

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of Questar)
Gas Company for Authority to Change its) DOCKET NO. 13-057-19
Depreciation Rates) REPORT AND ORDER

ISSUED: June 6, 2014

SHORT TITLE

Questar Gas Company Depreciation Case

SYNOPSIS

The Commission approves a settlement stipulation addressing depreciation. The settlement stipulation results in a \$1.199 million decrease in distribution non-gas revenue requirement from that approved by the Commission in its February 21, 2014, Report and Order in Docket No. 13-057-05, effective July 1, 2014. This decision results in a Questar Gas Company distribution non-gas revenue requirement of \$300.811 million.

This revenue change is spread across customer classes consistent with the Partial Settlement Stipulation addressing revenue requirement approved in the February 21, 2014, Report and Order in Docket No. 13-057-05.

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PROCEDURAL HISTORY.....	1
III.	THE STIPULATION	2
A.	Procedural History (Paragraphs 1-6)	3
B.	Terms and Conditions (Paragraphs 6-8).....	3
C.	Corrections to Rate Base (Paragraph 9)	4
D.	Adjustments to Depreciation Expense (Paragraph 10).....	4
E.	Depreciation Study Methodology (Paragraph 11)	4
F.	General (Paragraphs 12-19)	4
IV.	COMMENTS ON THE STIPULATION	5
V.	DISCUSSION, FINDINGS, AND CONCLUSIONS	7
VI.	REVENUE REQUIREMENT SPREAD CHANGE AND RATES.....	8
VI.	ORDER.....	11
	APPENDICES A and B.....	14

I. INTRODUCTION

This matter is before the Public Service Commission of Utah (“Commission”) on Questar Gas Company’s (“Questar” or “Questar Gas”) December 16, 2013, application requesting authority to change its depreciation rates (“Application”). The Application was filed pursuant to a commitment in the partial settlement stipulation addressing revenue requirement, revenue spread and cost of service issues (“Rate Case Stipulation”) approved by the Commission on February 21, 2014, in Docket No. 13-057-05 (“February 21 Order”).¹ Additionally, the Application was filed pursuant to the Commission-approved settlement stipulation in Docket 07-057-13² in which Questar agreed to perform a new depreciation study every five years on a going-forward basis.

The Application is supported by a Questar depreciation study based on 2012 investment balances. The Application also states, based on the Rate Case Stipulation, “[t]he Parties agree that upon approval of the new depreciation rates, these rates and reserve variance will be applied to the rate base in this Partial Settlement Agreement and the rate spread consistent with the results of the Settlement Model, and the revenue requirement and rates in this docket will be adjusted accordingly.”

II. PROCEDURAL HISTORY

On December 16, 2013, Questar filed the Application. On December 17, 2013, the Commission issued a notice of scheduling conference to be held on January 2, 2014. On January 6, 2014, the Commission issued a scheduling order and notices of technical conference

¹ See *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 (Report and Order; February 21, 2014, Partial Settlement Stipulation at P.29).

² See *In the Matter of the Application of Questar Gas Company to File a General Rate Case*, Docket No. 07-057-13 (Report and Order on Revenue Requirement; June 27, 2008, Revenue Requirement Stipulation at P.12).

and hearing, setting the procedural schedule for this docket. On February 6, 2014, the Commission held a technical conference on Questar's Application.

As a result of on-going settlement discussions, on April 15, 2014, the Division of Public Utilities ("Division") filed a motion to extend the date for filing non-company direct testimony to April 28, 2014, that the Commission granted on April 16, 2014. On April 28, 2014, Questar filed a Settlement Stipulation ("Depreciation Stipulation"), including a model and an updated depreciation study, resolving depreciation issues, signed by Questar and the Division, and the Division filed direct testimony in support of the Depreciation Stipulation.

On May 1, 2014, the Commission issued an action request to the Division to review the Depreciation Stipulation model and revise it if necessary. On May 9, 2014, the Division filed an action request response including an updated Depreciation Stipulation model ("Updated Model"). The Division recommends the Commission replace the Depreciation Stipulation model filed on April 28th with the Updated Model. On May 15, 2014, Questar filed rebuttal testimony and the Office of Consumer Services ("Office") filed comments. On May 16, 2014, the Division filed a memorandum concurring with Questar's and the Office's recommendation to vacate the June 16, 2014, hearing in this proceeding. On May 28, 2014, the Commission issued an order vacating the scheduling order in this docket including dates for surrebuttal testimony and hearing. Pursuant to Utah Code Ann. § 54-7-12(2)(d)(ii), the Commission may waive a hearing if a rate decrease is proposed by a public utility.

No parties requested intervention in this case.

III. THE STIPULATION

Without modifying the Depreciation Stipulation, we briefly highlight its major features. The Depreciation Stipulation, excluding all of Exhibit 2 except the summary report

cover page and Exhibit 3,³ is attached as Appendix A to this Report and Order. Questar and the Division signed the Depreciation Stipulation and are collectively referred to as the “Parties.” The Depreciation Stipulation results in a \$1.199 million reduction in revenue requirement from that approved by the Commission in the February 21 Order.

A. Procedural History (Paragraphs 1-6)

Paragraphs one through six of the Depreciation Stipulation provide the procedural history leading up to the filing of the Depreciation Stipulation.

