- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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 REPORT AND ORDER

ISSUED: December 14, 2007

SYNOPSIS

The Commission provides guidance on Questar Gas Company's Integrated Resource Planning process and establishes a new docket to address modifications to the Standards and Guidelines.

By The Commission:

PROCEDURAL HISTORY

On May 1, 2007, Questar Gas Company ("Company") filed its Integrated Resource Plan for the period of May 1, 2007, through April 30, 2008 ("2007 IRP" or "Plan"). Since January 2007, during development of the 2007 IRP, the Company met with interested stakeholders on several occasions. On May 2, 2007, the Commission issued an action request to the Utah Division of Public Utilities ("Division") for review of the 2007 IRP. On May 15, 2007, the Company held a meeting to discuss the Plan and its associated modeling results. On June 4, 2007, the Commission issued a Request for Comments inviting comment on the appropriateness of the 2007 IRP and recommendations on whether the Commission should acknowledge the Plan. The Commission also invited comment on whether changes should be made to the approved IRP Standards and Guidelines and, if so, recommendations regarding the process by which such changes should be addressed. Comments on these issues were requested to be filed by July 2, 2007. On June 14, 2007, the Division filed a request to extend the comment filing date to August 3, 2007 and on June 28, 2007, the Commission issued a Notice of Extension for Filing of Comments granting the Division's request.

On July 26, 2007, the Company filed a Motion for Continuance in which it requested an extension of time, to September 4, 2007, for interested parties to file responsive comments addressing issues specified in the Commission's Request for Comments. On July 27, 2007, the Company filed a Motion for Protective Order for protection of valuable confidential, trade secret and proprietary information and the Utah Committee of Consumer Services ("Committee") filed its Utah Committee of Consumer Services Reply to Motion for Protective Order and Motion for Protective Order Amendment. On July 31, 2007, the Commission issued a Second Notice of Extension for Filing of Comments extending the comment filing period to September 4, 2007. On August 7, 2007, the Commission issued a Protective Order in this docket.

On September 4, 2007, the Company, the Division and the Committee submitted comments on the Company's 2007 IRP, on whether the 2007 IRP should be acknowledged, and on modifications to the Standards and Guidelines.

INTRODUCTION AND BACKGROUND

The Commission has previously examined integrated resource planning and associated standards and guidelines applicable to the Company.[1] In the November 21, 1991, Report and Order in Docket 89-057-15, "In the Matter of the Investigation of the Reasonableness

---

[1] See Dockets 89-057-15, 91-057-09, 95-057-04, and 97-057-06.

of the Rates and Tariffs of Mountain Fuel Supply Company," the Commission directed the Company to provide a long-term least-cost integrated resource plan ("IRP"). On May 24, 1991, the Commission established Docket 91-057-09, "In the Matter of the Analysis of an Integrated Resource Plan" in which the Company's proposed IRP outline was evaluated. In this same docket, on September 26, 1994, the Commission issued the Final Standards and Guidelines for Integrated Resource Planning for Mountain Fuel Supply ("Standards and Guidelines"). The Standards and Guidelines require, among other things, a biennial filing, an action plan, an evaluation of risks associated with various resource options, consideration of environmental externalities, and acknowledgment. The Company's 1991 and 1993 IRPs were filed prior to issuance of the Standards and Guidelines. The Company's 1995 and 1997 IRPs were filed pursuant to the Standards and Guidelines.

On December 19, 1997, in Docket 97-057-06, "In the Matter of the 1997 IRP for Mountain Fuel Supply Company," the Company petitioned the Commission to modify the Standards and Guidelines. Modified IRP guidelines ("Modified Guidelines") were jointly developed by the Company, the Division and the Committee and submitted to the Commission for approval on April 17, 1998. The Modified Guidelines require, among other things, an annual filing with confidential quarterly updates, an IRP "Results" section containing a variety of model sensitivity runs, a discussion of how changes or risks in the natural gas industry may affect resource options available to the Company, and a set of general guidelines which clearly identify the specific resource decisions necessary to implement the IRP in a manner consistent with the strategic business plan. The Modified Guidelines contain no acknowledgment requirement.

Since 1999, all of the Company's IRPs, including the 2007 IRP, have been filed pursuant to the Modified Guidelines. The Commission has not issued an order on the Modified Guidelines. As the issues facing the natural gas industry have changed significantly since both the Standards and Guidelines were issued and the Modified Guidelines were proposed, it is now appropriate to review and evaluate not only the 2007 IRP submitted under this docket but also the guidelines under which future IRPs should be prepared, filed, and considered. Herein we provide a summary of the 2007 IRP and address parties' comments on the 2007 IRP. We also address the issues of acknowledgment of the 2007 IRP and modifications to the Standards and Guidelines.

