INTRODUCTION AND BACKGROUND

In recent months, an unusual number of personnel changes have been announced for leadership positions in many of the governmental and regulatory agencies that shape the policies affecting the natural gas industry in America. Likewise, in the states where Questar Gas provides services to its customers, a number of key personnel changes in regulatory agencies have also taken place.

Early in 2013, President Obama nominated Sally Jewell to replace the outgoing Secretary of the Interior, Ken Salazar. Also this year, the President nominated Ernest Moniz to be the new Secretary of the Department of Energy replacing Steven Chu and Anthony Foxx, Mayor of Charlotte, North Carolina, to be the new Secretary of the Department of Transportation, replacing Ray LaHood. In the Environmental Protection Agency, Gina McCarthy was nominated by the President to replace Lisa Jackson who resigned in February. And, during the summer of 2012, Tony Clark, a former member of the North Dakota Public Service Commission, was nominated and sworn in as a new member of the Federal Energy Regulatory Commission filling the vacancy created by Commissioner Marc Spitzer who resigned earlier.

At the state level, Governor Mead of Wyoming recently announced two new appointments to the Wyoming Commission, Kara Brighton and Bill Russell, who have been confirmed to fill the vacancies created by the resignation of Kathleen Lewis and the retirement of Deputy Chairman Steve Oxley. The Wyoming Commission currently consists of Chairman Alan Minier, Deputy Chairman Bill Russell, and Commissioner Kara Brighton.

In Utah, where the majority of the customers of Questar Gas reside, Governor Herbert recently appointed two new members to the Utah Commission, Thad LeVar and David Clark. David Clark has filled the position vacated by Commissioner Ric Campbell and Thad LeVar filled the vacancy created by the retirement of the former Chairman of the Utah Commission, Ted Boyer. Ron Allen, who was formerly serving as a Commissioner was appointed by Governor Herbert to be Chairman of the Utah Commission on January 1, 2013.

As supplies of this moderately priced and clean burning resource have become more plentiful in recent years, Questar Gas is optimistic that the public policies of the future will allow natural gas to play a significant role in the growth of the U.S. economy.

During October of 2012, the American Gas Association (AGA) announced that Ronald Jibson, Chairman, President and CEO of Questar Corporation, the parent company of Questar Gas, had been elected to serve as Chairman of the Board of Directors of AGA for 2013. In his words, as a representative of the natural gas industry:

> For more than 177 million Americans, natural gas provides more than just warmth and a hot shower . . . it provides tangible value for our quality of life . . . The United States leads the world in not only producing this clean energy resource but also in capitalizing on the most robust and reliable pipeline system in the world. With this abundant domestic resource and our ability to

deliver natural gas safely and reliably, we can boost our economy, improve our environment and enhance our energy security today.[2]

In recent years, technological improvements in drilling have led to remarkable increases in natural gas reserves, particularly in shale gas plays.[3] During April of 2013, the Potential Gas Committee released its biennial assessment of the total technically recoverable natural gas resource base in the U.S.[4] This assessment does not include proved dry-gas reserves. Proved reserves are generally those reserves which are estimated with reasonable certainty to be economically producible from known reservoirs.[5] For year-end 2012, the mean value for total potential natural gas resource was 2,384 trillion cubic feet (Tcf). This figure was 486 Tcf greater than the same assessment for year-end 2010 (26 percent greater). The 2010 assessment was the previous all-time high. The most recent formal assessment for proved dry-gas reserves in the U.S. is a 2010 figure of 304.6 Tcf. When the total technically recoverable resource base is combined with the proved dry-gas reserves, a total U.S. future gas supply figure of 2,689 Tcf is obtained.[6]

The Potential Gas Committee grouped geological provinces in the U.S. into seven geographic assessment areas. Understandably, the Atlantic region now has the largest resource base with the development of northeastern shale plays such as the Marcellus. The Rockies region was assessed with the third largest resource base in the Country, behind the Atlantic and Gulf Coast regions. The Rockies region however, had the second largest increase in resource base over the previous two years behind the Atlantic region.[7]

It is instructive to put into context the size of the recent Potential Gas Committee assessment of natural gas resource base. At current production rates, the total U.S. future gas supply represents in excess of 100 years of U.S. supply needs.

