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## Bonus Depreciation Technical Conference

February 1<sup>st</sup>, 2011

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**QUESTAR**  
Gas

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## Deferred Tax Overview

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	@ 5%
Investment	\$10,000,000
Book Depreciation @ 2.1%	\$210,000
Tax Depreciation	\$500,000
Difference	\$290,000
Tax Rate	38%
Deferred Income Taxes (Reduction to Rate Base)	(\$110,200)

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## Deferred Tax Overview

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	@5%	@52.5%
Investment	\$10,000,000	\$10,000,000
Book Depreciation @ 2.1%	\$210,000	\$210,000
Tax Depreciation	\$500,000	\$5,250,000
Difference	\$290,000	\$5,040,000
Tax Rate	38%	38%
Deferred Income Taxes (Reduction to Rate Base)	(\$110,200)	(\$1,915,200)

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## Deferred Tax Overview

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	@5%	@52.5%	@100%
Investment	\$10,000,000	\$10,000,000	\$10,000,000
Book Depreciation @ 2.1%	\$210,000	\$210,000	\$210,000
Tax Depreciation	\$500,000	\$5,250,000	\$10,000,000
Difference	\$290,000	\$5,040,000	\$9,790,000
Tax Rate	38%	38%	38%
Deferred Income Taxes (Reduction to Rate Base)	(\$110,200)	(\$1,915,200)	(\$3,720,200)

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## Deferred Tax Effect on Rates

Net Investment	\$10,000,000
Accumulated Deferred Income Tax	
Net Rate Base	\$10,000,000
Allowed Pre-Tax Return	11.79%
Net Income and Taxes	\$1,179,000
Plus: O&M and Other Expenses	\$771,439
Total Revenue Requirement	\$1,950,439
Rate	\$0.01950

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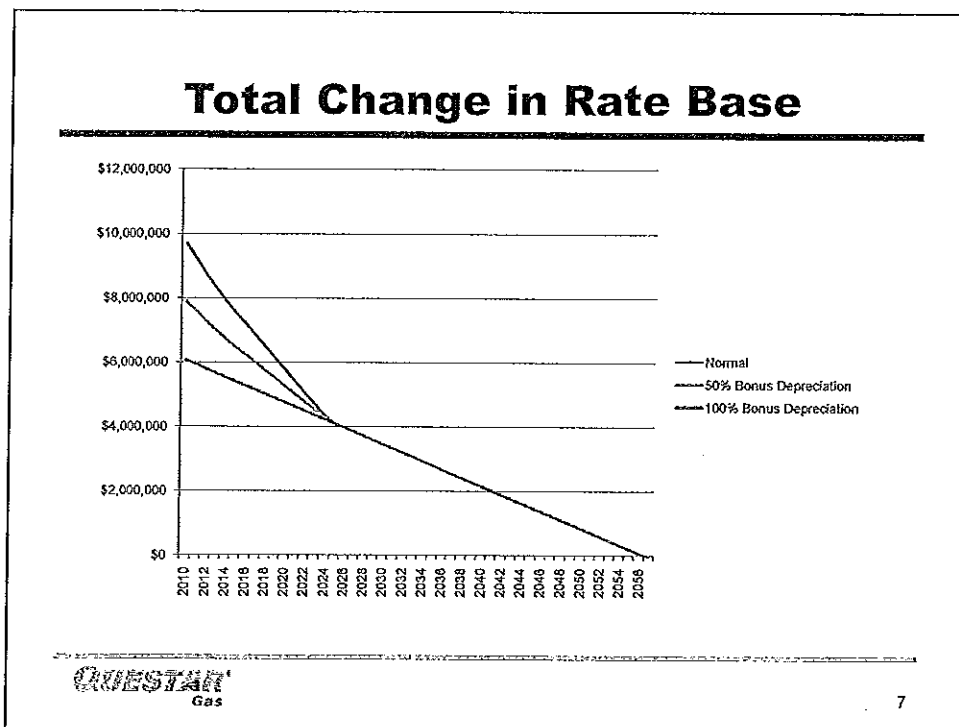
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## Deferred Tax Effect on Rates


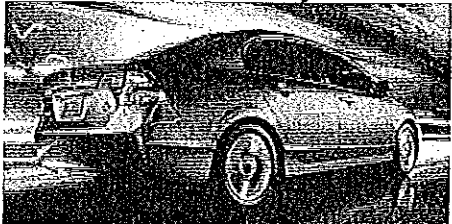
Net Investment	\$10,000,000	\$10,000,000
Accumulated Deferred Income Tax		(\$1,915,200)
Net Rate Base	\$10,000,000	\$8,084,800
Allowed Pre-Tax Rate of Return	11.79%	11.79%
Net Income and Taxes	\$1,179,000	\$953,198
Plus: O&M and Other Expenses	\$771,439	\$771,439
Total Revenue Requirement	\$1,950,439	\$1,724,636
Rate	\$0.01950	\$0.01724

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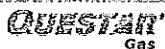
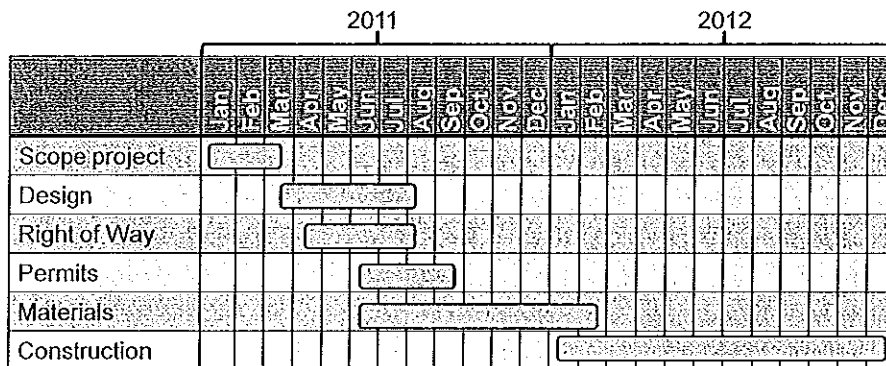
### Other Impacts

- Natural gas distribution property switched from 15 year 20 year MACRS 
- One year extension of \$0.50 Tax Credit on Natural Gas for Vehicles (Already included in 2009 GRC) 

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## Typical Feeder Line Timeline



### Do Credit Rating Agencies consider Bonus Depreciation in Credit Ratings?



FitchRatings

STANDARD  
& POOR'S

1/11/11 – Fitch rates Comed debt at BBB+

- Credit quality
  - Sound financial measures compared to peers
  - Illinois legislation allowing rate stabilization
- Credit Concerns
  - Uncertain outcome in pending rate case
  - Ultimate cost of resolving an IRS tax dispute



