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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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)	Docket No. 11-057-06
In the Matter of the Questar Gas)	
Company's Integrated Resource Plan for)	REPLY COMMENTS
Plan Year: June 1, 2011 to May 31, 2012)	
)	
)	

Comments to the Company's Integrated Resource Plan were filed on August 25, 2011 by the Utah Division of Public Utilities (Division) and the Office of Consumer Services (Office). The Company files these reply comments.

REPLY TO THE DIVISION OF PUBLIC UTILITIES

In its comments, the Division recommends that the Company's IRP be acknowledged. The Company supports this recommendation and understands that acknowledgment does not guarantee favorable ratemaking treatment of future resource acquisitions. The Company will continue to incorporate comments and suggestions to the IRP process to improve the process and satisfy the 2009 IRP guidelines.

REPLY TO OFFICE OF CONSUMER SERVICES

In its comments the Office provides six recommendations for consideration by the Commission. The Company responds to these recommendations as follows:

The first recommendation states that “Questar Gas should clearly state that it gets the upcoming year’s projected volume estimate from Wexpro, and then base its gas purchases on the difference.” There may be confusion regarding Wexpro’s responsibility for its drilling decision versus production rates. Questar Gas is required, as part of its planning process, to evaluate known resources “on a systematic, consistent and comparable basis” taking into consideration, among other things, “costs, risk and uncertainty . . . such that present and future customers are provided natural gas services at the lowest cost consistent with the Company’s duties specified in Utah Code §54-3-1, the fiscal requirements of a financially healthy utility and the long-run public interest.” The evaluation of resources, some of which are long-term in nature, while minimizing costs, requires the use of sophisticated planning models such as that used by Questar Gas.

Wexpro provides information on the availability of the cost-of-service gas resource and the SENDOUT modeling process determines the amount of planned production that minimizes costs to customers. Since Questar Gas first started performing integrated resource planning, modeling results have included lower load factors for prior-company cost-of-service gas during the summer months, and the complete shut-in of certain sources of supply for time periods when purchase prices are unusually low. (For more information on the shut-in of cost of service supplies, see Appendix A of Questar Gas’s IRP submitted May 20, 2010, “Considerations Affecting Production Shut-Ins.”)

The second recommendation states that “the Commission should direct the Division, representing all of Questar Gas’ customers, to report on the reasonableness of Wexpro’s proposed drilling plans and associated annual budgets prior to the implementation of these plans.” This issue is addressed in the Wexpro Agreement which provides that Wexpro is responsible for decisions regarding drilling plans and its annual drilling budgets. These drilling plans are reviewed by the hydrocarbon monitor. Questar Gas frequently reports on Wexpro’s general drilling plans and expected annual budgets in the Future Resources Section of its annual IRP report. In addition, public technical conferences that include Wexpro personnel and the hydrocarbon monitor have been scheduled on a regular basis to discuss Wexpro operations and plans. The most recent Wexpro meeting with regulatory agencies took place on September 21, 2010, and, as required by the Commission, Questar Gas will schedule additional meetings.

The third recommendation states that “the Commission should schedule a technical conference to analyze whether current Wexpro funding is sufficient and, if not, potential funding alternatives.” As indicated in the response above, Wexpro is responsible for its budget and capital funding. The payment for the hydrocarbon monitor and accounting monitor is set forth in the Wexpro Agreement. Given that Wexpro has the responsibility for its budget decisions, additional funding for the purpose of asking the monitors to review the Wexpro budget is not merited.

The fourth recommendation states that “the Commission should order Questar Gas to engage an outside expert to perform an independent in-depth examination of the effectiveness of the gas supply modeling of Questar Gas’ SENDOUT model.”

As recently as Questar Gas’s 2009 IRP, a Ventyx consultant wrote, “I have evaluated Questar’s data on several occasions, and it is my opinion that Questar is using SENDOUT

reasonably, and I see no evidence that the Questar Model is unduly constrained” (see Exhibit 9.1). The Company consults with Ventyx on a regular basis, monthly, if not weekly. During meetings following the filing of Questar Gas’s 2011 IRP, the Company extended an invitation to interested parties from Utah regulatory agencies to view the operation of the SENDOUT model on Company premises. On July 14, 2011, representatives from the staff of the PSCU and the Utah Division of Public Utilities visited Questar Gas for a demonstration of how the SENDOUT model operates and to discuss modeling concepts. In the event that the Commission determines that additional in-depth modeling review by independent experts is appropriate, the Company would welcome such an examination. The Company would also offer another invitation to allow interested parties to view the operation of the SENDOUT model.

The fifth recommendation states that “the Commission should require Questar Gas to include a more detailed analysis and supporting evidence that the System Wide Gathering Agreement remains the most cost-effective option for serving its customers.”

The System Wide Gathering Agreement is an agreement that is based on a cost-of-service methodology, and with a few exceptions, gas purchased or produced pursuant to the Wexpro Agreement is dedicated to the System-Wide Gathering Agreement for the life of the Wexpro Agreement. Questions regarding the cost-of-service methodology were reviewed by the Commission and the Commission ultimately approved the cost-of-service methodology. In recent years, several outside consultants have been retained by Utah regulatory agencies to review the System Wide Gathering Agreement and its costs. Those consultants include McFadden Consulting Group, Inc., Williams Consulting, Inc. and Thomas J. Norris. The Company has provided cost-of-service backup for the derivation of gathering rates as requested

by these consultants. The Company will continue to review the cost-of service rates that are appropriate under the Systemwide Gathering Agreement.

The sixth recommendation states that “the Commission should require Questar Gas to clearly explain its collaboration with Questar Pipeline and each of the other three pipelines within its service territory, and demonstrate to the Commission that the pipeline decisions it makes are the most cost effective.”

Questar Gas coordinates with all its interconnecting pipeline “to identify model inputs” and to optimize its available resources.

CONCLUSION

The Company will continue to work with the Division and Office and other interested parties to improve its IRP process. If the Commission or Parties believe that technical conferences would be helpful to further discuss these topics, the Company would be available to participate.

Dated this 30th day of September, 2011.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Questar Gas Company's Reply Comments, in Docket No. 11-057-06 was sent by electronic mail and/or mailed by U.S. Mail, postage prepaid to the foregoing on September 30, 2011, to the following:

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