

Transportation Services Meeting

February 28, 2014

Transportation Service Issues

- Questar Gas needs the ability to properly track nominations from the upstream pipeline to the customer
 - Currently nominations are to one “city gate” pool
 - Priorities are not designated
 - Results in pro-rata reductions
- There are concerns regarding the use of services not covered in Transportation rates

December 5th, 2013

Comp. Exh. 4.1 (Medura Exh. A)
UPSC Docket 14-057-19
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■ **Issues**

- Upstream reductions occur due to a variety of reasons
- Issues cannot be resolved between cycles
- Electronic confirmations are necessary at the customer level (NAESB compliant)
- Nominations need to match planned usage for each transportation customer
- Customers do not always reduce their usage to match their supplies when requested
- Transportation customers use Questar Gas' transportation, no-notice transportation (NNT) and storage services

Discussion

Comp. Exh. 4.1 (Medura Exh. A)
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- How do other LDCs handle these issues?

How do other LDCs Handle these Issues?

- Pay costs in advance
- Build costs into transportation rates
- Remote shut off valves

Questar Gas Proposal

Comp. Exh. 4.1 (Medura Exh. A)
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1. Streamline the process for nomination changes for transportation customers

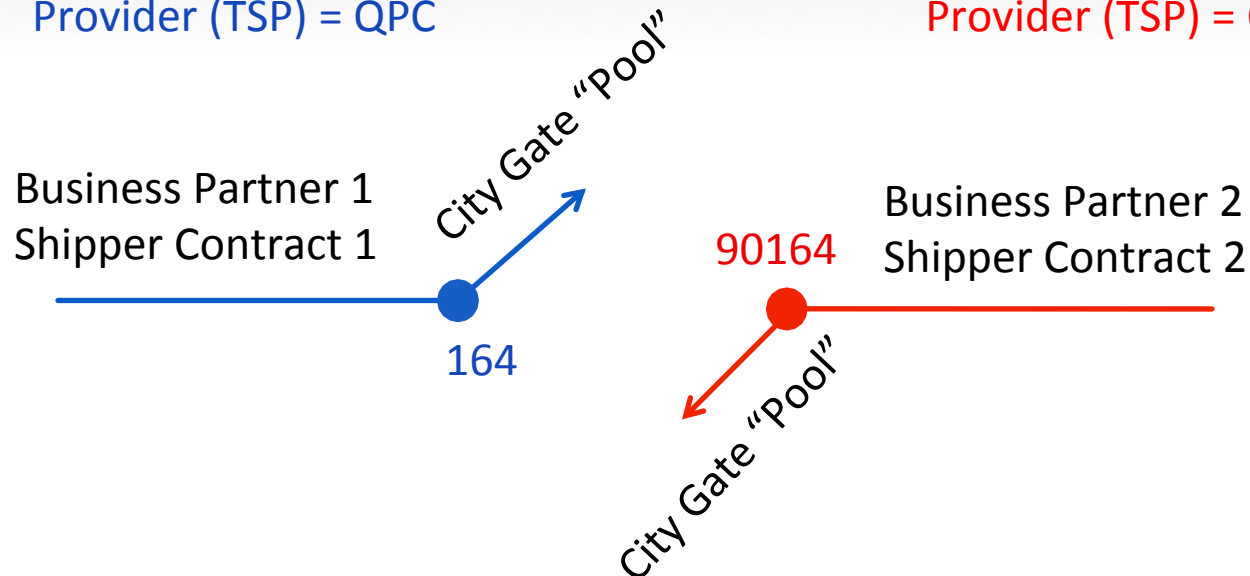
Streamline the Process for Nominations Changes for Transportation Customers

- Questar Pipeline will require matching upstream and downstream contracts
 - Provides for automated prioritized reductions when necessary
 - Gives control to the agents/customers to prioritize reductions
 - This can be done with or without pooling contracts

