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October 22, 2014

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Re: Use of Replacement Index for Intermountain Gas Company and Proper Sources for Reporting Base Rate of Return

The October 14, 1981 Wexpro Stipulation and Agreement (1981 Agreement) specified a method for determining an allowed rate of return to be included in calculating the operator service fee Wexpro Company (Wexpro) charges for delivering natural gas to Questar Gas Company (Questar). These terms were adopted by the Wexpro II Agreement, signed September 12, 2012. This guideline letter applies to the 1981 Agreement and the Wexpro II Agreement. The Agreements provide that an average of the latest ordered returns on equity of twenty electric, gas and telephone "Base Rate of Return Index Companies" (Index Companies) within the eight intermountain states and including four interstate pipeline companies should be used to calculate the allowed rate of return. These are listed in Schedule 1 of the 1981 Agreement and in Exhibit K of the Wexpro II Agreement.

The May 29, 1992 Guideline Letter noted that at times a utility in this 20-company index would be subject to a general rate case order which does not specify a return on equity. Excluding these companies subject to such "Black Box" rate orders reduced the scope and usefulness of the composite index. The Guideline Letter resolved this problem by specifying separate "Replacement Index" companies comprised of other utilities located in the eight intermountain states and adjoining states to the west and east of these eight states to be used as a surrogate return for any Index Company subject to a "Black Box" rate order. Therefore, when an Index Company is subject to a Black Box rate order, the Company's place in the Index is replaced with the average of the applicable Gas or Electric Replacement Index Company average.

Replacement Index for Intermountain Gas Company

One of the twenty Agreement Schedule 1 Index Companies is Intermountain Gas Company (IGC) which is regulated by the Idaho Public Utilities Commission. IGC has not requested rate relief since its last general rate case which concluded in a December 5, 1985 final order authorizing a return on equity of 14.85%. While this is the order upon which its tariff rates are set, its allowed return on equity has not been formally reviewed by the Idaho Commission in a general rate case in almost 29 years. The undersigned parties agree that an exception to the May 29, 1992 Guideline Letter is warranted in the case of IGC. Effective January 1, 2015, the parties agree and stipulate that the Gas Replacement Index composite return will be used as a surrogate return for IGC until the Idaho Public Utilities Commission or successor regulatory body approves a return on equity for this utility in a new general rate case order.

Proper Sources for Reporting Base Rate of Return

The May 29, 1992 Guideline Letter not only sets forth the use and scope of the Gas and Electric Replacement Indexes, but also specifies the sources from which allowed returns are to be compiled. It states as follows:

The sources used to compile the replacement index were threefold:

1. NARUC Annual Report on Utility and Carrier Regulation
2. Public Utilities Fortnightly
3. Texas Eastern Transmission Corporation Capitalization – Rate of Return Study

Future changes to the replacement index will be based exclusively upon these sources. If these sources no longer are available, Wexpro and the Division will select alternative sources as required. For local gas, electric, and telephone utilities, precedence will be given to the NARUC report first and Public Utilities Fortnightly second. For FERC pipelines, precedence will be given to the Texas Eastern Transmission Corporation Capitalization Rate of Return Study first and the NARUC report second.

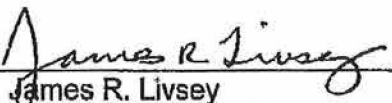
Since that time, the parties have concluded that the sources specified in the May 29, 1992 Guideline Letter are not the most comprehensive nor accurate sources available. For at least the past ten years, the sources most commonly used have been the SNL Regulatory Research Associates report supplemented with email updates from state regulatory and company personnel.

The parties agree and stipulate that sources for the most current allowed returns on equity for the Index Companies and the Replacement Index Companies will not be

limited to those specified in the May 29, 1992 Guideline Letter, but will also include the SNL Regulatory Research Associates report and email updates at Wexpro's discretion subject to the approval of the Division of Public Utilities, the Wyoming Public Service Commission Staff and the Wyoming Office of Consumer Advocate.


APPROVED:

WEXPRO COMPANY

By: 
James R. Livsey
Vice President and Chief Operating
Officer

10-22-2014
Date

UTAH DIVISION OF PUBLIC UTILITIES

By: 
Chris Parker
Director


10/22/14
Date

**WYOMING OFFICE OF CONSUMER
ADVOCATE**

By: 
Bryce Freeman
Administrator

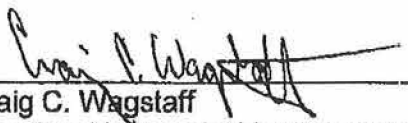
11/3/14
Date

**WYOMING PUBLIC SERVICE
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By: 
Chris Petrie
Chief Counsel

10/27/14
Date

QUESTAR GAS COMPANY

By: 
Craig C. Wagstaff
Vice President and Chief Operating

11/22/14
Date