

Canyon Creek Stipulation Changes Comparison

		Wexpro I and II	Trail Stipulation	Proposed Changes	Canyon Creek Stipulation
1	Future drilling criteria	Standard industry practice	Future drilling ≤ 5-Year Forward Curve	Future drilling ≤ 5-Year Forward Curve	Future drilling ≤ 5-Year Forward Curve
2	Cost-of-service gas as a percent of total gas supply		65%	65%	55% by 2020
3	Pre-81 well/ Proven-Developed-Producing (PDP) Wells	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)
4	Pre-2016 Developmental Wells	Base ROR + 8% = 20%	Base ROR + 8% = 20%	Base ROR + 8% = 20%	Base ROR + 8% = 20%
5	Post-2015 Developmental Wells			Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)
6	Dry Hole/Non-Commercial Cost	100% Wexpro	100% Wexpro	Shared 50/50	Shared 50/50 with customer portion capped at 4.5% of annual investment
7	Incentive to reduce cost and share savings			When annual COS < market, share savings 50/50 on Post-2015 wells	When annual COS < market, share savings 50/50 on Post-2015 wells with a cap on return of Base + 8%

DIVISION OF PUBLIC UTILITIES

DOCKET No. 15-057-10

In the Matter of the Application of Questar Gas Company for Approval
of the Canyon Creek Acquisition as a WEXPRO II Property.

Hearing to be held on November 6, 2015

WITNESS / EXHIBIT LIST

DPU Witness Douglas D. Wheelwright - DIRECT

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Date</u>
DPU Exhibit No.1.0D	Prefiled Direct Testimony of Douglas D. Wheelwright for the Utah Division of Public Utilities (DPU) with Certificate of Service (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.0D	Prefiled Direct Testimony of Douglas D. Wheelwright for the Utah Division of Public Utilities (DPU) with Certificate of Service (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.1D	Total Cost Comparison (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.1D	Total Cost Comparison (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.2D	DPU Data Request 1.20 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.2D	DPU Data Request 1.20 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.3D	DPU Data Request 1.21 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.3D	DPU Data Request 1.21 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.4D	DPU Data Request 1.22 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.4D	DPU Data Request 1.22 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.5D	Total Production Comparison (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.5D	Total Production Comparison (REDACTED / PUBLIC)	10/08/2015

DIVISION OF PUBLIC UTILITIES

DOCKET No. 15-057-10

In the Matter of the Application of Questar Gas Company for Approval
of the Canyon Creek Acquisition as a WEXPRO II Property.

Hearing to be held on November 6, 2015

WITNESS / EXHIBIT LIST

DPU Witness Douglas D. Wheelwright - DIRECT

<u>Exhibit Number</u>	<u>Exhibit Description</u>	<u>Date</u>
DPU Exhibit No.1.0D	Prefiled Direct Testimony of Douglas D. Wheelwright for the Utah Division of Public Utilities (DPU) with Certificate of Service (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.0D	Prefiled Direct Testimony of Douglas D. Wheelwright for the Utah Division of Public Utilities (DPU) with Certificate of Service (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.1D	Total Cost Comparison (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.1D	Total Cost Comparison (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.2D	DPU Data Request 1.20 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.2D	DPU Data Request 1.20 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.3D	DPU Data Request 1.21 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.3D	DPU Data Request 1.21 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.4D	DPU Data Request 1.22 with QGC Response (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.4D	DPU Data Request 1.22 with QGC Response (REDACTED / PUBLIC)	10/08/2015
DPU Exhibit No.1.5D	Total Production Comparison (CONFIDENTIAL)	10/08/2015
DPU Exhibit No.1.5D	Total Production Comparison (REDACTED / PUBLIC)	10/08/2015

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.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Prefiled Direct Testimony and Exhibits of Douglas D. Wheelwright for the Utah Division of Public Utilities was served upon the following persons by email on October 8, 2015 in Docket 15-057-10.

In the Matter of the Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property.

Patricia E. Schmid
Justin Jetter
Assistant Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@utah.gov
jjetter@uath.gov

Rex Olson
Assistant Attorney General
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, Utah 84114-0857
rolsen@utah.gov

Chris Parker, Director
Artie Powell, Energy Manager
Dennis Miller
Division of Public Utilities
160 East 300 South
P.O. Box 146751
Salt Lake City, UT 84114-6751
chrisparker@utah.gov
wpowell@utah.gov
dennismiller@utah.gov

Michele Beck, Director
Office of Consumer Services
160 East 300 South
P.O. Box 146782
Salt Lake City, UT 84114-6782
mbeck@utah.gov

Bryce Freeman, Administrator
Ivan Williams, Senior Counsel
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
Bryce.Freeman@wyo.gov
Ivan.williams@wyo.gov

/s/ Dennis Miller
dennismiller@utah.gov

2015 OCT -8 P 1:36

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

PUBLIC

REDACTED

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

Gas from the existing producing wells purchased in Canyon Creek will have a cost of [REDACTED] beginning in 2015. New wells that are projected to be drilled and completed in [REDACTED]. The projected 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
59 increases, the opportunities to purchase at relatively low prices would not likely be available,

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

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

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

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

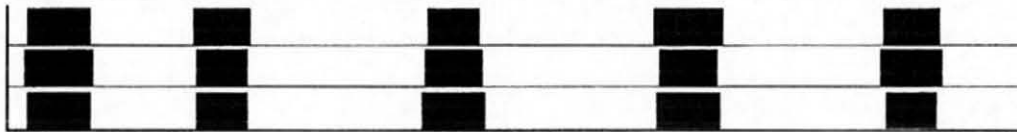
Table 1

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

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

⁹ DPU Data Request 1.07

¹⁰ Application Exhibit L-1, page 14.



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

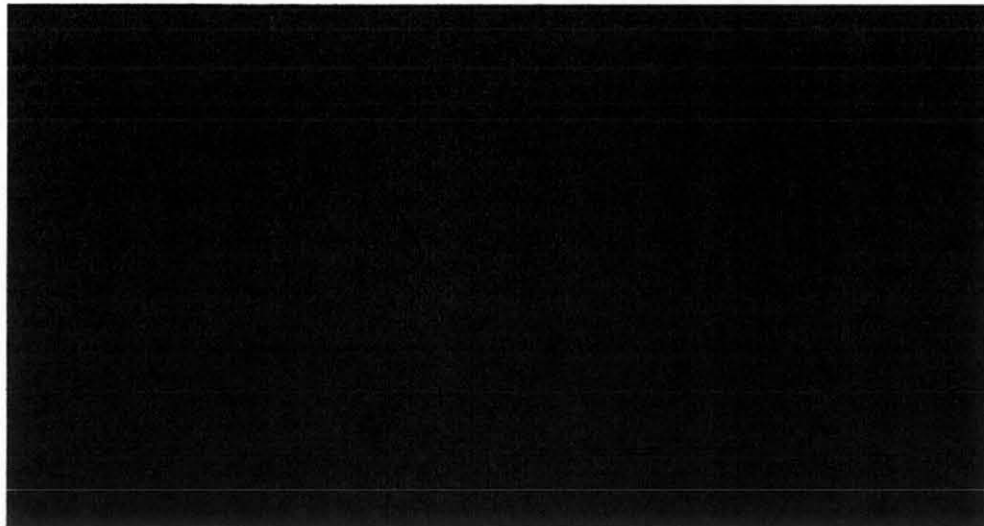
[REDACTED] A comparison of the projected total cost-of-service price for all Wexpro properties (Column C) and the forecast market price (Column D) shows that [REDACTED]

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

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

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

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

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

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

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

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

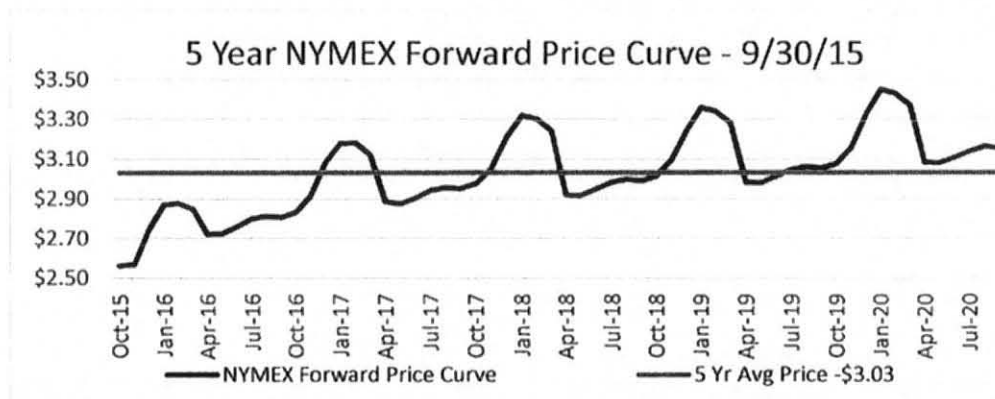
A: The Decision to drill today and with the proposed change is based on the average price of the 5-year forward price curve.¹² As with any price forecast, the further in time the price is

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."

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

Chart 2



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

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

A: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

259

260

261 **Q: Do you agree that the**

262

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.**

265

266

267

268

269

270

271

272

273

274

275

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.

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

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

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]

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

Q. In addition to the [REDACTED]

[REDACTED]

A. The projected costs provided in this Application include the [REDACTED]

[REDACTED]

[REDACTED]. In response to DPU Data request 1.07, the Company presented the following [REDACTED]

[REDACTED]

Table 3

[REDACTED]

[REDACTED]

[REDACTED]

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

457 Q: With the [REDACTED]
458 [REDACTED]
459 [REDACTED]

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

471 Q: Do you feel that approving the Canyon Creek Acquisition under the Wexpro II
'72 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.

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the foregoing Prefiled Direct Testimony and Exhibits of Douglas D. Wheelwright for the Utah Division of Public Utilities was served upon the following persons by email on October 8, 2015 in Docket 15-057-10.

In the Matter of the Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property.

Patricia E. Schmid
Justin Jetter
Assistant Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@utah.gov
jjetter@uath.gov

Rex Olson
Assistant Attorney General
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, Utah 84114-0857
rolsen@utah.gov

Chris Parker, Director
Artie Powell, Energy Manager
Dennis Miller
Division of Public Utilities
160 East 300 South
P.O. Box 146751
Salt Lake City, UT 84114-6751
chrisparker@utah.gov
wpowell@utah.gov
dennismiller@utahy.gov

Michele Beck, Director
Office of Consumer Services
160 East 300 South
P.O. Box 146782
Salt Lake City, UT 84114-6782
mbeck@utah.gov

Bryce Freeman, Administrator
Ivan Williams, Senior Counsel
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
Bryce.Freeman@wyo.gov
Ivan.williams@wyo.gov

/s/ Dennis Miller
dennismiller@utah.gov

DOCKET 15-057-10

**Wheelwright Prefiled Direct Testimony
For the Utah Division of Public Utilities**

PLACEHOLDER

**DPU Exhibit 1.1
Total Cost Comparison**

REDACTED EXHIBIT

**SUBJECT TO UTAH PUBLIC SERVICE
COMMISSION RULE 746-100-16**

October 8, 2015

DOCKET 15-057-10

**Wheelwright Prefiled Direct Testimony
For the Utah Division of Public Utilities**

PLACEHOLDER

DPU Exhibit 1.2

QGC Data Response – DPU 1.20

REDACTED EXHIBIT

**SUBJECT TO UTAH PUBLIC SERVICE
COMMISSION RULE 746-100-16**

October 8, 2015

DOCKET 15-057-10

**Wheelwright Prefiled Direct Testimony
For the Utah Division of Public Utilities**

PLACEHOLDER

DPU Exhibit 1.3

QGC Data Response – DPU 1.21

REDACTED EXHIBIT

SUBJECT TO UTAH PUBLIC SERVICE
COMMISSION RULE 746-100-16

October 8, 2015

DOCKET 15-057-10

**Wheelwright Prefiled Direct Testimony
For the Utah Division of Public Utilities**

PLACEHOLDER

**DPU Exhibit 1.4
QGC Data Response – DPU 1.22**

REDACTED EXHIBIT

**SUBJECT TO UTAH PUBLIC SERVICE
COMMISSION RULE 746-100-16**

October 8, 2015

DOCKET 15-057-10

**Wheelwright Prefiled Direct Testimony
For the Utah Division of Public Utilities**

PLACEHOLDER

**DPU Exhibit 1.5
Total Production Comparison**

REDACTED EXHIBIT

**SUBJECT TO UTAH PUBLIC SERVICE
COMMISSION RULE 746-100-16**

October 8, 2015

**QUESTAR GAS COMPANY
EXHIBIT LIST**

**and EXHIBITS for the
Hearing on November 6, 2015
Docket No. 15-057-10**

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7497)
Questar Gas Company
333 S. State Street
PO Box 45360
Salt Lake City, Utah 84145-0360
(801)324-5556
(801)324-5935 (fax)
Colleen.Bell@questar.com
Jenniffer.Clark@questar.com

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
CANYON CREEK ACQUISITION AS A
WEXPRO II PROPERTY

Docket No. 15-057-10

QUESTAR GAS COMPANY EXHIBIT LIST
For the Hearing scheduled November 6, 2015

<u>Exhibit Number</u>	<u>Description</u>	<u>Confidential Page Numbers</u>
QGC Exhibit 1.0	Direct Testimony of Barrie L. McKay	Page 8
QGC Exhibit 1.1	Qualifications of Barrie L. McKay	
QGC Exhibit 1.2	Proposed Changes Comparison	
QGC Exhibit 1.3	Purchase Gas v. Cost of Service Gas; Cumulative Savings from Cost-of- Service Gas	
QGC Exhibit 1.3 Updated	Purchase Gas v. Cost of Service Gas; Cumulative Savings from Cost-of- Service Gas	
QGC Exhibit 2.0	Direct Testimony of Brady B. Rasmussen	Pages 4, 8
QGC Exhibit 2.1	Qualifications of Brady Rasmussen	

Exhibit Number**Description****Confidential
Page Numbers**

QGC Exhibit 2.2 (Confidential)	Estimated Canyon Creek Acquisition Cost
QGC Exhibit 2.3	Typical Rockies Tight-Gas Well
QGC Exhibit 2.4	Index of Wexpro II Agreement Canyon Creek Acquisition Guideline Letters [No longer deemed confidential per the Settlement Stipulation]
QGC Exhibit 3.0	Application of Questar Gas Company for Approval of the Canyon Creek Acquisition as a Wexpro II Property filed August 31, 2015 and accompanying application exhibits as follows:
QGC Exhibit A	Gas and Oil Pricing Assumptions Used in the Canyon Creek Acquisition
QGC Exhibit A-1	Gas and Oil Pricing Assumptions as of June 2015
QGC Exhibit B (Confidential)	Location of Current and Future Wells
QGC Exhibit C (Confidential)	Historical Production and Remaining Reserves of Current Wells
QGC Exhibit D (Confidential)	Forecasted Reserves for Future Wells
QGC Exhibit E (Confidential)	Forecasted Decline Curves for Current and Future Wells
QGC Exhibit F (Confidential)	Estimated Drilling (Capital) Cost per Well
QGC Exhibit G (Confidential)	Estimated Operating Expenses for Current and Future Wells
QGC Exhibit H (Confidential)	Gross Working Interest and Net Revenue Interest for Current and Future Wells

Exhibit Number**Description****Confidential
Page Numbers**

QGC Exhibit I	Estimated Production Tax per Dth for Current and Future Wells	
QGC Exhibit J (Confidential)	Estimated Gathering/Processing/Conditioning Costs per Dth for Current and Future Wells	
QGC Exhibit K (Confidential)	Description of any Land Lease, Title, And Legal Issues Related to Real Property	
QGC Exhibit L (Confidential)	Forecasted Long-Term Cost-Of-Service Analysis	
QGC Exhibit L-1 (Confidential)	Forecasted Long-Term Cost-Of-Service Analysis, Adjusted for the Company's Proposed Changes	
QGC Exhibit M (Confidential)	Total QGC Gas Supply (IRP Year)	
QGC Exhibit M-1 (Confidential)	Total QGC Gas Supply (IRP Year) With Proposed Changes	
QGC Exhibit M-1 Updated (Confidential)	Total QGC Gas Supply (IRP Year) With Proposed Changes	
QGC Exhibit N (Confidential)	Geologic Data	
QGC Exhibit O (Confidential)	Future Development Plan for the Proposed Properties	
QGC O-1 (Confidential)	Future Development Plan for the Proposed Properties	
QGC Exhibit P (Highly Confidential)	Economic Model used in the Analysis of the Canyon Creek Acquisition	
QGC Exhibit P-1 (Highly Confidential)	Economic Model used in the Analysis of the Canyon Creek Acquisition	

QGC Exhibit 4.0

**Canyon Creek Technical Conference
Presentation, September 17, 2015**

Slides 8, 9, 13,
15, 16, 17, 18,
19, 20, 21, 25,
26, 27, 29, 30,
33, 35

QGC Exhibit 5.0

Canyon Creek Settlement Stipulation

Settlement
Stipulation Exhibit 1

Calculation of 5-Year Forward Curve

Settlement
Stipulation Exhibit 2

Calculation of Shared Savings

**QGC Hearing Exhibit
6.0**

**Canyon Creek Stipulation Changes
Comparison**

231936

QGC Exhibit 1.0
McKay Direct Testimony

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

Docket No. 15-057-10

DIRECT TESTIMONY OF BARRIE L. McKAY

FOR QUESTAR GAS COMPANY

QGC Exhibit 1.0

TABLE OF CONTENTS

I. INTRODUCTION.....1

II. CANYON CREEK ACQUISITION2

III. PROPOSED CHANGES.....3

IV. PUBLIC INTEREST6

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Barrie L. McKay. My business address is 333 South State Street, Salt Lake
3 City, Utah.

