

PURCHASED GAS

Local Market Environment

Monthly index prices for natural gas delivered into Questar Pipeline’s system during the 2008 calendar year averaged \$6.15 per Dth. This was substantially higher than the 2007 average price of \$3.69 per Dth, an increase of \$2.46 per Dth or 67%. The 2007 and 2008 first-of-month (FOM) index prices are provided in Table 5.1 below.

Table 5.1 QPC First-of-Month Index Price per Dth			
Month	2007	2008	Difference
Jan	\$3.71	\$5.89	\$2.18
Feb	\$6.00	\$7.15	\$1.15
Mar	\$5.79	\$7.72	\$1.93
Apr	\$3.10	\$7.75	\$4.65
May	\$4.34	\$8.87	\$4.53
Jun	\$2.82	\$8.91	\$6.09
Jul	\$3.05	\$8.45	\$5.40
Aug	\$2.78	\$6.51	\$3.73
Sep	\$2.00	\$1.77	(\$0.23)
Oct	\$1.36	\$3.36	\$2.00
Nov	\$3.53	\$2.61	(\$0.92)
Dec	\$5.85	\$4.83	(\$1.02)
Average	\$3.69	\$6.15	\$2.46

The price for natural gas on Questar Pipeline during the 2007-2008 heating season (November-March) averaged \$6.03 per Dth compared to an average price of \$3.39 per Dth during the 2008-2009 heating season, a decrease of \$2.64 or 56%. The monthly index prices for the two heating seasons are provided in Table 5.2 below.

Table 5.2 QPC FOM Index Price per Dth – Heating Season			
Month	2007-2008	2008-2009	Difference
Nov	\$3.53	\$2.61	(\$0.92)
Dec	\$5.85	\$4.83	(\$1.02)
Jan	\$5.89	\$4.21	(\$1.68)
Feb	\$7.15	\$2.87	(\$4.28)
Mar	\$7.72	\$2.43	(\$5.29)
Average	\$6.03	\$3.39	(\$2.64)

Questar Pipeline and other Rockies indices continue to be notably lower than the NYMEX. The average Rockies-Henry Hub basis differential for the first half of 2008 was nearly 20%, and increased to just over 32% for the last six months of the year. During the first quarter of 2009, the differential was 34%.

Markets are experiencing downward pressure on natural gas prices primarily due to weak economic conditions and decreased demand. Wellhead productive capacity is being reduced to meet lower demand levels. However, in the short-term, the decline in supply is expected to lag behind losses in demand.

Current forecasts of Rockies indices reflect an average price of approximately \$2.50 per Dth through October 2009. Prices for the 2009-2010 heating season are forecasted to be approximately \$3.75 per Dth.

Modeling Issues

A significant portion of the annual gas supply needs of the customers of Questar Gas are met with cost-of-service supplies provided under the Wexpro Agreement (see “Cost-of-Service Gas” section of this report). Supply needs not met by cost-of-service gas must be purchased from natural gas providers. One of the most important results of the IRP modeling process each year is a determination of the characteristics of the portfolio of natural gas purchase contracts to be utilized by Questar Gas. Each year, the Company issues request for proposals (RFP) to potential suppliers on upstream interconnecting interstate pipelines. On February 4, 2009, Questar Gas sent out this year’s RFP to 52 prospective suppliers. The RFP sought proposals for both base load and peaking supplies on the two major interstate pipeline systems interconnected with Questar Gas; Questar Pipeline and Kern River. The RFP required that base load supplies on Questar Pipeline have availabilities of 180, 150, 120 and 90 days. Due to the fact that 50,000 decatherms per day of the 53,000 decatherms per day held on Kern River are only available during the five winter months of November through March, the RFP required base load supplies on Kern to have availabilities of 150, 120, and 90 days. Multi-year winter-heating-season proposals were sought on both pipelines with terms ranging from two to five years. Proposals for peaking supplies were sought on both pipeline systems having availabilities of from two to four months to meet customer demands during the coldest winter-heating-season months.

