

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)
)
IN THE MATTER OF THE APPLICATION OF
QUESTAR GAS COMPANY FOR APPROVAL
OF THE CANYON CREEK ACQUISITION AS
A WEXPRO II PROPERTY

)
)
DPU EXHIBIT 1.0 DIR
DOCKET NO. 15-057-10
)
)

Pre-filed Direct Testimony
Of
Douglas D. Wheelwright
On Behalf of
Utah Division of Public Utilities
October 8, 2015

1 **Q: Please state your name, title, and business address.**

2 A: My name is Douglas D. Wheelwright. I am a Technical Consultant with the Division of
3 Public Utilities (Division). My business address is 160 East 300 South, Salt Lake City, Utah
4 84114.

5 **Q: On whose behalf are you testifying?**

6 A: I am testifying on the Division’s behalf.

7 **Q: Please describe your position and duties with the Division.**

8 A: As a Technical Consultant, I examine public utility financial data and review and analyze
9 filings for compliance with existing programs as well as applications for rate increases. I
10 research, analyze, document, and establish regulatory positions on a variety of regulatory
11 matters. I review and analyze operational reports and evaluate compliance with laws and
12 regulations. I provide written and sworn testimony in hearings before the Public Service
13 Commission of Utah (Commission) and assist in case preparation and analysis of testimony.

14 **Q: Did you participate in the analysis and recommendation for approval of the Wexpro II
15 Agreement in Docket No. 12-057-13 (Wexpro II Docket)?**

16 A: Yes. I was the Division witness in the Wexpro II Docket and recommended approval of the
17 Wexpro II Agreement. The Commission’s order, issued March 28, 2013, approved the
18 Wexpro II Agreement as filed. That docket created a mechanism or a framework allowing
19 Questar Gas Company (Questar Gas or Company), through subsequent filings, to present
20 specific properties¹ to the Commission for consideration and possible inclusion as Cost-of-
21 Service gas production under the Wexpro II Agreement. Under the terms of the Wexpro II
22 Agreement, before any property may be presented for consideration, Wexpro must have
23 completed its analysis and purchased the property.

24 **Q. Was the application in this docket filed pursuant to the Wexpro II Agreement?**

¹ I am not an attorney, and am not using the term “property,” “properties,” or “Canyon Creek” in the technical “real property” legal sense.

25 A. Yes. Questar Gas filed its application for approval to include the Canyon Creek Acquisition
26 in the Cost-of-Service gas purchased by Questar Gas pursuant to the Wexpro II Agreement.

27 **Q: Is the information filed in this docket consistent with what the Company represented**
28 **would be submitted in future filings?**

29 A: Yes. As part of the approval of the Wexpro II Agreement, the Company identified the items
30 that would be included with future specific property applications.² Exhibits A through P of
31 the Application provide the details of the assumptions used in the analysis and the model
32 used to evaluate the Canyon Creek Acquisition.

33 **Q. Can you provide a brief summary of the Canyon Creek Acquisition?**

34 Yes. On December 19, 2014, Wexpro Company purchased an additional [REDACTED] in the
35 Canyon Creek Acquisition area. Prior to this acquisition, Wexpro already owned [REDACTED]
36 [REDACTED] in the Canyon Creek area under the Wexpro I Development Drilling area. [REDACTED]
37 [REDACTED] Wexpro is required to
38 present this property to the Utah and Wyoming Commissions for possible inclusion under the
39 Wexpro II Agreement.³ The purchase included an increased ownership in [REDACTED]
40 [REDACTED]

41 **Q. Has the hydrocarbon monitor provided an analysis of the Canyon Creek Acquisition?**

42 A: Yes. According to the terms of the Wexpro II Agreement, the Hydrocarbon Monitor is to
43 review the underlying assumptions including the proved producing reserves, production,
44 geology, undeveloped reserves, developments costs and operating costs.⁴ Mr. David Evans,
45 the Hydrocarbon Monitor has completed an independent analysis of the assumptions used by
46 the Company to evaluate the property. Consistent with the Wexpro II Agreement, Mr. Evans
47 does not provide a recommendation regarding the inclusion of the proposed property.⁵ It is
48 my understanding that Wexpro employees have worked closely with Mr. Evans and have

² Wexpro II Agreement, Section IV.

³ Wexpro II Agreement, Section IV-1(a).

