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- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

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In the Matter of the )  
Application of Questar Gas )  
Company for Approval of the ) Docket No. 15-057-10  
Canyon Creek Acquisition as )  
a Wexpro II Property )

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HEARING PROCEEDINGS

REDACTED TRANSCRIPT

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TAKEN AT: Public Service Commission  
Hearing Room 403  
160 East 300 South  
Salt Lake City, Utah  
DATE: Friday, November 6, 2015  
TIME: 9:00 a.m.  
REPORTER: Daren S. Bloxham, R.P.R.

Job No.: 265379

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A P P E A R A N C E S

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1 P-R-O-C-E-E-D-I-N-G-S

2 --oOo--

3 CHAIRMAN LEVAR: Good morning. We're on the  
4 record. We are here for the hearing in the Matter of  
5 the Application of Questar Gas Company for Approval of  
6 the Canyon Creek Acquisition as a Wexpro II Property.

7 And we're here to consider approval of the  
8 settlement stipulation that was filed in this matter.  
9 We'll start with appearances. So, of course, for the  
10 Utility?

11 MS. LARKIN BELL: Colleen Larkin Bell for  
12 Questar Gas Company.

13 CHAIRMAN LEVAR: Okay. Thank you.

14 MS. SCHMID: Patricia E. Schmid with the  
15 Attorney General's Office for the Division of Public  
16 Utilities.

17 CHAIRMAN LEVAR: Thank you.

18 MR. OLSEN: Rex Olsen with the Office of  
19 Consumer Services.

20 CHAIRMAN LEVAR: Okay. Thank you. Are there  
21 any other preliminary matters before we move forward?

22 MS. LARKIN BELL: Just a quick question on  
23 how you would like us to move for admission of our  
24 exhibits. In the case of the Company, we've provided  
25 an exhibit list and a binder with all of the attached

1 exhibits.

2           The court reporter has one. And if we could  
3 move for the admission of those exhibits as indicated  
4 on the list, that's fine, or if you want to read  
5 everything into the record, we can do that. Just a  
6 preliminary question.

7           CHAIRMAN LEVAR: Okay. Is there any  
8 objection to them being entered as the list without  
9 reading each one individually.

10           MR. OLSEN: We have no objection.

11           MS. SCHMID: No objection. And the Division  
12 would like to do the same with its list if permitted.

13           CHAIRMAN LEVAR: Certainly.

14           MS. LARKIN BELL: Okay. With that, if you  
15 want to start with the exhibits. The Company would  
16 move for the admission of its exhibits, with the  
17 exception of one, and that is a separate handout that  
18 we have handed out both to the court reporter, the  
19 other parties, and the commissioners.

20           And we have marked this one as QGC Hearing  
21 Exhibit 6.0. It's very similar to Mr. Barrie L.  
22 McKay's testimony exhibit, with the exception that we  
23 have added a column to indicate what the proposed  
24 changes are as agreed to in the stipulation agreement.

25           And I don't want to move for the admission of

1 that now. The parties have just now gotten a copy of  
2 that. I think what I will ask is after Mr. McKay  
3 provides testimony in support of the stipulation, we  
4 would move for admission of that hearing exhibit at  
5 that time.

6 CHAIRMAN LEVAR: Okay.

7 MS. LARKIN BELL: If that works.

8 CHAIRMAN LEVAR: Any objection to admitting  
9 all of the exhibits as described with this one  
10 exception at this point?

11 MS. SCHMID: No.

12 MR. OLSEN: No objection.

13 CHAIRMAN LEVAR: Okay. They'll be admitted.  
14 Thank you.

15 (Exhibits were admitted.)

16 MS. LARKIN BELL: With that, I would like to  
17 call Mr. Barrie L. McKay as our witness who will  
18 support our settlement stipulation in this matter.

19 --oOo--

20 BARRIE L. MCKAY,  
21 having been first duly sworn to tell the  
22 truth, was examined and testified as follows:

23 --oOo--

24 CHAIRMAN LEVAR: Okay. Thank you.

25 MS. LARKIN BELL: Would it be all right for

1 Mr. McKay to stay here, or would you --

2 CHAIRMAN LEVAR: Oh, yes. Absolutely.

3 That's fine.

4 MS. LARKIN BELL: Okay.

5 CHAIRMAN LEVAR: I think is there any  
6 objection if we can just go to all the witnesses, and  
7 then if there's any question from the bench, we save  
8 them until the end? Any objection to moving forward  
9 that way?

10 MS. SCHMID: No objection.

11 MR. OLSEN: No objection, Your Honor.

12 CHAIRMAN LEVAR: Thank you.

13 EXAMINATION

14 BY MS. LARKIN BELL:

15 Q. Mr. McKay, please state your name and -- name  
16 for the record.

17 A. Barrie L. McKay.

18 Q. And by whom are you employed?

19 A. Questar Gas Company.

20 Q. What is your title, your place of employment?

21 A. I'm vice president of regulatory affairs and  
22 energy efficiency.

23 Q. And did you file direct testimony in this  
24 proceeding consisting of nine pages and pre-marked as  
25 QGC Exhibit 1.0, with attached Exhibits 1.1 through 1.3

1 on August 31, 2015?

2 A. Yes I did.

3 Q. And if I were to ask you the same questions  
4 today that were asked in your pre-filed direct  
5 testimony, would your answers be the same?

6 A. Yes.

7 Q. Are you prepared today to summarize for the  
8 commission the settlement stipulation that was filed in  
9 this matter?

10 A. Yes, I am.

11 Q. Go ahead.

12 A. We have been -- I guess I wouldn't mind at  
13 this point pointing out this hearing exhibit that is  
14 essentially Exhibit 1.II, but was -- my counsel has  
15 already pointed we have added an additional column.

16 In our preparation for summary today, we  
17 thought it would be a useful tool as we walk through  
18 the stipulation itself. So with that said, I'm going  
19 to probably be referring to the stipulation pages, as  
20 well as this summary and try to kind of tie those  
21 together. I know we planned to have questions at the  
22 end, but if there's anything I'm saying along the way  
23 that there's questions about, feel free to --

24 MS. LARKIN BELL: Additionally, one other  
25 comment, if the Commission has any questions with



1 regard to confidential exhibits, we are prepared to  
2 discuss those with you today.

3 But we would ask at that time that we request  
4 that the hearing be closed to the public, given that we  
5 do not believe that the settlement stipulation is  
6 confidential or that Barrie's testimony with regard to  
7 it will be confidential.

8 CHAIRMAN LEVAR: Okay. Thank you. If that  
9 issue arises, we'll deal with it.

10 THE WITNESS: Okay. First page of the  
11 stipulation is simply in summary form. I think the  
12 recognition that the Questar Gas Company, as well as  
13 Wexpro, Division of Public Utilities, Utah Office of  
14 Consumer Services, and Wyoming Office of Consumer  
15 Advocates were the parties that signed this  
16 stipulation.

17 The key takeaway on that first page is the  
18 recognition that both the Utah and the Wyoming  
19 Commission need to approve the stipulation in order for  
20 it to become effective.

21 The pages 2 and 3 I think simply are  
22 procedural history summary, recognizing that we have a  
23 Wexpro II agreement, which is why we brought the  
24 property in the first place.

25 Paragraph 2 is recognition of the Trail 2

1 stipulation. Key reason why that needs to be pointed  
2 out I think in our procedural history is that there was  
3 a settlement in that docket that both Wyoming and Utah  
4 approved that helped to govern the Wexpro property  
5 going into the future. And that the -- this  
6 application, the Canyon Creek application, complied  
7 with what was required there.