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Questar Gas Company (Questar Gas or Company) as Vice President of
6 State Regulatory Affairs. I am responsible for state regulatory and energy-efficiency
7 matters in Utah and Wyoming.

8 **Q. What are your qualifications to testify in this proceeding?**

9 A. I have listed my qualifications in QGC Exhibit 1.1.

10 **Q. Attached to your written testimony are QGC Exhibits 1.1 through 1.3. Were these**
11 **prepared by you or under your direction?**

12 A. Yes.

13 **Q. What is the purpose of your testimony in this Docket?**

14 A. The purpose of my testimony is to: 1) describe Wexpro's recent acquisition of natural gas
15 producing properties within the Wexpro I Development Drilling area known as the
16 Canyon Creek Acquisition Area and explain why Questar Gas is required to bring this
17 property to the Utah and Wyoming Commissions for approval as a Wexpro II property;
18 2) describe changes that Questar Gas and Wexpro are proposing to make in conjunction
19 with the Canyon Creek Application and 3) explain why including the Canyon Creek
20 Acquisition as a Wexpro II property in conjunction with the proposed changes are in the
21 public interest and should be approved by this Commission.

22 **Q. Are there others who will provide testimony in this proceeding?**

23 A. Yes, Mr. Brady B. Rasmussen, Executive Vice President and Chief Operating Officer of
24 Wexpro Company, will also provide an overview of the Canyon Creek Acquisition and

25 explain how the proposed changes would allow Wexpro to continue drilling at or below
26 the 5-Year Forward Curve.

27 **II. CANYON CREEK ACQUISITION**

28 **Q. Please describe the recent purchase by Wexpro of natural-gas producing properties**
29 **in the Canyon Creek Acquisition Area.**

30 A. On December 19, 2014, Wexpro closed on its purchase of the Canyon Creek Acquisition
31 for approximately \$52.7 million. (Note: If approved as a Wexpro II property, this
32 amount would be adjusted to reflect the volumes Wexpro has sold since acquiring the
33 property. See QGC Exhibit 2.2.) This purchase consists of a 30% interest in 100
34 producing wells and approximately 30 future wells. This acquisition increased Wexpro's
35 ownership interest from 70% to 100% in the Canyon Creek Acquisition Area.

36 **Q. Is this a Wexpro property acquisition that the Company must bring to the Utah and**
37 **Wyoming Public Service Commissions for approval?**

38 A. Yes, under the terms of the Wexpro II Agreement, the Company is required to apply for
39 Utah and Wyoming Commission approval of Wexpro property acquisitions in the
40 Wexpro I Development Drilling areas. The Canyon Creek Acquisition is a property
41 within a Wexpro I Development Drilling area.

42 **Q. Does Questar Gas support the Canyon Creek Acquisition?**

43 A. Yes. As explained in Mr. Rasmussen's testimony, the Canyon Creek Acquisition is in an
44 area where Wexpro operates and already has significant experience. Wexpro had a 70%
45 interest in these wells in this area. These wells were drilled by Mountain Fuel and
46 Wexpro over the last 60 years. Wexpro understands the geology, engineering and
47 production of these wells. These properties are currently some of the higher-producing
48 and the lowest-cost properties in the Wexpro I Development Drilling areas. The Wexpro
49 II concept was conceived to accommodate adding these types of acquisitions to Questar
50 Gas' supply portfolio.

1 **Q. If the Canyon Creek Acquisition is approved as a Wexpro II Property, would**
52 **Wexpro be able to develop the property in today's gas market?**

53 A. No, as more fully explained by Mr. Rasmussen, if today's natural gas prices continue as
54 forecasted and the rate of return on development gas drilling remains unchanged, then
55 based on Wexpro's current model, Wexpro would need to wait until gas prices increase
56 to develop the property at or below the current 5-Year Forward Curve.

57 **Q. Does Questar Gas want Wexpro to develop gas reserves at or below today's current**
58 **5-Year Forward Curve?**

59 A. Yes, for at least two reasons. Recognizing that the long-term history of natural gas prices
60 is volatile and given the likelihood of some future inflation, anytime Wexpro can develop
61 natural gas that will produce for 20 to 30 years at today's low prices, that is good for
62 customers. Second, as more fully explained by Mr. Rasmussen, an ongoing drilling
63 program helps lower the per-unit cost/Dth of cost-of-service production and preserves
64 Wexpro's expertise and efficiencies in developing these properties.

65 **III. PROPOSED CHANGES**

66 **Q. To take advantage of developing natural gas reserves at today's low gas prices,**
67 **would changes need to be made to the Wexpro I and II programs going forward?**

68 A. Yes.

69 **Q. Realizing that natural gas prices may remain low for the foreseeable future and that**
70 **the current required returns on new wells drilled under Wexpro I and II produce**
71 **natural gas above the 5-Year Forward Curve, how did Questar Gas and Wexpro**
72 **develop the proposed changes?**

73 A. Following the purchase of the Canyon Creek Acquisition and the significant change in
74 the natural gas market, the answer to that question became the focus of discussions
75 between Wexpro and Questar Gas. We studied and analyzed various alternatives.
76 Finally, when we believed we had a proposal that would benefit customers and Wexpro

77 and provide incentives, checks and balances going forward, we presented those ideas to
78 parties that would be part of this proceeding. After getting feedback, we further refined
79 the proposal.

80 **Q. What are the changes that are being proposed with this Application?**

81 A. In conjunction with the Canyon Creek Acquisition as a Wexpro II property, the following
82 changes are being proposed:

- 83 1) The rate of return on post-2015 Development Drilling will be lowered to the
84 Commission-Allowed Rate of Return as defined in Section I-31 of the Wexpro II
85 Agreement (currently 7.64%).
- 86 2) Dry-hole and non-commercial well costs will be expensed and shared on a 50/50
87 basis between customers and Wexpro; and
- 88 3) When the actual annual weighted average price from all cost-of-service wells is
89 less than the current market price, then annual savings will be shared between
90 customers and Wexpro on a 50/50 basis.

91 **Q. Are Questar Gas and Wexpro proposing any changes to the 65% percentage of total**
92 **gas supply, the requirement that future Wexpro Development Drilling must be**
93 **generally at or below the current 5-Year Forward Curve, the allowed return on**
94 **Proven-Developed-Producing (PDP) properties or the return on pre-2016**
95 **development gas drilling?**

96 A. No. These requirements were agreed to by the Parties and approved by the Utah and
97 Wyoming Commissions as part of either the Wexpro II Agreement or the Trail Unit
98 Stipulation and are proposed to continue.

9 Q. Have you prepared an exhibit that summarizes some of the key criteria of the
100 Wexpro Agreements and how they were handled under the original Wexpro I and II
101 Agreements, the Wexpro II Trail Stipulation and the proposed changes?

102 A. Yes, attached as QGC Exhibit 1.2 is a table that compares how a property was treated in
103 the past and how it will be treated if the Commission approves the proposed changes in
104 this Application.

105 Line 1 shows that "Future drilling criteria" was governed by standard industry practice as
106 provided in the Wexpro I and II Agreements. Under the terms of the Trail Unit
107 Stipulation the future drilling criteria was changed to be less than or equal to the 5-Year
108 Forward Curve and is proposed to continue with the proposed changes.

109 Line 2 shows that cost-of-service production was limited to 65% in the Trail Stipulation
110 and is proposed to continue with the proposed changes.

111 Line 3 shows that pre-1981 wells and PDP wells, that may be added as a Wexpro II
112 Property, have been billed at the Commission-Allowed Rate of Return under the Wexpro
113 I and II Agreements and the Trail Stipulation and will continue to be billed at the
114 Commission-Allowed Rate of Return under the proposed changes.

115 Line 4 shows that "Developmental Gas Wells" drilled prior to 2016 were billed at the
116 Base Rate of Return plus 8% for a gas well (5% for oil) and will continue to be billed
117 using that rate over the remaining life of the well.

118 Line 5 shows that all "Developmental Gas and Oil Wells" drilled post 2015 will be billed
119 at the Commission-Allowed Rate of Return for the life of the wells.

120 Line 6 shows that "Dry Hole/Non-Commercial Costs" were 100% the responsibility of
121 Wexpro under the Wexpro I and II Agreements and the Trail Stipulation. Going forward,
122 under the proposed changes these costs will be shared 50/50 between customers and
123 Wexpro.

Line 7, shows that the "Incentive to reduce costs and share savings," is proposed to be part of the proposed changes. This shows that when the total annual cost-of-service price is below the annual market gas price, then savings will be shared with customers 50/50.

Q. Are any other changes being proposed?

A. No, all other provisions, terms and conditions of the Wexpro I, Wexpro II and Trail Stipulation and all guideline letters remain unchanged.

IV. PUBLIC INTEREST

Q. In the development of this proposal you mentioned checks, balances and incentives. Please explain how these are accomplished with the approval of this application.

A. First, Wexpro may only develop wells that are generally at or below the current 5-Year Forward Curve. This assures that Wexpro will not be developing properties that are currently "out of the market." Additionally, with the rate of return being lowered to the Commission-Allowed Rate of Return on post-2015 development wells, Questar Gas' customers reap the benefit of adding long-term reserves at low gas price.

Second, Wexpro manages production at or below 65% of Questar Gas' total gas supply.

Q. Are there other checks included within this proposal?

A. Yes. The proposed changes also address dry-hole and non-commercial well costs. Rather than proposing that all the dry-hole and non-commercial well costs should be borne by customers, which may be warranted given the proposal to lower the return to the Commission-Allowed Rate of Return on future development wells, Wexpro will be sharing in that potential expense 50 cents on every dollar. This equal sharing assures that Wexpro has "skin in the game" and will be cautious as they continue to drill wells in the future. Additionally, this check is "balanced" with the proposal to share savings in the future.

8 **Q. Please summarize how the incentives for Wexpro and benefits for customers worked**
149 **in the past?**

150 In the past, the Wexpro I and II Agreements were set up to provide Wexpro with an
151 incentive to find and develop natural gas reserves for Questar Gas customers. This is
152 illustrated by the larger risk premium of 8% being allowed on natural gas wells versus a
153 risk premium of 5% for oil wells. Questar Gas customers in return received a physical
154 hedge at a cost-of-service price for the life of the well. Although not required by the
155 Agreements, the cumulative result for Questar Gas customers was over a billion dollars
156 of savings, when compared to the purchased price of natural gas. This can be seen in the
157 attached QGC Exhibit 1.3. This is a two-page exhibit. The first page shows the average
158 purchase price by year compared to the average cost-of-service price for that year. The
159 second page shows the cumulative savings since 1981.

160 **Q. How will the proposed changes provide incentives for Wexpro and benefits for**
161 **customers in the future?**

162 A. Under the proposed changes, Wexpro will be incentivized to reduce costs on current
163 reserves and develop lower-cost reserves in the future. I should point out, as explained in
164 Mr. Rasmussen's testimony, Wexpro has already been actively working to bring the
165 current cost-per-unit of cost-of-service gas down. Wexpro will now be incentivized to
166 continue these cost saving measures.

167 **Q. When and how will savings be calculated?**

168 A. Savings will be determined when the all-in cost-of-service price is below market. This
169 means that the weighted average price of 1) the pre-2016 wells that will continue to be
170 produced at the rate of return allowed at the time they were drilled and 2) the post-2015
171 wells that will be produced at the Commission-Allowed Rate of Return must be below
172 the current market price before savings begin to be shared.

7 Q. Should this property be approved as a Wexpro II property in conjunction with the
198 proposed changes as described above?

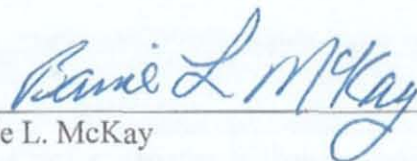
199 . Yes, both the Utah and Wyoming Commissions should approve the Canyon Creek
200 Acquisition as a Wexpro II property and find that it is in the public interest. The
201 production from Wexpro I wells comes from a defined set of properties that are clearly
202 set forth in the Wexpro I Agreement. Because of technological improvements in drilling,
203 completion, and production methods, these properties have produced longer and at
204 greater levels than the original parties to the Wexpro I Agreement anticipated. However,
205 Wexpro production is finite and limited to defined areas. The Company and Wexpro
206 believe that the proposed changes will allow cost-of-service production to be managed
207 within a range that will benefit Questar Gas' customers and Wexpro.

208 Q. Does this conclude your testimony?

209 A. Yes.

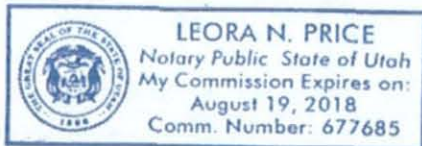
State of Utah)
) ss.
County of Salt Lake)

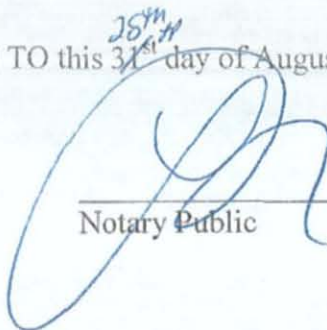
I, Barrie L. McKay, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.



Barrie L. McKay

SUBSCRIBED AND SWORN TO this ^{28th} ~~31st~~ day of August, 2015.





Notary Public Leora N. Price

Qualifications of Barrie L. McKay

Current Responsibilities

As Vice President of Regulatory Affairs and Energy Efficiency, I am responsible for managing the state regulatory and energy-efficiency matters of Questar Gas. I supervise the regulatory activities in Utah and Wyoming. I am responsible for the preparation and filing of general rate cases, pass-through cases and other general tariff and compliance filings. I have appeared as an expert witness on numerous occasions before the Utah and Wyoming Commissions.

Prior Responsibilities and Experience

I was first employed by Mountain Fuel Supply (now Questar Gas) in 1993 as a Senior Analyst in the Rate Department.

From 1983 - 1993, I worked for UP&L/PacifiCorp in the Rate Accounting and Economic Regulation Departments in various positions. I was responsible for the preparation of the results of operations and the development and continued evolution of the allocation modeling. I have previously presented testimony before the Utah Public Service Commission and the FERC.