The increase in proved reserves, driven primarily by drilling in shale gas plays, has implications for the pricing of natural gas. Current indications are that natural gas will be moderately priced for the foreseeable future. The Henry Hub natural gas futures forward curve in recent weeks has had prices through the summer and fall shoulder months of 2013 in the low four-dollar-per-decatherm range. During the winter of 2013/2014, Henry Hub futures' prices rise to the mid four-dollar-per-decatherm range. The highest prices over the 36-month strip currently are under five dollars per decatherm.

Within the family of fossil fuels, natural gas is the cleanest burning with regard to air emissions. Energy-related CO_2 emissions in the U.S. during 2012 totaled 5.3 billion metric tons. The Energy Information Administration (EIA) reported that this was the lowest level in

[2] "2013 Playbook, "American Gas Association, January 16, 2013, Pages 1-2, http://www.aga.org/our-issues/playbook/Pages/default.aspx.
[3] For a more in depth discussion of directional drilling, hydraulic fracturing, and the growth in shale gas production, see the Introduction and Background section of the Questar Gas Company Integrated Resource Plan, For Plan Year: June 1, 2011 to May 31, 2012, Submitted: June 6, 2011.
[4] The Potential Gas Committee is a widely respected, nonprofit organization consisting of volunteer members with technical knowledge of and experience in the natural gas industry.
[5] For a more precise definition of proved reserves, see 17 CFR Section 210.4-10(a)(22).
[6] "Potential Gas Committee Reports Significant Increase in Magnitude of U.S. Natural Gas Resource Base," For Release April 9, 2013, 1100 EDT, Potential Gas Committee.
[7] Ibid., Page 5.

the U.S. since 1994. And, quite remarkably, since 2007, energy-related CO_2 emissions have declined every year with the exception of 2010. The replacement of coal-fired power generation with generation from the less carbon-intensive and competitively priced fuel, natural gas has been fundamental to that decline in 2012. Other contributing factors to the 2012 decline are decreased demand for transportation fuels and mild winter temperatures across the U.S.[8]

During the fall of 2012, a new U.S. record was set for natural gas storage inventories. The EIA reported that working gas in storage for facilities in the Lower-48 states hit an all-time high of 3,929 billion cubic feet (Bcf) for the week ending November 2, 2012. The maximum storage build for the previous year's injection season was 3,852 Bcf for the injection week ending November 18, 2011.[9]

The last week of March is considered by many to be the end of the traditional withdrawal season for natural gas storage in the U.S. Given the recent abundance of natural gas supplies, one might expect a surplus in storage in excess of the five-year average at the end of March. For the week ending March 29, 2013, the EIA reported that working gas in storage for the Lower-48 states was at a level of 1,687 Bcf, substantially below the previous year's level of 2,466 Bcf, and slightly below the five-year average of 1,724 Bcf.[10] Analysts generally attributed that lower-than-expected end-of-withdrawal-season storage inventory level this year to an unusually cold March and modest increases in natural gas prices.

In earlier decades, natural gas storage capacity was largely obtained by regulated utilities and used to meet winter-time base-load requirements, daily load fluctuations, and peak-day needs. Over the last decade, natural gas marketers have increasingly used storage as a means to capture value from short-term price arbitrage. While there appears to be ample storage capacity in the aggregate in North America, it is safe to assume that additional increments of capacity will be developed when and where they can be justified by regional economics. For a recap of recent natural gas storage projects in the vicinity of the demand areas of Questar Gas, and a discussion of the involvement of Questar Gas, see the "Gathering, Transportation and Storage" section of this report.