8 Wexpro did indeed purchase this property at  
9 its own risk. And they are required, since this  
10 property is within the development drilling area, to  
11 bring that before the Utah and Wyoming Commissions.

12 It does complete specifically -- when I say  
13 "complete," it makes it so that Wexpro now owns -- has  
14 100 percent ownership in the Canyon Creek area.  
15 Previous to that, we had 70 percent. It was being  
16 provided to Questar Gas as a cost of the service, and  
17 this additional 30 percent, it has full ownership now.

18 As required, they also have -- we, Questar  
19 Gas, filed with a complete -- complete requirements of  
20 the Wexpro II agreement, which is all of the data  
21 identified in the Exhibits A through P. Following our  
22 application, the hydrocarbon monitor, according to what  
23 was laid out in the Wexpro II agreement, filed his  
24 report within the seven business days, both in Utah and  
25 in Wyoming. I think that will become part of the

1 record also.

2 Other takeaway is that in this process of  
3 coming to this stipulation, understanding was improved  
4 through the process of holding two technical  
5 conferences, one here in Utah on September 17th, as  
6 well as on October 8, there was a technical conference  
7 held in Wyoming.

8 And ultimately the parties through numerous  
9 data requests and opportunity to sit down and walk  
10 through and better understand what was being proposed  
11 and the significant proposals I think that the parties  
12 have focused on have been the changes that accompanied  
13 this application. And this hearing exhibit summary I  
14 think is a good way of walking through that. So I'll  
15 refer back and forth to the actual stipulation itself,  
16 as well as this hearing exhibit.

17 But the terms and conditions I think is where  
18 it really starts to be recognized of what we are  
19 agreeing to as settling parties. In paragraph 12, it's  
20 simply recognition that the Canyon Creek acquisition  
21 will be approved and improved as a Wexpro II property  
22 and will function accordingly with the following  
23 additional agreements that have gone forth.

24 And that is in paragraph 13, there's -- that  
25 specifically relates to line 1 of this hearing exhibit.

1 The parties are essentially -- I would describe it as  
2 doing five things here within this paragraph.

3 Number 1, we're recognizing that Wexpro is going to  
4 continue to be the one that designs their annual  
5 drilling program.

6 Next part of that sentence, we're recognizing  
7 that a drilling program might not always happen in the  
8 fall, for example. It might be a drilling program  
9 that's committed to or decided in the spring or some  
10 other time of year. So we're trying to make it clear  
11 that that could happen at a different time of the year.

12 And then the next part is that there is a  
13 moment in which Wexpro needs to commit or become  
14 obligated to a drilling rig. So we're recognizing that  
15 at that point in time, couple of things have to be  
16 taking place.

17 Number 1, the average of what they plan to go  
18 out and drill as far as their drilling plan. And we  
19 define the average carefully as the first five years --  
20 the costs related to the first five years of  
21 production, divided by the production from that first  
22 five years' production. That's going to come up and  
23 create a cost per dekatherm. That cost per dekatherm  
24 needs to be at or below the five-year forward curve.

25 Now, the five-year forward curve was a term

1 that we agreed to in the Trail stipulation. But it's  
2 something that we further defined here in the Canyon  
3 Creek stipulation to make sure everybody understood  
4 exactly what was meant by that and how Wexpro had been  
5 calculating it.

6 So that moves us to paragraph 14, which is  
7 just further defining on this hearing exhibit our line  
8 number 1. And that is the actual formula that makes up  
9 the five-year forward curve.

10 And the best way I have found to do it, and I  
11 think that we put together a pretty good summary, I'm  
12 just going to turn to the exhibit -- stipulation  
13 Exhibit 1 in what we've put together with the  
14 stipulation.

15 And in referring to that, the first part of  
16 the formula, which is A, which is identified as the  
17 NYMEX forward curve, and that shows up here on the  
18 stipulation Exhibit 1 as a blue line. And that blue  
19 line shows 60 months' forecast and has the estimated  
20 price as of that date.

21 And then the next part, B, which is the -- we  
22 recognize that we have a different price here in the  
23 Rockies, and so we have a basis difference that's  
24 identified as the next part of the formula. And that  
25 part shows up as a red line on this stipulation

1 exhibit. And then these two need to be added together  
2 to come up with the Rockies adjusted price. That shows  
3 up as the green line on this graph.

4 And we recognize that that is five years'  
5 worth of forecasts. Now, the next part is the creation  
6 of the component of the formula D, which is simply  
7 adding up 60 months' worth of forecast, so that would  
8 be that green line, and dividing it by 60 to come up  
9 with that day's average for the next 60 months.

10 And to that, next thing we recognize -- and  
11 that is essentially the black line here on Exhibit 1.  
12 And you can see that there's some volatility in that  
13 black line. Sometimes it jumps up, sometimes it goes  
14 down.

15 And rather than have parties or Wexpro or  
16 whoever be looking at, I want to right this right at  
17 the low part or hit it at the high part, we then  
18 introduced the idea that we would smooth out this line  
19 by simply taking the latest 20 trading days and have --  
20 so we add up the latest 20, divide that by 20, and  
21 that's what you see as the orange line. And that's our  
22 definition of the five-year forward curve.

23 So a point on that line on the day that  
24 Wexpro commits to or is obligated to continue forward  
25 with their drilling plan is the number that needs to be

1 compared with what the forecast is of the next five  
2 years of production.

3 And essentially that helps to create or  
4 complete that comparison so that we know that that is a  
5 forecast. It's forecast in the future. It's comparing  
6 five years of forecasts that an outside third party is  
7 doing, comparing it with five years of forecasts for  
8 what Wexpro anticipates to be able to produce from a  
9 given drilling plan.

10 That has to be at or below in order for  
11 Wexpro to move forward. We like that as a good check  
12 to make sure that we're getting properties. They're  
13 coming to Questar Gas that are going to be at or below  
14 that on a forecasted basis. There's also some  
15 comparison later on that is also a good check, I think  
16 a good safety valve for our customers that we'll talk  
17 about later.

18 The next paragraph in the stipulation is --  
19 actually, before I move to paragraph 15, let me make an  
20 observation is that the parties worked through this  
21 very carefully. And this Exhibit 1 is a -- comes from  
22 a worksheet that goes through each day. And each day  
23 that there's a trading day, it can be updated for one  
24 more day. And Wexpro does that. Company will be doing  
25 that.

1           We're offering that as something -- we know  
2 we do a lot of reporting, and we didn't come with any  
3 decision exactly of when and how often. We think it  
4 could be available at any time. But we think it might  
5 be wise for Questar Gas to be providing that maybe on  
6 at least an annual basis. Commission can take note of  
7 that. And however they might feel comfortable, if  
8 that's something they want more often.

9           But as you'll see here in a bit, we're going  
10 to be doing a calculation and an analysis on an annual  
11 basis. That seemed at least an appropriate opportunity  
12 to be providing that to all the parties. But it can be  
13 provided at other times during the year if the parties  
14 or the Commission wanted it.

15           That moves us to photograph 15. Paragraph 15  
16 specifically relates to line 4 here in this hearing  
17 exhibit, and that's the recognition that the property  
18 that has already been developed, it's referred to as  
19 pre-2016 oil and gas properties, there was -- developed  
20 under a previous set of guidelines and terms will be  
21 governed over the remaining life of that property, as  
22 was set forth in the Wexpro I and II agreements.

