Questar Gas Company
Docket No. 06-057-T04
QGC Exhibit R1.2

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of MOUNTAIN FUEL SUPPLY COMPANY for Approval of Tariff Modifications Relating to Service in New Service Extension Areas.)	DOCKET NO. 92-057-T01

STATEMENT OF COMMITTEE OF CONSUMER SERVICES
February 18, 1993

In its order establishing this proceeding the Commission requested parties to address the public policy implications of Mountain Fuel's proposed tariff modifications including:

1. Whether or not service extension rates should be made available statewide and under what conditions such rates should be available.
2. Do the proposed changes discriminate against customers who come on line sometime after the initial sign-up?
3. Should the credit allowance be stated in terms of footage rather than dollars?
4. Should 20 year customers receive a higher credit allowance than 10 year customers during years five through nine?

In addition this proceeding is to address the complaints filed by the residents of Silver Reef and towns of Cleveland and Elmo, which precipitated Mountain Fuel's proposed tariff modifications.

The Committee will first address the policy implications of Mountain Fuel's proposed tariff modifications and secondly the complaints of Silver Reef and Cleveland/Elmo.

POLICY IMPLICATIONS OF TARIFF MODIFICATIONS

1. Should service extension rates be made available statewide and under what conditions?

The Committee believes service extension rates should be made available when:

1. There is a need, demand, or necessity by the general public for gas service;
2. The service is expected to be stable and continuing;
3. The provision of the service will not have an extraordinary adverse financial impact on the Company or its ratepayers; and,

4. The provision of the service is in the public interest and welfare of the general public in the state of Utah, and the public convenience and necessity requires the service.

The Committee notes that these criteria are similar to those proposed by Mr. Glenn Robinson of Mountain Fuel in Docket No. 86-057-03 as requisite elements for granting a certificate of public convenience and necessity, and were adopted by this Commission. We believe that they apply equally to expansion areas.

The Committee also notes that the availability of gas service can have a positive impact on economic development activities. We therefore believe that expansionary rates should be made available system wide.

2. <u>Do the proposed changes discriminate against customers who come on line after the initial sign-up?</u>

Yes. Customers who did not exist during the initial sign-up, but who connect to the system prior to the fifth year, should not be assessed a larger connection fee than those customers who connect in the fifth year.

3. <u>Should the credit allowance be stated in footage rather than dollars?</u>

Yes. This is consistent with Mountain Fuel's current line extension policy which is stated in terms of feet. It should also be noted that the proposed credit of $500 is based on an additional allowance of 100 feet at a current construction cost of approximately $5.00 per foot.

4. <u>Should 20 year customers receive a higher credit than 10 year customers in years five through nine?</u>

No. A reading of the transcripts in Docket No. 86-057-03, indicates that 20-year rates were established on the Kern River taps due to higher construction costs for this expansion. That is, Mountain Fuel's GSS rates, would not cover the cost of the Kern River expansion in 10 years as in the initial southern expansion. Thus, rather than establish a third set of rates, the Commission extended Mountain Fuel's GSS rates to 20 years for Kern River.

SILVER REEF COMPLAINT

The Silver Reef complaint, in addition to alleging misrepresentations by Mountain Fuel, also deals with the issue of "economic feasibility". Throughout the hearings in Docket No. 86-057-03, Mountain Fuel stated that it would provide service to communities when it was determined to be "economically feasible". But, when and whether service is "economically feasible" has been a source of contention.

For example, Mr. Thomas Earl Andrews testified in Docket No. 86-057-03, regarding Mt. Pleasant's and Nephi's efforts to obtain gas service from Mountain Fuel:

> "We did our own study of the potential need of natural gas and the number of potential customers. When we got back together in October, Mr. Cox and Mr. Gill told us the sad results of their survey, that it was not, in 1983, feasible to service gas to Juan and Sanpete Counties, nor was it likely in this century. We inquired as to why and found that Mountain Fuel had greatly underestimated the number of potential customers. Even when Mr. Gill verified the correctness of our potential customers, they still persisted in not wanting to provide service." [Transcript, October 27, 1986, page 82, lines 13-22].

Nephi now has its own municipal gas system.

In determining "economic feasibility" Mountain Fuel's model accounts for initial load saturation levels and projects a minimal growth, one percent. Silver Reef has grown over fifty percent since 1988. Likewise, Mountain Fuel's line extension policy does not allow exceptions for future potential growth. For example, Nashville Gas Company made an exception to its required contribution when neighboring houses use coal or oil for heating, and there is a good chance of getting additional businesses in the near future and where it is determined that future growth was likely. The Company was of the opinion that, if a construction payment were required, the customer in most instances would elect not to become a gas customer. Thus, not only would that customer's load be lost but the hope of additional future load would not be realized [Ref: Docket U-85-7355].

This is precisely what has occurred in the Leeds area. During the original expansion project, Mountain Fuel defined "economic feasibility" in terms of current customers and did not make any exceptions for likely future growth. Thus, residents in Silver Reef, as well as others in Leeds, were required to make an upfront contribution to acquire gas service. These residents considered the required contribution to be excessive, unfair and not reflective of the potential load in their area. Therefore, they declined service and invested in other higher cost energy such as propane.

The Committee believes that it would be appropriate to consider the potential for additional future growth in the determination of "economic feasibility".

COMPLAINT OF CLEVELAND/ELMO

The towns of Cleveland/Elmo desire natural gas service to promote the economic development of their area. These towns have offered to provide Mountain Fuel the required contribution to obtain 20-year GSS rates. The Committee believes Cleveland/Elmo should have the opportunity to obtain 20-year GSS rates.

CONCLUSION

The issue of establishing a means of providing gas service to areas of the state which under current policy would not be "economical" is not unique to Utah. Wisconsin has an "Area Expansion Program" where new customers in certain areas pay the carrying costs of new extensions as a surcharge, in addition to the normal rate schedule. North Carolina has established a special natural gas expansion fund to be used by local distribution companies to reach franchised areas where service would otherwise not be economically feasible. This fund is managed by the state and funded through a surcharge on all customer's bills.