

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

)	
)	DOCKET NO. 12-057-04
IN THE MATTER OF THE)	
APPLICATION OF QUESTAR GAS)	Exhibit No. DPU 2.0 D
COMPANY TO PROVIDE NATURAL)	
GAS TRANSPORTATION SERVICE)	
TO SERVE THE LAKE SIDE POWER)	Direct Testimony
PLANT FACILITY)	Charles E. Peterson
)	
)	

**FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH**

**Direct Testimony of
Charles E. Peterson**

May 4, 2012

Table Of Contents

I. INTRODUCTION	1
II. DISCUSSION	4
VI. CONCLUSION AND RECOMMENDATION	6

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

Testimony of Charles E. Peterson

I. INTRODUCTION

Q. Please state your name, business address and title.

A. My name is Charles E. Peterson; my business address is 160 East 300 South, Salt Lake City, Utah 84114; I am a Technical Consultant in the Utah Division of Public Utilities (Division, or DPU).

Q. On whose behalf are you testifying?

A. The Division.

Q. Please summarize your educational and professional experience.

A. I attended the University of Utah and earned a B.A. in mathematics in 1978 and a Master of Statistics (M.Stat.) through the Graduate School of Business in 1980. In 1990, I earned an M.S. in economics, also from the University of Utah.

Between 1980 and 1991, I worked as an economic and financial consultant and business appraiser for several local firms or local offices of national firms. My work frequently involved litigation support consulting and I have testified as an expert witness in both federal and state courts.

22 In 1991, I joined the Property Tax Division of the Utah State Tax Commission. In 1992, I
23 was promoted to manager over the Centrally Assessed Utility Valuation Section. I have
24 provided expert testimony regarding valuation, economic and cost of capital issues, both in
25 deposition and formal hearing before the Utah State Tax Commission.

26

27 I joined the Division in January 2005 as a Utility Analyst; in May 2006, I was promoted to
28 Technical Consultant. I have worked primarily in the energy section of the Division. In
29 2007, I earned the Certified Rate of Return Analyst (CRRRA) from the Society of Utility and
30 Regulatory Financial Analysts (SURFA).

31

32 My current resume is attached as DPU Exhibit 2.1 D.

33

34 **Q. Please outline the projects you have worked on since coming to the Division.**

35 A. Since coming to the Division I have provided written and oral testimony in a number of
36 matters and worked on a number of dockets in which I wrote and filed memoranda with the
37 Commission. Some of the more relevant cases to this docket in I provided written and oral
38 testimony include the following.

39

40 I provided several rounds of testimony and provided oral testimony in the three phases of the
41 energy cost adjustment mechanism (ECAM), Docket No. 09-035-15, which is now referred
42 to as the energy balancing account (EBA).

43

44 I provided written and oral testimony in the PacifiCorp RFP matter in which the Commission
45 approved the construction of the Lake Side II plant (Docket No. 10-035-126).

46

47 **Q. What is the purpose of your testimony in this matter?**

48 A. I provide testimony regarding PacifiCorp's choice of Questar Gas Company/Questar Pipeline
49 as the winning bidders in an RFP for natural gas supply transportation services to
50 PacifiCorp's Lake Side generation plants located in Vineyard, Utah.

51

52 Division witness, Mr. Marlin Barrow, will testify regarding the contract as it pertains to
53 Questar Gas Company and its customers and on issues in this docket generally.