Current Method Used by QGC TS Shippers

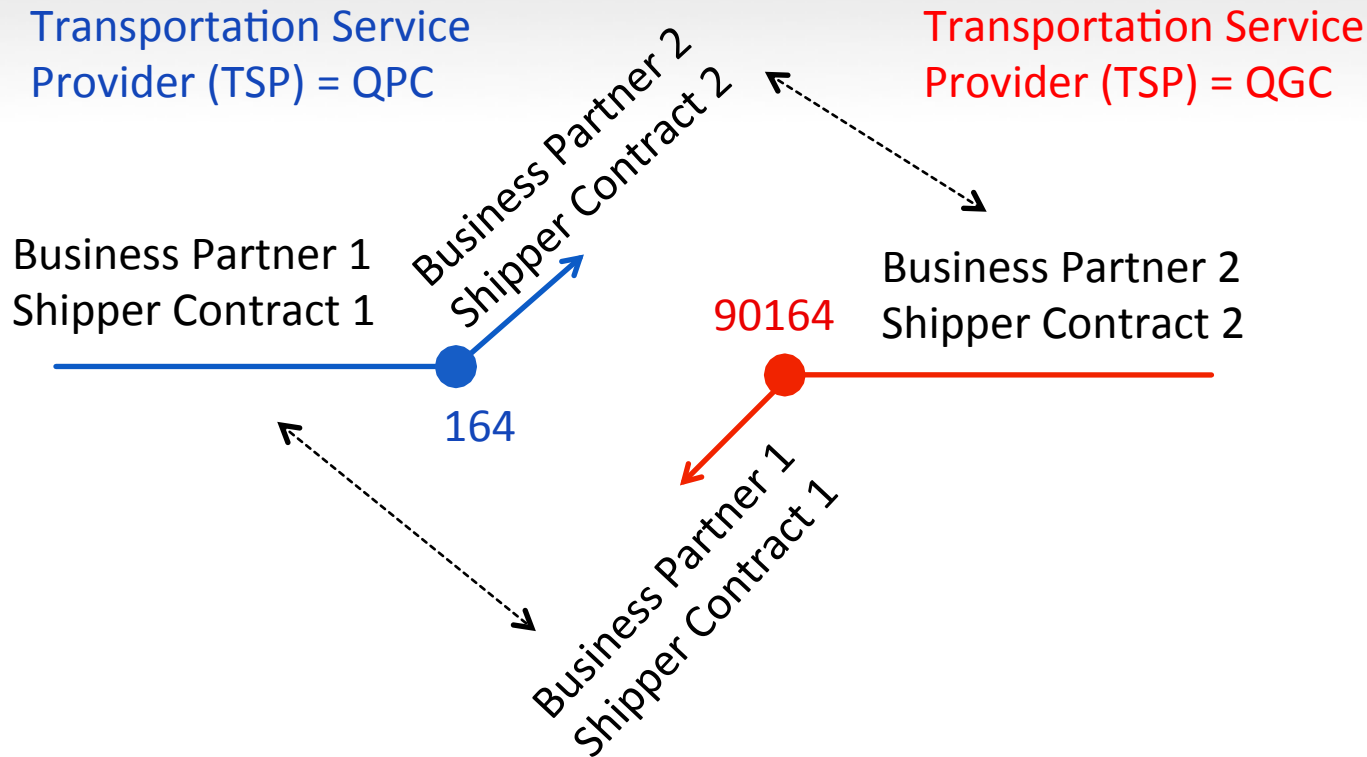
Transportation Service
Provider (TSP) = QPC

Transportation Service
Provider (TSP) = QGC



- This cannot be maintained in the future
- Cannot confirm nomination
- No automated cuts
- Manual cuts by QGC are very difficult
 - Matching nominations
 - Large number of nominations
 - Cycle and processing time constraints
- Masks nomination (Business Partner 1 cannot determine Business Partner 2)

NAESB Standard Contracting



- This is minimum requirement going forward
- Can confirm nomination
- Cannot mask nomination (Business Partner 1 can determine Business Partner 2)
- QPC uses EDI (automated) confirmations

