

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of Questar Gas Company's)
Integrated Resource Plan (IRP) for Plan) DOCKET NO. 14-057-15
Year: June 1, 2014 to May 31, 2015) REPORT AND ORDER
)

ISSUED: October 8, 2014

SHORT TITLE

Questar Gas Company 2014 Integrated Resource Plan

SYNOPSIS

The Commission determines Questar Gas Company's 2014 Integrated Resource Plan substantially complies with the requirements of the 2009 Standards and Guidelines and provides guidance on IRP-related issues.

PROCEDURAL HISTORY

On June 11, 2014, Questar Gas Company ("Questar," "Questar Gas," or "Company") filed its Integrated Resource Plan ("IRP") for the period of June 1, 2014, through May 31, 2015 ("2014 IRP"), with the Public Service Commission of Utah ("Commission"). The 2014 IRP 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 See *In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines*, Docket No. 08-057-02 (Report and Order; March 31, 2009).

On June 12, 2014, the Commission issued a notice of scheduling and technical conferences to be held on June 25, 2014. On June 25, 2014, following completion of the noticed scheduling and technical conferences, the Commission issued a scheduling order inviting parties to review and provide comments and reply comments on the 2014 IRP by August 13 and September 12, 2014, respectively. On August 13, 2014, the Division of Public Utilities (“Division”) and the Office of Consumer Services (“Office”) filed comments on the 2014 IRP. On September 12, 2014, Questar Gas filed reply comments (“September Reply Comments”).

SUMMARY OF THE 2014 IRP AND THE PLANNING PROCESS

The 2014 IRP presents Questar’s annual forecasts, summaries of system and gas modeling activities, and resource selection results. The 2014 IRP also includes a discussion of regulatory, resource, and operational challenges which Questar Gas faced during the previous year or could face in the future. Forecasts include annual temperature-adjusted system sales and throughput, system firm peak design-day gas demand, residential usage per customer, and the number of customer additions. Questar uses the forecast information, along with other operational data, to evaluate gas supply needs and system infrastructure requirements. Questar also uses these forecasts to inform the development of its annual natural gas Request for Proposals (“RFP”) for base load and peaking gas supplies.

In conformance with the 2009 Standards and Guidelines, Questar’s 2014 IRP includes an executive summary, modeling results, a distribution infrastructure/facilities action plan (otherwise known as a distribution non-gas (“DNG”) action plan), and general guidelines. These components are supported by the following specific sections and associated exhibits within the 2014 IRP: Introduction and background, customer and demand forecasts, system

capabilities and constraints, purchased gas, cost-of-service gas (“COS gas”), gathering/transportation/storage, energy efficiency (“EE”) programs, and final modeling results.

In conjunction with the development of the 2014 IRP, Questar conducted public meetings on February 25, April 2, and April 30, 2014. Topics addressed during these meetings included lost and unaccounted for gas in natural gas utilities, various weather/outage events and their effect on Questar’s system, the Wexpro II and Trail Unit Acquisition Orders,² follow-up items from the Commission’s 2013 IRP order,³ the gas nominations time line, gas control coordination, peak demand forecast, full fuel cycle greenhouse gas emissions, and master planning of the system. During the April 30th meeting Questar also presented market-sensitive information addressing the recently-issued RFP to participants subject to non-disclosure obligations. Finally, a technical conference was held on June 25, 2014, to discuss the recently-filed 2014 IRP. These meetings were attended by representatives of the Commission, Division, Office, and other interested organizations.

Questar Gas identifies the following goals and objectives in the 2014 IRP: 1) to project future customer requirements; 2) to analyze alternatives for meeting customer requirements from the standpoints of the distribution system, upstream capacity, and gas-supply source taking into consideration the inter-day load profile of each source; 3) to develop a plan using stochastic data and methods, and risk management programs, that will provide customers

² See *In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement*, Docket No. 12-057-13 (Report and Order, March 28, 2013) and *In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13 (Report and Order; January 17, 2014).

³ See *In the Matter of Questar Gas Company’s Integrated Resource Plan (IRP) for Plan Year: June 1, 2013 to May 31, 2014*, Docket No. 13-057-04 (Report and Order; October 22, 2013) (“2013 IRP Order”).

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 4) 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, including those associated with COS gas, purchased gas, gathering, processing, upstream transportation, and storage.

The following tables summarize price in dollars per decatherm (“Dth”), sales, peak demand, throughput, and usage per customer (“UPC”) information provided in the 2014 IRP. For comparison, historic information is provided when available.