⁴ Wexpro II Agreement, Section IV-4.

⁵ Wexpro II Agreement, IV-4, pages 14-15.

49 provided access to information to aid in his evaluation process. On September 10, 2015, Mr.
50 Evans filed a report with the Division outlining his findings for the Canyon Creek
51 Acquisition.

52 **Q. What have you been able to determine from Mr. Evans' report and analysis?**

53 A. In the Risk Analysis section of the report Mr. Evans stated the following;

54 [REDACTED]
55 [REDACTED]
56 [REDACTED]
57 [REDACTED]

58 [REDACTED]
59 [REDACTED]
60 [REDACTED]
61 [REDACTED]
62 [REDACTED]
63 [REDACTED]

64 [REDACTED]
65 [REDACTED]

66 Based on the independent review of the acquisition, the information presented by the
67 Company and the assumptions used in the analysis appear to be reasonable.

68 **Q. What is the Division's recommendation regarding the inclusion of the Canyon Creek**
69 **Acquisition under the Wexpro II Agreement?**

70 A. After independent review and analysis, described in detail below, the Division is satisfied
71 that Wexpro has done a thorough analysis of the Canyon Creek property and recommends
72 that the property be included under the Wexpro II agreement with the suggested
73 modifications, [REDACTED]

74 [REDACTED] Wexpro has experience with drilling wells in this field and is familiar with the
75 geology, current production levels, and has an opportunity to develop additional long-term
76 assets.

77 **Q: Do you have any concerns about the information included in the Application?**

78 A: I do have a concern that review of the information in isolation could potentially lead to the
79 wrong conclusions. The majority of the analysis looks at the initial acquisition cost and
80 future drilling potential for this specific property. While this type of analysis is critical to
81 review the risks and possible benefits of the acquisition, this property represents only a
82 portion of the total cost-of-service gas production from Wexpro. If approved, the production
83 from this property will be included with production from other existing and future wells to
84 calculate the total cost-of-service gas production for Questar Gas. Therefore, in addition to
85 looking at the individual aspects of this particular property, the risks and possible benefits
86 should be examined for the potential impact on the total production and the weighted average
87 cost of gas. In order to review the impact of this acquisition, a cost comparison of the
88 combined weighted average cost of gas has been included later in my testimony.

89 Furthermore, this property was acquired by Wexpro last December at the Company's own
90 risk but was not presented to the Commission for inclusion in the Wexpro II agreement until
91 August 31, 2015. From the acquisition date in December until a decision is made by both the
92 Utah and Wyoming Commissions, the gas flowing from these wells, is being sold on the
93 market and the revenue has been retained by Wexpro. The purchase price is being adjusted
94 down for depreciation and the depletion of the gas from the date of the purchase.

95 [REDACTED]
96 [REDACTED]
97 [REDACTED]
98 [REDACTED]
99 [REDACTED]
100 [REDACTED]
101 [REDACTED].

102 **Q: Do you know how much of the Questar Gas total gas supply will be provided from the**
103 **proposed Canyon Creek Acquisition?**

104 A: Exhibit M and M-1 of the Application include projections of the IRP gas supply requirement
105 for 2015 through 2020 and identify the volume of gas purchases and production from the

106 various fields. The Company has provided a revised Exhibit M-1 to include the Pinedale
107 volume, which was inadvertently left out of the original analysis.⁶

108 Exhibit M [REDACTED] indicates that the highest production from
109 the Canyon Creek property will be [REDACTED] of the total requirement in 2016 followed by a
110 normal production decline in future years.

111 Exhibit M-1 UPDATED [REDACTED] indicates that the
112 highest production from the Canyon Creek property will be [REDACTED] of the total requirement in
113 2017 after [REDACTED]

114 [REDACTED]
115 [REDACTED] Since the natural gas from this field represents only a fraction of the total cost-of-
116 service production, it is important to look at how this acquisition could impact the total cost-
117 of-service price that will be paid by Questar Gas.