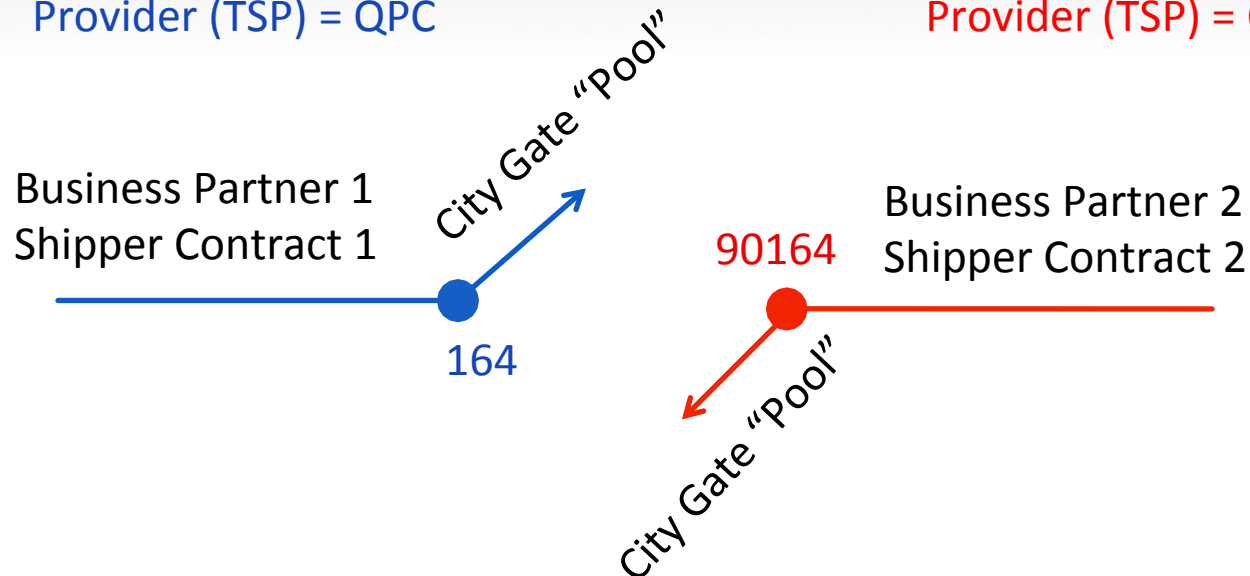
Nominations Task Force

March 24, 2014

Current Method Used by QGC TS Shippers

Transportation Service
Provider (TSP) = QGC

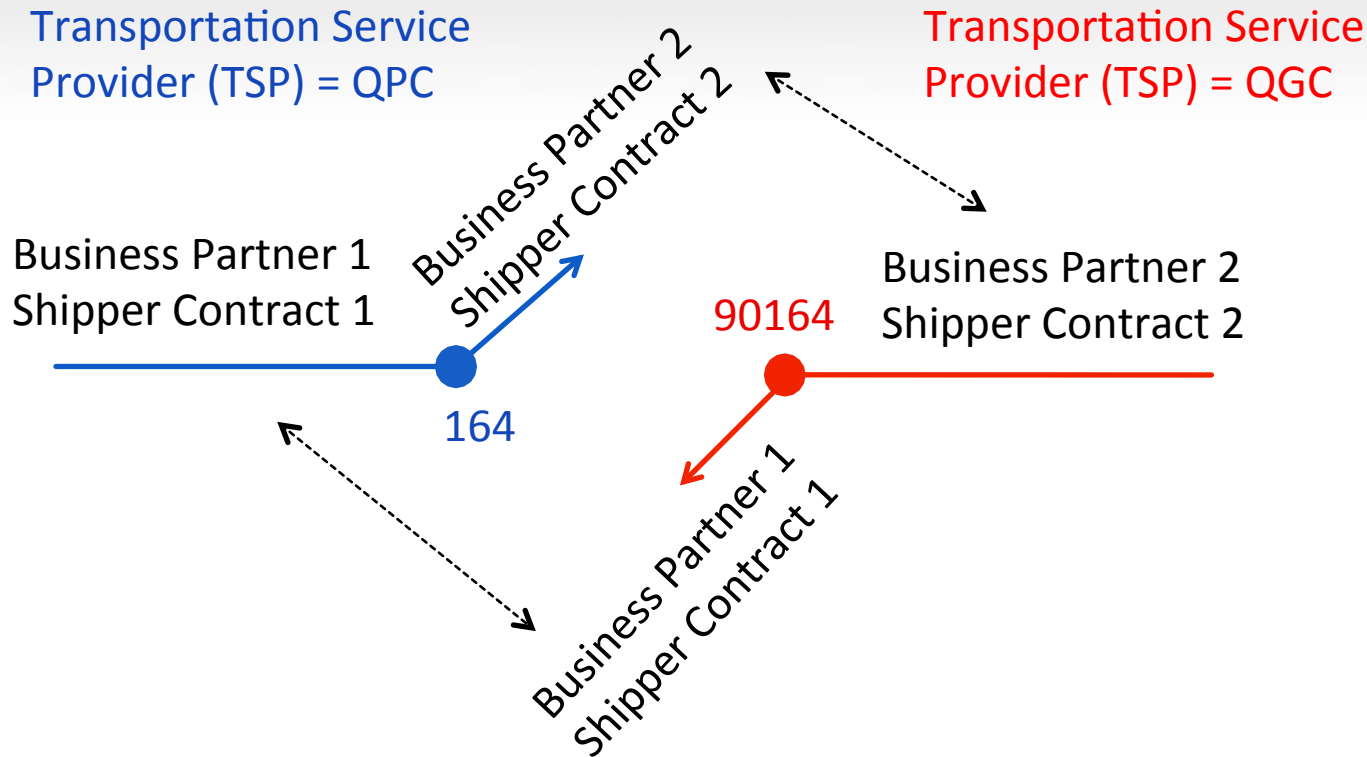
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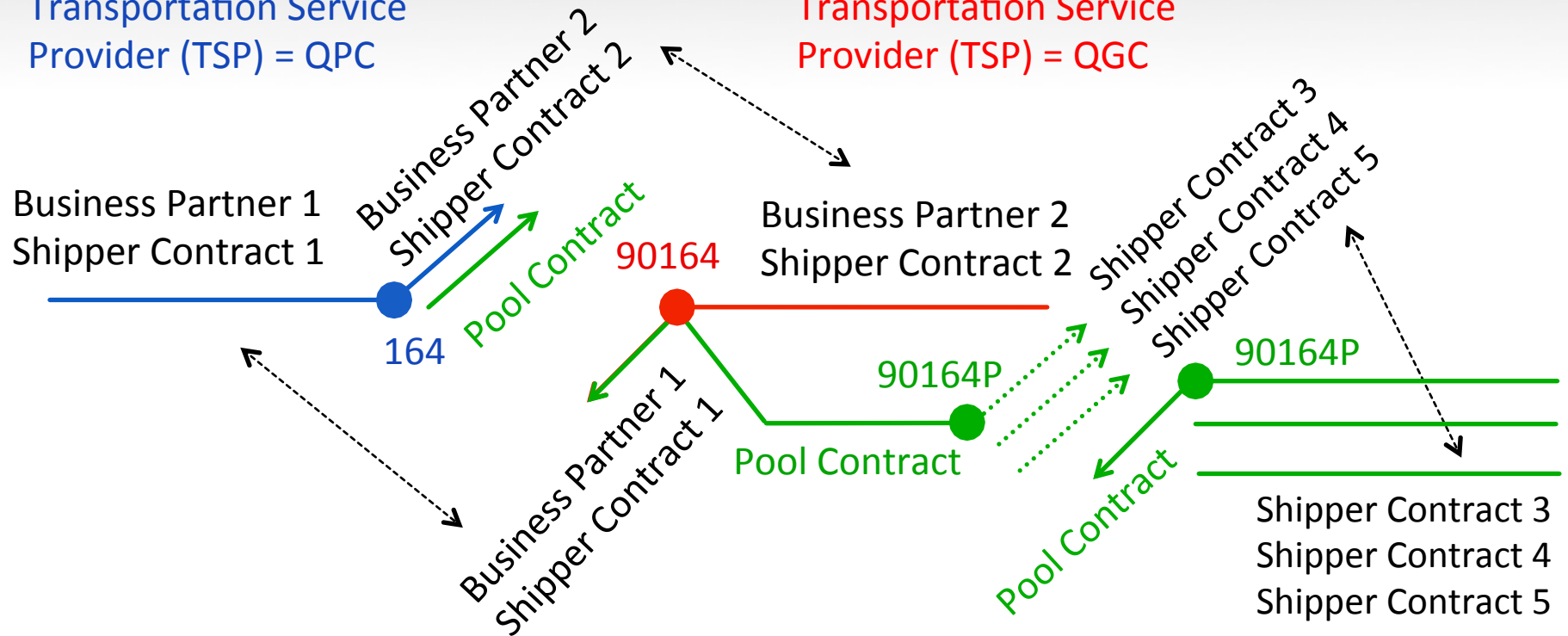
QUESTAR • Masks nomination (Business Partner 1 cannot determine Business Partner 2)

