

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE MERGER)
AGREEMENT BETWEEN QUESTAR GAS) **CASE NO. QST-G-16-01**
COMPANY AND DOMINION RESOURCES)
) **ORDER NO. 33628**
)

On March 3, 2016, Questar Gas Company and Dominion Resources, Inc. notified the Idaho Public Utilities Commission (Commission) of a planned merger between the two companies. The Companies filed the Application with the Utah Public Service Commission (Utah PSC) as well as the Wyoming Public Service Commission. The Companies explained they were notifying the Commission in furtherance of the Contract for Regulatory Services between the Idaho Commission and Utah PSC.¹ In summary, the Companies stated that after the merger, Questar will become a wholly owned subsidiary of Dominion (Dominion Questar).

Following negotiations with a group of interested parties, in August 2016, Idaho Commission Staff signed onto a Settlement Stipulation in the Utah PSC case that recommended the Utah PSC approve the merger. The Wyoming and Utah Commissions have approved separate Settlement Stipulations, and the merger has occurred. With this Order, the Commission recognizes the completion of the merger and issues instructions to Dominion Questar relating to future proceedings.

BACKGROUND

Franklin County, Idaho, which lies on the Utah-Idaho border, is the only area within the State served by Dominion Questar and affected by this merger. Because of Franklin County’s small population and geography, the number of Idaho customers served by the Company is low. Consequently, this Commission found it “impracticable or not in the public interest to conduct regulatory proceedings for affected Franklin County residents separate from the proceedings conducted by the UPSC.” Order No. 23282 at 5. Accordingly, in August 1990, the Commission approved a “Contract for Regulatory Services” with the Utah PSC (pursuant to *Idaho Code* § 61-505) agreeing that “the rates, charges and service regulations adopted by UPSC for Mountain Fuel Supply Company [predecessor to Questar] in Utah shall be applied to

¹ Because of this agreement, the Application was filed only in Utah. However, because the merger affects Idaho customers, Staff participated in the process and the Commission monitored those proceedings.

similarly situated customers served by Mountain Fuel Supply Company in Idaho. . . .” 1990 Contract for Regulatory Services at 2.

In April 2016, in anticipation of the underlying merger, this Commission updated its contract with the Utah PSC. The current contract between the regulatory authorities states that the Idaho Commission “has the power and authority pursuant to *Idaho Code* § 61-505(2) to ‘contract with the regulatory agencies of neighboring states to . . . set rates and charges for customers in Idaho located in or near border communities served by utilities principally located in’ neighboring states.” 2016 Contract at 1. Specifically, this Commission found that (1) the continued provision of natural gas to Franklin County residents by Questar was in the public interest; (2) it is impractical and not in the public interest to conduct separate proceedings from the Utah PSC; (3) Questar’s Idaho customers have full rights of participation in Utah PSC proceedings; and (4) the rates, charges and services applicable to Questar’s Idaho customers are not less favorable than those of Questar’s Utah customers.

The 2016 contract between the Utah PSC and Idaho Commission acknowledges the planned merger between Questar Corporation and Dominion Resources, Inc. The Contract for Regulatory Services is for a term of one (1) calendar year from April 1, 2016, “and shall be renewed automatically for additional one (1) year terms,” subject to the termination provision of the contract. 2016 Contract at 2. The contract states that either party may provide written notice of termination.

During the pendency of the merger Application in the Utah PSC, Idaho customers served by Questar were notified of the proposed merger and corresponding Utah docket on multiple occasions through press releases and direct communications—in February, March, and May 2016. No comments were filed by any Idaho Questar customers. The regulatory services contract with the Utah PSC also ensures that Idaho customers receive notice of Utah proceedings so they are able to fully participate. Further, Idaho Commission Staff monitored the Utah PSC proceedings and participated in settlement negotiations to represent Idaho customers’ interests. On August 15, 2016, interested parties and Idaho Commission Staff signed onto a Settlement Stipulation to recommend approval of the merger agreement before the Utah PSC. No one opposed the Settlement Stipulation.

SETTLEMENT

The terms of the Settlement Stipulation include provisions relating to Company management, employment matters, regulatory and financial terms, customer rates, allocation of transaction-related costs, customer standards, and ring fencing provisions. The Stipulation also includes provisions relating to the development of reporting requirements.

FINDINGS AND CONCLUSIONS

We have reviewed the record in this case, including the Dominion Questar Application filed with the Utah PSC, the Settlement Stipulation offered by the parties in the Utah proceeding and signed by Idaho Commission Staff, and the final Order of the Utah PSC. Dominion Questar is a gas corporation and public utility subject to the Idaho Commission's jurisdiction pursuant to *Idaho Code* §§ 61-117 and -129. The Contract for Regulatory Services between the Utah PSC and the Idaho Commission allows rates, charges and service regulations that are adopted by the Utah PSC to apply to Idaho's Dominion Questar customers as long as certain parameters (protecting Idaho customers) are met. While it is in the public interest for this Commission to allow the Utah PSC to oversee and determine these elements of the regulatory process for the benefit of Idaho customers, we maintain all other authority granted to the Idaho Commission by the Idaho Legislature through Title 61.

Based on our review, we agree with the Utah PSC that the evidence supports Dominion has the necessary financial, managerial and technical qualifications to operate Questar Gas; and that the merger of Dominion and Questar is just, reasonable and in the public interest. We find that the Settlement Stipulation ensures continued safe and reliable operations, promises increased customer satisfaction standards, and dictates additional ring fencing provisions that provide sufficient safeguards for Idaho customers. Further, Dominion Questar has agreed not to file a general rate case prior to July 1, 2019, or later than December 31, 2019 (unless otherwise ordered by the Commission).

Consequently, we acknowledge the merger of Dominion and Questar. In order to maintain appropriate regulatory oversight consistent with Title 61 and our regulatory services agreement with the Utah PSC, we direct Dominion Questar to notify the Idaho Commission by letter when it files notices, applications, requests, etc., with the Utah PSC. This will prevent unnecessary duplication of dockets, but still allow the Idaho Commission to follow proposed business decisions made by Dominion Questar that will impact Idaho utility customers.

ORDER

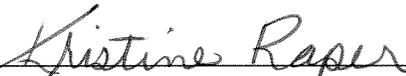
Accordingly, IT IS HEREBY ORDERED that Dominion Questar notify the Idaho Commission by letter when it files notices, applications, petitions, requests, etc., with the Utah PSC.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

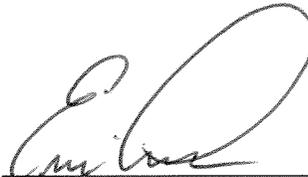
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 19th day of October 2016.



PAUL KJELLANDER, PRESIDENT

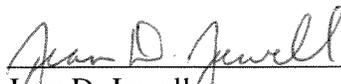


KRISTINE RAPER, COMMISSIONER



ERIC ANDERSON, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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