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*Attorneys for Questar Gas Company*

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR APPROVAL OF THE WEXPRO II AGREEMENT	Docket No. 12-057-13 <b>APPLICATION</b>
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Questar Gas Company (Questar Gas) applies to the Utah Public Service Commission (Commission) for an order approving the Wexpro II Agreement entered into between Questar Gas, Wexpro Company (Wexpro), the Utah Division of Public Utilities (Division), and the Wyoming Office of Consumer Advocate (OCA), pursuant to Utah Code Ann. § 54-4-1 *et. seq.* and Utah Administrative Code § R746-100 *et seq.* Questar Gas offers the following, in support of this Application:

**HISTORY AND BACKGROUND**

1. The Wexpro Stipulation and Agreement (Wexpro I Agreement) was signed in 1981 by Mountain Fuel Supply Company (predecessor in interest to Questar Gas), Wexpro Company, Utah Department of Business Regulations, Division of Public Utilities (predecessor to Utah Division of Public Utilities) (Division), the Utah Committee of Consumer Services (predecessor to Utah Office of Consumer Services)

(OCS), and the Staff of the Wyoming Public Service Commission. Under the Wexpro I Agreement, Wexpro manages and develops natural gas reserves within a defined set of properties for the benefit of Questar Gas' retail customers. Production from these reserves is delivered to Questar Gas at cost-of-service, which historically, on average, has been lower-priced than market-based resources. This has provided Questar Gas' customers with a stable source of gas supply and long-term hedge against price volatility.

2. For over 30 years, Wexpro has developed and produced the properties at cost-of-service. With the implementation of new drilling and production methods, Wexpro has been able to develop and produce these properties far longer than parties to the Wexpro I Agreement originally anticipated. In fact, Wexpro cost-of-service gas has saved Questar Gas customers approximately \$1.4 billion since the inception of the Wexpro I Agreement.

3. Given the substantial benefit Questar Gas' customers have enjoyed as a result of access to cost-of-service natural gas supplies, and the fact that those supplies are finite, Questar Gas and Wexpro began exploring alternatives for ensuring that Questar Gas' customers continue to have access to cost-of-service gas supplies in the future.

4. As a result of the benefit of cost-of-service production for Questar Gas' retail customers, Wexpro, Questar Gas, the Division, the OCS, and the OCA have participated in public meetings and follow-up discussions regarding the proposed Wexpro II Agreement.

5. On September 12, 2012, Questar Gas, Wexpro, the Division, and the OCA (the Parties) reached an agreement that will enable Wexpro to develop new properties under substantially the same terms and conditions set forth in the Wexpro I Agreement.

The Wexpro II Agreement is subject to approval by both the Utah and Wyoming Public Service Commissions. A copy of the Wexpro II Agreement is attached to the Direct Testimony of Barrie L. McKay as QGC Exhibit 1.4.

### **THE WEXPRO II AGREEMENT**

6. The Wexpro II Agreement sets forth procedures by which Wexpro will purchase new properties at its own risk and submit those properties to the Utah and Wyoming Public Service Commissions for approval to include the properties as Wexpro II properties. Wexpro II properties would be managed and developed in the same manner as properties under the Wexpro I Agreement.

7. Questar Gas has filed the sworn testimony of Barrie L. McKay (QGC Exhibit 1.0) and James R. Livsey (QGC Exhibit 2.0) in support of this Application. As set forth in Mr. McKay's testimony, approval of the Wexpro II Agreement would provide an opportunity for Questar Gas' customers to receive the benefit of cost-of-service production going forward, even after those properties governed by the Wexpro I Agreement have been depleted. The Wexpro II Agreement provides a mechanism to extend the benefits of cost-of-service gas supplies to Questar Gas' customers.

8. Given the current market environment of declining natural gas prices, properties may be available now, and in the future, at favorable prices. In the interest of maximizing this opportunity for obtaining such properties to expand cost-of-service production for the benefit of Questar Gas' customers, Questar Gas respectfully requests expedited treatment of this Application.

**PRAYER FOR RELIEF**

Based upon the foregoing, Questar Gas respectfully requests that the Commission

(1) Issue a Notice of Scheduling Conference in this matter to facilitate the expedited treatment of this Application; and

(2) Enter an order approving the Wexpro II Agreement.

DATED this \_\_\_\_\_ day of September, 2012.

Respectfully submitted,

QUESTAR GAS COMPANY

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## CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Application for Approval of the Wexpro II Agreement was served upon the following persons by email on September \_\_\_\_\_, 2012:

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