

Customer and Gas Demand Forecast

System Total Temperature-Adjusted Dth Sales and Throughput Comparison – 2007 IRP and Actual Results for 2007

On a temperature-adjusted basis, Questar Gas' actual natural gas sales during 2007 totaled 103.6 million Dth. This compares with the 105.2 million Dth that were projected in last year's IRP. Average Utah GS-1 usage per customer at year end was 106.3 Dth (see Exhibit 3.2) compared to last year's base case forecast of 109.7 Dth.

Temperature-adjusted system throughput (Dth sales plus Dth transported) was 157.3 million Dth in 2007 compared to last year's IRP forecast of 167.5 million Dth for the same period. This Dth difference stems primarily from actual transportation volumes for electric generation plants being less than expected for the year.

Temperature-Adjusted Dth Sales and Throughput Comparison – 2008 IRP and 2007 IRP

This year's forecast of system sales is anticipated to increase from 104.3 million Dth in 2008 to 111.4 million Dth in 2017. Last year's forecast projected system sales increased from 106.4 million Dth to 110.6 million Dth for the same period.

Last year's forecast for 2017 showed system GS year-end customers at 1,115,800 and annual Utah GS-1 usage per customer at 89.3 Dth. This year's forecast for 2017 shows system GS year-end customers at 1,108,765 (see Exhibit 3.1) and annual Utah GS usage per customer at 89.7 Dth (see Exhibit 3.2). In addition, this year's forecast also presents the residential and commercial users within the Utah GS rate class separately. The annual usage per residential customer is forecasted to be 66.1 Dth in 2017 (see Exhibit 3.3) while that of the commercial customer is forecasted to be 409.8 Dth for the same year (see Exhibit 3.4).

System throughput in this year's forecast grows from 172.4 million Dth in 2008 to 215.3 million Dth in 2017 (see Exhibit 3.8). Last year's forecast projected system throughput grows from 168.2 million Dth to 175.0 million Dth for the same period. As with last year's throughput forecast, the 2008 forecast includes expected actual throughput for electric generation customers. Expected expansion in generating capacity of one of these customer's accounts for the majority of change from the total throughput volume forecasted in last year's IRP for the same period.

General Service (GS) Residential Usage per Customer and Customer Additions

The Company primarily used two different models to derive long-term forecasts of residential usage per customer and number of customers. These two models are the "Proxy Model" and the "Forecast Pro Model." The Proxy Model's key inputs (sources) include: 1) household growth (historical update - Bureau of Economic and Business

Research; forecast - Governor's Office of Planning and Budget); 2) a natural gas price term (Global Insight); 3) personal income (Global Insight); 4) new furnace shipments by efficiency rating (Gas Appliance Manufacturers Association); and 5) appliance life, appliance efficiencies, and appliance saturations. The Forecast Pro Model is a trend analysis of historical number of customers and usage per customer.

Utah Residential

As shown in Exhibit 3.3, temperature-adjusted Utah residential (GS-1 and GSS) usage per customer for the twelve months ended December 2007 was 80.9 Dth. Since 1980, the average annual residential usage per customer has dropped 58.9 Dth or 42%. This year's forecast reflects this long-term trend. Utah residential GS usage per customer for year-end 2008 is forecasted to be 80.1 Dth and continues declining to 65.0 Dth by 2018.

Utah residential GS customer additions declined in 2007, especially by the end of the fourth quarter. At the end of 2007, there were approximately 20,000 new GS customers compared with 23,000-24,000 in 2005 and 2006. Questar Gas anticipates approximately 18,000 residential customers will be added in 2008 and then increase to approximately 22,000-23,000 customers, on average, in subsequent years of the 10-year forecast.

Wyoming Residential

As shown in Exhibit 3.5, temperature-adjusted Wyoming residential (GS-1 and GSW) usage per customer for the twelve months ended December 2007 was 95.3 Dth. Since 1980, the average annual residential usage per customer has dropped 43.8 Dth or 31%. Wyoming residential GS usage per customer is forecasted to remain close to that of 2007.

There were approximately 700 Wyoming residential GS customer additions in 2007 compared with about 400 in 2006. The 10-year forecast reflects, on average, approximately 200-300 customer additions per year.

