

Colleen Larkin Bell (5253)
Jenniffer R. Nelson (7947)
Questar Gas Company
180 East First South
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556
(801) 324-5935 (fax)
colleen.bell@questar.com
Attorneys for Questar Gas Company

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

| | | |
|------------------------------------|---|-----------------------------------|
| IN THE MATTER OF QUESTAR GAS |) | |
| COMPANY'S INTEGRATED RESOURCE |) | Docket No. 09-057-07 |
| PLAN FOR PLAN YEAR: MAY 1, 2009 TO |) | |
| APRIL 30, 2010 |) | |
| |) | |
| And |) | |
| |) | |
| IN THE MATTER OF THE REVISION OF |) | Docket No. 08-057-02 |
| QUESTAR GAS COMPANY'S |) | |
| INTEGRATED RESOURCE PLANNING |) | |
| STANDARDS AND GUIDELINES |) | |
| |) | |
| |) | QUESTAR GAS COMPANY'S |
| |) | COMMENTS ON ITS INTEGRATED |
| |) | RESOURCE PLAN AND THE |
| |) | PROPOSED IRP GUIDELINES |

Questar Gas Company (Questar Gas or Company) respectfully provides these comments pursuant to the Commission's Request for Comments (Request) issued May 11, 2009.

PROCEDURAL BACKGROUND AND OVERVIEW

On December 14, 2007, the Commission issued its Report and Order in Docket No. 97-057-01 which required the Company to include additional information in its IRP. Following the Commission's 2007 Order, the Company made many changes and enhancements to the

information provided in its 2008 and 2009 IRPs. On March 31, 2009, the Commission issued its Report and Order on Standards and Guidelines for Questar Gas Company (the Guidelines.)¹ Questar Gas Company's 2009 IRP was filed pursuant to the 2007 Order.

COMMENTS

I. Definition and Purpose Section of the Guidelines.

Section I of the Guidelines articulates the purpose of the Integrated Resource Plan (IRP) filing. Questar Gas believes that the 2009 IRP is a planning document that will inform the public and the regulatory community of the Company's evaluations, resource selections, implementation plans, and future risks in pursuit of the lowest cost objective consistent with the Company's duties as specified in Utah Code Ann. § 54-3-1. Questar Gas notes that, as discussed in greater detail in Section IV below, the IRP should be viewed and treated as a *planning document*, and not a definitive decision as to how the Company will operate. The Company must be allowed to maintain flexibility to deal with actual events as they occur. The IRP, as a planning document, serves to guide the decision making of the Company in responding to actual events.

II. Reporting Requirements Section of the IRP Guidelines.

A. IRP Filing.

Section II.A requires the Company to file an IRP in early June of each year. In past years, Questar Gas has filed its IRP in early May. Pursuant to the Guidelines, Questar Gas will now begin filing its IRP in early June. Questar Gas' treatment of confidential information in the past has been consistent with those outlined in the Guidelines. Additionally, Questar Gas will

¹ Questar Gas notes that the actual guidelines are attached as Appendix A to the Report and Order on Standards and Guidelines for Questar Gas Company. References to section numbers in these Comments correspond to the section numbers in Appendix A.

now be reporting on distribution-related information for the current calendar year, and the following two calendar years. In the 2009 IRP, Questar Gas reported on those projects that were completed in 2008 as well those projects that were in the planning phase for years 2009 and 2010.

B. Other Reporting.

Section II.B provides that the Company shall file confidential quarterly variance reports. The reporting deadlines for quarterly variance reports have been adjusted to reflect the new June IRP deadline. Additionally, Questar Gas has not previously been required to include distribution-related information in the quarterly variance reports. Questar Gas does not anticipate that the 2009 IRP would have to be modified in order to meet the requirements of Section II.B.

