51/Dth in the last IRP. For current plan, the price of natural gas peaks during May 2013 at $3.58/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 DPU recognizes that variances will exist between the forecasted and actual natural gas prices 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 2012-13 IRP.

GATHERING, TRANSPORTATION & STORAGE

Most of the Company-owned gas produced by WEXPRO is gathered under the System Wide Gathering agreement (SWGA) between QGC and QEP Field Services (QEPFS). QEPFS was formerly Questar Gas Management Company, an affiliate of Questar Gas. Effective June 30, 2010, Questar Corporation spun off QEP Resources. QEPFS is currently a subsidiary of QEP Resources and is no longer affiliated with Questar Gas. 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 decreased from the previous year resulting in a lower monthly reservation charge. The usage charge decreased due to a slight increase in the billing determinant.

System Wide Gathering Agreement Rates
1993 - 2011

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
9/1/2009	0.45127	955,513	0.18160
9/1/2010	0.50090	1,060,315	0.20764
9/1/2011	0.41750	1,008,209	0.19530

During the fall of 2010, Questar Gas requested an audit of the calculation of the gathering rates and charges. Based on the information provided by QEPFS, Questar Gas disputed the rates and charges. Disagreements over the interpretation of the contract were not able to be resolved over the ensuing months. On May 1, 2012, Questar Gas filed a lawsuit against QEPFS. Questar Gas continues to dispute the monthly invoices and continues to reserve its rights for a refund if the court determines that one is appropriate. In conformity with the Utah Commission's IRP Order dated December 16, 2011, Questar Gas has been engaged in an analysis of the SWGA.[17] An update of that analysis was provided in a Utah IRP technical conference on April 18, 2012. When final results are available, they will be provided to regulatory agencies as required. All cost areas are currently reviewed for prudence in the annual audit of the 191 account.

In an effort to facilitate long-term capacity planning, meetings were held with gas supply and engineering representatives from Questar Gas and marketing and engineering representatives from pipelines in the region. The primary focus of the meetings was to review existing contracts and to determine future transportation capacity and services available to Questar Gas. The information gathered through these meetings, and through ongoing communications will be used to evaluate options for future transportation capacity. As a result of meetings with all of these pipelines, Questar Gas decided to reevaluate the overall strategy for upstream capacity held to cover peak day firm sales demand. In order to develop a strategy, Questar Gas is currently reviewing existing contracts and reviewing options for ensuring that adequate transportation capacity will be available to ensure the safe and reliable delivery of gas to its customers. The proposed strategy going forward is to contract for firm capacity to maintain at least 80-85 percent coverage of peak-day demand with firm upstream capacity. This is based on the current and projected availability of excess capacity on the pipelines in the area. This strategy will be used to guide contracting decisions in the future.

[17] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2011 to May 31, 2012, Report and Order, Docket No. 11-057-06, Issued: December 16, 2011, Page 12.

As discussed in more detail in previous IRPs, 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.[18] These gas quality provisions established cricondentherm-hydrocarbon-dew-point (CHDP) zones with CHDP limits for each zone effective January 1, 2008.[19] Questar Gas believes that the implementation of these CHDP zones and limits has worked well over the last three years as no major gas quality issues have arisen. These CHDP provisions appear to be one effective means to equitably address gas quality matters.

On January 4, 2012, Questar Pipeline Company filed an abbreviated application, under Section 7(c) of the Natural Gas Act, with the Federal Energy Regulatory Commission (FERC) seeking authority to modify existing facilities and construct new facilities on its southern transmission system.[20] This proposed project would provide Uinta Basin oil producers transmission access to the Chipeta Plant where associated natural gas, rich in liquids, can be processed. The project would utilize Jurisdictional Lateral (JL) 46, JL 47, and a portion of Main Line (ML) 40. The estimated project cost is under $6 million and would require no environmental assessment or environmental impact statement. Some environmental work will be required, however, under blanket authorizations. It is difficult to predict the interchangeability of future gas streams received by Questar Gas. The Company may need to arrange for additional processing or blending in the event it is required to ensure that the gas received from the transmission systems of either Questar Pipeline or KR are compatible with the needs of Questar Gas' customers. Questar Gas will evaluate this on an ongoing basis as it bears the burden of processing pipeline-quality gas to meet its specific requirements.