B. Terms and Conditions (Paragraphs 6-8)

Paragraph 6 affirms the revenue requirement of \$302,010,639 approved by the Commission in the February 21 Order. Further, Paragraph 6 states the Parties agree to certain adjustments to calculate a revised revenue requirement of \$300,811,310.⁴

Paragraph 7 states for the purposes of settlement the Parties agree to specified revenue requirement adjustments listed in Exhibit 1 of the Depreciation Stipulation. This paragraph also states a depreciation model is provided in the Depreciation Stipulation (i.e., Settlement Exhibit 2 (Model).xls) and a revised depreciation study including these adjustments is included as Stipulation Exhibit 3.

In Paragraph 8, the Parties agree the new depreciation rates and expenses will be effective beginning July 1, 2014.

³ Exhibit 2 is the electronic model entitled “Settlement Exhibit 2 (Model).xls” (“Settlement Model”). Exhibit 3 is the revised depreciation study prepared by Questar’s consultant Gannett Fleming Valuation and Rate Consultants, LLC, including all of the adjustments addressed in the Stipulation.

⁴ The difference between these two numbers results in a revenue decrease of \$1.199 million.

C. Corrections to Rate Base (Paragraph 9)

Paragraph 9 lists corrections to the adjustments to rate base and their respective adjustment amounts. These include removal of asset retirement obligations and an adjustment to accumulated depreciation related to the transfer of buildings from Utah distribution plant to general plant. These adjustments reduce revenue requirement by \$62,033 and \$107,636, respectively.

D. Adjustments to Depreciation Expense (Paragraph 10)

Paragraph 10 lists the adjustments to depreciation expense agreed to by the Parties. These adjustments pertain to changes in the depreciable lives of: Account 381.01 (Meters) and Account 381.21 (Transponders) resulting in a revenue requirement decrease of \$1,369,819; Account 394.4 (Tools Shop and Garage Equipment) resulting in a revenue requirement decrease of \$545,649; and Account 383 (House Regulators) resulting in a revenue requirement decrease of \$45,715. Further, the parties agree to change the net salvage value of Account 380 from -94 percent to -85 percent, resulting in a revenue requirement reduction of \$628,168.

E. Depreciation Study Methodology (Paragraph 11)

Paragraph 11 specifies that when the next depreciation study is performed, Questar will provide to the Division and interested parties a calculation of the service lives for Accounts 376 (Mains), 380 (Services) and 381 (Meters) based on the aged data, the un-aged data and a hybrid of the aged and un-aged data.

F. General (Paragraphs 12-19)

The terms contained in paragraphs 12 through 19 generally address the precedential value of, and potential challenges or amendments to, the Stipulation. Additionally,

Paragraph 12 states the Parties agree the Stipulation is in the public interest and the results are just and reasonable. Paragraph 19 authorizes Parties to represent that the Office does not oppose the stipulation.

IV. COMMENTS ON THE STIPULATION

The Parties represent the settlement of issues identified in the Depreciation Stipulation “is in the public interest and that the results are just and reasonable”⁵ and recommend the Commission approve the Depreciation Stipulation.

Questar asserts that while it may disagree with the Division on specific service lives or salvage values, the Depreciation Stipulation as a whole results in just and reasonable rates. Questar discusses the three types of adjustments identified in the Depreciation Stipulation, namely corrections to rate base identified as a result of the Division’s review, changes to service lives, and adjustments to net salvage value. Questar believes the corrections to rate base identified in the Depreciation Stipulation are necessary and the depreciable service lives set forth in the Depreciation Stipulation are appropriate. Questar, however, does not entirely agree with the Division’s position on net salvage values. As the Division’s position is in the range of reasonableness and does not materially or adversely affect the depreciation expense calculation, Questar believes it is a reasonable compromise and, when considered with other aspects of the Depreciation Stipulation, will result in just and reasonable rates.

Questar also agrees with the corrections reflected in the Division’s Revised Model discussed below. Questar states that if the Depreciation Stipulation is approved a typical customer using 80 decatherms per year would see a decrease in its bill by \$0.90.

⁵ See Stipulation at P.12.

Finally, Questar does not believe a hearing on the Depreciation Stipulation is necessary and recommends the Commission approve the Depreciation Stipulation as filed and waive the June 16, 2014, hearing. Questar asserts the Parties have provided substantial evidence that the Depreciation Stipulation would result in just and reasonable rates and is in the public interest. Questar also maintains all of the parties that participated in Docket No. 13-057-05 were invited to the final settlement discussion and those who attended either chose not to intervene or to oppose the Depreciation Stipulation.⁶

The Division asserts its review of the depreciation study raised several issues⁷ including the asset lives of services (Account 380), meters (Account 381.01), transponders (Account 381.21), house regulators (Account 383) and tools, shop and garage equipment (Account 394.4). The Division was also concerned with the proposed net salvage value for Account 380.⁸ The Division believes the Stipulation addresses each of these issues in a reasonable manner and testifies the Depreciation Stipulation is in the public interest and will lead to just and reasonable rates. Therefore the Division recommends the Commission adopt the Depreciation Stipulation as filed.

The Division recommends the Commission replace Settlement Exhibit 2, i.e., the Settlement Exhibit 2 (Model).xls, filed on April 28, 2014, with the Revised Model provided with the Division's May 9th action request response. The Revised Model correctly calculates the deficiencies and total revenue requirements for the selected model cases 10, 11, and 12.⁹ The

⁶ See Rebuttal Testimony in Support of the Settlement, QGC Exhibit 1.0, p.5.

⁷ See the Division's Direct Testimony in Support of the Stipulation, April 28, 2014, p.3.

⁸ See the Division's Direct Testimony in Support of the Stipulation, April 28, 2014, p.11.

⁹ Model case 10 presents the revenue requirement approved in the Commission's February 21 Order. Model case 11 presents the February 21 revenue requirement adjusted for the depreciation study filed in this case. Model case 12 presents the February 21 revenue requirement adjusted for the Stipulation depreciation study.