54

55 **Q. Please briefly summarize the work and investigations that you have performed in this**
56 **matter.**

57 A. I have met with representatives of Questar Gas Company and separately with PacifiCorp. I
58 have reviewed the contract and other documents that have been filed in this docket and
59 reviewed the responses to data requests I have asked PacifiCorp regarding its side of the
60 transaction. I have reviewed the data request responses other parties have asked PacifiCorp in
61 this docket. Finally, as part of the response to a data request, I have reviewed highly
62 confidential documents prepared by PacifiCorp regarding the RFP it issued in order to
63 acquire a contract for the delivery of natural gas to its Lake Side facilities, which included
64 contracts with Questar Pipeline

65

66

67 **Q. What is your conclusion and recommendation in this matter?**

68 A. Based upon my investigation I have concluded that PacifiCorp acted reasonably and in the
69 public interest in acquiring natural gas fuel resources for its Lake Side generation facilities.
70 From the PacifiCorp side the contract between PacifiCorp and Questar is in the public
71 interest and I recommend that the Commission approve the contract.

72

73

74 **II. DISCUSSION**

75

76 **Q. What is the background for this docket?**

77 A. On March 2, 2012 Questar Gas Company applied for Commission approval of a natural gas
78 transportation contract with PacifiCorp known as the Lake Side 2 Agreement. The agreement
79 itself is dated February 15, 2012. PacifiCorp issued an RFP on or about July 5, 2011 to
80 acquire transportation and natural gas capacity to its Lake Side generation facilities. Bids
81 were due by August 8, 2011. The Lake Side site requires additional natural gas delivery
82 capacity due to the construction of the Lake Side 2 natural gas plant that is scheduled to be in
83 service by June 2014. The construction of the Lake Side 2 plant was approved by the
84 Commission in Docket No. 10-035-126.

85

86 **Q. As a result of your investigation is there additional information that you uncovered that**
87 **you believe would be helpful to the Commission to understand the costs or benefits of**
88 **this proposed contract?**

89 A. Yes. PacifiCorp detailed its justification for selecting the Questar bid in a response to a data

90 request. The confidential response is set forth in Confidential DPU Exhibit 2.2 D, Part A.

91 The Division does not dispute the Company's justifications.

92

93 The winning Questar bid was a joint bid of Questar Gas Company and its affiliate Questar
94 Pipeline (jointly, "Questar"). PacifiCorp necessarily has entered into separate contracts with
95 Questar Pipeline that have not been brought before the Commission for approval. I have
96 reviewed the Questar Pipeline contracts and have found them to be consistent with the
97 contract before the Commission in this docket and therefore I believe that they are also in the
98 public interest.

99

100 In response to a data request by the Office of Consumer Services, the Company confirmed
101 that there are no costs related to this transportation agreement in the current general rate case,
102 Docket No. 11-035-200.

103

104 **Q. Earlier you indicated that your conclusion was that the proposed contract is in the**
105 **public interest from PacifiCorp's perspective. Please describe the basis of that**
106 **conclusion.**

107 A. PacifiCorp received a number of bids that were determined to be "conforming bids." I
108 believe that there were a sufficient number of bids to conclude that the RFP was
109 competitively bid. For some additional information on the bids see Confidential DPU Exhibit
110 2.2 D, Part B. The Questar bid was equal to or superior to all other bids in terms of the
111 demand charge price, the guaranteed delivery pressure, quantity of gas to be delivered, and
112 duration of the contract. In addition to these factors, Questar was able to offer diversification

113 of transportation options to the Lake Side site based upon its own pipeline system and
114 transportation contracts, whereas the other bidders relied totally on the Kern River Gas
115 Transmission pipeline to deliver natural gas to PacifiCorp. Simply put, the Questar bid was
116 the best bid available to PacifiCorp and consequently the best “deal” for PacifiCorp’s
117 ratepayers. Given the need for additional natural gas transportation capacity to the Lake Side
118 site and the characteristics of the Questar terms compared to other bidders, I have concluded
119 that the contract is in the public interest and should be approved by the Commission.

120

121

122 **VI. CONCLUSION AND RECOMMENDATION**

123

124

125 **Q. What are your conclusions and recommendations?**

126 A. I conclude that the natural gas transportation contract between Questar Gas Company and
127 PacifiCorp is in the public interest. I recommend that the Commission approve this contract.

128

129 **Q. Does this conclude your testimony?**

130 A. Yes.