

November 15, 2012

Chairman Ted Boyer  
Utah Public Service Commission  
Heber M. Wells Building, 4th Floor  
P. O. Box 146751  
Salt Lake City, UT 84114-6751

*Re: Docket No. 12-057-18, Replacement Infrastructure 2013 Annual Plan and Budget*

Dear Ted:

In accordance with Section 2.07 of Questar Gas Company's Tariff, Questar Gas Company (Questar Gas) hereby provides the annual plan and budget describing the estimated costs and schedule for the Replacement Infrastructure for 2013. Questar Gas has budgeted to replace seven major feeder lines during 2013: 1) Feeder Line 14 (Tooele County), 2) Feeder Line 41 (Tooele County), 3) Feeder Line 50 (Summit County), 4) Feeder Line 8 (Salt Lake County), 5) Feeder Line 20 (Weber County), 6) Feeder Line 36 (Salt Lake County), 7) Feeder Line 11 (Salt Lake County), and 8) Feeder Line 18 (Davis County). In addition to the major replacements, the company expects to spend about \$3 million on land purchases and engineering studies related to 2014 replacement projects. Also, \$4 million is expected to be spent on completion, implementation, and improvement of various smaller replacement projects. Exhibit 1, page 1, contains a table outlining the installation date (Column B), the original pipe size (Column C), the new pipe size (Column D), the length of the project (Column E), the anticipated cost in 2013 (Column F) for each of these projects, and estimated total project costs (Column G). Pages 2 through 8 of Exhibit 1 show the route of each of the respective projects.

Questar Gas considered a number of elements in determining which pipelines to replace during 2012 including population density adjacent to a segment, diameter, operating history, overall pipe and coating condition, required future capacity reinforcements, and optimization of construction operations. Where possible, Questar Gas has made an effort to group projects in proximate geographic areas to minimize company and contractor travel and mobilization/demobilization costs.

Exhibit 2 shows the projected time line for each of the major projects identified above. Feeder Lines 14, 8, 18, 20, 41, 50, and 11 are expected to be complete in 2013. Feeder Line 36 will be partially completed in 2013.

Questar Gas notes that it expects to spend \$59 million on the projects identified above (Exhibit 1, Column F, Line 12), and has attached information related to applicable budget limitations for your convenience and reference. Paragraph 15 of the Settlement Stipulation in Docket No. 09-057-16 (approved by the June 3, 2010 Report and Order in the same Docket) provides that the budget shall not exceed \$55 million (adjusted for inflation using the Global Insight Steel Index). Exhibit 3 is a copy of the Global Insight Steel Index. Adjusting the 2010 \$55 million budget cap by the 12% 2011 inflation rate, the 9.6% 2012 inflation rate, and the -1.3% 2013 inflation rate results in a \$66.7 million cap for 2013.

Exhibit 4 shows the infrastructure replacement schedule. It is anticipated that the Company will spend \$55 million per year from 2014 through 2017.

Also, in accordance with the Settlement Stipulation and Report and Order in Docket No. 09-057-16 and with Section 2.07 of Questar Gas' Tariff, the Company will continue to submit quarterly reports with the Division of Public Utilities showing the progress and costs associated with these projects.

Sincerely,

Barrie L. McKay  
General Manager  
Regulatory Affairs & Energy Efficiency

cc: Division of Public Utilities  
Office of Consumer Services