

1

STATE OF ALASKA

2

REGULATORY COMMISSION OF ALASKA

3

Before Commissioners: T.W. Patch, Chairman
 Kate Giard
4 Paul P. Lisankie
 Robert M. Pickett
5 Janis W. Wilson

6

In the Matter of the Application for)
Authority to Acquire a Controlling)
7 Interest in ENSTAR NATURAL GAS)
COMPANY, a Division of SEMCO ENERGY,) U-12-005
8 INC. and ALASKA PIPELINE COMPANY by)
AltaGas Ltd. and AltaGas Utility)
9 Holdings (U.S.), LLC.)
_____)

10

In the Matter of the Application for)
Authority to Acquire a Controlling)
11 Interest in COOK INLET NATURAL GAS) U-12-006
STORAGE ALASKA, LLC by AltaGas)
12 Utility Holdings (U.S.), LLC.)
_____)

13

REGULATORY COMMISSION OF ALASKA
14 701 West Eighth Avenue, Suite 300
Anchorage, Alaska

15

PUBLIC HEARING

16

May 30, 2012
17 9:02 a.m.

18

BEFORE: JOHN P. WOOD, Administrative Law Judge, RCA

19

APPEARANCES:

20

For SEMCO: ASHBURN & MASON
 1227 West 9th Avenue, Suite 200
 Anchorage, Alaska 99501
21 BY: A. WILLIAM SAUPE

22

For AltaGas Ltd. and AltaGas Utility Holdings:
 GUESS & RUDD, PC
23 510 L Street, Suite 700
 Anchorage, Alaska 99501
24 BY: LOUIS R. VEERMAN

25

1	TABLE OF CONTENTS	
2	Opening Statement for AltaGas	6
3	Opening Statement for SEMCO	10
4	Examination of John Lowe by Mr. Veerman	12
5	Examination of Deborah Stein by Mr. Veerman	13
6	Examination of George Schreiber by Mr Saupe	16
7	Commissioner Inquiry	21
8	Closing Statement for AltaGas	91
9	Closing Statement for SEMCO	92
10	EXHIBITS:	
11		Marked/Admitted
12	T1 (Prefiled Testimony of John Lowe)	12/13
13	T2 (Prefiled Testimony and exhibits of Deborah Stein)	13/15
14	T3 (Prefiled Testimony and exhibits of George Schreiber)	16/19
15	H1 (Management's Discussion and Analysis)	29/--
16	H2 (2011 AltaGas Financial Report)	63/64
17		
18		
19		
20		
21		
22		
23		
24		
25		

1 P-R-O-C-E-E-D-I-N-G-S

2 (On record - 9:02 a.m.)

3 THE COURT: Good morning. It's
4 approximately 9:00, May 30th, 2012, in the
5 Commission's hearing room in Anchorage, Alaska.
6 This is the time and place set for the public
7 hearing in the matter of the Application for
8 Authority to Acquire a Controlling Interest in
9 Enstar Natural Gas Company, a Division of SEMCO
10 Energy, Incorporated and Alaska Pipeline Company
11 by AltaGas Limited and AltaGas Utility Holdings
12 U.S., LLC. It's given docket number U-12-005.
13 And in the matter of the Application for
14 Authority to Acquire a Controlling Interest in
15 Cook Inlet Natural Gas Storage Alaska, LLC, by
16 AltaGas Utility Holdings U.S., LLC. It's given
17 docket number U-12-006.

18 Present for this proceeding are
19 commissioners Kate Giard and Robert M. Pickett,
20 commission chair T.W. Patch and commissioners
21 Paul F. Lisankie and Janis Wilson.

22 The hearing in this matter was set at
23 the prehearing conference held on March 30th,
24 2012.

25 Now take appearances on behalf of the

1 parties.

2 MR. SAUPE: Good morning. I'm
3 William Saupe with Ashburn & Mason. I'm here on
4 behalf of Continental Energy Systems, Inc.
5 Continental Energy Systems. With me is the
6 chairman of Continental, Mr. George Schreiber;
7 and Colleen Starring, the president of Enstar, is
8 here. And we thank you for having this hearing
9 on this schedule.

10 THE COURT: Thank you, Mr. Saupe.

11 MR. VEERMAN: Good morning, Judge
12 Wood. Good morning, commissioners. I'm Dick
13 Veerman with the firm of Guess & Rudd, P.C. I'm
14 appearing on behalf of the applicants, AltaGas
15 Limited and AltaGas Utility Holdings U.S., LLC
16 which I'll refer to as AltaGas U.S. as we go
17 forward. Seated to my immediate right is John
18 Lowe. Mr. Lowe is the president of the utility
19 division of AltaGas Limited and he's president of
20 AltaGas Utility U.S. Seated to his right is
21 Deborah Stein, senior vice president/finance and
22 chief financial officer of AltaGas Limited and
23 treasurer of AltaGas U.S. Behind me -- seated
24 behind me is Jared Green. Mr. Green is vice
25 president/controller of AltaGas utility division.

1 And seated to his right is Jillian Phan.
2 Ms. Phan is director of strategic development of
3 AltaGas Utility Division.

4 THE COURT: Thank you, Mr. Veerman.

5 Is anyone hearing an echo as I'm
6 talking? I'm getting a little bit of -- all
7 right. Sounds good.

8 All right. The purpose of today's
9 hearing is to allow the parties to introduce
10 their prefiled testimony into evidence in these
11 dockets and to allow the Commission to ask
12 questions about the applications. I will allow
13 counsel for both parties to present an opening
14 statement. After that we will allow counsel to
15 introduce the testimony of their witnesses into
16 evidence, will allow each witness the opportunity
17 to make a brief statement. We'll then proceed to
18 Commission questions. The Commission will ask
19 questions of the witness as a panel. At the
20 conclusion of the proceeding I will allow counsel
21 the opportunity to make a closing statement.

22 Are there any other preliminary
23 matters or questions to address before we begin?

24 Hearing none, Mr. Veerman, I believe
25 you're up.

1 OPENING STATEMENT

2 MR. VEERMAN: Thank you. Thank you,
3 Your Honor. Good morning, again, Your Honor and
4 Commissioners.

5 These are joint applications of
6 AltaGas and Continental Energy Systems for
7 transfer of control of Enstar Alaska Pipeline
8 Company -- I'll refer to it as APC -- and Cook
9 Inlet Natural Gas Storage Alaska -- I'll refer to
10 it as CINGSA -- from Continental to AltaGas. Now
11 this is a simple transaction involving the sale
12 of all of the stock in SEMCO Holding Company to
13 AltaGas U.S.

14 Even though there are many parties in
15 this area with an interest in the ownership and
16 control of Enstar APC and CINGSA no one opposes
17 these applications. I think it's important to
18 note that. The standard for approval of the
19 applications is whether AltaGas is fit, willing
20 and able to acquire control of Enstar and APC and
21 to acquire a majority interest in CINGSA and
22 whether the proposed transaction is in the public
23 interest. The joint applications and the
24 prefiled testimony of Mr. Lowe and Ms. Stein as
25 well as the audited financial statements of

1 AltaGas Limited show that AltaGas is financially
2 strong and experienced in owning regulated
3 utilities as well as other enterprises in the
4 natural resources and energy industries. For
5 AltaGas this is a long-term investment that is
6 attractive due to the potential for growth of the
7 utilities that are being acquired commensurate
8 with the expected continuing growth of
9 Southcentral Alaska, our growth and development
10 here in this region.

11 AltaGas has the financial resources
12 and the management expertise to support both the
13 current operations and the continuing long-term
14 growth of Enstar APC and CINGSA. AltaGas has
15 gone about the acquisition process in -- fully in
16 the spirit of a long-term investor in utilities
17 that are critically important to Alaska. Mr.
18 Lowe with Mr. Schreiber have traveled to Kenai
19 and to the Mat-Su Valley to meet personally with
20 employees, and they met in Anchorage with
21 interested parties to provide assurances that
22 AltaGas will work cooperatively with other
23 stakeholders to ensure the long-term success of
24 Enstar, APC and CINGSA.

25 In this process of meeting with other

1 stakeholders to work towards solutions to the
2 energy needs of Southcentral Alaska is a process
3 that will continue because cooperative efforts by
4 all concerned will be needed. The time and
5 effort that Mr. Lowe and others from AltaGas
6 together with Mr. Schreiber and Enstar's
7 management team that they put in the meeting with
8 interested stakeholders to explain that this
9 change of ownership will not in any way detract
10 from the local utility's continuing focus upon
11 meeting the requirements of local customers I
12 think goes a long way toward explaining why no
13 one opposes these applications.

14 The local utilities will continue to
15 have access to capital and reasonable terms and
16 they will continue to be well managed and well
17 operated. Enstar's local management team and its
18 operating personnel will not change as a result
19 of this transaction. AltaGas has met with the
20 Enstar employees to provide those assurances.

21 The change in ownership will be
22 seamless from the standpoint of the local
23 utility's employees and also the customers. It's
24 going to be business as usual. The transaction
25 will not result in any increase in utility rates.

1 No acquisition adjustments or transaction-related
2 costs will appear in the utility's revenue
3 requirements.

4 AltaGas is familiar with economic
5 regulation in other jurisdictions and has worked
6 to become familiar with this Commission's
7 statutes and regulations. AltaGas has received
8 the regulatory approval of this transaction from
9 the Michigan Commission. In Michigan, as in
10 Alaska, AltaGas has worked cooperatively with
11 interested parties.

12 This transaction will benefit utility
13 customers. It is especially valuable to have an
14 owner company with the breadth and depth of
15 natural gas and energy-related experience that
16 AltaGas brings to the table at a time when such
17 experience is needed to make wise investments to
18 ensure that Enstar, APC and CINGSA continue to
19 supply the long-term energy needs of Southcentral
20 Alaska.

21 We're pleased to have the opportunity
22 to appear before the Commission and Mr. Lowe and
23 Ms. Stein are prepared to respond to any
24 questions the Commissioners may have about the
25 applications today.

1 Thank you, very much.

2 THE COURT: Thank you, Mr. Veerman.

3 Mr. Saupe.

4 OPENING STATEMENT

5 MR. SAUPE: Good morning, Judge Wood,
6 Commissioners. I'll be very brief on behalf of
7 Continental Energy Systems.

8 I would endorse the statement that
9 Mr. Veerman just made and I would encourage you
10 to please approve the certificate transfer for
11 all of the reasons stated in the applications and
12 in the prefiled testimony. Mr. Schreiber's
13 testimony explains in detail why Continental
14 agreed to this transaction, why it believes that
15 AltaGas is extremely well qualified to own and
16 operate Enstar, APC and CINGSA, and why the
17 transfer of the certificates is in the public
18 interest.

19 I know Mr. Schreiber is eager to
20 answer your questions this morning. And finally
21 I'll just remind you that this is probably the
22 last time you'll have him under oath so this is
23 your opportunity to ask all those hard questions.

24 And that concludes my opening
25 statement. And I think the AltaGas witnesses

1 will present their testimony first.

2 THE COURT: Thank you, Mr. Saupe.

3 And we have premarked for
4 identification purposes the testimony of Mr. Lowe
5 and Ms. Stein. Generally we would have the court
6 reporter bring a copy of the testimony to the
7 witness on the witness stand, however, given the
8 physical arrangements this morning, Counsel, I'll
9 ask you just serially when your witnesses come up
10 to get a copy of the testimony to bring to them.

11 MR. VEERMAN: Okay. What -- what I
12 did I provided our court reporter with a set and
13 the witnesses with a set of the same testimony.
14 Do we need to --

15 THE COURT: We'll -- we'll give them
16 a copy of the official one for the --

17 MR. VEERMAN: Okay. All right.
18 We'll do that. And I'll give the court reporter
19 this set.

20 THE COURT: You'll have to bear with
21 me for a minute, Mr. Veerman, I'm juggling two
22 big notebooks here.

23 MR. VEERMAN: All right. Just as a
24 matter of procedure, Your Honor, do you want to
25 have the witnesses sworn before we introduce the

1 testimony or --

2 THE COURT: Yes, please.

3 MR. VEERMAN: Okay.

4 (Mr. Lowe and Ms. Stein sworn under oath.)

