

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application  
Of Questar Gas for Approval of the  
Wexpro II Agreement

Docket No: 12-057-13

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HEARING BEFORE THE PUBLIC SERVICE COMMISSION  
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TAKEN AT: Heber M. Wells Building  
160 East 300 South  
Salt Lake City, Utah

DATE: January 31, 2013

TIME: 12:00 noon

REPORTED BY: Kellie Peterson, RPR

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Hearing Before the Public Service Commission

January 31, 2013

PROCEEDINGS

COMMISSIONER CLARK: Good morning, or good afternoon. My name is David Clark. I'm a commissioner and am pleased that Chairman Ron Allen is here today, as well.

This is the time and place duly noticed for public witness testimony in Docket No. 12-057-13 in the matter of the application of Questar Gas Company for approval of the Wexpro II Agreement.

And as I mentioned, we're here to receive comments from the public, and for those of you who have come with the intent to give comments, we have notice of two individuals that desire to do that; Mr. Lane Beattie and Mr. Jeff Edwards.

Is there anyone else present who intends to provide testimony or comments to the Commission today? Okay. Well, for these two people, let me just mention that you may offer your comments without receiving an oath, or without making sworn testimony, or you may offer sworn testimony to the Commission. If you choose to do so, and if you do, then you're subject to cross-examination by the counsel who are here present here today. So I'll just be asking you to elect one of those two forms of comment to the Commission as you come forward.

1 So with that preliminary information, the first  
2 person on the list that I have is Mr. Beattie. Mr. Lane Beattie,  
3 please come forward, and how would you like--

4 MR. BEATTIE: Sworn.

5 COMMISSIONER CLARK: You would like to make  
6 sworn testimony?

7 MR. BEATTIE: Uh-huh.

8 LANE BEATTIE, called as a witness and having  
9 been duly sworn, was examined and testified as follows:

10 COMMISSIONER CLARK: Please be seated, Mr.  
11 Beatty.

12 MR. BEATTIE: Thank you, Commissioner.

13 COMMISSIONER CLARK: Could you provide your  
14 full name and spell your name for the court reporter?

15 MR. BEATTIE: My full name is Russell Lane  
16 Beattie, B-E-A-T-T-I-E.

17 COMMISSIONER CLARK: And please provide any  
18 other identifying information that you would like to.

19 MR. BEATTIE: If I may, Chairman, I would like to  
20 pass out--I have a copy of the statement that I would like to  
21 read, if that's all right, then make a few other statements. I  
22 have several of them. May I just leave them with the clerk or  
23 how--

24 COMMISSIONER CLARK: Sure. Sherri, would you  
25 mind distributing those? I would like to have a copy in my

1 hands as Mr. Beattie speaks.

2 MR. BEATTIE: As I said, my name is Lane Beattie.  
3 I do have a Russell in front of it. Most people don't know that  
4 but it is on my passport and is my given name. I'm president  
5 and CEO of the Salt Lake Chamber, and if I could, I would just  
6 like to read a statement and just make a few comments.

7 The Salt Lake Chamber is Utah's largest business  
8 association. The Chamber members employ nearly half of  
9 Utah's workforce, in the entire State of Utah. We have--with  
10 roots that date back to 1887, the Chamber has stood as the  
11 voice of business, supporting its members' success and  
12 championing community prosperity for over a century.

13 For 83 years, prosperity in Utah has been linked to  
14 our abundant, affordable natural gas resources. The Chamber  
15 supports the balanced development of Utah's rich energy  
16 resources. Development and wise use of our essential resources  
17 ensures access to reasonably priced energy, creates jobs and  
18 provides a solid foundation for broader economic strength.

19 For over 30 years, wise use of our natural gas  
20 resources have given--have been governed by the Wexpro II  
21 Agreement. This unique agreement has been good for Questar  
22 Gas customers, saving them over \$1 billion. In turn, it has been  
23 good for Salt Lake City and Utah, as a whole, making us a prime  
24 candidate for any business wishing to locate or expand. The  
25 State should seize the opportunity to approve Questar Gas'

1 application to implement an identical cost of service program for  
2 the benefit of Utah customers.

3 Many of the Chamber's most important initiatives  
4 hinge on continued availability of stably priced natural gas.  
5 This is a quote from our current policy guidelines: Indeed, one  
6 of our priorities is to promote increased availability of Utah's  
7 abundant and inexpensive natural gas reserves. We support  
8 environmentally responsible expansion of Utah's natural gas  
9 infrastructure and encourage business, organizations, and  
10 individuals throughout the State to explore natural gas vehicle  
11 options to help improve our air quality.

