

QUESTAR

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Legal Department

April 17, 1998

Ms. Julie Orchard
Commission Secretary
Public Service Commission of Utah
Heber M. Wells Building
160 East 300 South
Salt Lake City, Utah 84134

Dear Julie:

*Re: Proposed IRP Guidelines for Questar Gas Company
Docket No. 97-057-06*

On December 19, 1997, Questar Gas filed a petition to modify its Final Standards and Guidelines for Integrated Resource Planning. Since that time, Company representatives met with members of the Committee of Consumer Services and the Division of Public Utilities to discuss Questar Gas' petition.

These three interested parties jointly developed a new set of proposed guidelines that they have agreed upon. Questar Gas sent a copy of these proposed guidelines to Kern River's attorney, Mark Moench, on April 1, 1998, with a cover letter requesting comments. We have not heard from Mr. Moench. Therefore, we are submitting the jointly developed set of proposed IRP guidelines to the Commission for its approval.

Respectfully submitted,

Colleen Larkin Bell

Enclosure

cc: Dan Gimble
Daryl Hansen
Mark Moench
Sandy Mooy
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**Recommended Guidelines
For Questar Gas' 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.