5 THE COURT: And I guess just for the
6 record that was an "I do" from both Mr. Lowe and
7 Ms. Stein so you're both under oath now.

8 MR. VEERMAN: All right. And I'll
9 begin then with Mr. Lowe.

10 EXAMINATION

11 BY MR. VEERMAN:

12 Q Mr. Lowe, do you have before you a copy of
13 the -- of your direct testimony marked for
14 identification as Exhibit T1?

15 A I do.

16 Q And do you have that testimony for docket
17 U-12-005 as well as U-12-006?

18 A I do.

19 Q And is your testimony the same in both
20 those proceedings?

21 A Yes.

22 Q And have you reviewed your testimony
23 before coming here today?

24 A I have.

25 Q Do you have any changes or corrections to

1 make at this time?

2 A No, I don't.

3 Q Do you adopt this testimony as your
4 testimony for purposes of this hearing?

5 A I do.

6 MR. VEERMAN: Your Honor, with that
7 Mr. Lowe is prepared for questioning on his
8 testimony. I don't know if this is the
9 appropriate time to ask for it to be admitted or
10 --

11 THE COURT: Yes, it is.

12 MR. VEERMAN: All right. I'll ask
13 that it be admitted.

14 THE COURT: Any objection, Mr. Saupe?

15 MR. SAUPE: No objection.

16 THE COURT: Didn't think so. T1
17 is -- T1 is admitted into evidence in docket
18 U-12-005. And T1 in docket U-12-006 is likewise
19 admitted into evidence in these proceedings.

20 MR. VEERMAN: Very well. Thank you,
21 Your Honor. I'll proceed to Ms. Stein then.

22 EXAMINATION

23 BY MR. VEERMAN:

24 Q Ms. Stein, do you have before you copies
25 of your prepared direct testimony in the two

1 proceedings, 005 and 006?

2 A It says 005 here so should I have another
3 one that says 006?

4 Q I think you should. And --

5 A I do.

6 Q -- has that testimony been marked for
7 identification as T2?

8 A Yes.

9 Q And in both proceedings?

10 A Yes.

11 Q Very well. And do you have exhibits with
12 your testimony?

13 A I do.

14 Q And could you identify and describe those
15 exhibits please?

16 A So it's the press release dated April 13,
17 2012. Exhibit 3. The financing commitment letter.
18 Final short form perspectives.

19 Q And are those three exhibits the same in
20 both of the testimonies in both dockets?

21 A Yes.

22 Q Now with regard to your testimony have you
23 reviewed it before coming here today?

24 A I have.

25 Q And do you have any changes or corrections

1 to make at this time?

2 A I do not.

3 Q And do you adopt this testimony as your
4 testimony for purposes of this hearing?

5 A I do.

6 Q And the exhibits -- do you adopt the
7 exhibits as exhibits to your testimony for purposes
8 of the hearing?

9 A I do.

10 Q Very well.

11 MR. VEERMAN: And we'll move at this
12 time, Your Honor, for admission of exhibit --
13 testimony T2 and the accompanying exhibits.

14 THE COURT: Any Objection?

15 MR. SAUPE: No.

16 THE COURT: All right. T2, ten pages
17 of testimony and three exhibits, DDS1, DDS2, and
18 DDS3 is admitted into evidence in docket
19 U-12-005. Similarly T2, the premarked testimony
20 of Ms. Stein, ten pages with DDS1, DDS2 and DDS3
21 as exhibits is admitted into evidence in docket
22 U-12-006.

23 And, Mr. Veerman, I'll give you the
24 opportunity to allow Mr. Lowe and Ms. Stein to
25 give a brief statement if -- if you desire before

1 we move on to questioning. Otherwise, I'll go to
2 Mr. Saupe.

3 MR. VEERMAN: I think we're prepared
4 for them to be questioned. They're ready to move
5 on to Mr. Saupe, Your Honor. Thank you.

6 THE COURT: Thank you, Mr. Veerman.
7 Mr. Saupe.

8 And first we'll go ahead and swear in
9 Mr. Schreiber.

10 (Mr. Schreiber sworn under oath.)

11 MR. SAUPE: Just for clarification
12 I'm noticing that his testimony in both 05 and 06
13 is marked T3. Is that the intent or should it be
14 T3 and T4?

15 THE COURT: No, T3 in U-12-005 and
16 also it's T3 in U-12-006.

17 MR. SAUPE: Got it. Okay.

18 THE COURT: Yep. I've got 18 pages
19 and three exhibits in each docket.

20 MR. SAUPE: Good.

21 EXAMINATION

22 BY MR. SAUPE:

23 Q Okay. Mr. Schreiber, do you have before
24 you a copy of your direct testimony marked T3 in
25 docket U-12-005?

1 A I do.

2 Q And you also have similar testimony
3 marked -- also marked T3 in docket number U-12-006?

4 A Yes, I do.

5 Q Okay. Have you reviewed your testimony
6 before coming over here today?

7 A Yes, I have.

8 Q And do you have any changes or corrections
9 that you would like to make?

10 A Yeah. There are three or four typos that
11 we need to correct as it relates to the exhibits --

12 Q Okay.

13 A -- in the body of the testimony.

14 Q All right. And that's in docket 006 only;
15 correct?

16 A That's correct.

17 Q All right. And if you'd turn to page 6 of
18 your testimony in the CINGSA docket 006. And I'm
19 looking at line 10.

20 A Yes.

21 Q Okay.

22 A The --

23 Q Go ahead.

24 A The -- the reference to Exhibit GAS3, the
25 3 should be a 2.

1 Q Okay. And at the bottom of the page on
2 line 22 does a similar change need to be made?

3 A And that would be the same change there as
4 well, that the Exhibit GAS3 should be GAS2.

5 Q And then on the next page up at line 2.

6 A That -- where it says GAS3 on line 2 it
7 should read GAS2.

8 Q Okay. And finally on page 13 up at the
9 top line if you could turn there.

10 A Yes, on exhibit -- on page 13, line 1 the
11 Exhibit GAS2 should read Exhibit GAS3.

12 Q Okay.

13 MR. SAUPE: Just for clarification,
14 GAS1 is his -- Mr. Schreiber's resume. GAS2 is
15 the organizational chart and GAS3 is the Standard
16 and Poor's report on both of the sets of
17 testimony. That should fix it.

18 THE COURT: All right. Thank you,
19 Mr. Saupe.

20 And just for my own clarification as
21 we're introducing the testimony the -- with those
22 corrections is the testimony identical between
23 the two dockets?

24 MR. SAUPE: Yes. Yes.

25 THE COURT: Thank you.

1 Q (By Mr. Saupe) With those corrections,
2 Mr. Schreiber, do you adopt this testimony as your
3 testimony for purposes of this proceeding?

4 A Yes, I do.

5 Q And do you also adopt the exhibits that
6 are attached?

7 A Yes, I do.

8 MR. SAUPE: Mr. Schreiber is
9 available for Commission questioning.

10 THE COURT: Okay. Move it into
11 evidence and -- is there any objection to
12 admitting Mr. Schreiber's testimony into
13 evidence?

14 MR. VEERMAN: No objection.

15 THE COURT: All right. T3 in docket
16 U-12-005, the prefiled testimony of
17 Mr. Schreiber, and T3 in docket U-12-006, the
18 prefiled testimony of Mr. Schreiber in both
19 dockets consists of 18 pages and three exhibits,
20 GAS1, GAS2, and GAS3 is admitted first into
21 docket U-12-005 and then into U-12-006.

22 Does Mr. Schreiber want to say
23 anything before we put him to the question?

24 MR. SCHREIBER: I stand by my
25 testimony and am prepared to answer questions,

1 thank you.

2 THE COURT: Thank you, Mr. Schreiber.

3 All right. I will now turn to the
4 Commission to see if they have any questions.
5 And one moment.

6 COMMISSIONER LISANKIE: Judge Wood,
7 could I just raise a housekeeping question? I
8 noticed that poor Ms. Stein is the only person
9 who doesn't have a microphone directly in front
10 of her. And I know that only one person will be
11 testifying at a time but I was just thinking if
12 we could rearrange it since those darn things are
13 so directional. We found out through hard
14 experience that if you're not speaking directly
15 into it it can be difficult -- oh, thank you. An
16 elegant fix.

17 THE COURT: Mr. Veerman's --

18 COMMISSIONER LISANKIE: It's just
19 suspicious that as the chief financial officer
20 that some of the panel members might have
21 questions relating to the financial documents and
22 Ms. Stein will have her chance to answer them.

23 MS. STEIN: Thank you, Commissioner.

24 THE COURT: Now Mr. Veerman can kick
25 Ms. Stein rather than Mr. Lowe it looks like.

1 All right. I will now turn to the
2 Commission for questions. And I will start with
3 Commissioner Giard.

4 Since we are doing a panel
5 arrangement I'm going to ask everybody to try to
6 please be respectful of each other speaking.
7 Don't try to talk over anyone and let's maybe
8 take a pause before you answer the question so
9 the -- our court reporter can determine who is
10 speaking.

11 With that, Commissioner Giard, do you
12 have any questions for the panel or any
13 individual witness?

14 COMMISSIONER GIARD: I'll start with
15 Mr. Lowe. Welcome to Alaska, sir.

16 MR. LOWE: Thank you.

17 COMMISSIONER GIARD: In reading your
18 MD&A I noticed that in November of 2011 you had
19 75,000 customers. And then you increased it.
20 And now you're going about a year later to
21 536,000 customers. And I -- I'm a little
22 concerned about that rapid growth and I wondered
23 if you could speak a little bit to that issue.

24 MR. LOWE: Sure. The -- we have
25 three wholly owned utilities in Canada, Heritage

1 Gas and AUI in Alberta and then PNG, your
2 neighbor to the south, recently acquired.

3 COMMISSIONER GIARD: Right.

4 MR. LOWE: And that was the increase
5 from 75,000 customers to 115,000 customers. Our
6 model is that the utilities operate on a
7 stand-alone basis. That was the case with PNG
8 and it will be the case with Enstar and SEMCO
9 Michigan. And so it's the same management team,
10 the same staff, the same employees and the same
11 offices performing the same services. So as far
12 as the operations are concerned I don't think
13 that there would be any -- any change in the way
14 service is delivered.

15 And then in terms of a holding
16 company I'm going to be on an airplane a lot more
17 than I used to be, that's for sure. But I don't
18 -- I don't think that the additional customers
19 for these two additional utilities is going to
20 overburden us from a holding company perspective.

21 COMMISSIONER GIARD: So on your
22 testimony at page 10, I'll give you a minute to
23 turn to it.

24 MR. LOWE: I'm there, thanks.

25 COMMISSIONER GIARD: So line 9 you

1 talk about that you're -- that you're not going
2 to be operating these utilities on automatic
3 pilot. And so I'm curious how -- what value
4 added you're going to bring at the holding
5 company level.

6 MR. LOWE: Well, we -- we look at the
7 holding company level at each utility. And each
8 utility has its own challenges and its own
9 strengths. And what we try to do is, to the
10 extent we can, add value and try to increase the
11 ability of the utilities to respond to changes
12 we'll do that. It -- you know, you look at
13 Atlantic Canada, the Heritage Gas utility, it's a
14 green field operation started out in 2003. There
15 was no natural gas in Nova Scotia before then.
16 And it has a set of challenges which is different
17 than, for example, AUI which is a 1957 vintage
18 utility. That's quite old by Canadian standards.
19 About the same vintage as Enstar up here. But
20 it's a more mature operation. And it has a -- it
21 has a different approach and focus than the --
22 the Nova Scotia utility. And B.C. is, again,
23 about a 1960 vintage utility. A little -- a
24 little more mature but it has the growth of LNG
25 and tying in producers in the Montney. So we

1 look at each utility and try to make them
2 operationally better if we can, build on their
3 strengths if we can. And that's what we would do
4 with Enstar and SEMCO Michigan as well.

