

Attachment
Action Request Response
Memorandum Dated July 11, 2014
Docket No. 14-057-03

AVERAGE RATE BASE ADJUSTMENT

Based on the Commission order on test period in Docket 07-057-13 rate base accounts are averaged using a 13-month calculation. The methodology uses $\frac{1}{2}$ the first and last months of the period, along with the 11 other months divided by 12. This methodology synchronizes the rate base with the cycle billed revenues for the same period. The year-end rate base balances and the adjustments necessary to convert these to a 13-month average are shown in the attached schedule.

WEXPRO ADJUSTMENT TO PRODUCTION PLANT

This adjustment, rising from the Wexpro Agreement, and the final Commission orders in Docket 93-057-01 and Docket 99-057-20, the production plant component in each Questar Gas rate base plant account has been reduced by 6.3%. According to the agreement, Wexpro adds 6.3% of Questar Gas's production plant to the Wexpro investment when calculating the Wexpro service fee charged to Questar Gas.

QUESTAR CORPORATION INCENTIVE PLANS

In accordance with previous Commission orders in Docket No. 93-057-01 and 99-057-20, QGC has removed, for ratemaking purposes, incentive compensation expenses related to financial goals that were either paid directly by QGC or allocated from Questar Corporation for incentive payouts. Because the incentive plan payouts vary from year to year, a three-year average of payouts related to operating goals has been used in the calculation of normalized incentive plan expenses.

Workpaper A shows that for the period 2011-2013 the total average payout by Questar Corporation for the Annual Management Incentive Plan (AMIP) was \$4,111,886 (Column C, line 4). The total amount of Questar Corporation PIPE incentive compensation paid to employees in 2013 was \$2,269,641 (Column C line 10). Goals related to QGC operating goals amounted to \$1,152,582 (Column C line 3) for AMIP and \$594,791 for PIPE (Column C line 9). The remaining \$2,959,303 (Column D line 2) and \$1,674,850 (Column D line 8) are removed. Line 20 shows that \$3,058,617 was allocated to QGC. This is the amount removed through this adjustment.

Workpaper B shows the calculation of the expense adjustment related to the Questar Gas incentive plan. Line 4 and Line 12 show that the amounts expensed (including overhead) in 2013 for the AMIP and PIPE incentive plans were respectively, \$1,152,775 (Line 4) and \$3,788,084 (Line 12). The \$698,585 (Line 6) amount of AMIP to be allowed is calculated by multiplying the \$1,152,775 (Line 4) by the three-year average Operating payout of 60.60% (Column D). The \$2,472,571 (Line 14) amount of PIPE to be allowed is calculated by multiplying the \$3,788,084 (Line 12) by the three-year average Operating payout of 65.27% (Column D). The total amount related to operating goals allowed is \$2,472,571 (Line 14). This allowed amount is subtracted from the total incentive accrual of \$3,171,156 (Line 17) for a reduction to expenses of \$2,085,215 (Line 21).