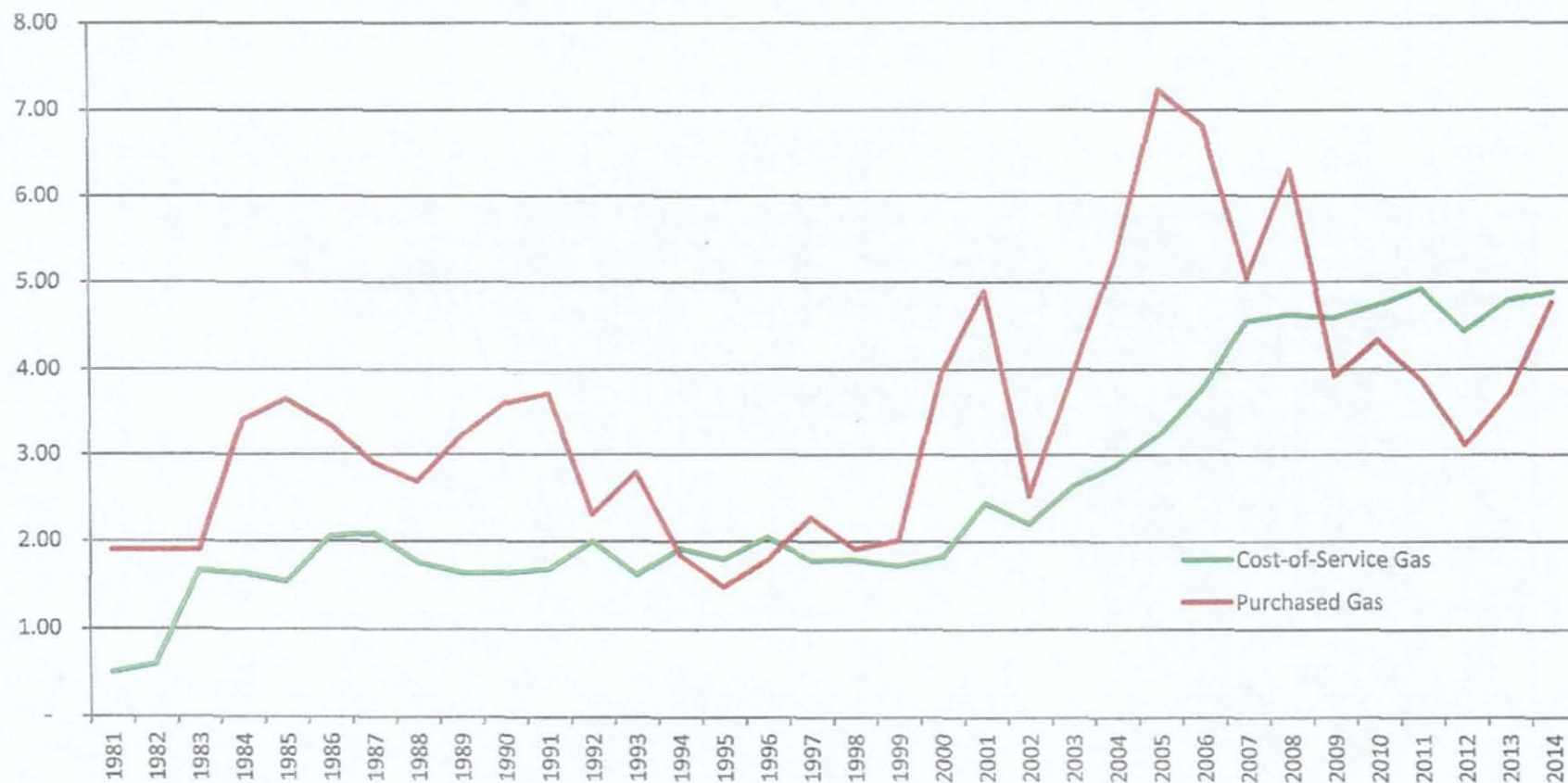
Educational Background

I received a Bachelor of Science degree in accounting from Brigham Young University in 1983. I received a Master of Business Administration from Brigham Young University in 1986. I am a Certified Public Accountant (CPA) in the State of Utah and belong to the Utah Association of Certified Public Accountants (UACPA). I am a member of the AGA Rate Committee and have participated in numerous seminars and conferences on rate and regulatory matters including AGA, PCGA, EEI, WEI and NARUC.

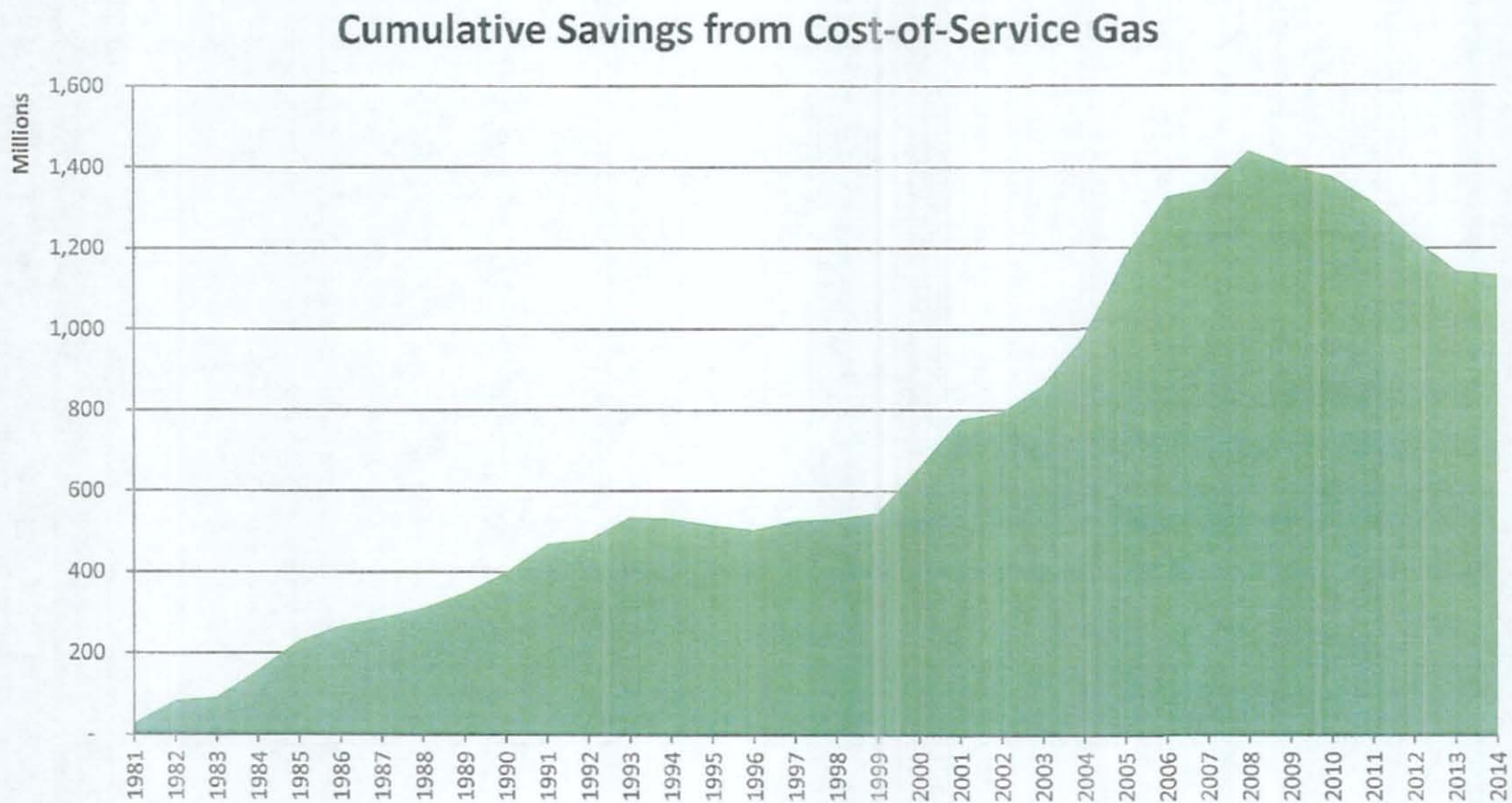
Proposed Changes Comparison

		Wexpro I and II	Trail Stipulation	Proposed Changes
1	Future drilling criteria	Standard industry practice	Future drilling \leq 5-Year Forward Curve	Future drilling \leq 5-Year Forward Curve
2	Cost-of-service gas as a percent of total gas supply		65%	65%
3	Pre-81 well/ Proven-Developed-Producing (PDP) Wells	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)
4	Pre-2016 Developmental Wells	Base ROR + 8% = 20%	Base ROR + 8% = 20%	Base ROR + 8% = 20%
5	Post-2015 Developmental Wells			Commission Allowed Return (7.64%)
6	Dry Hole/Non-Commercial Cost	100% Wexpro	100% Wexpro	Shared 50/50
7	Incentive to reduce cost and share savings			When annual COS < market, share savings 50/50 on Post-2015 wells

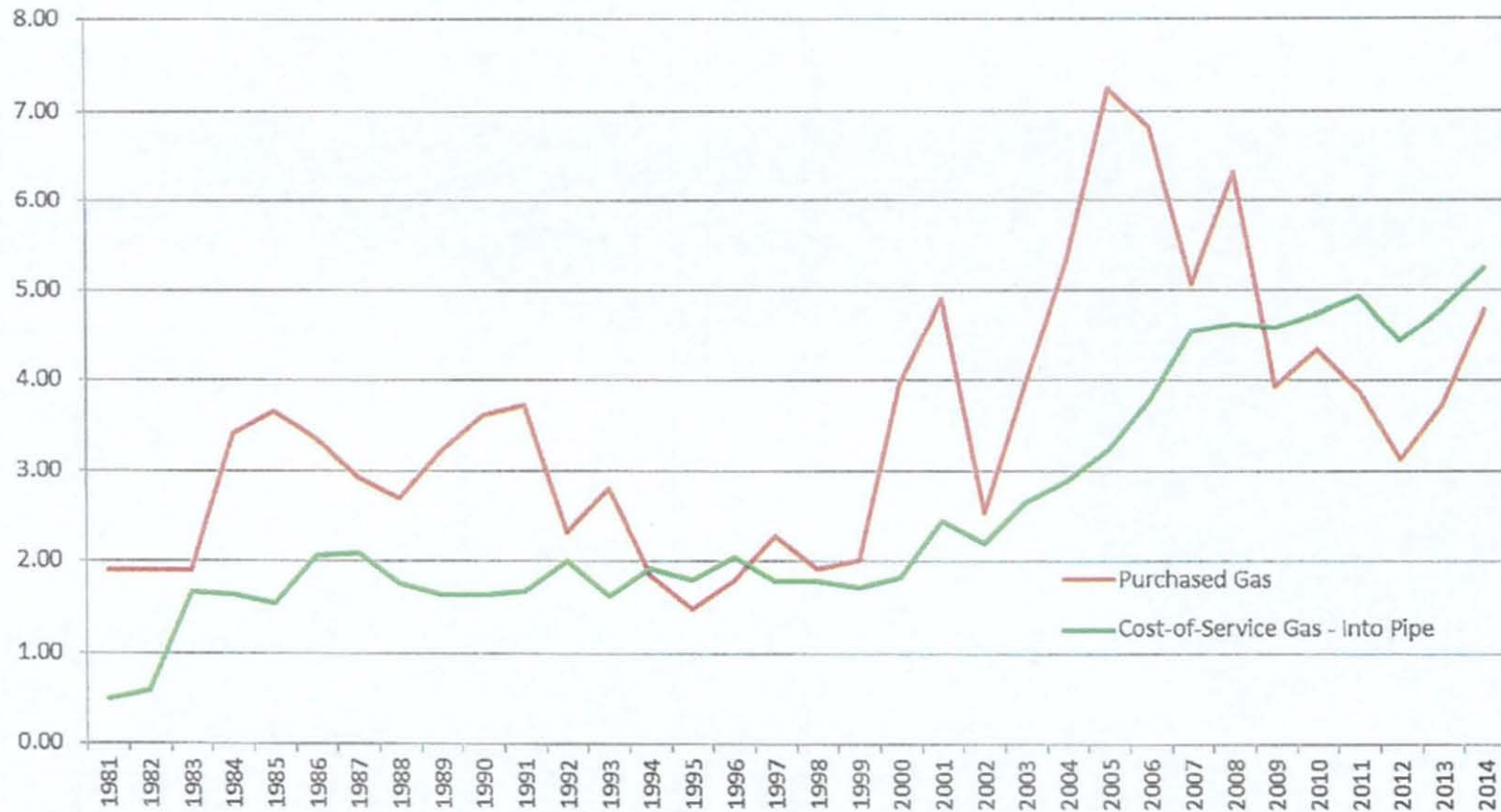
Purchase Gas vs Cost-of-Service Gas



Note: Cost-of-service prices are based on estimated volumes delivered into the interstate pipeline.

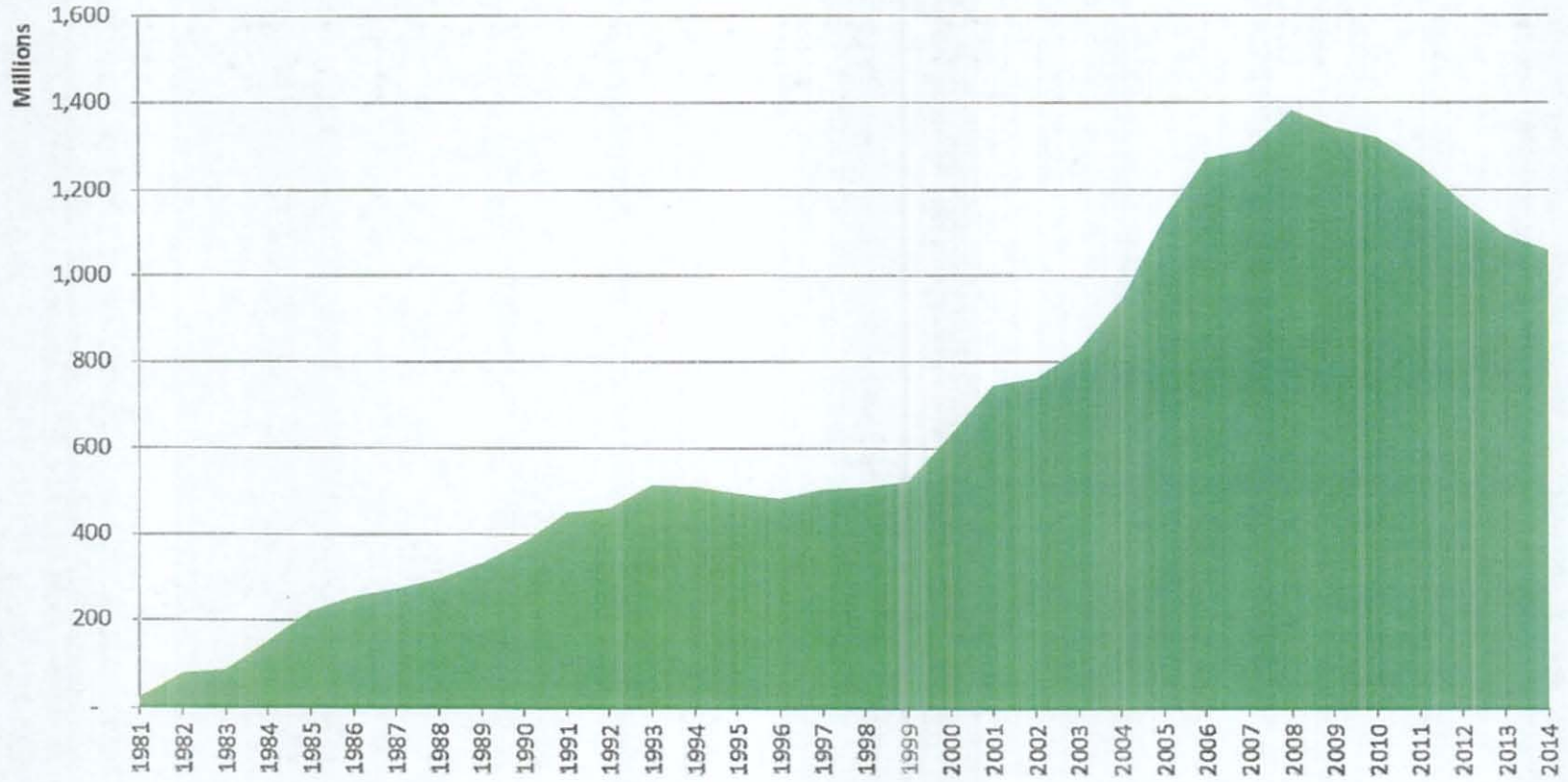


Purchase Gas vs Cost-of-Service Gas



Note: Cost-of-service prices are based on estimated volumes delivered into the interstate pipeline.

