

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

|  |                            |  |
|--|----------------------------|--|
| In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines | )<br>)<br>)<br>)<br>)<br>) | <u>DOCKET NO. 08-057-02</u><br><u>REQUEST FOR COMMENTS ON DRAFT STANDARDS AND GUIDELINES</u> |
|--|----------------------------|--|

ISSUED: April 3, 2008

By The Commission:

The Commission invites comment from interested parties on the Draft Questar Gas Company Integrated Resource Planning Standards and Guidelines 2008 ("Draft Standards and Guidelines 2008") provided herein. Comments should be submitted by May 30, 2008.

**INTRODUCTION AND PROCEDURAL HISTORY**

The importance of integrated resource planning ("IRP") for Questar Gas Company ("Questar" or "Company") has not diminished since this issue was examined in Dockets 89-057-15, "In the Matter of the Investigation of the Reasonableness of the Rates and Tariffs of Mountain Fuel Supply Company" and 91-057-09, "In the Matter of the Analysis of an Integrated Resource Plan for Mountain Fuel Supply Company." As contemplated in the September 26, 1994, Order on Standards and Guidelines issued in Docket 91-057-09, and based on the recent 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,” it is now 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 have been developed, as presented herein, and are now being circulated for review and comment.

## **BACKGROUND**

As background to the Draft Standards and Guidelines 2008, rate setting for the provision of natural gas energy services by the Company is accomplished through the following two proceedings. First, a pass-through proceeding for Account 191, a gas balancing account, is used to set rates to recover purchased gas costs and gas-cost-related expenses. These costs are recovered under the “Supplier Non-Gas Cost” and “Commodity Cost” elements of the total rate. Second, rates to recover non-gas costs related to the distribution of natural gas (“DNG”) are set in a general rate case and are reflected in the “DNG Cost Rate” and the “Basic Customer Service Fee” elements of the total rate. The Draft Standards and Guidelines 2008 allow the alignment of

the integrated resource planning process with these ratemaking proceedings such that the results of the IRP process, as contained in an annual plan, may be used to evaluate the Company's requests for recovery of gas costs in Account 191 pass-through proceedings as well as recovery of non-gas costs in general rate cases.

## **DRAFT QUESTAR GAS COMPANY INTEGRATED RESOURCE PLANNING STANDARDS AND GUIDELINES 2008**

### **I. Definition and Purpose**

Integrated resource planning for Questar is a process in which known resources and resource development options for meeting current and future natural gas energy service needs are evaluated on a systematic, consistent and comparable basis. The results of the IRP process guide the Company in the selection of the optimal set of resources, given expectations relating to costs, risk, uncertainty, regulatory requirements, and technical feasibility such that present and future customers are provided natural gas energy services at the lowest cost consistent with safe and reliable service, the fiscal requirements of a financially healthy utility and the long-run public interest. The results of the IRP process, as compiled in a comprehensive plan ("IRP Plan" or "Plan"), will inform the public and the regulatory community of the Company's evaluations, resource selections, actions, and future risks in pursuit of the lowest cost objective and may be used 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.

### **II. Reporting Requirements**

#### **A. IRP Plan Filing**

1. The Company shall prepare and file an IRP Plan annually in early May of each year. The Plan will not contain market-sensitive information. Within one week of filing its Plan the Company will hold a technical conference to present an overview of key IRP results and respond to questions from interested parties.
2. General requirements and Account 191 information and analyses specified in Sections IX. A. and B. below shall be addressed in each annual Plan. The Plan will reflect a planning year beginning May 1 and ending April 30 of the following year.
3. Distribution non-gas planning information shall be addressed as follows:
  - a. Beginning in 2009 and every other year thereafter, the Plan will contain a discussion of DNG-related issues and the presentation of associated analyses and evaluations as specified in Section IX. C. below. The time horizon for addressing and evaluating these issues will be the current IRP year and the following four calendar years unless a different time horizon is appropriate.
  - b. Each annual Plan will include a DNG Action Plan as specified in Section IX. C.7. below.

