

GSS/EAC Task Force Report
Docket No. 05-057-T01
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To: Questar Gas GSS EAC Task Force
From: Marlin Barrow, Utility Analyst, Division of Public Utilities
Date: July 7, 2006
Subject: Minutes of Meeting held July 6, 2006

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

Time: 10:00 AM

Attending:

Questar Gas Company; Colleen Bell, Carl Galbraith, Ron Jibson, Brad Markus, Barrie McKay, Gary Robinson.

Committee of Consumer Services; Dan Gimble, Eric Orton, Reed Warnick.

Division of Public Utilities; Marlin Barrow, Mike Ginsberg, Connie White.

Public Service Commission; Jim Logan.

Salt Lake Community Action Program; Betsy Wolf.

Utah Counties Economic Development; Rob Adams (Beaver), 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:

Questar Gas passed out a summary of EAC costs, updated through May 2006, showing current costs and payoffs at the current interest rate of 9.64%, then what the payoffs would be adjusted for 6% interest which is the rate charged for the 191 account and at 0% interest. The group reviewed the material to gain a better understanding of numbers presented on the handout.

The annual payment for all EAC customers is \$545,878. If the annual cost of the EAC customers were spread to all GS-1 customers the estimated increase would be about \$0.06 cents per month.

QGC also provided a system map as well as a handout showing estimated costs of other areas in the state which currently don't have gas service, noting that the costs estimates are outdated and would probably be much higher in today's costs.

Mike McCandless, Delynn Fielding and Rob Adams discussed with the group a handout outlining some legislative efforts that the Utah Counties Economic Development is undertaking in order to help rural communities have the funds necessary to provide the services needed in the areas. The PSC is limited in what it can provide for rural development under current rules and therefore the effort needs to be in the form of legislative policy. One hurdle they currently have is defining what constitutes a “rural community”. Some of the more developing urban areas along the Wasatch Front and in Southern Utah still seem to meet the current definition, which hinders the ability of the more truly rural areas to receive funds that may be available. Utility infrastructure is a major hindrance to economic development in rural Utah. Without energy infrastructure in rural Utah, job creation is impossible and the income disparity between rural and urban areas continues to grow which can lead to an Appalachia type environment in Utah.

The task force summarized that there are three categories of issues that need to be dealt with by the task force. The first category is the current GSS/EAC customers and how to best resolve that issue, the second category concerns those areas, as outlined on the map and handout QGC provided, that are uneconomical to develop because of numbers of customers and cost to reach. The third category concerns those pockets of customers that don’t have service but are close to developed areas that do have service.

Reed Warnick of the CCS staff presented their initial idea concerning dealing with the current GSS/EAC customer issue by agreeing that the current GSS/EAC should be done away with and rolled into the existing rate structure but felt that QGC should bear some of the cost of this action. As part of the proposal, the Committee wanted to have the amount of dollars given up by the Company set up in a deferred account which would then be collected by the company in the next general rate case with interest. A discussion ensued about how the company has already borne some of the cost by moving the interest rate from a pretax rate of 13.57% to an after tax rate of 9.64%, thereby helping Ogden Valley payoff early which caused the Company to forgo the collection of \$500,000 per year in income and how following the CCS proposal of a deferred account could end costing ratepayers more because of the accrual of interest on the deferred account.

The group discussed the policy implications of customers subsidizing other customers who may have agreed to meet an obligation and then forgive them of that obligation. This concern centered around the issue of setting a precedent for future communities as well as how would be the best way to implement such an action. The Utah Counties of Economic Development contingent expressed the feeling that as far as individual residential customers are concerned, the amount of monthly fee probably is not that big of an issue but as far as further economic development is concerned, to a large industrial user, the removal of the current GSS/EAC tariff

is a big issue. Right now, QGC current policy for future development in new areas is to have any necessary expansion funds provided up before the expansion can take place. Along the Wasatch Front this is being done by “community developers” but because rural Utah doesn’t have any “community developers” in their areas, the necessary infrastructure is not being developed.

The group discussed the history of QGC and how various residential customers who have been on a different rate class other than GS-1 have been rolled into the GS-1 rate after two years, ten years and fifteen years. The GSS rates were calculated using average rates without any present value analysis. If looked at in dollars paid, those on the GSS schedule have paid less per month over their time period than those who are paying between \$17 to \$30 dollars per month under the EAC arrangements.

A summary table of costs to GS-1 customers of roll-in possibilities is presented for reference.

	GSS	GS-1 cost Per month	EAC	GS-1 cost Per month	Total
QGC Lost Revenue	\$1.2 million		\$0.5 million		\$1.7 million
1.	Roll-in now	\$0.13	Roll-in now	\$0.06	\$0.19
2.	Roll-in now	\$0.13	Roll-in 10 yrs	<\$0.6	<\$0.19
3.	Roll-in now	\$0.13	Roll-in 15 yrs	<< \$0.6	<<\$0.19

The group felt that trying to better define the EAC 10 and 15 year roll-in rate would be in material.

For the next meeting the task force will decide on a recommendation or choice of recommendations to the PSC for the current GSS/EAC rate classes at the beginning of the meeting and then discuss ways of meeting future expansion needs/requests.

The meeting ended at 12:05 PM.

Next Meeting: July 19, 2006

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

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Time: 10:30 AM-12:00 PM.

Assignments: The Task Force will formulate a position regarding the current GSS/EAC tariffs and begin focusing on recommendations for extending service to new areas. All parties will review the legislative proposals of the Utah Counties Economic Development to see if there are areas where support can be offered.