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--BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH--

In the matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines	Docket No. 08-057-02 <u>COMMENTS OF QUESTAR GAS COMPANY ON DRAFT STANDARDS AND GUIDELINES</u>
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On April 3, 2008, the Public Service Commission of Utah (the "Commission") issued a Request for Comments on Draft Standards and Guidelines ("Request") in Docket No. 08-057-02, In the matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines. In the Request, the Commission invited all interested parties to comment on the draft guidelines. Questar Gas Company ("Questar Gas" or "Company") submits the following comments in response to the Request:

INTRODUCTION

Questar Gas first seeks to address some global issues. The Company has for the Commission's convenience attached a black-line containing proposed changes to the guidelines contained in the Request (Attachment 1). The substance of and reasoning for

each change is described in both the “General Comments” section, and in the “Changes to Specific Guidelines,” below.

PROPOSED CHANGES

General Comments.

I. Filing and Reporting Timeline.

Questar Gas requests that the guidelines be revised to reflect the planning year beginning each June 1 and ending the next May 31. Questar Gas obtains winter month usage data in March and April and, at that time, begins the capacity modeling process. Extending the deadline will ensure that Questar Gas has the most accurate and most current information when preparing its modeling. Accordingly, Questar Gas recommends that it file the IRP in early June of each year, and that the quarterly reporting requirements follow a schedule reflective of that due date.

II. Distribution Non Gas Reporting Frequency and Time Horizon.

Questar Gas recommends shortening the planning horizon for Distribution Non-Gas (“DNG”) reporting from five years to three years (the present reporting year and two years following). The Company also recommends increasing the frequency of DNG reporting from every other year to every year. Questar Gas suggests this compromise to ensure that the Parties have access to the most accurate and complete information. Questar Gas believes that by increasing the frequency of reporting, it can ensure that the Parties have the most accurate information about the coming year and the two years immediately following.

III. Definitions Related to Modeling.

Questar Gas also seeks clarification of the terms “model” and “models,” as they are used throughout the guidelines. Questar Gas uses several distinct modeling processes and recommends that, throughout the guidelines, references to models be clarified.

Therefore, in Attachment 1, Questar Gas proposes using the following terms:

- A. LPO Model. Questar Gas uses a linear programming optimization model (“LPO Model”) for the purpose of determining resource needs. The Parties have reviewed, commented upon and are familiar with the LPO Model currently being used by Questar Gas. Questar Gas recommends referring to the LPO Model, specifically, as appropriate throughout the guidelines.
- B. DSM Models. Questar Gas uses the LPO Model and a separate Excel model to determine the effectiveness of its Demand Side Management programs (“DSM Models”), and recommends referring to DSM Modeling specifically, when appropriate, throughout the guidelines.
- C. GNA Models. Questar Gas uses Gas Network Analysis Models (“GNA Models”) to determine what infrastructure improvements and changes will be necessary during coming months and years. Questar Gas recommends referring to GNA Models specifically, when appropriate, throughout the guidelines.

IV. Lowest Cost Consistent with the Safe, Healthy, Economic, Efficient and Reliable Service.

The IRP repeatedly uses the term “lowest cost.” Questar Gas also recommends the use of the terms “consistent with the safe, healthy, economic, efficient, and reliable

service.” The IRP should reflect the fact that Questar Gas weighs a number of factors in its decision-making processes, including cost, safety, regulatory requirements, construction resource availability, and convenience to the customer. On occasion, Questar Gas will make decisions that do not employ the “lowest cost” option because to do so would compromise safety, be contrary to regulatory requirements, or because other factors were unfavorably impacted to the degree that, in Questar Gas’ judgment, the lowest cost option is not the best option. Additionally, Utah Code Ann. § 54-4a-6 provides that the Division and the Commission should seek to “promote the safe, healthy, economic, efficient and reliable operation of all public utilities. . . .” Questar Gas requests that the guidelines reflect the complexity of the decision-making process and acknowledge that the lowest-cost option may not always be the best option.

V. Removal of Certain Wexpro Information.

As presently written, the guidelines would require Questar Gas to report on certain Wexpro information that includes or could include, reserves, producer balancing accounts, and Wexpro drilling and management activities, sources, drilling costs and uses of funds. Such reporting is unnecessary and inappropriate in the IRP for a variety of reasons.

