

Docket No. 02-057-02
Darrell S. Hanson
Exhibit No. DPU 7.2

P.S.C.U. Docket No. 02-057-02
Data Request No. 2.11
Requested by the Division of Public Utilities
Date of QGC Response May 21, 2002

2.11 Do natural gas customers in Utah benefit from having the Price Area Coal Bed Methane fields close by? For example, does the existence of this source keep wellhead prices down in our area? Quantify any benefits where possible.

Answer: The benefit from the coalbed methane development is significant. This is the largest natural gas deposit currently delivering to Questar's system in Utah. The gas does not have another significant pipeline outlet and ,therefore, generally can be purchased at prices related to Questar FOM Inside FERC prices. Dually connected sources, which are the bulk of gas connected to Questar Pipeline, generally demand a higher pipeline line price, such as those sources connected to Questar and to Northwest or Kern.

From December 2001 to March 2002 the Kern and Northwest index has exceeded Questar by an average of more than 13 cents per Dth. Questar expects to receive a substantial portion of its purchased gas from this Price area for the foreseeable future, and therefore customers have enjoyed this savings over other supplies and may expect this kind of savings on purchased gas in the foreseeable future.

Supply sources, such as the coalbed methane, that are closer to QGC's city gates are also advantageous from an operating standpoint. A closer proximity provides greater flexibility, more expeditious timing, and a more efficient utilization of QGC's upstream pipeline capacity.

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