B. Other Reporting: The Company shall prepare and file confidential quarterly reports for the periods May through July, August through October, November through January, and February through April to the Public Service Commission (Commission), the Division of Public Utilities (Division) and the Committee of Consumer Services (Committee) identifying and explaining the deviations between planned versus actual performance results, a summary of producer balancing accounts

and management activities, a summary of Wexpro drilling activities and associated costs, and a summary of sources and uses of funds. The report for the period February through April will also contain a comparison of the base case assumptions used for gas modeling with actual results. Each quarterly report shall be due within three months of the end of the quarter being evaluated and contain both quarterly and year-to-date information.

### **III. Process – Plan Development, Review and Public Comment**

The Plan will be developed in consultation with the Commission, its Staff, the Division, the Committee, appropriate Utah State agencies, interested members of the general public, and other interested parties (collectively referred to as “Parties”). The IRP process will incorporate an informal exchange of information in a manner which promotes efficient communication and an atmosphere of cooperation and understanding. Discussion of market-sensitive information will take place in a manner that will not jeopardize the Company’s bargaining position.

#### **A. Account 191-related Requirements:**

1. The Company shall 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 will include:
  - a. The latest quarterly report;
  - b. Changes to IRP models, modeling assumptions, sensitivity analyses, etc.;
  - c. The Company’s draft modeling results, interpretations, and general guidelines;
  - d. Gas quality and gas storage-related issues; and

e. Commission Staff, Division, and Committee comments on the adequacy of IRP modeling.

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

B. DNG-Related Requirements:

1. The Company shall hold at least one informational meeting with the Parties in October of the year preceding submission of the annual Plan. During this meeting information relating to system capabilities and constraints, system modeling, and regulatory requirements will be discussed. Additional informational meetings will be scheduled throughout the year as requested by any party.

2. The Company shall hold at least one informational meeting with the Parties in April of each year. Topics covered will include:
- a. Changes to IRP-related models, modeling assumptions, sensitivity runs, etc.;
  - b. The Company's draft modeling/evaluation results, interpretations, and general guidelines; and
  - c. Parties will have the opportunity to provide comments to the Company on the adequacy of IRP modeling and evaluation at any time during the process.

C. Post-IRP Plan Filing: Within one week of filing its Plan, the Company will hold a technical conference to present an overview of key IRP results and respond to questions from interested parties.

D. Comments: Parties will have the opportunity to provide comment to the Commission on the adequacy of the IRP process and the Plan. In years when DNG issues and costs are comprehensively evaluated, Parties may submit comments within 60 days of the filing date of the Plan. In all other years Parties may submit comments within 45 days of the filing date of the Plan. Based upon the comments received, the Commission may elect to provide guidance to the Company or request corrections or updates regarding the current and/or future IRP process and/or Plan.

#### **IV. Role of IRP in Ratemaking Proceedings**

Plan information, conclusions, and operating strategies may be used by regulators in their evaluation of cost recovery of both gas and non-gas costs for the relevant period. The Commission's evaluation of prudence will be based on the reasonableness of the Company's decision-making process in view of the IRP process and associated Plan and the information available at the time the decision is made.

#### **V. Affiliate Relations**

The Company's examination of gas supply, transmission, storage and gathering options, and ultimately its planning/operational strategy necessary to implement the Plan, must reflect the customers' perspective and must not be influenced by the financial considerations of an affiliate within Questar Corporation to the detriment of customers. It is the Company's responsibility to place customers' interest before affiliate interests in preparing and implementing its Plan.

#### **VI. General Guidelines**

As part of the Plan, the Company will develop a list of general guidelines governing its operational strategy for the upcoming year. These general guidelines will serve as the basis for evaluating the Company's performance over the planning year. The Company will promptly notify regulators of any significant deviations from the general guidelines which are currently in effect.

## **VII. IRP-Related Models**

The Company uses a variety of models, including in-house developed models, off-the-shelf models, and off-the-shelf models customized to the Company's specific requirements, to develop forecasts, identify system constraints, evaluate gas-procurement options, and identify and evaluate the costs, risks, and/or tradeoffs of specific resource acquisitions or resource options. Each Plan will include a list of models used, a brief description of the function of the model, the version of the model used, any changes to the model (including the model itself, input assumptions, and underlying data) since the previous IRP process, the reason for any changes, and the results of any Company-conducted reviews to the models. For gas-purchasing evaluation, the Company will utilize an optimization model in preparing its annual Plan.

## **VIII. Level of Detail**

Each Plan 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.