General Service (GS) Commercial Usage per Customer and Customer Additions

Utah Commercial

The key inputs to the long-term forecast model of usage per commercial customer and number of commercial customers are: 1) the residential customer forecast; 2) adjusted Utah employment figures from Global Insight, and 3) individual class historical trends. Temperature-adjusted Utah GS commercial usage per customer for the twelve months ended December 2007 was 450.7 Dth. Over the last 18 years, the average annual usage per customer has dropped 83.5 Dth or 15.6% from the December 1990 level of 534.2 Dth. This year's forecast reflects a continuation of this downward trend. The

forecasted Utah GS commercial usage per customer for year-end 2008 is forecast to be 443.7 Dth with a continuing decline to 406.1 Dth in 2018.

Utah GS commercial customer additions are expected to change in direct proportion to the changes in Utah GS residential customer additions. Historically, the relationship of commercial customers to residential customers has remained stable. As we add residential customers, commercial customers are added to provide services to them. It is anticipated that over 1,300 customers will be added in 2008 and approximately 1,500-1,700 customers in subsequent years of the 11-year forecast.

Wyoming Commercial

Temperature-adjusted Wyoming GS-1 commercial usage per customer for the twelve months ending December 2007 was 486.3 Dth. Wyoming commercial general service usage per customer for year-end 2008 is forecasted to be 485.8 Dth and declines to 481.5 by 2018.

Wyoming GS-1 commercial year-end additions during the last 17 years have averaged 28 customers. This year's IRP forecast has customer additions holding even for 2008 and then averaging 29 additions in subsequent years of the 11-year forecast.

Non-GS Base Case Gas Demand

As shown in Exhibit 3.6 system non-GS gas demand grows from 79 million Dth in 2008 to 117 million Dth in 2018. This forecast was derived by separating data into three sub-groups: commercial, industrial, and electric generation. The regional natural gas sales growth rates from Global Insight's "2008 U.S. Energy Outlook" were applied to each sector. Finally, known and measurable changes for these customers were gathered from Questar Gas' marketing representatives and included in the forecast.

Electric generation is closely tied to volatile commodity pricing, the corresponding spark spread (difference between the market price of electricity and its cost of production), and temperatures during the summer months. One electric generation customer is expected to account for 30% of the non-GS demand in 2008 and is responsible for the large forecasted increases in 2008 and 2012 (see Exhibit 3.6).

Firm Customer Design-Day Gas Demand

As in prior years, the design-day demand projections are based on a one-in-twenty year (five occurrences in 100 years) weather event. More specifically, the design-day firm customer gas demand projection is based on a theoretical day where the mean temperature is -5 degrees Fahrenheit at the Salt Lake Airport weather station and correspondingly design-day temperatures are seen coincidentally across the Company's service territory.

Wind speed, January Utah GS-1 sales, and prior days' temperatures are factors that have been statistically significant in predicting daily gas send-out during the peak of the winter heating season. These factors are also employed in making the forecast of daily gas sales to firm customers. The design-day demand projections distinguish between firm sales customers and firm transportation customers for gas supply and system capacity planning purposes.

As shown in Exhibit 3.7, the firm customer design-day gas supply projection for the 2008-2009 heating season is 1.196 million Dth. The design-day projection grows to a level of 1.2281 million Dth in the winter of 2017-2018.

High Gas Demand and Low Gas Demand Case Scenarios

In prior years, Questar Gas' Regulatory Affairs department has provided high, base, and low case forecasts to be used in the company's SENDOUT model. However, recent upgrades to the model include Monte Carlo simulation capabilities. The use of Monte Carlo simulation replaces the high and low case forecasts by showing a wider range of possible outcomes. Consequently, this year's IRP forecast provides a base case only.

Source Data

Where available, the Company has obtained economic and demographic information from state and local sources such as the University of Utah (Bureau of Economic and Business Research) and the Utah Governor's Office of Planning and Budget. Where local information was not available, it was obtained from nationally recognized economic forecasting organizations such as Global Insight.

The Utah and Wyoming Economic Outlook

Below is a review of recent history and the current economic outlook:

**Summary of Utah Economy
Annual Percentage Change**

Population	2.4%	2.3%	2.1%	2.1%
Personal Income	7.3%	6.1%	5.7%	5.5%
Construction Employment	9.7%	2.9%	1.8%	1.6%
Manufacturing Employment	2.3%	-0.2%	-0.1%	-0.1%
Non-Manufacturing Employment	3.3%	2.8%	2.1%	1.9%
Total Employment	3.2%	2.5%	1.9%	1.7%
Average Single-Family & Multi-Family Dwelling units	22,712	19,374	20,143	20,503

Source: Based on forecasts by Global Insights.