5 COMMISSIONER GIARD: Are you looking
6 at consolidating management information systems
7 or -- or is that a question for your CFO?

8 MR. LOWE: Well, there's nothing like
9 that in the works.

10 COMMISSIONER GIARD: Okay.

11 MR. LOWE: As I say, it's a
12 stand-alone model is the way we're approaching
13 this.

14 COMMISSIONER GIARD: Okay.
15 Wonderful.

16 So how do you allocate capital needs
17 between the utilities at the holding company
18 level? You have multiple utilities across five
19 or six thousand miles. How do you determine on
20 the annual basis how you're going to plan for
21 your capital needs?

22 MR. LOWE: Well, each -- we do a
23 five-year plan. And, you know, it's refreshed
24 every five years. And then there's also a
25 capital budget process which each of the

1 utilities goes through.

2 COMMISSIONER GIARD: Okay. So ML&P
3 was wondering about a capital improvement plan
4 for the Enstar CINGSA. And I imagine you need a
5 little time to work that in, but you should be
6 working it in right now probably. As soon as the
7 transaction closes you'll be thinking about that
8 or you've already thought about that?

9 MR. LOWE: Well, we've thought about
10 it but we will -- we don't want to be too
11 presumptuous and we will wait for approval --

12 COMMISSIONER GIARD: Okay.

13 MR. LOWE: -- before we can --

14 COMMISSIONER GIARD: All right.

15 MR. LOWE: -- make any definitive
16 plans.

17 COMMISSIONER GIARD: And is your
18 capital improvement plan is it by operating
19 segment, do you do it by utility? How would you
20 -- how would you allocate that out so we would be
21 able to someday take a look at that and make sure
22 that Alaska is getting its fair share?

23 MR. LOWE: Well, it -- perhaps
24 Ms. Stein could --

25 COMMISSIONER GIARD: Okay.

1 MR. LOWE: -- answer this. But
2 it's -- it's a publicly reported company. It's
3 -- all of its filings are available on SEDAR
4 which is our equivalent of EDGAR. So there's
5 lots of visibility on which segments of the
6 business are providing what types of service,
7 what kinds of capital improvements and -- Debbie,
8 is there anything that you could add to that?

9 MS. STEIN: On that -- on that
10 particular issue on a day-to-day basis we
11 allocate capital at an asset level. We are an
12 asset-intensive organization so we spend a lot of
13 time making sure that our assets are maintaining
14 -- we're maintaining our assets' integrity and
15 make sure that we're not compromising safety and
16 reliability. So that's job number 1. Then when
17 it comes to allocating capital for growth we,
18 like any other shareholder, would allocate
19 capital based on appropriate hurdle rates and all
20 of those typical finance theory sort of capital
21 allocation models.

22 So that's how we would do it on the
23 -- you know, to give the Commission comfort that
24 we are allocating capital appropriately so that
25 we're not compromising safety and we are meeting

1 the needs of our customers across all of our
2 businesses and not compromising safety across all
3 of our assets.

4 I do want to go back to the value add
5 question in terms of holding company. We
6 actually have a lot of regulatory expertise at
7 our board level at AltaGas, Ltd. And I believe
8 we have shared those bios with you. So we bring
9 -- we bring a significant slate of
10 well-experienced individuals, not -- not just at
11 the utilities which are stand-alone and well run
12 but between our executive team and our board. We
13 believe we bring significant value to all of our
14 utilities by having more than one. There are
15 things that each utility can learn from each
16 other. We're very mindful of, you know, having
17 -- having many utilities. We have to -- we have
18 to keep many masters happy with respect to how
19 capital is allocated and how we're managing each
20 utility is on a stand-alone basis. But in terms
21 of management's time we -- we allocate a lot of
22 -- a lot of effort on capital to make sure that
23 all of our businesses are well run.

24 COMMISSIONER GIARD: May I ask a
25 question then: On your utility investments that

1 you make and in the allocation of capital between
2 them, multitude of businesses that you have, are
3 the returns for the utility capital investments,
4 do they have to go against returns for your gas
5 business in order to attract capital from the
6 board?

7 MS. STEIN: I wouldn't say they have
8 to go against them. We look at each -- each
9 business, and as a matter of fact, each
10 transaction that comes before us with respect to
11 the hurdle rates vary differently. Capital gets
12 allocated based on risk/reward just like, you
13 know, any -- any other organization. So if we
14 look for higher returns in one of our other
15 businesses it's probably because it comes with
16 higher risk. So it does not have to compete or
17 butt up against that higher rate because at the
18 regulated -- regulated utility business the risk
19 is probably lower. So we look at how we allocate
20 capital by balancing risk and reward.

21 COMMISSIONER GIARD: And I read in
22 the MD&A that utilities are expected to
23 contribute 40 percent of your EBITDA; was that
24 correct?

25 MS. STEIN: Which MD&A, as of Q1 or

1 last year?

2 COMMISSIONER GIARD: The draft 4.6 I
3 think it was that you filed with us.

4 MS. STEIN: Sorry. So would that be
5 --

6 THE COURT: It's the 2011
7 management's discussion and analysis.

8 MS. STEIN: Okay. I just want to
9 make sure I'm reading the -- looking at the right
10 -- the right document. Pardon me.

11 THE COURT: And we should probably go
12 ahead and mark that as an exhibit, Mr. Veerman.

13 MR. VEERMAN: Okay. Identify it --

14 MS. STEIN: Commissioner Giard, can
15 you --

16 COMMISSIONER GIARD: I'm going to
17 pull it up right now. It'll take me just about
18 as long as it'll take you.

19 MR. VEERMAN: It's the management's
20 discussion and analysis, we have that right here.

21 COMMISSIONER GIARD: Bob, can I
22 borrow yours?

23 THE COURT: It's the copy that you
24 filed on March 30th, 2012.

25 We're going to go ahead and mark that

1 as a hearing exhibit. And this will be marked as
2 H1.

3 MS. STEIN: These are the --
4 Mr. Veerman, these are the financial statements
5 not the MD&A. So this is what I'm --

6 MR. VEERMAN: This is -- this is the
7 MD&A.

8 MS. STEIN: Yes.

9 MR. VEERMAN: And they just marked
10 that as H1.

11 THE COURT: So I'm marking for
12 identification purposes as H1, a document with
13 the title of management's discussion and
14 analysis. Down in the bottom right hand corner
15 of the first page it says AltaGas, Ltd-2011 draft
16 4.6 page 1. I've got pages 1 through 55. And
17 one moment.

18 COMMISSIONER LISANKIE: Judge Wood,
19 again on housekeeping, I just handed Commissioner
20 Giard a copy that I had which I don't think
21 necessarily corresponds a lot -- is page by page
22 with what's been previously submitted. And I
23 think it might be because we asked the utilities
24 to file something before it was finalized. And
25 --

1 MS. STEIN: Right.

2 COMMISSIONER LISANKIE: -- our staff
3 has given us I think your finalized file 2011
4 financials. So --

5 COMMISSIONER GIARD: Right. It's
6 page 8 of the MD&A that was filed, 2011 financial
7 reports. It says consolidated outlook.

8 MS. STEIN: I have it here,
9 Commissioner.

10 COMMISSIONER GIARD: Okay.

11 COMMISSIONER LISANKIE: So however we
12 deal with that -- I just didn't want to take us
13 down into a pagination rabbit hole. I was trying
14 to be helpful but then it dawned on me as I
15 looked at Commissioner Wilson's version of the
16 earlier one that I'm not sure it's on exactly the
17 same page. So I just thought maybe -- call that
18 question right now.

19 THE COURT: Thank you, Commissioner
20 Lisankie. I jumped the gun on H1 and we'll just
21 strike that discussion I think.

22 So we are referring to the
23 management's discussion and analysis that's in
24 AltaGas' -- maybe you can just tell me what this
25 is, Ms. Stein, and that'll --

1 MS. STEIN: Sorry. In the -- in the
2 AltaGas financial report.

3 THE COURT: Do you have copies of
4 that, Mr. Veerman?

5 MR. VEERMAN: I have copies but we
6 just marked a copy, the one we filed. But
7 subsequent to the one, no.

8 THE COURT: So if you could just
9 clearly describe what the document is and the
10 page you're referring to this time.

11 MS. STEIN: It is the 2011 AltaGas
12 financial report of AltaGas, Ltd.

13 COMMISSIONER GIARD: Thank you, very
14 much Commissioner Lisankie. I would've taken us
15 down a rabbit hole on the draft version.

16 But on page 8 is where the statement
17 is that the utility business is expected to
18 contribute approximately 40 percent of AltaGas's
19 EBITDA.

20 MS. STEIN: Correct.

21 COMMISSIONER GIARD: So when I read
22 that respective statement and I look at the
23 allocation of capital I would like you to just
24 kind of talk to me about that relationship.

25 MS. STEIN: Sorry, which

1 relationship?

2 COMMISSIONER GIARD: The relationship
3 between the capital -- the potential amount of
4 capital going to the utilities for investment and
5 safety versus the contribution to EBITDA.

6 MS. STEIN: Okay. Currently without
7 spending a lot of time on our investor relations
8 and our strategic plan I will say that the -- the
9 capital that is currently being anticipated to be
10 spent for the utility business supports the needs
11 of the business. We will be presenting our
12 strategic plan to our board next week. And in
13 that plan there is -- on an annual basis we
14 expect all of our utilities to spend. And that's
15 based on the plan based on what the presidents
16 have all -- have all supported or submitted up to
17 corporate, about \$100 million on an annual basis
18 outside of any of our big growth projects. So
19 today there's lots of growth capital that we're
20 spending between 2012 and 2014. And after 2014
21 right now the utility segment is actually the
22 only -- the only segment that has actually been
23 pre-allocated capital.

24 COMMISSIONER GIARD: Okay. And how
25 does that -- do you know how that spend compares

1 to the combined SEMCO spend?

2 MS. STEIN: It's about 50 percent of
3 it.

4 COMMISSIONER GIARD: It's 50 percent
5 of the SEMCO spend?

6 MS. STEIN: Yes.

7 COMMISSIONER GIARD: Okay. Does that
8 exclude further investments in CINGSA or --

9 MS. STEIN: It does.

10 COMMISSIONER GIARD: Okay. So that
11 is your -- \$100 million is maintenance and safety
12 issues?

13 MS. STEIN: And -- and -- and meeting
14 our customers' needs.

15 COMMISSIONER GIARD: Okay. So that's
16 --

17 MS. STEIN: Organic -- organic-grade
18 base growth.

19 COMMISSIONER GIARD: As I understand
20 it that money then doesn't have to compete with
21 your hurdle rate for growth money?

22 MS. STEIN: Right.

23 COMMISSIONER GIARD: So another, for
24 example, gas storage facility in Cook Inlet would
25 be required to compete against the hurdle rate of

1 your other businesses?

2 MS. STEIN: It would be evaluated
3 against other -- other projects and managed with
4 risk/reward.

5 COMMISSIONER GIARD: Okay. I
6 understand. Thank you.

7 I don't want to -- I have other
8 questions but I think it's probably a good idea
9 to pause and let other commissioners -- I can't
10 wait for Mr. Schreiber. My last opportunity,
11 we've had such a long history together.

12 THE COURT: Thank you, Commissioner
13 Giard.

14 Commissioner Pickett, do you have any
15 questions?

16 COMMISSIONER PICKETT: I will
17 probably do mine in phases also. But I think my
18 first question should be directed to Mr. Lowe.

19 I appreciate the fact you're up here
20 and I would like to understand your business. It
21 appears to be a very well-diversified utility,
22 gas transmission. And where I'm not particularly
23 clear is it sounds like you get to the gathering
24 field level, so does your activity stop at the
25 wellhead? Is that sort of how your division is?