According to the EIA, 2012 had the fewest natural gas pipeline additions in the U.S., from both a capacity and a mileage standpoint since 1997. This statistic does not include gathering and distribution lines. Over one half of the transportation line projects in the Country were located in the Northeast and were designed to remove bottlenecks created by the rapid growth of production in the Marcellus shale. Nevertheless, occasional price run-ups occurred in the Northeast this past winter due to constrained transportation capacity. For example, during the fourth week of January 2013, daily deals were reported on "Transco Zone 6 NY" with prices in excess of $40.00 per Dth.

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[8] "Energy-Related Carbon Dioxide Emissions Declined in 2012," *Today in Energy*, U.S. Energy Information Administration, April 5, 2013.

[9] Energy Information Administration, Weekly Natural Gas Storage Report History, April 5, 2013, http://ir.eia.gov/ngs/ngshistory.xls.

[10] "Weekly Natural Gas Storage Report," U .S. Energy Information Administration, For the Week Ending March 29, 2013, Released: April 4, 2013 at 10:30am.

Across the country, 2013 is expected to be a better year for transportation capacity additions. During 2012, less than 5 Bcf per day of capacity was put in service. In excess of 15 Bcf per day of capacity has been announced for 2013, substantially more than 2012, but still a far cry from the approximately 44 Bcf per day of capacity put in service in 2008.[11] For a discussion of the transportation issues affecting Questar Gas, see the "Gathering, Transportation and Storage" section of this report.

Interest in the use of natural gas as a vehicle fuel has continued to intensify across the nation. During the past two years, over 200 compressed natural gas (CNG) stations have been added to the nation's infrastructure, bringing the total to over 1,200 stations. A number of local distribution companies (LDCs) and exploration and production (E&P) companies around the country are fostering the growth of CNG as a retail transportation fuel by providing funding to expand CNG refueling infrastructure.

Original Equipment Manufacturers (OEMs) have both increased production of light and medium-duty CNG vehicle platforms as well as introduced a number of new vehicle models. Class 8, over-the-road CNG vehicle platforms are on the rise and refuse hauler manufacturers now produce more factory-built CNG models than diesel or gasoline models.

Congress reinstated the $0.50 per gasoline gallon equivalent (GGE) tax credit for fuel providers like Questar Gas, however, the tax credit is scheduled to sunset at the end of 2013. Through the regulatory process, the National Highway Traffic Safety Administration (NHTSA) which regulates the nation's Corporate Average Fuel Economy (CAFE) standards recently gave additional fuel economy credits to vehicle manufacturers for the production of natural gas vehicles (NGVs).

Questar Gas is a national leader in the promotion of natural gas as a vehicle fuel. According to a recent NGV marketing study by TIAX, LLC published in February, 2013, the Questar Gas service territory accounts for approximately 11,000 CNG vehicles (9% of the total CNG vehicles on the road today in the U.S.). Exhibit 2.1 is a map of the CNG station locations in Utah.

Beginning in 2009, Questar Gas began installing new public access CNG infrastructure facilities and upgrading existing public access facilities. Partial funding for these new installations and upgrades was provided by a U.S. DOE grant.

New installations and upgrades were completed at Logan, Perry, Murray, Springville, St. George, Vernal, Scipio, Heber City, Ogden, Hurricane, Sandy, Salt Lake, Woods Cross, Park City, Orem and West Jordan. In 2012 new stations were installed in Kaysville, Moab, Weber State, Rock Springs and the Price station was upgraded. There are currently 29 public access infrastructure facilities operated by Questar Gas.

In 2013 it is expected that upgrades will be completed at the Questar Gas station at the Salt Lake International Airport and either Cedar City or Richfield, Utah.

[11] "Over Half of U .S. Natural Gas Pipeline Projects in 2012 Were in the Northeast," *Today in Energy*, U.S. Energy Information Administration, March 25, 2013.

Public usage of Questar Gas' CNG system has grown. Table 2.1 shows annualized Gasoline Gallon Equivalents for the past five years (based on 124,400 Btus per gallon).

