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To: The Public Service Commission of Utah  
From: The Office of Consumer Services  
Michele Beck, Director  
Béla Vastag, Utility Analyst  
Date: August 9, 2013  
Subject: Questar Gas Company's 2013 IRP, Docket No. 13-057-04

## INTRODUCTION

On May 31, 2013, Questar Gas Company (QGC or Company) filed its 2013 Integrated Resource Plan (IRP) for the planning period June 1, 2013 to May 31, 2014. The Utah Public Service Commission (Commission) issued a scheduling order which set a deadline of August 9, 2013 for parties to file initial comments on the IRP in this proceeding.

The Office of Consumer Services (Office) submits these comments to the Commission regarding the Company's 2013 IRP.

## COMMENTS

### Cost-of-Service Gas - Wexpro Production

For the 2013 IRP planning period, QGC projects that the amount of cost-of-service gas produced by Wexpro will be approximately 80 million Dth. The remaining gas supply will be provided through gas purchases which are projected at approximately 35 million Dth for a total gas supply of about 115 million Dth. Therefore, cost-of-service gas is projected to comprise 70% of gas supply for 2013-14. This compares to forecasts for Wexpro production at about 60% of supply in the three previous IRPs (see Table 1 below).

**Table 1 – Forecasted Gas Supply (million Dth)**

IRP Year	Purchased	Wexpro	% Wexpro
2013	35.0	80.0	70%
2012	50.0	67.7	58%
2011	45.2	70.1	61%
2010	49.5	67.7	58%

The Office also notes that in the Company's last Pass-Through Application filed on May 2, 2013, the Company projected that Wexpro production would account for about 63% of gas supply for the 2013-14 test period.<sup>1</sup> The forecasted percentage of cost-of-service gas has increased considerably in the 2013 IRP as compared to the most recent pass-through filing. Both filings use the same planning/test period – June 2013 to May 2014.

The Office is concerned that the percentage of Wexpro production is approaching an excessive level. Experience has shown that the high percentages of Wexpro gas have prevented the Company from taking advantage of market conditions that produce particularly low-priced gas. However, our concerns regarding the increasingly high percentage of Wexpro gas production are potentially much more serious. The Office questions whether this level of production remains manageable and allows adequate operational flexibility. Additional information must be provided by the Company to address issues such as the following:

- What is the maximum percentage of Wexpro gas production that can be managed (through storage, shutting in wells, etc.) without resulting in excess gas, especially if a low-demand heating season were to be experienced? What are the costs of excess Wexpro gas (storage, lost market opportunities, etc.)?
- At what percentage of Wexpro gas production would the Company anticipate significant increases in the amount of gas that would need to be shut in?
- How much Wexpro gas can be feasibly shut in? How much notice is needed to take such actions and at what cost to ratepayers?

#### Office Recommendation

In the next IRP the Company should provide specific responses regarding how its gas planning process will handle these concerns.<sup>2</sup> The plan

<sup>1</sup> See Docket No. 13-057-03, Standard Data Request #1

<sup>2</sup> The Office notes that recent press accounts have indicated that Wexpro intends to purchase additional properties. Assuming such transactions are completed, the answers to these questions will be critical to the determination of whether it is in the public interest for the properties to be added to cost of service gas. Thus, the Office is

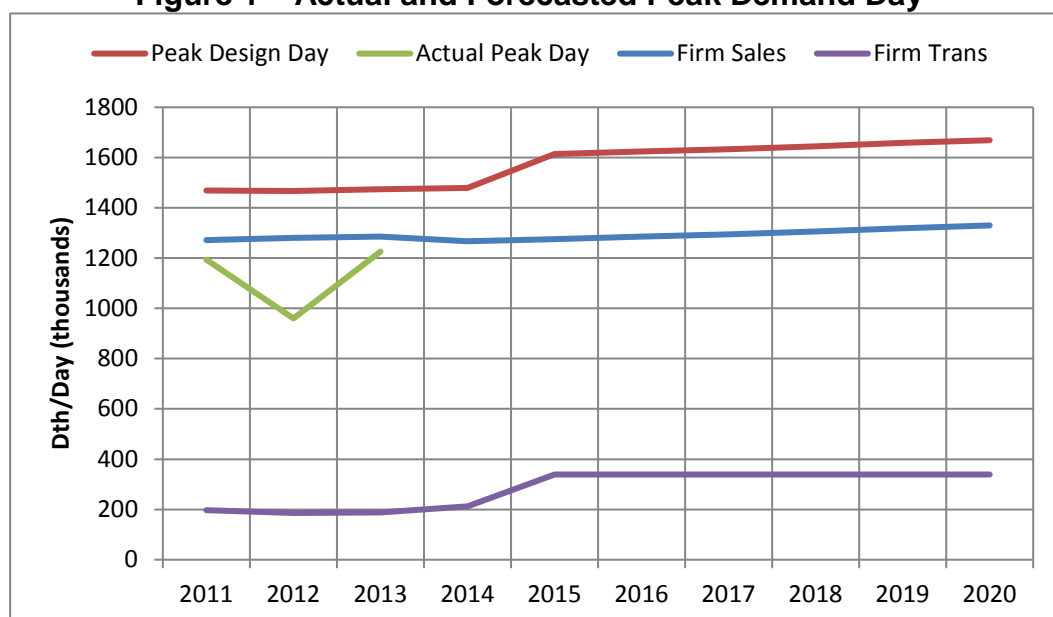
should address multiple scenarios with varying percentages of Wexpro gas and varying demand levels (e.g. low, normal, high) and provide the anticipated range of management actions (such as projected well shut-ins in each scenario) as well as the impacts of such actions on overall costs.