**Summary of Wyoming Economy
Annual Percentage Change**

Population	0.8%	0.6%	0.5%	0.4%
Personal Income	7.9%	5.4%	5.2%	5.1%
Construction Employment	4.8%	-2.3%	0.5%	0.6%
Manufacturing Employment	1.5%	-0.2%	0.1%	0.1%
Non-Manufacturing Employment	2.9%	0.9%	0.8%	0.7%
Total Employment	2.9%	0.9%	0.8%	0.7%

Source: Based on forecasts by Global Insights.

The U.S. Economic Outlook

Below is a review of recent history and the consensus economic outlook:

U.S. MACROECONOMIC FORECAST							
Source: GLOBAL INSIGHT Review of the U.S. Economy							
	Forecast						
	2002	2003	2004	2005	2006	2007	2008
Real Gross Domestic Product ^{1/}	1.6	2.5	3.6	3.1	2.9	2.2	1.2
GDP Price Index - Chain Wt. ^{1/}	1.7	2.1	2.9	3.2	3.2	2.7	2.0
CPIU ^{1/}	1.6	2.3	2.7	3.4	3.2	2.9	3.5
Real Disposable Income ^{1/}	3.1	2.2	3.6	1.7	3.1	3.1	2.2
Pre-tax Profits ^{1/}	8.6	18.2	32.7	31.1	14.3	3.9	-14.7
Unemployment Rate ^{3/}	5.8	6.0	5.5	5.1	4.6	4.6	5.3
Housing Starts ^{4/}	1.7	1.9	2.0	2.1	1.8	1.3	0.9
3-month Treasury Bills ^{3/}	1.6	1.0	1.4	3.1	4.7	4.3	1.6
30-Year Fixed Mortgage Rate ^{3/}	6.5	5.8	5.8	5.9	6.4	6.3	5.6
Trade Balance ^{2/}	-460	-522	-640	-755	-811	-739	-666
Vehicle Sales – Total ^{4/}	16.8	16.6	16.9	17.0	16.5	16.1	14.9
Real Non-Res Fixed Investment ^{1/}	-9.2	1.0	5.8	7.1	6.6	4.7	-0.1
Industrial Production ^{1/}	-0.1	1.2	2.5	3.3	2.2	1.7	0.6

- ^{1/} Annual Rate of Change (Percent)
- ^{2/} Billions of 1996 chained dollars
- ^{3/} Percent
- ^{4/} Million Units

Long-term U.S. Economic Outlook

Source: GLOBAL INSIGHT Review of the U.S. Economy

	2009	2010	2011	2012	2013	2014	2015
Real Gross Domestic Product <u>1/</u>	1.7	3.0	3.3	2.9	2.4	2.4	2.5
GDP Price Index - Chain Wt. <u>1/</u>	2.0	1.9	2.0	2.1	2.0	2.0	2.0
CPIU <u>1/</u>	1.6	1.6	1.7	1.9	1.9	2.0	2.0
Real Disposable Income <u>1/</u>	1.2	2.9	3.8	3.7	3.1	2.9	2.8
Pre-tax Profits <u>1/</u>	18.0	0.2	1.7	-1.7	-1.2	0.8	1.3
Unemployment Rate <u>3/</u>	5.8	5.6	5.2	4.8	4.8	4.8	4.7
Housing Starts <u>4/</u>	1.13	1.4	1.7	1.7	1.7	1.7	1.7
3-month Treasury Bills <u>3/</u>	2.0	4.0	4.6	4.6	4.6	4.6	4.6
30-Year Fixed Mortgage Rate <u>3/</u>	5.6	6.8	7.0	7.0	7.0	7.0	7.0
Trade Balance <u>2/</u>	-606	-652	-671	-693	-680	-677	-676
Vehicle Sales - Total <u>4/</u>	15.2	15.9	16.6	17.3	17.6	17.8	17.9
Real Non-Res Fixed Investment <u>1/</u>	-0.9	4.2	6.4	5.4	3.1	3.2	3.2
Industrial Production <u>1/</u>	1.9	3.2	3.5	2.1	1.6	1.9	2.1

1/ Annual Rate of Change (Percent)

2/ Billions of 1996 chained dollars

3/ Percent

4/ Million Units

Forecast Exhibits

The following charts summarize the 10-year customer and gas demand forecast. All charts contain temperature-adjusted data.