

- 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
ORDER APPROVING STIPULATION

ISSUED: November 17, 2015

SYNOPSIS

The Commission approves a settlement stipulation to include the Canyon Creek Property under the Wexpro II Agreement and directs Questar Gas Company to provide periodic reporting of the 5-Year Forward Curve and Wexpro Cost of Service gas costs. A copy of the settlement stipulation is attached as an appendix to this order.

I. INTRODUCTION AND BACKGROUND

This matter is before the Public Service Commission of Utah (“Commission”) on Questar Gas Company’s (“Questar”) August 31, 2015 application (“Application”) to include certain natural gas producing property under the Wexpro II Agreement (“Wexpro II”). Questar, Wexpro Company (“Wexpro”), the Utah Division of Public Utilities (“Division”) and the Wyoming Office of Consumer Advocate entered Wexpro II on September 12, 2012, and the Commission approved the agreement on March 28, 2013, in Docket No. 12-057-13.¹ Section IV-1 of Wexpro II 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.”

¹ See March 28, 2013 Report and Order, *In the Matter of the Application of Questar Gas Company for Approval of the Wexpro II Agreement*, Docket No. 12-057-13.

On December 19, 2014, Wexpro closed on its \$52.7 million acquisition of an additional 30 percent interest in natural-gas producing property within the Wexpro I development drilling area known as the Canyon Creek Area (“Canyon Creek Area”).² The acquisition consisted of a 30 percent interest in 100 producing wells and approximately 30 future wells in the Canyon Creek Area. Wexpro already owned a 70 percent interest in the Canyon Creek Area, therefore, this acquisition increased Wexpro’s ownership interest in the Canyon Creek Area to 100 percent.

II. PROCEDURAL HISTORY

Questar filed the Application on August 31, 2015.³ It contains the direct testimony and accompanying exhibits of Barrie L. McKay and Brady Rasmussen, and 16 additional exhibits providing information in support of the Application. On September 8, 2015, the Commission held a scheduling conference and subsequently issued a Scheduling Order and Notice of Hearing and Technical Conference, setting the matter for hearing on November 6, 2015 and establishing other pertinent dates and deadlines.

On October 22, 2015, Questar filed a Stipulated Motion to Suspend Dates in Scheduling Order and for Status and Scheduling Conference (“Stipulated Motion”), representing the parties were near reaching a negotiated agreement. The Stipulated Motion requested the Commission suspend certain deadlines for the submission of testimony, hold a status and scheduling conference the following week and preserve the existing hearing date. On October 22, 2015, the

² The Wexpro I development drilling areas are defined in the Wexpro Stipulation and Agreement, executed October 14, 1981, which the Commission approved on December 31, 1981, in Docket No. 76-057-14. *See* December 31, 1981 Report and Order, *In the Matter of the Petition of the Division of Public Utilities to Consider the Proposed Transfer of Certain Wells, Leases, Lands and Related Facilities and Interests of Mountain Fuel Supply Company to Wexpro Company on Remand from the Utah Supreme Court.*

³ We observe that on August 31, 2015, Questar also filed an application for approval of the Canyon Creek Acquisition as a Wexpro II property with the Wyoming Public Service Commission.

Commission issued an order suspending such deadlines, preserving the hearing date and setting a status and scheduling conference for October 27, 2015.

On October 26, 2015, Questar filed the Canyon Creek Settlement Stipulation (“Stipulation” or “Canyon Creek Stipulation”), executed by representatives of Questar, Wexpro, the Division, the Office of Consumer Services (“Office”), and the Wyoming Office of Consumer Advocate. The Stipulation is attached in its entirety as an appendix to this order. On October 27, 2015, the Commission held a status and scheduling conference at which the parties reiterated their request to preserve the existing hearing date for the purpose of providing testimony in support of the Stipulation.

On November 6, 2015, the Commission conducted a hearing to consider the Stipulation. At the hearing no party appeared in opposition to the Stipulation, and Questar, the Division and the Office offered testimony supporting the Stipulation as in the public interest.

III. THE POSITIONS AND REPRESENTATIONS OF THE PARTIES

A. Questar

At hearing, Questar’s witness provided a detailed summary of the Stipulation and represented approval of the Stipulation would be just, reasonable and in the public interest. Questar provided testimony as to how the Stipulation would affect existing contract terms and introduced a hearing exhibit (QGC Hearing Exhibit 6.0) that illustrated how seven significant contract terms were handled under the Wexpro I and II Agreements, the Trail Stipulation,⁴ the original Application in this docket and the Stipulation. Questar also clarified that the purchase

⁴ See January 17, 2014 Report and Order, *In the Matter of the Application of Questar Gas Company for Approval to Include Property Under the Wexpro II Agreement*, Docket No. 13-057-13.

price of \$52.7 million provided in paragraph 4 of the Stipulation will be adjusted to reflect actual depreciation amounts and other closing adjustments.

