Docket No. 12-999-02: In the Matter of the Miscellaneous Correspondence and Reports Regarding Gas Utility Services; 2012

July 30, 2012, Technical Conference on Questar Gas Company's 2011 Results of Operations Report 9:30 a.m., Room 401 Heber M. Wells Building

List of Discussion Topics

1) Capital Structure: All of the results in the Results of Operations Report (Annual Report) appear to be based upon the Company's average capital structure for 2011 as follows:
   a. Long Term Debt of 45.60% @6.68% = 3.05% weighted cost of debt
   b. Common Equity of 54.40% @10.35% = 5.63% weighted cost of equity
   c. Overall rate of return of 8.68%

   How do the approved capital structure and rates of return play into an annual evaluation of the Company's performance?

2) Capital Structure: Rationale for including notes payable in 2012 in the long-term debt calculation. What is the regulatory precedent for including these short term notes?

3) Adjustment 5.15 Labor Annualization: Discussion of labor decrease from 2010 to 2011 – both number of employees and cost. The 2010 Annual Report shows an actual full-time employee count of 1,146, a part time employee count of 56, and a total labor and intercompany charge of $106,370,918. The 2011 Annual Report indicates a December 2011 actual employee count of 881 full time employees, 48 part-time employees, and a total labor and intercompany charge of $91,252,101.

4) Adjustment 5.15 Labor Annualization: Appropriateness of this adjustment when examining historic earnings.

5) Corporate Allocation Method: Discussion of current corporate allocation method/amount and changes which may have occurred since the recent corporate restructuring. What costs which previously were paid by Questar Gas directly are now being allocated from Corporate? i.e., Questar Corporation's recent 10K states "Questar charged Questar Gas for certain administrative functions amounting to $46.9 million in 2011, $13.2 million in 2010 and $8.4 million in 2009." What is included in the $33.7 million increase in charges for administrative functions from 2010 to 2011?

6) NGV revenues and Treatment of Federal Incentives: Reported NGV revenues in the Annual Report do not match those in the monthly financial reports. Discussion of the treatment of the Federal Incentives for Alternative Fuel Use for compressed natural gas by Questar.

7) Adjustment 5.8 Incentive Plans: Change in allocation of financial and O&M goals. In the 2010 Annual Report, the allocation of financial goals for incentive plans was 89.7% and for O&M Goals was 10.30%. In 2011 Annual Report, the allocations were 59.70% for financial and 40.30% for O&M.

8) Adjustment 5.11 Advertising: Substantial decrease in advertising expenses. 2010 total advertising expenses were $360,668 and 2011 total advertising expenses were $17,990.

9) Adjustment 5.12 Donations and Memberships: Discussion of new category and amount for "AGA Expenses relating to Lobbying."

10) Misc. Items:

   a. Definition/Use of Actual and Booked revenues in preparing adjusted and unadjusted results of operations.
   b. Tab 2, Column d Line 24: Explanation of the $998,351 Income tax adjustment when compared with a net operating income change of $13,209.
   c. Tab 5.1 Rate Base: Pertaining to Account 390 – General Plant Structures and Improvements -- the absence of the "General" category in the rate base adjustment calculation.
   d. Tab 5.1 Rate Base: The December 2011 month balance for Account 106 Distribution Utah in the annual report does not match the December 2011 balance provided in the monthly financial reports. Also, the May and June 2011 entries for Account 108 Distribution – Wyoming and Distribution – Utah in the annual report do not match those in the monthly financial report.
   e. Tab 4 Inputs line 145: Please explain the large negative entries in July and August 2011 for "Account 106 – Completed Construction not yet classified."
   f. Adjustment 5.7 Bad Debt Calculation: Please explain rationale for using net charge offs based on December numbers but Historic Booked System Revenues based on system revenues for June of each year. The text in Section 5.7 indicates the adjustment annualizes the DNG portion of bad debt experienced during ***2010*** – should this be 2011?
   g. How is the customer count derived (i.e., what systems are used, when is the number determined, etc.)
   h. Discussion topic: Schedule M adjustments
   i. Other questions/discussion.