On October 27, 2009, QGC amended its Main Line 104 contract, subject to completion of the ML 104 Extension Project, by extending the primary term of the agreement to November 1, 2021. The amendment also moved the primary receipt point farther east on the Southern System to Clay Basin and changed the maximum daily quantity to 30,000 decatherms per day. This

[18] Questar Pipeline Company, Docket No. RP07-457-000, FERC Gas Tariff Filing, May 18, 2007.
[19] Federal Energy Regulatory Commission, Questar Pipeline Company, Docket No. RP07-457-000, "Order Accepting Tariff Sheets," Issued August 6, 2007.
[20] Federal Energy Regulatory Commission, "Abbreviated Application of Questar Pipeline Company To Construct and Modify Pipeline Facilities," Docket No. CP12-40-000, January 4, 2012.

transportation agreement on QPL is currently for 50,000 per day from the CO_2 plant to Goshen. The reservation and usage charges for this capacity to Questar Gas' city gates remains the maximum system-wide tariff rates for QPC. The current reservation charge is $5.28804 per decatherm per month and the current usage charge is $0.00457 per decatherm (including ACA).[21]

On November 10, 2010, Questar Pipeline filed a FERC application requesting a certificate of public convenience and necessity authorizing the ML 104 Extension. A final order was received on May 2, 2011, facilitating the commencement of construction in June of 2011. On November 11, 2011, ML 104 was placed in service adding approximately 160,000 decatherms per day of transmission capacity to Questar Pipeline's southern system. Five Shippers including Questar Gas hold firm contracts totaling 144,000 decatherms per day on the ML 104 Extension Project.

ENERGY-EFFICIENCY PROGRAMS

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."[22] 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

[21] ACA refers to the Annual Charge Adjustment assessed and collected by the Federal Energy Regulatory Commission.
[22] 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.

potential in Utah for implementation of additional and long-lasting gas energy-efficiency measures."[23]

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."[24]

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 effect the Conservation Enabling Tariff Adjustment Option (CET).[25] On January 16, 2007, the PSC issued an order approving a three year pilot program of DSM initiatives undertaken by QGC. As part of that order, the DPU was to prepare a first year evaluation report and file it with the PSC. This report was filed with the PSC 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 PSC approved the continuation of the energy-efficiency programs and the ThermWise Market Transformation initiative for 2008 in Docket No. 07-057-05, in Docket No. 08-057-22 for 2009, in Docket No. 09-057-15 for 2010, in Docket No. 10-057-15 for 2011, and in Docket No. 11-057-12 for 2012. During 2011, QGC reported a deemed savings of 459,700 Dth from DSM programs and a total net benefit cost ratio for all programs of 1.1. These programs are reviewed quarterly by the DPU and reported to the PSC on a semi-annual basis.

The major change for the ThermWise programs in 2012 will be the transition of rebate processing from Nexant and PECI to a new rebate processing contractor. During the RFP and evaluation process, the Company sought advice and support from the DSM Advisory Group.

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[23] "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.
[24] Ibid
[25] "Joint Application of Questar Gas Company, the Division of Public Utilities, and Utah Clean Energy", Docket No. 05-057-T01, December 16, 2005.

Ultimately, the Company found the proposal from Helgeson Enterprises Inc., a Minnesota based company, to be most responsive to the Company's rebate processing needs. The Company notified Helgeson on September 13, 2011 and finalized the terms of an agreement with them in late 2011. The Company is currently working on the design and implementation for the transition to Helgeson. The Company expects the new rebate processing system to "go live" in a phased process with the Business, Business Custom, and Weatherization programs transitioning (from Nexant) on May 1, 2012 and the Appliance and Builder programs transitioning (from PECI) on June 1, 2012.