Questar represented it is tracking cost-of-service (“COS”) gas cost information on a monthly basis and represented it will present this information in its Integrated Resource Plan (“IRP”) quarterly variance reports and as requested by the Commission.

Questar and Wexpro also offered testimony to clarify certain provisions in the Stipulation as follows:

(1) Paragraph 13 of the Stipulation provides “Wexpro will design its annual drilling program or drilling programs that are more frequent than the annual cycle to provide [COS] production that is, at the time Wexpro incurs an obligation in connection with a drilling program, on average, at or below the 5-Year Forward Curve price that was agreed to in the Trail Settlement Stipulation.” At hearing, Questar represented the phrase “at the time Wexpro incurs an obligation” refers to the time Wexpro incurs a contractual obligation for drilling activities and noted this provision is based on a forecasted price. Wexpro clarified “drilling programs that are more frequent than the annual cycle” refers to smaller drilling programs that may be needed due to lower gas prices, well recompletions, or programs that other companies control (*i.e.*, instances when Wexpro is not responsible for determining drilling activities). Wexpro also represented that incremental General and Administrative costs are used in this analysis rather than allocated General and Administrative costs.

(2) Paragraph 14 provides the formula for calculation of the 5-Year Forward Curve and refers to Settlement Stipulation Exhibit 1, which illustrates the formula. Questar represented at hearing Exhibit 1 is derived from a spreadsheet that Wexpro and Questar will update on a

daily basis. Questar committed to provide the updated spreadsheet at least annually or more frequently, at the Commission's request.

(3) With respect to Paragraph 17, Questar clarified at hearing it would be appropriate to add the word "well" after the term "non-commercial" and before the word "costs" on the second line of the paragraph.

(4) With respect to subparagraph (a) of Paragraph 18, Questar clarified at hearing the reference to "the interstate pipeline" refers to any interstate pipeline.

(5) With respect to Paragraph 21, Questar represented that existing Guideline Letters are not confidential and will be made public as stated in the Stipulation. To the extent any future Guideline Letter contains confidential information, Questar represented it will provide a redacted version of the document on its website.

B. The Division

At hearing, the Division noted the Canyon Creek Acquisition is within the Wexpro I development drilling area, a field with known production and where Wexpro has experience with the geology and drilling. The Division represented the incremental production that will result from the Canyon Creek acquisition will have a minor impact on the COS gas price.

The Division stated that one of the primary concerns addressed in the Canyon Creek Stipulation is the volume or percentage of Questar's gas requirement that Wexpro currently provides. According to the Division, the Stipulation addresses this concern by reducing the COS production from the current 65 percent approved in the Trail Stipulation to 55 percent of Questar's annual forecast demand by 2020. The Division testified this provision will help Questar and Wexpro to manage the pace of future drilling.

The Division also stated that a significant provision of the Canyon Creek Stipulation is the reduction of the rate of return for post-2015 drilling activities from the base rate plus eight percent to the Commission-allowed rate of return. The Division pointed out this provision applies to new development in all fields, including Pinedale and Trail. The Division also discussed the evaluation of the Application performed by David Evans, the Division-retained independent hydrocarbon monitor. The Division noted Mr. Evans' report indicates Wexpro's economic forecasts and reserve assumptions are reasonable.

The Division concludes approval of the Canyon Creek Area Acquisition as a Wexpro II property represents the purchase of a long-term resource that may be advantageous to ratepayers for many years. The Division believes the terms of the Stipulation are just and reasonable and in the public interest and recommends the Commission approve the Stipulation.

C. The Office

At hearing, the Office expressed the parties' intent to craft a stipulation that is not only durable but will also benefit and protect ratepayers for as long as natural gas is being produced under the Wexpro Agreements. The Office represented the Stipulation maintained the advantageous provisions of the Trail Stipulation and specifically defined the 5-Year Forward Curve and the calculation of shared savings. The Office noted the Stipulation's provision limiting Wexpro production to 55 percent by 2020 addressed the Office's existing concern about historically high levels of COS production.

The Office testified the Stipulation's sharing of costs and savings aligns Wexpro's operating incentives with ratepayers' interests. The Office further testified approval of the Stipulation is in the public interest and will result in just and reasonable rates.