23           That moves us to paragraph 16. And that's  
24 the part where there begins to be some significant  
25 changes in these models going forward. And that --



1 where the parties agree that the post-2015 properties,  
2 and that's both oil and gas, as well as the allowance  
3 for funds used during construction, all of those under  
4 the Wexpro I or Wexpro II agreement had returns higher  
5 than what is now being proposed. And what's being  
6 proposed is for the life of all of those properties  
7 going forward, they will be earning a Commission  
8 allowed rate of return as defined in the Wexpro II  
9 agreement.

10 For just memory purposes, that's something  
11 that's weighted between -- Utah's usage in a given year  
12 and Wyoming's usage, and that's weighted based on what  
13 the Commissions have allowed as their most recent  
14 allowed rate of return.

15 That moves us I think to paragraph 17. And  
16 17 is doing three specific things. And it relates to  
17 line 6 here in the hearing exhibit. And as you can see  
18 here that the Company proposed just a 50/50 sharing.  
19 But as the -- we met with the parties, there was some  
20 concerns that we had worked through and have agreed  
21 upon.

22 And that's, first of all, we did agree that  
23 on a going forward basis that when there's new drilling  
24 or development wells that there would be a sharing of  
25 the costs. If, in fact, there happened to be dry hole

1 cost, there would be a sharing of those costs 50/50.

2 Now, we recognize in the next part of this  
3 paragraph that although in the definition in Wexpro I  
4 and Wexpro II, a dry hole cost is identified as being a  
5 plugged and abandoned well or a well that has not  
6 passed the commerciality test. And that's defined as  
7 dry hole.

8 We break it out here in this paragraph. The  
9 reason we do is we recognize on those -- we're going to  
10 refer to them as non-commercial wells, they may still  
11 be produced if their costs, okay, are covered by the  
12 cash that could be received in selling the gas, okay?

13 So it's not such a bad well that it should be  
14 plugged and abandoned, but you can actually cover your  
15 cash costs. In that instance in this paragraph, you  
16 can see that the parties have agreed that the revenues  
17 and the related expenses from a non-commercial well  
18 will also be shared on a 50/50 basis.

19 Additionally, the parties have agreed that  
20 there will be a cap on what this sharing would be for  
21 the customers. And that cap is going to be limited to  
22 4.5 percent of Wexpro's annual developed drilling that  
23 the customer would be responsible for. Now, there's  
24 also some additional parameters as it relates to dry  
25 hole that will come up here in paragraph 19, but I'm

1 going to wait until we get there.

2 So let's move to paragraph 18. And 18 is  
3 dealing with line 7 here in the hearing exhibit. It's  
4 where the Company had proposed that there would be an  
5 opportunity for sharing of savings that resulted from  
6 wells that would be drilled after 2015 if certain  
7 parameters had been met.

8 And the biggest parameter is that the overall  
9 cost of service needed to be lower than the market  
10 price. That sounds really good until you get into  
11 figuring out, okay, what does market price really  
12 represent here? What all is included in the cost of  
13 service?

14 And so we go through an effort in this  
15 paragraph 18 to try to define all of the components  
16 that would go into this calculation so that it's  
17 clearly understood what the intent was. So  
18 paragraph 18(a) simply recognizes that we need to use  
19 the volumes that are going into the interstate  
20 pipeline.

21 In the past, there have been some variances  
22 or differences in that, but we are clarifying that  
23 those are the volumes that are intended to be used in  
24 this calculation. Paragraph B goes through the process  
25 of what needs to take place to determine what a market

1 price is going to be.

2           And I should identify here, too, that we're  
3 trying to identify what this market price is and this  
4 cost of service price is for an IRP year. So we  
5 actually have an exhibit that we'll walk through here  
6 in a minute, but it's illustrative of calculating these  
7 rates or these prices for an IRP year.

8           I don't want people to think that they  
9 couldn't be calculated for some other 12-month period  
10 of time. It does need to be over a 12-month period for  
11 the comparison. And that will probably -- even be  
12 doing that as a company. But for this calculation to  
13 determine if there has been sharing occur, it will be  
14 the end of an IRP year.

15           Paragraph 18(c) specifically relates to how  
16 in cost of service price is going to be calculated.  
17 And it also recognizes that in this calculation that  
18 the cost for dry hole, that would be both those that  
19 are plugged and abandoned, as well as commercial, would  
20 be included in as a hurdle that would need to be able  
21 to be met before Wexpro begins to be able to receive  
22 any sharing of savings.

23           Paragraph D is simply an identification of  
24 timing and review rights, if you will. And that is  
25 each June, which would be following the IRP year, IRP

1 year ends on May 31st, so in the month of June, we'll  
2 be calculating, Questar Gas, along with help from the  
3 records of Wexpro, what the market price is, what the  
4 cost of service price is.

5 Then after we go through this calculation,  
6 it's specifically pointed out that if there is indeed  
7 savings, that will show up as a separate line item that  
8 Wexpro will have on their operator service fee that we,  
9 Questar Gas, will be able to see. Questar Gas, in  
10 turn, will be separately identifying that for all  
11 parties to see in 191 account entry.

12 Then we recognize that the parties,  
13 particularly the Division here in Utah, as well as the  
14 Wyoming OCA, have the opportunity to audit and review  
15 that calculation. And if there is any concerns or  
16 disputes, that they would be resolved in front of the  
17 Commissions who have jurisdiction over the managing of  
18 the 191 account.

19 It's kind of a high-level summary of what  
20 we're trying to accomplish there. Parties then went  
21 through and tried to develop, just so there wouldn't be  
22 any doubt in anybody's mind, an illustration of how  
23 this calculation is going to work. So that shows up in  
24 settlement stipulation Exhibit 2.

25 I thought I'd just run through that example

1 here as you look at that page. You can see that the  
2 first part of it, lines 1 through 14, is an  
3 illustration of how the market price, the average  
4 market price, will be calculated. That shows that  
5 we'll go out and we'll collect from June through May in  
6 column A what the first of the month index price has  
7 been on Northwest Pipeline.

8           Want to pause here for a minute. A key thing  
9 that at least in my mind I do in trying to  
10 differentiate parts of this agreement that we are --  
11 have agreed on is this part that we're dealing with  
12 right now, which is a calculation of savings and how  
13 they might be shared, is all based on actual. And so  
14 it's outside verifiable numbers that really did happen.

15           Wexpro, on the other hand, tries its best up  
16 front when they're going through determining whether or  
17 not to drill and what those costs would be, that's  
18 based on forecasts. That's a five-year forecast that's  
19 out there. They're going to doing this. We're going  
20 to be able to review that. But as far as savings and  
21 everything, that's going to be verified and done on an  
22 actual basis. Here in A, we're picking up what the  
23 actual first month index price is again.

24           In column B, we're picking up what the actual  
25 cost of service into the interstate pipeline volumes

1 have been. There's one thing to estimate but now we're  
2 picking up what actually had happened. We multiply  
3 those together for each month to come up with what a  
4 comparable market price may have been if Questar Gas  
5 would have gone out and purchased that gas on the open  
6 market rather than receiving it from Wexpro.

7 It's the total of all of those comparable  
8 market prices that you can see there in column C  
9 that -- line 13 -- is then divided by the total of cost  
10 of service volumes to come up with what we're defining  
11 as the average market price.