SUMMARY OF THE 2007 IRP

The Company's 2007 IRP is the culmination of a multi-stage process. First the Company uses a combination of the Proxy Model and the Forecast Pro Model to develop forecasts of annual temperature-adjusted system sales, system firm customer peak design-day gas demand, annual system throughput, and system annual natural gas requirement which the Company refers to as demand. The Company uses this information, along with other operational data, in its evaluation of system capabilities and constraints, and consequently the design of system infrastructure modifications necessary to meet the forecasts.

The Company also uses these forecasts to inform the development of its annual natural gas Request for Proposal ("RFP"). The RFP is used by the Company to solicit bids for base load and peaking gas supplies. Information on proposed gas-supply packages received from potential suppliers, along with the load forecasts and information on Company-owned gas supplies and other resources, are then entered into the linear programming model SENDOUT, developed by New Energy Associates. The SENDOUT model process selects the optimal set of packages of purchased gas and Company-owned gas to meet the base case forecast. The base case forecast is a reflection of the Company's expectations for the future. In addition to the base case, more than 200 other scenario iterations are evaluated in the SENDOUT model using, among other things, different assumptions regarding total gas supply requirements (low, normal, and high usage), temperatures (10 percent warmer, normal and 10 percent cooler), index prices (from $1 to $15 in one dollar increments), discount factors (from 1 percent to 11 percent), and future contract prices. The SENDOUT modeling results then guide the Company in its purchasing activities and in the awarding of gas purchase contracts. The results also guide the Company's management and operation of Company-owned gas supplies. Finally, the Company provides a report of these activities and underlying information and analyses per a set of guidelines.

Per the Modified Guidelines, the Company's 2007 IRP includes an executive summary, modeling results, and general guidelines which are supported by specific sections on IRP background, customer and demand forecasts, system constraints and capabilities, purchased gas, Company-owned gas, demand side management ("DSM"), and associated exhibits. The Company also provides a summary of the previous year's gas usage and price. The goals and objectives identified by the Company in the 2007 IRP are: to project future customer requirements; to analyze alternatives for meeting customer requirements from a system capacity and gas-supply source standpoint; to develop a plan that will provide customers with the most reasonable costs over the long term consistent with reliable service and stable prices within the constraints of the physical system and available gas supply resources; and to use the guidelines derived from the IRP process as a basis for creating a flexible framework for guiding day-to-day as well as longer-term gas supply decisions.

The 2007 IRP contains the following results: 1) an annual system sales forecast of 105 million decatherms in 2007 increasing to 110 million decatherms in 2016, as compared with 105 million decatherms increasing to 120 million decatherms for the same period in the previous IRP; 2) a 2007/2008 heating season system firm customer design-peak-day forecast of 1.163 million decatherms per day, up approximately 15,000 decatherms per day from that estimated for the 2006/2007 heating season; 3) a system throughput of 167 million decatherms in 2007 to 174 million decatherms in 2016, as compared with 210 million decatherms increasing to 212 million decatherms for the same period in the previous IRP[2]; and 4) a total annual natural gas requirement of 114.0 million decatherms for the 2007/2008 heating season, up from both the previous IRP's estimated of 109.5 million decatherms for the 2006/2007 heating season and 111.8 million decatherms for the 2007/2008 heating season. The Company concludes approximately 49.6 million decatherms of Company-owned natural gas and approximately 64.3 million decatherms of purchased natural gas are necessary to meet its forecasts during the 2007/2008 planning year, assuming normal weather conditions, the Company's forecasted market prices for purchased gas, and the completion of new company-owned gas resources as planned.

---

[2] The decrease in throughput results from the inclusion of only "expected" volumes for electric generation in the forecast rather than the "contracted" take or pay volumes for electric generation as previously used.

COMMENTS AND RECOMMENDATIONS OF THE PARTIES

The Division and Committee provide comments on the 2007 IRP and the Company, the Division, and the Committee make recommendations regarding acknowledgment of the Plan and recommendations for future IRPs.

Recommendations of the Company

The Company indicates the Modified Guidelines do not require the Commission to "acknowledge" the Plan. Rather, as preferred by the Company, the Modified Guidelines specify "IRPs, and more specifically the general guidelines for the relevant review period, may be used by regulators in their evaluation of cost recovery. The Commission's evaluation of prudence will be based on the reasonableness of the Company's decision-making process in view of the IRP and information available at the time the decision is made."

With respect to IRP standards and guidelines, the Company provides a history of the development of the IRP process, Company filings, and the basis underlying the Modified Guidelines. The Company states the Modified Guidelines reflect the natural evolution that has taken place in natural gas integrated resource planning since the Standards and Guidelines were issued in 1994. The Company recommends the Commission formally approve the Modified Guidelines with the following modifications: DSM should be modeled using the SENDOUT model and included in all future IRPs, and the Company should take into account price stability as well as cost and reliability in procuring purchased gas supplies. In addition, the Company commits to reporting on price stability measures undertaken on a regular basis, and reviewing future plans with appropriate regulatory agencies.