IV. ORDER

The Legislature encourages parties to reach negotiated agreements in matters pending before the Commission as a means to resolve disputes efficiently and to allow the Commission to “concentrate on those issues that adverse parties cannot otherwise resolve.” Utah Code Ann. § 54-7-1(1). The Commission “may adopt any settlement proposal ... at any stage of the adjudicative procedure.” Utah Code Ann. § 54-7-1(3). The Commission “may adopt a settlement proposal if: (A) the commission finds that the settlement proposal is just and reasonable in result; and (B) the evidence, contained in the record, supports a finding that the settlement proposal is just and reasonable in result.” Utah Code Ann. § 54-7-1(3)(d)(i).

We find Questar’s commitment to report the 5-Year Forward Curve at least annually to be reasonable. We also appreciate Questar’s commitment to provide Wexpro COS gas cost information. Tracking and understanding Wexpro’s costs is fundamental to determining compliance with the Stipulation, and we note Questar is tracking Wexpro COS gas cost monthly. We find that both monthly and quarterly reporting — the former in conjunction with the monthly financial reports and the latter in the IRP quarterly variance reports — at the level described in the October 8, 2014 Report and Order in Docket No. 14-057-15⁵ is reasonable and appropriate.

Based on the testimony presented at hearing, the written testimony, the lack of opposition to the Stipulation, and our deliberations, we find the Stipulation is just, reasonable and in the public interest. We therefore order:

⁵ Our October 8, 2014 Report and Order in Docket No. 14-057-15, “In the Matter of Questar Gas Company’s Integrated Resource Plan (IRP) for Plan Year: June 1, 2014 to May 31, 2015,” states: “We observe that Questar now provides a comparison of the purchased gas price versus COS gas price in the new Exhibits 10.1 and 10.2 of the quarterly IRP variance report. For transparency, we request that Questar annotate the backup workpapers supporting these exhibits with the list of the specific accounts, and formulae if necessary, used to determine each cost element. Costs should be broken out by Wexpro I and Wexpro II amounts and summed to produce the total.”

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1. The Canyon Creek Stipulation is approved.
2. Questar shall file the 5-Year Forward Curve at least annually and Wexpro COS gas cost detail both monthly in conjunction with its monthly financial reports and quarterly in its IRP quarterly variance reports.

DATED at Salt Lake City, Utah this 17th day of November, 2015.

/s/ Thad LeVar, Chair

/s/ David R. Clark, Commissioner

/s/ Jordan A. White, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary

DW#270524

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

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CERTIFICATE OF SERVICE

I CERTIFY that on the 17th day of November, 2015, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Colleen Larkin Bell (colleen.bell@questar.com)
Jenniffer Nelson Clark (jenniffer.clark@questar.com)
Attorneys for Questar Gas Company

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Rex Olsen (rolsen@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Floor
Salt Lake City, UT 84111

Office of Consumer Services
160 East 300 South, 2nd Floor
Salt Lake City, UT 84111

Administrative Assistant

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APPENDIX – STIPULATION

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
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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.