Division identifies the starting point for the Depreciation Stipulation adjustments as the difference between the revenue requirement calculated in model cases 10 and 11.

The Division also recommends vacating the hearing scheduled for June 16th unless opposition to the Depreciation Stipulation is raised or the Commission has questions to be addressed by the Parties.

The Office monitored the progress of this docket and participated in the final settlement meeting. Due to its limited participation in this case, the Office declined to be a signatory to the Depreciation Stipulation. The Office believes the settlement is a reasonable resolution of the depreciation issues. If no opposition to the Depreciation Stipulation is raised, the Office also supports vacating the scheduled June 16, 2014, hearing.

V. DISCUSSION, FINDINGS, AND CONCLUSIONS

The standards for approval of stipulations by the Commission are outlined in Utah Code Ann. (“UCA”) § 54-7-1. Section 54-7-1(1) provides, “Informal resolution, by agreement of the parties, of matters before the commission is encouraged as a means to:

- (a) resolve disputes while minimizing the time and expense that is expended by:
 - (i) public utilities;
 - (ii) the state; and
 - (iii) consumers;
- (b) enhance administrative efficiency; or
- (c) enhance the regulatory process by allowing the commission to concentrate on those issues that adverse parties cannot otherwise resolve.”

Further, the Commission “may adopt any settlement proposal entered into by two or more of the parties . . . at any stage of the adjudicative procedure.” UCA § 54-7-1(3)(b) and (e)(i). The Commission “may adopt a settlement proposal if: (A) the commission finds that the

settlement proposal is just and reasonable in result; and (B) the evidence, contained in the record, supports a finding that the settlement proposal is just and reasonable in result.” UCA § 54-7-1(3)(d)(i). Finally, the Commission “shall conduct a hearing before adopting a settlement proposal if requested by: . . . (C) an intervening party to the adjudicative proceeding.” UCA § 54-7-1(3)(e)(ii).

Based on the testimony and comments, the lack of opposition to the Depreciation Stipulation, and our deliberations, the Commission finds the Depreciation Stipulation, incorporating the Revised Model, is just and reasonable, and in the public interest. Additionally, the Commission concludes the Depreciation Stipulation is consistent with applicable statutes and orders.

VI. REVENUE REQUIREMENT SPREAD CHANGE AND RATES

Based upon our approval of the Depreciation Stipulation, and the Revised Model filed by the Division, we determine a distribution non-gas (“DNG”) revenue decrease for Questar Gas of \$1.199 million from the \$7.614 million revenue increase approved in Docket No. 13-057-05. This change results in a DNG revenue requirement of \$300.811 million. Pursuant to the Commission’s February 21 Order, the \$1.199 million revenue decrease is spread to the rate schedules as shown in Table 1, and to rate elements as shown in Tables 2. Table 1 presents the spread of revenue requirement change to the various rate schedules in this case and the subsequent Step 2 rate change, effective in 2015, approved in the February 21 Order. No changes to the fixed monthly charges approved in Docket No. 13-057-05 occurred as a result of the Depreciation Stipulation.

TABLE 1: SPREAD OF REVENUE CHANGE

Rate Schedule	1-Mar-14 Revenue	Depreciation Stipulation Revenue	Depreciation Stipulation Effective July 1, 2014		Step 2, Effective 2015	
			\$ Change	% Change	\$ Change	% Change
GS	\$275,992,120	\$274,868,630	(\$1,123,491)	-0.4%	(\$465,441)	-0.2%
FS	\$3,642,792	\$3,628,392	(\$14,400)	-0.4%	(\$5,966)	-0.2%
NGV	\$3,702,858	\$3,687,190	(\$15,668)	-0.4%	(\$6,491)	-0.2%
IS	\$920,578	\$917,858	(\$2,721)	-0.3%	\$19,433	2.1%
TS	\$12,845,858	\$12,807,972	(\$37,885)	-0.3%	\$403,481	3.2%
FT-1	\$1,750,556	\$1,745,394	(\$5,163)	-0.3%	\$54,984	3.2%
FT-1L	\$3,155,877	\$3,155,877	\$0	n.a.	\$0	n.a.
Total	\$302,010,639	\$300,811,311	(\$1,199,328)	-0.4%	(\$0)	0.0%

Table 2 presents the base DNG Rates, effective July 1, 2014, resulting from the Depreciation Stipulation approved in this order. Table 2 also provides a comparison of current base DNG rates, base DNG rates resulting from the Depreciation Stipulation, and base DNG rates resulting from the Step 2 rate change. The bill impact for a typical GS customer using 80 decatherms per year is attached as Appendix B to this document and shows an annual decrease of \$0.88.¹⁰ Bill impacts to other rate schedules will depend on the unique demand and usage characteristics of each customer.

¹⁰ The bill impact analysis in Appendix B is based upon comparing the July 1 depreciation rate change with rates effective June 1, 2014. This differs from Questar's analysis which was based upon comparing the July 1 depreciation rate change with rates effective March 1, 2014.