12 For Utah to capitalize on the numerous benefits of  
13 natural gas, the State should work to ensure supplies are  
14 available to customers at the most reasonable price. The  
15 Chamber believes the best way to do so would be to expand on  
16 the proven track record of the Wexpro model by approving  
17 Wexpro II.

18 Questar Gas is a phenomenal corporate citizen and  
19 one of the Chamber's most valuable partners. We have come to  
20 rely on the company and the ideas of its innovative employees.  
21 Much effort has gone into the Wexpro II proposal and will  
22 benefit the whole State. The Chamber supports Questar Gas'  
23 application because it supports the Chamber's long-term goals.

24 Now if I can say off of the written text, there are  
25 many aspects of this. We do have a committee at the Chamber

1 that is called our Clean Air Committee. We have dedicated two  
2 pages to clean air. Thank goodness today, it is cleaner than it  
3 has been this last month. Because of the importance that we  
4 feel for the future's growth of the State of the Utah, clean air is  
5 a very important issue to us.

6 We believe that natural gas continues to be not just  
7 an asset to businesses that want to come here and have low  
8 energy costs, but it also gives us an opportunity to grow industry  
9 and to keep it clean. We believe that the investments that are  
10 made through the Wexpro exploration and production gives us  
11 an opportunity to have even more future than we have had in  
12 the past, as people are looking, we hope, more and more to  
13 stability within the State of Utah for our own resources to supply  
14 the energy needs we have. To do so with a clean energy source  
15 is extremely important to us now and in the future.

16 With that, I would be delighted to answer any  
17 questions.

18 COMMISSIONER CLARK: Thank you very much,  
19 Mr. Beattie.

20 Are there any questions for Mr. Beattie?

21 Thank you very much for your testimony.

22 MR. BEATTIE: Thank you.

23 COMMISSIONER CLARK: Mr. Jeff Edwards. Mr.  
24 Edwards, do you intend to provide sworn testimony or--

25 MR. EDWARDS: I would, sworn testimony.



1 COMMISSIONER CLARK: Thank you.

2 JEFF EDWARDS, called as a witness and having  
3 been duly sworn, was examined and testified as follows:

4 COMMISSIONER CLARK: Please be seated.

5 MR. EDWARDS: Thank you.

6 COMMISSIONER CLARK: Would you state your  
7 name please and spell your name for the reporter and provide  
8 any other identifying information that you would like to?

9 MR. EDWARDS: My name is Jeffrey Barker  
10 Edwards. I am--E-D-W-A-R-D-S. I am president and CEO of  
11 Economic Development Corporation of Utah, and I have a  
12 prepared statement that I would like to read, and then I would  
13 be happy to--I have a few comments to add, and then I would be  
14 happy to take any questions.

15 COMMISSIONER CLARK: Thank you.

16 MR. EDWARDS: The Economic Development  
17 Corporation of Utah strongly supports Questar Gas' Wexpro II  
18 application. EDCUtah is a 25-year-old private nonprofit  
19 organization that works with state and local government and  
20 private industry to attract and grow competitive, high-value  
21 companies and spur the development and expansion of the local  
22 Utah businesses.

23 EDCUtah's primary mission is to recruit new  
24 businesses to Utah. Access to affordable, reliable energy  
25 sources always weighs heavily in s business' decision to locate

1 or relocate in Utah. EDCU's support for Questar Gas'  
2 application is based on evidence that the utility's  
3 company-owned natural gas reserves are a substantial  
4 contributor to Utah's reputation as having energy costs 20  
5 percent to 30 percent below the national average.

6           The original Wexpro Agreement has saved Questar  
7 Gas' customers well over a billion dollars, but is limited to the  
8 gas reserves from properties defined many years ago. There  
9 are obvious benefits to EDCUtah's ongoing and future  
10 recruitment efforts if Questar Gas is able to replicate the  
11 success of the Wexpro Agreement in the future.