III. Planning Process and IRP Development.

A. 191 Account-Related Requirements.

Sections III.A and III.B require Questar Gas to hold at least one informational public meeting with the Commission, the Division and the Committee and any other interested party in *April or early May* each year, where the Company will provide information on: its latest quarterly report; changes to the models used to derive long-term forecasts; changes to the linear programming optimization model; the Company's preliminary supply and demand forecasts; near- and long-term gas quality and gas storage-related issues; and Commission, Division, and Office comments on the adequacy of the forecasting and modeling. The Company welcomes the requirement that the Commission, Division and Office provide comments on the adequacy of the usage/customer forecasting, and LPO and DSM modeling. The Company would like to expand this requirement to include comments and feedback to the Company's plan with regard to all of the requirements in Sections III.A and B. Questar Gas appreciates the opportunity to provide the

Commission with information related to the IRP, and is committed to providing such information in a timely fashion. However, Questar Gas notes that with regard to changes in the LPO, DSM and GNA modeling processes, that it will not have fully developed modeling and forecasting by April or early May. Questar Gas will receive underlying information necessary for the modeling and analysis in early April and, during the referenced time frame, will be conducting the modeling and analysis. It is unlikely that significant preliminary information will be available before late May. During the April or early May informational meeting, the Company will be prepared to discuss other items listed in Sections III.A and B, and its preliminary findings relating to the modeling. If more information is desired, interested parties may want to request an additional informational meeting as provided in Section III.A. 3.

IV. Role of IRP in Ratemaking Proceedings.

Section IV provides that the IRP “may be used by regulators and other parties as evidence in their evaluation of cost recovery of both gas and non-gas costs for the relevant period.” Section IV also provides that “the Commission’s evaluation of prudence in ratemaking proceedings will be based on the reasonableness of the Company’s decision-making process in view of the planning process and associated IRP, and *the information available at the time the decision is made.*” (Emphasis added.) Questar Gas emphasizes that the IRP is a *planning* document containing forecasts and plans based on information *available at the time*. These Guidelines seem more applicable to a production or transmission decision that are typically years in the planning. However, at the distribution level, events and circumstances change in ways that cannot be predicted and these events and circumstances may cause the Company to deviate from its prior plans. Indeed, much of the Distribution information that is newly required under the

Guidelines is dependent upon circumstances wholly beyond Questar Gas' control.² Questar Gas makes business decisions based upon the facts as they ultimately unfold, even when those facts are different than what was anticipated when the IRP was drafted. Indeed, Utah law provides that if the Commission is considering the "prudence of an action taken by a public utility or an expense incurred by a public utility" then it must consider, not what the utility had anticipated years prior to the action, but rather "whether a reasonable utility, knowing what the utility knew or reasonably should have known *at the time of the action*, would reasonably have incurred all or some portion of the expense, in taking the same or some other prudent action . . ." Utah Code. Ann. § 54-4-4(4)(a)(iii) (emphasis added). The IRP document is a planning document and should not be utilized as a hard-and-fast rule by which the Company must operate.

V. General Guidelines and Distribution Action Plan.

Section VI of the Guidelines requires that Questar Gas develop a list of general guidelines governing its operational strategies for the 191 Account-related resources for the upcoming year as well as a DNG Action Plan ("Distribution Action Plan") outlining the specific resource decisions and steps necessary to implement the IRP relating to distribution resources. It further provides that the guidelines and Distribution Action Plan "will serve as the basis for evaluating the Company's performance over the planning year." Though Questar Gas has, in the past, provided a list of general guidelines governing its strategies for the 191 account-related resources, it was not previously required to include a Distribution Action Plan. Distribution expenditures, by their very nature, are more fluid and require far less lead time to implement. The Company does not believe it is workable or meaningful to include a level of detail that

² Questar Gas cannot predict, for example, when a developer will choose to construct a subdivision or facility that will require the construction of new gas mains or other facilities. Predicting all such developments two years into the future is simply not possible.

identifies every new main extension or service line in such a plan, but rather suggests that an overview of its planned distribution related costs and projects are more appropriate for inclusion in a Distribution Action Plan. Questar Gas believes that Distribution Action Plan should consist of a general discussion of material projects.

VI. IRP Models and Level of Detail.

Section VII requires the Company to provide a list and description of the models utilized for compiling the IRP. Section VIII requires Questar Gas to provide sufficient information to show how the Company reaches its resource selection conclusions. Questar Gas provided this information in the 2009 IRP, and will continue to provide this information in the future.