12 So we now have got one component of our  
13 formula, which is going to be the cost per dekatherm  
14 for the market price. Now we're looking to figure out  
15 and compare that to a cost of service price per  
16 dekatherm.

17 We've tried to show here the components that  
18 go into the calculation of that cost and what is  
19 needed. Obviously it's going to be the costs  
20 themselves. We recognize that there's going to be  
21 different components being brought together here. We  
22 wanted to give the impression that all of Wexpro I and  
23 II costs would be being brought into this calculation,  
24 that all of the pre-2016 plans or investment will be in  
25 there, all of the approved developed producing is going

1 to be there, as well as new development wells.

2 We chose to break out those post-2015 into  
3 two different categories so that people could see  
4 particularly which volumes we're going to be comparing  
5 this and applying it to in the calculation of savings.

6 Also recognize that you could be adding  
7 additional properties that are approved and already  
8 developed. And then you're also adding properties  
9 through drilling in the future. That's why I wanted to  
10 break those two out on the post-2015.

11 Key thing to also remember is we're including  
12 any of the costs that have been incurred in that year  
13 related to dry hole in this calculation. You can see  
14 that in the asterisks there on line 18.

15 And to that we need to make sure that we are  
16 including the representative volumes. So, again, it's  
17 just a mirroring of that. All the volumes from those  
18 properties need to be included in this calculation.  
19 And then you can see in lines 23 through 25, we're  
20 simply going through and trying to illustrate the  
21 calculation of a cost per dekatherm.

22 It shows that you could calculate this cost  
23 per dekatherm for some subpart, but the key cost per  
24 dekatherm we're after here is the total. And so it is  
25 line 17, D-17, that number there that's going to be



1 divided by the total volumes, which is in column D,  
2 line 21 that then calculates what the cost of service  
3 price per dekatherm ends up being. That I just  
4 described is illustrated in line 25.

5 So now that we've got these two components,  
6 we have a market price, we have a cost of service  
7 price, we're ready to check to see if, in fact, there's  
8 going to be savings, and that's what we're trying to  
9 illustrate in line 26.

10 So if that cost of service price is less than  
11 the average market price, then we're going to go  
12 through the calculation of what was shared and how that  
13 is determined. It would be -- it is taking what that  
14 savings amount is on a cost-per-dekatherm basis as  
15 showing in line 27. You're going to share this on a  
16 50/50 basis, so you multiply it by 50 percent.

17 Then it's applied only to the post-2015  
18 development well volumes. And then that dollar amount  
19 would be an entry that Wexpro would be doing in their  
20 operating service fee bill that we, Questar Gas, would  
21 also be making in the 191 account.

22 That essentially takes us through what we  
23 were trying to illustrate or show in paragraph 18(e).  
24 Now, while we're still on this page, the parties I  
25 think fairly observed that we don't want to with this

1 change in this agreement make it so Wexpro by un --  
2 some unforeseen thing in the moment was able to all of  
3 a sudden earn higher returns than had ever been  
4 anticipated even in the old agreement.

5 So there was a cap put on this, and that's in  
6 paragraph 19. And the parties agreed that in no event  
7 shall this shared savings ever have -- be a result of  
8 Wexpro earning higher than the base plus the 8 percent.

9 So we put a cap on that. That's identified  
10 on this worksheet or this Exhibit 2 of the settlement  
11 stipulation on line 29. We're trying to make  
12 everything be consistent, and we have accomplished that  
13 at that point.

14 But there's one other thing that we do here  
15 in paragraph 19, and that is related back to dry hole.  
16 And that the parties' intent here is that they  
17 recognize that as -- if, in fact, Wexpro were able to  
18 achieve that level of savings and were able to get back  
19 to the base plus 8 percent, during the era of Wexpro I  
20 and II, when they were earning that level of return,  
21 they, Wexpro, were taking on 100 percent of the dry  
22 hole costs.

23 So we recognize as they get to that point, we  
24 want to make sure that Wexpro again assumes that dry  
25 hole cost, all of it. So we make a statement here, the

1 parties acknowledge that the effect of this cap and  
2 them assuming the dry hole costs could have a -- the  
3 effect of Wexpro assuming a greater portion than 50/50  
4 on a dry hole, and customers assuming a lesser portion  
5 on that as you approach this cap on the earnings.

6 I should observe that I don't know if any of  
7 the parties think that that's necessarily going to  
8 happen tomorrow, but we wanted to make sure that as  
9 those that have identified and made a change that we're  
10 recommending to the Commission, we wanted that intent  
11 to take place if and when that happens down the road.  
12 So that's why we've tried to spell that out clearly  
13 there.

14 So that essentially takes us through  
15 paragraph 19. And paragraph 19, as you can see, it  
16 helps to clarify what we're showing here on hearing  
17 exhibit in both lines 6 related to the dry hole and  
18 line 7, which is the incentive and the -- incentive for  
19 Wexpro to help bring costs down. As they do, if they  
20 can do it below the market price, then there's an  
21 opportunity for sharing of those savings on just the  
22 post-2015 development wells.

23 That takes us to paragraph 20, which will  
24 correlate with line 2 from our hearing exhibit. And  
25 that's where the parties have agreed that over the next

1 five years, so by year 2020, Wexpro will be moving  
2 their overall production of what they provide to  
3 Questar Gas down to 55 percent. So that in 2020, the  
4 cap, if you will, of the amount that they're providing  
5 to Questar Gas needs to be at 55 percent.

6 Last part of that paragraph recognizes that  
7 the minimum threshold that is specifically identified  
8 in the Trail stipulation continues to be in place as it  
9 relates to that. Should just add here we point this  
10 out later in the stipulation that other parts of that  
11 stipulation that may not be specifically called out  
12 here or being proposed be modified will continue to be  
13 in place.

14 So in this particular area, the calculations  
15 that go into making sure that Questar Gas is paying the  
16 minimum of cost of service or market, whichever's  
17 lower, as we reach this cap still stays in place.

18 Next paragraph 21 is the recognition that we  
19 wanted to try to bring a lot of what's now beginning to  
20 be a few more documents than one. In fact, it's going  
21 to be quite a few documents. We recognize that for  
22 someone to totally understand how all these properties  
23 should be handled and treated needed to read them  
24 collectively.

25 So we agreed that we will provide as a place

1 on our website, and just in talking through it, it  
2 would be our Questar Gas website, as well as Wexpro's  
3 website, all relevant documents pertaining to  
4 management and implementation of cost of service  
5 production. We list those here, and recognize in  
6 paragraph 22 that they need to be read collectively to  
7 make sure that we have the proper understanding of  
8 that.

9 And, also, in paragraph 22, we recognize that  
10 anything else that hasn't been specifically called out  
11 in this stipulation continues in effect as it was  
12 intended to in any of the original documents.

13 And that essentially goes back and covers  
14 line 3 here in this hearing because we don't have a  
15 paragraph that specifically calls that out. But we  
16 recognize here in paragraph 22 that we will continue to  
17 have all approved, developed, producing, or pre-81  
18 wells be at the Commission-allowed return.

19 I think those are the general -- the  
20 specific -- I shouldn't say "general." Those are the  
21 specific highlights related to this stipulation.  
22 There's some other paragraphs in here that I think are  
23 more general in nature.