NAESB Standard Contracting



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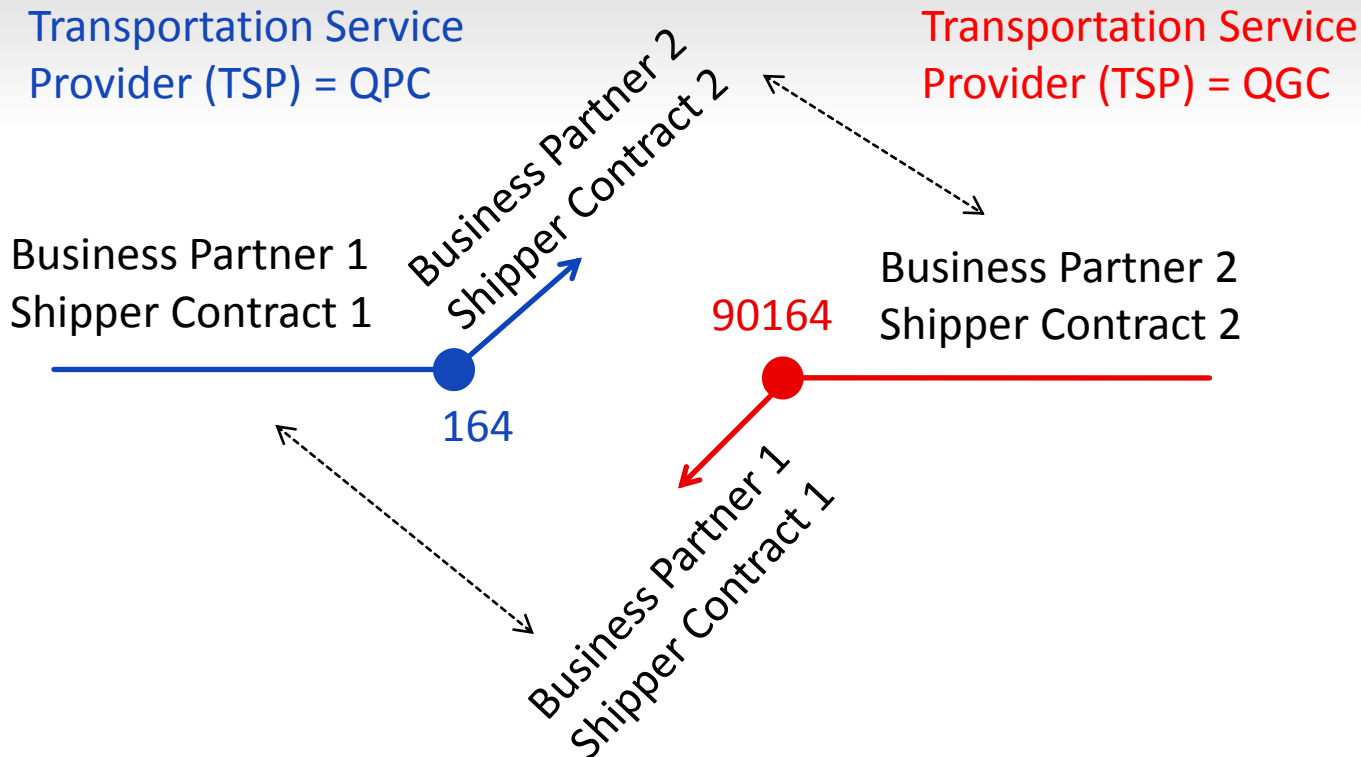
- Can confirm nomination
- Customers who do not want to use pool can nominate take away from 90164

