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BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Review of Questar Gas Company's Intercompany Short-Term Loan Procedures and Practices Approved in Docket No. 85-057-09	Docket No. 14-057-18 REPORT
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Pursuant to the scheduling order issued November 12, 2014, in the above referenced docket, Questar Gas Company (Questar Gas or Company), submits this report to address intercompany short-term loan procedures and practices.

On May 8, 2014, Questar Gas filed its report of intercompany loan activity in Docket No. 14-057-03, as required by the Utah Public Service Commission's (Commission) Report and Order dated October 11, 1985, in Docket No. 85-057-09. On May 16, 2014 and June 2, 2014, the Division of Public Utilities (Division) filed memoranda in Docket No. 14-057-03 recommending the Commission open a new docket to examine and review Questar Gas' current intercompany-lending procedures and practices.

The Commission opened this docket and held a technical conference on November 12, 2014. In accordance with the discussion at the technical conference, the participating parties agreed that Questar Gas would file a report with the Commission no later than Wednesday, January 14, 2015, addressing current intercompany short-term loan procedures and practices.

In the original Report and Order issued October 11, 1985 in Docket Number 85-057-09, the Company proposed and the Commission approved five criteria that would be used to govern intercompany loans from Questar Gas¹ to its parent company. These five criteria were: 1) that the term of any such loans would not exceed ninety days; 2) all borrowing would be supported by promissory notes; 3) no new loans would be advanced by Questar Gas if it had any short-term borrowing outstanding; 4), interest on such loans would be payable at a per annum rate at least as favorable as Questar Gas could otherwise earn on similar investments; and 5), loans would not exceed the greater of \$50,000,000 or 13% of net utility plant.

During the November 12 technical conference, participants discussed several alternatives and options related to the intercompany loan policy. Additionally, the Company has participated in discussions and received feedback from the Division and Office of Consumer Services (Office) on this issue.

The Company proposes to make the following clarifications to the criteria based on these discussions and based on its current board-approved practices:

Number	Current Criteria	Proposed Criteria
1	Term of loan not to exceed 90 days	No advance under the demand note will remain outstanding for more than 90 days
2	All borrowing supported by promissory notes	All borrowing supported by a demand note
3	No loans if Mountain Fuel has short term borrowing outstanding	No Change
4	Interest payable at least as favorable as Mountain Fuel could otherwise earn on a similar investment	No Change
5	Loans would not exceed \$50 million or 13% of net utility plant	Loans would not exceed 13% of net utility plant

The three proposed changes are discussed in further detail below.

¹ The October 11, 1985 Report and Order referenced Mountain Fuel Supply, Questar Gas' predecessor.

Criteria 1 – Term of loan not to exceed 90 days

Under the terms of a demand note (as proposed in Criteria 2), the note will be payable any time, as required by Questar Gas, instead of within a specific number of days. Should the Commission decide to keep a criteria limiting the term of loans, the parties recommend that the Commission order that no advance under the demand note will remain outstanding for more than 90 days.

Criteria 2 – All borrowing should be supported by promissory notes

When the 1985 Report and Order was originally issued, the Company used promissory notes as the legal contract to ensure repayment of debt from the parent to the subsidiary. Currently, the Company uses demand notes as the preferred legal contract. Demand notes are promissory notes that have no expiration, require the borrowing party to repay funds “on demand” of the lending party so the funds are recallable any time. (Although typically, demand notes have no expiration, the Company will operate consistent with Criteria 1 above.) Demand notes give the Company greater control and flexibility while still ensuring that funds will be repaid whenever the utility requires the funds, and maintaining similar legal protections for Questar Gas. The Company proposes that the requirement that borrowing should be supported by promissory notes should be replaced with a requirement that borrowing should be supported by a note or a demand note.

Criteria 5 – Loans would not exceed \$50 million or 13% of net utility plant

The average net utility plant for Questar Gas for the twelve months ended June 2014 was \$1,285,769,889. When compared with the original terms of the order, \$50 million amounts to about 4% of net plant while \$167 million amounts to about 13% of net utility plant. The Company believes that 13% of net utility plant is an appropriate metric to use in the current environment, as it will allow the Company to effectively utilize excess capital while eliminating the financial risk. It is also a dynamic cap that will change over time and take into account changes in net plant and

inflation. The \$50 million cap was based on 1985 net utility plant and has become obsolete. Going forward, the Company proposes that the \$50 million cap be eliminated and that the 13% of net utility plant be the sole requirement for this criteria.

Questar Gas has circulated these proposed changes to the Division of Public Utilities and the Office of Consumer Services and has the authority to represent that those parties do not oppose the recommended changes. Questar Gas respectfully requests that the Commission issue an Order modifying the criteria set forth in the Report and Order in Docket 85-057-09 as follows.

Intercompany loans from Questar Gas to its parent company shall be governed by the following five criteria:

1. No advance under the demand note will remain outstanding for more than 90 days.
2. All borrowing will be supported by a demand note.
3. No loans may occur if Questar Gas has short term borrowing outstanding.
4. Interest will be payable at least as favorable terms as Questar Gas could otherwise earn on a similar investment.
5. Loans will not exceed 13% of Questar Gas' net utility plant.

DATED this 13th day of January, 2015.

Respectfully submitted,

QUESTAR GAS COMPANY

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CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Notice of Intent to File an Application was served upon the following persons by email on January 13, 2015:

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