

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Joint Notice and Application of Questar Gas Company and Dominion Resources, Inc. of Proposed Merger of Questar Corporation and Dominion Resources, Inc.	Docket No. 16-057-01
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DIRECT TESTIMONY OF DAVID M. CURTIS

FOR JOINT APPLICANTS

March 3, 2016

Joint Application Exhibit 3.0

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is David M. Curtis. My business address is 333 South State Street, Salt Lake City, Utah 84145.

Q. By whom are you employed and what is your position?

A. I am employed as Vice President and Controller of both Questar Gas Company (“Questar Gas”) and Questar Corporation.

Q. What are your qualifications to testify in this proceeding?

A. I have listed my qualifications in Joint Application Exhibit 3.1.

Q. Are you sponsoring any Exhibits to the Joint Application?

A. Yes. I am sponsoring Joint Application Exhibits 1.4, 1.5, 1.7, 1.8, 1.9, 1.14 and 1.18.

Q. What is the purpose of your testimony in this docket?

A. My testimony supports the Joint Application filed by Questar Gas and Dominion Resources, Inc. (“Dominion”) requesting that the Commission approve the proposed merger (“Merger”) in which Questar Corporation will become a wholly-owned subsidiary of Dominion. I will provide financial information of Questar Corporation and Questar Gas. I will also provide other information regarding Questar Corporation and Questar Gas that supports approval of the Merger. Finally, I will sponsor several exhibits pertaining to Questar Corporation and Questar Gas supporting the Joint Application.

Q. Are you familiar with the terms of the proposed Merger?

A. Yes. As part of the Questar Executive Management team, I was involved in Questar Corporation’s analysis of the Merger and am familiar with the Agreement and Plan of

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23 Merger dated January 31, 2016 (“Merger Agreement”), which is attached to the Joint
24 Application as Exhibit 1.1.

25 **Q. Were you involved in the decision to accept the merger proposal?**

26 A. Yes. As part of the Questar Executive Management team, I was involved in analyzing and
27 evaluating the Merger proposal and the impact of the Merger on customers and other
28 stakeholders. We also provided information and feedback to the Board of Directors as they
29 made their decision to approve the Merger Agreement.

30 **II. QUESTAR CORPORATION OFFICERS**

31 **Q. Please identify the current officers of Questar Corporation and subsidiaries.**

32 A. The current officers of Questar Corporation and subsidiaries are listed in Exhibit 1.4 to the
33 Joint Application.

34 **Q. Will Questar Gas continue to be a subsidiary of Questar Corporation following the**
35 **Merger?**

36 A. Yes. Questar Corporation will be known as Dominion Questar following the Merger and
37 Questar Gas will be known as Dominion Questar Gas. Dominion Questar Gas will be a
38 wholly-owned, direct subsidiary of Dominion Questar following the Merger.

39 **Q. Who will be the officers of Dominion Questar immediately following the Merger?**

40 A. Immediately following the Effective Time, the officers of Dominion Questar will be those
41 persons that were the officers of Questar Corporation immediately prior to the Effective
42 Time. The names and positions of the officers of Questar Corporation are provided in
43 Exhibit 1.4 to this Joint Application. Subsequent to the Effective Time, we expect changes

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to the officers of Dominion Questar to be made based upon integration efforts and Dominion's standard entity management conventions.

III. APPROVAL OF THE MERGER

Q. Did the Questar Corporation Board of Directors adopt a resolution approving the merger?

A. Yes. A copy of the resolution of Questar Corporation's Board of Directors is attached as Exhibit 1.5 to the Joint Application.

IV. FINANCIAL INFORMATION OF QUESTAR GAS AND QUESTAR CORPORATION

Q. Please describe Questar Gas' financial condition.

A. Questar Gas' assets as of December 31, 2015 totaled \$2.2 billion; revenues in 2015 totaled \$918 million and net income in 2015 totaled \$64 million. Questar Gas' capital structure as of December 31, 2015 was 46% long-term debt and 54% equity. Questar Gas' senior unsecured credit rating is A2 (stable) with Moody's and A (negative) with Standard & Poor's.

Q. Please provide a copy of Questar Gas' financial statements.

A. Questar Gas' financial statements are on pages 56 – 60 of the Questar Corporation financial statements included in the Annual Report on Form 10-K ("Questar 10-K") which is attached as Exhibit 1.7 to the Joint Application.

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Q. Please provide a copy of the Gas Utility Annual Report.

A. A copy of the 2014 Gas Utility Annual Report is attached as Exhibit 1.8 to the Joint Application. This was filed with the Utah Public Service Commission in April of 2015. The 2015 Gas Utility Annual Report will be filed as updated Exhibit 1.8 as soon as it is available.

Q. What securities has Questar Gas authorized and issued?

A. The authorized and outstanding securities issued by Questar Gas are included in Note 8 to the financial statements on pages 80 – 82 of the Questar 10-K as attached as Exhibit 1.7 to the Joint Application.