Table 2.1

Year	GGEs	% Growth
2008	3,499,067	
2009	3,862,037	10.4%
2010	4,145,802	7.3%
2011	4,714,135	13.7%
2012	5,592,512	18.6%

The Utah Legislature recently passed two bills promoting the use of NGVs. Utah House Bill 96 extends tax credits for cleaner-burning-fuel vehicles. Senate Bill 275 establishes an interlocal entity to facilitate the use of more alternative-fuel vehicles, and directs the Utah Commission to initiate and conduct proceedings to explore funding mechanisms to provide capital for natural gas vehicle infrastructure.

In recent years, the increase in shale gas production has focused attention on the environmental impacts of hydraulic fracturing. Hydraulic fracturing involves pumping fluid at high pressures into natural gas reservoirs to induce fractures in the formation. These fractures provide for better connectivity between the wellbore and the surrounding reservoir rock thereby enhancing natural gas production rates and total recoverable reserves. Fracture fluid contains approximately 90 percent water, 9.5 percent sand, and 0.5 percent additives. When the casing of an oil or gas well is properly cemented, formations containing ground water are isolated from those producing hydrocarbons. Studies by Federal agencies in the 1990's and early 2000's generally concluded that the risk of contamination of sources of drinking water by hydraulic fracturing fluids posed little or no threat.[12,13] Contamination from hydraulic fracturing is more likely to occur from the improper handling of fluids above ground before the fracturing process, or, after the fracturing process when produced liquids are being disposed of. Both of these scenarios can be prevented by simply following accepted industry procedures.

The U.S. House of Representatives Appropriation Conference Committee, in its Fiscal Year 2010 budget report, identified the need for another study of the environmental impacts of hydraulic fracturing. Congress tasked EPA scientists with carrying out the study. The EPA held public comment meetings in various locations around the country from July through September of 2010. The EPA released the first progress report in December of 2012. The progress report largely established the intent and methodological approach of the study, without articulating conclusions. A final draft report is expected to be released in 2014 for public comment and for peer review.

[12] Correspondence, dated May 5, 1995, from Carol M. Browner, Administrator of the United States Environmental Protection Agency, to David A. Ludder, Esq., General Counsel, Legal Environmental Assistance Foundation, Inc.

[13] "Evaluation of Impacts to Underground Sources of Drinking Water by Hydraulic Fracturing," U.S. Environmental Protection Agency, EPA 816-R-04-003, June 2004, Page ES-1.

Companies in the oil and gas industry supported the EPA study by providing data for review and analysis. Industry has voluntarily provided additional information from FracFocus, a fracturing chemical registry where well-specific chemical disclosures have been made for over 12,000 wells.[14] Wexpro, the production affiliate of Questar Gas, is among the companies voluntarily providing data to FracFocus.

Many in the industry believe that states are in the best position to establish disclosure rules for the chemical components used in hydraulic fracturing fluids rather than federal agencies. The Wyoming Oil and Gas Conservation Commission was the first in the nation to implement a fracturing disclosure rule in 2010. During October of 2012, the Oil, Gas and Mining Board of the State of Utah approved a rule requiring disclosure within 60-days of hydraulically fracturing a well.

Wexpro II Agreement

For over 30 years, Questar Gas' customers have benefited from supplies delivered at cost-of-service to the Company pursuant to the Wexpro Agreement (Wexpro Agreement).[15] Since the fall of 2011, Questar Gas and Wexpro Company (Wexpro) and regulatory agencies in Utah and Wyoming have been discussing the possibility of Wexpro acquiring oil and gas properties or undeveloped leases for the mutual benefit of Questar Gas' customers and Wexpro, under an agreement similar to the Wexpro Agreement.[16] This arrangement, referred to as the Wexpro II Agreement, was designed to incorporate essentially the same terms and conditions of the Wexpro Agreement.

On December 5, 2012, the Utah Commission held a technical conference to address questions relating to the Wexpro II Agreement.