DOCKET NO. 13-057-19

- 10 -

TABLE 2: BASE DNG RATES (\$/decatherm)

Description	Usage Blocks	March 1, 2014, DNG Rates	Depreciation Stipulation		% Change	Step 2 Rates, Effective 2015	\$ Change	% Change
			Rates Effective July 1, 2014	\$ Change				
GS General Service								
Winter 1st block	0 - 45	\$2.36887	\$2.35422	(\$0.01465)	-0.6%	\$2.34949	(\$0.00473)	-0.2%
Winter 2nd block	over 45	\$1.36887	\$1.35422	(\$0.01465)	-1.1%	\$1.34949	(\$0.00473)	-0.3%
Summer 1st block	0 - 45	\$1.73460	\$1.73142	(\$0.00318)	-0.2%	\$1.72670	(\$0.00473)	-0.3%
Summer 2nd block	over 45	\$0.73460	\$0.73142	(\$0.00318)	-0.4%	\$0.72670	(\$0.00473)	-0.6%
FS Firm Sales								
Winter 1st block	0 - 200	\$1.25260	\$1.24695	(\$0.00565)	-0.5%	\$1.24572	(\$0.00123)	-0.1%
Winter 2nd block	201 - 2,000	\$0.87260	\$0.86695	(\$0.00565)	-0.6%	\$0.86572	(\$0.00123)	-0.1%
Winter 3rd block	over 2,000	\$0.47260	\$0.46695	(\$0.00565)	-1.2%	\$0.46572	(\$0.00123)	-0.3%
Summer 1st block	0 - 200	\$0.82085	\$0.82060	(\$0.00025)	0.0%	\$0.81937	(\$0.00123)	-0.1%
Summer 2nd block	201 - 2,000	\$0.44085	\$0.44060	(\$0.00025)	-0.1%	\$0.43937	(\$0.00123)	-0.3%
Summer 3rd block	over 2,000	\$0.04085	\$0.04060	(\$0.00025)	-0.6%	\$0.03937	(\$0.00123)	-3.0%
NGV Natural Gas Vehicles		\$5.45472	\$5.43164	(\$0.02308)	-0.4%	\$5.42207	(\$0.00956)	-0.2%
IS Interruptible Sales								
1st block	0 - 2,000	\$0.42429	\$0.42250	(\$0.00179)	-0.4%	\$0.43528	\$0.01278	3.0%
2nd block	2,001 - 20,000	\$0.06407	\$0.06380	(\$0.00027)	-0.4%	\$0.06573	\$0.00193	3.0%
3rd block	over 20,000	\$0.03771	\$0.03756	(\$0.00016)	-0.4%	\$0.03869	\$0.00114	3.0%
FT-1 Firm Transportation								
1st block	0 - 10,000	\$0.23049	\$0.22984	(\$0.00065)	-0.3%	\$0.23673	\$0.00688	3.0%
2nd block	10,001 - 122,500	\$0.21601	\$0.21540	(\$0.00061)	-0.3%	\$0.22185	\$0.00645	3.0%
3rd block	122,501 - 600,000	\$0.15164	\$0.15121	(\$0.00043)	-0.3%	\$0.15574	\$0.00453	3.0%
4th block	over 600,000	\$0.03094	\$0.03085	(\$0.00009)	-0.3%	\$0.03178	\$0.00092	3.0%
Demand Charge		\$12.44	\$12.39	(\$0.04778)	-0.4%	\$12.90	\$0.51	4.1%
MT Municipal Transportation		\$0.66801	\$0.66539	(\$0.00261)	-0.4%	\$0.65141	(\$0.01398)	-2.1%
TS Transportation Service								
1st block	0 - 200	\$0.70672	\$0.70401	(\$0.00271)	-0.4%	\$0.73301	\$0.02900	4.1%
2nd block	201 - 2,000	\$0.46199	\$0.46021	(\$0.00177)	-0.4%	\$0.47917	\$0.01896	4.1%
3rd block	2,001 - 100,000	\$0.18893	\$0.18821	(\$0.00073)	-0.4%	\$0.19596	\$0.00775	4.1%
4th block	over 100,000	\$0.06992	\$0.06966	(\$0.00027)	-0.4%	\$0.07253	\$0.00287	4.1%
Demand Charge	per Dth	\$24.88	\$24.79	(\$0.10)	-0.4%	\$25.81	\$1.02	4.1%

Table 3 presents a comparison of the current General Service DNG revenue per customer per month for the conservation enabling tariff (“CET”) and that resulting from the Depreciation Stipulation, effective July 1, 2014. This table also provides the CET revenue per month associated with the 2015 Step 2 revenue change.

TABLE 3: ALLOWED GS DNG REVENUE PER CUSTOMER PER MONTH

Month	Current Rate	13-057-19, Stipulation Effective			13-057-05 Step 2, Effective		
		July 1, 2014	\$ Change	% Change	2015	\$ Change	% Change
January	\$49.69	\$49.40	(\$0.29)	-0.6%	\$49.30	(\$0.09)	-0.2%
February	\$41.23	\$40.99	(\$0.23)	-0.6%	\$40.92	(\$0.07)	-0.2%
March	\$33.04	\$32.86	(\$0.17)	-0.5%	\$32.81	(\$0.06)	-0.2%
April	\$20.77	\$20.74	(\$0.03)	-0.1%	\$20.70	(\$0.04)	-0.2%
May	\$13.67	\$13.66	(\$0.01)	-0.1%	\$13.64	(\$0.02)	-0.1%
June	\$11.65	\$11.64	(\$0.01)	-0.1%	\$11.62	(\$0.01)	-0.1%
July	\$11.10	\$11.10	(\$0.01)	-0.1%	\$11.08	(\$0.01)	-0.1%
August	\$11.07	\$11.06	(\$0.01)	-0.1%	\$11.05	(\$0.01)	-0.1%
September	\$12.82	\$12.81	(\$0.01)	-0.1%	\$12.79	(\$0.02)	-0.1%
October	\$17.20	\$17.18	(\$0.02)	-0.1%	\$17.15	(\$0.03)	-0.2%
November	\$31.89	\$31.73	(\$0.17)	-0.5%	\$31.67	(\$0.05)	-0.2%
December	\$44.67	\$44.41	(\$0.26)	-0.6%	\$44.33	(\$0.08)	-0.2%
Total	\$298.80	\$297.58	(\$1.22)	-0.4%	\$297.08	(\$0.50)	-0.2%