Nominations Technical Conference

May 13, 2014

NAESB Standard Confirmation

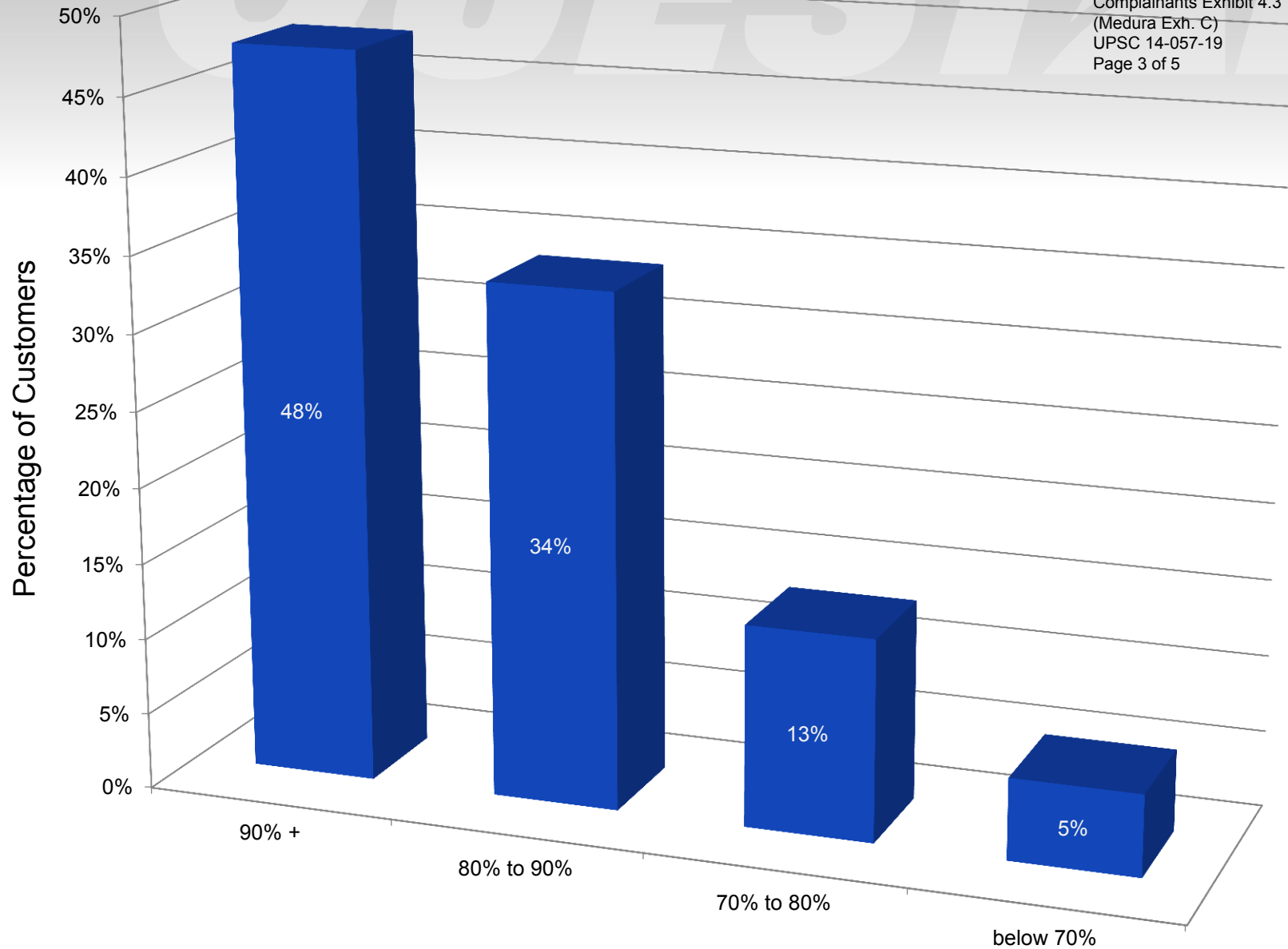
Complainants Exhibit 4.3
(Medura Exh. C)
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- This is minimum requirement going forward
- QPC uses EDI (automated) confirmations
- Customer controls cuts through ranking
- Effective July 1, 2014