On September 18, 2012, Questar Gas filed an application with the Utah Commission seeking approval of the Wexpro II Agreement along with supporting testimony.[17] On December 11, 2012, the Division of Public Utilities (Division) and the Office of Consumer Services (the Office) filed direct testimony.[18] On January 10, 2013, Questar Gas, the Office and the Division filed rebuttal testimony. The same Parties filed surrebuttal testimony on January 24, 2013. On January 30 and 31 of 2012, the Utah Commission conducted hearings on the Wexpro II matter where witnesses from the Company, Utah regulatory agencies and the public appeared. On March 28, 2013, the Utah Commission issued its Report and Order approving the Company's application for approval of the Wexpro II Agreement finding that

[14] FracFocus is operated by the Ground Water Protection Council and the Interstate Oil and Gas Compact Commission.
[15] For more information on the Wexpro Agreement, see the Cost-of-Service Gas section of this report.
[16] Meetings on the Wexpro II concept were held with Wyoming regulatory agencies in person or by telephone on November 9, 2011, January 26, 2012, February 14, 2012, March 28, 2012, and April 26, 2012. In Utah, meetings were held on October 25, 2011, January 18, 2012, March 26, 2012, and April 26, 2012.
[17] Utah Public Service Commission, "In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement," Docket No. 12-057-13, September 18, 2012. See direct testimony of Barrie L. McKay and James R. Livsey in Docket No. 12-057-13 also filed September 18, 2012.
[18] See direct testimony of Douglas D. Wheelwright on behalf of the Division and direct testimony of Michele Beck on behalf of the Office in Docket No. 12-057-13 filed December 11, 2012.

"Questar [Gas] and the Division have adequately demonstrated Wexpro II to be in the public interest."[19] The Utah Commission held a technical conference on May 2, 2013 to discuss the information to be provided with an application for the approval of a property under the Wexpro II Agreement. The Utah Commission, Utah Commission Staff, the Office, the Division and the Wyoming Office of Consumer Advocate all participated in the technical conference.

On September 18, 2012, Questar Gas also filed an application with the Wyoming Commission also seeking approval of the Wexpro II Agreement with the same supporting testimony.[20] From September 2012 to March 2013 the Company and Wexpro responded to numerous data requests from the Wyoming Commission Staff. On March 11, 2013, direct testimony was filed on behalf of the Wyoming Office of Consumer Advocate in support of the Wexpro II Agreement.[21] On April 11, 2013, the Wyoming Commission held a public hearing where witnesses from the Company and the Office of Consumer Advocate provided extensive testimony in support of the Wexpro II Agreement. At the conclusion of the hearing, the Wyoming Commission deliberated and approved the Wexpro II Agreement. Questar Gas anticipates that the Wyoming Commission will issue a written order approving the Wexpro II Agreement soon.

The Wexpro II Agreement provides a framework where the customers of Questar Gas can continue to receive the long-term benefits of cost-of-service production. The approval of both the Utah Commission and the Wyoming Commission is required for a property to be eligible for treatment under the Wexpro II Agreement. Applications for Wexpro II treatment will include data and analysis on the impact of proposed properties on the Company's gas supply and could include, as requested or appropriate, integrated resource planning analysis. Questar Gas is confident that the Wexpro II Agreement will prove to be valuable to its customers over the long term in Utah and Wyoming.

Wyoming IRP Process

Questar Gas has been involved in integrated resource planning for nearly two decades in the State of Wyoming. As directed in an order issued by the Wyoming Commission in 1992, the Company has been required to prepare and file integrated resource plans.[22]

More recently, on February 3, 2009, the Wyoming Commission issued an order initiating a rulemaking pertaining to integrated resource planning. The rule was proposed to ". . . give the Commission a more formalized process for requiring the filing of integrated resource plans, in some cases, and reviewing such plans."[23]

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[19] Utah Public Service Commission, "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, Issued: March 28, 2013.
[20] Public Service Commission of Wyoming, "In the Matter of the Application of Questar Gas Company for the Approval of the Wexpro II Agreement," Docket No. 30010-123-GA-12, filed September 18, 2012.
[21] See direct testimony of Bryce J. Freeman in Docket No. 30010-123-GA-12 filed on March 11, 2013.
[22] "In the Matter of the Application of Mountain Fuel Supply Company to File its Integrated Resource Plan as Directed by the Commission in Docket No. 30010-GI-90-8," Findings, Conclusions and Order, Docket No. 30010-GI-91-14, May 21, 1992.
[23] Before the Public Service Commission of Wyoming, "In the Matter of the Proposed Adoption of Chapter 2, Section 253 of the Commission Procedural Rules and Special Regulations Regarding Integrated Resource Planning," Order Initiating Rulemaking, Docket No. 90000-107-XO-09 (Record No. 12032, February 3, 2009).

