



PublicService Commission <psc@utah.gov>  
Docket No. 13-057-05

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## Opinion on Questar Rate Case from a Utah Manufacturer to Utah's Public Service Commissioners

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**Brian Bowers** <brianbo@mitylite.com>  
To: psc@utah.gov

Mon, Feb 24, 2014 at 9:49 AM

Dear Commissioners Allen, Clark, and LeVar:

I know you are about to decide on the Questar rate case, and I am remiss I was not aware of the issues related to it until just recently.

I want to briefly outline my case for Utah manufacturing for not approving Questar's request, especially as it relates to the TS tariff.

### Introduction

By way of introduction, I am Brian Bowers, the Chief Operating Officer at MityLite, an innovative manufacturer in the very competitive furniture industry, located and supporting global sales from Orem, Utah. I am also a Board Member of the Utah Manufacturer's Association. Due to the competitive nature of our industry, MityLite has refined its operations through Lean Manufacturing and Continuous Improvement, increasing our productivity by over 100% in the past four years. These improvements have allowed us to manufacture folding chairs for Sam's Club right here in Orem, products that were to be produced in China. These results have provided 25 new jobs and we continue to seek additional business, including a project under way for Costco.

### Resurgence of US Manufacturing

As you may have noticed during the Olympics, WalMart is involved in bringing \$250B of manufacturing work back to the US over the next 10 years. This follows a greater trend of US re-shoring spoken of in every major business press outlet. Several major consulting firms including Bain, Boston Consulting Group, and McKinsey are studying this trend. Their findings are that the resurgence of US Manufacturing is led primarily by innovations in manufacturing and by low-cost energy. Low-cost energy is always cited as a result of the drop in natural gas costs due to directional drilling and fracturing (fracking) that have made access to natural gas more plentiful.

### Utah's Opportunity

The US is on the cusp of a wave of re-shoring. Utah stands to gain a great deal of new business by promoting a manufacturing-friendly environment. The Governor's Office of Economic Development is aware of these opportunities, and is actively working with the Department of Workforce Services to develop programs that support current manufacturers in their bid to obtain additional customers and contracts for our great state. The Utah Manufacturer's Association and MEP are working to create internet tools that tie Utah manufacturers more closely together to open up new opportunities to keep manufacturing work in-state and not let them get passed on to our neighboring states or to Mexico (which also stands to gain greatly from the re-shoring trend).

MityLite and many other Utah manufacturers have switched to TS rate natural gas as an opportunity to become more competitive. MityLite is saving 20% this year alone by purchasing natural gas more economically. This competitive move allows us to bid more competitively against our Asian counterparts, and to bring more projects (and jobs) to Orem.

Whether or not you agree with the tariff change, the timing of a change couldn't be worse. We are on the cusp of a resurgence in US manufacturing, and Utah is approving measures that make manufacturing cost more. Ultimately this will result in fewer jobs no matter how you slice it.

### **Questar's Problems Are In Their Own Business**

The reason MityLite switched to TS rate natural gas, is that Questar was not providing a competitive rate. Questar has the greatest buying power of any gas company in Utah, yet their prices weren't competitive, on the order of 20% - 25% higher than third-party providers. If they are a gas company, then they should act like a business. Their lack of competitiveness should not be the reason for pushing all of our rates up, or worse, pushing TS customers back to FS through their rule changes. Their buying practices, if run professionally, should allow them to purchase at a significant discount to other providers, and they should make significantly greater profit margins than their competitors. But I believe their gas business does not act competitive because it is tied to its utility arm. The whole company runs by a monopolistic rule book. If they can't compete, they just go to the PSC and get the increases they need.

This needs to stop. Questar is a publicly-traded company. In its last quarter, Questar had net income of \$68.1M. Net income is what's left over after all of its expenses. That is a Net Income Rate of 17.1%! MityLite, struggling to make all its products in the US and in Utah, nets between 2% and 4%. How can Questar, and in turn, how can the Public Service Commission justify giving more to Questar by taking from its customer base. In the TS rate, most of these customers are manufacturers, making much less profit margin than Questar itself.

### **What I Am Asking**

My request is that the TS rate remain unchanged, or at least delay a judgement for now pending research into the claims I have put forward. If the increase must go through, I ask for an exception to be written in for Utah manufacturing companies like MityLite. Second, I request that the PSC look into the business practices of Questar Gas, specifically looking for inefficiencies in their purchasing practices, or other practices that make them uncompetitive. If in fact Questar is unable to compete, then I propose the break up of the utility side and the gas side of the business. It is understandable if the utility itself needs to satisfy its costs, but it is unconscionable that Utah manufacturers should pay for the incompetence or uncompetitive business practices of Questar's gas business.

This is an important time for MityLite's business, and for Utah manufacturers in general. This is a great time of opportunity due to US re-shoring. Utah has a great opportunity to take advantage of the wave that is coming, but it won't start by higher costs being leveled on the companies that are most competitive in our economy.

I am hopeful you will understand the arguments I have presented here, and that they can still have weight, even at this late hour, on the decisions you are making.

Thank you for your consideration,

Brian Bowers

### **Brian Bowers**

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