VI. ORDER

Pursuant to the foregoing discussion, findings and conclusions, we order:

1. The Depreciation Stipulation, filed in this docket on April 28, 2014, is approved with the exception of the Depreciation Stipulation model which shall be replaced with the Updated Model filed by the Division on May 9, 2014.
2. Questar is granted a distribution non-gas revenue decrease of \$1.199 million in Utah’s jurisdictional revenue, allocated to the rate schedules as shown in Table 1. Base DNG rates, and allowed CET revenue per customer are approved as shown in Tables 2 and 3.

3. The approved revenue decrease of \$1.199 million shall be effective July 1, 2014. The Step 2 rate change shall continue to be implemented in 2015 on the Commission-approved effective date of Questar's first fall Infrastructure Tracker Pilot Program filing.
4. Questar shall file appropriate tariff revisions reflecting this decision within 14 days of the date of this Report and Order. The Division shall review such tariff revisions for compliance with this Report and Order.

DATED at Salt Lake City, Utah, this 6th day of June, 2014.

/s/ Ron Allen, Chairman

/s/ David R. Clark, Commissioner

/s/ Thad LeVar, Commissioner

Attest:

/s/ Gary L. Widerburg
Commission Secretary
DW#256006

Notice of Opportunity for Agency Review or Rehearing

Pursuant to §§ 63G-4-301 and 54-7-15 of the Utah Code, an aggrieved party may request agency review or rehearing of this Order by filing a written request with the Commission within 30 days after the issuance of this Order. Responses to a request for agency review or rehearing must be filed within 15 days of the filing of the request for review or rehearing. If the Commission does not grant a request for review or rehearing within 20 days after the filing of the request, it is deemed denied. Judicial review of the Commission's final agency action may be obtained by filing a petition for review with the Utah Supreme Court within 30 days after final agency action. Any petition for review must comply with the requirements of §§ 63G-4-401 and 63G-4-403 of the Utah Code and Utah Rules of Appellate Procedure.

CERTIFICATE OF SERVICE

I CERTIFY that on the 6th day of June, 2014, a true and correct copy of the foregoing was served upon the following as indicated below:

By Electronic-Mail:

Colleen Larkin Bell (colleen.bell@questar.com)
Jenniffer Nelson Clark (jenniffer.clark@questar.com)
Attorneys for Questar Gas Company

Patricia Schmid (pschmid@utah.gov)
Justin Jetter (jjetter@utah.gov)
Brent Coleman (brentcoleman@utah.gov)
Assistant Utah Attorneys General

By Hand-Delivery:

Division of Public Utilities
160 East 300 South, 4th Flr.
Salt Lake City, UT 84111

Office of Consumer Services
160 East 300 South, 2nd Flr.
Salt Lake City, UT 84111

Administrative Assistant

APPENDICES A and B

**APPENDIX A: SETTLEMENT STIPULATION WITH EXHIBIT 1 AND REPORT
FROM EXHIBIT 2**

APPENDIX B: EFFECT ON TYPICAL GS CUSTOMER

APPENDIX A
SETTLEMENT STIPULATION

Colleen Larkin Bell (5253)
Jenniffer Nelson Clark (7947)
Questar Gas Company
333 S. State Street
P.O. Box 45433
Salt Lake City, UT 84145-0433
(801) 324-5556
(801) 324-5935 (fax)
Colleen.bell@questar.com
Jenniffer.clark@questar.com

Attorneys for Questar Gas Company

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

IN THE MATTER OF THE APPLICATION OF QUESTAR GAS COMPANY FOR AUTHORITY TO CHANGE ITS DEPRECIATION RATES	Docket No. 13-057-19 SETTLEMENT STIPULATION
--	---

Pursuant to Utah Code Ann. § 54-7-1 and Utah Admin. Code R746-100-10.F.5, Questar Gas Company (Questar Gas or Company) and the Division of Public Utilities (Division) submit this Settlement Stipulation in resolution of the issues raised in the Company’s Verified Application in this docket. Questar Gas and the Division shall be referred to herein, collectively, as the “Parties.”

PROCEDURAL HISTORY

1. On December 16, 2013, Questar Gas filed its Verified Application and direct testimony with the Utah Public Service Commission (Commission) seeking an order approving new depreciation rates.

2. On January 6, 2014, the Commission issued its Scheduling Order setting dates for filing testimony, technical conferences, and hearings.

3. On February 6, 2014, a technical conference was held to answer questions and provide information about the depreciation study.

4. Since the Verified Application was filed, the Division has performed on-site audits and conducted discovery. In conjunction with this audit and discovery, Questar Gas has responded to numerous data requests and posted them on its “V Bulletin” website for the convenience and review of all intervenors.

5. On April 16, 2014, the Commission issued a First Order Amending Scheduling Order and Notices of Technical Conference and Hearing that modified the schedule in this docket.

6. The Parties held several settlement meetings. The intervenors in the Docket 13-057-05 were invited to attend the last settlement meeting. The Division, The Office of Consumer Services, a party of right to Commission proceedings, and two others groups attended the last settlement meeting, after which this Stipulation was drafted, reviewed, and ultimately filed.