On May 12, 2009, the Wyoming Commission approved Rule 253. On June 7, 2010, the Wyoming Commission sent out natural gas IRP guidelines to natural gas utilities with a request for comments.[24] On January 24, 2011, the Wyoming Commission accepted the natural gas IRP guidelines.[25]

On June 12, 2012, Questar Gas filed its 2012 IRP with the Wyoming Commission. On August 14, 2012, the Wyoming Commission noticed the filing in its Open Meeting Agenda and solicited written comments to be filed on or before October 12, 2012. The Wyoming Commission also set November 27, 2012 as the date for the matter to be considered in open meeting.[26] On November 15, 2012, the Commission Technical Staff and the Commission Legal Staff sent a report to the Wyoming Commission addressing the content of the 2012 IRP and noting changes from the previous year's IRP.[27] Other than the report by Commission Staff, no comments were received on the 2012 IRP.

The Wyoming Commission addressed Questar Gas' IRP in its Open Meeting on November 27, 2012. At that meeting, representatives of Questar Gas (participating by telephone) summarized the IRP and answered questions from the Wyoming Commission. The Commission Staff recommended that a letter order be issued accepting the Company's IRP for filing. Pursuant to action taken at the November 27th open meeting, the Wyoming Commission issued a letter order on January 11, 2013, accepting the 2012 IRP for filing. The Commission also indicated that no further action would be taken and closed the matter.[28]

On December 20, 2012, representatives of Questar Gas and Questar Pipeline met with regulatory agencies in Wyoming to discuss natural gas interchangeability as part of a presentation titled, "Update on Gas Interchangeability Management." Discussion topics included:

- Brief definition of gas interchangeability.
- History of gas management on the system.
- Discussion of current operating ranges.
- Description of industry trends.
- Recommendations for moving forward.

[24] Correspondence from the Public Service Commission of Wyoming; Alan B. Minier, Chairman; Steve Oxley, Deputy Chairman, and Kathleen "Cindy" Lewis, Commissioner; to Barrie McKay, Manager of State Regulatory Affairs, Questar Gas Company, dated June 7, 2010.
[25] Correspondence from the Public Service Commission of Wyoming; Alan B. Minier, Chairman, Steve Oxley, Deputy Chairman, and Kathleen "Cindy" Lewis, Commissioner, To All Wyoming Natural Gas Utilities, dated January 24, 2011.
[26] Wyoming Public Service Commission, Open Meeting Agenda, Tuesday, August 14, 2012, Page 2.
[27] Memorandum From Don Biedermann and Steve Mink to Chairman Minier, Deputy Chairman Oxley and Commissioner Russell, Dated: November 15, 2012, Re: Docket No. 30010-117-GA-12 (Record No. 13213) In the matter of the application of Questar Gas Integrated Resource Plan (IRP) for June 1, 2012 to May 31, 2013.
[28] Letter Order, To: Jenniffer R. Nelson, Senior Corporate Counsel, Questar Gas Company, From: Steve Mink, Assistant Secretary Wyoming Public Service Commission, Re: IN THE MATTER OF THE APPLICATION OF QUESTAR GAS' INTEGRATED RESOURCE PLAN FOR PLAN YEAR JUNE 1, 2012 TO MAY 31, 2013 – Docket No. 30010-117-GA-12 (Record No. 13213), Issued: January 11, 2013.

Utah IRP Process

In recent years, the Utah Commission has promulgated new IRP standards and guidelines. This implementation process has included numerous discussions between IRP stakeholders in public meetings and the submission of extensive comments.

