

RECOVERY OF GAS MANAGEMENT COSTS ROAD MAP

Overriding Objective: Questar Gas Company is obligated to manage gas supplies to provide safe and reliable gas service for customers.

I. History of Case

Factual, procedural and timeline (McKay)

II. Gas Supplies

A. Supplies are changing (Conti, Lamarre, Reid)

1. Historically, Questar Gas and Questar Pipeline were an island (Conti, Lamarre)
2. Questar Pipeline has become part of an interstate natural gas pipeline grid (Conti, Lamarre, Reid)
3. Traditional reserves are being depleted (Conti, Lamarre)

B. Coal bed Methane (CBM) is a critical natural gas resource and it is increasing (Lamarre, Walker)

1. Where did it come from? (Lamarre)
2. Compare CBM to traditional supplies (Lamarre)

C. Questar Gas couldn't have foreseen the tremendous development of CBM (Lamarre)

1. CBM supplies will flow on Questar Gas' system (Lamarre)
2. A prudent utility would choose CBM as a supply source (Lamarre)

D. CBM has provided tremendous benefit to Questar Gas and its customers (Walker, Reid)

1. Abundant supply (Lamarre, Reid)
2. Reduced commodity costs (Walker, Reid)
3. Reduced transportation costs (Walker)
4. State of Utah tax and economic benefits (Walker)

III. Safety

A. Interchangeability and Combustion Theory (Conti, Benson)

1. Gas composition (Conti, Benson)
 - a. Btu
 - b. Specific gravity
 - c. Hydrocarbons
 - d. Inerts

2. Interchangeability Indices (Benson, Conti)
 - a. Wobbe Index
 - b. AGA Index
 - c. Weaver Index
- B. Change in gas supply can impact customer safety (Conti, Benson)
 1. Comparison with liquefied natural gas (Benson)
 2. Gas Council White Paper (Conti, Benson, McKay)
 3. March 2005 Lab Test (Benson)
 4. Verification of Questar Gas' previous analysis (Benson)
- C. Questar Gas' changing supply requires appliances to be inspected and if necessary adjusted (Benson, Conti)
- D. Gas supply must be managed within a given range (Conti)
 1. Questar Gas has always managed gas supplies
 2. Narrow range is needed for a transition period

IV. Decision-Making Process (Conti, McKay)

- A. We are following the Public Service Commission's August 2004 Order (McKay)
 1. Objective: Manage gas supplies to provide safe and reliable service for customers
 2. Criteria
 - a. Safety (Conti)
 - b. Reliability (Conti, Walker)
 - c. Implementation (Conti)
 - d. Cost (Conti, McKay)
 - e. Affiliate conflict (Conti, McKay, Walker)
 3. Alternatives
 - a. Review and elimination of alternatives (Conti)
 - b. Technical conference selection of three preferred alternatives (Conti, McKay)
 - i. CO₂ removal (Conti, McKay)
 - ii. Precision blending with CO₂ removal as backup (Conti, McKay)
 - iii. Precision blending with Kern River as backup (Conti, McKay, Walker)

V. Summary (All Witnesses)

- A. The lingering doubts about CBM, Questar Gas actions, safety and affiliate influence, or "what- ifs" have been answered with ample evidence
- B. Questar Gas should be allowed to recover going-forward costs
- C. Questar Gas should be granted cost recovery beginning January 1, 2003