BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY TO INCREASE DISTRIBUTION RATES AND CHARGES AND MAKE TARIFF MODIFICATIONS	))))))))))	**DOCKET NO. 13-057-05** **Exhibit No. DPU 4.0 Dir** **Direct Testimony and Exhibits** **Matthew Croft**

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Direct Testimony of

Matthew Croft

October 30, 2013

Q. Please state your name and occupation.

A. My name is Matthew Allen Croft. I am employed by the Utah Division of Public Utilities ("Division") as a Utility Technical Consultant.

Q. What is your business address?

A. My business address is 160 East 300 South, Salt Lake City, Utah, 84111.

Q. Please describe your education and work experience.

A. I graduated in December of 2007 from the University of Utah with a Bachelor of Arts degree in Accounting. I completed my Masters of Accounting at the University of Utah in May 2010. I began working for the Division in July of 2007. In April 2012 I became a Certified Public Accountant, licensed in the state of Utah.

Q. Have you testified before the Commission previously?

A. Yes. I have testified in several rate case proceedings and other matters before the Commission.

Q. What is the purpose of the testimony that you are now filing?

A. The purpose of my testimony is to address issues related to FERC 106 (unclassified plant), rate base updates and the Company's forecasted plant additions.

Q. Can you please summarize the impact of your adjustments?

A. Yes. The table on the next page summarizes my adjustments.

Table 1: Adjustment Summary

	Total Company Adjustment	Utah Adjustment	Utah Revenue Requirement Increase/(Decrease)
FERC 106 (Unclassified Plant)	(4,324,838)	(4,160,114)	(467,417)
Rate Base Update			
Expense			
Depreciation Expense	(606,798)	(583,021)	
Rate Base			(2,748,365)
Gross Plant In Service (1)	1,997,909	4,044,478	
Accum. Dep and Amort	795,501	762,584	
Accum. Deferred Income Taxes	(15,636,839)	(14,980,699)	
Other Rate Base	(9,359,753)	(9,093,679)	
Total Utah Revenue Requirement Increase/(Decrease)			(3,215,782)

1) Utah's allocated gross plant adjustment is approximately twice the amount of the total Company adjustment. An explanation for this Utah allocation will be given later in this testimony.

Q. Can you explain your adjustment to FERC account 106 (FERC 106)?

A. Yes. I will first explain what FERC 106 is. FERC 106 is for unclassified plant. Unclassified plant is plant that has been placed in service but has yet to be classified into a specific plant account like Mains or Distribution. It is essentially a pass through account between construction work in progress and plant in service. As such, the ending balance in FERC 106 can vary greatly from month to month.

Q. What are the monthly FERC 106 balances that the Company assumed in its filed test year?

A. For each of the month end balances (and the January 1, 2014 balance) for the test year, the Company assumes a balance of $15.8 million. Thus, the thirteen month average is also $15.8 million. The $15.8 million is also the actual December 2012 FERC 106 balance.

Q. How does this monthly balance compare to historical balances?

A. The $15.8 million balance proposed by the Company is significantly higher than historical averages. For example, the 36 month average balance as of August 31, 2013 is only $10.3 million. Furthermore, only two times in the past five years has the monthly balance in this account been more than the $15.8 million. It seems highly unlikely that that the 13 month average balance for this account would rise to the level proposed by the Company.

Q. What balance do you recommend?

A. I recommend a test year 13 month average balance of $11,491,399.

Q. How did you arrive at the $11.5 million?

A. The first step was to calculate the 36 month average for FERC 106. Using a three year period is consistent with other three year period averages used by the Company for forecasting items such as dismantling costs and proceeds in the accumulated depreciation calculation. While the time period of the average is the same, I use 36 data points (months) as opposed to the Company's three data points (year end values). As stated previously, FERC account 106 can vary significantly (up or down) from month to month. As such, I believe it is more appropriate to use more than just three data points.

In reviewing the data for the 36 month period, I noticed two extreme outliers: July 2011, and August 2011. The balances for these two months were large ($9.9 million and $10 million) negative values. Only six times since January 1995 has this account been negative and four of those negative values were less than $2.03 million. Generally speaking, this account should not have a negative balance as it is essentially a pass through account. Based on the Company's response to DPU data request 23.3, the July and August 2011 balances were negative because of credits from contributions in aid of construction that were not cleared to investment until September 2011. Because these two months are extreme outliers I have removed them from the FERC 106 average balance calculation. Using this adjusted three year average for FERC 106 reduces Utah's allocated rate base by $4,160,114 and reduces Utah's revenue requirement by $467,417. The specific calculations for this adjustment can be found in DPU Exhibit 4.1.

Q. Can you explain your rate base update adjustment?

A. Yes. In response to OCS data request 14.4 and 14.4 supplemental (OCS 14.4), the Company provided actual rate base balances for January 2013 through August 2013. I used these updated rate base balances to recalculate the December 2014 average rate base as well as the December 2014 depreciation expense.

Q. How did you calculate your adjustment related to these rate base updates?

A. In order to calculate this adjustment I used two Company models. In the first model, I replaced the January 2013 to August 2013 forecasted balances[1] in the "RB Forecast" tab with those provided by the Company in response to OCS 14.4. Replacing these values yielded new rate base and depreciation expense values for the test year. These revised test year values were compared to the filed test year values to arrive at the adjustment values. The calculations used in arriving at theses adjustment values can be found in DPU Exhibit 4.2. The adjustment values were then placed into one of the "Optional Adjustment" tabs in the second model, the model filed with Division witness Mr. Doug Wheelwright's DPU Exhibit 1.1 Dir.

