

# Questar Pipeline Company Open Season Mainline 68 Expansion Project

***This Open Season solicits binding market support for Questar Pipeline Company (Questar) to install additional compression and offer up to 50,000 Dth/day of incremental transportation capacity from receipt points east of Greasewood on Questar's Mainline 68. Of the 50,000 Dth/day, up to 47,500 Dth per day could be delivered to White River Hub or TransColorado and up to 21,160 Dth/day may be delivered to various delivery points on Questar's northern system.***

## **DESCRIPTION OF MAINLINE 68 EXPANSION PROJECT**

In response to expressions of interest, Questar Pipeline is holding this Open Season to solicit binding support for the installation of compression on its Mainline 68 in Garfield County, Colorado. This proposed project will enable Questar to transport up to an additional 50,000 Dth/day from receipt points east of Greasewood on Questar's Mainline 68. Delivery of the 50,000 Dth/day is available at the following locations:

Up to 47,500 Dth/day can be delivered to:

TransColorado Gas Transmission Company at Greasewood – MAP 297  
White River Hub<sup>1</sup> - MAP 410

Up to 21,160 Dth/day can be delivered to various locations on Questar's northern system that include but are not limited to:<sup>2</sup>

Colorado Interstate Gas at Kanda – MAP 171  
Northwest Pipeline GP at Crossover 16 – MAP 868  
Questar Gas Company - Wasatch Front – MAP 164  
Questar Overthrust Pipeline Company<sup>3</sup> - MAP 281  
Southern Star Central Gas Pipeline at Skull Creek – MAP 167  
Wyoming Interstate Company, LLC at Kanda – MAP 172

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<sup>1</sup> The White River Hub is an interstate pipeline system operated by Questar with interconnects to deliver gas to: Rockies Express Pipeline LLC (REX), TransColorado Gas Transmission Company (TransColorado), Wyoming Interstate Company, LLC (WIC), Colorado Interstate Gas Company (CIG), Questar and Northwest Pipeline GP's (Northwest's) Colorado Hub Connection Pipeline.

<sup>2</sup> This delivery capacity is currently listed on Questar's long term unsold report and is subject to prior sale through the Long Term Unsold Bid process as specified in Questar's FERC Gas Tariff.

<sup>3</sup> Questar Overthrust Pipeline Company (Overthrust) interconnects with REX at Wamsutter, CIG and WIC at Kanda, Kern River Gas Transmission Company at Roberson Creek and Painter, and Clear Creek Storage. Overthrust will also interconnect with the proposed Ruby Pipeline.

Shippers acquiring this capacity at the required rate and term will also have access to all other mainline receipt and delivery points on Questar on a secondary basis at no additional cost.

### **LENGTH OF OPEN SEASON**

The Open Season will begin at 8:00 a.m., MCT, on June 7, 2010 and conclude at noon MCT, on July 15, 2010.

### **ANTICIPATED IN-SERVICE DATE**

Questar anticipates that the required new facilities can be placed in service by September 1, 2011.

### **RATE**

The minimum acceptable rate, excluding lost and unaccounted for (L&U) and fuel charges, is the Questar maximum tariff rate indicated below.

Maximum System Wide Reservation Charge	\$5.28804/Dth/month
Usage Charge	\$0.00267/Dth
100% Load Factor Rate	\$0.17652/Dth

### **TERM**

Requests for this capacity must be for a minimum ten-year term.

### **CREDITWORTHINESS REQUIREMENTS**

Shippers on the Mainline 68 Expansion Project must satisfy the creditworthiness provisions specified in Questar's FERC Gas Tariff.

### **SUBMISSION OF PRECEDENT AGREEMENTS**

The attached Precedent Agreement Form must be used by all Shippers when submitting their binding bids (Bids). Completed Precedent Agreements must meet the requirements for rate and term. The usage charge, ACA, fuel reimbursement and any other applicable charges will be in addition to the reservation charge. Please contact one of the following marketing representatives with questions concerning the Open Season or to obtain and complete the Precedent Agreement Form.

Martin Anderson (801) 324-2017  
Shelly Foutin (801) 324-2408  
Lynn Jones (801) 324-2941  
Tom Myrberg (801) 324-2978  
Mary Kay Olson (801) 324-5873

## **AWARDING OF CAPACITY**

Bids will be ranked based on the following present value calculation:

$$(\text{Monthly Reservation Charge per unit}) \times \frac{[1-(1+i)^{-n}]}{i} = \text{Present Value per unit}$$

Where:  $i$  = interest rate per month, i.e., overall rate of return divided by 12 months  
 $n$  = term of the agreement, in months

However, Questar may give priority to Bids that maximize available pipeline capacity and optimize pipeline operating efficiencies.

If the calculations yield a present value which is the same for two or more shippers and capacity is insufficient to serve the requests of those shippers, Questar will allocate the available capacity based upon the date of receipt with the earlier Bid receiving all of its requested capacity and any remaining capacity going to the later bidder. If all Bids are received on the same day, the capacity will be allocated pro rata based upon volumes requested by those shippers whose bids yield the same present value.