Comments and Recommendations of the Division

The Division summarizes the main elements of the 2007 IRP and states the 2007 IRP report provides a good summary of the Company's operational expectations for the next heating season as well as projections of usage over the next several years. For the next IRP report due in May of 2009, the Division suggests the following three improvements to the IRP report: 1) Provide a Gas Balance Exhibit[3] for the first year of the Plan which summarizes, by month, gas demand (including General Service residential sales, General Service commercial sales, total sales, Company use, and lost and unaccounted for gas) and gas supply (including Company production, Company purchases, storage injections and storage withdrawals); 2) Enhance Exhibit 3.2 - "Utah General Service-1 Temp Adj Use Per Customer" by including a line for the commercial class usage per customer based upon a load factor which the Company feels will distinguish larger commercial operations from those commercial operations having a residential-type load; and 3) Include the specific capital cost projections for each capital project listed in the IRP document.

Regarding acknowledgment of the Plan, the Division states the 2007 IRP report provides a good summary of the Company's operational expectations for the next heating season as well as projections of natural gas usage over the next several years. Based on its analysis, the Division recommends acknowledgment of the Plan inferring the planning process and the Plan were reasonable at the time it was presented. Pointing to the volatile nature of the current

[3] The requested exhibit is similar to the Division's Standard Data Request No. 1 filed in the Gas Balancing Account 191 account filings.

natural gas market as represented by the Rocky Mountain natural gas pricing trends during the summer of 2007, the Division maintains the base case scenario presented in the IRP can, and most probably will, be outdated within one or two months after being filed with the Commission.

The Division provides a detailed comparison of the Standards and Guidelines and the Modified Guidelines on which the 2007 IRP has been prepared and concludes the Modified Guidelines with certain additional items retained from the Standards and Guidelines provide a reasonable procedure to be followed by the Company in preparation of its annual IRP. The Division suggests the differences between the Standards and Guidelines and the Modified Guidelines fall into three categories: 1) reducing the requirements for holding meetings and communication with interested parties; 2) reducing the scope of the IRP, and consequently the workload imposed on the Company; and 3) elimination of the description of the DSM cost-effectiveness tests.

The Division recommends the Commission retain the following provisions of the Standards and Guidelines: inclusion of environmental externalities in the planning process, evaluation of supply-side and demand-side resources on a consistent and comparable basis, evaluation of the cost effectiveness of resource options as defined by the California Standard Practice Manual, evaluation of the risks associated with the plan and how the plan addresses the risks, a range of estimated external costs and how explicit consideration of such costs might affect the selection of resources, and acknowledgment of the plan does not guarantee favorable ratemaking treatment.

Comments and Recommendations of the Committee

In general, the Committee concludes portions of the 2007 IRP lack detailed analysis, information and explanation supporting the Company's conclusions and recommendations. Further, the Committee contends key issues associated with gas supply, such as gas interchangeability and risk analysis, are not adequately addressed in the IRP. The Committee's specific comments can be categorized into three general areas, namely request for additional explanation or discussion, request for additional analysis, and reporting.

Request for additional explanation or discussion: With respect to the Company's projection that long-term system sales growth is expected to increase but to a level less than that forecasted in 2006 IRP due to lower forecasted General Service-1 rate schedule usage per customer, the Committee recommends the Company should state and document whether DSM is the primary driver underlying the change in this forecast. Regarding the significant decrease in forecasted system throughput for the 2007-2016 period when compared to the 2006 IRP, which the Company attributes to substituting "expected" volumes for "take-or-pay" volumes for electric generation, the Committee recommends the Company should include a detailed explanation of the information relied upon to revise this forecast.

Pointing to the lack of source information for economic and demographic data presented in the Plan, inconsistency between these data and that published by the Governor's Office of Planning and Budget, and the lack of discussion on how growth rates are factored into various forecasts, the Committee recommends future IRPs should explicitly reference the sources of economic and demographic information, assess the reliability of the information against similar information published by publicly available sources, and explain how the information was used in forecasting customer additions, systems sales, and system throughput. While commending the Company on its efforts to model the availability and production of Wexpro Gas with greater precision, the Committee points out the IRP is silent in describing whether the expansion of Wexpro categories and other recent changes to the model, database, or assumptions have been reviewed by the developers of the SENDOUT model or some other independent expert. As such, the Committee recommends the Company should discuss by what quality assurance process it determines the SENDOUT model is correctly configured and the input data is correctly specified so that regulators can be confident SENDOUT continues to be a reliable tool for gas planning and procurement processes.

In order to ensure economic consistency in the value of the gas which the Company monitors and manages through its production balancing activities, the Committee recommends the IRP more explicitly detail the terms (time period and volume) under which gas was recovered from partners in under-produced fields and returned to partners in over-produced fields. The IRP should also specify the two additional fields the Company is considering including in its balancing activities.

Alluding to the level of detail on gas storage issues contained in previously-filed IRPs, the Committee requests the Company provide more detail regarding the basis on which gas storage is managed and identify any changes to that practice along with associated cost implications. The Committee also suggests the Company should provide an explanation of what modeling efforts were or will be undertaken to ascertain the value of extending the expiring Clay Basin firm storage contract with Questar Pipeline Company ("Questar Pipeline").

