- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2010 to May 31, 2011	)))))	DOCKET NO. 10-057-06 REPORT AND ORDER

ISSUED: October 27, 2010

SHORT TITLE

Questar Gas Company 2010 Integrated Resource Plan

SYNOPSIS

The Commission provides guidance on Questar Gas Company's 2010 Integrated Resource Plan.

PROCEDURAL HISTORY

On May 20, 2010, Questar Gas Company ("Company") filed its Integrated Resource Plan for the period of June 1, 2010, through May 31, 2011, ("2010 IRP" or "Plan"). The 2010 Plan was submitted in accordance with the 2009 Integrated Resource Planning Standards and Guidelines presented in the Commission's March 31, 2009, Report and Order on Standards and Guidelines for Questar Gas Company in Docket No. 08-057-02 ("2009 Standards and Guidelines").[1]

[1]Docket No. 08-057-02, "In the Matter of: the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines."

On May 24, 2010, the Commission issued an action request to the Utah Division of Public Utilities ("Division") to review the 2010 IRP and provide comments to the Commission by July 19, 2010. On July 19, 2010, the Division filed comments on the 2010 IRP.

SUMMARY OF THE 2010 IRP

The Company's 2010 IRP is the culmination of a multi-stage process. First the Company uses a model to develop forecasts of annual temperature-adjusted system sales, system firm peak design-day gas demand, annual system throughput, and system annual natural gas requirement. 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 Proposals ("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, is then entered into the linear programming model SENDOUT, Version 12.5.5, maintained by Ventyx. This version of the SENDOUT model has the capability of using the Monte Carlo method/stochastic simulation algorithm for risk analysis. The Monte Carlo method utilizes repeated random sampling based upon relative frequency distribution data of key variables or draws from historic data to generate probabilistic results. To avoid excessive computer run time, SENDOUT limits the number of variables for which stochastic analysis can be applied to two, namely price and weather. The Company explains within SENDOUT demand is modeled as a function of weather.

In conformance with the 2009 Standards and Guidelines, the Company's 2010 IRP includes an executive summary, modeling results, a distribution non-gas action plan, and general guidelines. These conclusions and information are supported by the following specific sections within the IRP and their associated exhibits: IRP background, customer and demand forecasts, system constraints and capabilities, purchased gas, cost-of-service (Company-owned) gas, gathering/transportation/storage, and energy efficiency programs (demand side management activities).

The Company also provides a summary of the previous year's gas usage and price and a forecasted 2010-2011 heating season gas price of $4.10 per decatherm. Identical to the 2009 IRP, the Company identifies the following goals and objectives in the 2010 IRP: 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 2010 IRP contains the following results: 1) an annual system sales forecast of 106.4 million decatherms in 2010 increasing to 119.6 million decatherms in 2020, as compared with last year's forecast of 107.5 million decatherms in 2009 increasing to 126.5 million decatherms in 2019. On a weather-normalized basis natural gas sales during 2009 totaled 106.6 million decatherms; 2) a firm customer design-day gas supply projection of approximately 1.272 million decatherms at the city gates for January 2011, as compared with 1.257 million decatherms for January 2010; 3) a system throughput of 168 million decatherms in 2010 increasing to 200.2 million decatherms in 2020, as compared with 166.6 million decatherms in 2009 increasing to 195.9 million decatherms in 2019; and 4) a total annual natural gas requirement of 117.2 million decatherms (approximately 67.7 million decatherms of Company-owned natural gas, assuming normal weather conditions, the Company's forecasted market prices for purchased gas, and the completion of new Company-owned gas resources as planned, and approximately 49.5 million decatherms of purchased natural gas) for the 2010/2011 forecast period. This total annual natural gas requirement can be compared with the forecast in the 2009 IRP of 122.5 million decatherms consisting of 50.2 million decatherms of Company-owned gas and 72.1 million decatherms of purchased gas.

The Company notes actual temperature-adjusted residential usage per customer for the twelve months ending December 2009 was 82.3 decatherms, a decrease of 1.2 decatherms from year-end 2008. Residential usage per customers is expected to decline to 80.9 decatherms by the end of 2010.

In response to inquiries by the Commission and the Division, Questar prepared a report entitled "Considerations Affecting Production Shut-Ins." As this report has direct relevance to the IRP process, Questar included it as Appendix A to the 2010 IRP and discusses it in the Cost-of-Service Gas section.

COMMENTS AND RECOMMENDATIONS

While Section III.D of the 2009 IRP Standards and Guidelines enables any party to submit comments within 60 days of the IRP filing, only the Division provided comments on the 2010 IRP. The Division recommends the Commission acknowledge the 2010 IRP. The

Division then summarizes the results of the 2010 IRP; provides historical information on the IRP process, the Company's demand-side management efforts and results, and gas costs including gathering, transportation and storage costs; and discusses the Company's hedging program, variance reports, and gas quality issues. The Division concludes the Company has provided the additional information and addressed specific issues as directed by the Commission in its December 14, 2007, Report and Order in Docket No. 07-057-01.[2]

The Division reports it hired Williams Consulting, Inc. ("WCI") to review the costs included in the System Wide Gathering Agreement ("Agreement") after the gathering rate increased 41 percent in September 2007. The Division included a copy of the final WCI report with its comments on the IRP. WCI provided several recommendations including: 1) As part of the IRP process the Company should provide pro-active guidelines for the pace of drilling of additional cost-of-service wells during times of low gas prices, since the Utah ratepayers need to benefit from all additional wells drilled; and 2) the process of field unitization should be studied to determine its applicability to portions of the Pinedale area of interest to Wexpro. The Division explains these issues are currently reviewed by the Division's hydrocarbon monitor and will continue to be in the future.