Questar specifically reserves the right to reject bids that are less than the maximum tariff rate or bids containing a term shorter than Questar believes necessary to support the project. Questar reserves the right to accept shorter term bids at negotiated rates<sup>4</sup> or longer term bids at less than the maximum tariff rate.

## **SOLICITATION OF CAPACITY RELEASE**

Existing shippers with capacity which could be used in lieu of the proposed expansion should notify Questar if they wish to permanently turn back their capacity through a release to prospective shippers in this Open Season or through a re-designation of their primary receipt or delivery points. Those shippers wishing to turn back their capacity should notify Questar of the amount, the term, and any other conditions that would be necessary to effectuate a turnback of their capacity. In order for Questar to consider anticipated capacity turnbacks in the expansion decision, notification must be made prior to the expiration of the Open Season. All releases shall be subject to the terms of Section 6 of the General Terms and Conditions of Questar's FERC Gas Tariff, First

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<sup>4</sup> The net present value calculation used to award capacity for bids containing negotiated rates will be calculated in accordance with Questar's FERC Gas Tariff.

Revised Volume No. 1. This solicitation of capacity release or any expression on the part of shippers to turn back capacity does not obligate Questar to accept a turnback of the capacity or Questar or the shippers to ultimately agree to release such capacity.

### **NOTIFICATION OF INTENT TO PROCEED**

Questar will evaluate all bids to determine whether or not the bids economically justify the expansion project. A final determination regarding whether the expansion project is economical and whether Questar is willing to proceed with the project will be based on the Bids received during the Open Season. If Questar determines that it will proceed with this project, Shippers with the highest value ranking will be notified by August 13, 2010. Winning bidders will be required to execute a Transportation Service Agreement no later than 60 days after notification of their winning bid. The Bids will provide the basis for securing the necessary authorizations for construction. Questar will notify the FERC and submit the appropriate filings. Upon receipt of all approvals, construction will commence. Questar specifically reserves the right to decline to pursue any project regardless of the terms of the Bids it receives.

### **CONDITIONAL BIDS**

Questar will evaluate all Bids to determine whether they meet Questar's economic requirements for this project. Questar shall have no obligation to accept Bids from Shippers containing conditions or modifications which, in Questar's sole discretion, are unacceptable to Questar. Acceptance of Bids that do not meet Questar's minimum economic requirements shall be at Questar's sole discretion.

If you need additional information or have a question about the Open Season please call Mary Kay Olson at (801) 324-5873 or Theresa Harrison at (801) 324-2566 or visit the Questar web site at <http://www.questarpipeline.com>.

If you are unable to open the PDF files and would like us to fax a copy, please call Derby Flygare at (801) 324-2041.

Click below to download the free Adobe Acrobat Reader:

<http://www.adobe.com/products/acrobat/readstep2.html>

**PRECEDENT AGREEMENT FOR  
FIRM TRANSPORTATION SERVICE  
ON  
QUESTAR PIPELINE COMPANY'S MAINLINE 68 EXPANSION**

**This Precedent Agreement for Firm Transportation Service** (Agreement) is made and entered on this date \_\_\_\_\_, by and between **Questar Pipeline Company** (Questar) and \_\_\_\_\_, (Shipper). Questar and Shipper may be referred to as the "Parties" or individually as a "Party."

The Parties Represent as follows:

- A. Questar owns and operates an interstate natural gas transmission system subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC); and
- B. Questar initiated an open season on June 7, 2010, for Shippers desiring firm transportation service on Questar's Mainline 68 expansion to the White River Hub, TransColorado or points on Questar's Northern System, and
- C. Shipper has requested firm transportation during Questar's open season.
- D. Questar and Shipper are willing to execute a transportation service agreement (TSA) for firm transportation service subject to the terms and conditions of this Agreement.

The Parties Agree as Follows:

**ARTICLE 1  
FIRM TRANSPORTATION SERVICE COMMITMENT**

1.1 In response to the open season, Shipper has requested a TSA for the transportation service described on Exhibit A.

1.2 The availability of capacity for the requested service is subject to: (i) sufficient customer support for the expansion projects, (ii) the availability of requested receipt point locations, (iii) Questar's receipt of all necessary management and governmental approvals to construct the facilities necessary to provide the services contemplated by this Agreement in a form acceptable to Questar, (iv) Questar's ability to construct the required expansion facilities. The commencement date under the TSA shall be the date that the facilities are placed in service.

1.3 After evaluating all the new service requests received in the open season, Questar will tender a TSA to Shipper reflecting the service provisions set forth on Exhibit A, except that the reserved daily capacity (RDC) set forth on Exhibit A may be reduced to reflect capacity allocations of receipt and delivery point capacities. The TSA will be tendered no later than 30 days prior to the date

Questar files its application for a FERC certificate. Shipper agrees to execute and return the TSA within 15 days of being tendered by Questar for execution.

1.4 If, by March 1, 2011, the expansion capacity is not fully subscribed or Questar has not received and accepted the necessary permits and regulatory approvals or has been unable to finalize contracts necessary for Questar to construct the expansion facilities or provide service under the TSA, Questar has the option to terminate the TSA by providing written notice to Shipper not later than April 30, 2011 or alternatively providing its best estimate of an in-service date.

