

To: Questar Gas GSS EAC Task Force
From: Marlin Barrow, Utility Analyst, Division of Public Utilities
Date: June 14, 2006
Subject: Minutes of Meeting held June 13, 2006

Location: Room 401 Heber Wells Building Salt Lake City, Utah

Time: 10:00 AM

Attending:

Questar Gas Company; Colleen Bell, Ron Jibson, Barrie McKay, Gary Robinson.

Committee of Consumer Services; Eric Orton.

Division of Public Utilities; Marlin Barrow, Sam Liu, Artie Powell, Carolyn Roll.

Public Service Commission; Jim Logan, Becky Wilson.

Salt Lake Community Action Program; Betsy Wolf.

Utah Counties Economic Development; Delynn Fielding (Carbon), Mike McCandless (Emery).

Purpose of Task Force: Develop best course of action to take concerning current GSS/EAC tariffs of QGC and develop new tariff language to deal with future expansion requests from communities desiring natural gas service.

Summary of Meeting:

After members of the task force introduced themselves QGC gave a brief summary of the history of the creation of the GSS rate which was designed to charge double the current GS-1 DNG rate, initially for a period of 10 years. The period was then extended to 20 years after initial analysis of the 10 year time frame indicated that those communities would probably not pay off in that time frame. When Ogden Valley wanted service in 1995, the Extension Area Charge (EAC) was introduced which is a set monthly fee that is designed to recover the costs of the feeder line extensions over a fifteen year period of time based on a projection of about 70% of a communities residences signing up for the service. The EAC rate was developed due to the reluctance rural communities have in taking on the risks of obtaining their own financing for the projects with Carbon County being specifically pointed out as to their current problems in meeting those outside obligations due to their source of revenue to meet those obligations no longer being available.

Material from meetings held in 2005 were passed out and reviewed which explained in more detail the standings of the various communities under the EAC rate as well as which communities are still paying under the GSS rate.

On the EAC rate, Ogden Valley was the only community able to meet the projections and pay off the project. The ability for Ogden Valley to accelerate this payoff was based on a decision made in September of 2005 to change the interest rate from a pretax rate of 13.57% to an after tax rate of 9.64%. This interest rate change also changed the projection of the rest of the communities on the EAC rate from never being able to pay off to now being able to pay off, but the pay off is much longer than the original 15 year projection.

The task force participants discussed the issues of inter and intra class subsidization. Examples of this were given concerning the purchase of Utah Gas Service by QGC and how those costs were rolled in all GS-1 rates at the next rate case after the purchase. It was mentioned how even today, there is a subsidization that occurs between current QGC customers and future QGC customers. The discussions also looked at the fairness of the GSS rates where the actual cost reimbursement was not tracked to see, if in fact those communities actually did meet their payoff obligation, versus the current EAC rates where those costs are tracked and the time required to payoff the various obligations.

The issue of whether the past costs incurred by these communities in obtaining gas service can really be de-linked from what to do about future communities that may desire to have gas service was discussed. These discussions reviewed the GSS rates and how they originally were to payoff in 10 years. The 20 year payoff, which some communities are now under, seems too long and since those communities have already been paying for 12 to 13 years, it was proposed in the original CET tariff filing, (Docket No. 05-057-T01) 1 to roll-into the GS-1 rates, the remaining costs of about \$1.2 million in order to make it fair to those who only paid for 10 years. That proposal in the CET tariff filing was deferred to this task force as well as what to do with the EAC issue. In particular the fairness of excusing some communities' obligations while others (Ogden Valley) have met theirs. The dollar amount in this issue is around \$500,000 per year.

The task force realized there is a problem of dealing with the current GSS/EAC solutions in way that doesn't set precedence in an un-equitable manner in dealing with future requests of areas that may be on the fringe of gas service areas that are still uneconomical to hook up. It was suggested that how the task forces solves the current issue could also set a guideline for dealing with future requests for service because of the experiences already gained in the process. Also, there exist various tools that rural areas may utilize in conjunction with state and utility programs that may help them in procuring the necessary utility services.

The meeting ended at 11:00 AM.

Next Meeting: July 6, 2006

Location: Room 401, Heber Wells Building, Salt Lake City, Utah

Time: 10:00 AM-12:00 PM.

Assignments: Next meeting QGC will provide revised EAC payoffs at 0% and 6% interest as well as a system map showing potential new service additions. Task force members are requested to provide possible solutions to the current GSS EAC tariffs. Mike McCanless and Delynn Fielding will provide a summary of proposals that may be available to rural communities.