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.

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 continue with its current IRP approach and time lines, but outlined eleven items that were to be included in the 2008 and future IRPs. [26] In its review of the 2009 IRP, the DPU 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.

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

QGC submitted this planning document, for the operating year extending from June 1, 2010 to May 31, 2011, to the Utah Commission on May 20, 2010 in accordance with the following: 1)

[26] 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.

the Report and Order issued March 31, 2009 in Docket No. 08-057-02, and 2) the Report and Order issued March 22, 2010 in Docket No. 09-057-07. The first Utah order established new integrated resource planning guidelines and the second Utah order clarified certain planning requirements. QGC agrees with the PSC that this IRP process is "ongoing" and "is expected to evolve over time." Interested parties are continuing to meet, as directed in the March 22, 2010 Order, to "discuss their positions with the goal of reaching a consensus to the extent possible."

Meetings were held with interested parties and PSC staff on June 17, 2010 and July 1, 2010 to discuss areas of the IRP that needed additional information in subsequent years. The discussion items are outlined in Section IX Specific IRP Components (pp. 29-33) of Docket No. 08-057-02. The DPU acknowledged that the QGC's 2010-2011 IRP contained expanded in-depth narrative of the areas listed in the order.

On December 16, 2011, the Utah Commission issued its Report and Order on the 2011 IRP.[27] The Utah Commission commended the Company for its continued efforts in improving the IRP process and enhancing the information contained therein. The Utah Commission also agreed with the comments of the Division and made a determination that the Company's 2011 IRP generally satisfied the 2009 Standards and Guidelines. The Utah Commission in its comments provided some recommendations and guidance including; 1) encouragement for "the parties to meet with the goal of enhancing understanding of the SENDOUT model," 2) direction for the Company to conduct an analysis of the System-Wide Gathering Agreement with QEP Field Services and to include the results in the 2012 IRP, 3) a requirement for further discussion and clarification of the Company's collaborations with its upstream transportation providers, 4) further discussion of the Company's modeling review of the distribution of purchased gas packages between Kern River Gas Transmission (KR) and Questar Pipeline, and 5) a demonstration that "the Company's pipeline decisions are the most cost effective." Over the past year, Questar Gas has scheduled technical conferences and meetings to respond to specific issues as ordered by the Utah Commission, to receive input for the IRP process, and to report on

[27] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2011 to May 31, 2012, Report and Order, Docket No. 11-057-06, Issued: December 16, 2011.

the progress of the Company's planning effort. The details of the 2012 IRP meetings are included on pages 2-10 and 2-11 of the IRP.

SUMMARY AND CONCLUSIONS

In summary the Division recommends the PSC acknowledge the QGC 2012-13 IRP Report due to the following 2009 IRP guidelines having been met in this filing as outlined below:

General Information Requirements:

1. The Company provides a description of IRP objectives and goals for both gas supply and DNG functions as shown on page 2-11 of the IRP.

2. In the Filing, the Company provides a range of load growth forecasts broken out by GS residential in Exhibit 3.3 and small commercial in Exhibit 3.4. The non-GS category is broken out by commercial, industrial, and electric generation in Exhibit 3.8. The load growth forecasts for firm customer peak-day requirements are shown in Exhibit 3.9 with winter-season requirements and annual requirements shown in Exhibit 9.89. The average usage per customer is shown in Exhibit 3.2.

3. How a range of weather conditions is utilized in the SENDOUT model is discussed on page 9-3 and shown in Exhibits 9.37 through 9.49.

4. An analysis of how various economic and demographic factors, including the prices of natural gas and alternative energy sources, will affect natural gas consumption, and how changes in the number, type and efficiency of end-uses will affect future loads is discussed to some extent in pages 3-1 through 3-10 of the filing.