Q. How has Questar Corporation provided long-term capital for Questar Gas?

A. Questar Gas has used both the public and private debt markets to raise its own long-term debt. This debt is unsecured, but supported by the operations and assets of Questar Gas. Questar Gas does not usually raise debt every year, but waits until the capital requirements are large enough to spread the issuance costs over a larger debt issue. Questar Corporation has contributed equity capital when needed to Questar Gas to maintain a capital structure that is supportive of an investment grade bond rating for Questar Gas.

Q. How has Questar Corporation provided short-term working capital for Questar Gas?

A. Questar Corporation has a commercial paper program, backed by credit facilities with various banks. Questar Corporation borrows under this commercial paper program as needed on a daily basis and then loans the funds to its business units, including Questar Gas. Questar Gas' working capital requirements fluctuate seasonally and throughout each month. Borrowing requirements are typically the highest towards the end of heating season months when Questar Gas pays for purchased gas supply.

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86 **Q. Does Questar Gas loan funds back to Questar Corporation?**

87 A. Because Questar Gas' working capital borrowing needs fluctuate seasonally and
88 throughout each month, there are times when Questar Gas will have excess funds available
89 for short time periods. Questar Gas will loan these short-term funds back to Questar
90 Corporation.

91 **Q. Please describe Questar Corporation's and Questar Gas' dividend policies.**

92 A. Questar Gas' and Questar Corporation's dividend policies are attached as Exhibit 1.9 to
93 the Joint Application.

94 **Q. Please describe the recent dividends paid by Questar Gas to Questar Corporation.**

95 A. In 2015 Questar Gas declared dividends of \$38 million to Questar Corporation.

96 **Q. Please describe Questar Corporation's financial condition.**

97 A. Questar Corporation's assets as of December 31, 2015 totaled approximately \$4.4 billion.
98 Revenues in 2015 totaled \$1.1 billion. Net income in 2015 totaled \$209 million. Questar
99 Corporation's capital structure, as of December 31, 2015 was 42% long term debt and 58%
100 equity. Questar Corporation's corporate credit rating is A (negative) with Standard &
101 Poor's. Moody's withdrew Questar Corporation's long-term credit rating due to the
102 maturity of the \$250 million on February 1, 2016.

103 **Q. Please provide a copy of Questar Corporation's financial statements.**

104 A. Questar Corporation's financial statements are on pages 47 – 54 of the Questar Corporation
105 10-K attached as Exhibit 1.7 to the Joint Application.

106 **Q. What securities has Questar Corporation authorized and issued?**

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A. The authorized and outstanding securities issued by Questar Corporation are included in Note 8 to the financial statements on pages 80 – 82 of the Questar 10-K attached as Exhibit 1.7 to the Joint Application.

Q. Please describe the impact of the announcement of the merger on Questar Gas' credit ratings?

A. Reports of Moody's and Standard & Poor's that were issued when the Merger was announced are attached as Exhibit 1.14 to the Joint Application.

Moody's affirmed the current bond rating of A2 (stable) for Questar Gas. Standard & Poor's placed Questar Gas' current bond ratings of A on CreditWatch with a negative outlook. Standard & Poor's assessed Questar Corporation business risk profile as excellent and financial risk profile as intermediate. Standard & Poor's typically maintains credit ratings of a corporation family within a range of the parent company credit ratings with slightly higher ratings given to operating companies because of structural subordination.

V. OTHER MATTERS

Q. How many employees of Questar Corporation are engaged in shared or common services positions?

A. Questar Corporation provides shared services for all its business units for the following functions: information technology, telecommunications, purchasing, warehousing, fleet management, facilities management, finance, accounting, planning, budgeting, treasury, human resources, benefits, compliance, insurance and legal. Questar Corporation (parent company) has 347 employees. All of these employees provide shared service or common functions for the business units.

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Q. What were Questar Gas' plans for capital expenditures for the next 5 years, prior to the planned merger?

A. Those plans are described in Exhibit 1.18 to the Joint Application. These plans are based on Questar Gas' forecasts of customer growth, pipeline replacements and other capital requirements to provide safe reliable service. Of course, these plans will be updated over time to reflect customer growth and the requirements to provide safe and reliable service while minimizing costs to customers.

VI. CONCLUSION

Q. Please summarize your testimony.

A. I have provided financial and other information pertaining to Questar Corporation and Questar Gas supporting the Joint Application.

Q. What do you recommend?

A. I recommend that the Commission approve the Merger. I believe that Dominion provides financial strength, operating experience, geographic diversity, business diversity, and a culture of safety and ethics. I believe that Questar Gas customers will benefit from the Merger of Questar Corporation and Dominion Resources.

Q. Does this conclude your testimony?

A. Yes.

State of Utah)

) ss.

County of Salt Lake)

I, David M. Curtis, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. The exhibits attached to the testimony were prepared by me or under my direction and supervision, or to the best of my knowledge are true and correct copies of the documents they purport to be.

David M. Curtis

SUBSCRIBED AND SWORN TO this _____.

Notary Public