VII. Specific IRP Components.

A. General Information Requirements.

Section IX.A.1. requires the inclusion of a description of IRP objectives and goals for both gas supply and distribution functions for the Company. Questar Gas included these descriptions in the 2009 IRP and will continue to do so in the future.

Section IX.A.2 requires Questar Gas to include a range of load growth forecasts broken out by residential, small commercial and non-General Service categories of commercial, industrial and electric generation customer groups. Questar Gas has, in the past, developed its forecasts based upon the service class categories described above but did not show results broken into those service class categories. Questar Gas believes that providing a “range of load growth forecasts” is both unnecessary and unduly burdensome. The stochastic nature of the Monte Carlo modeling will sufficiently address the range of demand variation. Adding a range of forecasts will triple the time and effort necessary to complete the modeling. Additionally, Questar Gas is concerned about reflecting the service class subgroups in the modeling process.

Modeling at this level of granularity will substantially increase the complexity and preparation time for modeling, especially when compared to the limited value such a breakout would provide. Questar Gas believes these new requirements provide no additional value and will place an undue burden upon the Company.

Section IX.A.3 of the Guidelines requires Questar Gas to include a range of weather conditions. Questar has always included such information in its IRP, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.A.4 requires Questar Gas to analyze the effect various economic and demographic factors would have on consumption or future loads. Questar Gas has included such information in the past, did so in the 2009 IRP, and will continue to do so in the future.

B. 191 Account Issues.

Section IX.B.1 requires Questar Gas to include an economic assessment of “all viable delivery, gas supply, load management and demand-side resource options on a consistent and comparable basis. . . .” Questar Gas previously included economic analyses related to delivery, and gas supply in its IRPs, including the 2009 IRP, and will continue to do so in the future. Questar Gas regularly reports to the Commission the results of economic analyses for the demand-side resources, included them in the 2009 IRP, and will include those results in its IRPs in the future.

Questar Gas is concerned, however, that the Commission is seeking reporting on “load management.” This term is more commonly applied in the context of electric utilities. Questar Gas is uncertain what “load management” would be as applied to a natural gas utility or how it would report upon it. Questar Gas seeks clarification regarding this requirement.

Section IX.B.2 requires Questar Gas to depict the Company's proposed gas supply portfolio and operational strategy, including the supply/demand results broken out by residential, commercial and the non-GS categories of commercial, industrial and electric generation. Questar Gas has historically provided such information, but has not been required to break out the results into service classes. As discussed in greater detail above, providing such information broken out by customer service class is burdensome and of such limited value that it should not be required.

Section IX.B.3 of the Guidelines requires Questar Gas to include a discussion and analysis of the availability and use of storage reservoirs and an explanation of the reservoir management practices in the IRP. Questar Gas has included such discussions previously, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.4 of the Guidelines requires Questar Gas to include a discussion and analysis of gathering and transportation-related issues. Questar Gas has included such discussions previously, did so in the 2009 IRP, and will continue to do so in the future. Questar Gas notes that some such information is confidential and will be presented confidentially in the future.

Section IX.B.5 of the Guidelines requires Questar Gas to include a discussion of producer imbalances, and fields where recoupment nominations have occurred or *may occur*. The 2009 IRP included a discussion of producer imbalances, but Questar Gas was not required to include a discussion of where and when future recoupment nominations *may* occur. Due to changing market conditions, these imbalance and recoupment issues often occur without significant notice and, therefore, can be very difficult to predict. Questar Gas notes that some such information is

confidential and, to the extent that Questar Gas anticipates such imbalances, it will include them, on a confidential basis, in future IRPs.

Section IX.B.6 of the Guidelines requires that the IRP include a discussion and evaluation of reasonably predicted, anticipated or known gas quality issues during the planning horizon. Questar Gas has previously reported on such matters in its IRPs, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.7 requires that the IRP include a discussion of the level of lost and unaccounted for gas and an explanation of the Company's efforts at reducing lost and unaccounted for gas and reducing natural gas emissions in pipeline construction activities. Questar Gas has not previously been required to include such a discussion in its IRPs and therefore did not do so in the 2009 IRP, but will provide such information in the future.