118 **Q: How does the projected price of the cost-of-service gas from the Canyon Creek**
119 **Acquisition compare with the forecasted market price for natural gas?**

120 A: The cost of gas produced from the Canyon Creek Acquisition has been identified in Exhibit
121 L and L-1 of the Application. Each of these Exhibits include 16 pages of information with
122 four separate cost projections. In order to avoid confusion, I will be referring to the prices
123 identified in Exhibit L-1, Annual Cost-of-Service Projections with (Incremental G&A), pages
124 14 – 16. This is the same forecast used in the hydrocarbon monitor report produced by David
125 Evans and the same report used by the Company in the total cost-of-service calculation for
126 all Wexpro production for years 2015 through 2020.⁷

127 Gas from the existing producing wells purchased in Canyon Creek will have a cost of
128 [REDACTED] beginning in 2015. New wells that are projected to be drilled and completed in
129 [REDACTED]. The projected
130 combined price for both the existing wells and the projected wells is [REDACTED]

⁶ Response to DPU Data Request 1.8.

⁷ Technical Conference, September 17, 2015, page 27.

131 [REDACTED]
132 [REDACTED]
133 [REDACTED]
134 [REDACTED]
135 [REDACTED]
136 [REDACTED]
137 [REDACTED]
138 [REDACTED]

139 **Q: If the [REDACTED], why**
140 **should the Canyon Creek Acquisition be included in the cost-of-service production?**

141 A: The opportunity to purchase the Canyon Creek property was presented due to Wexpro
142 exercising its right of first right of refusal. This situation created an opportunity to acquire
143 the property at a lower cost than would have been available in a competitive bid process.
144 Brady Rasmussen, Executive Vice President of Wexpro testified that “the Canyon Creek
145 Acquisition area [REDACTED]
146 [REDACTED] The Division has no evidence that this is not the case.

147 This acquisition represents the purchase of a long-term physical asset that has potential
148 benefits for many years. The original Wexpro wells have produced much more natural gas
149 than was originally anticipated. The existing wells in the inventory continue to produce
150 natural gas but are being depleted over time. In order to maintain the current production and
151 prepare for future years, additional new wells must be added to the current producing
152 inventory. The inclusion of an appropriate amount of cost-of-service gas production is in the
153 public interest because it provides a long-term physical supply of gas. Exhibit M of the
154 Application identifies [REDACTED]

155 [REDACTED]
156 [REDACTED] The purpose of the Wexpro
157 II Agreement is to allow Wexpro to purchase properties now that potentially benefit Questar
158 Gas customers in the future. If Wexpro waits until the demand and the price for natural gas
159 increases, the opportunities to purchase at relatively low prices would not likely be available,

160 or may be available only at a much higher price. The consistent addition of property is likely
 161 to prove more beneficial over time than adding property only at selected times.

162 **Q: Have you been able to determine how the approval of the Application will affect the**
 163 **total price of the cost-of-service gas from Wexpro?**

164 A: In response to DPU Data Request 1.01 and 1.03, the Company provided an estimate of the
 165 impact to the cost-of-service gas for 2015 through 2020. Wexpro does not provide a forecast
 166 beyond five years since a drilling schedule has not been determined more than five years in
 167 advance.

168 A comparison of the projected cost-of-service for all properties was included in the
 169 September 17, 2015 technical conference and is provided in Table 1 below.⁸ Column A
 170 represents the forecast cost-of-service price for all existing properties without the Canyon
 171 Creek acquisition. Column B represents the cost-of-service for Canyon Creek and includes
 172 the price of the existing wells and future wells that are projected to be drilled.⁹ Column C
 173 represents the projected cost-of-service price for the combined production from all existing
 174 and the proposed new wells included in Wexpro I and Wexpro II. Column D is the forecast
 175 market price for natural gas provided in Exhibit A-1.

176
 177

Table 1

Forecasted Cost-of-Service

	A	B	C	D
Year	Wexpro I & II w/o Canyon Creek	Canyon Creek Acquisition ¹⁰	Wexpro I & II with Future Drilling In All Fields	Forecast Market Price
█	█	█	█	█
█	█	█	█	█
█	█	█	█	█

⁸ Technical Conference, September 17, 2015, page 27.

⁹ DPU Data Request 1.07

¹⁰ Application Exhibit L-1, page 14.