1.5 Questar agrees to use commercially reasonable efforts to receive all required approvals and permits to construct the facilities necessary to provide the service contemplated by this Agreement. However, Questar will not be liable to Shipper for any damages for its inability or failure to construct the facilities or provide the services contemplated by this Agreement.

## **ARTICLE 2 TERMINATION**

Unless terminated by Questar pursuant to Section 1.4, this Agreement will terminate on the date of execution of the TSA by both Parties and thereafter Questar's and Shipper's rights and obligations related to firm transportation service on Questar's interstate natural gas transmission system shall in all respects be subject to the terms and conditions of such TSA and Questar's Tariff.

## **ARTICLE 3 CREDITWORTHINESS**

Shipper agrees to comply with Questar's creditworthiness requirements as defined in Section 10 of Questar's FERC Gas Tariff and Questar's credit requirements for the construction of system expansion facilities to provide incremental firm transportation service.

## **ARTICLE 4 SUCCESSION AND ASSIGNMENT**

4.1 Any entity which shall become a successor to this Agreement by purchase, merger or consolidation shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.

4.2 Either Questar or Shipper may, without relieving itself of its obligations under this Agreement, assign this Agreement to any entity or entities, with which it is affiliated, including without limitation any wholly owned subsidiary subject to satisfying Questar's creditworthiness standards. Otherwise, no assignment of this Agreement nor of any of the rights or obligations hereunder shall be effective without the express prior written consent of the other Party, which shall not be unreasonably withheld. Shipper acknowledges and agrees that Questar may decline to consent to an assignment by Shipper to a party that does not or cannot demonstrate satisfaction of Questar's creditworthiness tariff provisions.

4.3 Questar shall have the right to pledge this Agreement, or any and all of Questar's rights there under, as security for any indebtedness incurred by Questar in connection with the financing or refinancing of Questar and to assign this Agreement in accordance with the terms and conditions of any agreement with third parties pertaining to any such indebtedness.

**ARTICLE 5  
NO THIRD PARTY BENEFICIARIES**

This Agreement shall not create any rights in any third parties, and no provision shall be construed as creating any obligations for the benefit of, or right in favor of, any person or entity other than Questar or Shipper.

**ARTICLE 6  
NOTIFICATIONS AND COMMUNICATIONS**

Except as otherwise provided herein, any notice contemplated or required by this Agreement shall be in writing, and shall be considered duly delivered when sent by registered or certified mail, or by telefacsimile, to the appropriate address set forth below, or at such other address as Questar or Shipper may from time to time designate by express written notice.

Questar Pipeline Company  
Attn: Director Business Development  
180 East 100 South  
Salt Lake City, Utah 84111  
Phone: (801) 324-5349  
Fax: (801) 324-2578

Shipper: \_\_\_\_\_  
Attn: \_\_\_\_\_  
Address: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Fax: \_\_\_\_\_

**ARTICLE 7  
ENTIRE AGREEMENT**

7.1 This Agreement contains the entire agreement between Questar and Shipper with respect to the subject matter hereof, and supersedes any and all prior agreements, understandings and commitments, whether oral or written, concerning the subject matter hereof, and any and all such prior agreements, understandings and commitments are hereby deemed to be void and of no effect.

7.2 No amendments to or modifications of this Agreement shall be effective unless agreed upon in a written instrument executed by Questar and Shipper, which expressly refers to this Agreement.

**ARTICLE 8  
GOVERNING LAW**

The construction, interpretation, and enforcement of this Agreement shall be governed by the laws of Utah, excluding any conflict of law rule, which would refer any matter to the laws of a jurisdiction other than Utah.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the day and year first above written.

SHIPPER:

QUESTAR PIPELINE COMPANY:

By \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_  
(Please type name and Title)

Shelley A. Wright  
General Manager Marketing and  
Business Development

**EXHIBIT A**  
**To**  
**Precedent Agreement between Questar and Shipper**

**Reserved Daily Capacity (RDC)** \_\_\_\_\_ **Dth/d**

**Minimum Acceptable RDC** \_\_\_\_\_ **Dth/d**

**Rate:**<sup>1</sup> \$5.28804/Dth/Month

**Minimum acceptable reservation rate is: \$5.28804/Dth/Month**

**Minimum contract term: 10 years from the date capacity is made available**

**Primary Receipt Point**<sup>2</sup>

\_\_\_\_\_  
\_\_\_\_\_

**Maximum Receipt Point Quantity**<sup>3</sup>

\_\_\_\_\_  
\_\_\_\_\_

**Primary Delivery Point**<sup>3</sup>

\_\_\_\_\_  
\_\_\_\_\_

**Maximum Delivery Point Quantity**<sup>4</sup>

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\_\_\_\_\_

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<sup>1</sup>Rates do not include usage charges, fuel reimbursement charges and ACA, and other FERC approved surcharges.

<sup>2</sup>The parties may negotiate revisions to the listed primary points and quantities if necessary to match capacity availability.

<sup>3</sup>Total Receipt Point RDC must equal Total Delivery Point RDC.