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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR APPROVAL TO INCLUDE A PROPERTY UNDER THE WEXPRO II AGREEMENT	Docket No. 13-057-13 **CORRECTED SETTLEMENT STIPULATION**

Pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, and pursuant to (e), 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, 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. The Wexpro II Agreement governs the requirements for Wexpro and Questar Gas relating to the Trail Unit Acquisition. Section IV-1 provides that "Wexpro will acquire oil and gas properties or underdeveloped leases at its own risk." Section IV-2(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." By applications dated November 5, 2013, (Confidential Applications), Questar Gas filed for approval of the Trail Unit Acquisition as a Wexpro II property with the Utah and Wyoming Commissions.

3. On September 4, 2013, Wexpro Company closed on its $106.4 million acquisition of an additional (42%) interest in natural-gas producing properties in the Trail Unit 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 or Wexpro II Agreement). Wexpro already owns a 46% interest in the properties being acquired. This acquisition increases Wexpro's ownership interest to 88%.

4. On November 5, 2013, Questar Gas filed its Confidential Applications seeking approval of the Trail Unit Acquisition as a Wexpro II property before the Utah and Wyoming Commissions. The Trail Unit 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. James R. Livsey.

5. 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, drillings 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 Trail Unit Acquisition was filed on November 14, 2013.

6. On November 12, 2013, the Utah Commission issued its Scheduling Order setting dates for filing testimony, technical conferences, and hearings and on November 26, 2013, the Wyoming Commission issued its Scheduling Order setting dates for filing testimony, and hearings.

7. On November 22, 2013, 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 Trail Unit Acquisition and its proposal to manage Wexpro production.

8. On December 6, 2013, 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 Trail Unit Acquisition and its proposal to manage Wexpro production.

9. Since the Confidential Applications were filed, both the Division, Utah OCS, Wyoming OCA, Utah Commission Staff and Wyoming Commission Staff have asked and Questar Gas has responded to more than 45 data requests and posted them on its "V-bulletin" website for the convenience and review of all intervenors as well as delivered confidential disks containing the requests and responses for review by the Parties.

10. On December 12, 2013, the Division and the Utah OCS filed direct testimony and on December 20, 2013, the Wyoming OCA filed direct testimony in their respective dockets.

TERMS AND CONDITIONS

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. Wexpro agrees to continue this practice and agrees to notify the Parties in the event it alters the design of its annual drilling program.

12. The Parties agree for purposes of settlement that:

a. The Company and Wexpro will manage the combined cost-of-service production from Wexpro I properties and Wexpro II Trail Unit Acquisition Properties to 65% of Questar Gas' annual forecasted demand identified in the Company's Integrated Resource Plan (IRP).

b. The IRP plan year starting with the June 2015 through May 2016 IRP will be used to determine the initial annual forecasted demand.

c. Questar Gas and Wexpro will manage the annual cost-of-service production to 65% based on Questar Gas' annual forecasted demand in its IRP plan year with a minimum of 110,000,000 Dth (Minimum Threshold). The 110,000,000 Dth represent the 2013 IRP total firm demand.

d. Each year in June, the Company will calculate the actual cost-of-service production that has been recorded in the 191 Account for the previous IRP plan year. This number will be divided by the IRP annual forecasted demand from the corresponding IRP plan year, so long as the annual forecasted demand does not go below the Minimum Threshold. The resulting percentage will be the actual percentage of cost-of-service production for the relevant IRP plan year.

13. To maintain cost-of-service production at the 65% level the Parties agree for purposes of settlement that:

a. Notwithstanding that the Wexpro I and Wexpro II Agreements provide that Wexpro shall sell and deliver cost-of-service production to Questar Gas, Wexpro may sell cost-of-service production to third parties at any time during the course of the plan year to manage cost-of-service production to 65%. Cost-of-service production sold by Wexpro will be multiplied by the greater of actual cost-of-service price or actual sales price of the gas sold by Wexpro. This does not include sales of off-system gas as provided by Wexpro I, Article III-11 or Wexpro II, Article III-10.

b. In the event that cost-of-service production delivered to Questar Gas exceeds 65% and the Company's weighted average actual purchase gas price for the IRP year is less than the cost-of-service price for the IRP year, then the excess volume over 65% will be multiplied by the difference between the actual cost-of-service price for the IRP plan year and the Company's weighted average purchase gas price for that IRP plan year. (If weighted average actual purchase gas price is greater than cost-of-service price then this calculation need not be done.)

c. In July, after each plan year, the two amounts calculated in paragraphs 13 (a) and 13 (b) will be paid/credited by Wexpro to Questar Gas and Questar Gas will separately identify these entries and credit these amounts to the 191 Account. These amounts 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.