Request for Additional Analysis The Committee references the Company's use of no-notice transportation service on Questar Pipeline and recommends the Company provide an explanation of this service and why it is not necessary in areas served by Kern River, a cost-benefit analysis of this service, and an evaluation of potential alternatives to this service. With respect to the numerous short-term and long-term investments in distribution infrastructure, the Committee contends the IRP lacks project-specific cost estimates, analysis of alternatives, and calculations showing the impact on the Company revenue requirement and recommends the Commission require the Company to provide similar analyses both prior to any consideration of rate recovery and in future IRP filings.

Based upon historic gas-quality issues, the Committee asserts the 2007 IRP lacks a comprehensive discussion of long-term gas quality issues and recommends the Company should be required to comprehensively address long-term gas quality issues in future IRPs by providing gas quality forecasts and descriptions of alternatives available to remedy potential gas quality problems and cost-benefit assessments of alternatives. Short-term gas quality issues should be similarly addressed in future Gas Balancing Account[4] ("191 Account") filings.

Finally, the Committee observes while the IRP contains a large number of sensitivity runs, it falls short in the area of a detailed risk analysis. Future IRPs should more

---

[4] The Gas Balancing Account, otherwise known as Account 191, is an account established for the Company to recover, on a dollar for dollar basis, purchased gas costs and gas-cost-related expenses.

fully address, among other things, under what conditions or parameters would management elect to produce more or less Wexpro Gas, the cost impact of producing more or less Wexpro Gas, how the Company's risk analysis informs its gas purchasing strategies, and whether market gas price risk can be mitigated through capacity alternatives.

Reporting The Committee is concerned about the rapid escalation of Wexpro drilling costs in that the 2007 Wexpro plans involve 43 net wells at a cost of $85 million. The Company further states it anticipates drilling 25 to 45 wells annually over the next five years at an estimated cost of $100 million per year. In order to ensure the Wexpro resources are being developed in a timely and least cost manner, the Committee recommends the Commission direct the Wexpro hydrocarbon monitor to report by December 31, 2007, on the reasonableness of Wexpro's proposed annual drilling plans, including projected annual budgets, by comparing the proposed drilling plan and annual budgets to the Wexpro gas development plans and budgets for the past five years.

The Committee highlights the lack of detail supporting the Company's reported 12 percent rate increase for gathering agreements with Questar Gas Management attributed to higher volumes gathered and higher midstream industry costs. The Committee points out the Wexpro operating plan targets are virtually identical to the 2006 production levels and recommends the Commission direct the Company to provide specific data, calculations and work papers supporting the 12 percent increase in gathering rates in its next 191 Account filing.

The Committee supports the use of the Modified Guidelines as the basis for evaluating the 2007 IRP. The Committee, however, recommends the Commission not acknowledge the Company's 2007 IRP as certain areas of the IRP lack detailed analysis, information and explanation supporting the Company's conclusions and recommendations. The Committee's concerns regarding the current acknowledgment process include that it does not appear to make any practical difference whether or not an IRP is acknowledged. In addition, the timing of the IRP filing and Commission comment period in the context of 191 Account proceedings and the Company's market purchase/hedging activities means the IRP provides little or no guidance to resource acquisitions that have in large part, already occurred for the next winter heating seasons. The Committee contends the current IRP process does not assist the utility's selection of the optimal set of resources given the expected combination of costs, risks, and uncertainties and further suggests modification of the guidelines in order to reflect a more robust and meaningful process prior to an acknowledgment of this, or any, IRP.

With respect to process, the Committee recommends the standards and guidelines governing future resource planning and related filings be determined in this docket – not in a generic proceeding. The Committee, although supportive of the Modified Guidelines at the time they were filed, believes now is an excellent time to examine their continued relevancy and appropriateness. In order to restore the IRP to a more robust long-term planning document, the Committee recommends a return to a longer term horizon supported by moving the more detailed short-term modeling, forecasting, and issues into the 191 Account filings. The Committee proposes the IRP should cover the period beginning April 1 of the year following the year in which it is filed, and the subsequent three years, unless a different time horizon is appropriate to a specific topic. The IRP should provide or address the following: an executive summary and action items; peak day and annual gas forecasts; gas supply modeling; Wexpro production and future resources; gas interchangeability; transportation, storage and gathering; distribution system planning; demand-side planning; risk analysis; and projected ratepayer impacts from integrated resource plans stated separately by rate schedule and monthly basic service fee (akin to a customer charge) categories. The Committee also proposes changes to future 191 Account filings including availability of IRP data in 191 Account filings and gas resource management updates; availability of gas quality data; and, for the 191 Account filing, availability of calculations and work papers supporting the 12 percent increase in the Company's gathering rates. The Committee recommends this information should be filed under a time line allowing for meaningful review and input from stakeholders and regulators prior to the execution of the gas acquisition strategies reported.