Cumulative Savings from Cost-of-Service Gas



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

Docket No. 15-057-10

DIRECT TESTIMONY OF BRADY B. RASMUSSEN

FOR QUESTAR GAS COMPANY

QGC Exhibit 2.0

TABLE OF CONTENTS

I.	INTRODUCTION.....	3
II.	CANYON CREEK ACQUISITION	4
III.	WEXPRO'S DRILLING PROGRAM.....	6
IV.	MANAGEMENT OF CANYON CREEK ACQUISITION PRODUCTION	8
V.	APPLICABLE GUIDELINE LETTERS	9

I. INTRODUCTION

1 **Q. Please state your name and business address.**

2 A. My name is Brady B. Rasmussen. My business address is 333 South State Street, Salt
3 Lake City, Utah.

4 **Q. By whom are you employed and what is your position?**

5 A. I am employed by Wexpro Company (Wexpro) as Executive Vice President and Chief
6 Operating Officer. I oversee and am responsible for managing drilling, development, and
7 operations associated with Wexpro's cost-of-service properties. I am also responsible for
8 compliance associated with oil and gas operations and compliance with the Wexpro I and
9 Wexpro II Agreements.

10 **Q. What are your qualifications to testify in this proceeding?**

11 A. I have listed my qualifications in QGC Exhibit 2.1.

12 **Q. Attached to your written testimony are QGC Exhibits 2.1 through 2.4. Were these**
13 **prepared by you or under your direction?**

14 A. Yes.

15 **Q. What is the purpose of your testimony in this Docket?**

16 A. The purpose of my testimony is to: 1) provide an overview of the Canyon Creek
17 Acquisition; 2) explain how Wexpro determines its annual drilling program; 3) explain
18 how the proposed changes would allow Wexpro to continue drilling at or below the 5-
19 Year Forward Curve; 4) explain what Wexpro is doing and will continue to do to help
20 reduce the overall price of cost-of-service gas; and 5) identify the guideline letters that
21 will apply to the Canyon Creek Acquisition if it is included as a Wexpro II property.

22 **Q. Are you familiar with the Application and its exhibits filed in this Docket?**

23 A. Yes. Many of the exhibits were prepared under my supervision and direction.

51 The Canyon Creek Acquisition consisted of a 30 % working interest in 100 producing
52 wells and 30 additional future well locations given current data. Wexpro already owned a
53 70% working interest in these same properties. This acquisition increases Wexpro's
54 interest to 100%. Canyon Creek's repeatable low-risk and low-cost development
55 locations are ideal for supplementing Wexpro production at a low cost-of-service price
56 for customers. A copy of the Purchase and Sale Agreement is attached to the Application
57 as Confidential Exhibit K.

58 **Q. Who bears the risk of the property acquisition until the Utah and Wyoming**
59 **Commissions either approve or reject the new properties as a Wexpro II Property?**

60 A. Wexpro bears the burden and risk of purchasing these properties and producing the gas
61 until such time as there is a determination by the Commissions as to whether these
62 properties should be approved as Wexpro II properties. Currently, Wexpro is selling
63 production from this acquisition on the open market.

64 **Q. If the Canyon Creek Acquisition is approved as a Wexpro II Property, will the**
65 **acquisition cost be adjusted for the gas that Wexpro has sold?**

66 A. Yes. Attached as QGC Exhibit 2.2 is an estimate of the acquisition cost adjusted for the
67 gas that has been or will be sold by Wexpro up to the time of Commission approval.

68 **Q. If the Canyon Creek Acquisition is not included as a Wexpro II Property, does**
69 **Wexpro plan to produce this property for other potential customers?**

70 A. Yes. Wexpro would produce the natural gas from the Canyon Creek Acquisition for
71 other customers. The price at which we purchased the Canyon Creek Acquisition will
72 allow Wexpro to effectively market this production.

73 **III. WEXPRO'S DRILLING PROGRAM**

74 **Q. Please explain how Wexpro determines its annual drilling program?**

75 A. Throughout the year, Wexpro reviews its inventory of potential future wells to determine
76 an efficient mix of low-cost wells, leasehold obligation wells, and wells that must be
77 drilled in accordance with BLM mandates governing well development (Pinedale).

78 **Q. How does Wexpro help ensure that development drilling properties are cost**
79 **effective?**

80 A. Once a drilling program is identified and reviewed by the hydrocarbon monitor and can
81 provide cost-of-service production that on average is at or below the 5-Year Forward
82 Curve, Wexpro will contract for a drilling rig. Contracting for drilling and completion
83 services typically occurs 6 months before the first well in the program is spud. Wexpro
84 works with service vendors to minimize the planning time required between the contracts
85 and the first well in the program. Due to contractual obligations, Wexpro is committed to
86 move forward independent of changes in the 5-Year Forward Curve. The goal is to
87 ensure that the drilling program will provide savings, or at the very least be neutral to
88 customers over the five year period.

89 **Q. Given today's natural gas prices, can Wexpro continue a drilling program and**
90 **provide cost-of-service gas at or below the 5-Year Forward Curve?**

91 A. No. The recent increased production from major shale plays in the U. S. and associated
92 gas from oil wells has changed the current market outlook for natural gas supplies.
93 Without finding ways to reduce the price of cost-of-service production, Wexpro will not
94 be able to continue a drilling program in the near future.

15 **Q. How does having an ongoing drilling program benefit Questar Gas customers?**

96 A. Attached as QGC Exhibit 2.3 is a chart representing the typical decline curve of a well.
97 As can be seen about half of the production from a typical well is produced during the
98 first five years of its 20- to 30-year life. If these volumes are not replaced with volumes
99 from new wells then fixed costs of producing wells will be spread over fewer and fewer
100 volumes thus causing the cost per unit to go up. A drilling program helps to keep costs
101 per decatherm lower.

102 **Q. Are there other benefits of having an ongoing drilling program?**

103 A. Yes, having a continuous drilling program ensures Wexpro can continue to provide
104 customers cost-efficient operations. Starting and stopping a drilling program by
105 erratically adding and removing drilling and completions personnel can be very costly
106 and inefficient. Also, in times of industry growth, Wexpro struggles to find and retain
107 qualified personnel, which it has experienced many times over the decades. Consistently
108 adding wells to the portfolio keeps costs lower and avoids the "boom and bust" approach
109 that is often associated with this industry. The key is being able to add wells at or below
110 the current 5-Year Forward Curve.

111 **Q. Would changes to the allowed return on developmental wells provide for drilling in**
112 **the near future?**

113 A. Yes.

114 **Q. Does Wexpro agree with and support the proposed changes that are explained in**
115 **Mr. McKay's testimony?**

116 A. Yes, as Executive Vice President of Wexpro, I led the development of the proposed
117 changes. These changes will help Wexpro keep an ongoing drilling program in today's
118 low-price gas environment and provide customers with low-priced long-term reserves.

13

V. APPLICABLE GUIDELINE LETTERS

144 **Q. If the Canyon Creek Acquisition is approved as a Wexpro II property, are there**
145 **Guideline Letters that will apply to the property?**

146 A. Yes, attached as QGC Exhibit 2.4 are copies of all the applicable Guideline Letters that
147 will apply to the Canyon Creek Acquisition.

148 **Q. In summary, what are your recommendations regarding the Canyon Creek**
149 **Acquisition?**

150 A. This is a logical time to acquire this property because acquisition prices for natural gas
151 reserves are low. The Canyon Creek Acquisition Area is our best performing property.
152 Wexpro believes it can manage its Wexpro I and Wexpro II properties for the benefit of
153 Questar Gas's customers for years to come.


154 **Q. Does this conclude your testimony?**

155 A. Yes.

DIRECT TESTIMONY OF
BRADY B. RASMUSSEN

State of Utah)
) ss.
County of Salt Lake)

I, Brady B. Rasmussen, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

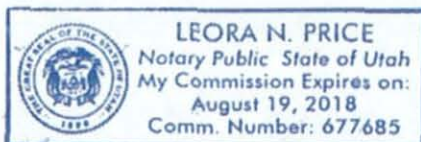


Brady B. Rasmussen

SUBSCRIBED AND SWORN TO this 28th day of August, 2015.



Notary Public Leora N. Price



Qualifications of Brady B. Rasmussen

Current Responsibilities

As Executive Vice President and Chief Operating Officer of Wexpro Company, I am responsible for Wexpro's drilling program, production operations, property acquisitions, and compliance. I supervise the engineering and geoscience, operations, accounting, land, marketing, permitting and regulatory, and business development departments. I am also responsible for SEC Oil and Gas disclosures.

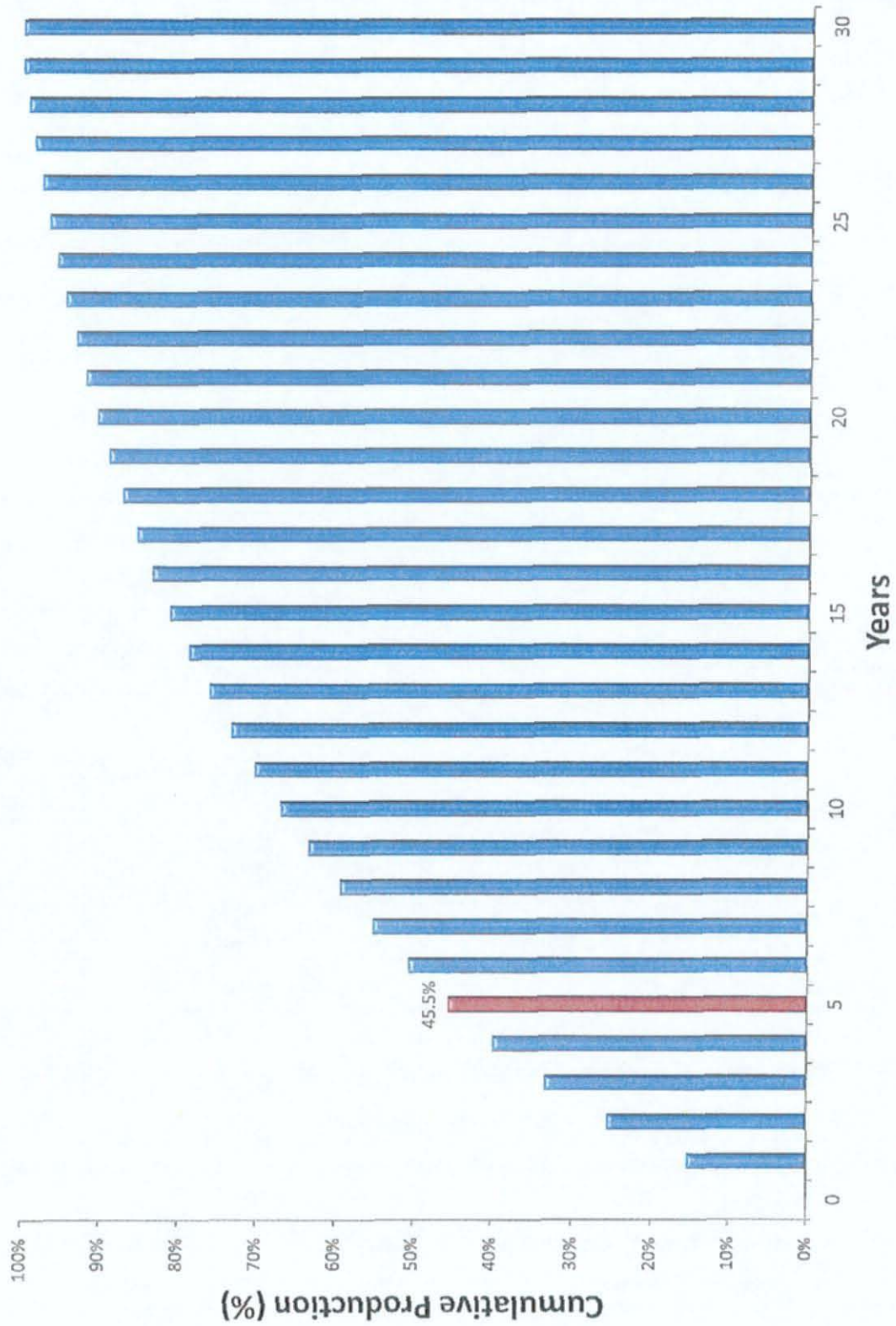
Prior Responsibilities and Experience

I was employed by Wexpro in 1994 as a Revenue Accountant. I have fulfilled my responsibilities in several capacities, including revenue accounting, overseeing multiple departments including accounting, administration, land, marketing, and business development and overseeing as Executive Vice President and Chief Operating Officer.

Educational Background

I received a Bachelor of Arts degree in Accounting from Utah State University in 1993.

Typical Rockies Tight-Gas Well



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

Docket No. 15-057-10

APPLICATION

All communications with respect to
these documents should be served upon:

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Questar Gas Company
333 S. State Street
P.O. Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5392
(801) 324-5935 (fax)
Colleen.Bell@questar.com
Jenniffer.Clark@questar.com

Attorneys for Questar Gas Company

APPLICATION
AND
EXHIBITS

August 31, 2015

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7497)
333 S. State Street
PO Box 45433
Salt Lake City, Utah 84145-0433
(801)324-5556
(801)324-5935 (fax)
Colleen.Bell@questar.com
Jenniffer.Clark@questar.com

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 CANYON CREEK ACQUISITION AS A WEXPRO II PROPERTY	Docket No. 15-057-10 APPLICATION
--	--

Questar Gas Company (Questar Gas or Company) submits this application to the Utah Public Service Commission (Utah Commission) for an order approving inclusion of a recently acquired property within a Wexpro I Development Drilling area known as the Canyon Creek Mesaverde Participating Area (Canyon Creek Acquisition Area) as a Wexpro II property referred to as the Canyon Creek Acquisition (Canyon Creek Acquisition) pursuant to the Wexpro II Agreement. Simultaneously with this filing, Questar Gas is applying for an order approving the Canyon Creek Acquisition from the Wyoming Public Service Commission (Wyoming Commission). Under the terms of the Wexpro II Agreement, which was approved by the Utah Commission on March 28, 2013, and the Wyoming Commission on April 11, 2013, Questar Gas is required to apply for approval to include properties acquired by Wexpro, within a Wexpro I Development

Drilling area, as Wexpro II properties. Questar Gas offers the following, in support of this Application:

BACKGROUND

1. On September 12, 2012, Wexpro Company, Questar Gas Company, the Utah Division of Public Utilities (Division) and the Wyoming Office of Consumer Advocate entered into the Wexpro II Agreement, subject to the approval of both the Utah Commission and the Wyoming Commission. On March 28, 2013, the Utah Commission issued a Report and Order in Docket No. 12-057-13 approving the Wexpro II Agreement. On April 11, 2013, the Wyoming Commission held a public hearing and public deliberations upon the matter in Docket No. 30010-123-GA-12 and rendered a bench order approving the Wexpro II Agreement. On October 16, 2013, the Wyoming Commission issued a formal Memorandum Opinion, Findings and Order Approving the Wexpro II Agreement in Docket No. 30010-123-GA-12.

2. On November 5, 2013, Questar Gas filed an application seeking approval of the Trail Unit Acquisition as a Wexpro II property before the Utah and Wyoming Commissions. The Trail Unit Acquisition was an acquisition within a Wexpro I Development Drilling Area and under the terms of the Wexpro II Agreement Questar Gas was required to bring the property before both the Utah and Wyoming Commissions for approval.

3. On December 23, 2013, the Company, Division, Utah Office of Consumer Services (OCS), and the Wyoming Office of Consumer Advocates (OCA), entered into a Settlement Stipulation for the Trail Unit Acquisition. The Utah Commission issued a report and order approving the Trail Unit Settlement Stipulation on January 17, 2014, and

the Wyoming Commission issued an order approving the Trail Unit Settlement Stipulation on January 27, 2014.

4. The Trail Unit Settlement Stipulation provides 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 (5-Year Forward Curve). The Trail Unit Settlement Stipulation also provides that the Company and Wexpro will manage combined cost-of-service production from Wexpro I and Wexpro II properties to Questar Gas at or below 65%.

CANYON CREEK ACQUISITION

5. On December 19, 2014, Wexpro Company closed on its \$52.7 million acquisition of an additional 30% interest in natural-gas producing properties in the Canyon Creek Acquisition Area located in the Vermillion Basin in southwest Wyoming. These properties are located within the Development Drilling areas defined in the Wexpro I Agreement.

6. Wexpro already owns a 70% (Mesaverde) interest in the Canyon Creek Acquisition Area. This acquisition increases Wexpro's ownership interest to 100%.