24 But I would observe that I think that the  
25 results of this stipulation and what we've been able to

1 work with with the parties produce what I would  
2 describe as the checks and the balances and the  
3 incentives to provide a cost-of-service relationship  
4 with -- I'm going to represent is Questar Gas -- with  
5 an exploration production Company, Wexpro, that provide  
6 the opportunity for continued savings.

7           We've enjoyed some wonderful savings through  
8 the years. We had significant change in the gas market  
9 that none of the people here in this room probably  
10 could have forecast, nor could anyone else, that  
11 occurred about a year ago. I think we've worked  
12 through a process that sets us up for opportunities to  
13 be able to have those savings in the future.

14           There's no guarantee. Wexpro is going to  
15 have a challenge to be able to meet, beat that  
16 five-year forward curve. But it's a great incentive,  
17 and we feel confident that we're going to be bringing  
18 gas that again is able to provide savings for us in the  
19 future.

20           Like the incentives that are set up for  
21 Wexpro to be able to go forward and be able to be  
22 incentivized to do good things for both of them,  
23 because they're going to get rewarded. We're going to  
24 get rewarded as customers and be able to receive lower  
25 than market price gas.

1 I think the result of this is in the public  
2 interest and is just and reasonable, and observe that I  
3 think that summarizes our testimony related to the  
4 stipulation.

5 **Q. Thank you, Mr. McKay.**

6 MS. LARKIN BELL: Before I forget, I would  
7 like to move then for the admission of QGC Hearing  
8 Exhibit 6.0?

9 CHAIRMAN LEVAR: Any objection?

10 MR. OLSEN: No objection.

11 MS. SCHMID: Objection.

12 CHAIRMAN LEVAR: That will be entered. Thank  
13 you.

14 (Exhibit was received.)

15 MS. LARKIN BELL: I failed to introduce  
16 Mr. Brady Rasmussen, who is the executive  
17 vice president of Wexpro. He is also available today  
18 should the commissioners or parties have questions.  
19 With that, I think our summary is concluded.

20 CHAIRMAN LEVAR: Thank you. Any -- any  
21 questions for them from the Division or Office, or  
22 shall we just move on?

23 MS. SCHMID: No questions.

24 MR. OLSEN: No questions.

25 CHAIRMAN LEVAR: Thank you. Ms. Schmid?

1 MS. SCHMID: Thank you. The Division would  
2 like to call Mr. Douglas D. Wheelwright as its witness.

3 --oOo--

4 DOUGLAS D. WHEELWRIGHT,  
5 having been first duly sworn to tell the  
6 truth, was examined and testified as follows:

7 EXAMINATION

8 BY MS. SCHMID:

9 Q. Good morning, could you please state your  
10 employer, title, and place of business for the record?

11 A. Yes. I am the technical consultant for the  
12 Division of Public Utilities. My business address is  
13 160 East, 300 South.

14 Q. Could you briefly describe your activities on  
15 behalf of the Division in this docket?

16 A. Yes. I reviewed the application and  
17 participated in meetings with the Company, filed  
18 numerous data requests to obtain additional information  
19 concerning the filing and filed testimony.

20 Q. Do you have any changes to your testimony  
21 which was filed with the Commission pre-marked as DPU  
22 Exhibit No. 1.0D with associated exhibits?

23 A. No changes.

24 Q. If I were to ask you the same questions today  
25 as contained in that testimony, would your answers be



1 **the same?**

2 A. Yes, they would.

3 MS. SCHMID: The Division would like to move  
4 for the admission of Division Exhibits DPU Exhibit  
5 No. 1.0D through DPU Exhibit No. 1.5D as memorialized  
6 on the DPU witness list given to the parties and the  
7 court reporter in this docket.

8 CHAIRMAN LEVAR: Any objection to that  
9 motion?

10 MS. LARKIN BELL: No objection.

11 MR. OLSEN: No objection.

12 CHAIRMAN LEVAR: Thank you. That will be  
13 entered.

14 (Exhibits were received.)

15 **Q. (By Ms. Schmid) Do you have a summary to**  
16 **give?**

17 A. Yes, I do.

18 **Q. Please proceed.**

19 A. Thank you. Thank you, Commissioners. The  
20 objective of the Wexpro II agreement was to create a  
21 structure and a mechanism that could potentially allow  
22 additional properties to be included in future cost of  
23 service gas production.

24 The Canyon Creek acquisition, which is  
25 described in detail by the Company, is within the

1 Wexpro I development drilling area. And under the  
2 terms of the Wexpro II agreement, Questar Gas is  
3 required to bring this property before the Commission  
4 for approval.

5 This purchase includes an increased ownership  
6 in 110 existing and producing wells, along with 30  
7 future well locations. The future drilling locations  
8 are in a field that is with known production and where  
9 Wexpro has experience with previous drilling in this  
10 field.

11 The calculations and assumptions used in this  
12 acquisition have been reviewed and evaluated by  
13 David Evans, the independent hydrocarbon monitor. On  
14 September 10th, 2015, Mr. Evans filed a report with the  
15 Division and indicated that in his opinion, the  
16 reserves and associated economic information presented  
17 by Wexpro were reasonable.

18 The specifics of the cost of service price  
19 projections from this acquisition are confidential but  
20 have been included in Exhibit L and L-1 of the filing.  
21 The natural gas from the additional Canyon Creek wells  
22 represent a small percentage of the total Wexpro  
23 production and will have a minor impact on the total  
24 price of cost of service gas.

25 A comparison of the total cost of service

1 price from all Wexpro production and the projected  
2 market price for the next five years has been included  
3 as Exhibit 1.1 of my direct testimony.

4 As part of this application, the Company has  
5 included significant changes to the Wexpro agreements.  
6 The proposed changes would reduce the allowed rate of  
7 return for new development from the base rate of  
8 return, plus an 8 percent premium currently calculated  
9 at 20 percent to the Commission-allowed rate of return,  
10 currently 7.64 percent.

11 This lower rate of return will apply to new  
12 development in all fields and will allow Wexpro to  
13 begin drilling as early as next year. The lower rate  
14 of return will allow future drilling not only in Canyon  
15 Creek, but also in other fields, such as Pinedale and  
16 Trail. Additional wells can be drilled if the cost of  
17 service production is at or below the five-year forward  
18 price curve.

19 Another change calls for ratepayers to share  
20 50 percent of the dry hole or non-commercial well costs  
21 and to potentially bear additional costs under a shared  
22 savings arrangement. The recommended changes to the  
23 Wexpro agreements have been discussed in detail with  
24 parties in Utah and Wyoming and are outlined in the  
25 settlement stipulation.

1           One of the primary concerns for this in the  
2 previous acquisition is the volume or percentage of the  
3 Questar Gas requirement that is provided by Wexpro. As  
4 part of the stipulation, Questar and Wexpro will  
5 continue to manage the combined cost of service  
6 production volume to 65 percent through 2019, but will  
7 limit the -- but will be limited to 55 percent  
8 beginning in the 2020 IRP year.

9           By managing to a specific volume target,  
10 Questar and Wexpro will be able to determine the pace  
11 of future drilling. The Division has reviewed the  
12 Company's analysis and recommends that the Canyon Creek  
13 acquisition be included under the Wexpro II agreement.

14           Approval of the Canyon Creek acquisition as a  
15 Wexpro II property represents the purchase of a  
16 long-term resource that could be advantageous to  
17 ratepayers for many years. The Division also supports  
18 the proposed changes to the Wexpro agreements as  
19 outlined. The Division believes that the terms of the  
20 stipulation agreement are just and reasonable and are  
21 in the public interest. That concludes my summary.