DISCUSSION AND CONCLUSIONS

We commend the Company for its commitment to the IRP process and timely IRP filings during the last ten years and we appreciate the candor of the parties as expressed in their comments. While there was consensus on the Modified Guidelines in the past, there are now divergent ideas on the expectations of, and future requirements for, the Company's IRP process.

We note parties mention little, if any, disagreement with the Company's conclusions. There is disagreement, however, regarding the level of detail and analysis presented supporting those conclusions. In our view the results of the Company's planning process as compiled in an IRP must not only inform the reader of the Company's intentions for the planning year(s) but must also provide sufficient information and analyses for the reader to understand how the Company reaches its conclusions as to the least-cost plan for providing energy resource services including acquisition of natural gas and storage, transmission, and distribution of that gas. The Plan must also address all system, contractual, gas quality, operational and regulatory issues known to the Company at the time the Plan is submitted. If the IRP lacks sufficient information and analysis, it is not possible for any party to determine if the Plan is reasonable at the time it was submitted or will result in the acquisition of least cost resources.

We also observe, since submission of the Modified Guidelines, the Company's IRP has changed little from year to year. In some cases this is entirely appropriate but in other cases it may be a barometer of the approach taken by the Company toward the written Plan and its contents. For example, we note the Company purchased the Utah Gas Company assets more than five years ago, yet there has been no mention of these assets in the IRP section on system constraints and capabilities since that time. The 2007 IRP references the SENDOUT model but, in contrast to previously-submitted IRPs, the Company fails to note what version of the model is being used and whether or not updates to the model have taken place. We observe the Company models DSM in one of the SENDOUT variations, however, the reader is left to interpret how the modeling results, which produce a one year discounted cash flow less than the base portfolio, influence the Company's decisions or actions. It is also not clear how the design day projections totaling 1,221,496 decatherms per day for the Northern, Central and Southern systems listed in Section 4 - "System Constraints and Capabilities" relate to the system firm customer design day demand projection of 1.163 million decatherms per day in Section 2 - "Customer Demand & Forecast." We also note while the IRP refers to the 2002 Integrity Management rule as a "new requirement" there is no mention of the upcoming distribution integrity management rule as addressed in the federal Pipeline Inspection, Protection, Enforcement and Safety Act of 2006.

Based upon the comments of the parties, our view of the IRP process, and the provision of the September 26, 1994, Order in Docket 91-057-09 contemplating an evolutionary process in which the Standards and Guidelines would be revisited through time, we determine it is now appropriate to open a new docket to evaluate modifications to the current Company IRP process and the Standards and Guidelines. The new docket will be introduced by a technical conference during which we request input from the parties on, among other things, the integrated resource planning process, its purpose, goals, and timing, the public input process, plan acknowledgment, risk evaluation, DSM, and the written Plan itself. Comments and recommendations provided by the parties on the IRP process not addressed in this Order may also be explored. Following the conference, a draft of new IRP standards and guidelines will be issued by the Commission for public comment.

We recognize the Company will likely have completed its 2008 integrated resource planning process prior to the conclusion of the above referenced docket. Many of the parties' recommendations and observations regarding the 2007 IRP offered in this docket, however, are consistent with the Standards and Guidelines, the Modified Guidelines and our expectations of the Plan and as such must be addressed going forward. We therefore require the

Company, in the interim, to continue with its current IRP approach and time lines, but modified to include the following additional information and to address the following specific issues in the 2008 and future IRPs.

1) Consistent with Section 4.d. of the Standards and Guidelines[5] and Section 7.e. of the Modified Guidelines,[6] explain and document the driver(s) underlying the change in the Company's long-term sales forecast, provide a detailed explanation of the information used to revise the system throughput forecast (including the substitution of "expected volumes for take-or-pay volumes), provide a reference for the sources of economic and demographic information utilized in the IRP, assess the reliability of the economic and demographic information relative to similar publicly available information, and explain how the economic and demographic information is used in forecasting customer additions, system sales and system throughput.

2) Consistent with Section 4.e.(2) of the Standards and Guidelines and Section 7.f.(3) of the Modified Guidelines, provide a cost benefit analysis of no-notice transportation and potential alternatives and provide an explanation of how the Company manages this issue in areas which only receive gas from the Kern River system.

3) Consistent with Section 3. of the Standards and Guidelines and Sections 3.a. and 7.b. of the Modified Guidelines, discuss the processes and procedures the Company has implemented

---

[5] Applicable portions of the Standards and Guidelines are attached as Appendix A of this Order.

[6] Applicable portions of the Modified Guidelines are attached as Appendix B of this Order.

to ensure the SENDOUT model is correctly configured so that regulators are confident that SENDOUT continues to be a reliable tool for gas planning and procurement processes.