7. The Wexpro II Agreement governs the requirements for Wexpro and Questar Gas relating to this purchase. Section IV-1 provides that "Wexpro will acquire oil and gas properties or undeveloped leases at its own risk." Section IV-1(a) provides that "Questar Gas shall apply to the Utah and Wyoming Commissions for approval to include under this Agreement any oil and gas property that Wexpro acquires within the Wexpro I development drilling areas."

8. Wexpro has purchased the Canyon Creek Acquisition at its own risk and is selling production from these wells on the open market pending the outcome of a decision by the Utah and Wyoming Commissions to determine whether this acquisition should be included as a Wexpro II property. If the Canyon Creek Acquisition is approved as a Wexpro II property, then the Acquisition Costs (as defined in the Wexpro II Agreement) will be adjusted downward for the depreciation of the gas sold from the time Wexpro closed on the Canyon Creek Acquisition until Commission approval of this acquisition as a Wexpro II property.

SUPPORTING INFORMATION

9. Section IV-2 of the Wexpro II Agreement provides that Questar Gas will file an application with the Utah and Wyoming Commissions requesting approval to include proposed properties under the Wexpro II Agreement and the application shall include the supporting information which are attached to this Application as Exhibits A through P. The Company notes that the supporting testimony to this Application proposes and supports changes that, if approved by the Utah and Wyoming Commissions, would change some of these exhibits. Accordingly, this Application includes adjusted information in the exhibits that change as a result of the proposal. Changed exhibits are identified as Exhibits A-1, L-1, M-1, O-1, and P-1.

Exhibit A: Purchase price and gas pricing assumptions

Exhibit A provides the gas and oil pricing assumptions used in the Canyon Creek Acquisition. Columns B and C show the gas and oil pricing assumptions that were available on August 8, 2014, for the Henry Hub and NYMEX indices for the period of January 2014 to December 2018. A Rockies basis adjustment was applied to derive the

spot market price where the properties are located. These pricing assumptions were used in developing Wexpro's bid price. Exhibit A-1 provides the gas and oil pricing assumptions from PIRA and Cambridge Energy Research Associates (CERA) that were available on June 2015 for the Rockies. The Company is providing this more recent information given the significant change that occurred in the gas and oil market following the purchase of the Canyon Creek Acquisition.

Confidential Exhibit B: Locations of current and future wells

The locations of current and future wells are depicted on a schematic attached to this Application as Exhibit B. Exhibit B shows that there are 100 current wells and 30 planned future wells given current data.

Confidential Exhibit C: Historical production and remaining reserves of current wells

Exhibit C is a two-page spreadsheet listing the 100 current wells, their cumulative production to date and their estimated remaining reserves.

Confidential Exhibit D: Forecasted production/reserves for future wells

Exhibit D is a spreadsheet listing 30 future wells that are planned to be drilled and their estimated production/reserves for the life of the wells.

Confidential Exhibit E: Forecasted decline curves for current and future wells

Exhibit E includes a rate time plot for each current well, as well as the anticipated type curve for the proven undeveloped (PUD) future development wells.

Confidential Exhibit F: Estimated drilling (capital) cost per well

Exhibit F provides a detailed estimate of capital cost to drill a future well. The estimated cost is approximately \$2 million per well.

Confidential Exhibit G: Estimated operating expenses for current and future wells

Exhibit G is a summary of the estimated operating expenses for current and future Canyon Creek Acquisition wells. This is based on historical data and Wexpro's experience operating and maintaining wells in the Canyon Creek Acquisition Area.

Confidential Exhibit H: Gross working interest and net revenue interest for current and future wells

Exhibit H is a three-page spreadsheet showing the working interest and net revenue interest for the 100 current wells and the 30 future wells.

Exhibit I: Estimated production tax per Dth for current and future wells

Exhibit I is a summary of the estimated production tax per Dth for current and future Canyon Creek Acquisition wells. Production taxes vary based on the market price of natural gas. Therefore, included in this summary table are natural gas prices ranging from \$2.00 to \$6.00 per Dth.

Confidential Exhibit J: Estimated gathering/processing costs per Dth for current and future wells

Exhibit J is a summary of the estimated gathering/processing costs per Dth for current and future Canyon Creek Acquisition wells.

Confidential Exhibit K: Description of any land lease, title, and legal issues related to real property

Exhibit K contains a confidential copy of the Purchase and Sale Agreement by and between Linn Energy Holdings, LLC and Questar Gas Company, Wexpro Company, and QEP Energy Company executed on December 17, 2014 (the "PSA"). Attached to the PSA are Exhibit A (listing all Leases purchased), Exhibit B (listing Wells and Well Locations), Exhibit D (Form Assignment and Bill of Sale), among other exhibits. Also attached to Exhibit K is a copy of the Letter Agreement entered into between Wexpro and QEP Energy Company regarding ownership of the assets purchased from Linn Energy Holdings, LLC, and a copy of the Stipulation and Cross Conveyance of Interests in Oil and Gas Leases by and between Wexpro Company, Questar Gas Company, and QEP Energy Company.

Confidential Exhibit L: Forecasted long-term cost-of-service analysis

Exhibit L is a 16 page summary showing the estimated cost-of-service analysis over a 30-year period for the Canyon Creek Acquisition at the current return. For illustration purposes, cost-of-service is shown on a cumulative and annual basis with both allocated and incremental general and administrative (G&A). When Wexpro makes drilling or acquisition decisions, an incremental analysis on G&A includes only the additional costs that are incurred because of the new well or acquisition.

Pages 1 through 4 show the cumulative cost-of-service with allocated G&A; pages 5 through 8 show the cumulative cost-of-service with incremental G&A; pages 9 through 12 show the annual cost-of-service with allocated G&A; and pages 13 through 16 show the annual cost-of-service with incremental G&A at the current return. For

comparison purposes the estimated production over the 30-year period has also been included in each graph. Confidential Exhibit L-1 is a 16-page summary showing the estimated cost-of-service analysis adjusted for the proposed changes as described in Mr. McKay's testimony.

Confidential Exhibit M: Impact on Questar Gas's gas supply

Exhibit M is a bar chart showing the estimated production levels for Wexpro I production, the Wexpro II Trail Unit Acquisition production, Trail compression, and Wexpro II Canyon Creek Acquisition production for the next five years. Exhibit M-1 is a bar chart showing the same information adjusted for the Company's proposed changes.

Confidential Exhibit N: Geologic data

Exhibit N is an 8 page exhibit highlighting the geology of the Canyon Creek Acquisition Area. Page 1 is an index map showing the location of the Canyon Creek Acquisition Area in Southwest Wyoming. On the detailed map, the structural contours depict the subsurface configuration of the top of the Mesaverde Group. The Mesaverde is a closed anticlinal structure (upside-down bowl) within the Canyon Creek Acquisition Area. This closed structure has served to trap the natural gas in the Mesaverde Group.

Page 2 is a Late Cretaceous stratigraphic column for the Canyon Creek Acquisition Area. Shown from top to bottom are the different rock formations encountered in Canyon Creek Acquisition wells. The Lance Formation and Fox Hills Sandstone are non-productive intervals. The Lewis Shale provides the top seal for the gas accumulation in the Mesaverde Group. This seal is necessary to trap the gas in the anticlinal structure depicted on the previous page. The red symbols to the right of the diagram depict the productive members of the Mesaverde Group in the Canyon Creek

Acquisition Area. The Almond Formation is the most prolific of the productive intervals in recent wells. The Canyon Creek and Trail members were the original productive intervals when the field was discovered in the 1950s.

Page 3 is a type log for the field. Open-hole logs (Log) are run in the wells in the Canyon Creek Acquisition Area prior to running casing to ensure that the expected productive sands are present in the well. This is a representative Log for the field. At the far left of the Log the Lewis Shale is depicted. Downhole, to the right, the Almond Formation is the first zone encountered in the Mesaverde Group. The upper portions of the Almond Formation are a shoreface (beach to slightly offshore) depositional environment. Deeper in the Almond, the environment turns to a coastal plain with river channels, overbank mudstones, and coal seams. Below the Almond Formation is the Canyon Creek Member, which is a stack of river channel and point bar sands. The non-productive Rusty Shale separates the Canyon Creek Member from the Trail Member. The Trail Member also contains stacked river channels and point bar sands. Together these three members of the Mesaverde Group comprise the entire productive interval in the Canyon Creek Participating Area.

Page 4 is a table of petrophysical values derived from the Log mentioned in the previous paragraph and from core data. This data shows that within the Mesaverde Group the porosity (open space in the rock) is 9-11%. The water saturation value is the percent of the porosity occupied by water. Average water saturation is approximately 33%. Core permeability averages 0.5 millidarcies. The porosity and permeability values make the field a high-quality tight-gas accumulation.

Page 5 is a Net Pay map showing the Almond shoreface (beach) sands. The Net Pay thickness of the shoreface sands is the underlying data for the contour map. The Net Pay thickness values are posted on the map at the existing well locations. These values are used to project sand thicknesses to areas where wells have not been drilled. The NW-SE orientation of the shoreline is visible on these maps. The thickest shoreface sands are present in the northern part of the Canyon Creek Acquisition Area. The sands thin slightly to the south. Production data shows that the thinning has some effect on well productivity, but it is minor.

Page 6 is a Net Pay map showing the Almond coastal plain sands. These sands trend perpendicular to the shoreface sands and represent rivers that were flowing to the coast and feeding the shoreline. The coastal plain sands are thickest in the central and northern parts of the field and thin to the south. In terms of well productivity, this zone likely contributes only a small amount of hydrocarbons.

Page 7 is a Net Pay map of the Canyon Creek Member. The Canyon Creek sand becomes more water saturated down structure. This is depicted in the thinning of the Net Pay toward the edges of the unit. The Canyon Creek sand was produced extensively in the early life of the field and has some pressure depletion and is still a contributor to some new wells. Completing in water-bearing portions of this member is avoided by using extensive open-hole log evaluations.

Page 8 is a Net Pay map of the Trail Member. The Trail sand behaves somewhat like the Canyon Creek sand, but has a lower overall water saturation. This leads to a thinning of sands toward the unit boundaries, but not to the extent that the Canyon Creek Member thins. The Trail Member is a thick, stacked sand package that has many internal

complexities that compartmentalize the reservoir. This heterogeneity requires extensive well downspacing to fully develop the gas in place.

The four Net Pay maps depicted in pages 5-8 represent the entire productive interval in the Mesaverde Group. The nature of this vertical stack of productive gas sands provides low-risk future development drilling.

Confidential Exhibit O: Future development plan for the proposed properties

Exhibit O is a summary of future wells planned to be drilled in 2021 and 2022. Exhibit O-1 is a summary of the future wells planned to be drilled in 2016 and 2017 if the proposed changes accompanying this application are approved by the Commissions.

Highly-Confidential Exhibit P: Other data as requested or as may be appropriate to an evaluation of the property

Exhibit P includes the Highly Confidential economic model, used in the analysis of the Canyon Creek Acquisition and will be provided to the Utah Commission, the Office of Consumer Services and the Division electronically. Exhibit P-1 is the Highly Confidential economic model adjusted for the Company's proposed changes.

Questar Gas has filed the sworn testimony of Barrie L. McKay (QGC Exhibit 1.0) and Brady B. Rasmussen (QGC Exhibit 2.0) in support of this Application. As set forth in Mr. McKay's testimony, approval of the Canyon Creek Acquisition as a Wexpro II property and the Company's proposed changes in allowed return, expense assignment and savings sharing would provide an opportunity for Questar Gas's customers to receive cost-of-service gas that is estimated to provide lower cost gas over a 30-year period. Additionally, as set forth in Mr. Rasmussen's testimony, Wexpro will continue to manage

its current production and future drilling programs at or below the 5-Year Forward Curve and to manage combined cost-of-service production from Wexpro I and Wexpro II properties to Questar Gas at or below 65%.


PRAYER FOR RELIEF

Based upon the foregoing, and supporting testimony, Questar Gas respectfully requests that the Utah Commission approve the Canyon Creek Acquisition as a Wexpro II property and find that the proposed changes accompanying this Application are in the public interest.

DATED this 31st day of August, 2015.

Respectfully submitted,

QUESTAR GAS COMPANY


Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Attorneys for Questar Gas Company
333 S. State Street
PO Box 45433
Salt Lake City, Utah 84145-0433
(801) 324-5556

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Confidential Application was served upon the following persons by email on August 31st, 2015:

Patricia E. Schmid
Assistant Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@utah.gov

Chris Parker
Director
Division of Public Utilities
160 East 300 South
P.O. Box 146751
Salt Lake City, UT 84114-6751
chriskparker@utah.gov

Bryce Freeman
Administrator
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
Bryce.Freeman@wyo.gov

Rex Olson
Assistant Attorney General
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, Utah 84114-0857
rolsen@utah.gov

Michele Beck
Director
Office of Consumer Services
160 East 300 South
P.O. Box 146782
Salt Lake City, UT 84114-6782
mbeck@utah.gov

Ivan Williams
Senior Counsel
Wyoming Office of Consumer Advocate
2515 Warren Avenue, Suite 304
Cheyenne, WY 82002
Ivan.williams@wyo.gov



	A	B	C
		Gas Price (\$/MMBTU)	Oil Price (\$/bbl)
	Date	Rockies Basis 1/	NYMEX WTI 1/
1	Jan-14	\$4.25	\$86.23
2	Feb-14	\$4.45	\$83.42
3	Mar-14	\$5.21	\$88.72
4	Apr-14	\$4.39	\$88.39
5	May-14	\$4.46	\$89.90
6	Jun-14	\$4.33	\$89.54
7	Jul-14	\$4.47	\$92.72
8	Aug-14	\$3.97	\$90.34
9	Sep-14	\$3.91	\$85.83
10	Oct-14	\$3.97	\$85.08
11	Nov-14	\$4.18	\$84.72
12	Dec-14	\$4.25	\$84.31
13	Jan-15	\$4.21	\$84.19
14	Feb-15	\$4.10	\$83.81
15	Mar-15	\$3.67	\$83.45
16	Apr-15	\$3.64	\$83.10
17	May-15	\$3.67	\$82.84
18	Jun-15	\$3.73	\$82.63
19	Jul-15	\$3.74	\$82.33
20	Aug-15	\$3.72	\$82.07
21	Sep-15	\$3.76	\$81.87
22	Oct-15	\$3.92	\$81.68
23	Nov-15	\$4.12	\$81.52
24	Dec-15	\$4.23	\$81.36
25	Jan-16	\$4.21	\$81.06
26	Feb-16	\$4.14	\$80.76
27	Mar-16	\$3.66	\$80.46
28	Apr-16	\$3.66	\$80.19
29	May-16	\$3.69	\$79.97
30	Jun-16	\$3.74	\$79.83
31	Jul-16	\$3.75	\$79.59
32	Aug-16	\$3.74	\$79.41
33	Sep-16	\$3.76	\$79.28
34	Oct-16	\$4.05	\$79.20
35	Nov-16	\$4.23	\$79.16
36	Dec-16	\$4.36	\$78.93
37	Jan-17	\$4.15	\$78.94
38	Feb-17	\$4.02	\$78.77
39	Mar-17	\$3.77	\$78.62

	A	B	C
		Gas Price (\$/MMBTU) Rockies Basis 1/	Oil Price (\$/bbl) NYMEX WTI 1/
40	Apr-17	\$3.80	\$78.50
41	May-17	\$3.84	\$78.43
42	Jun-17	\$3.87	\$78.39
43	Jul-17	\$3.89	\$78.27
44	Aug-17	\$4.10	\$78.20
45	Sep-17	\$4.18	\$78.16
46	Oct-17	\$4.25	\$78.17
47	Nov-17	\$4.43	\$78.20
48	Dec-17	\$4.56	\$78.24
49	Jan-18	\$4.54	\$78.15
50	Feb-18	\$4.48	\$78.06
51	Mar-18	\$4.20	\$77.99
52	Apr-18	\$4.22	\$77.92
53	May-18	\$4.24	\$77.84
54	Jun-18	\$4.27	\$77.78
55	Jul-18	\$4.28	\$77.70
56	Aug-18	\$4.29	\$77.65
57	Sep-18	\$4.32	\$77.62
58	Oct-18	\$4.41	\$77.61
59	Nov-18	\$4.58	\$77.61
60	Dec-18	\$4.69	\$77.62
61	Jan-19	Prices held flat after this point at \$4.69 and \$77.62.	