191 Account Issues:

1. The Company discusses an economic assessment of all viable delivery, gas supply, load management and demand-side resource options consisting of:

   a. Company production (Wexpro) on pages 6-1 through 6-5, annual market gas contracts, seasonal market gas contracts, spot market purchases on pages 5-1 through 5-5, the utilization of and modeling of demand-side management resources on pages 8-1 through 8-11 and Exhibit 8.1 of the filing.

   b. Transportation and storage service options are discussed on pages 7-1 through 7-19 as required.

c. For demand-side resources, the Company provides the total resource cost test, the ratepayer impact test, the utility cost test and the participant cost test as approved by the Commission on page 8-8.

2. The Results section of the IRP depicts the Company's proposed gas supply portfolio and operational strategy and demonstrates in numerous graphs, the impact of changes in demand and gas prices in the modeling simulation. In Exhibits 9.89 and 9.90 of the IRP, a summary of the IRP for the gas supply/demand is broken out by residential, commercial and non-General Service ("GS") categories. Company use, and lost and unaccounted for gas; and gas supply is broken out by purchased gas, cost-of-service gas, and storage (both injection and withdrawals).

   A discussion and analysis of the availability and use of storage reservoirs by the Company and an explanation of storage reservoir management practices is also provided on pages 7-13 through 7-19.

3. A discussion and analysis of gathering and transportation-related issues, including pertinent recently negotiated contracts and other relevant contracts is presented in pages 7-1 through 7-12.

4. A discussion of producer imbalances including terms, time-periods, volumes, and fields where recoupment nominations have occurred and/or may occur is found on pages 6-3 through 6-4.

5. Pages 7-5 through 7-6 has a discussion and evaluation of reasonably predicted, anticipated, or known gas quality issues during the planning horizon.

6. The current level of expected lost and unaccounted for gas is discussed on pages 3-8 and 3-9.

7. A planning horizon of 21 years is utilized, which is of sufficient length to effectively model Company production as well as economically viable energy efficiency measures.

8. Pages 3-7 through 3-8 and 4-19 through 4-35 discuss how changes or risks in the natural gas industry, the regulatory environment, and/or industry standards may affect resource options available to the Company and potential impacts on resource options and attendant costs.

9. A set of general guidelines is found on page 10-1, which identifies the specific resource decisions necessary to implement the results of the Planning Process and associated IRP in a manner consistent with the strategic business plan.

DNG Issues

1. An overview of the distribution system and an identification of system capabilities and constraints, which includes:

    a. Identification of substantial projects including feeder line, large diameter main, small diameter main, and measurement and regulation station equipment projects, their associated capital budgets and long-range plan estimates, and a forecast of the revenue requirement impacts for those projects over the three-year time-frame addressed in the IRP is presented in Section 4 of the IRP. A technical conference was held on March 27, 2012 which discussed, in more detail, the DNG Action Plan of the Company.

2. A detailed explanation of, and underlying basis for, the Company's integrity management plan activities and associated costs for the three-year time frame are discussed on pages 4-19 through 4-23.

3. A DNG Action Plan is presented on pages 4-13 through 4-19 which outlines specific resource decisions and steps necessary to implement the IRP consistent with the Company's budget and/or business plan.

The DPU agrees that the General Information Requirements have been met. IRP objectives are found on page 2-14, for load growth forecasts refer exhibits 3.3, 3.4, and 3.8., weather conditions are discussed on page 9-3 and economic and demographic factors are discussed in Section 3. In general the requirements for the 191 Account were met. Gas supply was discussed in Sections 5 and 6 and transportation options and storage were discussed in Section 7.

The Division believes the Company has made reasonable attempts to satisfy the 2009 IRP guidelines and has also committed, through continuing discussions with parties, to continue to improve on details of some aspects presented in this IRP. Therefore the DPU recommends the PSC acknowledges the 2012-13 IRP as filed in Docket No. 12-057-07.

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IRP Service List