Table 1. Price⁴ (\$/Dth)

Historic First of Month Index Price for Natural Gas on Questar Pipeline	2014 IRP	2013 IRP
Annual average price	2013: \$3.47	2012: \$2.57
Heating season average price	2013-2014: \$4.31	2012-2013: \$3.32

Table 2. Sales (million Dth)

Annual System Sales	2014 IRP Forecast 2014-2024	2013 IRP Forecast 2013-2023	2013 Actual
Temperature-adjusted sales	112.2 - 127.2 ⁵	110.0 - 121.0	111.2
Actual sales			119

Table 3. Peak Demand (million Dth/day)

Peak Demand at the City Gate	2014 IRP Forecast Heating Season 2014-2015	2013 IRP Forecast Heating Season 2013-2014	Actual Heating Season 2013-2014
Total	1.652	1.479	1.185
Firm Sales	1.286	1.267	0.911
Transportation	0.366	0.212	0.274

⁴ Absent from the 2014 IRP is a forecast of the 2014-2015 heating season gas price in dollars per decatherm based on Rockies indices as has been provided in previous years.

⁵ The projections contained in the IRP reflect the temperature and elevation compensation approved by the Commission in Docket No. 09-057-16, In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rate and Charges and Make Tariff Modifications (Report and Order; June 3, 2010).

Table 4. System Throughput (million Dth)

System Throughput	2014 IRP Forecast 2014-2024	2013 IRP Forecast 2013-2023	2013 Actual
Temperature-adjusted system throughput	195.0 - 218.0 ⁶	173.0 - 214.0	176.4
Actual system throughput			184

Table 5. Usage per Customer (Dth)

Temperature-Adjusted Average Usage per Customer	2014 IRP Forecast 2014-2024	2013 IRP Forecast 2013-2023	2013 Actual
System-wide General Service (“GS”)		108	109.7
Utah GS	108.4 - 98.5	107.2 - 95.6	
Utah Residential GS	81.8 - 73.6	81.2 - 72	82.79
Utah Commercial GS	464.0 - 438.7	455.1 - 423.9	466.43

Table 6. Natural Gas Requirement (million Dth)

Natural Gas Requirement	2014 IRP Forecast 2014-2015	2013 IRP Forecast 2013-2014
Total	128.2	129.3
Cost-of-Service Gas	72	80
Purchased Gas	43.2	35

The 2014 IRP states that from October 2013 through March 2014 Questar Gas did not hedge the price of any of its base-load purchased gas supplies and, due to the current forecast of COS gas production, there is no need for any additional price stabilization during the 2014 IRP year. Questar will review this issue annually to determine whether price stabilization measures are appropriate in the future.

⁶ Questar’s current forecast includes anticipated throughput for electricity generation plants fueled by natural gas.

Chapter 8 of the 2014 IRP provides the results of Questar's 2013 energy efficiency programs and a summary of its 2014 energy efficiency plan.⁷ Questar reports energy efficiency rebate dollars accounted for 79 percent of the energy efficiency spending in 2013. In addition, the 2013 program resulted in annual natural gas savings of 637,349 Dth and a total actual net benefit cost ratio of 1.14 based on the total resource cost test.

Also of note in the 2014 IRP, Questar: 1) introduces a section on full fuel-cycle efficiency; 2) states it utilized No Notice Transportation service every day throughout the 2013-2014 heating season; 3) forecast average transmission integrity management ("IM") costs of about \$5.2 million per year from 2014 through 2016, similar to that presented in the 2013 IRP; 4) forecast average distribution IM costs of about \$1.4 million per year from 2014 through 2016, an increase of over 30 percent when compared with the estimated costs presented in the 2013 IRP; 5) mentions the Federal Energy Regulatory Commission's notice of proposed rulemaking on "Coordination of the Scheduling Processes of Interstate Natural Gas Pipelines and Public Utilities"; 6) includes a section on intermediate high pressure projects; 7) includes Table 2.1 showing the annualized gas-gallon equivalents at its compressed natural gas stations increased 6.2 percent in 2013; 8) states that on February 1, 2014, Wexpro recorded \$103.7 million as a Wexpro Property; and 9) provided information on its proposed acquisition of the Eagle Mountain municipal gas system (with about 6,000 residential customers) by the end of 2014.

⁷ Questar's 2014 Energy Efficiency Plan was approved by the Commission in Docket No. 13-057-14, In the Matter of the Application of Questar Gas Company for Approval of the 2014 Year Budget for Energy Efficiency Programs and Market Transformation Initiative (Report and Order; January 2, 2014).