1/ Gas prices are a Rockies price adjusted NYMEX forward index as of August 8, 2014.
Oil prices are 88% of the NYMEX WTI forward strip as of August 8, 2014.

EXHIBIT A-1

	A	B	C	D	E
		Gas Price (\$/MMBTU)		Oil Price (\$/bbl)	
	Date	Henry Hub 1/	Rockies Basis	Opal 2/	NYMEX WTI
1	Jan-15	\$2.99	-\$0.16	\$2.83	\$47.57
2	Feb-15	\$2.82	-\$0.32	\$2.50	\$50.94
3	Mar-15	\$2.79	-\$0.36	\$2.43	\$47.52
4	Apr-15	\$2.58	-\$0.29	\$2.29	\$54.08
5	May-15	\$2.83	-\$0.23	\$2.60	\$59.11
6	Jun-15	\$2.74	-\$0.20	\$2.54	\$59.79
7	Jul-15	\$2.88	-\$0.23	\$2.65	\$59.68
8	Aug-15	\$2.83	-\$0.20	\$2.63	\$59.60
9	Sep-15	\$2.70	-\$0.21	\$2.49	\$59.95
10	Oct-15	\$2.71	-\$0.22	\$2.49	\$60.18
11	Nov-15	\$2.76	-\$0.18	\$2.58	\$60.57
12	Dec-15	\$3.04	-\$0.16	\$2.88	\$60.88
13	Jan-16	\$3.05	-\$0.13	\$2.92	\$61.25
14	Feb-16	\$2.95	-\$0.14	\$2.81	\$61.47
15	Mar-16	\$2.86	-\$0.16	\$2.70	\$61.65
16	Apr-16	\$2.88	-\$0.23	\$2.65	\$61.80
17	May-16	\$3.00	-\$0.23	\$2.77	\$61.94
18	Jun-16	\$3.10	-\$0.23	\$2.87	\$61.96
19	Jul-16	\$3.19	-\$0.19	\$3.00	\$62.15
20	Aug-16	\$3.18	-\$0.21	\$2.97	\$62.23
21	Sep-16	\$3.20	-\$0.21	\$2.99	\$62.33
22	Oct-16	\$3.25	-\$0.20	\$3.05	\$62.46
23	Nov-16	\$3.23	-\$0.13	\$3.10	\$62.62
24	Dec-16	\$3.33	-\$0.11	\$3.22	\$62.79
25	Jan-17	\$3.15	-\$0.01	\$3.14	\$62.86
26	Feb-17	\$3.08	-\$0.01	\$3.07	\$62.95
27	Mar-17	\$2.94	-\$0.09	\$2.85	\$63.07
28	Apr-17	\$2.93	-\$0.11	\$2.82	\$63.19
29	May-17	\$3.04	-\$0.16	\$2.88	\$63.33
30	Jun-17	\$3.15	-\$0.17	\$2.98	\$63.50
31	Jul-17	\$3.36	-\$0.17	\$3.19	\$63.58
32	Aug-17	\$3.49	-\$0.16	\$3.33	\$63.70
33	Sep-17	\$3.54	-\$0.13	\$3.41	\$63.85
34	Oct-17	\$3.54	-\$0.09	\$3.45	\$64.01
35	Nov-17	\$3.37	-\$0.04	\$3.33	\$64.18
36	Dec-17	\$3.39	-\$0.03	\$3.36	\$64.38
37	Jan-18	\$3.42	-\$0.01	\$3.41	\$64.43
38	Feb-18	\$3.33	-\$0.02	\$3.31	\$64.50
39	Mar-18	\$3.20	-\$0.07	\$3.13	\$64.61
40	Apr-18	\$3.13	-\$0.09	\$3.04	\$64.75
41	May-18	\$3.06	-\$0.18	\$2.88	\$64.91
42	Jun-18	\$3.09	-\$0.20	\$2.89	\$65.09
43	Jul-18	\$3.28	-\$0.21	\$3.07	\$65.17

	A	B	C	D	E
	Gas Price (\$/MMBTU)			Oil Price (\$/bbl)	
	Date	Henry Hub 1/	Rockies Basis	Opal 2/	NYMEX WTI
44	Aug-18	\$3.36	-\$0.18	\$3.18	\$65.29
45	Sep-18	\$3.33	-\$0.09	\$3.24	\$65.42
46	Oct-18	\$3.28	-\$0.10	\$3.18	\$65.57
47	Nov-18	\$3.24	-\$0.05	\$3.19	\$65.74
48	Dec-18	\$3.29	-\$0.04	\$3.25	\$65.93
49	Jan-19	\$3.36	-\$0.02	\$3.34	\$65.99
50	Feb-19	\$3.34	-\$0.05	\$3.29	\$66.07
51	Mar-19	\$3.29	-\$0.13	\$3.16	\$66.16
52	Apr-19	\$3.16	-\$0.14	\$3.02	\$66.27
53	May-19	\$3.14	-\$0.16	\$2.98	\$66.38
54	Jun-19	\$3.18	-\$0.18	\$3.00	\$66.51
55	Jul-19	\$3.26	-\$0.21	\$3.05	\$66.54
56	Aug-19	\$3.34	-\$0.18	\$3.16	\$66.62
57	Sep-19	\$3.38	-\$0.11	\$3.27	\$66.74
58	Oct-19	\$3.37	-\$0.12	\$3.25	\$66.89
59	Nov-19	\$3.38	-\$0.07	\$3.31	\$67.06
60	Dec-19	\$3.45	-\$0.13	\$3.32	\$67.25
61	Jan-20	\$3.56	-\$0.11	\$3.45	\$67.29
62	Feb-20	\$3.56	-\$0.13	\$3.43	\$67.35
63	Mar-20	\$3.55	-\$0.18	\$3.37	\$67.42
64	Apr-20	\$3.53	-\$0.19	\$3.34	\$67.51
65	May-20	\$3.54	-\$0.25	\$3.29	\$67.61
66	Jun-20	\$3.57	-\$0.27	\$3.30	\$67.73
67	Jul-20	\$3.63	-\$0.27	\$3.36	\$67.73
68	Aug-20	\$3.66	-\$0.22	\$3.44	\$67.79
69	Sep-20	\$3.67	-\$0.19	\$3.48	\$67.88
70	Oct-20	\$3.60	-\$0.19	\$3.41	\$67.99
71	Nov-20	\$3.58	-\$0.10	\$3.48	\$68.12
72	Dec-20	\$3.60	-\$0.11	\$3.49	\$68.27
73	Jan-21	\$3.59	-\$0.19	\$3.40	\$67.72
74	Feb-21	Prices held flat after this point at \$3.59 and \$67.72.			

1/ Gas prices use an average of the CERA and PIRA price forecasts as of June 24, 2015.
Oil prices us the NYMEX WTI forward strip as of June 26,2015.

2/ Gas transportation differential of \$ -0.065 from Opal to Canyon Creek field.
Oil transportation differential of \$ -11.20 from WTI to SW WS at Canyon Creek field.

EXHIBIT B

EXHIBIT C

EXHIBIT G

EXHIBIT H

Estimated Production Tax per Dth for Current and Future Wells 1/

	A	B
	<u>Gas Price/Dth</u>	<u>Tax/Dth</u>
1	\$2.00	\$0.25
2	\$2.50	\$0.31
3	\$3.00	\$0.37
4	\$3.50	\$0.44
5	\$4.00	\$0.50
6	\$4.50	\$0.56
7	\$5.00	\$0.62
8	\$5.50	\$0.68
9	\$6.00	\$0.75

1/Includes Ad Valorem, Severance & Conservation taxes of 12.44% combined.

EXHIBIT J

EXHIBIT K

EXHIBIT L

EXHIBIT L-1

EXHIBIT M

EXHIBIT N

EXHIBIT O

EXHIBIT O-1

Exhibit P, "Exhibit P - Canyon Creek COS Model.xlsx", is the Highly Confidential model used in the analysis of the Canyon Creek Unit Acquisition using the current 19.76%.

Exhibit P-1, "Exhibit P-1 - Canyon Creek COS Model.xlsx", is the Highly Confidential model used in the analysis of the Canyon Creek Unit Acquisition using the current 7.64%.

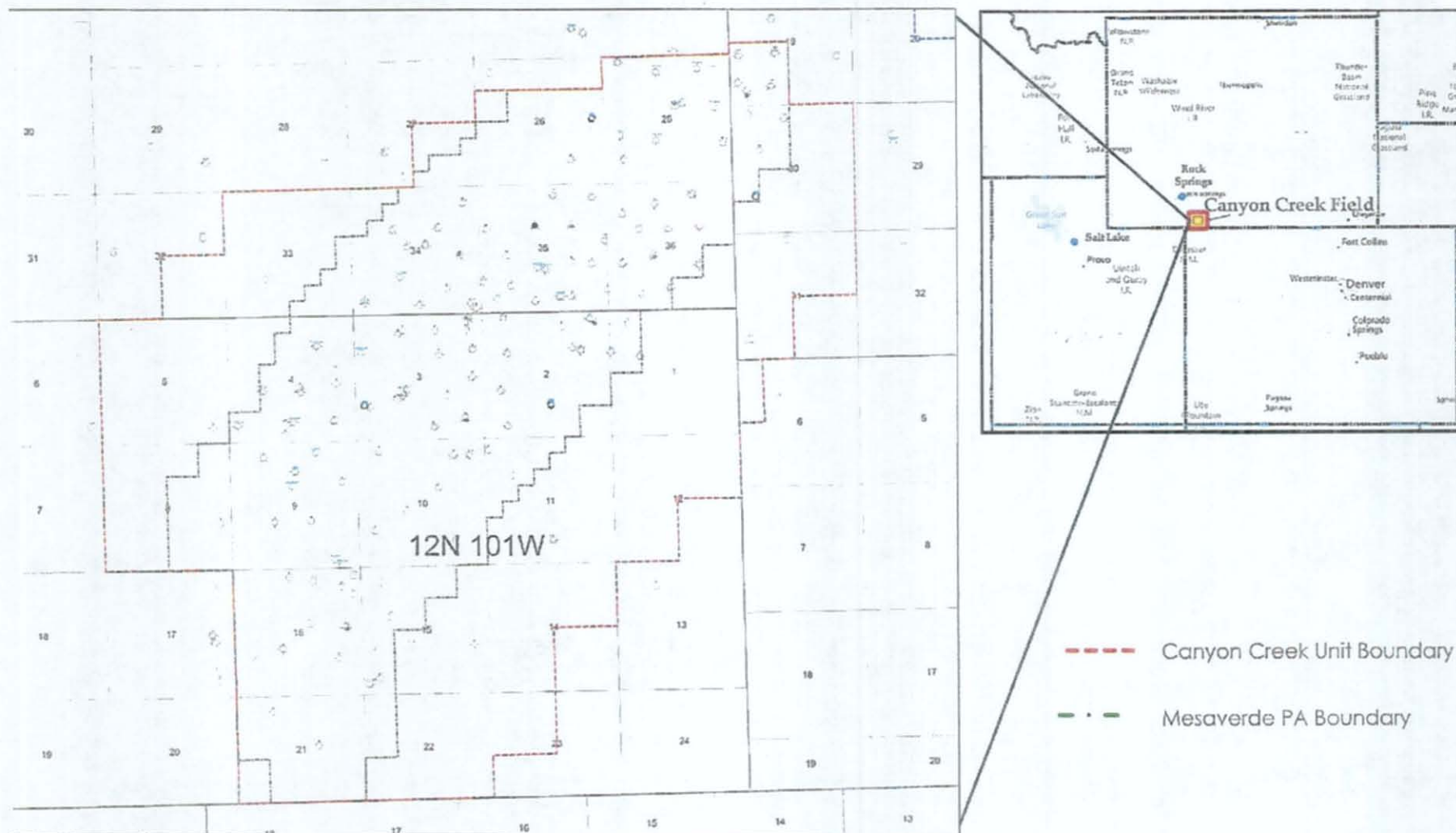
QGC Exhibit 4.0
Canyon Creek Technical
Conf. Presentation

Canyon Creek Technical Conference

September 17, 2015

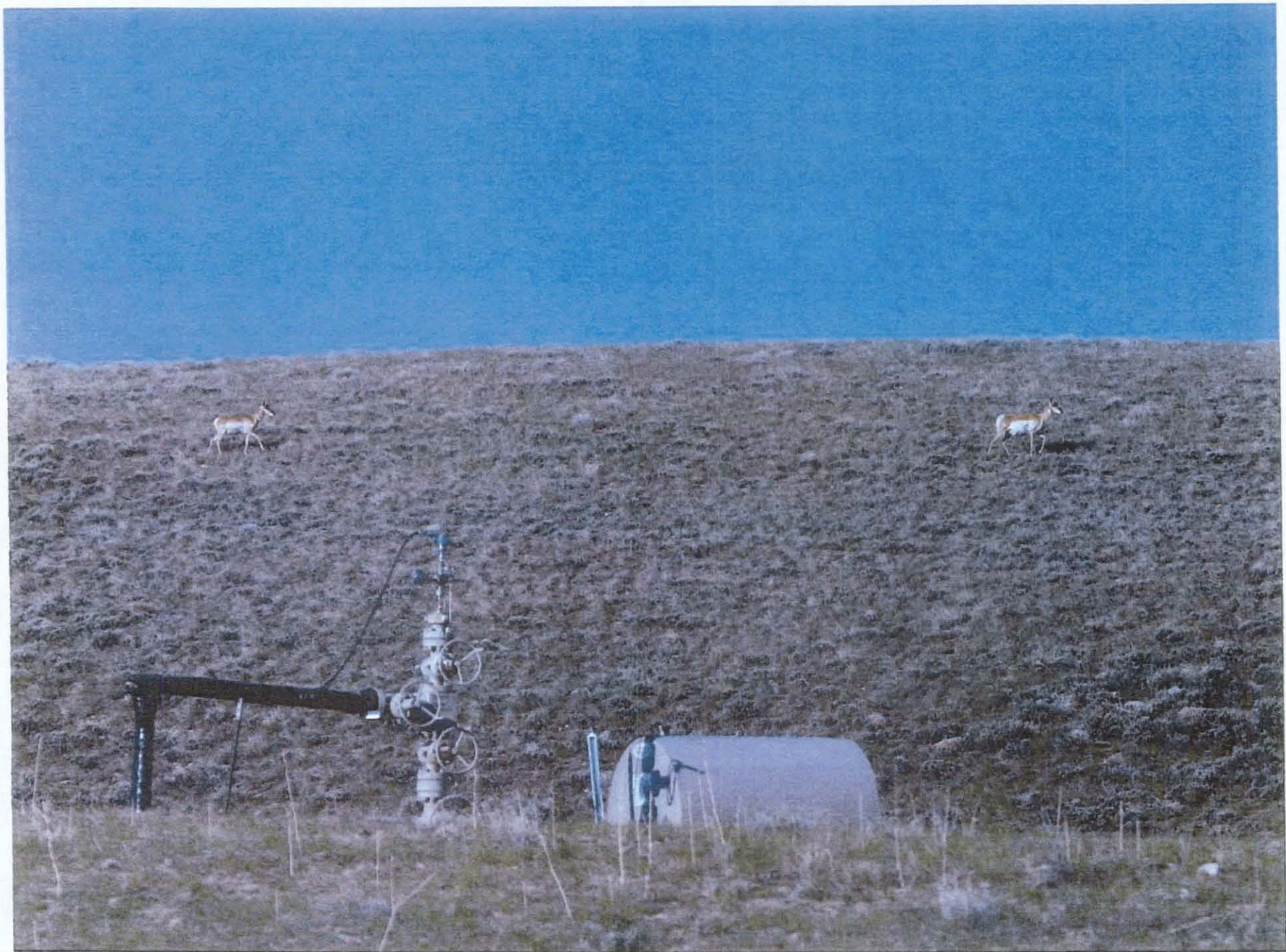


Mesaverde Structure Map













Proposed Changes Comparison

		Wexpro I and II	Trail Stipulation	Proposed Changes
1	Future drilling criteria	Standard industry practice	Future drilling \leq 5-Year Forward Curve	Future drilling \leq 5-Year Forward Curve
2	Cost-of-service gas as a percent of total gas supply		65%	65%
3	Pre-81 well/ Proven-Developed-Producing (PDP) Wells	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)
4	Developmental Wells	Base ROR + 8% = 20%	Base ROR + 8% = 20%	
6	Dry Hole/Non-Commercial Cost	100% Wexpro	100% Wexpro	