22           MS. SCHMID: Mr. Wheelwright is now available  
23 for questions. And before, however, you leave the  
24 Division, I would like to move for the admission of one  
25 additional exhibit.

1 CHAIRMAN LEVAR: Okay.

2 MS. SCHMID: In his summary, Mr. Wheelwright  
3 referenced a report from David Evans, the hydrocarbon  
4 monitor. That report was dated September 10, 2015, and  
5 filed with the Commission on September 14th as a highly  
6 confidential document. The Division would like to move  
7 for the admission of that report.

8 CHAIRMAN LEVAR: Any objection?

9 MS. LARKIN BELL: No objection.

10 MR. OLSEN: No objection.

11 CHAIRMAN LEVAR: That will be entered. Thank  
12 you.

13 MS. SCHMID: Thank you.

14 (The report was received.)

15 CHAIRMAN LEVAR: Anything further from the  
16 Division?

17 MS. SCHMID: Nothing further.

18 CHAIRMAN LEVAR: Then we'll move on to the  
19 Office and come back to all witnesses for questions  
20 afterwards.

21 Mr. Olsen?

22 MR. OLSEN: Thank you. The Division would  
23 like to call --

24 MS. SCHMID: Office --

25 MR. OLSEN: Office. Excuse me.

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--oOo--

GAVIN MANGELSON,

having been first duly sworn to tell the truth, was examined and testified as follows:

EXAMINATION

BY MR. OLSEN:

Q. Could you for the record state your name and your position with the Office, please?

A. Gavin Mangelson, a utility analyst.

Q. During the course of -- did you participate in the review of the proposal from Questar Gas that's under consideration right now?

A. Yes.

Q. And as part of that, did you prepare testimony, direct testimony, on October 8, 2015?

A. Yes.

Q. Do you have any -- any summary you'd like to present at this time?

A. I do.

Q. Proceed, please.

A. The Office reviewed the Company's application, the report from the hydrocarbon monitor, and the Company's response to numerous discovery requests. We filed direct testimony raising certain concerns about the Company to include the Canyon Creek

1 acquisition under the Wexpro II agreement.

2 During the drafting of this stipulation, the  
3 Office and others focused on crafting an agreement that  
4 would be durable and benefit and protect ratepayers for  
5 as long as natural gas is being extracted and provided  
6 under this agreement and not just for the foreseeable  
7 future.

8 Some of the specific provisions in this  
9 settlement that are important to the Office include  
10 maintaining the advantageous provisions of the Trail 2  
11 stipulation that I identified in my direct testimony,  
12 more adequately defining the five-year forward price  
13 curve definition and the calculation of shared savings,  
14 resolving concerns identified in my direct testimony,  
15 and moving from managing Wexpro to a maximum of  
16 65 percent of the IRP forecast demand to 55 percent in  
17 2020.

18 I'd like to speak more specifically to the  
19 change in management of gas supply. I noted in my  
20 direct testimony that according to confidential  
21 Exhibits M and M-1, cost of service gas supply as a  
22 percentage of total gas supply is not expected to be  
23 near the historically high levels.

24 However, an updated version of Exhibit M-1  
25 had been provided in response to a data request from

1 the Division of Public Utilities. This updated exhibit  
2 demonstrates that new drilling across all existing  
3 properties will increase the cost of service gas  
4 supplies -- supply to levels higher than those cited in  
5 my testimony.

6 Therefore, the Office's earlier concerns  
7 about the high total percentage of Wexpro gas supplies  
8 remain at issue in this case. The settlement  
9 stipulation terms adequately address the Office's  
10 concerns.

11 The Office is confident that the proposed  
12 sharing of costs and savings as defined in the  
13 settlement stipulation will more closely align the  
14 operating incentives to Wexpro with what will be most  
15 beneficial to ratepayers.

16 In summary, the Office believes that adding  
17 the Canyon Creek acquisition to the Wexpro II  
18 agreement, coupled with the other provisions of the  
19 stipulation, is in the public interest and will result  
20 in just and reasonable rates. Accordingly, the Office  
21 respectfully requests that the Commission approve this  
22 stipulation.

23 **Q. Mr. Mangelson, subject to the clarifications**  
24 **you've just provided in your sworn summary, would**  
25 **you -- and with the modifications inherent therein,**



1 **would you affirm the voracity of your prior testimony?**

2 A. Yes, with the -- yeah.

3 **Q. On October 8th?**

4 A. Yes, in light of the issues that I've  
5 addressed in my statement.

6 MR. OLSEN: And with that caveat -- with that  
7 understanding, Your Honor, we'd like to submit the  
8 testimony.

9 CHAIRMAN LEVAR: Any objections?

10 MS. LARKIN BELL: No objection.

11 MS. SCHMID: No objection.

12 CHAIRMAN LEVAR: They will be entered.

13 (The testimony was received.)

14 MR. OLSEN: Mr. Mangelson has nothing further  
15 so --

16 CHAIRMAN LEVAR: Okay. Thank you.

17 Commissioner White, do you have any questions  
18 for any of the witnesses?

19 MR. WHITE: Just a couple. This is -- I'll  
20 direct this initially to Mr. McKay, but some of these  
21 may be convenient for others to opine on. The first  
22 one refers to paragraph 4 of the settlement stipulation  
23 with the closing price referenced of 52.7 million.

24 My question is is this the -- is this price  
25 the final price, or is there any potential change

1 beyond that, date of acquisition?

2 MR. McKAY: That would not be the final  
3 price. I would refer this to an exhibit that helps to  
4 walk through what would be closer to the final price.  
5 And then I'm going to pitch things to Mr. Rasmussen  
6 because it's in his testimony.

7 But if you'll turn to his Exhibit 2.2, I  
8 recognize that we're now going to confidential -- in a  
9 confidential exhibit, but I think we can have a  
10 discussion around this without bringing out the  
11 specific confidentiality points. It is public  
12 knowledge that it's 52.7, and that's what you're seeing  
13 there in testimony.

14 As you look at this exhibit, you can see that  
15 it needs to be adjusted for some revenue and O&M  
16 adjustments that happened at closing, and then also it  
17 needs to be adjusted for the dekatherms or, shall we  
18 say, the depreciation and depletion that has occurred  
19 since Wexpro has taken ownership.

20 So we've tried to illustrate that in line 5,  
21 which shows the depreciation amount up to the time that  
22 we filed. We estimated some -- the -- what the  
23 depreciation would be from August, September, and  
24 October.

25 And we now recognize that we're into

1 November. So we would need to -- I don't know if  
2 that -- I don't want to be bold -- I'll just -- the  
3 assumption is this, that if the property were approved,  
4 and let's say it went into effect on December 1, there  
5 would need to be at least one more month's worth of  
6 depreciation taken into fact and would impact what  
7 those final numbers would be.

8 And also recognize that these were estimates  
9 that were provided on what we thought the closing  
10 between the previous owner and ending up with the  
11 balancing of whether they were in balance or out of  
12 balance. So those numbers also would be updated for  
13 actual.

14 Then that's the dollar amount that you're  
15 seeing there on line 10. We're pointing out that that  
16 dollar amount would change, but it would be a reduced  
17 amount from that that would then go on Wexpro's books  
18 as the Canyon Creek Wexpro II property.