178

179 A comparison of the projected cost-of-service for Canyon Creek (Column B) with the
180 forecast market price (Column D) shows that [REDACTED]

181 [REDACTED] A comparison of the
182 projected total cost-of-service price for all Wexpro properties (Column C) and the forecast
183 market price (Column D) shows that [REDACTED]

184 [REDACTED]

185 [REDACTED]

186 [REDACTED]

187 [REDACTED]

188 [REDACTED]

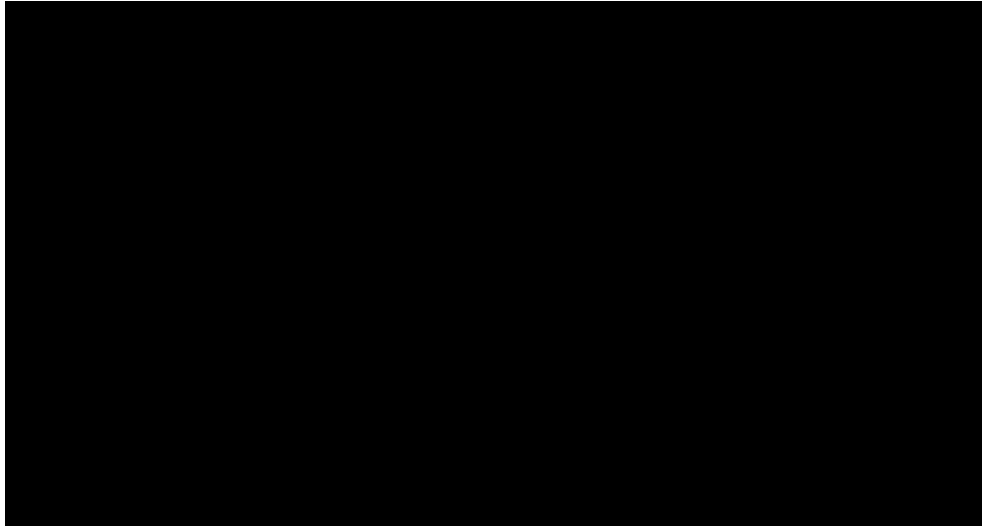
189 Chart 1 below provides the same information as Table 1 but provides a visual comparison of
190 the cost-of-service price and the market price for the years under review. The projected all-in
191 price of gas from Canyon Creek [REDACTED]

192 [REDACTED] The top two lines of this chart
193 compare the total cost-of-service price with and without future drilling. The bottom two
194 lines compare the cost of gas from the Canyon Creek property compared to the market price.
195 The chart shows that the cost-of-service gas from the Canyon Creek property is projected to
196 be the same as or in some years more expensive than the forecast market price.

197

198

Chart 1



199
200

201 **Q: You mentioned other significant changes to the Wexpro Agreements. Do any of these**
202 **changes affect the total price of cost-of-service gas from Wexpro?**

203 A: Yes. [REDACTED]
204 [REDACTED]
205 [REDACTED]
206 [REDACTED]
207 [REDACTED]

208 **Q: Have you been able to calculate the total gas cost to Questar with and without the**
209 **Canyon Creek acquisition?**

210 A: I have calculated an estimate of the total gas cost for Questar Gas using the information
211 provided in the Company's Exhibits and from additional information provided in data request
212 responses. DPU Exhibit 1.1 provides an estimate of the total gas cost to Questar Gas
213 customers if the Canyon Creek [REDACTED]
214 [REDACTED]

215 In DPU Exhibit 1.1, Line 1 is the estimated IRP gas requirement for years 2015 – 2020. Line
216 2 is the total Wexpro production from all fields [REDACTED]
217 [REDACTED] Line 3 is the estimated cost per Dth [REDACTED]
218 [REDACTED] and Line 4 is the estimated cost from the Wexpro production. Line 5 represents

219 the volume of market purchase gas that will be necessary in each year to meet the total
220 projected Questar requirement. Line 6 is the estimated cost per Dth for market purchases.¹¹
221 Line 7 calculates the total cost for purchased gas and line 8 calculates the total gas cost for
222 Questar in each year. Line 9 is the average cost per Dth for the combined total gas [REDACTED]
223 [REDACTED] The result of this calculation
224 is an estimated total gas cost of [REDACTED] in 2020 [REDACTED]
225 [REDACTED]

226 Lines 10 – 17 follow the same calculations using the assumptions in M-1 that the Canyon
227 Creek acquisition [REDACTED] One
228 additional change to the market price calculation has been included on line 14. [REDACTED]
229 [REDACTED]
230 [REDACTED]
231 [REDACTED]
232 [REDACTED]
233 [REDACTED]