In addition, when large changes occur in the forecasted production of Wexpro gas between the most recent Pass-Through filing and the IRP, the Company should provide an explanation of the changes in the IRP.

### Relationship between Peak Demand Design Day Forecasts and the DNG Action Plan

The Company has forecasted that firm peak demand at design day will increase from 1,479 MDth in 2014 to 1,614 MDth in 2015.<sup>3</sup> This is an increase of 9% or 135 MDth/day. This change is primarily due to an increase of 127 MDth/day in projected demand from firm transportation customers. Figure 1 below illustrates how this increase in firm transportation has impacted the increase in peak demand at design day.

**Figure 1 – Actual and Forecasted Peak Demand Day<sup>4</sup>**



By comparison, forecasted peak firm sales increase from 1,267 MDth in 2014 to 1,330 MDth in 2020 which is a small annual growth rate of only about 0.8%. Based on Figure 1, growth in firm transportation is the

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developing specific DRs on this topic in preparation for making a recommendation in such a case.

<sup>3</sup> QGC 2013 IRP, Exhibit 3.9.

<sup>4</sup> QGC IRPs, Exhibit 3.9. 2014 to 2020 forecasts from the 2013 IRP. 2011, 2012, 2013 forecasts from the 2010, 2011, 2012 IRPs respectively.

primary driver underlying the need for additional physical capacity on the QGC system.

The DNG Action Plan describes plans for reinforcement and replacement projects that address physical capacity issues on the QGC system. One might assume that reinforcement projects would address the growth in peak demand at design day that is forecast in Figure 1 and that replacement projects would address aging infrastructure. However, there is not a clear distinction in the Company's IRP as to how each project in the DNG Action Plan addresses the different types of needs.

For example, the St. George Reinforcement project appears to address increased demand in southern Utah but after reviewing the project descriptions in the 2013, 2012 and 2011 IRPs, it is unclear whether this project is addressing increased firm sales or firm transportation. Another example is the Feeder Line 26 Uprate Project which is designed to serve the new PacifiCorp Lake Side II electric power plant. Based on the project description in this and past IRPs, one could assume that the sole purpose of the FL 26 project is to provide capacity for new firm transportation service for PacifiCorp. Rather than assume, it would be helpful for the Company to describe specifically and in more detail how the projects in the DNG Action Plan provide capacity that enable it to meet its forecasted peak demand versus other needs.

#### Office Recommendation

In future IRPs the Company should show linkages between the need for new capacity as demonstrated in the increase in the forecasted peak demand at design day and specific projects in the DNG Action Plan. For the DNG projects, the Company should explain more clearly what the primary drivers are for their construction. For example, are the drivers related to increasing demand on the Company's system due to new firm sales or new firm transportation loads or are they requirements related to the maintenance of capacity for existing demand.

#### Impact of Energy Efficiency Programs on Peak Demand at Design Day and the Need for New Infrastructure

On page 8-10 of the IRP, QGC states that their model calculates the sole benefit of energy-efficiency programs as the avoided cost of gas purchases. For 2013, this avoided cost is estimated at \$29.13 million. The Office agrees that one of the benefits of these programs is reduction in the consumption of natural gas by the Company's customers, reducing the amount of gas the Company must supply. An additional benefit of these programs is that they should reduce peak demand at design day, which in

turn should reduce the amount of new infrastructure required to meet peak demand.

Energy efficiency expenditures are significant. The approved budget for the energy efficiency program for 2013 is \$22.8 million. Thus, the 2013 costs for the energy efficiency program will surpass the most costly project in the 2013 IRP DNG Action Plan – the St. George Reinforcement Project with an estimated cost of \$20.5 million. It would be helpful to better understand how energy efficiency is specifically impacting the peak day and thus lessening the amount of new infrastructure needed.

#### Office Recommendation

We recommend that in future IRPs the Company explicitly report the effect of energy efficiency programs on peak demand and the need for new infrastructure. We also would like to see the Company explore how energy efficiency programs could reduce or offset the need for future capital projects such as some of the reinforcement projects described in the DNG Action Plan. For example, in areas where the Company's system is constrained, would it be possible to design targeted efficiency programs to eliminate or delay the need to construct new facilities?

#### Lost and Unaccounted For (LAUF) Gas

Table 3.5 of the IRP shows QGC LAUF gas for the previous three planning years, 2010 to 2012. Part of this table is reproduced below.

**Table 2 – QGC Lost and Unaccounted For Gas**

<b>Year</b>	<b>LAUF Gas</b>	<b>LAUF Gas %</b>
2009-10	226,736	0.130%
2010-11	590,318	0.346%
2011-12	973,349	0.589%
<b>Increase 2010-2012</b>	329%	353%

Due to a change in methodology, the levels of LAUF gas reported in the 2013 IRP are substantially lower than in previous IRPs. The Company now uses meter-level compensation for temperature and elevation and this change in methodology began in Utah in 2010. The effect of the new method has been a reduction in the volume of gas that is unaccounted for.

The Office has looked at LAUF levels at other gas utilities and finds that with the new methodology, QGC's levels as reported in the 2013 IRP are not unreasonable. However, the Office is concerned about the recent

trend in LAUF gas. Comparing the values for 2009-10 and 2011-12 in Table 2 above, we see that the quantity of LAUF gas has increased 329% in two years and LAUF as percent of system receipts has increased 353%.

#### Office Recommendation

The Company should explain in the IRP the cause of significant changes in amounts of LAUF gas. The Office further recommends that the Company also provide an explicit explanation for any such significant trends in future IRPs.