1 MR. LOWE: That's right. We don't
2 engage in exploration and production.

3 COMMISSIONER PICKETT: Okay. But you
4 have been quite involved with storage?

5 MR. LOWE: Yes.

6 COMMISSIONER PICKETT: Have you
7 explored the LNG aspect of things in terms of
8 either -- I realize Canada, you just recently
9 have approved the Kitimat facility, so sometime
10 in the next few years that'll probably be coming
11 on. Is that something that AltaGas has interest
12 or involvement with?

13 MR. LOWE: Yeah, our Pacific Northern
14 Gas in British Columbia, the management team
15 there actually developed the Pacific Trails
16 Pipeline which is going to be the pipeline supply
17 for an LNG export facility in Kitimat. And they
18 also have a customer using existing capacity LNG
19 partners which is a small-scale LNG export
20 facility which is being built while in Houston
21 and then barged up to Kitimat. So they're right
22 in the middle of that whole LNG commotion down
23 there.

24 COMMISSIONER PICKETT: Okay. It is
25 somewhat a controversial issue in Alaska but it's

1 one of those things that given the current state
2 of the legacy fields in Cook Inlet -- and I'm
3 sure that through your vetting process and due
4 diligence you're well aware from Mr. Schreiber
5 and the Enstar management of the challenges we're
6 facing in the immediate future here. And at some
7 point decisions will need to be made as to
8 whether to proceed for some period of time down
9 that path. And we've had the electric utilities
10 in here sharing their concerns in a variety of
11 public meetings. And I think the concerns that
12 the Commission has is just a lot of the timing
13 issues and sort of how something of this nature
14 would be presented to the Commission. We had to
15 act on a very expedited schedule for the CINGSA
16 project. And I think it's probably all of our
17 hope is if this is something that is going to be
18 happening to keep the Commission as informed as
19 possible and just be cognizant that when we are
20 faced with filings of the type we've never dealt
21 with before timing is quite important.

22 This is a very different market than
23 what you're used to in Canada. In my four years
24 on NARUC's natural gas committee I've had the
25 pleasure of getting to know Chairman Caron quite

1 well. And he recruited me for a panel at a
2 presentation a few years ago. And does speak
3 quite highly of AltaGas as a well-regarded and
4 respected company in Alberta and Canada.

5 But just in terms of, you know, how
6 you're seeing it you're going to have to kind of
7 hit the ground running I guess. And -- because
8 the local management, if I'm understanding you,
9 will consider in their day-to-day operations
10 negotiating natural gas supply agreements for the
11 utility. But I do think Commissioner Giard's
12 line of questioning was hitting on some pretty
13 important things. With the spectrum of
14 activities that AltaGas is involved with, your
15 hurdle rates are going to be very, very different
16 depending on the types of project. And I'm
17 presuming when you evaluate, say, storage kind of
18 capital expenditures they will be viewed with an
19 eye to other AltaGas storage projects either in
20 Michigan or Canada. When you get into, say, the
21 LNG-type issue, I'm not -- do you have any
22 thoughts on that?

23 MR. LOWE: Well, on -- we are
24 familiar with the situation in Cook Inlet in
25 declining production. And we've thought about

1 what the solutions could be. And I think CINGSA
2 is part of the solution and a success story of
3 the Commission being able to work quickly and all
4 the stakeholders pulling together for something
5 that makes a lot of sense. The prospect of CNG
6 or LNG -- I say compressed natural gas shipping
7 or liquefied natural gas shipping -- to meet
8 perhaps as a temporary measure between the time
9 the bullet line might be built for example or
10 when other production of Cook Inlet comes online.
11 That's something we've thought about and we've
12 looked at. It's 850 nautical miles from Prince
13 Rupert up to Anchorage, and that's within the
14 sweet spot of LNG shipping and CNG shipping, and
15 could be even more economic as a way to deliver
16 volumes.

17 These are early days. And this is
18 clearly something that Enstar and all of the
19 stakeholders, the utilities would need to work
20 together on with you. What I think we bring to
21 the table is we -- we deal with producers all the
22 time in our business. We have contracts with
23 over 300 producers. Calgary is an energy town,
24 it's kind of like Houston north. And it's in our
25 blood. We also have, as Debbie said, our board.

1 And it's in Exhibit K in the application. You
2 can go through the short biographies of the board
3 members. And they're energy and utility
4 businesses all the way. So there's a lot of
5 institutional knowledge of the company.

6 And then I think the proximity of our
7 Pacific Northern Gas Utility might be another
8 synergy that could help.

9 But these are early days. And I
10 absolutely hear what you're saying about, you
11 know, not confronting you with filings at the
12 last minute. We'll want to -- we'll want to work
13 together with you and communication is important
14 to us.

15 COMMISSIONER PICKETT: I think it's
16 fair to say that we in Alaska are quite envious
17 of the rather robust market you do have with
18 producers and suppliers just in the support
19 industry in Canada.

20 In Cook Inlet we're sort of going the
21 other direction in that with the recent
22 acquisition of Marathon's assets by Hill Corp.
23 And Hill Corp is a -- by all reports I've seen a
24 very well regarded and aggressive smaller
25 producer of -- with what it's done in the Gulf.

1 And -- but the fact is Enstar will have with the
2 current contracts a 90 percent-plus dependency
3 after the acquisition process is completed with
4 one supplier. And I -- there is no easy button
5 to deal with that. That's just, you know, what
6 -- sort of what the lay of the land is right now.
7 Hopefully with some of the smaller producers
8 getting into it and Apache's picked up a bunch of
9 leases and -- there are a lot of positive things
10 happening. But, again, it sort of gets into this
11 timing sort of issue. So hopefully your outreach
12 to Hill Corp. is well underway and you'll be
13 making movement on there.

14 I'd like to turn to Ms. Stein for a
15 couple of questions here. I cannot claim to be
16 any sort of an expert with regard to how
17 regulation actually works in Canada, particularly
18 the division between the National Energy Board
19 and provincial authorities. And I can see some
20 similarities between, like, the FERC and the RCA.
21 But it does appear there's some fairly
22 significant differences also. You know, your
23 terminology's different. When it comes to
24 pipelines you hear a lot about tolls, traffic
25 this kind of stuff.

1 So would you care to address that in
2 your researching or regulatory regime versus what
3 you're used to operating under in Canada and sort
4 of how that -- you got a little taste of U.S.
5 regulation in Michigan so --

6 MS. STEIN: Do you want to take that
7 one, John? I think you should. Sorry,
8 Commissioner.

9 COMMISSIONER PICKETT: That's fine.

10 MR. LOWE: I'll just chime in. I see
11 the regulatory regimes in British Columbia,
12 Alberta and Nova Scotia as quite similar to the
13 U.S. public utility regulation. And I think that
14 the legislative genesis of these statutes is the
15 Federal Power Commission Act. And that kind of
16 got transposed into the Railway Act in Canada and
17 the National Energy Board Act and then branched
18 out into the various province. And so the
19 regulatory compact as we understand it and the
20 requirement for just and reasonable rates and no
21 discrimination, those are quite similar across
22 Canada and the U.S. In fact, sometimes the
23 differences from province to province or state to
24 state can be no different than the differences
25 between the countries looking -- looking broadly.

1 So I don't think there's -- there's
2 much of a difference. We've looked at your
3 statute. We've looked at your decisions. We've
4 had Mr. Veerman help us understand the way things
5 work up here. And there's some differences but
6 it's -- it feels like home to us. It's very
7 close to what we're used to.

8 COMMISSIONER PICKETT: Okay. And one
9 final question -- I do believe this'll be
10 addressed to Ms. Stein -- is: In reading through
11 the materials that have been filed with us it
12 does appear that AltaGas uses hedging as a form
13 of -- and I'm not sure how extensive that is in
14 terms of financial hedges or actual physical
15 hedges and this type of thing. We, couple of
16 years ago, were petitioned to consider opening a
17 hedging rule making docket. And after looking at
18 that and circumstances we're looking at up here
19 we declined to do it at this point in time. So I
20 guess my question is: Do you hedge primarily at
21 the holding company level or does it get down to
22 the individual utility operations, or just how do
23 you and how extensively do you use hedging?

24 MS. STEIN: We use hedging to
25 mitigate the impact of commodity price

1 volatility. We don't speculate. So we don't
2 keep open positions. Our hedging activity is
3 mostly in our power business and in our
4 processing business to the extent that we are
5 exposed to frac spreads. And frac spreads, as
6 you may know, is the difference between liquids
7 and natural gas if this is the frac spread.

8 It is done primarily at the holding
9 company level. All of our hedges actually sit at
10 the Ltd. level because that's where your
11 counter-parties are looking for credit guarantees
12 when you are undertaking hedging activity. So it
13 really -- when we --

14 If you look at our financial reports,
15 and I'm sure Commissioner Giard has looked at
16 this, you'll see that when we report our hedge
17 gains and losses we actually do it at the
18 corporate segment level. We do not push those
19 hedge gains and losses down to the business level
20 because that's not how we look at how -- that's
21 not how we look at what's going on in the
22 underlying assets. So we use hedging at the
23 corporate level. That allows us to be able to go
24 out to the marketplace and say, you know, AltaGas
25 manages its whatever exposure we have to

1 commodities. We manage it in a manner that
2 allows us to say to the shareholders, we're
3 providing stable earnings, which is really our
4 value proposition to our shareholders.

5 COMMISSIONER PICKETT: Okay. Thank
6 you. That's all I have right now.

7 THE COURT: Thank you, Commissioner
8 Pickett.

9 Commission Lisankie.

10 COMMISSIONER LISANKIE: I guess I
11 need to be a chairman someday so I get skipped
12 over.

13 Mr. Lowe, it's nice to see you,
14 again. We met briefly once before. And,
15 Ms. Stein, it's nice to meet you from a distance
16 here.

17 I guess I just want to ask a few
18 questions that have to do with planning without,
19 as you say, forcing you to get ahead of the
20 question which I'm compelled to note for myself
21 is whether you -- we transfer control over our
22 local utilities to you. And so I agree with you
23 that there's only so much that we can expect you
24 to be doing without looking presumptuous.

25 So I just wanted to test back. There

1 was -- as Commissioner Giard noted there was an
2 initial comment filed by Municipal Light and
3 Power. And it -- I think it -- it set out in
4 broad strokes some of the concerns that you're
5 hearing from this dais. And I can only imagine
6 that our situation up here is somewhat different
7 than the situation that you faced in Michigan.
8 And consequently that the type of questions
9 you're getting from us are a little less oriented
10 towards the specifics of the -- of the
11 proposition that you're sponsoring and veering
12 off a little bit into "What are you going to do;
13 what are you going to do?"

14 But I just want to test back. In
15 reading your comments -- your reply to the
16 comments, my sense was that you were saying --
17 and I guess I would agree with this -- that we
18 know that there are planning challenges. There
19 are so many planning challenges that they're
20 difficult to address succinctly until some of the
21 questions go either left or they go right. I
22 mean, there are so many questions that it would
23 be difficult for anybody to say I have an answer
24 to your numerous questions. But the sense I was
25 getting is that not that you don't plan ahead but

1 that it was just premature at this point to try
2 and address a plan. Is my sense correct? Is
3 that what you were intending to portray to us and
4 to the commenter?

5 MR. LOWE: Yes, I believe that you've
6 got to get ahead of gas supply, and you've got
7 to -- you've got to plan for it and you've got to
8 execute on that plan. And I think that there --
9 this will be something that will turn our
10 attention to full force if we receive approval.

11 The -- and I can't claim here to have
12 the answer or even know what all the moving parts
13 are or what has to be done, but it -- I think it
14 starts with outlining all of the options that are
15 available, what the timing parameters are for
16 each option and how to pursue each option which
17 is going to get the best result for customers.
18 And trying to get -- forge a consensus among all
19 the stakeholders, because it's not just Enstar,
20 it's the other utilities as well and it's -- you
21 know, it's other producers, it's -- it's the
22 Commission.