On March 31, 2009, the Utah Commission issued its Report and Order on Standards and Guidelines for Questar Gas Company (2009 IRP Standards) to be effective starting with the Company's 2010 IRP.[29]

On March 22, 2010, the Utah Commission issued an order clarifying the requirements of the 2009 IRP Standards (Clarification Order).[30]

On June 8, 2012, Questar Gas filed its IRP for the plan year, June 1, 2012 to May 31, 2013. On June 13, 2012, the Utah Commission issued an Action Request for the Division to conduct an investigation of the 2012 IRP.[31] The Division responded with its report and recommendation on July 9, 2012.[32] On August 6, 2012, the Utah Commission issued its Report and Order on the 2012 IRP.[33] The Utah Commission commended the Company for its efforts in preparing the 2012 IRP, managing the IRP process, and addressing Commission guidance from previous Utah Commission orders. In particular, the Utah Commission acknowledged the Company for providing valuable, up-to-date information. The Utah Commission also acknowledged the Division's analysis of and comments on the 2012 IRP. The Utah Commission agreed with the Division's analysis and determination that the 2012 IRP satisfied the requirements of the 2009 IRP Standards.

In its August 6, 2012 Report and Order, the Utah Commission offered guidance for the Company to address three areas: The first area involved the Company's System-Wide Gathering Agreement (SWGA) with QEP Field Services Company. As discussed in more depth in the Gathering, Transportation and Storage section of this report, Questar Gas, after initiating an audit of the SWGA, filed a lawsuit on May 1, 2012 disputing certain gathering rates and charges invoiced under that agreement. The Utah Commission ordered the Company to provide a quarterly update of the dispute in future IRP quarterly variance reports.

Second, the Utah Commission observed significant cost increases in the Company's transmission and distribution integrity management programs (IMP) from those presented in

[29] "In the Matter of the Revision of Questar Gas Company's Integrated Resource Planning Standards and Guidelines," Report and Order on Standards and Guidelines for Questar Gas Company, Docket No. 08-057-02, Issued: March 31, 2009.
[30] "In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: May 1, 2009 to April 30, 2010," Report and Order, Docket No. 09-057-07, Issued: March 22, 2010.
[31] Action Request, From: Public Service Commission, Subject: Questar Gas Company's Integrated Resource Plan (IRP) 12-057-07, Date: June 13, 2012.
[32] Action Request Response, To: Utah Public Service Commission, From: Division of Public Utilities; Chris Parker, Director, Artie Powell, Manager, Energy Section, Marlin H. Barrow, Technical Consultant, Carolyn Roll, Utility Analyst, Subject: Action Request Docket No. 12-057-07, Questar Gas Company 2012-13 Integrated Resource Plan (IRP) Report, Division's Recommendation – Acknowledgement, Date: July 9, 2012.
[33] In the Matter of Questar Gas Company's Integrated Resource Plan for Plan Year: June 1, 2012 to May 31, 2013, Report and Order, Docket No. 12-057-07, Issued: August 6, 2012.

the 2011 IRP to those presented in the 2012 IRP. While acknowledging the importance of these programs and the fact that they are required by federal law, the Utah Commission ordered Questar Gas to explain the deviations in cost estimates in future IRPs or IRP-associated meetings.

And third, the Utah Commission encouraged the parties involved in the IRP process to meet with the goal of enhancing understanding the SENDOUT model including its setup, logic and constraints.

