

4675 MacArthur Court, Suite 800  
Newport Beach, CA 92660  
949.437.1400  
Facsimile: 949.724.1397

[www.cleanenergyfuels.com](http://www.cleanenergyfuels.com)

Todd R. Campbell, MEM, MPP  
Vice President, Public Policy and Regulatory Affairs



July 3, 2013

Division of Public Utilities  
160 East 300 South, 4th Floor  
Salt Lake City, Utah 84111

Sent via email to: [psc@utah.gov](mailto:psc@utah.gov) and [mbeck@utah.gov](mailto:mbeck@utah.gov)

**Re: Initial Comments on the Implementation of SB 275 - Docket No. 13-057-02**

Clean Energy files its comments to the Utah Public Service Commission (PSC) on Senate Bill 275, which is a bill that encourages the utility to use their monopoly powers to unfairly compete with private firms in the natural gas vehicle (NGV) refueling market. The policy implications of this bill will continue to severely damage Utah's NGV fueling industry, which has already been negatively impacted due to continuous involvement by the utility in the marketplace.

Clean Energy, which is North America's leading provider of natural gas for transportation, fuels over 27,000 vehicles daily at over 425 station locations nationwide. Clean Energy currently does not operate in Utah because the gas utility, specifically Questar Gas, is allowed to use its inherent monopoly powers to unfairly compete in the natural gas refueling space. Due to the many unfair advantages that Questar has over the private sector as a utility, Clean Energy, along with a host of other private companies in the market, cannot afford to compete.

Clean Energy is concerned that the passage of SB 275 will further increase Questar's stronghold on the natural gas refueling market. Specifically, Questar's numerous monopoly powers that will harm private firms and competition include: a lower cost of capital due to rate base; customer database and accounts; cross-subsidies of its sales force; brand equity; and, their function as a "gatekeeper" of natural gas to their existing customers. In fact, the market would be better served if Questar formed a non-affiliated subsidiary that would risk shareholder dollars and fairly compete with other private firms rather than accessing ratepayer dollars with no real requirement to recover poor investments made building out natural gas vehicle fueling infrastructure.

Clean Energy believes that Questar, or any regulated gas distribution utility, should be prohibited from using ratepayer funding to build, own and operate natural gas refueling stations that are primarily intended to compete directly with stations owned by non-utility enterprises. Ratepayer funding should be limited to the construction of refueling stations located on utility property that are necessary to refuel the utility's fleet of natural gas vehicles.



## **Recommendations for SB 275 Implementation**

Clean Energy would like to provide recommendations to the Public Service Commission of Utah on specific provisions outlined in SB 275:

(a) **“Consideration of the role that gas corporations should play in the enhancement and expansion of the infrastructure and maintenance and other facilities for alternative fuel vehicles”**

- As previously stated, it is not the responsibility of the utility to provide natural gas refueling services. Unlike the utility’s transmission and distribution systems which represent natural monopolies, NGV refueling is a competitive business. To avoid unfair competition and market distortions, Clean Energy believes regulated utilities should not be permitted to serve competitive markets located downstream of the utility meter.

(b) **“The potential funding options available to pay for the enhancement and expansion of infrastructure and facilities for alternative fuel vehicles”**

- Clean Energy believes ratepayer money is not the appropriate source of funding to build, operate, and maintain natural gas refueling stations. The proper source of funding is shareholder dollars from an unregulated affiliate of Questar that competes with private firms on a level playing field. Unlike utilities, private NGV fueling firms have no captive non-participating customers from whom they can recover refueling station costs.

(c) **“The role local government, including any local government entity established for the purpose of facilitating conversion to alternative fuel vehicles and of promoting the enhancement and expansion of the infrastructure and facilities for those vehicles, can or should play”**

- Local governments can assist in the expansion of natural gas vehicles and stations by committing to convert their own fleets to natural gas. The application process to build stations and provide refueling for government fleets should be open to the public. The commitment of the government to convert their own vehicles to natural gas, and allow private firms to compete for refueling of those fleets, will send positive market signals to private firms that Utah is serious about growing a healthy natural gas vehicle market. However, continuing to rely on Questar to provide natural gas refueling services throughout the state will discourage private firms from investing any capital in Utah.

(d) **“The most effective ways to overcome any obstacles to converting to alternative fuel vehicles and to enhancing and expanding the infrastructure and facilities for alternative fuel vehicles”**



- The most effective way to grow a healthy natural gas market is by disallowing regulated utilities from competing against private firms. There is, however, an affirmative role of utilities in encouraging the development of NGV markets, one that is focused on broad market development initiatives. Rather than competing with non-utility enterprises, Clean Energy believes that utilities should focus their energies on facilitating and enabling the development of the NGV market. For the record, Clean Energy believes that similar types of programs are appropriate for electric utilities to encourage the development of EV markets in the United States.

Examples of such broad market development initiatives of utilities to enhance NGV adoption as follows:

- **Home Refueling**
  - Offer to finance home refueling appliances for residential customers for a limited period of time to help develop the home refueling market;
- **Customer Education and Information**
  - Provide information to the utility's customers about the economic environmental and petroleum fuel dependence reduction (i.e., energy security) benefits of NGVs;
  - Sponsor and distribute fueling station location map books;
  - Participate and fund national NGV organizations and NGV code and standard development;
- **Vehicle Demonstration and Deployment**
  - Purchase and offer demonstration NGVs for prospective customer evaluations;
- **Utility NGV Fleet Purchases**
  - Work cooperatively with other gas distribution utilities to standardize fleet vehicle types and to aggregate fleet vehicle orders to a sufficient scale to create an incentive for original equipment manufacturers to produce the vehicles;
  - Maximize NGV fleet purchases including medium and heavy duty vehicle types;
- **Infrastructure**
  - Construct natural gas fleet refueling facilities at utility bases and provide access refueling services at rates which recover the fully allocated cost of the refueling service;
  - Provide service to NGV fueling stations at the highest available distribution pressure; and
- **Utility Financial Incentives**
  - With appropriate governmental and regulatory approval provide financial incentives to reward utility shareholders for successful utility efforts to build NGV throughput and provide timely service establishment for NGV fueling station customers.

## Conclusion



Clean Energy applauds Utah's effort to cultivate NGV adoption and infrastructure development, but we feel that the industry will benefit the most by encouraging competition, not obstructing it. Clean Energy is deeply concerned that the monopoly powers of utilities like Questar will further devastate competition and discourage private investment in Utah.

We thank you for your consideration of our comments and look forward to working with the Commission throughout the implementation process of SB 275. Please do not hesitate to reach out to me should you have any further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd R. Campbell".

Todd R. Campbell  
Vice President, Public Policy and Regulatory Affairs