23 And one -- and this is stepping out
24 into more presumption but one thing I would hope
25 that we could avoid is this paralysis by analysis

1 that can happen when you've got a problem which
2 has a lot of moving parts to it. And -- and it's
3 sometimes -- it's said the best is the enemy of
4 the good. And trying to plan for the best
5 outcome can kind of stop you from pursuing
6 something that's reasonable and that you can
7 achieve quickly. Now that's -- and that's --
8 that's just a personal observation I have. And I
9 think it -- it gets back to the point that you've
10 got to get ahead of gas supply. Got to move
11 quickly on it. And we will -- we will be there.
12 We'll do our best.

13 COMMISSIONER LISANKIE: That's
14 certainly a good answer. One that I'm hoping to
15 help you with if we approve your acquisition.

16 But just -- just on the nutsy-boltsy
17 side of things, I've only been on this Commission
18 for a little over three years. And in regard to
19 gas because it's so integral to the other
20 utilities since -- like our electric utilities
21 are gas oriented for fuel. I guess that's -- I
22 haven't had a chance to take a deep breath in
23 three years. And I'm sure that Mr. Schreiber and
24 Ms. Starring and Mr. Dieckgraeff haven't -- I
25 mean, they've probably been breathing deeply for

1 different reasons. It seems like it's been a
2 very, very active time here in Cook Inlet for
3 everything that's related to the use of natural
4 gas. And I guess I want to hear you say out loud
5 that you're very well aware of that and that you
6 institutionally as a company going up the chain
7 of Alta are aware of the fact that -- I kind of
8 sit on pins and needles when it comes to the gas
9 industry in Cook Inlet right now.

10 MR. LOWE: Yeah, this was -- gas
11 supply at Cook Inlet was a fundamental issue in
12 our investment decision. And we walked around it
13 for quite a while and tried to comfort ourselves
14 that there was an answer, there is a solution
15 that we can participate in because that's the
16 heart of the investment. So we were very
17 concerned about it. And I don't mean concerned
18 in that we don't think there's a solution, we
19 think there is, but we're very committed to
20 solving this problem. I can't say that we're as
21 committed as you are who bear the public interest
22 but our attention is there a hundred percent.

23 COMMISSIONER LISANKIE: Okay. And I
24 would just like to hear you say out loud that
25 you're aware, my words, I don't impugn anybody

1 else with this, but there are political interests
2 at play as far as what gas is developed, what gas
3 is shipped, who does it. And I -- I'm sure that
4 before you made the commitment, this acquisition,
5 that you apprise yourselves of that, in terms of
6 Alaska I'm talking about.

7 MR. LOWE: To the best -- the best we
8 were able to and we had some talented people
9 helping us, we did.

10 COMMISSIONER LISANKIE: Okay. The
11 reason I bring that up is because interestingly
12 when you say that sometimes the best is the enemy
13 of the good I certainly understand that, but I
14 just want to make sure that we both are
15 understanding that sometimes neither the best nor
16 the good are the one that's being pushed.

17 MR. LOWE: Reminds me of a Clint
18 Eastwood movie. The -- not to get into spaghetti
19 westerns but the -- it -- I think this is the
20 dynamic of a complex situation where you have a
21 bunch of people with different interests. And
22 it's -- you know, you need to make some
23 compromises, you need to always push forward
24 with -- with what is the right answer and what is
25 the achievable and practical answer. And the

1 rest -- the political motivations and the
2 economic motivations that people have, you've got
3 to work through those. I don't think there's any
4 stock way of solving those problems. You just
5 have to be aware of them and work through them.

6 COMMISSIONER LISANKIE: Right. No, I
7 tend to agree with you. It's -- I'll settle for
8 awareness. And like I said, I can only assume
9 that that was part of your calculus because we do
10 live in a real world. We don't live in a
11 theoretical world.

12 And anyhow I was going to ask
13 Ms. Stein this but in looking over your CV I
14 think that you probably qualify for kind of a
15 black belt in regulatory law which of course is
16 --

17 MR. LOWE: You say that like it's a
18 good thing.

19 COMMISSIONER LISANKIE: Well, I was
20 going to say as a lawyer I'm probably -- you
21 know, we have -- we have several lawyers at the
22 dais here which is somewhat unusual. And we're
23 probably the only people that do see that as a
24 good thing.

25 I just wanted to ask you following up

1 on what Commissioner Pickett was saying about
2 returns. My sense is that in Canada there's been
3 some movement to kind of box up a
4 one-size-fits-all return on equity, and then less
5 of a case-centric focus on that. Is that -- is
6 that correct? Is that still going on?

7 MR. LOWE: Yeah, the -- refer to it
8 as generic cost of capital. And you set a base
9 level of return on capital structure and then
10 maybe do some adjustments along the way. We've
11 had many hearings on that in Alberta and we had
12 one rate of return expert from the U.S., Phil
13 VanDerWage, who said, look, it's really not that
14 hard to do rate of return for an individual
15 company. In the U.S. we do a couple of days and
16 that'll deal with rate of return and is it really
17 worth the complexity of trying to get this God in
18 the machine generic cost of capital formula which
19 tends to break down over time anyway. So, yes,
20 that's something that -- generic cost of capital
21 is something that you see in Canada, it's not in
22 every jurisdiction. And it's been -- it's had
23 mixed success I would say.

24 COMMISSIONER LISANKIE: I think I may
25 have a few more questions after I reflect for a

1 moment. But at this point I'd just like to,
2 again, welcome you and pass the question stick.

3 THE COURT: Thank you, Commissioner
4 Lisankie.

5 Commissioner Wilson?

6 COMMISSIONER WILSON: I take it that
7 we're not going to ask Mr. Schreiber anything
8 until we go back to Commissioner Giard.

9 THE COURT: Since he's escaped so far
10 that's my intention to finish up Mr. Lowe and
11 Ms. Stein, take a brief break, come back with any
12 questions we might have for them and move on to
13 Mr. Schreiber.

14 COMMISSIONER WILSON: Good morning,
15 Ms. Stein.

16 MS. STEIN: Good morning.

17 COMMISSIONER WILSON: Good morning,
18 Mr. Lowe.

19 I assume that in your due diligence
20 you have discovered that Enstar and its
21 predecessors over the years has had a very good
22 reputation in this state for bringing projects in
23 on budget or underbudget and on time or before
24 time. And I want to make sure that you take note
25 of that and that I can have some assurance for

1 you that that wonderful aspect of Enstar will
2 continue under your rule.

3 MR. LOWE: Well, I would say that we
4 -- we did recognize that and I think that
5 CINGSA's the most recent example of Enstar's
6 ability to execute. That's something that we try
7 to do in all our lines of business and in our
8 utilities as well. So we admire what Enstar's
9 done and we'll certainly try to ensure that it
10 continues. And -- and we could learn a few
11 things for our own projects in Canada as well.

12 COMMISSIONER WILSON: Good. So I
13 hope you'll be listening to Mr. Slaughter and
14 Ms. Starring and Mr. Dieckgraeff and the other
15 people that have run Enstar so well over the
16 years when you -- when you start to take over if
17 in fact we do approve the transfer.

18 MR. LOWE: Absolutely.

19 COMMISSIONER WILSON: And Enstar has
20 also had a good reputation working with our
21 finance staff and our engineering staff and also
22 with our consumer protection staff and I want you
23 to be aware of that. And I want you to make sure
24 that you understand how that's happened over the
25 years and try to also continue with that good

1 aspect of the Enstar -- that they have had a good
2 relationship with us. I have been involved with
3 regulation at this Commission as Mr. Mason knows.
4 Mr. Mason was not introduced earlier, but
5 Mr. Mason has had a good long involvement with
6 Enstar's relationship with the Commission over
7 the years. And I just want to make sure that
8 that continues.

9 MR. LOWE: We -- we certainly expect
10 that it will and we'd like to be part of the
11 communication as well.

12 COMMISSIONER WILSON: So I think
13 Alaska and Canada have a very great affinity for
14 each other. And I think it's probably a good
15 match for Canadians to have something to do with
16 Alaska in this aspect. And I -- however, you are
17 not under U.S. law so I guess one of the
18 hesitations that we have is to make sure that the
19 fact that you are Canadian and governed under
20 Canadian law is not something that ends up
21 being -- not benefiting us. So I'm personally
22 not familiar with Canadian regulation at all.
23 And I think you've assured us that it's very
24 similar in the previous questions. And you
25 talked about the fact that you're a publicly --

1 you have public disclosure within Canada. And,
2 you know, we're familiar of course with the EDGAR
3 system but you mentioned there is some other
4 system that you -- that we can access your
5 information with in Canada. So I would just like
6 you to talk a little bit more about that.

7 MR. LOWE: Maybe I'll pass that over
8 to Ms. Stein who's more familiar with financial
9 matters.

10 MS. STEIN: So on our financial
11 reporting requirements the regulations are not
12 very dissimilar from the United States. We have
13 the requirement to -- to disclose to our
14 shareholders everything that's material, fair and
15 open disclosure. And so we -- we do our best to
16 communicate effectively to all readers of our
17 financial disclosure. We do have a -- a filing
18 system similar to EDGAR, it's called SEDAR. And
19 I know they told me yesterday what the letters
20 stand for but I'm not sure I would remember it
21 now. It's -- I can't remember what -- oh, System
22 of Electronic Delivery and Review -- Analysis and
23 Review. Something like that. But it is -- it is
24 very similar to the -- to the EDGAR filings.

25 Our securities commission, you may or

1 may not be aware, we do not have a national
2 securities commission the way you have the SEC in
3 the U.S. We have provincial securities
4 commissions. There's been lots of dialogue over
5 many, many years of moving to a federal
6 securities commission, that's not really a move
7 forward. But all of the disclosures by each of
8 the provincial commissions that govern the
9 business of AltaGas have very similar reporting
10 obligations. And, you know, even -- even without
11 the commissions telling us what to say the bottom
12 line is we -- we take our -- our corporate
13 governance and our accountability to our
14 shareholders and our customers and our employees
15 quite seriously. So where we can without
16 disclosing, you know, competitive information and
17 things like that we -- we try to be as open -- as
18 open as we can in our financial disclosure.

19 COMMISSIONER WILSON: So what
20 provinces do govern your securities?

21 MS. STEIN: Well, each province has a
22 commission. But we're -- we are across the board
23 so we -- we would -- we would have to comply with
24 --

25 COMMISSIONER WILSON: So you would

1 register your securities with all the Canadian
2 provinces?

3 MS. STEIN: Yes. Yes. Including --
4 you know, including Quebec so all of our
5 documents have to be translated into French.

6 COMMISSIONER WILSON: And I noticed
7 that in your subscription receipt prospectus you
8 do not distribute in the United States.

9 MS. STEIN: We do not.

10 COMMISSIONER WILSON: So --

11 MS. STEIN: Well, no, we do
12 distribute. We can sell in the United States.
13 We are not listed on the New York Stock Exchange.
14 So we have U.S. shareholders who can -- who can
15 buy our securities. We just -- we -- we're just
16 not on the New York Stock Exchange. So we're not
17 registered with the SEC.

18 COMMISSIONER WILSON: So you're on
19 the Toronto stock exchange?

20 MS. STEIN: Correct.

21 COMMISSIONER WILSON: And I'm not
22 familiar with their rules either, but I assume
23 they have similar rules to the United States
24 stock exchanges.

25 MS. STEIN: Yes.

1 COMMISSIONER WILSON: Now on another
2 subject, back to gas supply. This would be for
3 Mr. Lowe. We have not had any talk in this state
4 that I've heard, and maybe it's just that I don't
5 get out that much, but about the possibility of
6 CNG as opposed to LNG as a short-term solution to
7 our gas supply shortage in the near term. So I'm
8 wondering whether you could expand on that,
9 that'll --

10 MR. LOWE: Sure. I'll try. The LNG
11 involves the phase change, the liquefaction of
12 natural gas. You chill it down to 160 degrees
13 and compress the natural gas by a factor of 600.