Over the past year, Questar Gas has scheduled technical conferences and meetings to respond to specific issues as ordered by the Utah Commission, to receive input for the IRP process, and to report on the progress of the Company's planning effort. On March 13, 2013, the first public IRP technical conference was held in conjunction with the development of the 2013 IRP (a short portion of the meeting was closed due to the confidential nature of the information presented). The following topics were discussed including two that relate directly to the Utah Commission's August 6, 2012 Order:

- Purchased gas request for proposal (RFP) schedule and invitation to review responses.
- Topics to be covered in future technical conferences.
- Review of the unusually cold January 2013.
- Performance of the high pressure distribution system.
- Performance of the intermediate high pressure (IHP) distribution system.
- Basis for the Company's integrity management program (IMP).
- Report of recent distribution integrity management program (DIMP) activities.
- Report of recent transmission integrity management program (TIMP) activities.
- Basis for the increase in IMP costs from the 2011 to the 2012 IRP.
- Comparison of transportation alternatives.
- Transportation Contract No. 2945 expiration and basis for renewal.
- Update of Ryckman storage contract.
- Ryckman park and loan contract.
- Expiration of Clay Basin Contract No. 997.
- Need for storage and potential options.
- Update of the System-Wide Gathering Agreement lawsuit.

On March 14, 2013, Questar Gas received confidential responses to its annual RFP for purchased gas. The RFP was sent out to potential suppliers on March 1, 2013.

The Utah Commission held a public technical conference was held on March 27, 2013, with Utah regulatory agencies. The attendees discussed the following topics:

- Feeder line replacement program.
- IHP replacement program.
- Vintage Large Diameter (VLD) Main Replacement Program.
- 2012 Feeder Line Replacements - cost versus budget and basis for variance.
- 2013 Feeder Line Replacements – location, size, length and budgeted cost.

On April 30, 2013, Utah regulatory agencies held a closed meeting to discuss the following topics (which involved confidential market sensitive information):

- Schedule of future IRP meetings.
- Invitation for infrastructure replacement site tour on May 23, 2013.
- Responses to the Company's purchased-gas request for proposals.
- Purchased-gas modeling results and recommendations.
- Invitation for review of purchased gas proposals.
- Wexpro capital expenditures by area.
- Lower 48 gas rig count, efficiencies and total production.
- Vermillion declining drill time.
- Pinedale drilling program update.
- Wexpro finding costs per Mcfe.

Utah regulatory agencies held an additional IRP public technical conference on May 14, 2013. The meeting agenda included a presentation designed to bring about a greater understanding of the SENDOUT optimization model in direct response to guidance provided in the Utah Commission's August 6, 2012 Order. The following topics were discussed:

- SENDOUT optimization model;
- NARUC's cybersecurity recommendations and the Company's efforts relating to cybersecurity; and
- Issues relating to firm customers changing to transportation service.

A public meeting has been planned for June 18, 2013, to discuss the 2013 IRP with Utah regulatory agencies and interested stakeholders.

Over the previous year, the Company has participated in a number of Utah IRP meetings to address specific issues as ordered by the Utah Commission. The Company welcomes discussion and open dialogue and will schedule additional technical conferences to answer questions and resolve any remaining issues.

During the course of the IRP process, Questar Gas has maintained four main goals and objectives:

1. To project future customer requirements;

2. To analyze alternatives for meeting customer requirements from a distribution system standpoint, an upstream capacity standpoint, a gas-supply source standpoint and taking into consideration the inter-day load profile of each source;

3. To develop a plan using stochastic data, stochastic methods, and risk management programs that will provide customers with the most reasonable costs over the long term that are consistent with reliable service, stable prices,

and are 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 decisions associated with cost-of-service gas, purchased gas, gathering, processing, upstream transportation, and storage.

The Company utilizes a number of models as part of its IRP processes. The complexity of the systems being analyzed necessitates the use of computer-based tools. Modeling tools are an integral part of the forecasting, gas network analysis, energy-efficiency analysis, and resource selection processes. In each section of this report where the Company has referred to modeling tools, the IRP contains a description of the functions of each model and the version utilized. The IRP also contains discussion of any material changes (logic and data) from the previous year's IRP including the reasons for those changes.

An annual IRP process dovetails well with the natural seasonal cycles of the gas industry. Some of the end-of-calendar-year data is not available and fully analyzed for IRP purposes until mid-April. The utilization of this information ensures that the Company is including the most current and relevant information in its IRP. The required data input assumptions utilized in IRP models are voluminous. Nevertheless, the intent of this IRP is to summarize, in a readable fashion, the Company's planning processes.