

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application  
to Remove GSS and EAC Rates  
from Questar Gas Company's  
Tariff

Docket No 06-057-T04  
  
REQUEST FOR CLARIFICATION  
OF ORDER ON STIPULATION

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On 24 April 2007, the Commission issued an Order on Stipulation (hereinafter, Order) denying the 15 February Stipulation between Questar Gas Company, the Utah Division of Public Utilities, the Utah Committee of Consumer Services, and others, that was intended to result in the elimination of GSS and EAC rates from Questar's Tariff and have the Company's GS-1 customers indemnify it against most of the revenue impact thereof.

In accordance with UAC R746-100-12(F) and UCA §63-46b-12, I respectfully request that the Commission review, reconsider and clarify its Order.

In pertinent part, the Order states:

When considering whether to expand its utility plant, *Questar makes its independent business decision* on whether to expend its own funds to expand its utility plant to serve new areas ...<sup>1</sup>

Unserved communities desiring natural gas service have *explored alternative means* of providing sufficient revenues or money to the Company to aid in defraying the costs of an expansion to serve them. These alternatives include forming special service districts, local government bonding or governmental financing ...<sup>2</sup>

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<sup>1</sup> Order on Stipulation dated 24 April 2007 in Docket 06-057-T04: page 4, first paragraph, first sentence.

<sup>2</sup> Id: page 4, first paragraph, third sentence et seq.

Effectively, *the EAC mechanism acts as a loan from the Company* to cover the estimated capital costs for utility plant needed to extend service to the community. In order to pay back the loan, an additional monthly fee, the EAC, is added to normal utility service charges (typically GS-1 rates) charged to each individual customer in the community until the estimated utility plant capital costs, with interest, have been repaid to the Company.<sup>3</sup>

We also recognize the *right* of the Company to recover the additional costs of providing services to distant communities.<sup>4</sup>

In the written Stipulation Supplementary Testimony that I filed with the Commission on 23 March 2007, and in my oral additional testimony offered during the 27 March Hearing on the Stipulation, I explained how Questar Corporation had caused its Gas Company, rather than its Pipeline Company, to build a pipeline from the Indianola Gate to St George. Questar Gas Company had then told the Commission that allowing municipalities or other entities to take gas from that pipeline at wholesale and resell it to retail customers would be likely to subject the Company to federal as well as state regulation, increasing costs and consequently rates. Questar thus secured for the Gas Company a monopoly over natural gas supply everywhere in central, southern and southwestern Utah, except Nephi, which was close enough to the Kern River Pipeline to make alternative, municipal arrangements.

It is undisputed that the GS-1 rates paid by existing customers subsidise the cost of extending service to new Questar Gas customers. Nor is it disputed that GS-1 rates subsidise GSS and EAC rates because the investment Questar actually made to expand its system into those communities exceeded the estimates it used to seek

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<sup>3</sup> Id: page 6, third sentence under the heading Extension Area Charges.

<sup>4</sup> Id: page 25, final paragraph, second sentence.

approval of those rates. The actual, rather than the estimated, investment amounts were added to Questar's ratebase and have for years been used to revise GS-1, not GSS and EAC, rates.

So it is evident that Questar set out to have all its GS-1 customers underwrite the risks associated with lending the capital to extend natural gas service to the GSS and EAC communities so that the Company can be assured of recovering its investments and earning a return.

The Commission has recognised (in the extract footnoted 1 above) that Questar, of its own free will, chose to expand into the communities currently paying GSS and EAC rates in furtherance of an opportunity to earn a rate of return in its investment. The Commission further recognised (in the extract footnoted 2 above) that communities have choices to pay the exceptional capital costs of extending service to them. While GSS rates were approved for fixed periods, the Commission acknowledged (in the extract footnoted 3 above) that the purpose of the EAC rates is to collect the principal and interest components on specific, identifiable and tracked loans Questar made to communities that chose that route. These GSS and EAC charges are not the same as rates for utility service, they are designed to allow Questar to gather loan payments; these are transactions of a purely financial nature.

The Commission has properly denied the company's request to transfer all remaining repayment responsibility from GSS and EAC customers to all GS-1 customers. It ought now to make clear that it understands the difference between usury and utility.

The regulatory process is the surrogate for competition with regard to investor-owned utility corporations to which the state has granted monopolies in defined service territories. As a direct result of Questar's system expansions at prices artificially lowered in the short run by the approval of the GSS and EAC rates, pre-existing fuel suppliers lost business. As a direct result of the approval of the Indianola Gate to St George pipeline in the Gas, rather than the Pipeline, Company, several would-be competitors were effectively barred from entry into the natural-gas supply business in this market.

As this Commission has heard before, from counsel for large industrial energy users, competition is brutal. There are no rights, either to recover costs or to a return on investment, in the competitive market place, only opportunity for those with the skills to exploit it. Management and stockholders profit when they get it right, and suffer when they don't. I have shown that Questar decided not to hold residents and business-owners in the expansion communities to agreements they had signed during surveys, and not to monitor actual project costs and GSS revenues. Just as Questar made its independent business decision to invest its capital in these expansions, it decided to forgo those agreements and watchful management.

The Commission erred in recognising any *right* for Questar to recover costs associated with expanding its system, whether actual capital invested, return on that investment, or operating costs. While a utility deserves an *opportunity* to recover its costs, it must properly be at risk of non-recovery depending upon the skillfulness of its management.

I respectfully request that the Commission clarify its statement (in the extract footnoted 4 above) to recognise that Questar expanded into the GSS and EAC communities in pursuit of a profit opportunity and that, while it is entitled to an opportunity to recover its investment with a just and reasonable return from those who benefited from its system expansions, it has no right to recovery from customers at large.

Respectfully submitted on 24 May 2007,

/S/ \_\_\_\_\_

Roger J Ball

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Request for Clarification of Order on Stipulation in Docket 06-057-T04 was served upon the following by electronic mail on 24 May 2007:

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