

January 22, 2015

Utah Public Service Commission
Heber M. Wells Building
P.O. Box 45585
Salt Lake City, UT 84145-0585

*Re: Report Concerning Questar Gas Company's Acquisition
of the Eagle Mountain City Natural Gas System*

Dear Commissioners:

Pursuant to Commission Rule R746-401, Questar Gas Company (Questar Gas or Company) respectfully files this report with the Utah Public Service Commission (Commission) in order to provide information about the Company's purchase of the Eagle Mountain City natural gas distribution system.

REPORTING OF THE ACQUISITION OF ASSETS

1. Utility Name, Address and Description

Questar Gas is a corporation organized and existing under the laws of the state of Utah, with its principal business office located at 333 South State Street, Salt Lake City, Utah. The Company is engaged in the business of providing natural gas to residential and business customers as a local distribution company. Questar Gas currently distributes gas to approximately 960,000 customers in Utah, southern Idaho and Wyoming, under the jurisdictions of the Utah Public Service Commission and the Public Service Commission of Wyoming.

2. *Transaction Description*

Questar Gas intends to purchase the natural gas distribution assets owned by Eagle Mountain City and to become the natural gas distribution provider for its customers. Eagle Mountain desires to exit the utility business and Questar Gas has interest in Eagle Mountain natural gas distribution assets. Questar Gas believes that, because of the Company's proximity to Eagle Mountain and its expertise, it is in the best position to operate and manage these facilities, to comply with increasing regulation and to manage customer growth.

3. *Required Consents and Permits*

As part of the transaction, Eagle Mountain City will provide Questar Gas with a franchise agreement and will obtain any necessary city approvals.

4. *Acquisition Date*

Questar intends to acquire the natural gas distribution assets from Eagle Mountain on or after February 23, 2015.

5. *Estimated Cost of Assets*

Questar will pay \$11,400,000 for the above mentioned assets. Because Eagle Mountain's practice of capitalizing assets on its books was inconsistent and because Eagle Mountain did not use cost-based regulation in its procedures, not all of the assets being acquired by Questar Gas are shown on Eagle Mountain's books. Therefore, the Company compiled a list of assets to be acquired and assigned a value to those assets.

Attachment 1 shows how the Company valued these assets based upon depreciated replacement costs. Attachment 1, page 1, is the most current list of assets on Eagle Mountain's books. Page 2 shows the estimated replacement cost of the assets to be acquired. The replacement cost of mains, services and meters was allocated to each year

based on customer additions (lines 58-89). The replacement cost was then discounted based on the CPI index for the year it was placed in service (lines 92-109). The net book value of the acquired assets was calculated to be \$12.6 million based upon when the assets were placed in service, and then depreciating them over the appropriate time period using the Company's depreciation rates (Attachment 1, page 3). This amount is higher than the \$11.4 million paid for the assets, so the Company will allocate the acquisition costs of the assets to the proper account based upon their calculated net book value (Attachment 1, page 3, lines 150-155). Land rights on line 156 were based on book value.

6. *Adverse Affects on Existing Utilities*

Questar Gas is the only existing certificated public utility which supplies the same product or service in this area and therefore there is no conflict with or adverse affect on the operations of any existing certificated gas utility.

7. *Adequate Financial Capacity*

The \$11.4 million cost of the Eagle Mountain gas assets comprises about 5% of the Company's total 2015 capital budget. This acquisition will be financed the same way all of the other assets in the capital budget are financed. There will be no impact to credit ratings, bond ratings or ability to obtain capital because of this relatively small amount compared to the Company's annual capital needs.

8. *Estimated Effect on Current Utility Rates*

The Company will charge Eagle Mountain customers the same rates it charges all other similar Utah customers. Most of the Eagle Mountain customers will be charged based upon the GS rate schedule. There will be no negative impact on current Questar Gas customers' GS rates. Attachment 2, line 18 shows that the Company will be collecting a higher amount of revenues (\$1,936,106) than the revenue requirement associated with the acquired assets

(\$1,515,049). In Questar Gas' next rate case the cost and revenue associated with the acquired assets and customers will be rolled into the Company's revenue requirement.

If you have any questions or concerns, please feel free to contact me.

Sincerely,

Barrie L. McKay

cc: Chris Parker
Michelle Beck