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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of Questar Gas Company's)	Docket No. 16-057-08
Integrated Resource Plan for Plan Year:)	
June 1, 2016 to May 31, 2017)	QUESTAR GAS COMPANY'S REPLY
)	COMMENTS
)	

Questar Gas Company (Questar Gas or Company) respectfully submits these Reply Comments to the Action Request Response issued by the Division of Public Utilities (Division) and to the Comments issued by the Office of Consumer Services (Office) August 15, 2016 in the above-referenced docket.

I. BACKGROUND

On June 14, 2016, the Company filed its 2016 Integrated Resource Plan (IRP) for the planning period of June 1, 2016 to May 31, 2017 (the 2016 IRP). On June 23, 2016, the Utah Public Service Commission (Commission) issued a scheduling order which set a deadline of August 15, 2016 for parties to file initial comments and September 30, 2016 for reply comments regarding the 2016 IRP. On August 15, 2016 the Division filed Action Request Response to the Commission's (Division's Response) and the Office filed a Memorandum regarding Questar Gas Company's 2016 IRP, Docket No. 16-057-08 (Office's Comments) in

this docket. The Company submits this Reply in response to the Division's Response and the Office's Comments.

II. REPLY COMMENTS TO THE DIVISION'S RESPONSE

In Docket 15-057-07 the Commission ordered the Company to prepare a study on heat pumps and the impacts of its energy efficiency programs on peak demand in the 2016 IRP. The Company prepared the study and included it as part of section 3 in the 2016 IRP. The Company also presented a summary of the study results to stakeholders at an IRP technical conference on June 23, 2016.

In the Division's Response, it indicated that, in Docket No. 14-057-15, the Commission ordered the Company to continue its discussion on peak day issues in the DSM Advisory Group and in a public input meeting associated with the 2015 IRP. The Division acknowledged that the Company conducted a discussion of the effects of energy efficiency on peak day at the Advisory Group meeting held March 24, 2015, and again at the IRP public meeting held on March 25, 2015. Additionally, the Division acknowledged that the "Company has continued to study this topic since the last public discussion, and data supports, that rebate-eligible equipment has little or no impact on peak-hour usage (either by reducing or increasing)." Division Response at p. 16. The Division also noted that "...installing energy efficient equipment reduces usage over the entire peak-day." *Id.* The Division also indicated that the Company had met the General Information Requirements for the 2016 IRP and recommended that the Commission acknowledge the 2016-2017 IRP as filed in Docket No. 16-057-08. *Id.* at p. 21.

The Company concurs with the Division's comments described above, and the Division's conclusion that the 2016 IRP contains information that meets applicable requirements.

III. REPLY TO THE OFFICE'S COMMENTS

The Office's Comments focus on the peak demand impacts of air and ground source heat pumps on the Company's energy efficiency programs' impact on the Company's system requirements related to peak demand.

A. Air and Ground Source Heat Pumps

While the Company agrees with the Office's conclusions relating to heat pumps, it disagrees with many of the statements underlying those conclusions. In its comments, the Office noted the Company believes that heat pump customers will cause system risk by increasing peak demand and that heat pumps create difficulty in estimating additional peak system requirements. The Office disagrees with the Company's assessment and suggests that "Utah's weather climate does not allow for efficient use of current heat pump technology" and that "Heat pump customers using natural gas as back up energy will consume natural gas during periods of peak demand just as any other customer." Office's Comments at p. 2. The Office suggested that the current rate design is adequate for managing current heat pump customers, but encourages the Commission to order the Company to continue monitoring the potential future effect of heat pumps.

Though the Company agrees that it should continue monitoring the potential future effect of heat pumps, it does not agree with the Office's analysis relating to the potential impact of heat pumps on the Company's system. Specifically, the Company believes that *current* technology coupled with Utah's climate make *near-term* market adoption of heat

pumps unlikely. Additionally, though the Company agrees that heat pump owners with natural gas backup will not consume more natural gas during periods of peak demand than a traditional customer, the Company maintains that heat pump natural gas backup furnaces will most certainly add to the peak demand system requirements and have the *potential* to create problems in forecasting future system requirements. The Company agrees with the Office that the existing rate design is adequate for the current mix of furnace and heat pump customers and agrees to continue monitoring the potential future effect of heat pumps.