COMMENTS

The Division's comments provide: 1) a summary of the results of the 2014 IRP; 2) historical information on the IRP process gas commodity and gathering rates, and gas transportation and storage issues; 3) a discussion of Questar's hedging program, variance reports, and gas quality issues; and 4) a brief summary of Questar's IM obligations under the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration's rule addressing IM programs for gas distribution pipelines. The Division also provides a history of Questar's EE activities. The Division notes that Questar reported a deemed savings of 637,349 Dth resulting from its 2013 EE programs (compared to 478,200 Dth saved in 2012) and summarizes the changes to the Home Energy Audit program implemented in 2013.

The Division briefly summarizes some of Questar's expansion and replacement projects, particularly the Charleston Feeder Line Project and the Moab and Vernal pipe replacement projects. The Division also mentions Questar's work with Transportation Service customers and/or their agents regarding the nominations process and other supply management services, the completion of the Feeder Line 81 uprating project in May of 2014, and that the resource selections in the 2014 IRP (i.e., approximately 72 million Dth of COS gas and 43 million Dth of market purchased gas) result in an average total system cost of \$5.83 per Dth, compared to \$5.63 in the 2013 IRP.

The Division indicates Questar Gas responded to the issues raised in the Commission's 2013 IRP Order. The Division believes Questar Gas has made 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. The Division recommends the Commission acknowledge the 2014 IRP.

The Office commends Questar on the information provided in the 2014 IRP and recommends the Commission acknowledge it. The Office also comments on four aspects of the 2014 IRP pertaining to: 1) demand side management (DSM) impact on peak demand and infrastructure, 2) reporting of transmission and distribution IM inspection results and costs, 3) calculations related to COS gas production, and 4) increased explanation and reporting of the level of COS gas which has been shut in.

As with the 2013 IRP, the Office makes observations and recommendations pertaining to the relationship of EE programs and the peak day. The Office acknowledges that Questar discussed these issues during a DSM Advisory Group meeting and an IRP workshop as ordered by the Commission in the 2013 IRP Order. During these meetings Questar presented scenarios showing how DSM programs could affect the peak demand and other scenarios in which DSM programs would not affect the peak day. In addition, Questar indicated that the system peak day design is not affected by EE programs and thus would not have an effect on capital expenditure decisions.

The Office points out inconsistent statements in the 2014 IRP. First, on page 2-11 of the 2014 IRP, Questar states: “In both meetings the Company explained how the ThermWise® programs are not designed to affect the peak hour during the peak day, but are instead designed to reduce over-all gas usage.” Next, on Page 8-4 of the 2014 IRP, Questar states: “In both meetings, the attendees discussed the ThermWise® programs, the fact that they are designed to reduce over-all energy consumption, and that they do not, **necessarily** [emphasis added], impact

peak day usage.” The Office maintains Questar should clarify the inconsistency between these two statements and “should articulate specifically how its DSM programs do or do not impact peak day usage and the extent to which DSM programs impact peak day design in the IRP.”⁸

The Office believes this information is pertinent to the IRP and should be included and thoroughly explained in future IRPs, particularly since DSM programs could evolve through time. In response to this recommendation, Questar, in its September Reply Comments, states its willingness to comply with the recommendation of the Office and commits to reporting on the impact of DSM programs on peak day usage.

Pertaining to the transmission and distribution IM programs, the Office has two concerns. First, the inspection results are not included in the IRP. The Office recommends that in order to justify Questar’s IM program annual expenditures, the inspection results should at least be summarized in the IRP, or alternatively, Questar could provide a citation to where the information can be found. In response to this recommendation, Questar, in its September Reply Comments, commits to providing the requested information or a reference to the transmission and distribution IM plan inspection reports in future IRPs.

Second, the Office points out Questar’s actual annual IM program expenditures are not included in the IRP or in IRP variance reports. The Office observes the overall budget for these programs has increased about 60 percent since the 2010 IRP. In addition, according to Questar, these costs will most likely continue to increase and continue into the future indefinitely due to federal and state pipeline safety regulation. The Office suggests inclusion of this

⁸ Comments of the Office of Consumer Services on the 2014 IRP, August 13, 2014, p.2.

information would allow parties to evaluate expenditure variances. The Office therefore recommends that the Commission require Questar to provide actual annual expenditures for Questar's integrity management programs in future IRP filings or in IRP variance reports. In its September Reply Comments, Questar states it recently began distributing a report summarizing transmission and distribution IM expenditures to the Commission, Division, and Office and will continue to provide this information to the Office.