[1] The FERC 106 balance was not updated to the August 2013 balance. The specific adjustment to this account is discussed previously in this testimony.

Q. Table 1 shows that Utah's allocated gross plant increased more than twice the total Company amount. How is that possible?

A. Wyoming's gross plant decreased while Utah's gross plant increased. Table 2 below shows the breakdown between Utah and Wyoming.

Table 2: Allocation of Gross Plant

	Total Company Adjustment	Allocation Base	Allocation %	UT Adjustment
Gas Plant in Service				
Production	-	Sales	96.37%	-
Distribution - Wyoming	(1,222,254)	Wyoming	0.00%	-
Distribution - Utah	8,959,298	Utah	100.00%	8,959,298
General	(700,516)	Wyoming	0.00%	-
General	(1,546,615)	Utah	100.00%	(1,546,615)
General	(3,492,004)	Gross Plant	96.45%	(3,368,206)
Total	1,997,909			4,044,478

Q. Table 1 shows that depreciation expense decreased while gross plant increased. Please explain.

A. While gross plant as a whole increased, there are certain accounts within total gross plant that decreased. The larger depreciation rates associated with the accounts that decreased caused total depreciation expense to decrease.

Q. Will you please discuss your review of the forecasted plant additions?

A. Yes. I will first address the 2013 projected capital project spend. My review of the supporting documentation was focused more on the non feeder line projects as there is already a program in place to review the feeder lines. However, I did review project cost reports for all of the large (greater than $1 million) feeder line projects that were in the 2013 forecast. For the non-feeder line projects, the Company provided supporting documentation for projects greater than $1 million. Specifically, the Company provided expenditure approval documents (AFEs), project cost tracking reports and other supporting analyses. Other descriptions of projects have been included in past Integrated Resource Plans.

Q. Do the documents provided appear to support the projects included in the Company's 2013 capital spending forecast?

A. With the possible exception of a few components of the Lakeside II project, and one component of the CNG Stations project, yes. The Lakeside II project is considered by the Company to be a project greater than $1 million. However, the Lakeside II project is composed of may sub-projects each with a specific identification number and approval process. Based upon my review of the AFEs for the Lakeside II project and the Signing Authority documents provided by the Company, there appear to be five sub-projects that were approved by an employee who did not have sufficient authorizing authority. Table 3 below shows these five sub-projects in question. With regards to the CNG Stations project, the employee approving the project was not found on the Signing Authority document.

Table 3: Lakeside II & CNG Station Approvals

Project	Project No.	Approved Amount from AFE	Approval Limit for Employee	Over/ (Under) Limit
Lakeside II	01041435	270,000	150,000	120,000
Lakeside II	01041436	278,000	150,000	128,000
Lakeside II	01041437	287,000	150,000	137,000
Lakeside II	01041438	262,000	150,000	112,000
Lakeside II	01041439	219,000	150,000	69,000
CNG Stations	01041400	100,000	Unknown	Unknown

At the time of preparing of this testimony, the Company was in the process of reviewing these sub-projects to see if any further authorizations or authorization exceptions were given. I have therefore not included an adjustment for these approval issues at this time. However, I reserve the right to include such an adjustment in supplemental testimony based on any further information the Company may provide.

With regards to the projects that I have reviewed, I cannot express an engineering opinion as to the need or reasonableness of the forecasted projects. However, with the possible exception of the sub-projects identified above, other projects appear to have gone through the appropriate approval process. Additional analyses provided for some of these projects also show various alternatives that the Company considered as well as reasons for why a particular project was chosen.

Q. Did the Company provide supporting documentation for the projects included in its 2014 capital spending plan?

A. Not initially. My understanding is that the AFEs for these projects have not been created yet because the 2014 capital budget has not been approved.

Q. Has the Company provided any additional support for the total 2014 capital spending dollars included in its filing?

A. Yes. In a supplemental response to DPU data request 16.1, the Company provided a detailed breakdown of the projected 2014 projects. This detail is included as DPU Exhibit 4.3. Based on an onsite audit with Questar personnel, my understanding is that this detail is the most recent (as of early October 2013) budget available. The total dollars in this 2014 budget ($188.5 million) are the same as the dollars included in the filing.

Q. Can you please summarize your testimony?

A. Yes. The Company's forecasted test year balances for FERC Account 106 are too high compared to historical values. This account should be reduced by $4.3 million (total Company) to be more properly aligned with historical averages.

I have updated the Company's test year rate base balances and corresponding depreciation expense based on actual balances from January 2013 through August 2013.

While I am not able to express an engineering opinion on the need or reasonableness of the projects included in calendar year 2013, the Company did provide supporting documentation for the projects greater than $1 million. Depending on further information provided by the Company, an additional adjustment may be warranted for the Lakeside II project and CNG Station project due to improper approvals. Although specific approval documents have not been created yet for capital projects in 2014, the Company's most recent revised capital budget from early October 2013 aligns with the 2014 figures provided in the Company's original filing.

Q. Does that conclude your testimony?

A. Yes.