12           Beyond our primary recruiting mission, EDCUtah  
13 represents about 250 supporting members. About 200 are  
14 businesses with potential to expand; the rest are municipalities  
15 and counties interested not only in recruiting new business, but  
16 in retaining current businesses. The competition with other  
17 states is fierce. Affordable, sustainable energy sources are the  
18 key to retaining current and expanding businesses and their  
19 contributions to Utah's economy. With labor and real estate  
20 prices beginning to rebound, the fact that Utah's local natural  
21 gas provider has a unique hedge against extreme increases is a  
22 value tool for EDCUtah.

23           EDCUtah believes Questar Gas has demonstrated  
24 that it can be counted on to act in the best interests of its  
25 customers. Having Utah's primary natural gas utility

1 headquartered in Utah, while maintaining a high profile in the  
2 community helps our recruiting. But that is not unique. What  
3 has been unique for more than three decades is Utah's natural  
4 gas rates have ranked among the nation's lowest. That has led,  
5 in large part, to a reputation and accolades in business  
6 publications and forums that has proved invaluable as recruiting  
7 tools for economic development.

8           It seems to EDCUtah that legislators and regulators  
9 would be looking to replicate our successes when possible. The  
10 Wexpro Agreement's win-win-win record speaks for itself, and is  
11 one of those successes that should be replicated. EDCUtah  
12 encourages the State to approve the Wexpro II Agreement.

13           If I might add to that, as well, I can't -- the  
14 competitive advantage to that low natural gas prices brings to us  
15 cannot really be understated, and not only the low prices, but  
16 also the fact that there is a stable energy environment, which is  
17 not the case unnecessarily in other parts of our country. So  
18 when we talk to companies, the ability to offer this kind of a  
19 stable, long-term and well-priced resource would be a  
20 tremendous advantage to us as we are competing with other  
21 states going forward.

22           And I think also a very unique resource to be able  
23 to point to these kinds of resources and say they are available  
24 and plentiful, even with all the other gas exploration going on in  
25 the country and having the unique ownership and delivery and

1 system that we have in our State is a real advantage to us going  
2 forward.

3 I also want to emphasize, too, that I believe, as has  
4 been said elsewhere, there is a timely decision to be made here,  
5 an opportunity, as the market has changed dramatically and  
6 prices are down, the opportunity exists now to acquire these  
7 resources at a very reasonable cost, I think, and a wonderful  
8 opportunity for the State to make this happen.

9 So I should also add, in closing, that Questar Gas  
10 has been a key supporter of our organization since the very  
11 beginning. We have been around for 25 years and Questar has  
12 been, and back in the days when it was known as Mountain  
13 Fuel, it was on the list way back then, and we really appreciate  
14 that support. They've provided a very generous support of the  
15 economic development, wherever it goes in the State and  
16 whether they are gas customers are not, they have been very  
17 generous in their support and we appreciate that very much, and  
18 think that having a utility of the quality and character, that we  
19 are so fortunate to have that in our community.

20 So that is all I have prepared. I'd be happy to take  
21 any questions, if there are any.

22 COMMISSIONER CLARK: Thank you very much.  
23 Any questions? Thank you very much.

24 MR. EDWARDS: You are welcome. Thank you.

25 COMMISSIONER CLARK: It's about 17 minutes

1 after 12:00. Has anyone else joined us that intends or desires  
2 to make a statement of any kind or is anyone aware of someone  
3 that they thought would appear? Okay. Then that will conclude  
4 our public witness hearing, and we have just a couple of matters  
5 that are technical in nature to address.

6 One with the Division, and this is just a small thing,  
7 but on your list of witnesses, the date of Mr. Wheelwright's  
8 testimony is identified as 12-11-2013, rather than 2012. We  
9 think it was 2012; is that correct, Ms. Schmid?

10 MS. SCHMID: That is correct. I apologize for the  
11 error.

12 COMMISSIONER CLARK: No, that's okay. And  
13 then for the Company, yesterday I asked some questions  
14 regarding what is Exhibit C in Wexpro--the Wexpro II Agreement  
15 and Exhibit D in Wexpro I, and my question is related to this  
16 marginal composite tax rate calculation and the formula. And it  
17 still appears to me that something's happening in these formulas  
18 that may not be intended, and in the event that the agreement is  
19 approved, I think we will want to understand that the formula is  
20 correct.

21 So let's go off the record for a moment and let you  
22 discuss how you might want to address this.

23 (A discussion was held off the record.)

