

Questar Gas Company  
First Quarter Variance Report  
June 2016 – August 2016

Questar Gas Company (Questar Gas or Company) respectfully submits this First Quarter Variance Report for the period June 2016 – August 2016. This report identifies the variance between the actual results and the projections set forth in the 2016 Integrated Resource Plan (IRP).

- Weather Exhibits 1.1 – 1.3  
The weather for the period June through August was warmer than normal compared to the 2016 IRP forecast. See Exhibit 1.1.
- Gas Storage Exhibits 2.1 – 2.4  
Clay Basin actual inventory levels closely matched IRP estimates in June, July and August. See Exhibit 2.1.
- Aquifer inventory also closely matched projections for June through August. The slight difference occurred because Questar Pipeline LLC maintained Coalville and Leroy at *approximately* 50% of their post-heating season capacity while Questar Gas modeled these same reservoirs at *exactly* 50% capacity. See Exhibit 2.2.
- Firm Sales Exhibits 3.1 – 3.4  
The largest variance from the normal weather forecast for sales occurred during the month of June. There were no heating degree days during the month in the Salt Lake weather zone. Historically there have been 46 heating degree days on average during the month. The usage level hovered just above baseload level and was 16% below the forecast.
- Gas Purchased from Third Parties Volume Variance Exhibits 4.1 – 4.3  
Exhibit 4.1 shows minimal purchases June through August compared to projections for purchase gas during the quarter. Reduced purchases were due to elevated cost-of-service production and warmer temperatures, which equated to no heating degree day demand.
- Gas Purchased from Third Parties Cost Variance Exhibits 5.1 – 5.3  
As a result of the minimal summer purchases, total monthly costs for third party gas purchases were significantly lower than projections for June through August. Lower-than-estimated unit prices were also a contributing factor in the third party cost variance.
- Gas Purchased from Third Parties Unit Cost Variance Exhibits 6.1, 6.2  
Unit costs for the quarter are lower than IRP projections.
- Cost-of-Service Gas Exhibits 7.1 – 7.3  
For June and July, cost-of-service production exceeded IRP estimates. For August, production was reduced due to shut-in of 5,724 decatherms per day but remaining volumes still exceeded IRP estimates. For the entire quarter, Canyon Creek and Trail gas

from the Wexpro II stipulation produced above their IRP forecasts and accounted for much of the summer overage. See Exhibit 9.1.

During early September, Wexpro provided QGC with an update to its annual forecast. From that update, Questar Gas anticipates between 8,000 and 14,000 additional cost-of-Service decatherms per day for the remainder of the 2016 IRP year.

Table 1 below summarizes estimated average daily shut-in compared to the actual average daily shut-in during the quarter.

TABLE 1

	June	July	August	Total Dth for Quarter
Estimated Shut-in (dth/day)	59	780	0	25,950
Actual Shut-in (dth/day)	0	0	5,724	160,272

#### Cost-of-Service Gas New Drill Component

Exhibits 8.1 – 8.3

For the quarter, there was no new drill production. Some new drill had been projected in the first quarter IRP estimates, however, the fall update to the Wexpro forecast showed new drill first coming on in September, increasing through December 2016 and then declining for the remainder of the IRP year.

Table 2 below summarizes purchase and cost-of-service volume variances using IRP projections and actual results as a percent of total. The Q1 number is a percent of total and not an average.

TABLE 2

		Actual Purchase as Percent of Total	IRP Forecast (Normal) Purchase as Percent of Total	Actual Cost-of- Service Into- Pipe as Percent of Total	IRP Forecast (Normal) Cost-of- Service Into-Pipe as Percent of Total
1	Jun-16	0.01%	13.89%	99.99%	86.11%
2	Jul-16	0.02%	2.97%	99.98%	97.03%
3	Aug-16	0.00%	2.25%	100.00%	97.75%
4	Q1	0.01%	6.62%	99.99%	93.38%

#### Supplemental Graphs

Exhibits 9.1 – 9.3

Confidential Exhibits 9.1 and 9.2 show the total projection and new drill by nominations group. Confidential Exhibit 9.3 shows detailed information related to gas purchases.

#### Average Market Price and Cost-of-Service Price

Exhibits 10.1, 10.2

Exhibit 10.1 shows the price difference between cost-of-service gas and average market price. Exhibit 10.2 compares the actual market price with the trailing twelve months (TTM) price of cost-of-service gas on an into-pipe basis. Beginning in 2016, the

Northwest Pipeline first-of-month price is used for the market price in Exhibits 10.1 and 10.2, per the Canyon Creek Settlement Stipulation Docket No. 15-057-10.

#### DNG Action Plan Variance Report

The following is the first quarter variance report on the DNG Action Plan outlined on pages 4-12 through 4-18 of the 2016 IRP. The following project has been modified:

The NL0001 District Regulator Station, North Logan, Utah: This project was initially slated to start construction in June of 2016. However, due to difficulties in obtaining property for the regulator station, the start of the project has been delayed. The Company still anticipates completing this project in 2016.