The 65% mechanism is illustrated in the attached Settlement Stipulation Exhibit 1. This is a two page exhibit. Page 1 assumes that market prices are less than cost-of-service prices. Column A illustrates what happens when Wexpro sells gas during the IRP year as explained in paragraph 11.a. above. Column B illustrates what happens when Wexpro provides more than 65% of Questar Gas' total gas supply for the IRP year as explained in paragraph 11.b. above. Column C illustrates what happens when Wexpro both sells gas and provides more than 65% of Questar Gas' total gas supply for the IRP year. All scenarios produce the same total gas costs. Page 2 assumes market prices are greater than cost-of-service gas. Columns A, B, and C depict the same scenarios as described on page 1.

14. The Parties agree for purposes of settlement that from the approval date of the Wexpro II Trail Acquisition by both Commissions through May 31, 2015, if Wexpro's production volumes exceed what Questar Gas can use or put into storage in a cost-effective manner, Questar Gas will minimize costs to customers by evaluating whether to have Wexpro sell cost-of-service production to a third party or shut in cost-of-service production. The criteria for determining whether to sell or shut in cost-of-service production will be based on the difference between the estimated cost of cost-of-service production and the cost of purchase gas. If the sales price is greater than the estimated price of cost-of-service minus shut-in costs, then Questar Gas will direct Wexpro to sell cost-of-service production. If the sales price is less than the estimated price of cost-of-service minus shut-in costs, then Questar Gas will shut in cost-of service production. If Wexpro sells cost-of-service production, then proceeds from any such sale will be credited to Questar Gas. In June of 2015, Questar Gas will file a report with the Parties supporting the decision to either sell or shut in cost-of-service production. The decision to either sell or shut in will be evaluated based on the information available at the time the decision was made.

15. The Parties agree for purposes of settlement that to the extent Wexpro sells gas to third parties to manage the 65% level of production as provided in paragraph 13, Questar Gas waives any right to take delivery of or purchase such cost-of-service production sold by Wexpro pursuant to this Stipulation.

16. The Parties agree for purposes of settlement that all terms and conditions of the Wexpro I and Wexpro II Agreements apply unless otherwise clarified or addressed by this Settlement Stipulation.

17. The Parties agree for purposes of settlement that with the mutual consent of all Parties this Stipulation's terms may be amended and submitted for both Utah and Wyoming Commission approval. If a Party believes that circumstances have changed in a persistent and material manner and that the Stipulation's terms are no longer in the public interest, and that Party is not able to obtain the mutual consent of all Parties to amend this Stipulation's terms, that Party may petition one or both Commissions to reexamine the current terms and may request modifications thereto. In any event, a change to this Stipulation's terms must be approved by both the Utah and Wyoming Commissions.

18. The Parties agree for purposes of settlement that under no circumstance will any Party claim that this 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 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

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

20. 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.

21. Questar Gas, Wexpro, the Utah Division, the Utah OCS and the Wyoming OCA each will make one or more witnesses available to explain and support this Settlement Stipulation to the Commission. Such witnesses will be available for examination. As applied to the Utah 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 its exhibits shall be submitted as evidence.

22. 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.

23. Except with regard to the obligations of the Parties under paragraphs 20, 21 and 22 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.

24. 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.

25. The Parties are authorized to represent that the intervenors in this docket that have not entered into this Settlement Stipulation either do not oppose or take no position on this Settlement Stipulation.

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: December 23, 2013.