First, such reporting would be duplicative of, and would be in conflict with, the provisions of the Stipulation for Settlement and Agreement Between the Utah Division of Public Utilities, Utah Committee of Consumer Services and Mountain Fuel Supply Company, Wexpro Company and Wyoming Public Service Commission dated October 14, 1981 (the “Wexpro Agreement”). The Wexpro Agreement allows the Division to direct the activities of an Accounting Monitor and a Hydrocarbon Monitor, and requires

Wexpro to cooperate with and provide information to both monitors. These monitors conduct a thorough review of Wexpro-related issues and contribute to reports submitted to the Division. Wexpro is also required to have its accounts audited annually.

Requiring Questar Gas to duplicate the reporting function would be unnecessarily burdensome and would provide no additional benefit to the Parties. Moreover, it could be construed as conflicting with the Wexpro Agreement by imposing additional requirements that were not contained in the Wexpro Agreement.

Additionally, the Wexpro Agreement specifies that certain information is confidential and should be maintained as such. The proposed guidelines indicate that confidential information will not be included in the IRP. Accordingly, some of the identified information could not be included in the IRP without breaching a number of confidentiality obligations including those set forth in the Wexpro Agreement.

Therefore, Questar Gas respectfully requests that, where appropriate, the Parties rely on the auditing and reporting provisions contained in the Wexpro Agreement and eliminate any such requirements from the IRP guidelines.

VI. Addition of References to “Confidentiality.”

The guidelines, as presently written, indicate that market-sensitive information need not be included in the IRP. Questar Gas requests that it be permitted to omit other confidential information from the IRP as well. While market-sensitive information is certainly confidential, other information is as well. For example, the Company is party to a number of contracts that contain confidentiality provisions and the Company could not include certain information without breaching those agreements. Additionally, some information, though not “market-sensitive” per se, provides the Company with a strategic

advantage in terms of contract negotiation that could be lost if such information were disclosed.

Omitting such information would not harm the process because the information would not be withheld from the Division, the Committee or the Commission. Any such information that is relevant to the IRP process could be disclosed at a confidential meeting between the Company, the Division, the Committee and the Commission. Questar Gas has included language requiring such a meeting to occur. *See* Section III.A.2. of Attachment 1.

For the reasons set forth above, Questar Gas requests that confidential information of any nature be omitted from the IRP and discussed only at a confidential meeting between the Company, the Division, the Committee and the Commission as provided in a Commission-issued protective order.

Specific Changes.

Questar Gas submits the following comments related to specific language set forth in the proposed guideline. The Sections below correspond with the sections in the proposed guideline. Questar Gas' proposed changes are reflected in the black-line provided as Attachment 1, and Questar Gas' reasoning in proposing the changes are set forth below.

Section I. Definition and Purpose.

In Section I, Questar Gas also recommends the addition of the terms "healthy, economic, efficient" for the reasons set forth in General Comments Section IV, above.

Section II. Reporting Requirements.

Subsection A. 1.

Questar Gas suggests changing the due-date of the IRP to early June, as more fully discussed in General Comments Section I, above. Questar Gas also recommends inserting the words “or other information that may be deemed confidential pursuant to a protective order” to paragraph II. A.1. for the reasons set forth in General Comments Section VI, above. Questar Gas also requests a two-week window in which to hold a technical conference. With so many Parties involved, it is often difficult to schedule a time where all can be present within the one-week time frame. Questar Gas requests that the time frame be extended by a week in order to offer more scheduling flexibility, and improve Questar Gas’ ability to schedule the technical conference in a timely fashion.

Subsection A. 2.

Questar Gas recommends that the IRP be due in early June, for the reasons set forth in General Comments Section I, above.

Subsection A.3.

In Subsection A.3.a., Questar Gas recommends that the DNG reporting occur annually rather than every other year, for the reasons set forth in General Comments Section II, above.

Subsection B.

Questar Gas recommends adjusting the quarterly reporting requirements to be consistent with an early-June IRP filing date, and that the guidelines specify the type of modeling (as discussed more fully in General Comments Section I, above).