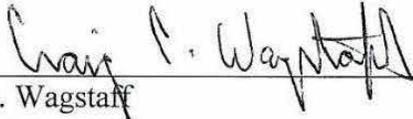
Chris Parker
Director

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



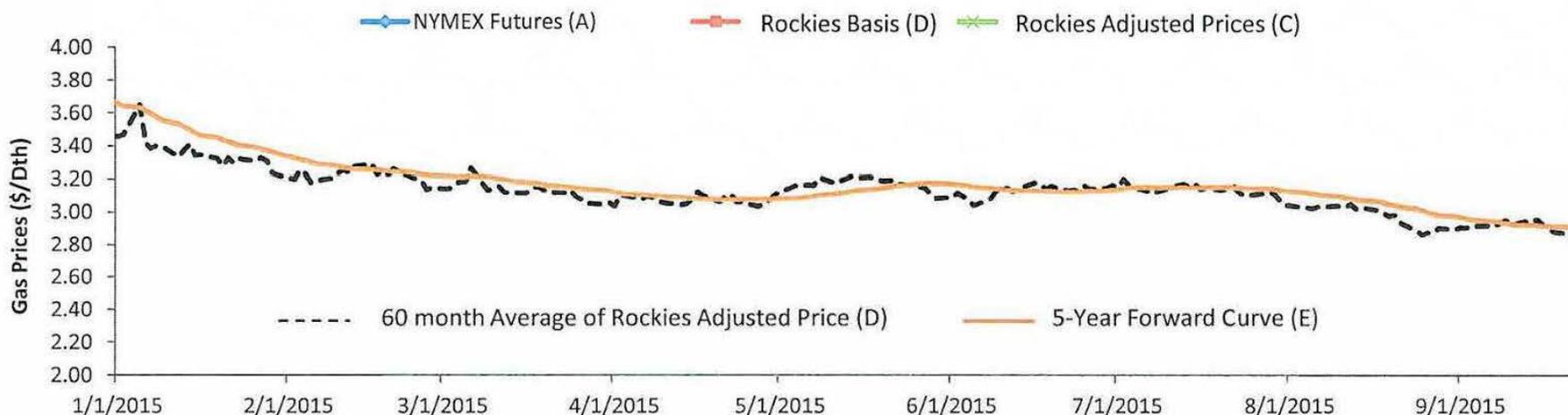
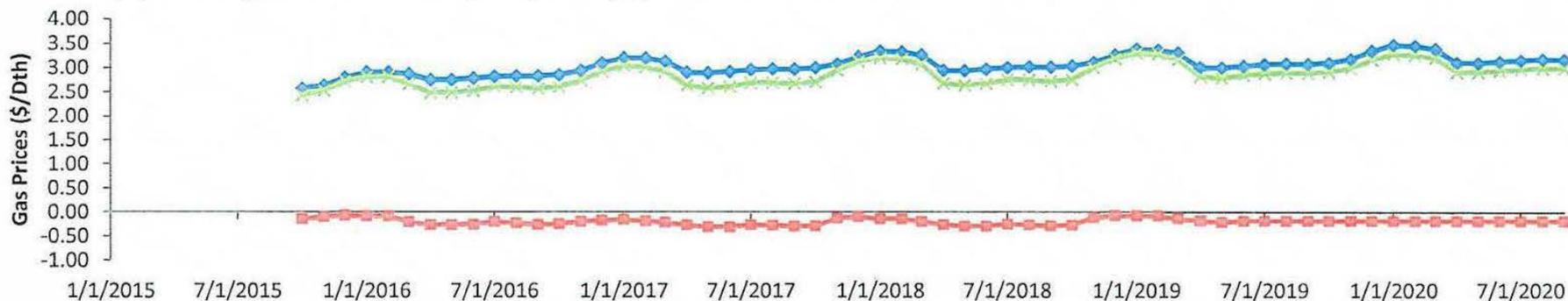
Bryce Freeman
Administrator

Wyoming Office of Consumer Advocate

Calculation of 5-Year Forward Curve

Gas Prices Utilized

- (A) NYMEX Monthly Price (60 Months) (1)
- (B) Northwest Pipeline Rockies Basis (2)
- (C) Rockies-Adjusted Prices (A+B)
- (D) 60 month average Rockies-Adjusted Price (C)
- (E) Average of 20 trailing days of (D) = 5-Year Forward Curve



These prices can currently be found at:

- (1) www.ino.com
- (2) www.cmegroup.com/trading/energy/natural-gas/northwest-pipeline-rockies-natural-gas-basis-swap-futures-platts-iferc_quotes_settlements_futures.html

Calculation of Shared Savings

Average Market Price		A	B	C	D
Month	Northwest Pipeline First-of-Month Price (\$)	X	COS Volumes (Into-the-Pipe dth)	=	Comparable Market Purchase Cost (\$)
1	Jun				
2	Jul				
3	Aug				
4	Sep				
5	Oct				
6	Nov				
7	Dec				
8	Jan				
9	Feb				
10	Mar				
11	Apr				
12	May				
13	Total		COS Volumes		Comparable Market Purchase Cost (\$)

14 **Total Comparable Market Purchase Cost / Total COS Volumes = Average Market Price (\$/dth)**

Cost-of-Service Price (for previous IRP year)

Cost-of-Service (Cost)

	Pre-2016	Post-2015 Proved Producing	Post-2015 Development Wells*	TOTAL
15	Wexpro I			
16	Wexpro II			
17	TOTAL			

18 *Includes 50% Dry Hole cost for the year, not to exceed 4.5% of Wexpro's annual Development Drilling Investment

Cost-of-Service (Volume)

	Pre-2016	Post-2015 Proved Producing	Post-2015 Development Wells	TOTAL**
19	Wexpro I			
20	Wexpro II			
21	TOTAL			

22 ** Total Volume in Column D, line 21 must equal the total volume in Column B, line 13.

Cost-of-Service (Cost / Volumes = Price)

	Pre-2016	Post-2015 Proved Producing	Post-2015 Development Wells
23	Wexpro I		
24	Wexpro II		

25 **Total COS Cost (Col D, line 17) / Total COS Volumes (Col D, line 21) = COS Price (\$/dth)**

Shared Savings

26 *If COS Price < Average Market Price then savings will be shared using into-the-pipe volumes from post-2015 wells :*

27 **Average Market Price (\$/dth) - Total COS Price (\$/dth) = Savings (\$/dth)**

28 **50% X Savings (\$/dth) X Post-2015 Development Well Volumes = 191 Entry*****

29 ***In no event shall this amount result in Wexpro earning a rate of return on post-2015 Development Drilling investment greater than the Base Rate of Return + 8%.