19 MR. WHITE: Thank you. That's helpful.

20 CHAIRMAN LEVAR: Nothing else from you?

21 MR. WHITE: Just a couple more, sorry.

22 Then on paragraph 13, this one might be  
23 appropriate for other parties to opine also, but in  
24 paragraphs 13 and 14, it refers to wording that states  
25 at the time Wexpro incurs obligation in connection with

1 the drilling program.

2 I guess my question is there a common  
3 understanding -- I mean, is that a term of art that  
4 incurs obligation, or is there common understanding  
5 among the parties of what that would -- would entail or  
6 mean?

7 MR. MCKAY: I would think that we absolutely  
8 talked about that. So we tried to word this to  
9 recognize that Wexpro can have an estimate of what  
10 might happen, and it can be out there looking in a  
11 field with a heavy drilling plan.

12 And they say, Hey, let's -- we're going to  
13 drill this many wells. We think this is what the costs  
14 are going to be. Now we need to have a drilling rig,  
15 and we need to be getting everything in line to be able  
16 to say, Yeah, let's go ahead and do this, assuming that  
17 we can meet the criteria.

18 They're going to go through all of that  
19 process. Then they're going to come to a point where  
20 they now are committing dollars. They're committing  
21 things that they will be doing going into the future.  
22 That's where we're saying "incur an obligation."

23 We recognize that typically happens during  
24 their fall planning season, and then those rigs are  
25 going to be up and drilling come next spring. But we

1 also on the second part of that paragraph try to  
2 identify that maybe some other opportunities come up.  
3 They have an opportunity to go in with another partner  
4 on some wells. So it might not always be at that time.

5 But the key thing is when they incur and are  
6 now committed to where they're going to be paying out  
7 dollars for that obligation is what the intent of that  
8 would be, but I'll let others weigh in on it.

9 MR. WHEELWRIGHT: We did participate in those  
10 discussions, and that's in agreement with what we  
11 understood, that at some point Wexpro will need to make  
12 a decision and commit some resources, recognize that  
13 this will be a forecast.

14 They're looking at future prices and -- but  
15 at some point they do need to make a commitment to the  
16 drilling rig. That's what we understood would be the  
17 point where they would make a commitment for -- for  
18 future activity.

19 MR. MANGELSON: This paragraph is part of the  
20 Office's concern about better definition for the  
21 five-year forward curve. Previously it was explained  
22 that they would have to beat the five-year forward  
23 curve, but we wanted to understand at what moment in  
24 time those numbers needed to match.

25 And the Company explained that they might

1 determine that they had -- that they could match those  
2 numbers at or better than the five-year curve, but then  
3 they would need to make the agreements to have the  
4 appropriate equipment, and the prices would change  
5 after that. So this is just designed to be a  
6 clarification.

7 MR. WHITE: Thank you.

8 MR. MCKAY: Just for illustration -- okay,  
9 hasn't happened yet. Going forward, this is something  
10 that will be produced. There will be some day on this  
11 graph that you'll be able to put a circle around that  
12 point on that orange line that contractually Wexpro is  
13 obligated for a drilling rig things going forward.

14 That's what would need to be produced by  
15 Wexpro to show that they had met the criteria that the  
16 Office and the Division had been concerned about we  
17 wanted to have clarity on.

18 MR. WHITE: That actually is helpful. It  
19 sounds like it's more specifically defined as a  
20 contractual obligation that's incurred with them?

21 MR. OLSEN: For the record, perhaps, he was  
22 holding up a document that I think we need just to  
23 identify for the record.

24 MR. WHITE: Is that Exhibit --

25 MR. MCKAY: This is Stipulation Exhibit --

1 well, Settlement Stipulation Exhibit 1. I'm sorry.

2 That's a good point.

3 MR. WHITE: Thanks.

4 The last question I have is also with respect  
5 to paragraph 13, the discussion of potential more  
6 frequent than annual drilling programs. Is there -- I  
7 mean, is there potentially an example of, you know,  
8 when that might occur, what those circumstances would  
9 be around, more frequent?

10 MS. LARKIN BELL: Commissioner White, that  
11 may be a good question for Mr. Brady Rasmussen.  
12 Mr. Rasmussen has not yet been sworn. Shall we have  
13 him sworn and, perhaps, he can answer that question?

14 CHAIRMAN LEVAR: Sure.

15 --oOo--

16 BRADY RASMUSSEN,  
17 having been first duly sworn to tell the  
18 truth, testified as follows:

19 --oOo--

20 MR. RASMUSSEN: As Barrie said, we typically  
21 format our drilling program in the fall, but with a  
22 smaller drilling program that might be likely here  
23 with -- with lower prices. And we're also -- we may  
24 have to look at that more frequently, do a smaller  
25 program.

1           Typically in the past, we could go --  
2 contract out a rig for a year straight. We may not be  
3 doing that in view of our inventory of properties out  
4 there. We might have to focus on one field at a time.

5           It might make that drilling commitment  
6 smaller from time to time. You could have, you know,  
7 multiple times in the year where you'd actually have a  
8 rig contracted out for one portion of the first half of  
9 the year, a separate rig, if you got to that point, you  
10 could still beat that hurdle for the second half.

11           Also, you're dealing with recompletions where  
12 the rig commitment not -- is very short. We would have  
13 to still meet these obligations on a contract  
14 obligation on a recompletion well. It might just be  
15 one or two wells at a time.

16           And also on any outside operated wells that  
17 we are not the driller out there, we would be -- once  
18 we commit to drilling that well, we are -- we're kind  
19 of following their plans of the drilling program. We  
20 still have to meet these obligations, but we're kind of  
21 at the disposal of when that's proposed to us.

22           MR. WHITE: Thank you. I have -- I have no  
23 further questions.

24           CHAIRMAN LEVAR: Thank you, Commissioner  
25 Clark?



1 MR. CLARK: Thanks, Chair LeVar. I've got a  
2 question about paragraph 13 also. As you look at the  
3 drilling program in relation to the five-year forward  
4 price curve, how do you consider G&A costs in that  
5 evaluation? Are you looking at incremental costs? Are  
6 you looking at previously allocated cost?

7 MR. RASMUSSEN: Yes. On G&A on the drilling  
8 decision, we are looking at incremental costs on there.  
9 We do -- we are -- you know, which has a combination of  
10 Wexpro direct costs, corporate allocated costs, and the  
11 changes in that with the addition -- additional  
12 investment. And we're only capturing the true  
13 incremental costs to that drilling program that will be  
14 calculated on that.

15 MR. CLARK: Thank you. Now to  
16 paragraph 18(a). There's a reference there to the  
17 interstate pipeline. Is that Northwest Pipeline? Is  
18 it more or less than that? What -- help me in defining  
19 that term.

20 MR. MCKAY: We left it so that it could be  
21 any interstate pipeline. But the key thing is that  
22 it's at that point that it's transferring from a  
23 gathering facility or a tail plant or a processing  
24 facility.

25 It's those volumes at that point that we're

1 trying to identify there and not a summary of volumes  
2 upstream from there. And the purpose for that is we  
3 want them to be able to be comparable to where we  
4 typically, Questar Gas, are purchasing other gas, which  
5 is into the interstate pipeline.

6 MR. CLARK: Does Questar deliver volumes  
7 upstream of the pipeline?

8 MR. MCKAY: Now Questar? You mean does  
9 Wexpro deliver volumes? They do from their wells  
10 depending on how things are gathered, okay? We,  
11 Questar Gas, need to take responsibility of how we're  
12 going to be getting those volumes to the interstate  
13 pipeline.