Chris Parker
Division Director

Utah Division of Public Utilities

Michele Beck
Director

Office of Consumer Services

Craig C. Wagstaff
Executive Vice President &
Chief Operating Officer

Questar Gas Company

Bryce Freeman
Administrator

Wyoming Office of Consumer Advocate

James R. Livsey
Executive Vice President &
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Wexpro Company

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Wexpro Company

Customer Impact: Cost-of-service Production is Greater than 65%

Market Price is Less Than Cost-of-Service

		A	B	C
		Wexpro Sells Gas During the IRP Year	Wexpro Exceeds 65% at the End of the IRP Year	Wexpro Sells Gas and Exceeds 65% at the End of the IRP Year
	Assumptions:			
1	Cost-of-Service	$4.35	$4.35	$4.35
2	Market Price	$4.00	$4.00	$4.00
3	Annual Demand (Dth)	110,805,432	110,805,432	110,805,432
4	Percentage COS Gas	65%	70%	68%
5	Percentage Wexpro Sales	5%	0%	2%
6	Annual Wexpro Production (Dth)	77,563,802	77,563,802	77,563,802
	Result			
7	Decatherms Sold	5,540,272	-	2,216,109
8	Decatherms Above 65% at Year End	-	5,540,272	3,324,163
9	Credit to 191 Account	($24,100,181)	($1,939,095)	($10,803,530)
10	Wexpro Operator Service Fee	$337,402,539	$337,402,539	$337,402,539
11	Annual Purchase Gas Percentage	35%	30%	32%
12	Annual Purchase Gas Cost	$155,127,605	$132,966,518	$141,830,953
13	Total Gas Costs	$468,429,962	$468,429,962	$468,429,962

Calculations:

Line 3 = Annual IRP Plan Year Demand
Line 4 = Actual COS decatherms delivered during the IRP plan year / Total IRP plan year demand (Line 3)
Line 5 = Actual COS decatherms sold by Wexpro during the IRP plan year / Total IRP plan year demand (Line 3)
Line 6 = Total COS decatherms produced during the IRP plan year. (Line 4 + Line 5) X Line 3
Line 7 = Actual COS decatherms sold by Wexpro during the IRP plan year. (Line 3 X Line 5)
Line 8 = Actual COS decatherms delivered to QGC during the IRP plan year above 65% of annual IRP plan year demand. (Line 4 - 65%) X Line 3
Line 9 = The credit is calculated for each scenario as follows: (Line 1 X Line 7) + (Line 1 - Line 2) X Line 8.
Line 10 = Wexpro Operator Service Fee for the IRP plan year
Line 11 = (1 - Line 4)
Line 12 = (Line 3 X Line 11 X Line 2)
Line 13 = (Line 9 + Line 10 + Line 12)

Customer Impact: Cost-of-service Production is Greater than 65%

Market Price is Greater Than Cost-of-Service

		A	B	C
		Wexpro Sells Gas During the IRP Year	Wexpro Exceeds 65% at the End of the IRP Year	Wexpro Sells Gas and Exceeds 65% at the End of the IRP Year
	Assumptions:			
1	Cost-of-Service	$4.35	$4.35	$4.35
2	Market Price	$6.00	$6.00	$6.00
3	Annual Demand (Dth)	110,805,432	110,805,432	110,805,432
4	Percentage COS Gas	65%	70%	68%
5	Percentage Wexpro Sales	5%	0%	2%
6	Annual Wexpro Production (Dth)	77,563,802	77,563,802	77,563,802
	Results:			
7	Decatherms Sold	5,540,272	-	2,216,109
8	Decatherms Above 65% at Year End	-	5,540,272	3,324,163
9	Credit to 191 Account	($33,241,630)	$0	($13,296,652)
10	Wexpro Operator Service Fee	$337,402,539	$337,402,539	$337,402,539
11	Annual Purchase Gas Percentage	35%	30%	32%
12	Annual Purchase Gas Cost	$232,691,407	$199,449,778	$212,746,429
13	Total Gas Costs	$536,852,317	$536,852,317	$536,852,317

Caculations:

Line 3 = Annual IRP Plan Year Demand
Line 4 = Actual COS decatherms delivered during the IRP plan year / Total IRP plan year demand (Line 3)
Line 5 = Actual COS decatherms sold by Wexpro during the IRP plan year / Total IRP plan year demand (Line 3)
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Line 8 = Actual COS decatherms delivered to QGC during the IRP plan year above 65% of annual IRP plan year demand. (Line 4 - 65%) X Line 3
Line 9 = The credit is calculated for each scenario as follows: (Line 2 X Line 7)
Note: When market price is above COS price there is no need for a credit for decatherms used above 65%
Line 10 = Wexpro Operator Service Fee for the IRP plan year
Line 11 = (1 - Line 4)
Line 12 = (Line 3 X Line 11 X Line 2)
Line 13 = (Line 9 + Line 10 + Line 12)