Questar Gas also recommends that the Company report on material deviations from planned versus actual performance. Reporting slight or minor deviations would be unduly burdensome and would provide marginal benefit, if any.

The Company also requests the deletion of references to certain Wexpro information for the reasons set forth in General Comments Section V, above.

Questar Gas also suggests the deletion of some duplicative language, and the clarification as to which model is referenced, consistent with the comments set forth in General Comments Section III.

Section III. Process-Plan Development, Review and Public Comment.

Introductory Paragraph.

Questar Gas requests that the guidelines contain reference to “confidential information,” because, as noted above, confidential information may be broader than solely market-sensitive information.

Subsections A.1. and A.2.

Questar Gas recommends that the guidelines be modified to indicate that the Company hold at least one formal public meeting to discuss the non-confidential information, and at least one non-public meeting to discuss confidential and market-sensitive information. Questar Gas also recommends including inclusion of the Commission and any other interested parties as invitees to the public meeting.

Questar Gas finally recommends that the references to modeling be more clearly defined to address the type of modeling at issue, as more fully discussed in General Comments Section III.

Subsection B.1.

Questar Gas recommends that the company be required to hold informational meetings whenever the Committee, the Division or the Commission request such a meeting, but that it not be required to hold an October meeting that may prove unnecessary. It appears that the October meeting referenced in the proposed guidelines would be necessary if Questar Gas were reporting on DNG-related information every other year. As more fully discussed in General Comments Section II, above, Questar Gas recommends annual reporting which should eliminate the need for the October meeting. Questar Gas recognizes that additional meetings may be beneficial and, therefore, has suggested modifications to the guidelines that would allow for additional meetings when the Committee, the Division or the Commission deems it appropriate.

Subsection B.2.

Questar Gas seeks a broader time frame in which to hold the informational meeting, in advance of filing the IRP. Scheduling this meeting has proven difficult with many different schedules to consider. Questar Gas simply requests a wider time-frame in which to schedule it in order that the meeting can be scheduled to the convenience of all interested parties. Questar Gas also recommends clarifying that the informational meeting referenced in Section III.B.2. may be combined with the informational meeting referenced in III.A.1., and that specific references be used for the relevant modeling, as more fully discussed in General Comments Section III, above.

Subsection C.

Questar Gas requests a short extension of the time in which it may hold the technical conference, to ensure that all parties can be accommodated.

Subsection D.

Questar Gas proposes changes to Section III.D. to be consistent with the proposal to report upon DNG-related information every year, as more fully set forth in General Comments Section II, above.

Section VII. IRP Related Models.

The Company requests a slight modification specifying that only material changes to the modeling be reported upon. Questar Gas believes that reporting on every minor or insignificant change to the model would provide information that was not useful and would impose a significant burden on the Company.

Section VIII. Level of Detail.

Questar Gas recommends the addition of the terms “consistent with providing safe, healthy, economic, efficient, and reliable service” for the reasons set forth in General Comments Section IV, above.

Questar Gas also requests that only those system, contractual, gas quality, operational and regulatory issues relevant to the planning process be addressed, rather than reporting on all such issues, regardless of their insignificance. Reporting on every minor item would be unduly burdensome to Questar Gas and would provide no additional benefit in the IRP process.

Section IX. Specific IRP Plan Components.

Subsection A. 2.

The Company suggests that the load growth forecasts be broken out by “industrial vs. residential/small business,” rather than “customer class.” There are a variety of customer classes and certain customers periodically change customer class. Questar Gas is not able

to project load growth based on each of the many customer classes but can, and has projected load growth broken out by industrial vs. residential/small commercial.

Subsection A.4.

Questar Gas should not be required to analyze alternative energy resources. Though such information is implicitly included in projections of load growth, Questar Gas cannot specifically and exhaustively analyze the growth in alternative energy industries.

Subsection B.1.a.

Questar Gas requests the deletion of language requiring it to report on new gas development for the reasons set forth in General Comments Section V, above.

Subsection B.1.b and B.1.c.