Frequency of Customers outside of 5% tolerance

Complainants Exhibit 4.3
(Medura Exh. C)
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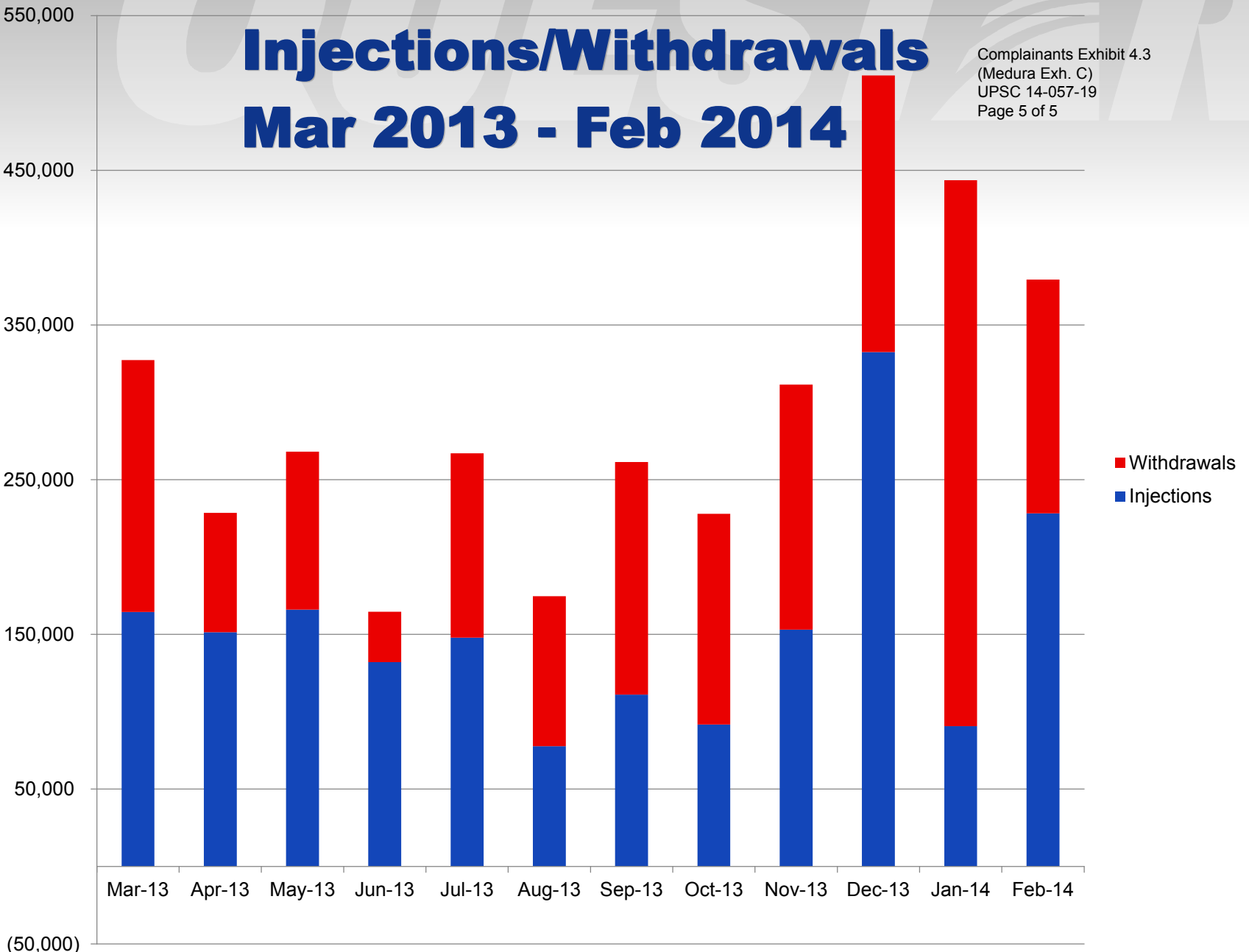
DATE	NOMINATIONS (NET OF FUEL)	DELIVERIES (USAGE)	ABS - DAILY IMBAL	5%	Over 5%
2/1/2014	439	571	132	22	110
2/2/2014	439	570	131	22	109
2/3/2014	439	568	129	22	107
2/4/2014	439	576	137	22	115
2/5/2014	439	565	126	22	104
2/6/2014	439	563	124	22	102
2/7/2014	439	516	77	22	55
2/8/2014	439	498	59	22	37
2/9/2014	439	510	71	22	49
2/10/2014	439	503	64	22	42
2/11/2014	473	497	24	24	0
2/12/2014	512	487	25	26	0
2/13/2014	512	476	36	26	10
2/14/2014	512	474	38	26	12
2/15/2014	512	460	52	26	26
2/16/2014	512	496	16	26	0
2/17/2014	512	498	14	26	0
2/18/2014	512	499	13	26	0
2/19/2014	512	570	58	26	32
2/20/2014	512	531	19	26	0
2/21/2014	512	511	1	26	0
2/22/2014	512	485	27	26	1
2/23/2014	512	480	32	26	6
2/24/2014	512	484	28	26	2
2/25/2014	473	470	3	24	0
2/26/2014	473	466	7	24	0
2/27/2014	473	506	33	24	9
2/28/2014	473	510	37	24	13

Complainants Exhibit 4.3
Medura Exh. C)
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Injections/Withdrawals Mar 2013 - Feb 2014

Complainants Exhibit 4.3
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To: Questar Gas Company Regulatory, Legal and Gas Control Groups

From: CIMA ENERGY LTD

Date: May 30, 2014

Re: Electronic Confirmations Notice and Pooling Discussion Re-engagement

The following notice was sent May 13 at roughly the same time as the Questar Gas Company Nominations & Scheduling Working Group meeting was starting:

Questar Pipeline will begin electronic confirmation of nominations with Questar Gas effective gas day Tuesday, July 1, 2014 Timely Cycle.