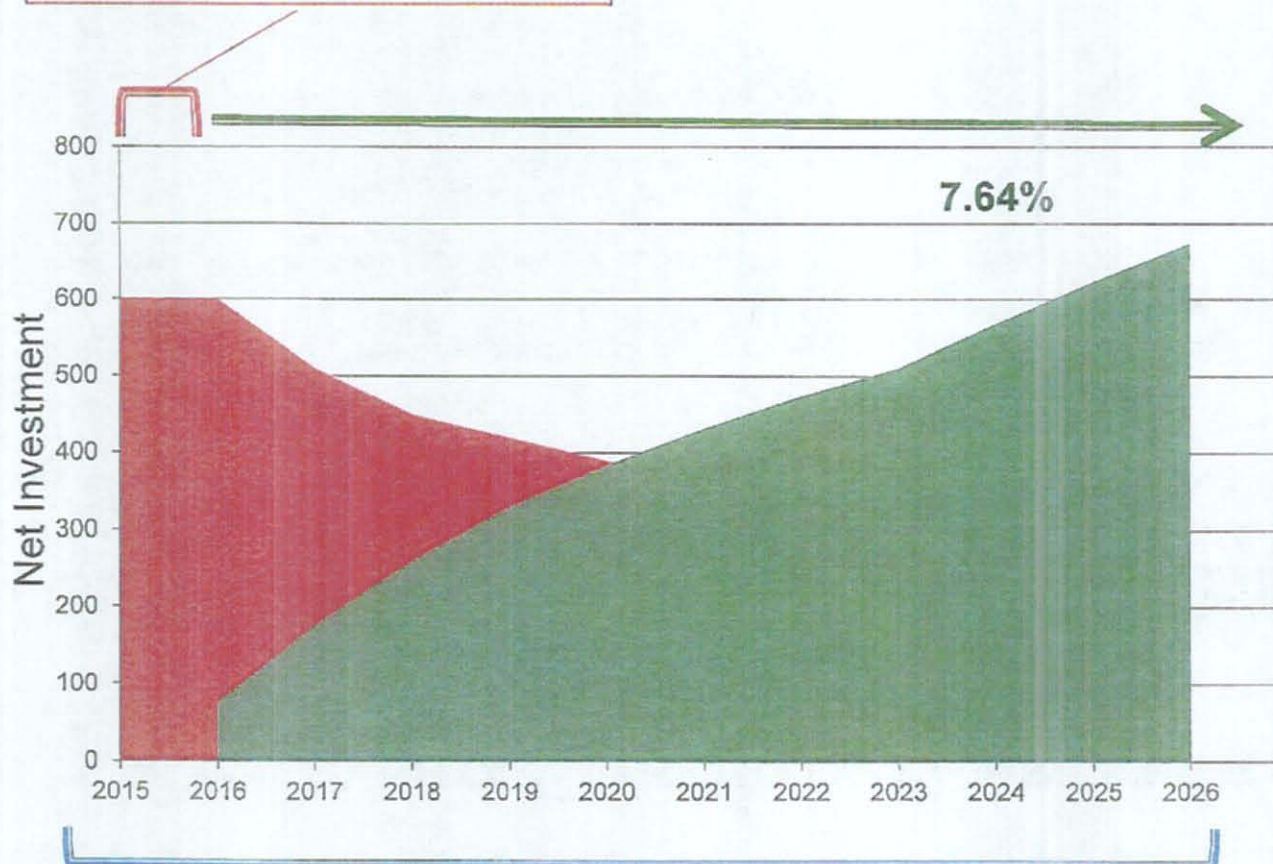
Proposed Changes Comparison

		Wexpro I and II	Trail Stipulation	Proposed Changes
1	Future drilling criteria	Standard industry practice	Future drilling \leq 5-Year Forward Curve	Future drilling \leq 5-Year Forward Curve
2	Cost-of-service gas as a percent of total gas supply		65%	65%
3	Pre-81 well/ Proven-Developed-Producing (PDP) Wells	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)	Commission Allowed Return (7.64%)
4	Pre-2016 Developmental Wells	Base ROR + 8% = 20%	Base ROR + 8% = 20%	Base ROR + 8% = 20%
5	Post-2015 Developmental Wells			Commission Allowed Return (7.64%)
6	Dry Hole/Non-Commercial Cost	100% Wexpro	100% Wexpro	Shared 50/50
7	Incentive to reduce cost and share savings			When annual COS < market, share savings 50/50 on Post-2015 wells

Wexpro/Canyon Creek Proposal

Current Cost-of-Service Investment

- Continues at base + 8% return



Incremental Cost-of-Service Gas

- Future drilling at Commission Allowed rate of return
- Future drilling must be ≤ 5 -year forward curve
- Future dry hole and non-commercial costs shared 50/50

Overall Cost-of-Service Price < Market

- When all COS < market share savings 50/50 on post 2015 wells

QUESTAR®

Canyon Creek

Cost-of-Service Projections \$/Dth

- Four different combinations

Assignment of G&A:

Allocated vs Incremental

Summary of Cost per Dth:

Cumulative vs Annual

1. Cumulative / Allocated (Exhibit L & L-1 page 1)
2. Cumulative / Incremental (Exhibit L & L-1 page 5)
3. Annual / Allocated (Exhibit L & L-1 page 9)
4. Annual / Incremental (Exhibit L & L-1 page 13)

Question 1 a -

Contract Paragraph 7.6 – Final Settlement Statement. Please indicate whether Wexpro's purchase price referenced in the Application reflects the Final Settlement Statement received from Linn Energy Holdings Company? Will Questar file a copy of the Final Settlement Statement in this docket?

The final settlement statement is still being completed by Wexpro and Linn Energy. Most issues have been resolved with the exception of a pipeline imbalance. The estimated imbalance amount is in Wexpro's favor.

The acquisition price will be slightly reduced when the Final Settlement Statement is completed.

Question I b -

Please identify where in Exhibit K the following Contract Exhibits and Schedules can be found:

Exhibit O – Target Formations

Schedule 7.6 – Litigation

Schedule 7.7 – Material Contracts

Schedule 7.8 – Violation of Laws

Schedule 7.9 – Preferential Rights

Schedule 7.10 – Royalties

Schedule 7.17 – Condemnation Proceedings

When Exhibit K was prepared some of the exhibits did not scan properly.

Exhibit O identified no target formations.

Exhibit 7.6 identified a list of litigation/audits that do not impact Wexpro with the exception of the Linn lawsuit that was settled in Wexpro's favor.

Exhibit 7.7 identified the Unit Agreement.

Exhibit 7.8 can be found on Exhibit K, page 102.

Exhibit 7.9 identifies the preferential right that allowed Wexpro to acquire this property.

Exhibit 7.10 identified no royalties.

Exhibit 7.17 identified no condemnation proceedings.

Question I C -

Exhibit 7.18 – Plugging and Abandonment: Please explain this exhibit, including the definition of “Shut In” and “Dormant.”

The designation of “shut-in” and “dormant” used by Linn Energy in Exhibit 7.18 is based on inaccurate data provided to Linn from Devon Energy.

Wexpro operates these wells and disregarded this incorrect representation.

Question III

Exhibits M and M-1: Please explain the factors contributing to the change in the forecast presented in these graphs from the graph presented in Exhibit M of the Trail Unit Application.

Question IV

Exhibits P and P-1, Tabs WEXII COS-R and WEXII COS-I, line 21: Please explain how the “MMBTU Price Assumption” was determined.

The MMBTU Price is determined using the CERA and PIRA five-year average forecast. Prices were kept flat after year five.

Question V

**Exhibits P and P-1, Tab "ARO PDP Only" - Column G Gross Cost,
Tab "ARO PUD Only" - Column H Gross Cost:**

A) Please identify the specific costs which are included in the column labeled "Gross Cost." If "Gross Cost" does not include the estimated future costs associated with the plugging and abandonment of wells, equipment removal and land restoration, please identify where they are included in the Application.

The "Gross Cost" in columns G and H of the respective ARO tabs in the cost-of-service model are intended to capture the present value of estimated costs of plugging and abandoning the wells including equipment removal and land restoration. These costs are listed separately from the regular book depreciation and this cost is part of the operator service fee.

Question V

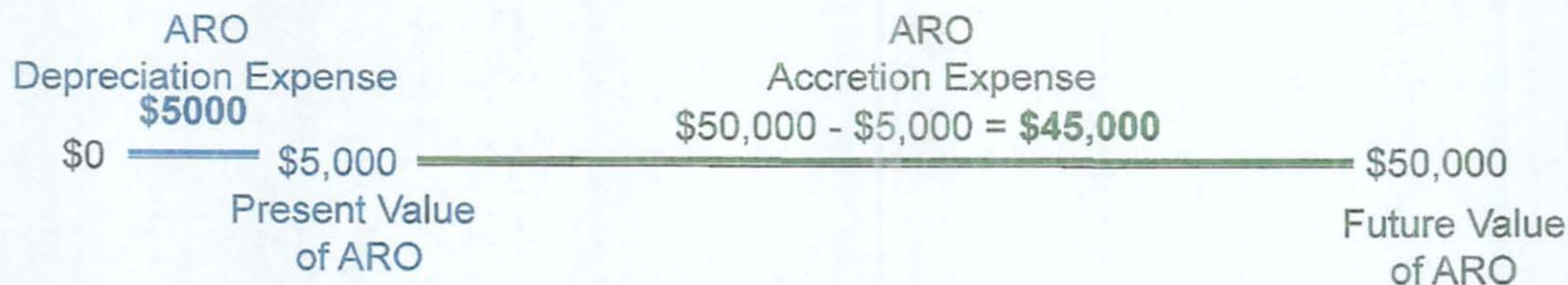
Exhibits P and P-1, Tab "ARO PDP Only" - Column G Gross Cost, Tab "ARO PUD Only" - Column H Gross Cost:

C) Please explain the difference between "Accretion Expense" and "Depreciation Expense" on these tabs.

As described in accounting standard SFAS 143 and per Guideline Letter dated 02/20/04 " Guideline Letter Governing the Adoption of Financial Accounting Standards Board Statement #143, Accounting for Asset Retirement Obligations under the Wexpro Agreement :

Accretion expense is the difference between the present value and future value of the ARO over the life of the well.

Depreciation expense (associated with the ARO) is the present value of the ARO amortized over the life of the well.



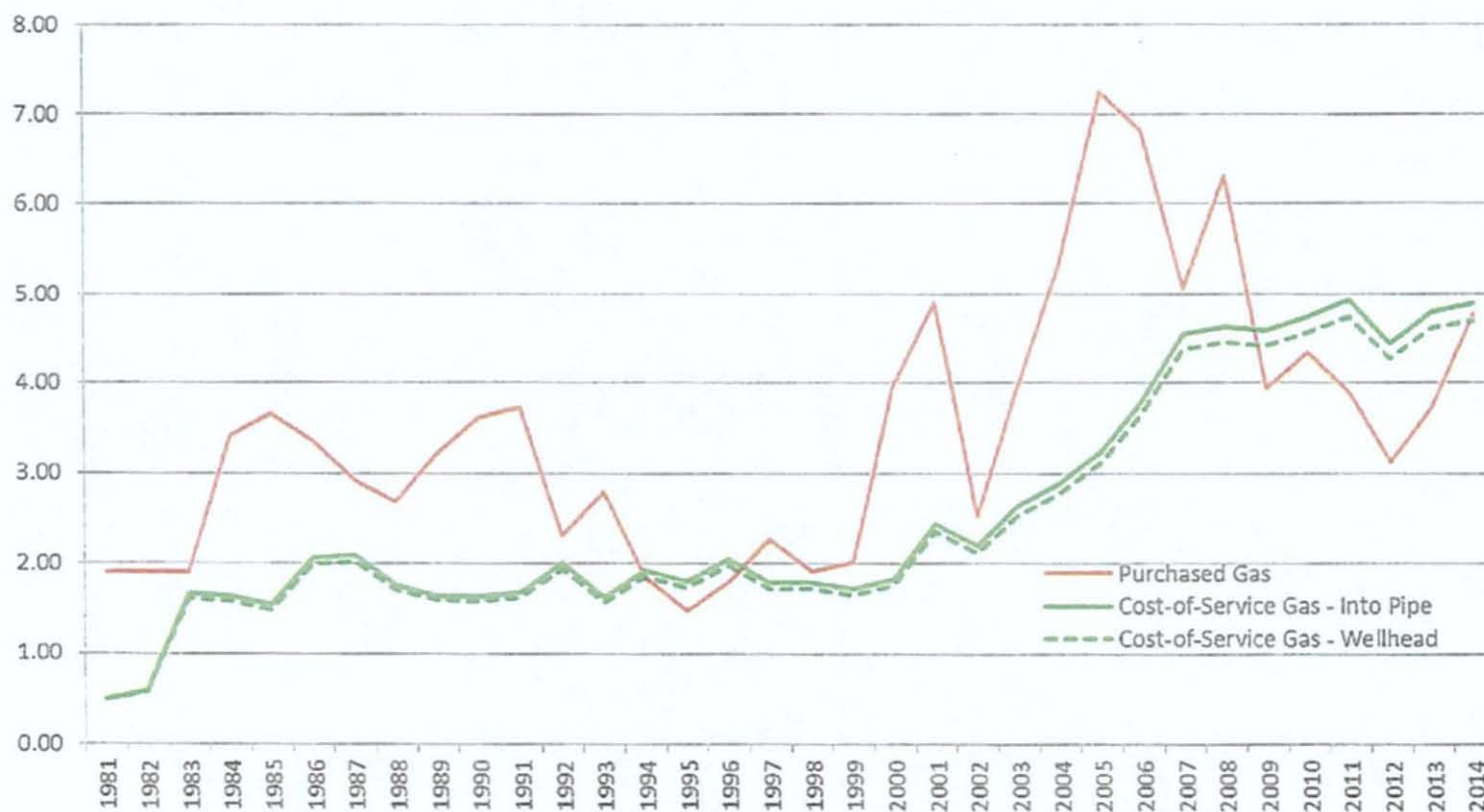
Amortization of Depreciation and Accretion Over 30 Years = \$50,000

Question VI

Has Questar determined the formula for determining the annual COS price? If yes, please identify the formula and data sources (e.g. account numbers and how volumes will be determined) which will be used to determine the annual cost-of-service price for Wexpro gas. If no, when will Questar determine this formula?

Question VI

Purchase Gas vs Cost-of-Service Gas



Note: Cost-of-service prices are based on estimated volumes delivered into the interstate pipeline.

Questions

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Questar Gas Company
333 S. State Street
P.O. Box 45433
Salt Lake City, UT 84145-0433
(801) 324-5556
Colleen.bell@questar.com
Jenniffer.clark@questar.com

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
CANYON CREEK ACQUISITION AS
A WEXPRO II PROPERTY

Docket No. 15-057-10
**CANYON CREEK
SETTLEMENT STIPULATION**

Pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, and pursuant to Wyoming Statute 37-2-101 et. seq. and Wyoming Procedural Rules and Special Regulations Section 119, Questar Gas Company (Questar Gas or Company); Wexpro Company (Wexpro); the Utah Division of Public Utilities (Division); the Utah Office of Consumer Services (the Utah OCS); and the Wyoming Office of Consumer Advocate (the Wyoming OCA) (collectively Parties or singly Party) submit this Settlement Stipulation. This Settlement Stipulation shall be effective upon the entry of a final order of approval by the Public Service Commission of Utah (Utah Commission) and the Wyoming Public Service Commission (Wyoming Commission) (together Commissions) as provided in the Wexpro II Agreement, Article IV-5 and Article IV-9(c).

PROCEDURAL HISTORY

1. On March 28, 2013, the Utah Commission issued its Report and Order approving the Wexpro II Agreement. On April 11, 2013, the Wyoming Commission held a hearing in the matter of the application of Questar Gas Company for approval of the Wexpro II Agreement and issued a bench ruling approving the Wexpro II Agreement. On October 16, 2013, the Wyoming Commission issued its Memorandum Opinion, Findings and Order approving the Wexpro II Agreement.

2. On January 17, 2014, the Utah Commission issued its Report and Order approving the Trail Unit Settlement Stipulation. On March 18, 2014 the Wyoming Commission issued its Memorandum Opinion, Findings and Order approving the Trail Unit Settlement Stipulation.