14 COMMISSIONER WILSON: And therefore
15 is more expensive than the other?

16 MR. LOWE: That's -- that's exactly
17 right. And with CNG you would compress the
18 natural gas to 3,000 pounds per square inch and
19 compress it by a factor of 300. And so if you're
20 shipping very long distances it makes sense to
21 use LNG and bite the bullet for the liquefaction
22 expense. But for shorter distances, under, say,
23 1,500 miles, it can be more economic to use CNG
24 shipping, compressed natural gas shipping.

25 You look at just on a map it's 850

1 nautical miles from Prince Rupert to Anchorage.
2 That's in the sweet spot for compressed natural
3 gas shipping. And so it might be a way to
4 minimize expense and perhaps begin deliveries a
5 little sooner than you'd have to if you -- if you
6 had to build more onshore facilities.

7 So that's the concept. And then, you
8 know, what sort of shipping schedule you do and
9 continuous loading, those are issues that you
10 have to work through. I will say that having the
11 storage at CINGSA really helps a lot for a -- for
12 a compressed natural gas shipping option.

13 COMMISSIONER WILSON: So the
14 infrastructure required for importing CNG is
15 considerably less expensive than that for LNG?

16 MR. LOWE: It's minimal. It's
17 minimal onshore facilities.

18 COMMISSIONER WILSON: And does
19 AltaGas have some experience with CNG?

20 MR. LOWE: Well, we -- we are working
21 in our Nova Scotia utility with CNG trucking.
22 It's very rocky territory and it's hard to
23 pipeline through. And so for some of the large
24 users it makes sense to compress natural gas and
25 truck it to customers. And that's something that

1 we're -- we're actively working on. We've got an
2 application before the regulator down in Nova
3 Scotia, we've got MOEs with customers.

4 The shipping side is -- it's
5 something that we're looking at but we don't have
6 any operations on the shipping front.

7 COMMISSIONER WILSON: So what is the
8 source of natural gas for your Nova Scotia
9 operation? I assume it's something other than
10 CNG right now.

11 MR. LOWE: Oh, it is. I mean,
12 there's -- there's -- there's -- Sable Island is
13 the reservoir and Maritime's the northeast
14 pipeline, has a lateral up to Halifax. And then
15 the distribution system is connected to that main
16 line pipeline like an interstate pipeline. So --
17 so the compressed natural gas trucking would be
18 to deliver to customers who are, say, 60 miles
19 away from any pipeline. And you sort of say,
20 well, look, it's not economic to try to build a
21 pipeline through this rock but we can get you gas
22 by trucking.

23 COMMISSIONER WILSON: So the areas
24 that you serve in Nova Scotia were not served by
25 gas before your utility went in; is that what I

1 understood?

2 MR. LOWE: That's right. 200- --
3 before 2003 there was no natural gas service in
4 Nova Scotia which is amazing when you think about
5 it. I mean, you go down there and people are
6 still burning fuel oil. I went to -- I went to
7 school there and it -- and it was, you know,
8 quite awhile ago but it just astonished me that
9 there was no natural gas. We take it for granted
10 in Alberta anyway, and here I think.

11 COMMISSIONER WILSON: And just one
12 thing further. In the comments there was some
13 credit card issues and I think you stated that --
14 and this may be for Mr. Schreiber. I suppose it
15 is, so I'll save it.

16 THE COURT: All right. Thank you,
17 Commissioner Wilson.

18 And we're going to go off record,
19 take a ten-minute break. We're off record.

20 (A break was taken.)

21 THE COURT: All right. We are back
22 on record. And before we proceed with additional
23 commissioner questions I would like to clean up
24 what was marked but not admitted as Hearing
25 Exhibit H1. There was discussion of Alta's

1 management's discussion and analysis. I have now
2 marked as H2 and distributed to the parties the
3 document that the Commission accessed on Alta's
4 Web site. I will note that Alta did file in this
5 docket on March 14th their consolidated financial
6 statements. It looks like that may have been in
7 draft form. And also they filed a management's
8 discussion and analysis on March 30th that
9 similarly may have been in draft form. The
10 questioning to Ms. Stein earlier was from a more
11 I guess published-friendly document.

12 And, Ms. Stein, can you please
13 describe to me what H2 is? I will note it
14 appears to have a -- a front cover, an inside
15 cover and then starts on page 1 and runs through
16 maybe a rear cover. But there are 94 numbered
17 pages. It looks like it starts with a
18 management's discussion and analysis on page 2
19 and consolidated financial statements starting on
20 page 52. So with that, Ms. Stein, could you do a
21 better job of describing what it is I'm looking
22 at?

23 MS. STEIN: (Off microphone.) Sorry.
24 Should I start over?

25 THE COURT: Yes, please.

1 MS. STEIN: Okay. Exhibit H2 is
2 AltaGas Limited's 2011 AltaGas financial report.
3 It -- it starts with the overview or five-year
4 financial highlights and then goes on to describe
5 our strategy and our consolidated outlook and our
6 risk management strategies for the organization.
7 And then goes on to describe the financial
8 statements with notes. And those would be
9 audited financial statements and notes for
10 AltaGas, Ltd., as of December 31st and for the
11 year ending December 31st, 2011.

12 THE COURT: And, Ms. Stein, is this
13 the document that you were referring to when
14 Commissioner Giard was asking you about page 8 of
15 the management's discussion and analysis?

16 MS. STEIN: Yes, it was.

17 THE COURT: Okay. Thank you.

18 And is there any objection admitting
19 H2 into evidence in these proceedings?

20 Hearing none, H2 is admitted into
21 evidence. And I will now turn, again, to the
22 Commission to see if they have anymore questions
23 for Mr. Lowe and Ms. Stein.

24 Commissioner Wilson?

25 Commissioner Lisankie?

1 And also, just as a warning you're
2 going to be on the hook until the end of the
3 hearing. So if questions come up you may get
4 them. Commissioner Patch has no questions.
5 Commissioner Pickett?

6 COMMISSIONER PICKETT: Just one quick
7 question for Ms. Stein. In your direct testimony
8 you indicated that in the discussion about the
9 difference between U.S. and Canadian accounting
10 policies that in 2012 you will be using the U.S.
11 standards; is that correct?

12 MS. STEIN: That is correct.

13 COMMISSIONER PICKETT: And just for
14 my own information -- I know a couple of years
15 ago from participation in NARUC meetings there
16 was a lot of concern about the international
17 financial reporting standards particularly as to
18 how they were going to mesh with the traditional
19 rate-regulated U.S. utilities. Issues such as
20 regulatory assets and a whole other array of
21 things. Where is Canada on this IFRS issue?

22 MS. STEIN: Canada has adopted IFRS.
23 What the -- what the accounting authorities
24 allowed regulated utilities to do was to defer
25 its adoption of IFRS. So Canada went to IFRS I

1 believe in 2011. And the regulated utilities
2 were allowed a one-year deferral before adopting
3 IFRS in the hopes I believe that the
4 International Accounting Standards Board would --
5 would change its mind on the way that regulated
6 utilities were accounted for.

7 That did not move forward as much as
8 the Canadian standard setters had hoped. What we
9 were -- and then -- and then there was an
10 exemption that the securities commission allowed
11 companies with rate-regulated assets to adopt.
12 And that rate -- that exemption we had to file
13 for and was granted the ability to use U.S. GAAP
14 without being an SEC registrant. So we were
15 going down the path of registering when the
16 Commission authorized public -- public companies
17 in Canada with rate-regulated assets to use U.S.
18 gaps so we did not have to become an SEC
19 registrant. We were fully prepared to do that in
20 order to adopt U.S. GAAP. But we were fortunate
21 enough that we didn't have to go down that path.

22 That exemption will take us through I
23 believe the year end 2015 subject to my
24 colleagues behind me confirming that it is 2015.
25 And at that point in time we -- we will see

1 whether the securities commission in Canada
2 allows that exemption to continue or whether we
3 will have to become an SEC registrant in order to
4 continue to report under U.S. GAAP. But it is
5 AltaGas Limited's firm intention to continue to
6 report under U.S. GAAP.

7 COMMISSIONER PICKETT: Okay. Thank
8 you.

9 THE COURT: Commissioner Giard?

10 COMMISSIONER GIARD: Have some more
11 questions on my original list. I was reading
12 through Cap Rock acquisition of Enstar paperwork
13 for the fact that Mr. Schreiber's here and I can
14 ask him a couple questions about that. One of
15 the -- among the several guarantees that Cap Rock
16 made was similar to the guarantee that you've
17 made, Mr. Lowe, that the -- there aren't going to
18 be any personnel changes. But Cap Rock also said
19 there weren't going to be any compensation level
20 changes and in Enstar's long, long past it once
21 got a rate increase based on proposed
22 compensation levels, and then those compensation
23 levels were immediately cut after the rate case
24 was done. So not wanting to see that happen I
25 would like your explanation about the commitment

1 that you've made for two years in terms of levels
2 and people. You can increase, particularly
3 Ms. Starring. You just can't cut.

4 MR. LOWE: I think that's right. The
5 idea is that we weren't going to decrease
6 compensation levels and we'd honor all collective
7 agreements of course.

8 COMMISSIONER GIARD: Okay.

9 MR. LOWE: But it's not a -- it's not
10 a --

11 COMMISSIONER GIARD: Okay. Very
12 good.

13 MR. SCHREIBER: Commissioner, excuse
14 me. And for the record that -- what you
15 described as getting the rates set on a higher
16 compensation level and cutting did not happen as
17 long as I've been in charge.

18 COMMISSIONER GIARD: No, many, many
19 years ago.

20 MR. SCHREIBER: Good. Thank you.

21 COMMISSIONER GIARD: In the '80s. I
22 was in college still.

23 And no reduction in force of the
24 nonexecutive personnel?

25 MR. LOWE: That's right.

1 COMMISSIONER GIARD: Okay. And then
2 as -- it probably doesn't sound like that because
3 I'm kind of a serious broad but I am very pleased
4 about this. I think you do have a healthy
5 balance sheet. I'm going to talk to you a little
6 bit about your balance sheet. And I -- I'm
7 excited about the opportunities. I'm also a
8 little concerned about the capital investment
9 that has been made in Alaska over the last couple
10 of years, has really moved Alaska forward. And
11 I'm concerned that that is going to dribble down
12 a bit. So I'm serious but I'm pleased, for the
13 record.

14 So if you could -- I understood from
15 the CFO that you were anticipating a \$100 million
16 spend. CINGSA based on financial statements that
17 were filed with us on a quarterly basis -- the
18 quarterly financial statements with a balance
19 sheet is obviously your year -- spent about
20 111 million in a year, SEMCO did. So when I look
21 at your spend projection for utilities on a whole
22 and I look at the spend that happened between
23 2009, 2010 -- or 2010 and 2011 for SEMCO, there's
24 a big delta in that capital spend plan. And I'm
25 concerned about that. I'm only one vote but I am

1 concerned that the spend for Alaska aside from
2 the CINGSA which obviously is a growth
3 opportunity, does not decrease below the spend
4 that it's experienced in the recent past. We
5 have challenges here in terms of the distribution
6 system for Enstar. And I just would like a
7 little more information about what your plans are
8 in terms of the capital spend or what you can
9 commit to us thus far.

10 MR. LOWE: Well, I will -- we
11 forecast to spend what's necessary to ensure the
12 safety and reliability of the system and to
13 ensure that organic growth occurs and that new
14 customers are tied in. And then we also have on
15 our radar screen the potential to expand CINGSA.
16 And there's also the potential to expand down to
17 Homer. And that's something that we've looked at
18 and, you know, we'd need approvals and -- you
19 know, to -- to make that expenditure. But that's
20 something that we're -- we'd certainly be
21 receptive to.