Customers with questions should contact their Scheduling representative.

EVENT DATE: 05/13/2014 01:06:41 PM

During that meeting and for reasons that remain unclear, the Companies abruptly halted the collaboration seemingly achieved in the first two previous Working Group discussions and decided to proceed independently without regard for the interests of marketing companies and their customers. After significant progress was made toward a resolution based on pooling, our understanding was that Questar Pipeline and Questar Gas Company were moving forward with outlining an improved pool to pool confirmation process. It was our understanding that a draft pooling agreement was to be presented at the third meeting. For whatever reasons, the Companies perceived “disinterest” by suppliers was actually an anticipation that a pooling structure was being developed for review and further discussion.

Unfortunately, to CIMA’s surprise, this third meeting resulted in a mandatory point to point nomination process suited solely for the companies’ automatic confirmations plan. This plan would be rolled out July 1st. Automatic confirmations are common to the natural gas industry. To date, QGC and QPC have performed this process manually. Upon receiving this notification, CIMA Energy Ltd. would like to voice a number of serious concerns we have.

1. The decision to move forward with point-to-point nominations between QGC and QPC would result in supplies from interstate pipelines being nominated individually to each end-use customer within QGC. This new process would eliminate our ability to mask our end use markets on QGC from third party suppliers on other upstream pipes some of which are direct competitors. As such, QGC and QPC are effectively forcing suppliers to disclose their customers' downstream information to any third-party supplier at the city gate. We believe this conflicts with NAESB confidentiality and is anti-competitive in effect.
2. In addition to confidentiality, this new point to point nomination process would greatly affect third party wholesale suppliers as it will increase the potential number of nominations they would need to make for citygate delivery to the number of end users their marketing company buyers have (in multiple cycles). This would significantly decrease the attractiveness for wholesale sellers to do business with the marketers and greatly decrease the liquidity at the Wasatch Front city gate. This would have adverse effects not only to marketing companies like CIMA, but to Questar Gas as well.
3. Finally, implementing the strict point-to-point method to nominate to QGC end users would directly harm suppliers by increasing the complexity of matching upstream and downstream nominations. The proposed point to point process limits our ability to accurately supply volumes to the end-use customer by increasing the likelihood of error with the duplication of nominations on the upstream side. Additionally, the nomination process itself will become so cumbersome it would hinder the ability to make nominations and nomination adjustments when it may matter most e.g. late in cycles or re-sourcing supply as a result of cuts, upstream OFO's etc. Also, balancing would take place late in the last cycle, after the most recent burn data has been posted, further complicating the communication between CIMA and its supplier in the most illiquid part of the day.

The use of a common pooling type structure as initially mutually agreed would remedy these concerns by allowing an agent to deliver gas supply via any transaction arrangement without disclosing the downstream customer's identification while eliminating the duplicative nomination process on third-party wholesale suppliers. Many LDCs have implemented pooling agreements and, as a result, they have become the industry standard at interconnect and city gate point locations throughout the US. CIMA currently conducts business on many LDCs where pooling is standard practice including: Citizens Gas, Vectren, SEMCO, Nicor, Consumers (Michigan), Peoples, SoCal Gas, PG&E and PSCO to name a few.

CIMA Energy Ltd. strongly requests the Companies re-engage the pooling implementation discussions and delay implementation of the point to point nomination requirements while maintaining the status quo until a resolution is arrived at. We urge both parties to resume talks with the suppliers of natural gas to the TS Rate Schedule by June 13, with the intent to develop a better and more effective method to nominate natural gas to the city gate. In addition, we suggest QPC and QGC to reach out to the numerous LDC's who currently operate using pooling agreements with any assistance by CIMA or other

willing marketers as needed. Failure to delay the July 1st implementation of point to point confirmations will harm marketers' ability to continue to provide reliable, competitive supply and would directly conflict with the best interests of the stakeholders.

Sincerely,

Matt Medura

Sr. Marketing Representative, Western Division

CIMA ENERGY LTD



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Salt Lake City, Utah 84145-0360
Tel 801-324-2766 • Fax 801 324-2970
will.schwarzenbach@questar.com

Will Schwarzenbach
Supervisor, Gas Supply

To: Matt Medura, Sr. Marketing Representative – CIMA Energy LTD
From: Questar Gas Company
Date: June 18, 2014
Re: Nominations and Scheduling

I am writing regarding your recent correspondence and our recent discussions related to the nomination and scheduling of supplies on the Questar Pipeline Company (Questar Pipeline) and the Questar Gas Company (Questar Gas) systems.