24 COMMISSIONER CLARK: Mr. McKay, before you  
25 address the question I've asked, let me just state for the record

1 that the Office is not represented by counsel today but Ms. Beck  
2 happens to be here and we appreciate the fact that she is, and  
3 she's indicated that she does not object to us having you  
4 address this matter today, subject to the Office's opportunity to  
5 provide any subsequent information or evidence in this area if  
6 they feel the need to do so. And so on that basis, then, we will  
7 go forward unless someone else objects.

8 Okay, Mr. McKay? And let me remind you, you are  
9 under oath, Mr. McKay, and why don't you identify yourself for  
10 the record.

11 MR. MCKAY: I am Barrie L. McKay, general  
12 manager of regulatory affairs at Questar Gas Company and I  
13 recognize I am still under oath.

14 COMMISSIONER CLARK: Thank you.

15 MR. MCKAY: We had the opportunity to review this  
16 yesterday following my explanation on the stand and I do think  
17 that we may have had what I would describe as a typo, using an  
18 equal's sign instead of maybe a dash here on the front page,  
19 and if we need to replace that--and also recognize that on the  
20 front page, that we could, in our effort to show that this is the  
21 formulas that are on the right here, under the composite tax rate  
22 formula, we are trying to illustrate the formula, you would also  
23 want to have an indication that you would have a summation  
24 that sums down to the total in your explanation. It is what is  
25 occurring under the marginal composite state tax numbers that

1 are there in the center of that front page.

2 But I will also observe that on the second page, this  
3 is played out in very explicit detail that shows for each specific  
4 state the investment, the revenues, and wages, if, in fact, that  
5 state's methodology using those three components, or, for  
6 example, in Wyoming's instance, it only uses--it uses none of  
7 those and you see none on their line. And in Colorado's, if you  
8 use--and that would be on lines 4 through 6 on the second page  
9 in column B, you would see that the gross revenues are the only  
10 thing that that state uses.

11 And this formula, as you see it, works across the  
12 page with the marginal tax rates that are applied, the state, and  
13 then the percentages that are used calculates to these same  
14 numbers that are on--and that same numbers would be column F  
15 on the second page, those are the same numbers that are being  
16 shown in the marginal composite state tax rate, which is at the  
17 center of page one. And so I do think the theory and the  
18 numbers are correct on this page. I will apologize for a  
19 fat-fingered equal sign instead of a dash sign.

20 COMMISSIONER CLARK: Well, if the Agreement is  
21 approved, we just want to make sure we all understand what the  
22 right calculations are and we recognize that a premise of the  
23 application is that this may be in place for some time if--

24 MR. MCKAY: Yes. In fact, I think that is a good  
25 clarifying. We were trying to give it as an example for formulas;

1 and, therefore, an equal sign in a formula does represent  
2 something different than a dash, and, therefore, that may be  
3 more beneficial for us to have that be cleared, whichever way  
4 you feel or the Commission would recommend.

5 COMMISSIONER CLARK: Well, I think we will  
6 leave it to the applicant and the other participants and the  
7 Agreement, if it's approved, to address this in some way that is  
8 satisfactory to all of you. But if I'm understanding your  
9 testimony correctly, because of the detail on the second page of  
10 Exhibit C, I think you're telling us that you don't believe there is  
11 any chance for misunderstanding as to what is meant.

12 MR. MCKAY: I would strongly observe is that I  
13 think that is an excellent example with a good detail of the  
14 components that do go into making that up, so I would hope that  
15 there is no misunderstanding, and I think that that's a great  
16 example.

17 COMMISSIONER CLARK: Thank you. Is there  
18 anything else that we need to address? Then we are adjourned.  
19 Thank you all very much for your participation.

20 (The hearing was concluded at 12:28.)  
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REPORTER'S CERTIFICATE

State of Utah )

)

County of Salt Lake )

I, Kellie Peterson, Certified Shorthand Reporter,  
Registered Professional Reporter, and Notary Public for the  
State of Utah, do hereby certify:

THAT the foregoing proceedings were taken before  
me at the time and place set forth herein; that the witness was  
duly sworn to tell the truth, the whole truth, and nothing but the  
truth; and that the proceedings were taken down by me in  
shorthand and thereafter transcribed into typewriting under my  
direction and supervision;

THAT the foregoing pages contain a true and  
correct transcription of my said shorthand notes so taken.

IN WITNESS WHEREOF, I have subscribed my  
name and affixed my seal this 15th day of January, 2013.

\_\_\_\_\_

Kellie Peterson, RPR

Notary Public

My commission expires: December 29, 2012