Regarding calculations relating to COS gas production in the 2014 IRP, the Office observes Questar does not specifically calculate the COS gas production percentage amount necessary to manage COS gas production pursuant to the settlement stipulation approved by the Commission in Docket No. 13-057-13 ("Trail Unit Stipulation"). In addition, the Office observes potential inconsistencies in Questar's calculation of its projection of the percentage of COS gas forecast in the 2014 IRP. While neither of these issues are problematic for the 2014 IRP, the Office asserts both will be important in future IRPs. The Office recommends Questar, the Office, and the Division confer prior to the filing of the next IRP to seek a shared understanding of the calculation of annual demand to avoid unnecessary controversy pertaining to execution of the Trail Unit Stipulation. In addition, the Office recommends in future IRPs Questar provide the explicit calculation of forecast demand to demonstrate Questar's compliance with the Trail Unit Stipulation.

In its September Reply Comments Questar agrees that, commencing with the 2015 IRP, the calculation contained in the Trail Unit Stipulation will become increasingly important and will provide the information in future IRPs as requested by the Office.

Additionally, Questar will provide a detailed explanation of the annual demand forecast used for the gas management plan agreed to in the Trail Unit Stipulation in a 2015 public IRP meeting.

The Office observes the 2014 IRP introduces a new section discussing COS gas production Questar estimates will be shut in during the low demand period (i.e., June through September) of the IRP plan year. The Office finds this information very informative but requests that in future IRPs Questar provide a more expansive discussion on shut-ins in order to promote the reader's understanding of this issue. This review should include a comparison of the actual shut-in amount compared with the previous year's IRP forecast, the reasons for variance, factors determining which wells were shut-in, the amount of excess production that was sold and a description of the factors (cost, location, etc.) supporting Questar's decision of whether or not to sell COS gas. In its September Reply Comments, Questar observes information pertaining to COS shut-ins is contained in the quarterly IRP variance reports. Questar states it will also provide this information in future IRPs.

DISCUSSION, CONCLUSIONS, AND GUIDANCE

We continue to recognize Questar's efforts in preparing its annual IRP, managing the IRP process, and addressing Commission guidance from previous IRP orders. In addition, we appreciate Questar's response to the Office's suggestions and its commitment to continue to work with interested parties on IRP issues. These efforts, as reflected in the comments provided by the Division and the Office, ensure Questar's annual IRP provides timely, valuable information on its plans for, and challenges in, meeting present and future responsibilities as a public utility. We also recognize integrated resource planning is an ongoing process and should be adjusted to reflect changing circumstances.

The Division's analysis of the 2014 IRP addresses procedural, reporting, and informational requirements. The Division concludes the Questar Gas 2014 IRP substantially complies with the 2009 Standards and Guidelines and improves on some aspects of previous IRPs; therefore the Division recommends the Commission acknowledge Questar's 2014 IRP. The Office also recommends the Commission acknowledge the 2014 IRP. Based upon our review of the 2014 IRP and the comments from the Division and the Office, we agree with the Division's assessment that Questar's 2014 IRP substantially complies with the requirements of the 2009 Standards and Guidelines.

We also concur with the Office's comments and Questar's reply comments concerning the issues identified above with the following exceptions. First, we recommend Questar continue its discussions on peak day issues in the DSM Advisory Group and in a public input meeting associated with the 2015 IRP.

Second, in addition to concurring with Questar's commitment to provide a detailed explanation of the annual demand forecast used for the gas management plan agreed to in the Trail Unit Stipulation in a 2015 public IRP meeting, we encourage Questar to meet with interested parties to document agreed-upon definitions and formulas and to address other relevant issues pertaining to implementation of the Trail Unit Stipulation. The process of documenting relevant definitions, formulas, and methods in advance of the filing of the 2015 IRP will promote transparency and serve as a resource for future proceedings.

We observe that Questar now provides a comparison of the purchased gas price versus COS gas price in the new Exhibits 10.1 and 10.2 of the quarterly IRP variance report. For transparency, we request that Questar annotate the backup workpapers supporting these exhibits

with the list of the specific accounts, and formulae if necessary, used to determine each cost element. Costs should be broken out by Wexpro I and Wexpro II amounts and summed to produce the total. This information will become increasingly valuable for documenting when COS gas is sold under the provision of the Trail Unit Stipulation.

On a minor note, we observe Exhibit 3.8, System Non-GS Demand, does not present the graph's underlying data, as do all of the other graphs in Section 3. Exhibits. We request that Exhibit 3.8 include the underlying information in future IRPs.

ORDER

1. We acknowledge the 2014 IRP as filed substantially complies with the requirements of the 2009 Standards and Guidelines.
2. We approve all of the commitments made by Questar in its September Reply Comments.
3. Future IRP quarterly variance reports shall include backup information and data sources as discussed above.

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DATED at Salt Lake City, Utah, this 8th day of October, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#261367

CERTIFICATE OF SERVICE

I CERTIFY that on the 8th day of October, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

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