22 As far as other projects there's --
23 there's a number of projects that are talked
24 about and there's opportunities to tie in other
25 communities. And that's something that we're

1 interested in. That's why we're here is to do
2 that. We're in -- we're in the infrastructure
3 business. Our vision is to be a leading North
4 American infrastructure company. And so tying in
5 new customers, building a plant, adding value
6 is -- is why we're here.

7 COMMISSIONER GIARD: Okay. So not
8 that concerned about the growth opportunities
9 because I think that they'll pass your hurdle
10 rate or you'll examine them in that regard, and
11 that's perfectly acceptable. We're not going to
12 ask you to do any loss leaders. But there are
13 constraints on Enstar's pipeline system, existing
14 constraints in its transmission system. And the
15 distribution system is -- is -- I think
16 Commissioner Pickett told me somewhere around --
17 some of the aging infrastructure was in the '60s.

18 And so in Michigan you filed main
19 replacement reports on a fairly recent basis.
20 You don't have to do that in Alaska, but you are
21 entering a mature system in many respects which
22 are going to make, you know, safety requirements
23 from you. And what I hear you saying to me today
24 is, "Don't worry, Commissioner Giard, we are
25 going to make the investments that are necessary

1 to ensure that our main replacement system, your
2 distribution system and our transmission system
3 meets the needs of Alaska as it stands today."
4 Is that your commitment?

5 MR. LOWE: Yes, that's my commitment.
6 And I -- I should've triggered to this earlier but
7 in, you know, Alberta we have a system betterment
8 program that was just approved by the Alberta
9 Utilities Commission. But we've been building it
10 on an ongoing basis and that's to replace bare
11 mains and some of the older plastic parts of the
12 system. That's continuing on.

13 The -- as you've mentioned Michigan,
14 they have a system betterment program as well.
15 That's something that we're 100 percent
16 supportive of. We'd look to expand that if we --
17 if it made sense. And we would -- we'd see the
18 same for Alaska.

19 And in fact this would be -- this
20 system here I think is -- is almost the same
21 vintage as AUI's and Pacific Northern Gas. This
22 is the kind of facilities that we're really
23 familiar with upgrading and replenishing. So
24 that's -- that -- I can give you a commitment
25 that we'll look at that and we'll do what's --

1 what's needed to bring the system up to par.

2 COMMISSIONER GIARD: Okay. That's
3 all I was wanting.

4 Those are my questions. Thank you
5 very much for your time.

6 THE COURT: Thank you, Commissioner
7 Giard.

8 And I believe we're now going to turn
9 the main focus of the questions to Mr. Schreiber.
10 So do you have any questions for Mr. Schreiber?

11 COMMISSIONER GIARD: So Cap Rock --
12 your attorney mentioned that you were going to
13 explain in your testimony why Cap Rock decided to
14 sell. But I didn't -- I didn't read it well
15 enough or I didn't hear it loud enough. So I
16 wonder if you could explain that to us.

17 MR. SCHREIBER: Sure. Sure.

18 Let me just start out by saying that
19 in my own estimation I think I've been brilliant
20 so far this morning in my responses.

21 Seriously, Commissioner, what -- what
22 Continental is all about really is investing
23 capital, earning a return and fixing things. And
24 when the Cap Rock transaction happened in 2007
25 the financial condition of the company was not in

1 good shape. We had no financial flexibility. We
2 did not have investment-grade ratings. With the
3 investment of \$100 million of capital at that
4 time it accelerated the financial recovery of the
5 company to a great extent. And as a result of
6 that I believe it was either 2009, 2010 we
7 achieved investment-grade ratings. And we put
8 the company on sound financial footing with
9 financial flexibility and allowed us to -- in
10 allowing us to move forward we then knew that
11 from our perspective once things are fixed we're
12 looking for other opportunities to invest capital
13 and come in and repair the finances of other
14 businesses.

15 When we had been approached by two or
16 three other companies in 2011 about, well, do you
17 have any interest in selling SEMCO and we started
18 conversations then. They never went very far.
19 As we stated in my testimony in a conversation
20 unrelated to the SEMCO/Enstar family with AltaGas
21 because they have this desire to be a leading
22 North American energy infrastructure company the
23 conversation turned to, well, what about Michigan
24 and Alaska from a gas distribution business
25 because we really know the gas business and we

1 have an active utility business -- businesses in
2 Canada and we'd like to have a foundation in the
3 United States.

4 And so one thing led to another. And
5 because where we were in the timing of our
6 investment because we -- we felt that AltaGas was
7 -- was an extremely attractive purchaser from
8 many different aspects and because we were able
9 to negotiate, which I think is a good price, we
10 thought this was the right time to move forward
11 with the AltaGas transaction.

12 COMMISSIONER GIARD: I'm curious that
13 they didn't take Texas.

14 MR. SCHREIBER: New Mexico.

15 COMMISSIONER GIARD: New Mexico.

16 MR. SCHREIBER: Well, New Mexico --

17 COMMISSIONER GIARD: None of my
18 business, I'm just curious.

19 MR. SCHREIBER: Well, no, it's fine.

20 New Mexico; two things really. We
21 think we still have more work to do there, to get
22 New Mexico in the same kind of shape that the
23 SEMCO family -- SEMCO/Enstar family is in.
24 That's probably the most important thing. And
25 then the other equally important thing is that

1 we're -- our hands are tied to a certain extent
2 by our settlement with the Commission in the 2009
3 approval case where we said that we would hold
4 that asset for at least five years. And -- and
5 we -- under that measure we have a couple more
6 years to run until we're out from underneath that
7 restriction.

8 But really it's -- from our point of
9 view it's -- it's not a regulatory constraint.
10 It's a business constraint. We still have things
11 that we want to accomplish and we want to put in
12 place in New Mexico as we've done with SEMCO and
13 Enstar.

14 COMMISSIONER GIARD: Okay. Thank
15 you.

16 THE COURT: Commissioner Pickett?

17 COMMISSIONER PICKETT: Now that
18 you're out of the hot seat, good luck.

19 MR. SCHREIBER: Thank you.

20 THE COURT: Commissioner -- Chairman
21 Patch?

22 CHAIRMAN PATCH: Thank you,
23 Mr. Schreiber. I will say that at a NARUC
24 conference very shortly after the filing I had
25 some discussions with Commissioner White of the

1 Michigan Commission, and the New Mexico
2 Commission was interested and they are watching
3 what happened in Michigan and they are watching
4 what is going on today. Good luck with them.
5 They're certainly enjoyable people on the New
6 Mexico Commission.

7 MR. SCHREIBER: Thank you.

8 CHAIRMAN PATCH: Turning to your
9 testimony at page 16 you make reference to the
10 federal filings. Can you tell me the status of
11 those federal filings and when you expect to make
12 them? It is my understanding that all of those
13 -- that none of those filings require approvals
14 but they do require notice and an opportunity for
15 conversation with those agencies.

16 MR. SCHREIBER: Yeah, that is
17 correct. All those filings have been made. And
18 I think that we have -- well, I think we do have
19 approvals. I mean, I know that the
20 Hart-Scott-Rodino has passed. I know that the
21 SEC has ruled that the licenses can be
22 transferred. And so from a federal point of view
23 what I mention here on page 16 all those
24 regulatory requirements have been met and we have
25 those approvals.

1 CHAIRMAN PATCH: All right. Thank
2 you very much. I appreciate that.

3 No further questions.

4 THE COURT: Thank you, Chairman
5 Patch.

6 Commissioner Lisankie?

7 COMMISSIONER LISANKIE: Mr. Schreiber
8 , always nice to see you.

9 MR. SCHREIBER: Good to see you,
10 Commissioner.

11 COMMISSIONER LISANKIE: I was trying
12 to figure out how to articulate this. I was -- I
13 was going to ask you how you described the
14 regulatory milieu in Alaska to your potential
15 successor. And then I thought, well, no, I'll
16 just ask him how he'd describe me. But then I
17 thought, well, jeez, that'll make me blush in
18 front of everybody when he says all this effusive
19 praise.

20 MR. SCHREIBER: You're a fantastic
21 commissioner.

22 COMMISSIONER LISANKIE: Yeah. Yeah.
23 I decided that wasn't a good idea.

24 So what I thought is that maybe I
25 would try and garner a sense of what you might

1 have said just by asking you a broader question
2 about based on your experience with SEMCO being
3 regulated in, for example, Michigan and also here
4 what -- what your observations are as you -- as
5 you stand in the door here about how -- how your
6 regulation has gone with SEMCO in, you know,
7 Michigan versus Alaska, Michigan and Alaska just
8 because I would presume that you would be one of
9 the primary people if I was about to buy your
10 business as Alta is I think I would talk to you
11 and say what am I up against.

12 MR. SCHREIBER: Right.

13 COMMISSIONER LISANKIE: I'm a
14 regulated utility. I understand that. But
15 there's subtleties of regulation and under --
16 under-the-surface currents. So I just thought
17 perhaps, Mr. Schreiber, you would share with us
18 --

19 MR. SCHREIBER: What I told John?

20 COMMISSIONER LISANKIE: In less
21 colorful language.

22 MR. SCHREIBER: Certainly. Thank
23 you.

24 What -- basically my thoughts on it
25 when -- when we talked and when we were in the

1 due diligence process and -- and when we have
2 operated in both Michigan and Alaska is what we
3 ask of the Commissions in which we -- where we
4 operate, in their jurisdiction is just fair
5 treatment. And what -- from our point of view
6 what we want to do is disclose and be open about
7 everything we're doing, good and bad. And we
8 want you to know where we are.

9 And -- and once we've done that and
10 we have presented our side of the case and you
11 have listened to the other side present why we
12 should or should not have whatever we're asking
13 for or whatever we're trying to do fair judgment
14 in looking at the facts of the case and rendering
15 approval or non-approval or conditions or
16 whatever it is. And what I've -- what I told
17 John in these conversations is that -- is that,
18 look, we -- you know, have we had our rough
19 spots? You bet. But that's just part of any
20 relationship.

21 But in the totality of the time that
22 I have had the pleasure to work with SEMCO and my
23 colleagues that work with you all in this
24 relationship you've always been fair. And we've
25 asked for things that you haven't agreed with but

1 we've been able to resolve those. We've asked
2 for things that we thought were fair from our
3 point of view and you've thought they're fair
4 from your point of view. And as I said, in
5 Alaska particularly through Dan Dieckgraeff's
6 work and his ability to communicate to you all
7 about what we're doing, as I said, both good and
8 bad, we're prepared to let the chips fall that we
9 can make a case which you can render a fair
10 decision. And I think in my tenure in this role
11 that you have done that and I think Michigan has
12 done it as well. And we do the same -- we have
13 the same philosophy there. We want to be open.
14 We want to be transparent. Anything you all want
15 to talk about, look at, it's available to you.

16 And I think that -- as I've gotten to
17 know the AltaGas people I think you'll find that
18 it's their philosophy as well, is that the way
19 they -- the way they come at regulation is that,
20 look, we have a relationship, we have to get
21 things done. And we're just looking to be fair
22 on both sides.

23 COMMISSIONER LISANKIE: Okay. And in
24 the interest of fairness I'd like to say that
25 while earlier I said to Mr. Lowe that in the

1 three years I've been here that I've probably
2 been on pins and needles about the gas situation
3 in Cook Inlet the whole time, that I believe that
4 we're in a much better position as we sit here
5 today than we were in March of 2009 when I first
6 sat down before you. And I certainly give a lot
7 of credit to Continental and SEMCO and Enstar and
8 APC for bringing that -- bringing us forward to a
9 still challenging in my view but nonetheless
10 better place.

11 MR. SCHREIBER: I would agree with
12 you. I -- I think we do still certainly have our
13 challenges, but I do think we're in a better
14 place. And as far as the pins and needles thing,
15 I had no gray hair before this gas commission
16 came up and you can see what it's done to me.

