



State of Utah
Department of Commerce
Division of Public Utilities

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MEMORANDUM

To: Utah Public Service Commission

From: Utah Division of Public Utilities

Chris Parker, Director

Artie Powell, Energy Section Manager

Brenda Salter, Technical Consultant

Douglas Wheelwright, Technical Consultant

Date: October 18, 2013

Re: Request of Questar Gas Company's request for authority To Change its Depreciation Rates Effective with the General Rate Case, Docket No. 13-057-05.

RECOMMENDATION

The Utah Division of Public Utilities (Division) requests the Utah Public Service Commission (Commission) set a schedule separate than the rate case schedule—but in the same docket—to consider Questar Gas Company's (Company) proposed depreciation rates and amortization.

ISSUE

The Company filed its General Rate Case on July 1, 2013, which included testimony, exhibits, and the Company's rate case model. Mr. Mendenhall provided testimony for the Company on multiple issues including an adjustment that calculated the proposed depreciation expense based on the 2014 projected investment amounts. On page 10 of Mr. Mendenhall's testimony he states the following:

Q. Are you proposing any changes to depreciation rates in this case?

A. The Company has hired Gannett Fleming to conduct a depreciation study on its 2012 investment. The study is currently not complete but we anticipate that the study will

be completed sometime in the 4th quarter of 2013. At that time I will supplement my testimony with the new depreciation rates.

In response to data requests, the Division was informed by the Company that the new depreciation study was available on the Company's web based V-Bulletin on Friday October 11, 2013. It is the Division's understanding that the depreciation study was not filed with the Commission nor was it supported with testimony.

The Study is 160 pages and contains multiple tables and computations. Based on correspondence with the Company and a cursory review, the Company's study indicates a proposed incremental or net increase in depreciation expense of approximately \$2 million. The Division, as well as other parties, will require adequate time to analyze the Company's proposed depreciation rates and replicate the depreciation study to evaluate plant assets and to determine the appropriate depreciation and amortization rate.

Intervener's direct testimony in the rate case is due October 30, 2013. On October 16, 2013 the Division issued 36 discovery requests to the Company regarding the depreciation study. Under the current rate case schedule, the Division will not receive a response to the initial set of discovery until November 6, 2013, with rebuttal testimony due December 5, 2013. Given these deadlines, the Division and its consultant will not be able to review and analyze the study, review and analyze discovery, and provide testimony within the current general rate case schedule.

However, the Division would like to see the schedule for review of the depreciation study aligned as much as possible with the general rate case proceedings. Included with this memo is a proposed depreciation study schedule that, if approved by the Commission, would meet the needs of the Division's review and also provide for timely implementation in rates. The proposed schedule would allow for a thorough review of the study and also allow for the results of the review and subsequent Commission order to be implemented shortly after the close of the rate case, minimizing the long-term impact of any necessary adjustments.

CONCLUSION

The Division therefore requests the Commission set a schedule separate than the rate case schedule—but in the same docket—to consider the Company’s proposed depreciation rates and amortization.

CC Barrie McKay, Questar Gas Company
 Michele Beck, Office of Consumer Services
 Service List

QGC Utah 2013 Depreciation Study Schedule

Docket 13-057-05

Division of Public Utilities' Proposed Schedule

	Proposed Schedule		
	Date	Days	Total Days
Company Notice (V-Bulletin)	10/11/2013		
Scheduling Conference	10/28/2013	17	17
Technical Conference - Utah	11/12/2013	15	32
Non-Company Direct Testimony	1/13/2014	62	94
Rebuttal Testimony	2/11/2014	29	123
Sur-Rebuttal Testimony	3/11/2014	28	151
Settlement Discussions	Before March 14, 2014		155
Hearings	3/25/2014	14	165
General Rate Case Rates Effective	3/3/2014	-22	143
Discovery Turnaround Time	14 days		

until Direct 14 day Data Request turnaround
 until Rebuttal 7 day Data Request turnaround
 After Rebuttal 5 day Data Request turnaround