234 Lines 18 and 19 provide a comparison of the total cost of gas for Questar customers under
235 both pricing options. The cost comparison indicates that [REDACTED]
236 [REDACTED]
237 [REDACTED]
238 [REDACTED]

239 **Q: How does Wexpro determine if future wells will be economic before drilling?**

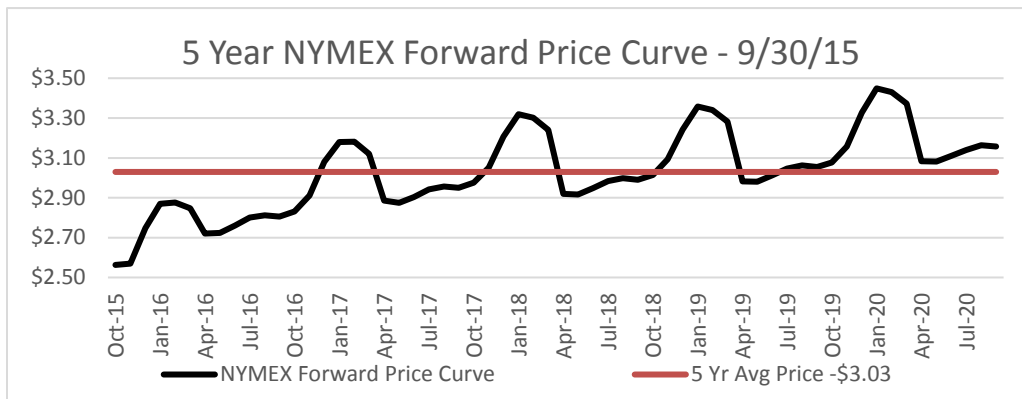
240 A: The Decision to drill today and with the proposed change is based on the average price of the
241 5-year forward price curve.¹² As with any price forecast, the further in time the price is

¹¹ Exhibit A

¹² Docket No. 13-057-13, Settlement Stipulation, page 4, paragraph 11. “The Parties acknowledge that Wexpro generally designs its annual drilling program to provide cost-of-service production that is, on average, at or below the current 5-year Rockies-adjusted NYMEX price.”

242 projected the less certainty there is surrounding the accuracy of the forecast. Chart 2 below
243 shows the NYMEX forward price curve as of September 31, 2015 and the calculated average
244 price of \$3.03 for the 5-year period. The monthly price forecast includes anticipated higher
245 prices during the winter heating season in each year. The higher prices included in years 3
246 through 5 increase the average price. The 5-year average price of \$3.03 calculates to be
247 significantly higher than the forecast market price in years 1 and 2.

248 **Chart 2**



249
250 In this example, Wexpro would drill if the estimated cost-of-service price of a new well is
251 less than or equal to \$3.03 even though the forecast monthly market price is projected to be
252 below the average price for some time. The decision about whether the well is commercial
253 will be made after drilling is complete and actual cost and production data is available.

254 **Q: Can you summarize the proposed change [REDACTED]?**

255 A: [REDACTED]
256 [REDACTED]
257 [REDACTED]
258 [REDACTED]

259 [REDACTED]

260 [REDACTED]

261 **Q: Do you agree that the** [REDACTED]

262 [REDACTED]

263 A: Yes. Under the current guidelines, the anticipated cost to drill new wells must be lower than
264 the 5-year forward price curve. [REDACTED]

265 [REDACTED]

266 [REDACTED]

267 [REDACTED]

268 [REDACTED]

269 [REDACTED]

270 [REDACTED]

271 [REDACTED]

272 [REDACTED]

273 [REDACTED]

274 [REDACTED]

275 [REDACTED]

276 The Wexpro I agreement was established in 1981 when the financial markets were much
277 different than today. On December 19, 1980, just prior to the establishment of the Wexpro
278 agreement, the US prime rate reached a record high of 21.5% and the prime rate averaged
279 approximately 18.5% through 1981. The average rate for the 10-year US Treasury in 1981
280 was 13.9% compared to the recent 12 months average rate of 2.2%. (September 2014 –
281 August 2015)¹³

282 The Wexpro I agreement establishes the rate of return for developmental wells as the base
283 rate + 8%. In 1981, the base rate was 16% plus the 8% premium for a 24% rate of return.
284 These wells were commonly referred to as D24 wells. In 1981, the calculated rate of 24%

¹³ Board of Governors of the Federal Reserve System, 10 Year Treasury Constant Maturity Rate, Monthly Percent.