Section IX.B.8 of the Guidelines requires that the IRP include a planning horizon that is of "sufficient length to effectively model Company production as well as economically viable energy efficiency measures." Questar Gas has included such discussions previously, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.9 of the Guidelines requires that the IRP include 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 attendant costs." Questar Gas has included such discussions previously, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.10 of the Guidelines requires that the IRP include a set of general guidelines which identify the resource decisions necessary to implement the results of the Planning Process

and associated IRP. Questar Gas has included such guidelines previously, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.11 of the Guidelines requires that the IRP include an evaluation of the risks associated with various resource options and a list of considerations permitting flexibility in the planning process. Questar Gas has included such discussions previously, and did so in the 2009 IRP, and will continue to do so in the future.

Section IX.B.12 of the Guidelines provides that the IRP modeling will be used to help calculate avoided gas costs. Questar Gas believes this requirement has been met in the past, and it will continue to meet this requirement in the future.

C. Distribution Issues.

Section IX.C.1 of the Guidelines requires Questar Gas to provide an overview of the distribution system and to identify system capabilities and constraints. Questar Gas has included such discussions previously, did so in the 2009 IRP, and will continue to do so in the future.

Section IX.C.2 requires Questar Gas to identify “substantial” or “material” projects and their associated budgets, long-range plan estimates, and a forecast of the revenue requirement impacts for those projects over the three-year time frame addressed in the IRP. To the extent that such projects were under way or are in the planning process, Questar Gas included such discussions in the 2009 IRP. Questar Gas notes that this requirement lends itself more to production and transmission related projects, and that smaller projects, like mains, measurement and regulator station equipment projects are often small and numerous and will rarely, if ever, rise to the level of a “substantial” or “material” project.

This Section of the Guidelines also requires Questar Gas to summarize the analyses of alternatives evaluated for each project, including costs, benefits and risks associated with each as

well as a comparison with the next best alternative. This makes sense for a material project, but at the distribution level, there are not many projects that reach a material level when compared to a production or transmission project. Determining the benefits, risks and next best alternatives is not typically done for capital investment below the Feeder Line level. The Company will follow the Commission's Order and establish a materiality level and report accordingly.

Section IX.C.3 requires that the IRP include a discussion of how changes or risks in the natural gas industry and/or the regulatory environment affect resource options available to the Company and their potential impacts on resource options and costs. Though Questar Gas did report on such matters in a general fashion in the 2009 IRP, it was not previously required to offer discussion specifically related to distribution issues. Nonetheless, Questar Gas believes that the general discussion appearing in the 2009 IRP sufficiently fulfills the requirements of Section IX.C.3 of the Guidelines, and will continue to include such information in future IRPs.

Section IX.C.4 requires that Questar Gas include "a range" of estimated external costs in order to show how such costs might affect the selection of resources. The Guidelines are not clear as to what "external costs" are referenced in this section. Questar Gas seeks clarification as to what, specifically, this section seeks.

Section IX.C.5 of the Guidelines requires that the IRP include an explanation of the underlying integrity management plan activities and associated costs for the three-year time frame. The 2009 IRP included such an explanation, and the Company will continue to provide such information in the future.

Section IX.C.6 of the Guidelines requires Questar Gas to include a Distribution Action Plan outlining specific resource decisions and steps necessary to implement the IRP. The Company again reiterates its concern that the Guidelines seem to be more applicable to a

production/generation or transmission setting and would only apply to the distribution level for material projects.

Questar Gas appreciates the opportunity to comment both upon the Guidelines and to provide information related to how the Guidelines' requirements compare to the previous practice generally, and to the 2009 IRP, specifically.

DATED this ___ day of July, 2009.

Respectfully submitted,

QUESTAR GAS COMPANY

Colleen Larkin Bell (5253)
Jenniffer R. Nelson (7947)
Attorneys for Questar Gas Company
180 East First South
P.O. Box 45360
Salt Lake City, Utah 84145-0360
(801) 324-5556

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served this 13th day of
July 2009, to the following:

Mike Ginsberg
Assistant Attorney General
Division of Public Utilities
Heber Wells Building, Suite 500
160 East 300 South
Salt Lake City, UT 84111
mginsberg@utah.gov

Patricia E. Schmid
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84111
pschmid@utah.gov

Paul H. Proctor
Assistant Attorney General
500 Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84111
pproctor@utah.gov