4) Consistent with Section 4.f. of the Standards and Guidelines and Section 7.h. of the Modified Guidelines, provide project-specific cost estimates, analysis of alternatives and expected revenue requirement impacts for upcoming investments in the distribution infrastructure, comprehensively address long-term gas quality issues, provide a more detailed explanation of how storage reservoirs are managed and an explanation of deviations from this management strategy and its attendant cost implication, and explain the modeling efforts which have been or will be undertaken to ascertain the value of continuing the Company’s base storage contract with Questar Pipeline and any other long-term contracts under consideration during the IRP process.

5) Consistent with Section 4.e.(2) of the Standards and Guidelines and Section 7.f.(1) of the Modified Guidelines, more explicitly detail the time periods and volumes under which gas was recouped from partners in under-produced fields and returned to partners in over-produced fields and identify the two additional fields from which gas may be recouped in the near future.

6) Consistent with Sections 4.e.(2), 4.l., and 4.m. of the Standards and Guidelines and Section 7.k. and 7.l. of the Modified Guidelines, more fully address under what future conditions or parameters would more or less Wexpro gas be produced, the cost impact of producing more or less Wexpro gas, and how the Company’s risk analysis informs its market gas hedging strategies, and whether market gas price risk can be mitigated through capacity alternatives.

7) Consistent with Section 4.l. of the Standards and Guidelines and Section 7.j. of the Modified Guidelines, provide the most current information on regulatory drivers, including greenhouse gas and pipeline safety regulations, and their potential effects on the Company.

8) Consistent with Sections 4.e.(1) and 4.k. of the Standards and Guidelines, provide the SENDOUT modeling results for DSM and how this information is addressed in the Company's base case.

9) Consistent with Section 4.l. of the Standards and Guidelines and Section 7.l. of the Modified Guidelines, provide a description of the contingency plans in place if the future unfolds differently from Questar's base case.

10) Consistent with all of the provisions of the Standards and Guidelines and the Modified Guidelines, the entire system, including the Utah Gas assets, must be modeled and addressed in all components of the IRP.

11) Consistent with Sections 3. and 4.l. of the Standards and Guidelines and Section 7.b. of the Modified Guidelines, provide an explanation and rational for any modeling constraints used and a comparison of these results with modeling results in which the constraints are removed.

Given the Company's increasing reliance on, and use of, its estimates of usage per customer, we find the Division's request for additional information on sales and usage per customer broken out by GS-1 residential and GS-1 commercial separately is both of value and consistent with the IRP Standards and Guidelines. The Division, however, relies upon the Company, using its judgment, to determine the load factor which will distinguish the larger commercial operations from those commercial customers having a residential-type load. We deem the issue of classification of customers should be resolved by parties in the context of a rate case as opposed to being determined by the Company in its IRP process.

In this Order we identify deficiencies in the Company's 2007 IRP and provide guidance to the Company on improvements to the IRP process and documentation. It is not our expectation that the Company will re-file the 2007 IRP, rather the Company will focus its efforts on an improved 2008 IRP. As such, we decline to address acknowledgment of the 2007 IRP. We defer the general discussion of acknowledgment to the upcoming docket addressing modifications to the Standards and Guidelines.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that

1. The Company shall provide the additional information and address specific issues as identified herein in the 2008 and future IRPs.

2. A new docket shall be opened to address modifications to the Standards and Guidelines.

DATED at Salt Lake City, Utah, this 14th day of December 2007.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard,
Commission Secretary
G#55667

Appendix A: Relevant Portions of the Standards and Guidelines Developed in Docket 91-057-09

GUIDELINES

1. Definition.
Integrated resource planning for Mountain Fuel is a planning process in which all known resources are evaluated on a consistent and comparable basis, in order to meet current and future natural gas energy service needs at the lowest total resource cost to MFS and its ratepayers, and in a manner consistent with the long-run public interest. The process should result in the selection of the optimal set of resources given the expected combination of costs, risk and uncertainty.

2. The Company will submit its IRP biennially and will provide an annual update of its operating plan.
The Company submitted an update of its September 27, 1993 IRP on June 8, 1994. On April 30, 1995, the Company will submit a new IRP that includes an analysis of demand-side resources. An update of the 1995 IRP will be submitted the following April, thus restarting the biennial cycle.

3. The Integrated Resource Plan will be developed in consultation with the Commission, its staff, the Division of Public Utilities, the Committee of Consumer Services, appropriate Utah State agencies and other interested parties that obtain Commission approval to intervene. Mountain Fuel will provide ample opportunity for public participation during the development of its Plan. Public meetings and consultation with regulatory bodies will take place on a regular basis during the year preceding the submittal of the plan.
In its comments, the Company recommends a specific time line for public input into the IRP process. This includes two meetings prior to its submittal of the IRP, one in January to review procedures and methods and another in March to review specific modeling assumptions and inputs. Soon after its submittal at the end of April, the Company suggests that a third public meeting be held to review final results. Acknowledgment would take place in May.