As you know, Questar Gas and Questar Pipeline have been meeting with customer groups since early in 2014 to discuss these matters. Interested parties met on February 28, March 24, and May 13, 2014. Additionally, Questar Gas and Questar Pipeline representatives met individually with interested parties on May 22, June 3 and June 5, 2014. Questar Gas and Questar Pipeline have also conducted extensive internal analysis regarding options for addressing the problems with the current nomination/confirmation process. As a result of these meetings and this analysis, Questar Gas and Questar Pipeline believe that the best solution is the standard contract and entity level confirmation process currently scheduled to begin on July 1, 2014.

The current nomination process (nominating to the city gate without identifying a specific end-use contract) creates extraordinary difficulties which were highlighted this past winter. Under the current nomination/confirmation practice, Questar Gas is unable to accurately identify which end-use transportation customers should be receiving the supplies that have arrived at the city gate, and which end-use transportation customers should be reduced when supplies do not arrive at the city gate. Historically, Questar Gas and Questar Pipeline have been manually confirming end-use transportation customer's nominations with upstream transportation nominations by comparing total supplies at the interconnect. This manual process has become unmanageable and ineffective. It is reasonable to expect these difficulties to continue or even increase going forward. Questar Gas and Questar Pipeline must implement more accurate confirmation procedures prior to the 2014-2015 heating season in order to preserve Questar Gas' ability to provide reliable service to its firm sales service customers by accurately managing its own gas supply.

It is of paramount importance that transportation customers make standard nominations for their end-use locations which identify both the upstream and

downstream contracts. These nominations need to be accurate for each contract and allow Questar Gas to be able to electronically schedule supplies in the event of supply disruption. Some have noted that this is a complex process. Questar Gas and Questar Pipeline agree. However, without this process in place, Questar Gas and Questar Pipeline may be forced to manage the complex process of scheduling gas supplies without sufficient information from the nominating parties as occurred in December of 2013. The nominating parties have complete information about the supplies, the end-use customer demand and how the two should be matched. To expect Questar Gas or Questar Pipeline to manage the supply confirmation process without this information during critical times of supply or capacity constraints is unreasonable, may take attention away from protecting the integrity of the two systems, and may be done differently than the nominating parties intended.

Several nominating parties have suggested that some form of supply pooling would adequately address the issues with the nomination/confirmation process. Though Questar Gas and Questar Pipeline are committed to continued dialog about this, we do not believe any form of pooling would resolve the problems in time for the coming heating season, or in the foreseeable future. Questar Gas also has concerns regarding the operational functionality of mixing supplies within a pool. If all supplies are combined in a pool and spread to all of the downstream contracts from that pool, it is possible that a supply reduction could be spread evenly across numerous customers. While this may seem like it reduces exposure, it actually creates a problem because it is unlikely that a large group of customers will have the ability to respond appropriately to requests to reduce their usage to match their supplies.

As we discussed in the meetings outlined above, Questar Gas' transportation rates are not inclusive of the costs incurred by Questar Gas to provide transportation, no-notice transportation or storage services that are used when supplies for transportation customers do not arrive at the city gate. When Questar Gas cannot identify which end-use customers to curtail (i.e. matching the curtailed volumes with the proper end-use customer) it utilizes these services to ensure that all end-users receive sufficient supplies. Questar Gas cannot offer additional pooling services that result in continued, or expanded, use of these services unless and until it has rates in place to require its transportation customers to bear the appropriate share of the costs associated with those services.

The Questar Gas transportation rate is also currently less than cost-of-service. Adding a pooling service could incur additional costs at a time when transportation customers are paying less than the costs they are already causing on Questar Gas' system. This would be inappropriate.

Finally, the NAESB gas day is currently in a state of flux. The FERC has introduced a Notice of Proposed Rulemaking (NOPR) that has proposed changes to the number of nomination cycles and gas day timing. This NOPR has prompted discussions throughout the industry creating a lot of uncertainty. Questar Gas and Questar Pipeline believe it prudent to implement a standard contract and entity level confirmation process at least until the future gas day requirements are more clearly defined.

Some claim that this approach is not used by others in the industry. In fact, the standard contract and entity level confirmation methodology is used by most other shippers on Questar Pipeline and shippers on Kern River Gas Transmission pipeline that are delivering to Questar Gas. Accordingly, complying with this standard nomination procedure should be neither burdensome, nor unusual for anyone shipping on these pipelines. This is also considered to be a standard NAESB process and should not be in violation of any confidentiality provisions.

We assure you that Questar Gas and Questar Pipeline have gone to great lengths to discuss the problem and potential solutions with all interested parties. We welcome further discussion; however, we have received feedback that the larger meetings present confidentiality concerns regarding business practices. In order to address these concerns, we invite you to contact us directly in order to set up individual meetings if you would like to continue these discussions.

In the immediate future, however, Questar Pipeline will begin confirming with Questar Gas using standard contract and entity level confirmations as noted in its notice posted May 13, 2014.

We are also committed to assisting you and answering any questions you may have in order to make this transition as seamless as possible. If you have questions or concerns, please contact Will Schwarzenbach, Supervisor of Gas Supply, Questar Gas at 801.324.2766 or Greg Paige, Director of Gas Control and Scheduling, Questar Pipeline at 801.324.5262.

Sincerely,



Will Schwarzenbach, PE
Supervisor – Gas Supply
Questar Gas