TERMS AND CONDITIONS

6. In settlement of the depreciation rates and expense in this case, the Parties submit this Settlement Stipulation for the Commission’s approval and adoption. Settlement Stipulation Exhibit 1 shows the stipulated adjustments and their respective impact on the revenue

requirement from Docket No. 13-057-05, the Company's most recent general rate case. The Commission's Order in that case approved a revenue requirement of \$302,010,639 (line 1). The Parties agree for purposes of settlement to make the adjustments outlined below to calculate a revenue requirement amount of \$300,811,310 (line 14).

7. The Parties agree for purposes of settlement to the revenue requirement adjustments shown on Settlement Stipulation Exhibit 1. A brief summary of each adjustment is listed below. A settlement model is being provided in "Settlement Exhibit 2 (Model).xls" that includes all of the settlement adjustments. A revised depreciation study including all of the adjustments has been prepared by the Company's consultant as is included as Settlement Exhibit 3.

8. The Parties agree that the depreciation rates and expense agreed-upon herein will be effective beginning on July 1, 2014, and that rates will be adjusted to reflect these depreciation rates and expenses.

Corrections to Rate Base

9. The Parties agree for purposes of settlement to the corrections to the adjustments to rate base outlined below. These adjustments were discussed in detail in the February 6 technical conference.

a. The Parties agree for purposes of settlement to a removal of asset retirement obligations. This item was discussed in detail in the technical conference and results in a reduction to revenue requirement of \$62,033 (line 4).

b. The Parties agree for purposes of settlement to an adjustment to accumulated depreciation related to the transfer of buildings from Utah distribution plant to General Plant. The impact on revenue requirement is a decrease of \$107,636 (line 5).

Adjustments to Depreciation Expense

10. The Parties agree for purposes of settlement to the adjustments to depreciation expense as outlined below.

a. The Parties agree for purposes of settlement to change the depreciable life of Account 381.01 (Meters) from 27 to 31 years and Account 381.21 (Transponders) from 13 years to 15 years. The overall impact on revenue requirement is a decrease of \$1,369,819 (line 8).

b. The Parties agree for purposes of settlement to change the depreciable life of Account 394.4 (Tools Shop and Garage Equipment) from 10 years to 15 years. The investment in this account is mainly made up of NGV fueling stations. The overall revenue requirement impact of this adjustment is a reduction of \$545,649 (line 9).

c. The Parties agree for purposes of settlement to change the depreciable life of Account 383 (House Regulators) from a 27 year life to a 31 year life. The overall revenue requirement impact of this adjustment is a decrease of \$45,715 (line 10).

d. The Parties agree for purposes of settlement to change the net salvage percent of Account 380 from -94% to -85%. The impact of this adjustment on the revenue requirement is a reduction of \$628,168 (line 11).

Depreciation Study Methodology

11. The Parties further agree, for purposes of settlement that when the Company conducts its next depreciation study it will provide to the Division and other interested parties a calculation of the service lives for Account 376 (Mains), Account 380 (Services) and account 381 (Meters). This calculation will be based on the aged data, the unaged data and a hybrid of the aged and unaged data.

General

12. The Parties agree that settlement of those issues identified above is in the public interest and that the results are just and reasonable.

13. The Parties have reached a full and final resolution of those issues identified above.

14. The Parties agree that no part of this Settlement Stipulation, or the formulae or methods used in developing the same, or a Commission order approving the same, shall in any manner be argued or considered as precedential in any future case. This Settlement Stipulation does not resolve, does not provide any inferences regarding, and the Parties are free to take any position with respect to, any issues not specifically identified and settled herein. All negotiations related to this Settlement Stipulation are privileged and confidential, and neither Party shall be bound by any position asserted in negotiations. Neither the execution of this Settlement Stipulation nor the order adopting it shall be deemed to constitute an admission or acknowledgment by either Party of the validity or invalidity of any principle or practice of ratemaking; nor shall they be construed to constitute the basis of an estoppel or waiver by either Party; nor shall they be introduced or used as evidence for any other purpose in a future proceeding by either Party except in a proceeding to enforce this Settlement Stipulation.

15. Questar Gas and the Division will each make one or more witnesses available to explain and support this Settlement Stipulation to the Commission. Such witnesses will be available for examination. So that the record in this docket is complete, all testimony, exhibits, and attachments to the Verified Application that have been filed on the issues resolved by this Settlement Stipulation shall be admitted as evidence. The Parties shall support the

Commission's approval of the Settlement Stipulation. As applied to the Division, the explanation and support shall be consistent with its statutory authority and responsibility.

16. The Parties agree that if any person challenges the approval of this Settlement Stipulation or requests rehearing or reconsideration of any order of the Commission approving this Settlement Stipulation, each Party will use its best efforts to support the terms and conditions of the Settlement Stipulation. As applied to the Division, the phrase "use its best efforts" means that it shall do so in a manner consistent with its statutory authority and responsibility. In the event any person seeks judicial review of a Commission order approving this Settlement Stipulation, neither Party shall take a position in that judicial review opposed to the Settlement Stipulation.