WCI also recommends the Company adopt industry evaluation techniques such as buy/sell calculations involving variable-cost bases (as opposed to fixed-cost or full-cost) for its produce-vs.-purchase decisions. The Division notes the Company provided a report on this issue to the Division and the Commission earlier this year. This report is also included as Appendix A

[2]Docket No. 07-057-01, "In the Matter of the Filing of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2007 to April 30, 2008." This Order requires the Company to provide additional information and address specific issues in future IRPs.

of the 2010 IRP. Finally, WCI noted the recent operations/maintenance and general/administrative cost increases in the Agreement and recommended that the DPU "look into these cost areas." The Division indicates all cost areas are currently reviewed for prudence in the annual audit of the 191 account.

In summary, the Division believes the Company has made very reasonable attempts to satisfy the 2009 IRP Standards and Guidelines and has also committed, through continuing discussions with parties, to continue to improve on details of some aspects presented in this IRP. Therefore the Division recommends the Commission acknowledge the 2010 IRP.

DISCUSSION AND CONCLUSIONS

We again commend the Company for its commitment to improving the integrated resource planning process and the effort it has taken to expand and enhance the IRP. The 2010 IRP is a valuable source of information not only summarizing gas purchasing decisions and DNG investments, but also explaining the myriad of regulatory and operating issues which the Company faces. We also commend the Division for sponsoring WCI's review of the System-Wide Gathering Agreement. This information will be beneficial during the review of future Account 191 pass-through proceedings.

While the Division recommends acknowledgment of the 2010 IRP, we note the Commission's March 31, 2009, Report and Order on Standards and Guidelines for Questar Gas Company in Docket No. 08-057-02[1] no longer includes an IRP acknowledgment process. Rather it specifies " . . . Based upon the comments received, the Commission may provide guidance to

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[1] Docket No. 08-057-02, "In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines."

the Company or request corrections or updates regarding the current and/or future Planning Process and/or IRP." Based upon our review and the Division's comments the Commission finds the Company's 2011 IRP generally satisfies the requirements of the Standards and Guidelines. We also provide the following guidance to be addressed going forward.

In previous IRPs the Company explained it used two different models to derive long-term forecasts of residential usage per customer and number of customers. Section 3.0 of the current IRP indicates "residential usage is projected using a model." Although the Company provides a general description of the model, no model name, version number, and a description of material changes to the model were provided as specified in Section VII of the IRP Standard and Guidelines. From the information provided it is not clear whether or not the Company has modified its usage per customer and number of customers modeling processes. A more detailed description of the model(s) used to derive long-term forecasts of residential usage per customer and number of customers modeling, in accordance with the requirements of Section VII of the IRP Standards and Guidelines, should be included in future IRPs.

In order to fully understand the relationship between IRP modeling and avoided gas costs as referred to in Section IX.B.12 of the 2009 Standards and Guidelines, we request the Company include this topic as a discussion item during the next IRP public input meeting. In addition, similar to the Non-GS Demand Graph in Section 3.0 Exhibits, we request the Firm Peak Demand Forecast Graph 20-year Return Period include at least five years of historical information.

With the introduction of stochastic modeling in the IRP process we find it critical for parties to enhance their understanding of this method, the constraints necessary to reach a solution, and the interpretation of the modeling results provided in the IRP. We therefore encourage the Company to continue to sponsor, and parties to participate in, both formal and informal training opportunities on these subjects.

We observe the Company's 2010 IRP key findings include 67.7 million decatherms of Company-owned gas and 49.5 million decatherms of purchased gas. In contrast, the 2009 IRP key findings included approximately 50.4 million decatherms of Company-owned gas and 72.1 million decatherms of purchased gas. This approximate reversal of resource quantities (a 27 percent increase in Company-owned gas and a 32 percent decrease in purchased gas) in the 2010 IRP is determined even though Company-owned gas is currently more expensive than purchased gas. We find further explanation of this change is necessary and we direct the Company to address this issue during the next IRP public input meeting.

Finally, please note the schedule for the quarterly reporting has changed pursuant to Section II.B of the IRP Standards and Guidelines. In the process of moving to this schedule the Company may need to submit two overlapping quarterly reports to ensure all relevant data is provided to the Commission. The Commission expects timely submittal of these reports as specified.

ORDER

NOW, THEREFORE, IT IS HEREBY ORDERED, that

1. The Company shall include in all future IRPs and quarterly reports, information as indicated herein.

DATED at Salt Lake City, Utah, this 27th day of October, 2010.

/s/ Ted Boyer, Chairman

/s/ Ric Campbell, Commissioner

/s/ Ron Allen, Commissioner

Attest:

/s/ Julie Orchard
Commission Secretary
G#69487