B. Peak Demand

The Company disagrees with the Office's analysis and conclusions relating to energy efficiency programs and peak demand. In its comments, the Office is critical of the Company's for rebranding of "Demand Side Management" programs as "Energy Efficiency" programs. The Company discussed the change in nomenclature with interested parties and believes that branding its programs as "Energy Efficiency" programs is appropriate and beneficial. The Company began utilizing the term "Energy Efficiency" rather than "Demand Side Management" in 2010 in an effort to improve customer understanding of the programs. The Company made this change, based on input from the Company's contracted marketing agency and data that showed that the term "Demand Side Management" was confusing and that customers and Company employees would better understand the programs if the Company identified the programs as "Energy Efficiency" programs. The Company expected that customers would be more likely to participate/support a program with a positive energy efficiency message. The Company addressed the change in terminology in a 2010 meeting of the DSM Advisory Group, did not receive any negative feedback, and then began referring to its programs as "Energy Efficiency" programs. The change in nomenclature occurred with

the input and advice of marketing professionals and the Advisory Group and the Company believes that the term “Energy Efficiency” improves its ability to communicate with its customers about the programs.

The Office is also critical of the Energy Efficiency programs because, in the Office’s view, they “simply reduce overall consumption” and do not alleviate “...the kinds of system constraints associated with peak day and peak hour demand.” *Id.* at p. 9. The Office recommends that the Commission order the Company to implement new cost effective Energy Efficiency programs aimed at alleviating system constraints and that the Company be required to include any additional system costs in benefit/cost analysis for any equipment that increases peak day or peak hour demands.

The Company made clear to all program stakeholders in 2007 that the goal of the ThermWise[®] programs would be to reduce customer natural gas usage and the Company continues to support this goal. Nonetheless, the Company supports of the Office’s efforts to find ways to reduce peak hour usage and would support implementation of a program that would achieve such reduction. Unfortunately, the technology that is currently available has not been deployed to address natural gas based demand-response programs. The Company is not aware of any natural gas program similar to Rocky Mountain Power’s Cool Keeper that would aid in reducing peak hour usage. The Company will continue to follow developments in the industry and evaluate any such programs that emerge.

Additionally, though the Company has considered the possibility of programs designed to reduce residential gas usage on short notice during the morning peak hours, but questions the potential efficacy of such programs. Any such program would require customers to use less gas during times when water heaters and furnaces are generally being

used the most (in the early morning on cold days). The Company believes that customers would resist efforts to reduce heat and water temperatures on cold winter mornings and that any proposal to encourage such limitations would likely be unsuccessful.

The Company also notes that even if such a program were developed for residential customers, it could take years to implement and reach a point where it is effective method for managing peak hour concerns. Such efforts would not likely aid in addressing the peak hour issue in the near-term.

A similar program for large Transportation Service (TS) customers could aid in reducing peak usage in the short term. However, in order for such a program to work TS customers must be willing to make their gas supply available for Questar Gas' sales customers during the peak hour. TS customers would have to have gas scheduled and available for the Company to use on very short notice (as little as 15 minutes notice) regardless of their plans to actually use gas that day. It would also require TS customers to use gas evenly through the day prior to a peak hour in order to ensure that gas scheduled for use is still available for the peak-hour needs during the following morning peak.

The Company conducted an informal survey of some of the largest gas users on the Questar Gas system and asked these customers if they would be willing to participate in this type of program. Of the 17 customers surveyed, 14 customers indicated they were not interested, two (2) customers indicated they might be interested, and one (1) customer indicated it would be interested, but could not guarantee a nomination every day or agree to use gas evenly throughout the day.

Based on its review to date, the Company believes that programs designed to reduce residential and commercial gas usage on short notice during the morning peak hours are unlikely to be effective.

CONCLUSION

The Company appreciates the input of the Division and the Office and will continue to work with all interested parties to improve its IRP process. If the Commission or interested parties believe that additional technical conferences would be helpful to further discuss these or other topics, the Company would be available to participate. The Company agrees that it should continue to monitor the effect of heat pumps on its system and encourages the Commission to acknowledge the 2016 IRP as complete.

DATED this 30th day of September, 2016.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that a copy of Questar Gas Company's Reply Comments, in Docket No. 16-057-08, was sent by electronic mail on September 30, 2016, to the following:

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