Reliability of supplies is a critical issue for Questar Gas. The RFP required that all purchased gas proposals accepted by Questar Gas have, in the underlying confirmation letters, language specifying a \$15.00 per Dth penalty for failure to perform. All proposals were also required to have language ensuring creditworthiness and language specifying the minimum advance notice required before nomination deadlines or gas flow.

Responses to the purchased-gas RFP were due on February 27, 2009. Proposals for 224 gas supply packages were received from 16 potential suppliers. As part of the RFP requirements, submissions are required to specify if the same gas supply is offered under multiple proposals. This year supplies offered under base-load proposals totaled 591,000 Dth/d, down from the 1,129,500 Dth/d offered last year. Peaking supplies offered on Questar

Pipeline's system totaled 420,000 Dth/d, down from the 515,000 offered last year. Peaking supplies offered on Kern River totaled 470,000 Dth/d, down from last year's level of 572,500 Dth/d.

Each spring, following the receipt of all the proposals, Questar Gas reviews all the purchased-gas packages offered and extracts the parameters needed as data inputs to the SENDOUT model. The pricing mechanisms utilized for each package must be identified and linked to the appropriate index price in the model. Also, the availability of receipt and delivery point capacity on the interstate pipeline system utilized must be resolved. To the extent that the same underlying gas supplies have been offered in different natural-gas price and term packages, they must be marked to prevent the modeling of more gas than is actually available.

Questar Gas includes in its modeling process each year the availability of supplies that can be purchased from the Company's interruptible transportation customers in the State of Utah. As a condition to receiving interruptible transportation service, the Company's Utah Tariff allows for the purchase of these supplies during periods of interruption for the benefit of Questar Gas' firm sales customers. Upon notice by the Company, interruptible transportation customers are required to nominate levels of this resource as specified by the Company. The Company can purchase these supplies at the interconnecting upstream pipeline receipt point and use its own transportation capacity, or the purchase can take place at Questar Gas' city gates. The tariff specifies a predetermined pricing mechanism for payment for these supplies. Questar Gas has planned on the availability of 50,000 Dth/d of this resource for its SENDOUT modeling process this year, for the months of December through February.

The levels of purchased-gas packages selected from the SENDOUT modeling process this year are shown in the Results section of this report. The median purchased-gas volumes from the Monte Carlo simulation for the upcoming gas-supply year are shown by month in Exhibits 9.53 to 9.64 along with each probability distribution. Individual packages of purchased-gas supplies for the base case are shown for the first two plan years in Exhibits 9.84 and 9.86. Commitments to purchase were made with suppliers on April 3, 2009.

Price Stabilization

During the winter of 2000-2001, the Committee, Division and Utah Commission developed a working depth of knowledge from the instruction provided by the Company and seminars from outside consultants.

On May 31, 2001, the Utah Commission approved a Stipulation submitted May 1, 2001, in Docket Nos. 00-057-08 and 00-057-10 proposing price stabilization measures be used in conjunction with natural gas purchases during the winter months (October – March). Pursuant to the Stipulation, the Company proceeded to hedge portions of its natural gas portfolio each winter.

In Wyoming Docket No. 30010-GP-01-62, the Company requested to include costs to reduce price volatility such as occurred during the winter of 2000-2001. In its October 30, 2001 Order, the Wyoming Commission approved the Company's request to include stabilization costs in the 191 Account. The Company does not engage in any speculative hedging transactions by limiting these price stabilization efforts to contracts or contract amendments that fix or cap prices for gas supplies that are contractually committed to Questar Gas' system for delivery to end-use retail customers.

For the October 2008 – March 2009 time period, the Company hedged 29% of its base load gas supplies. This translates to 7.2 Bcf being hedged at an average price of \$6.91/MMBtu.

The Company has begun its hedging program for the 2009-2010 heating season and will continue to hedge and meet with the Division, Committee and the Utah Commission to discuss stabilization options, recommendations and summaries.