285 was 10.1% above the 10-year treasury rate. Under the current agreement, a new
286 developmental well is allowed the base rate of return calculated to be [REDACTED] plus the 8%
287 premium for a total rate of [REDACTED]. The rate of [REDACTED] today is [REDACTED] above the current 10-
288 year treasury rate.

289 In a recent article in Public Utilities Fortnightly, the earnings for Questar Corporation were
290 compared with 40 other utility companies.¹⁴ Questar Corporation ranked first with the
291 highest four-year average ROA (Return on Assets) and was ranked second for the four-year
292 average ROE. (Return on Equity)¹⁵ The high rate of return for the Corporation can largely
293 be attributed to Wexpro, which provides over 50% of the net income for Questar
294 Corporation.¹⁶ [REDACTED]

295 [REDACTED]
296 [REDACTED]
297 [REDACTED]

298 **Q: Do you agree that the** [REDACTED]
299 [REDACTED]

300 **A: I am concerned** [REDACTED]
301 [REDACTED]
302 [REDACTED]
303 [REDACTED]
304 [REDACTED]
305 [REDACTED]
306 [REDACTED]
307 [REDACTED]
308 [REDACTED]
309 [REDACTED]

¹⁴ Questar Gas is a wholly owned subsidiary of Questar Corporation.

¹⁵ Public Utilities Fortnightly, September 2015, page 22.

¹⁶ Questar Corporation 2014 Form 10-K Annual Report, Operations by Line of Business, page 97.

310 [REDACTED]
311 [REDACTED]
312 [REDACTED]
313 [REDACTED]
314 [REDACTED]
315 [REDACTED]
316 [REDACTED]
317 [REDACTED]

318 [REDACTED]
319 [REDACTED]
320 [REDACTED]
321 [REDACTED]
322 [REDACTED]

323 [REDACTED]
324 [REDACTED]
325 [REDACTED]
326 [REDACTED]
327 [REDACTED]
328 [REDACTED]
329 [REDACTED]

330 **Q: Do you agree with the way the Company has proposed** [REDACTED]
331 [REDACTED]

332 **A:** Yes, however it should be noted that [REDACTED]
333 [REDACTED]
334 [REDACTED]
335 [REDACTED]. With the current market price at [REDACTED]
336 [REDACTED] As noted
337 previously, the current price forecast indicates that the price of natural gas will remain low

338 for the foreseeable future. [REDACTED]

339 [REDACTED]

340 [REDACTED]

341 [REDACTED]

342 [REDACTED]

343 [REDACTED]

344 [REDACTED]

345 [REDACTED]

346 [REDACTED]

347 [REDACTED]

348 [REDACTED]

349 [REDACTED]

350 [REDACTED]

351 [REDACTED]

352 [REDACTED]

353 [REDACTED]

354 [REDACTED]

355 [REDACTED]

356 [REDACTED]

357 [REDACTED]

358 [REDACTED]

359 [REDACTED]

360 [REDACTED]

361 [REDACTED]

362 [REDACTED]

363 [REDACTED]

364 [REDACTED]
365 [REDACTED]
366 [REDACTED]
367 [REDACTED]
368 [REDACTED]
369 [REDACTED]
370 [REDACTED]
371 [REDACTED]
372 [REDACTED]
373 [REDACTED]

374 [REDACTED]
375 [REDACTED]
376 [REDACTED]
377 [REDACTED]
378 [REDACTED]
379 [REDACTED]
380 [REDACTED]

381 [REDACTED]
382 [REDACTED]
383 [REDACTED]
384 [REDACTED]
385 [REDACTED]
386 [REDACTED]
387 [REDACTED]
388 [REDACTED]
389 [REDACTED]

390 **Q: Do you feel that managing future Wexpro gas production to [REDACTED] of the Questar Gas**
391 **forecast requirement is still appropriate?**

392 A: No. Wexpro gas production should be limited to [REDACTED], which
393 is in line with the historical volumes. The Company indicated in the previous Trail
394 Application that gas supply could be managed up to [REDACTED] of the forecast IRP gas requirement
395 with the production from Wexpro. In addition, the Company indicated that it could manage
396 [REDACTED]
397 [REDACTED] This level, however, was an accommodation of then-existing
398 production and projected needs. It did not represent an acknowledged optimum level of cost-
399 of-service production. While the Division believes the optimum level is likely lower,
400 limiting production to [REDACTED] matches historical levels and accommodates Wexpro's current
401 production levels [REDACTED]