The Commission finds that the Company's recommended public meeting schedule is inadequate. It is essential that public and regulatory involvement take place, at regular intervals, prior to the submittal of the Company's IRP. Such involvement is particularly important given the contemplated time period for regulatory review. Such an expedited process requires that the parties have a full understanding of the procedures and methods used by the model as well as its specific assumptions and inputs. Two meetings prior to the submission of the IRP will not achieve such an understanding. Therefore, the Commission will require at least quarterly public meetings for the years preceding the April submittal of the IRP, with a tentative meeting schedule published in the preceding IRP.

4. MFS's future integrated resource plan will include:
    a. A description of the Plan's objectives and goals.
    b. A range of estimates or forecasts of load growth, which include firm customer peak-day requirements, winter season requirements and annual requirements.
    c. A range of weather conditions and their attendant gas supply strategies to meet such conditions.
    d. An analysis of how various economic and demographic factors, including the prices of natural gas and alternative energy sources, will affect the consumption of energy services, and how changes in the number, type and efficiency of end-uses will affect future loads.
    e. An evaluation of all present and future resources, including future market opportunities (both demand-side and supply-side), on a consistent and comparable basis. This includes but is not limited to:
        (1) An assessment of all technically feasible improvements in the efficient use of natural gas, including load management and conservation.
        (2) An assessment of all technically feasible delivery and gas supply options including but not limited to: WexPro gas, new gas development and production by MFS, independent producer contracts, on both a short-and long-term basis, pipeline sales to the extent they still offer such service, and spot market purchases. In addition, contract and Company-owned storage service, 5-cent waiver supplies, peak shaving alternatives, and other possible options will be explored. A variety of transportation alternatives will be considered including firm and interruptible contracts, tapping other pipelines such as Kern River, and any other transportation options that are available.
    f. An analysis of system capability and constraints including: the transmission system, the storage reservoirs and the distribution system.
    g. A planning horizon that can appropriately model long-term Company-owned production as well as energy conservation and efficiency measures, and an IRP model meeting these requirements.
    h. An analysis of how changes in the regulatory environment may affect resource options available to MFS.
    i. A one-year action plan, plus a second one-year plan in the off-year, outlining the specific resource decisions necessary to implement the Integrated Resource Plan in a manner consistent with the Company's strategic business plan.
    j. Load forecasts integrated with resource options in a manner which rationalizes the choice of resources under a variety of economic and weather circumstances.
    k. An evaluation of the cost-effectiveness of the resource options from a variety of perspectives. For demand-side resources, the Company will construct the total resource cost test, the ratepayer impact test, the utility cost test and the participant cost test as defined by the California Standard Practice Manual.

l. An evaluation of the risks associated with various resource options and how the one-year action plan addresses these risks in the context of both the Company Business Plan and the Integrated Resource Plan.

m. Considerations permitting flexibility in the planning process so that the Company can take advantage of opportunities and can prevent the premature foreclosure of options.

n. An analysis of tradeoffs; for example, between such conditions of service as reliability and the acquisition of lowest cost resources.

o. A range, rather than attempts at precise quantification, of estimated external costs, in order to show how explicit consideration of such costs might affect the selection of resources.

5. <u>MFS will submit its IRP for public comment, review and acknowledgment.</u>
The public, state agencies and other interested parties will have the opportunity to comment on the adequacy of the Plan to the Commission. Outside expertise might be required to evaluate the Company's IRP; if needed the Commission will so order. The Commission will review the Plan for adherence to the standards and guidelines stated herein (and as may be hereafter modified), and will respond to comments received from the public. If the Plan needs further work, the Commission will notify the Company accordingly. This process should lead more quickly to the Commission's acknowledgment of an acceptable Integrated Resource Plan. Formal hearings and acknowledgment of the IRP may be appropriate. "Acknowledgment" of the Plan means the Commission deems the planning process and the Plan itself reasonable at the time the Plan is presented.

6. <u>Acknowledgment of an acceptable Plan will not guarantee favorable ratemaking treatment of future resource acquisitions.</u>
Ratemaking treatment of future resource acquisitions will be assessed by the Commission through a rate case or pass-through proceeding. Strict conformance to the Plan does not relieve the Company of its burden of proof to show that its expenditures are prudent. The Commission's evaluation of prudence will be based on the reasonableness of the Company's decision-making process given the information available at the time the decision is made. The Plan will provide one basis for assessing the Company's decision-making process.

7. <u>The Integrated Resource Plan will be used in rate and pass-through cases to evaluate the performance of the utility.</u>
The IRP will be used by the Commission to evaluate the Company's requests for recovery of gas costs in pass-through proceedings as well as recovery of non-gas costs in general rate cases.

Appendix B: Proposed Modified Guidelines
For Questar Gas Company's Integrated Resource Plan

1. **Purpose**
Integrated Resource Planning (IRP) is a process in which known resources are evaluated on a uniform basis, such that customers are provided quality natural gas services at the lowest cost to Questar Gas (QG) and its customers consistent with safe and reliable service. The IRP should also be consistent with the long-run public interest and the financial requirements of a healthy utility. This process should result in the selection of the optimal set of resources given expectations relating to costs, risk, uncertainty and technical feasibility. The IRP will provide the basis for the Company's operating plan for the upcoming gas supply year.