With respect to 191-related issues, Questar Gas requests that the reporting requirement relate only to transportation and storage service options, generally, and not focus specifically on firm, interruptible and released capacity options. Questar Gas can predict and has predicted the use of firm and interruptible transportation and can continue to do so. It cannot predict the use of released capacity because third-parties determine the amount requested and the amount used. Questar Gas makes decisions about the release of such capacity on a case-by-case basis.

Subsection B.2.

Questar Gas also requests the elimination of references to “base case.” Questar Gas now employs the Monte Carlo simulation which results in probability profiles and not base cases. Accordingly, the concept of “base case” is no longer applicable in Questar Gas’ planning process. Questar Gas has, therefore, suggested modifications to subparagraph IX. B. 2. to more accurately reflect the planning models that the

Commission, the Committee and Division have reviewed and that the Company presently uses.

Subsection B.4.

Questar Gas recommends that the proposed analysis include a discussion of recently negotiated contracts rather than those that are expiring. Occasionally, Questar Gas achieves a strategic advantage by waiving the right to renew or cancel a contract, or by waiting for other parties do so. Questar Gas would prefer to maintain that strategic advantage, rather than publishing a list of those contracts that are set to expire during the term of the IRP.

Subsection B.5.

Questar Gas recommends that the discussion be limited to the total producer imbalances in the fields where recoupment nominations have occurred. Keeping the Parties apprised of every imbalance issue, regardless of scope or method of resolution, would be unduly burdensome and confusing and would not serve the greater purpose of submitting an IRP. Moreover, as discussed in General Comments Section V, above, the Wexpro Agreement provides alternative means of auditing and reporting related to producer imbalance issues. Such reporting in the IRP would be unnecessarily burdensome and duplicative of other reporting mechanisms.

Subsection B.6.

Questar Gas again recommends against disclosing information that presently provides the Company with a strategic advantage when negotiating contracts and requests that it not be required to list contracts set to expire during the IRP year.

Subsection B.11.

Questar Gas seeks deletion of certain language to acknowledge that the future is uncertain and always unfolds differently, to some degree, from the Company's prediction. The proposed changes also eliminate the reference to "base case" which, as described above, is inapplicable given the Company's new Monte Carlo approach to modeling.

Subsection C.1.

Questar Gas recommends that the scope of the analysis be narrowed. Each year, Questar Gas hundreds of miles of main lines and installs, modifies or remodels scores of regulator stations and conducts countless other system improvements.¹ As presently written, the IRP would have to include a thorough analysis of each and every system constraint or improvement, regardless of size or scope. Such a report would be unduly burdensome upon the Company and would dilute the useful information to the degree that the IRP would be unwieldy and of limited utility. Questar Gas proposes that, instead, it provide an overview its system constraints and improvements, followed by a more thorough analysis of substantial projects that would include a summary of other alternatives that were considered. Questar Gas would recommend that these forecasts be consistent with the remaining portions of the IRP and include information related to the three-year timeframe addressed in the plan.

¹ In 2006, Questar Gas installed more than 660 miles of main, more than 23,000 service lines and installed, replaced or redesigned more than 60 regulator statements. In 2007, Questar Gas installed more than 660 miles of main, more than 19,000 service lines and installed, replaced or redesigned more than 60 regulator stations. Each year, Questar Gas constructs between 1,500 and 2,000 main extension projects, not including main line replacements.

Subsection C.3.

Questar Gas would eliminate Section IX. C. 3. because it is duplicative of Section IX.C.2 (combined, on Attachment 1, with Section IX.C.1.). Questar Gas also recommends specifying that the “planning horizon” is the three-year time frame addressed in the plan.

Subsection C.6.

Questar Gas recommends the deletion of IX.C.6. because it is duplicative of Section IX.C.1.

Subsection C.7.

Questar Gas recommends that Section IX.C.7. be modified to reflect annual reporting with a three-year planning horizon, as discussed in General Issues Section II, above. Questar Gas also recommends that the Action Plan address material deviations from the Plan rather than every deviation, regardless of how minor such deviation might be.

RESPECTFULLY SUBMITTED, May 30, 2008.

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the COMMENTS OF QUESTAR
GAS COMPANY ON DRAFT STANDARDS AND GUIDELINES was served upon the
following persons by email on May 30, 2008:

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