3. The Wexpro II Agreement and the Trail Unit Settlement Stipulation govern the requirements for Wexpro and Questar Gas relating to the Canyon Creek Acquisition. Section IV-1 of the Wexpro II Agreement provides that "Wexpro will acquire oil and gas properties or undeveloped leases at its own risk." Section IV-1(a) provides that "Questar Gas shall apply to the Utah and Wyoming Commissions for approval to include under this Agreement any oil and gas property that Wexpro acquires within the Wexpro I development drilling areas."

4. On December 19, 2014, Wexpro closed on its \$52.7 million acquisition of an additional 30% interest in natural-gas producing properties in the Canyon Creek Acquisition Area located in the Vermillion Basin in southwest Wyoming. These properties are located within the Development Drilling Areas defined in the Wexpro Stipulation and Agreement executed October 14, 1981 and approved October 28, 1981 by the Wyoming Commission and December 31, 1981 by the Utah Commission (hereinafter Wexpro I

Agreement). Wexpro already owns a 70% interest in the properties being acquired. This acquisition increases Wexpro's ownership interest to 100%.

5. On August 31, 2015, Questar Gas filed its Confidential Applications seeking approval of the Canyon Creek Acquisition as a Wexpro II property before the Utah and Wyoming Commissions. The Canyon Creek Acquisition is an acquisition within a Wexpro I Development Drilling Area and under the terms of the Wexpro II Agreement Questar Gas is required to bring this property before both the Utah and Wyoming Commissions for approval. The Confidential Applications were accompanied by Exhibits A through P and the direct testimony of Mr. Barrie L. McKay and Mr. Brady B. Rasmussen.

6. Questar Gas Company has submitted data in support of the Confidential Applications, including gas pricing assumptions, market data, historical production and remaining reserves of current wells, forecasted production/reserves for future wells, forecasted decline curves for current and future wells, drilling costs, operating expenses, ownership interests, taxes, gathering and processing costs, forecasted long-term cost-of-service analysis, impact on Questar Gas' gas supply, geologic data, future development plans, applicable guideline letters, and other data as requested by the respective agencies through numerous data requests. Additionally, the Hydrocarbon Monitor's Report regarding the Canyon Creek Acquisition was filed September 10, 2015 and September 14, 2015 in Wyoming and Utah, respectively.

7. On September 9, 2015, the Utah Commission issued its Scheduling Order setting dates for filing testimony, technical conferences, and hearings and on October 8, 2015, the Wyoming Commission issued its Scheduling Order setting dates for filing testimony and hearings.

8. On September 17, 2015, a technical conference was held in Utah to discuss and provide information to the Division, Utah OCS, and Staff of the Utah Commission on the Company's Canyon Creek Acquisition and its proposed changes to key criteria of the Wexpro Agreements.

9. On October 8, 2015, a technical conference was held in Wyoming to discuss and provide information to the Wyoming OCA and the Staff of the Wyoming Commission on the Company's Canyon Creek Acquisition and its proposed changes to key criteria of the Wexpro Agreements.

10. Since the Confidential Applications were filed, the Division, Utah OCS, Wyoming OCA, Utah Commission Staff, and Wyoming Commission Staff have asked and Questar Gas has responded to more than 50 data requests and inquiries.

11. On October 8, 2015, the Division and the Utah OCS filed direct testimony and on October 13, 2015, the Wyoming OCA filed direct testimony in their respective dockets.

TERMS AND CONDITIONS

12. The Parties agree for purposes of settlement that the Canyon Creek Acquisition, as identified in the Canyon Creek Application, shall be approved as a Wexpro II property.

13. The Parties agree for purposes of settlement that Wexpro will design its annual drilling program or drilling programs that are more frequent than the annual cycle to provide cost-of-service production that is, at the time Wexpro incurs an obligation in connection with a drilling program, on average¹, at or below the 5-Year Forward Curve price that was agreed to in the Trail Settlement Stipulation.

¹ For purposes of this provision, average is defined as the cost-of-service for the first five years of production divided by the production volumes for the first five years.

14. The Parties agree for purposes of settlement that the 5-Year Forward Curve agreed to in the Trail Settlement Stipulation and used by Wexpro to determine its future drilling plans will be calculated as shown below and as illustrated in the attached Settlement Stipulation Exhibit 1.

Each day, a 60 month forward curve will be calculated as follows:

A = NYMEX price (—◆— on graph)

B = Northwest Pipeline Rockies Basis (—■— on graph)

C = (A+B) = Rockies-Adjusted Price (—◆— on graph)

$D = \frac{(C_1 + C_2 + C_3 + \dots + C_{60})}{60 \text{ months}} = 60\text{-month average Rockies-Adjusted Price (---- on graph)}$

Each point on line D represents the daily calculation of the 60-month average of the Rockies-Adjusted Price. To reduce volatility in the curve, the most recent 20 trading days of line D will be used. Details of the 20-trading-day average calculation are as follows:

$E = \frac{(D_{-1} + D_{-2} + D_{-3} + \dots + D_{-20})}{20 \text{ days}} = 5\text{-Year Forward Curve (———— on graph)}$

Each point on line E represents the average of the most recent 20 trading days of the 60-month average Rockies Adjusted Price (5-year Forward Curve). The point on line E on the date that Wexpro incurs an obligation in connection with a drilling program will be compared to the incremental cost-of-service of the drilling program to determine whether the drilling program meets the requirements established in paragraph 13 above.

15. The Parties agree for purposes of settlement that the rate of return on pre-2016 natural gas and oil Developmental Wells and Appurtenant Facilities will be governed over their remaining life as set forth in the Wexpro I and Wexpro II Agreements.

16. The Parties agree for purposes of settlement that the rate of return on post-2015 Wexpro I and Wexpro II Development Drilling or any other capital investment, and any

associated AFUDC, for both natural gas and oil wells, will be the Commission-Allowed Rate of Return as defined in Section I-31 of the Wexpro II Agreement.

17. The Parties agree for purposes of settlement that for post-2015 Development Drilling, the Dry Hole and non-commercial costs, as defined in the Wexpro I and Wexpro II Agreements, will be charged and shared on a 50/50 basis between Quester Gas customers and Wexpro, subject to the limitations contained in paragraph 19 of this Settlement Stipulation. Any revenue and related expenses from non-commercial wells will be shared on a 50/50 basis, subject to the limitations contained in paragraph 19 of this Settlement Stipulation. The Parties further agree that the customers' share of the 50/50 sharing of Dry Hole and non-commercial well costs will be limited to 4.5% of Wexpro's annual development drilling program. Any Dry Hole or non-commercial well costs above 4.5% will be the sole responsibility of Wexpro.

18. The Parties agree for purposes of settlement that when the actual annual cost-of-service price per decatherm (COS Price) for Questar Gas' Integrated Resource Plan (IRP) year is less than the market price per decatherm for the IRP year (defined below), then savings will be shared 50% to Questar Gas customers and 50% to Wexpro using into-the-interstate-pipeline volumes from post-2015 Development Wells.

- a. For purposes of this calculation, cost-of-service volumes (COS Volumes) are defined as the actual decatherms supplied into the interstate pipeline under both Wexpro I and Wexpro II.
- b. The market price for an IRP year will be calculated as follows: The Northwest Pipeline first-of-month price for each month is multiplied by the actual COS Volumes for each month. These 12 months of costs are totaled and then divided by the 12-month total of into-the-interstate-

pipeline volumes. The resulting price per decatherm is the Average Market Price for the previous IRP year.

- c. The COS Price for the IRP year will include all pre-2016 Wexpro I and Wexpro II costs and volumes and all post-2015 Wexpro I and Wexpro II costs and volumes. These costs and volumes will include the customers' portion of any Dry-Hole cost incurred during the IRP year.
- d. Each year in June, the Average Market Price and COS Price will be calculated for the previous IRP year to determine if savings per decatherm have occurred. If savings have occurred, Wexpro will calculate the shared savings and separately identify the amount being returned to Wexpro on the July Operator Service Fee (OSF) invoice to Questar Gas. Questar Gas will separately identify the portion of the shared savings returned to Wexpro in the Company's 191 Account. These calculations and entries are subject to review and audit by the Utah Division and the Wyoming OCA. Any dispute regarding related prices and calculations will be resolved in the Company's 191 Account proceedings in Utah and Wyoming.
- e. The calculation of shared savings is illustrated in the attached Settlement Stipulation Exhibit 2. Column A lines 1 – 12 show how the first-of-month price for Northwest Pipeline will be multiplied by the COS Volumes for each month shown in Column B, lines 1 – 12. Column C, lines 1 – 12 show the comparable market purchase cost by month. The 12-month total comparable market purchase cost, shown in Column C, line 13 is divided

by the 12-month total COS Volumes, shown in Column B, line 13, to arrive at the Average Market Price, line 14. The COS Price for the IRP year will be the Wexpro I and Wexpro II costs for pre-2016, post-2015 proved producing, and post-2015 Development Wells (Col D, line 17) divided by the volumes in Wexpro I and Wexpro II for pre-2016, post-2015 proved producing, and post-2015 Development Wells (Col D, line 21). This calculation is illustrated on line 25. Line 18 notes that any Dry-Hole cost assigned to the customer that year must be included in that year's calculation of the total COS Price. Savings per decatherm, shown on line 27, are calculated by taking the difference between the Average Market Price and the total COS Price. If this number is positive, then as shown on line 28, 50% of this savings (\$/dth) is multiplied by the post-2015 Development Wells into-the-interstate-pipeline volumes (Col C, line 21) to arrive at the shared savings amount that will be included in the July entry in the 191 account.

19. The Parties agree for purposes of settlement that in no event shall this shared savings amount result in Wexpro earning a rate of return on post-2015 Development Wells greater than the Base Rate of Return (Base ROR) + 8% (Settlement Stipulation Exhibit 2, line 28). This shall be ensured with an adjustment to the Company's 191 Account. The Parties acknowledge the effect of this adjustment may effectively increase Questar Gas' customers' share of savings or increase Wexpro's proportionate share of Dry Hole or non-commercial well costs, set forth in paragraph 17 above.

20. The Parties agree for purposes of settlement that starting with the 2020 IRP year, and for each IRP year thereafter, Questar Gas and Wexpro will manage the combined cost-of-service production from Wexpro I and Wexpro II properties to: (a) 55% of Questar Gas' annual forecasted demand identified in the IRP; or (b) 55% of the Minimum Threshold as defined in the Trail Settlement Stipulation, Section 12.c, if annual forecasted demand is below the Minimum Threshold.

21. The Parties agree for purposes of settlement that Questar Gas will maintain on its questargas.com web site a current copy of all relevant documents governing the cost-of-service arrangement between Wexpro and Questar Gas. This shall include, but is not limited to:

- The 1981 Wexpro Stipulation and Agreement, commonly referred to as the Wexpro I Agreement
- Utah and Wyoming Commission Orders approving the Wexpro I Agreement
- Wexpro II Agreement
- Utah and Wyoming Orders approving the Wexpro II Agreement
- Trail Settlement Stipulation
- Utah and Wyoming Orders approving the Trail Settlement Stipulation
- Canyon Creek Settlement Stipulation
- Utah and Wyoming Orders approving the Canyon Creek Settlement Stipulation
- All Guideline Letters

22. The Parties agree for purposes of settlement that all terms and conditions of the Wexpro I and Wexpro II Agreements and the Trail Settlement Stipulation apply unless otherwise clarified or addressed by this Settlement Stipulation. The Parties further agree that the Wexpro I Agreement, the Wexpro II Agreement, the Trail Settlement Stipulation, and this Settlement Stipulation, known as the Canyon Creek Settlement Stipulation, must be read collectively as the

Wexpro Agreement. Under no circumstances will a Party to the collective Wexpro Agreement assert that any provision of the Wexpro I Agreement, the Wexpro II Agreement, the Trail Settlement Stipulation, or the Canyon Creek Settlement Stipulation is severable from the collective Wexpro Agreement.

23. The Parties agree for purposes of settlement that under no circumstance will any Party claim that this Settlement Stipulation invokes Section 11.2 of the 1981 Utah Stipulation; Section 11.2 of the Wyoming 1981 Stipulation; or Wexpro I Agreement, Article IV-6(c). The Parties further agree that nothing in this Settlement Stipulation may be interpreted or claimed by any Party under any term or combination of terms of the 1981 Utah Stipulation and the 1981 Wyoming Stipulation to allow Wexpro to either revoke any Wexpro I or Wexpro II properties, release Wexpro or the Company from their obligations under either the Wexpro I or Wexpro II Agreements, or subject Wexpro to the jurisdiction of either the Utah or Wyoming Commissions.

GENERAL

24. The Parties agree that settlement of those issues identified above is in the public interest and that the results are just and reasonable.

25. The Parties agree that no part of this Settlement Stipulation or the formulae or methods used in developing the same, or a Commission order approving the same shall in any manner be argued or considered as precedential in any future case. All negotiations related to this Settlement Stipulation are privileged and confidential, and no Party shall be bound by any position asserted in negotiations. Neither the execution of this Settlement Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by any Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by any Party; nor shall they be introduced or used as

evidence for any other purpose in a future proceeding by any Party except in a proceeding to enforce this Settlement Stipulation.

26. Questar Gas, Wexpro, the Division, the Utah OCS and the Wyoming OCA each will make one or more witnesses available to explain and support this Settlement Stipulation to their respective Commissions. Such witnesses will be available for examination. As applied to the Division, the Utah OCS, and the Wyoming OCA, the explanation and support shall be consistent with their statutory authorities and responsibilities. So that the records in these dockets are complete, all Parties' filed testimony, exhibits, and the Confidential Applications and their exhibits shall be submitted as evidence.

27. The Parties agree that if any person challenges the approval of this Settlement Stipulation or requests rehearing or reconsideration of any order of the Commissions approving this Settlement Stipulation, each Party will use its best efforts to support the terms and conditions of the Settlement Stipulation. As applied to the Utah Division, the Utah OCS, and the Wyoming OCA, the phrase "use its best efforts" means that they shall do so in a manner consistent with their statutory authorities and responsibilities. In the event any person seeks judicial review of a Commission order approving this Settlement Stipulation, no Party shall take a position in that judicial review opposed to the Settlement Stipulation.

28. Except with regard to the obligations of the Parties under paragraphs 25, 26, and 27, of this Settlement Stipulation, this Settlement Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commissions. This Settlement Stipulation is an integrated whole, and any Party may withdraw from it if it is not approved without material change or condition by the Commissions or if the Commissions' approval is rejected or materially conditioned by a reviewing court. If the Commissions reject

any part of this Settlement Stipulation or impose any material change or condition on approval of this Settlement Stipulation, or if the Commissions' approval of this Settlement Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Settlement Stipulation consistent with the order. No Party shall withdraw from the Settlement Stipulation prior to complying with the foregoing sentence. If any Party withdraws from the Settlement Stipulation, any Party retains the right to seek additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Settlement Stipulation, and no Party shall be bound or prejudiced by the terms and conditions of the Settlement Stipulation.

29. This Settlement Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission issue an order approving this Settlement Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: October 26, 2015.



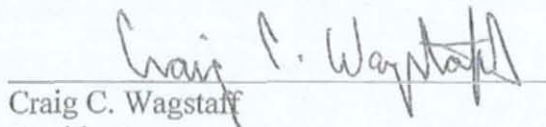
Chris Parker
Director

Utah Division of Public Utilities



Michele Beck
Director

Office of Consumer Services



Craig C. Wagstaff
President

Questar Gas Company


Bryce Freeman
Administrator

Wyoming Office of Consumer Advocate



Brady B. Rasmussen
Executive Vice President &
Chief Operating Officer

Wexpro Company

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission issue an order approving this Settlement Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: October 26, 2015.

Chris Parker
Director

Utah Division of Public Utilities

Craig C. Wagstaff
President

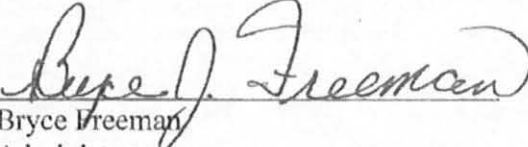
Questar Gas Company

Brady B. Rasmussen
Executive Vice President &
Chief Operating Officer

Wexpro Company

Michele Beck
Director

Office of Consumer Services



Bryce Freeman
Administrator

Wyoming Office of Consumer Advocate