2. **Reporting Requirements**
   a. *IRP Filings*
   QG will prepare and file an IRP annually. The IRP will be filed in early May of each year, and should reflect a planning year beginning May 1 and ending April 30.
   b. *Quarterly Reports*
   QG will prepare and file confidential quarterly reports to the Public Service Commission (Commission), Division of Public Utilities (Division) and the Committee of Consumer Services (Committee) addressing the differences between planned versus actual performance results.

3. **IRP Development, Review and Public Comment**
The IRP will be developed in consultation with the Commission, its Staff, the Division, the Committee, appropriate Utah State agencies and other interested parties that obtain Commission approval to participate. The IRP process will incorporate an informal exchange of information in a manner that promotes efficient communication and an atmosphere of cooperation and understanding. Discussion of market-sensitive information will take place in a manner that does not jeopardize QG's bargaining position in any way.

   a. QG will hold at least one informational meeting with Commission Staff, the Division and the Committee in April of each year where confidential, market-sensitive information can be discussed. Topics covered should include:
   (i) The latest quarterly report;
   (ii) Changes to the IRP model, modeling assumptions, sensitivity runs, etc.;
   (iii.) QG's draft modeling results, interpretations, and general guidelines (see section 4. below); and
   (iv.) Commission Staff, Division, and Committee comments on the adequacy of IRP modeling.

Additional informational meetings will be scheduled throughout the year as necessary.

b. QG will prepare and file its IRP in early May. The IRP will not contain market-sensitive information. Within one week of filing its IRP, QG will hold a technical conference to present an overview of key IRP results and respond to questions from interested parties.

c. The public, state agencies and other interested parties will have the opportunity to comment to the Commission on the adequacy of the IRP process.

d. In July of each year, QG will file with the Commission, the Division and the Committee its 4th quarterly report for the plan year. This report will include planned versus actual results for the previous IRP cycle and reason(s) for any significant deviations between planned versus actual results should be identified and explained.

4. **General Guidelines**

As part of the IRP, QG will develop a list of *general guidelines* that identify the major pieces of its operational strategy for the upcoming gas year. These general guidelines will serve as the basis for evaluating QG's performance over the planning year. QG will promptly notify regulators of any significant deviations from the general guidelines which are currently in effect.

5. **Role of IRP in Ratemaking Proceedings**

IRPs, and more specifically the *general guidelines* for the relevant review period, may be used by regulators in their evaluation of cost recovery. The Commission's evaluation of prudence will be based on the reasonableness of the Company's decision-making process in view of the IRP and the information available at the time the decision is made.

6. **Affiliate Relations**

QG's examination of gas supply, transmission, storage and gathering options, and ultimately its planning/operational strategy for the upcoming year, should not be influenced by the financial considerations of an affiliate within Questar Corporation to the detriment of customers. QG has the responsibility to place customers' interest before affiliate interests in preparing and implementing its IRP.

7. **Specific IRP Components**

QG will utilize an optimization model in preparing its annual IRP, thereby facilitating the evaluation of complex tradeoffs. QG will include the following information, discussion and analysis in its IRPs:

a. A description of IRP objectives.

b. A description of any changes to the IRP Model.

c. A range of load growth forecasts, which include firm customer peak-day requirements, winter-season requirements and annual requirements.

d. A range of weather conditions.

e. An analysis of how various economic and demographic factors, including the prices of natural gas and alternative energy sources, will affect the consumption of energy services, and how changes in the number, type and efficiency of end-uses will affect future loads.

f. An economic assessment of all viable *delivery* and *gas supply* options including, but not limited to:
   (1) Company production, new gas development, annual market gas contracts, seasonal market gas contracts, spot market purchases, and interruptible transportation (IT) customer gas supplies;
   (2) Firm, interruptible and released capacity storage service options; and
   (3) Transportation alternatives including firm transportation, interruptible transportation, capacity release, and any other transportation options that are available.

g. A *"Results"* section depicting QG's proposed *base case gas supply portfolio and operational strategy*. The Results section should also include sensitivity runs to determine the impact of changes in demand, gas prices, etc. on the base case. At a minimum, the following sensitivities should be performed: (1) starting price for market gas; (2) gas price escalation rates based on a range of gas price forecasts [DRI, GRI, EIA, AGA, WEFA, etc.]; (3) seasonality differences in gas prices; (4) discount rate; and (5) load growth rates.

h. An analysis of system capability and constraints including: the transmission system; the storage reservoirs; and the distribution system.

i. A planning horizon that is of sufficient length to effectively model Company production as well as economically viable energy efficiency measures.

j. A discussion of how changes or risks in the natural gas industry and/or the regulatory environment may affect resource options available to QG.

k. A set of *general guidelines* which clearly identify the specific resource decisions necessary to implement the IRP in a manner consistent with the strategic business plan.

l. Considerations permitting flexibility in the planning process.