## **IX. Specific IRP Plan Components**

The Company will include the following information, discussion and analysis in its annual Plan:

### **A. General Requirements:**

1. A description of Plan objectives and goals.
2. A range of load growth forecasts broken out by customer class, which include firm customer peak-day requirements, winter-season requirements, annual requirements, and average usage per customer broken out by the customer classes.
3. A range of weather conditions.
4. 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.

### **B. Account 191-Related Issues:**

1. An economic assessment of all viable delivery, gas supply, load management and demand-side resource options on a consistent and comparable basis including, but not limited to:

- a. Company production, new gas development, annual market gas contracts, seasonal market gas contracts, spot market purchases, demand-side management resources, and interruptible transportation (IT) customer gas supplies;
  - b. Firm, interruptible and released capacity storage service options;
  - c. Transportation alternatives including firm transportation, interruptible transportation, capacity release, and any other transportation options that are available including tapping other pipelines; and
  - d. For demand-side resources, the Company will provide 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.
2. A “Results” section depicting the Company’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 third-party gas price forecasts (e.g., Global Insight, Cambridge Energy Research Associates, Inc., or PIRA Energy Group); (3) seasonality differences in gas prices; (4) discount rate; and (5) load growth rates. The results section should also include a gas supply/demand chart showing for the Plan year a summary, by month, of gas demand broken out by all customer classes, Company Use and lost

and unaccounted for gas and gas supply broken out by Company production, purchases, and storage (both injection and withdrawals).

3. A discussion and analysis of the availability and use of storage reservoirs by the Company and an explanation of storage reservoir management practices.
4. A discussion and analysis of gathering and transportation-related issues, including pertinent expiring contracts, during the planning horizon.
5. A discussion of producer imbalances including terms, time-periods, volumes, and fields where these activities may occur.
6. A discussion and evaluation of reasonably predicted, anticipated, or known gas quality issues, including pertinent expiring contracts, during the planning horizon.
7. An explanation of the Company's efforts at reducing lost and unaccounted for gas and reducing natural gas emissions in pipeline construction and operations activities.
8. A planning horizon that is of sufficient length to effectively model Company production as well as economically viable energy efficiency measures.
9. A discussion of 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 pricing.
10. A set of general guidelines which clearly identify the specific resource decisions necessary to implement the results of the IRP process and associated Plan in a manner consistent with the strategic business plan.
11. An evaluation of the risks associated with various resource options and a list of

considerations permitting flexibility in the planning process in the event the future unfolds differently from the Company's base-case portfolio.

12. The results of IRP modeling will be used to help calculate avoided gas costs.

### **C. DNG-Related Issues**

1. An analysis of the entire distribution system capabilities and constraints including feeder lines, large diameter mains, small diameter mains, and measurement and regulation station equipment. Identification of projects, their associated capital costs budget and long-range plan estimates, and an analysis of alternatives evaluated for each project. A forecast of the revenue requirement over the planning horizon.
2. An evaluation of the cost-effectiveness of the resource option(s) selected when compared with the next best option and an evaluation of the risks associated with various resource options.
3. An analysis of tradeoffs, for example, between such conditions of service as reliability and the acquisition of lowest cost resources.
4. A detailed explanation of and underlying basis for the Company's integrity management plan activities and associated costs for the planning horizon.
5. A discussion of how changes or risks in the natural gas industry and/or the regulatory environment may affect resource options available to the Company and potential impacts on resource options and pricing.
6. A range, rather than attempts at precise quantification, of estimated external costs, in order to show how explicit consideration of costs might affect the selection of

resources.

7. An “Action Plan” outlining specific resource decisions intended to implement the Plan consistent with the Company’s budget and/or business plan. The Action Plan will span the period of the Plan year and four subsequent calendar years. The Action Plan will describe specific actions to be taken through the second calendar year and their projected/budgeted amounts and outline actions anticipated in the last two calendar years and associated cost estimates. The Action Plan will include a status report of the specific actions contained in the previous action plan and an explanation for any deviation from the Plan and budgeted project amounts.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that:

Comments on the Draft Standards and Guidelines 2008 be filed by interested parties by May 30, 2008.

DATED at Salt Lake City, Utah, this 3<sup>rd</sup> day of April, 2008.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard  
Commission Secretary  
G#56809