17 COMMISSIONER LISANKIE: Well, a lot
18 of people say, "Paul, you're only 30, why do you
19 look so gray?"

20 MR. SCHREIBER: Exactly.

21 COMMISSIONER LISANKIE: Yeah.

22 The other thing I did want to briefly
23 touch on since we -- especially since we went to
24 the trouble of clearing -- clearing up the
25 references in the record, but you were kind

1 enough to sponsor into the record a Standard &
2 Poor's rating that was issued in February of 2012
3 which was a positive credit watch adjustment
4 after the announced sale to AltaGas.

5 MR. SCHREIBER: That's correct.

6 COMMISSIONER LISANKIE: And I just
7 wanted to give you an opportunity to confirm my
8 understanding from this which is that Standard
9 and Poor's after doing their due diligence feels
10 that SEMCO is going to qualify for a higher
11 credit rating after the acquisition than it
12 enjoys now.

13 MR. SCHREIBER: That -- that is what
14 they're indicated by their credit watch with a
15 positive trend would indicate that if -- if the
16 various issues that they look at that cause them
17 some concern, like liquidity, light gas supply,
18 like all the other parts of the business that
19 because AltaGas is a highly rated and very
20 creditworthy acquirer that -- that brings SEMCO
21 up and put us -- puts the SEMCO/Enstar family in
22 a position where the next adjustment, all things
23 being equal and the trends continue, would be to
24 a higher credit rating than it currently has.

25 COMMISSIONER LISANKIE: Okay.

1 MR. SCHREIBER: Which I think is --
2 is a great outcome and another good outcome of
3 this transaction.

4 COMMISSIONER LISANKIE: And I was
5 going to observe that if I was going to
6 characterize your ability as a matchmaker then I
7 should at least give credit where credit is due
8 and in the eyes of Standard and Poor's, they look
9 favorably on the match that you have arranged for
10 us.

11 MR. SCHREIBER: Right. I think
12 that's true.

13 COMMISSIONER LISANKIE: Finally
14 before I let you go I'm just curious about as --
15 as you think about changing your focus to other
16 pursuits, whatever they may be, what -- what
17 challenges here would be in the forefront as
18 you're doing your debriefing with Alta? Did you
19 have a specific thing or things that they think
20 based on your experience they need to be
21 considering right out of the box?

22 MR. SCHREIBER: Well, the obvious one
23 and the one we've been talking about this morning
24 is gas supply. And having -- and I think there
25 are two pieces on this as -- and what you've

1 touched on earlier. On the gas supply part of it
2 there are the business options and the business
3 alternatives that you would look at and figure
4 out in the absence of anything else, whether
5 there's, you know, political or regulatory or
6 anything else. You find out what makes sense
7 from a business point of view. Okay. And then
8 -- and that leads you on one path which may or
9 may not be attainable. And that gets to your
10 point on there are other forces political and
11 otherwise that are going to come to bear on
12 what's going to be the right option that will be
13 chosen as the company moves forward to be able to
14 really satisfy this -- this gas supply issue for
15 the customers of Alaska. So I think that's
16 number one.

17 I think that we've been able to --
18 and at some point the economy will turn and
19 become more robust again because when
20 traditionally the customer growth and the growth
21 in Alaska is -- has outpaced other parts of the
22 United States and so I'm less concerned about bad
23 debts and delinquencies as we go forward because
24 I think the economy will turn here in the -- in
25 the not too distant future. So I'm not as

1 concerned about that.

2 I'm concerned -- I'm not as concerned
3 about the work force. I think we have a terrific
4 group of employees. As I think Mr. Veerman said,
5 John and I have visited with every employee here
6 at Enstar and gone out and held meetings with
7 them and basically introduced John and let him
8 speak about AltaGas and the awards that AltaGas
9 has won as -- for corporate culture, for great
10 places to work, for various age groups, for just
11 recognition of being a very good company with the
12 idea that -- you know, any -- any time you have a
13 transaction like this it can be a little
14 destableing (sic) to the organization. I think
15 through our meetings John has done a great job in
16 letting the employees know that, you know, they
17 are really the value of the institution because
18 as a service business the people are what really
19 give the value.

20 So from that point of view I think --
21 I have no concerns about that. There is a
22 general concern I have both in Alaska and
23 Michigan, and I know John shares it with the
24 demographics of the organization because as it
25 gets older we need to make sure we've got younger

1 people who are -- have been trained and have an
2 opportunity, but they -- the work force is of an
3 age where that is of a concern and the transition
4 to a younger work force. But I think other than
5 that I think we're on track certainly where I
6 wanted it -- wanted the company to be as we -- as
7 we work to turn it around.

8 And I think -- I think all of the
9 issues facing Enstar with the AltaGas leadership
10 and with Colleen's leadership from the
11 organization here on the ground are all
12 manageable and we'll eventually get to the right
13 decision as the process works itself through.

14 COMMISSIONER LISANKIE: Okay. Well,
15 I appreciate that.

16 And -- well, I just want to say I
17 can't believe it's been three years has gone that
18 fast. And I must be forgetting some of the bad
19 times because I just can't bring myself to try
20 and tack any part of your anatomy to the walls
21 here. So, again, Mr. Schreiber, I have enjoyed
22 our brief -- all too brief -- sometimes it seems
23 like a long time. Anyway, thanks very much for
24 what you've done for our area of Alaska in terms
25 of taking a series of challenging -- sometimes

1 challenging positions, sometimes just challenges
2 and sometimes over my kicking and screaming
3 advancing us to a better place.

4 MR. SCHREIBER: Thank you. Yeah, I
5 will just comment on -- briefly on that. It is
6 bittersweet for me as well because the most fun
7 I've had in my career is the eight years I've
8 been here with SEMCO and Enstar, and the last
9 couple years with New Mexico. But it's just been
10 a blast trying to get this company back on its
11 feet and doing all the things it should be doing,
12 taking care of customers and that kind of thing.
13 But I appreciate your comments. Thank you.

14 THE COURT: Thank you, Commissioner
15 Lisankie.

16 Commissioner Wilson?

17 COMMISSIONER WILSON: Returning to
18 the initial comments we got on the transfer,
19 there were -- was a -- small credit card issues
20 that were raised and I just -- and I refer to
21 your reply comments where you say those are --
22 are being addressed in the normal course of
23 business and do not belong in the certificate
24 transfer dockets. But I just want to know if you
25 have anything further to say on that issue.

1 MR. SCHREIBER: Actually not. You
2 know, I'm -- I don't have all the details in my
3 hands. I know Mr. Dieckgraeff does. And I also
4 know that we are working with you all to --
5 because any time we get comments or things like
6 this from customers we want to try and address
7 them. And I know that work is being done to do
8 that. And so I think the process is moving
9 forward but I don't have any further details on
10 that.

11 COMMISSIONER WILSON: And as far as
12 your other replies to the other commenters is
13 there any -- are there any updates on that, for
14 example, to the -- do you have any updates to
15 your replies to the Inlet entity's comments or to
16 ML&P's comments?

17 MR. SCHREIBER: No, I think they're
18 fully covered in what we submitted.

19 COMMISSIONER WILSON: In your reply?

20 MR. SCHREIBER: Yes. Yes.

21 COMMISSIONER WILSON: Thank you.

22 I have nothing further.

23 MR. SCHREIBER: Thank you.

24 COMMISSIONER GIARD: I just want to
25 address --

1 THE COURT: Thank you, Commissioner
2 Wilson.

3 COMMISSIONER GIARD: -- the
4 relationship question, Mr. Schreiber. I believe
5 that Commissioner Lisankie had the good years,
6 because when I was reappointed I believe you
7 said, "Well, Commissioner Giard, the devil you
8 know." So hopefully we'll have good years in the
9 future.

10 MR. SCHREIBER: Absolutely. Hope so
11 too.

12 THE COURT: Thank you, Commissioner
13 Giard.

14 One moment while I confirm that we're
15 done with the questioning of the witnesses.

16 Looks like there are no further
17 questions for the witnesses. So, Mr. Lowe,
18 you're excused. Thank you very much for your
19 testimony.

20 Ms. Stein, you're excused. Thank you
21 very much for your testimony.

22 And, Mr. Schreiber, you're excused.
23 Thank you very much for your testimony.

24 MR. SCHREIBER: Thank you.

25 THE COURT: And Mr. Veerman,

1 Mr. Saupe, I'll give you the opportunity for a
2 brief -- a brief closing statement.

3 CLOSING STATEMENT

4 MR. VEERMAN: Thank you very much,
5 Your Honor and Commissioners. I want to thank
6 you for your questions today. You've asked very
7 good questions. I think you got good answers.

8 I'm here as an attorney and an
9 advocate but I'm also a member of the public.
10 And this Commission is the gatekeeper of the
11 public interest and it's always reassuring to see
12 the Commission take so seriously that role of
13 being that gatekeeper of the public interest.
14 The questions were very good today.

15 I think the answers you got helped to
16 substantiate that AltaGas is fit, willing -- very
17 willing to take on the challenges and able of
18 ultimately being a controller of Enstar and APC
19 and CINGSA.

20 With regard to the order, if the
21 Commission is inclined to grant these
22 applications I hope it will. I urge the
23 Commission as is its custom to make the order a
24 final order with the language that you include
25 for the purpose of doing that. I -- and I think

1 in this kind of situation, a relatively clean
2 order is in order so to speak without conditions
3 we haven't already addressed here today or
4 addressed specifically in our application.

5 This is a stock transaction. It
6 isn't going to have any impact on rates at all.
7 And it isn't going to change the names of the
8 regulated utilities. So I don't think there's
9 any need for -- for example, for any directive to
10 file a new tariff or to file a tariff adoption
11 notice as is sometimes the case in ownership
12 transfer proceedings.

13 So with that I would, again, thank
14 the Commission for your questions today and would
15 urge you to go ahead and approve these
16 applications. I think they are in the public
17 interest.

18 Thank you.

19 THE COURT: Thank you, Mr. Veerman.

20 Mr. Saupe?

21 CLOSING STATEMENT

22 MR. SAUPE: From Continental's
23 perspective I have little to add to what
24 Mr. Schreiber said so well.

25 Both parties are hoping to close the

1 sale transaction on August 30th. And so if you
2 are inclined to approve the transfers of the
3 certificates we'd all very much appreciate
4 learning that before that closing date so that
5 the transaction can be concluded.

6 And with that I'd also like to thank
7 you for the good questions and for your time and
8 attention. And we urge you to approve the
9 applications.

10 Thank you very much.

11 THE COURT: Thank you, Mr. Saupe.

12 COMMISSIONER GIARD: Judge Wood, are
13 we receiving a draft order from these parties?

14 THE COURT: They have not been
15 required to submit a draft order yet.

16 COMMISSIONER GIARD: Oh, I thought in
17 the interest of getting the order out
18 expeditiously given what we've got coming up with
19 TAPS, I don't know whether the idea of a draft
20 order would be something that would -- we should
21 ask them about.

22 THE COURT: Mr. Veerman?

23 Mr. Saupe?

24 MR. VEERMAN: From our perspective,
25 speaking for AltaGas, we'd be very happy to

1 assist the Commission with a draft order. And
2 I'm sure that Mr. Saupe and I could work together
3 if that would help ease your burden. We're very
4 happy to do that and I think able to do it.

5 THE COURT: And I will be in contact
6 with you two after this proceeding.

7 Is there anything further?

8 Hearing nothing, this hearing is
9 adjourned.

10 Thank you all very much.

11 (Hearing adjourned at 11:19 a.m.)

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1 CERTIFICATE

2 I, Kristin L. O'Reilly, hereby certify
3 that the foregoing pages are a true, accurate, and
4 complete transcript of the Public Hearing held May
5 30, 2012, before the Regulatory Commission of
6 Alaska, transcribed by me from a copy of the
7 electronic sound recording to the best of my
8 knowledge and ability.

9

10

11 _____
12 Date_____
Kristin L. O'Reilly, RPR

13

14

15

16

17

18

19

20

21

22

23

24

25