402 In the current filing, the [REDACTED]
403 [REDACTED]
404 [REDACTED] The
405 Division believes that the market conditions and circumstances have changed in a "persistent
406 and material manner" and the parties' recent agreements and discussions are in keeping with
407 the Wexpro II stipulation's allowance for changes to the agreement. The stipulation
408 agreement in Docket 13-057-13 states that "with the mutual consent of all Parties this
409 Stipulation's terms may be amended and submitted for both Utah and Wyoming Commission
410 approval."¹⁷

411 The Updated Exhibit M-1 of the application provides a forecast of the Wexpro cost-of-
412 service gas supply through 2020. [REDACTED]
413 [REDACTED]
414 [REDACTED]
415 [REDACTED]

416 **Q: How does the [REDACTED] production target level compare to the actual production from**
417 **Wexpro?**

¹⁷ Docket No. 13-057-13, Settlement Stipulation, page 8, paragraph 17.

418 A: The [REDACTED] production target is based on a forward-looking IRP forecast requirement and not
419 on the actual sales volumes for the subject year. The actual percentage of gas provided by
420 Wexpro will vary from the IRP forecast due to actual weather conditions and temperatures
421 that occur during the heating season.

422 The actual percentage of Wexpro production based on historical production and sales volume
423 has been summarized in Table 2 below. The actual sales volumes were taken from the
424 Company's results of operation report and the Wexpro production volumes were provided in
425 response to DPU Data request 1.24.

426 **Table 2**

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

427
428 [REDACTED]
429 [REDACTED]
430 [REDACTED]
431 [REDACTED].

432 **Q. In addition to the** [REDACTED]
433 [REDACTED]

434 A. The projected costs provided in this Application include the [REDACTED]
435 [REDACTED]
436 [REDACTED]. In response to DPU Data request 1.07, the
437 Company presented the following [REDACTED]
438 [REDACTED]

439 **Table 3**

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

443
444
445
446
447
448
449
450
451
452
453
454
455
456

[REDACTED]

457
458
459

Q: With the [REDACTED]
[REDACTED]
[REDACTED]

460
461
462
463
464
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466
467
468
469
470

A: Yes. To examine the total production volumes I have prepared DPU Exhibit 1.5. This information is a comparison of the [REDACTED]
[REDACTED]
[REDACTED] Lines 1 through 5 are identical to the values in Exhibit M and represent the percent of the Questar Gas requirement that will be satisfied by Wexpro [REDACTED] Lines 6 through 10 are identical to the values in Updated Exhibit M-1 [REDACTED]
[REDACTED] Lines 11 through 15 provide a simple calculation of the difference in the production percentage from each field for each year. (Updated M-1 minus M) This analysis shows that in 2020 [REDACTED]
[REDACTED]

471
472

Q: Do you feel that approving the Canyon Creek Acquisition under the Wexpro II Agreement is in the public interest?

473 A: Yes, with the conditions proposed by Questar and the Division. The existing portfolio of gas
474 producing properties available to Questar Gas through Wexpro I will deplete over time and at
475 some point will need to be replaced with new Wexpro production or with market purchases.
476 Approving the Canyon Creek Acquisition as a Wexpro II property represents the purchase of
477 a long-term resource that could be advantageous to ratepayers for many years. While the
478 future is unknown, the probability that prices will increase over time is greater than the
479 probability that prices will continue to decrease. Further, the field represents a nearby
480 physical source of supply. With the added protection of [REDACTED]
481 [REDACTED] the property carries limited downside risk
482 relative to its long-term benefits.

483 **Q: Do you feel that [REDACTED]**

484 [REDACTED]

485 A: Yes. I believe that the [REDACTED] will be beneficial to ratepayers and will allow

486 [REDACTED]

487 [REDACTED]

488 [REDACTED] These

489 changes and the Division's recommendation of [REDACTED] limit are integral parts of the Division
490 finding that the Canyon Creek Acquisition is in the public interest.

491 **Q: Does that conclude your prepared direct testimony?**

492 A: Yes it does.