14 Sometimes we're getting those volumes at the  
15 tailgate of a Vermillion plant that Wexpro is a joint  
16 owner in, and that's right when it's going into an  
17 interstate pipeline.

18 Other times we're getting them upstream, and  
19 we need to have gathering -- we have gathering from a  
20 systemwide gathering agreement that we've had now with  
21 Tesoro. We also have other contracts with other  
22 gathering providers.

23 All of those, whatever volumes or dekatherms  
24 might be used in the transportation on the gathering or  
25 in the processing need to be removed out. That's why

1 we're wanting to have it specifically be the volumes of  
2 when it goes into the interstate pipeline.

3 MR. CLARK: So -- so you're confident you can  
4 capture that discrete value?

5 THE WITNESS: That's a good -- good point.  
6 Let's be very forthright in that as we've tried to  
7 calculate that -- those numbers going back in the past,  
8 let's say the past 30 years here, we had not summarized  
9 those numbers or kept track specifically of what those  
10 volumes were in the past.

11 We can. On the record, we'll say this out  
12 loud, we can calculate on an actual basis today and  
13 going forward the volumes that are related to cost of  
14 service gas at the -- what's going into the pipeline,  
15 interstate pipeline. So we're going to be able to  
16 consistently have that information going forward.

17 We're still in the process of trying to  
18 verify and calculate what they actually were in the  
19 past. We think we have a pretty good estimate that we  
20 provided to the Division and the Commission,  
21 specifically in our IRP variance report.

22 We'll continue to do that. And if we can get  
23 more accurate information, we'll provide that at the  
24 time we have verified actual numbers. But going  
25 forward, we're confident that we'll be able to do that.

1 MR. CLARK: Be able to and you intend to?

2 MR. MCKAY: Yes, by the intent of this  
3 stipulation, which I think the parties wanted to see,  
4 also. Yes, we do intend to.

5 MR. CLARK: Okay. Now in reference to  
6 paragraph 21, just a procedural matter. I think it's  
7 very useful that these reference documents are going to  
8 be available in -- as they've been described here.

9 Is any of this information confidential? For  
10 example, confidential information in guideline letters?  
11 And, if so, how do you intend to address that?

12 MR. MCKAY: It's recognized that in the past,  
13 we had provided guideline letters under the umbrella of  
14 them all being confidential. Through our process of  
15 analysis and discussion and coming up with this  
16 stipulation, we, Company and Wexpro, have taken a more  
17 specific and careful review of all of those guideline  
18 letters and feel that they will be able to be provided  
19 without them needing to be confidential.

20 And so at this moment, our anticipation is  
21 that they will be able to be provided there. We did  
22 reference this in our discussion and thought that if,  
23 in fact, there were something, we can't promise things  
24 on future guideline letters, for example, that we would  
25 simply be providing that document in a redacted form on

1 that website so that they'd be able to see everything  
2 else they could.

3 But, again, we would want to be able to have  
4 the reference for that guideline letter out there and  
5 people be able to see that it existed. Right now it's  
6 anticipated that they would not be confidential.

7 MR. CLARK: And then regarding the -- the  
8 availability of information about the actual cost of  
9 the Wexpro gas, I think you addressed this toward the  
10 end of your summary, Mr. McKay, but could you review  
11 again what's the -- what's the Company's intent -- if  
12 you need to consult, I'm happy to -- is there an  
13 understanding among the parties or does the Company  
14 have an intent regarding when and how and what  
15 intervals that information would be provided?

16 I think this was addressed at a technical  
17 conference recently, and -- and I'm interested in  
18 whether you're looking for direction from the  
19 Commission on that in this order?

20 MR. MCKAY: Sure. To respond to that, I  
21 think it would be best if we were to return -- not  
22 return. Let's turn to my exhibit, and that's  
23 Exhibit 1.3. And for illustrative purposes, you don't  
24 have to, but this was an updated exhibit, so you can  
25 turn to Exhibit 1.3 updated, or if you have the

1 other -- if you don't have that, I think the point I'm  
2 going to make can be illustrated off of the original  
3 1.3.

4 But what I want to point out in this exhibit,  
5 it's a two-page exhibit, and the first page is the  
6 calculation that shows the cost of service price, which  
7 is I think what your question is referring to. We're  
8 also showing what the purchase price is.

9 So the reason I wanted us to turn here is  
10 that we, Questar Gas, are calculating this cost of  
11 service price using into-the-pipe volumes on a monthly  
12 basis. When I say "monthly," I want to make sure that  
13 that's understood that you need to calculate a cost of  
14 service price using 12 months' worth of data. So it's  
15 a 12-month moving total if you will.

16 We calculate that every month. We intend and  
17 have been providing that information in our quarterly  
18 reports in the IRP. And we would assume that that  
19 would be something we would continue to do with the  
20 backup behind those calculations.

21 If the Commission desired it more often than  
22 that, we also could do that. Right now that seems like  
23 a good standard to continue to have going forward. And  
24 all parties will be able to weigh in and look at it and  
25 view it.

1 MR. CLARK: So quarterly in the IRP with  
2 supporting documents?

3 MR. McKAY: Yes.

4 MR. CLARK: Thank you. That's helpful.  
5 That's all my questions --

6 CHAIRMAN LEVAR: Okay. Thank you.

7 MR. CLARK: -- Chair LeVar.

8 CHAIRMAN LEVAR: I was just wondering in  
9 paragraph 17, the stipulation, if there was a minor  
10 typographical error on the second line. Should there  
11 be the word "well" before the word "costs" on the  
12 second line of paragraph 17?

13 MS. SCHMID: Yes. Yes.

14 MR. McKAY: We would feel pretty comfortable  
15 if that were to be added there.

16 CHAIRMAN LEVAR: That term is defined in the  
17 Wexpro I and II agreements?

18 MR. McKAY: It is. You could say dry hole  
19 cost or non-commercial costs, but it is specifically.  
20 I think that's the point here is it's associated with  
21 wells. So I don't know if that it would be incorrect  
22 if people -- but that is the intent.

23 CHAIRMAN LEVAR: Thank you. My only other  
24 question is when is this stipulation scheduled to be  
25 considered by the Wyoming Commission?

1 MS. LARKIN BELL: November 18th.

2 CHAIRMAN LEVAR: Okay. Thank you. I think  
3 that's all from us then. Anything further from any  
4 party?

5 MS. SCHMID: Nothing further from the  
6 Division.

7 MR. OLSEN: We have nothing further.

8 MS. LARKIN BELL: Nothing further.

9 CHAIRMAN LEVAR: We are adjourned. Thank  
10 you.

11 (The proceedings concluded at 10:12.)

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REPORTER'S CERTIFICATE

STATE OF UTAH )  
COUNTY OF UTAH )

I, Daren S. Bloxham, a Notary Public and Certified Shorthand Reporter, Registered Professional Reporter, hereby certify:

THAT the foregoing proceedings were taken before me at the time and place set forth in the caption hereof; that the witnesses were placed under oath to tell the truth, the whole truth, and nothing but the truth; that the proceedings were taken down by me in shorthand and thereafter my notes were transcribed through computer-aided transcription; and the foregoing transcript constitutes a full, true, and accurate record of such testimony adduced and oral proceedings had, and of the whole thereof.

I have subscribed my name on this 17th day of November, 2015.



Daren S. Bloxham  
Registered Professional Reporter #335

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