17. Except with regard to the obligations of the Parties under paragraphs 14, 15 and 16 of this Settlement Stipulation, this Settlement Stipulation shall not be final and binding on the Parties until it has been approved without material change or condition by the Commission. This Settlement Stipulation is an integrated whole, and either Party may withdraw from it if it is not approved without material change or condition by the Commission or if the Commission's approval is rejected or materially conditioned by a reviewing court. If the Commission rejects any part of this Settlement Stipulation or imposes any material change or condition on approval of this Settlement Stipulation, or if the Commission's approval of this Settlement Stipulation is rejected or materially conditioned by a reviewing court, the Parties agree to meet and discuss the applicable Commission or court order within five business days of its issuance and to attempt in good faith to determine if they are willing to modify the Settlement Stipulation consistent with the order. Neither Party shall withdraw from the Settlement Stipulation prior to complying with the foregoing sentence. If either Party withdraws from the Settlement Stipulation, the remaining Party retains the right to seek

additional procedures before the Commission, including presentation of testimony and cross-examination of witnesses, with respect to issues resolved by the Settlement Stipulation, and neither Party shall be bound or prejudiced by the terms and conditions of the Settlement Stipulation.

18. This Settlement Stipulation may be executed by individual Parties through two or more separate, conformed copies, the aggregate of which will be considered as an integrated instrument.

19. The Parties are authorized to represent that the Office of Consumer Services does not oppose this Settlement Stipulation. There have been no other intervenors in this docket.

RELIEF REQUESTED

Based on the foregoing, the Parties request that the Commission issue an order approving this Settlement Stipulation and adopting its terms and conditions.

RESPECTFULLY SUBMITTED: April 28, 2014.

/s/ Barrie L. McKay
Barrie L. McKay
Questar Gas Company

Vice President Regulatory Affairs

/s/ Chris Parker
Chris Parker
Division of Public Utilities

Director

CERTIFICATE OF SERVICE

This is to certify that a true and correct copy of the Settlement Stipulation was served upon the following persons by e-mail on April 28, 2014:

Patricia E. Schmid
Justin C. Jetter
Assistant Attorney Generals
160 East 300 South
P.O. Box 140857
Salt Lake City, UT 84114-0857
pschmid@utah.gov

Brent Coleman
Assistant Attorney General
160 East 300 South, 5th Floor
P.O. Box 140857
Salt Lake City, Utah 84114-0857
brentcoleman@utah.gov

Michele Beck
Danny Martinez
Utah Office of Consumer Services
160 East 300 South, Suite 200
PO Box 146782
Salt Lake City, UT 84114-6782
Telephone (801) 530-6480
mbeck@utah.gov
dannymartinez@utah.gov

Chris Parker, Director
Division of Public Utilities
Heber Wells Building 4th Floor
160 East 300 South
Salt Lake City, Utah 84111
chrisparker@utah.gov

					Revenue Requirement Impact
1	Total Revenue Requirement as Ordered 13-057-05				\$302,010,639
2	Filed Depreciation Study: Utah Allocated Share				1,559,691
3	Corrections				
4		Remove Asset Retirement Obligation			-62,033
5		Building Depreciation Reserve			-107,636
6			Total Corrections		-169,669
7	Adjustments				
8		Acct 381.01 and 381.21 Meters & Transponders			-1,369,819
9		Acct 394.4 Tools Shop and Gar Equip			-545,649
10		Acct 383 House Regulators			-45,715
11		Net Salvage (Acct 380)			-628,168
12			Total Adjustments		-2,589,351
13			Revenue Requirement Impact		-1,199,329
14			Total Revenue Requirement		\$300,811,310

Exhibit 2 is the electronic model entitled "13-057-05
Settlement Stipulation model.xls," Only the Report Tab is Included in the
Stipulation

Questar Gas Company
Docket 13-057-19
Settlement Stipulation
Exhibit 2

Questar Gas Company
Utah - Filed DPR Study
12 Months Ended : Dec-2014
Return On Equity 9.85%

Ho

12 Months Ended : Dec-2014

(A) Description	(B) Historical 12 Months Dec-12	(C) Adjustments Total	(D) Imputed Tax Adjustment	(E) Adjusted System Total	(F) Utah Jurisdiction DNG Related	(G) Deficiency	(H) Utah Jurisdiction Total
1 NET INCOME SUMMARY							
2 Utility Operating Revenue							
3 System Distribution Non-Gas Revenue	323,892,655	(18,291,738)	0	305,604,289	294,396,591	6,414,719	300,811,311
4 System Supplier Non-Gas Revenue	81,736,491	16,190,896	0	97,927,387			0
5 System Commodity Revenue	422,013,548	37,515,953	0	459,529,501			0
6 Pass-Through Related Other Revenue	30,068,144	0	0	30,068,144			0
7 General Related Other Revenue	4,503,128	0	0	4,503,128	4,402,654		4,402,654
8 Total Utility Operating Revenue	862,213,966	35,415,110	0	897,632,449	298,799,246	6,414,719	305,213,965
9 Utility Operating Expenses							
10 Gas Purchase Expenses							
11 Utah	514,983,457	52,450,015	0	567,433,472			0
12 Wyoming	18,834,727	1,256,833	0	20,091,560			0
13 Total	533,818,183	53,706,848	0	587,525,032	0	0	0
14 O&M Expenses							
15 Production	(1,037,558)	(2,877)	0	(1,040,435)	(1,002,632)		(1,002,632)
16 Distribution	52,145,343	6,341,197	0	58,486,540	55,565,346		55,565,346
17 Customer Accounts	25,542,566	292,360	0	25,834,926	24,857,092	14,864	24,871,956
18 Customer Service & Information	42,312,317	(36,635,398)	0	5,676,919	5,497,377		5,497,377
19 Administrative & General	53,629,638	(8,538,336)	0	45,091,301	43,583,298		43,583,298
20 Total O&M Expense	172,592,306	(38,543,054)	0	134,049,252	128,500,481	14,864	128,515,345
21 Other Operating Expenses							
22 Depreciation, Depletion, Amortization	47,168,966	6,711,983	0	53,880,949	51,768,041		51,768,041
23 Taxes Other Than Income Taxes	16,184,150	3,089,594	0	19,273,744	18,343,241		18,343,241
24 Income Taxes	20,898,228	3,978,506	4,499,188	29,375,923	28,682,180	2,435,817	31,117,997
25 Total Other Operating Expenses	84,251,344	13,780,084	4,499,188	102,530,616	98,793,462	2,435,817	101,229,279
26 Total Utility Operating Expenses	790,661,834	28,943,878	4,499,188	824,104,900	227,293,943	2,450,681	229,744,624
27 NET OPERATING INCOME	71,552,133	6,471,233	(4,499,188)	73,527,549	71,505,302	3,964,039	75,469,341
28 RATE BASE SUMMARY							
29 Net Utility Plant							
30 101 Gas Plant In Service	1,971,070,108	225,837,230	0	2,196,907,338	2,116,610,534		2,116,610,534
31 105 Gas Plant Held For Future Use	5,037	0	0	5,037	5,037		5,037
32 106 Completed Construction Not Classified	15,816,237	(4,160,114)	0	11,656,123	11,241,486		11,241,486
33 108 Accumulated Depreciation	(755,645,690)	(45,744,004)	0	(801,389,695)	(769,279,328)		(769,279,328)
34 111 Accumulated Amort & Depletion	(6,130,291)	371,440	0	(5,758,851)	(5,551,838)		(5,551,838)
35 Total Net Utility Plant	1,225,115,400	176,304,552	0	1,401,419,952	1,353,025,892	0	1,353,025,892
36 Other Rate Base Accounts							
37 154 Materials & Supplies	13,377,821	(1,332,194)	0	12,045,627	11,629,382		11,629,382
38 164-1 Gas Stored Underground	38,347,749	(38,347,749)	0	0	0		0
39 165 Prepayments	3,292,217	(343,601)	0	2,948,617	2,843,853		2,843,853
40 190008 Accum Deferred Income Tax Federal	5,529,664	(0)	0	5,529,664	5,328,384		5,328,384
41 190008 Accum Deferred Income Tax State	570,430	0	0	570,430	570,430		570,430
42 235-1 Customer Deposits	(9,782,767)	(1,515,794)	0	(11,298,561)	(10,877,819)		(10,877,819)
43 252 Contributions in Aid of Construction	(24,439,159)	(8,617,146)	0	(33,056,306)	(32,053,064)		(32,053,064)
44 253-1 Unclaimed Customer Deposits	(103,584)	(35,074)	0	(138,658)	(133,732)		(133,732)
45 255 Deferred Investment Tax Credits	(809,508)	347,479	0	(462,029)	(444,756)		(444,756)
46 282 Accum Deferred Income Taxes	(297,218,585)	(54,904,437)	0	(352,123,022)	(340,065,980)		(340,065,980)
47 Working Capital - Cash	(2,386,735)	(73,238)	(14,443)	(2,472,546)	(2,385,022)		(2,385,022)
48 Total Other Rate Base Accounts	(273,622,458)	(104,821,754)	(14,443)	(378,456,784)	(365,588,322)	0	(365,588,322)
49 TOTAL RATE BASE	951,492,943	71,482,798	(14,443)	1,022,963,168	987,437,570		987,437,570
50 RETURN ON RATE BASE		7.52%		7.19%	7.24%		7.64%
51 RETURN ON EQUITY		9.61%		8.98%	9.08%		9.85%

APPENDIX B
EFFECT ON TYPICAL GS CUSTOMER

**EFFECT OF DEPRECIATION STIPULATION AND STEP 2 RATE CHANGES
ON A TYPICAL GS CUSTOMER
80 DECATHERMS ANNUAL CONSUMPTION**

Month	Monthly Use in Decatherms	Billing at Rates Effective 1-Jun-14	Billing at Rates Effective 1-Jul-14	Dollar Change	Percent Change	Billing at Rates Effective Step 2, 2015	Dollar Change	Percent Change
January	14.9	\$139.99	\$139.77	(\$0.22)	-0.16%	\$139.70	(\$0.07)	-0.05%
February	12.5	\$118.53	\$118.35	(0.18)	-0.15%	\$118.29	(\$0.06)	-0.05%
March	10.1	\$97.07	\$96.92	(0.15)	-0.15%	\$96.87	(\$0.05)	-0.05%
April	8.3	\$71.42	\$71.39	(0.03)	-0.04%	\$71.35	(\$0.04)	-0.06%
May	4.4	\$41.03	\$41.02	(0.01)	-0.02%	\$41.00	(\$0.02)	-0.05%
June	3.1	\$30.90	\$30.89	(0.01)	-0.03%	\$30.88	(\$0.01)	-0.03%
July	2	\$22.33	\$22.33	0.00	0.00%	\$22.32	(\$0.01)	-0.04%
August	1.8	\$20.77	\$20.77	0.00	0.00%	\$20.76	(\$0.01)	-0.05%
September	2	\$22.33	\$22.33	0.00	0.00%	\$22.32	(\$0.01)	-0.04%
October	3.1	\$30.90	\$30.89	(0.01)	-0.03%	\$30.88	(\$0.01)	-0.03%
November	6.3	\$63.09	\$62.99	(0.10)	-0.16%	\$62.96	(\$0.03)	-0.05%
December	11.5	\$109.59	\$109.42	(0.17)	-0.16%	\$109.36	(\$0.06)	-0.05%
Total	80	\$767.95	\$767.07	(\$0.88)	-0.11%	\$766.69	(\$0.38)	-0.05%