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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application of Questar ) CEDAR FORT  
Gas Company for an Order to Remove GSS ) POSITION STATEMENT  
And EAC Rates from the Company's Tariff )  
) DOCKET No. 06-057-T04  
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The Town of Cedar Fort ("Cedar Fort"), by and through its legal counsel, respectfully submits its Position Statement to the Public Service Commission of Utah (the "Commission") as follows:

1. Identity and Standing. Cedar Fort is a town in Utah County and is considered a rural community with approximately 100 of its households ("gas users") being serviced by Questar Gas Company ("QGC"). Cedar Fort hereby represents the community and its citizens, which are negatively and unfairly impacted by the QGC Extension Area Charge ("EAC") premium rate. Cedar Fort's petition to intervene in this hearing was granted on December 26, 2006.

2. Background.

Natural gas was extended to Cedar Fort in 2000 when its population was approximately 340 people. Due to the estimated growth and size of the community, Cedar Fort resident

gas users are charged at the highest EAC premium rate (\$30.00 per month) in addition to the regular rates charged to other gas users in Utah County. In addition, Commercial gas users in Cedar Fort are charged at the highest EAC variable commercial rate (\$3.1304 per Dth), which carries a minimum premium rate of \$30.00 per month regardless of use. (see QGS Utah Natural Gas Tariff paragraph 9.02.) In addition, the stated expiration date of November 1, 2014 is subject to extension depending on the ability of Cedar Fort gas users to provide QGC with a “present value of the projected amount to be collected” equal to or lower than the “non-refundable amount.” Because of Cedar Forts current inability to meet projected growth either through its residential gas users or its commercial gas users, it is likely that the expiration date will be extended.

3. The Gas Users in Cedar Fort are charged more for Gas Service than other neighboring communities in the County even though the average household income of its citizens is less, while its cash costs are higher.

Residential gas users in Cedar Fort live at least twenty miles from hospitals, major shopping centers and places of employment. Consequently, educational, clothing, food and health service costs are substantially increased due to commuting costs. In addition, (based on the 2002-2004 US Department of Commerce statistics and the Utah Department of Workforce Services, Workforce Information) Cedar Fort’s number of college students is below state average, the percentage of population with a bachelor’s degree or higher is below state average and population density is significantly below state average for cities. This translates into lower incomes than average and higher average costs of infrastructure per capita. There is 11.3% of the population or about 5 households

below the poverty line, which includes about 18.5% of Cedar Fort's children under 18 years of age.

In 2000, the median income for a household in Cedar Fort was \$44,773. Whereas, the median income for a household in Utah County was \$45,833. Cedar Fort's lower median income is further reduced by the EAC premium charge of \$360 or about 1% of household income. The approximate 100 households paying \$360 per year equals approximately \$36,000. Since Utah County had approximately 99,940 households in 2000, this would amount to an average rate increase of only 36 cents per household per year in Utah County, if the rate were applied on a county basis. The termination of the EAC surcharge would have an enormous impact in Cedar Fort with hardly any impact on the county's median household income (about one bite of a hamburger per year!).

4. The Additional Premium EAC Rate Places Cedar Fort in an unfair disadvantage to other Communities in Utah County and the Wasatch Front to Compete for development of business and additional residents.

When families want to move into the suburbs along the Wasatch front area, including Utah County, Cedar Fort has a distinct advantage in lower land costs. However, due to the increased gas cost imposed on Cedar Fort via the EAC surcharge, potential homeowners make the decision to settle where overall home and infrastructure costs are less. A \$360.00 charge for natural gas can offset a real estate differential of approximately \$5,000 in today's market environment. This is very significant in the highly competitive low to medium income housing market.

In addition, since Cedar Fort is competing in the Wasatch Front with other communities for businesses and development projects, a potential target has many other options than Cedar Fort. It clearly is at a disadvantage due to the commuting distance and the small size of its community. Again, the lower land costs can be substantially undermined by the additional infrastructure costs, including the natural gas surcharge demanded in the EAC rate structure. Other Utah County communities are better situated and have lower infrastructure costs and it makes competing with them extremely difficult for Cedar Fort. Thus the surcharge for Natural Gas imposed on Cedar Fort is simply unfair and provides undue advantages to competing communities in Utah County and other communities along the Wasatch Front. To assess Cedar Fort a surcharge under these circumstances is simply an unfair practice without any redeeming policy rational with regard to the overall duty of fairness in supplying basic services to the citizens of the State of Utah, let alone the citizens of Utah County.

5. The EAC rate is Arbitrary and Unfair.

Utah County grew at a rate of 7.3% on average for the year 2005 over the year 2004 (based on Utah Department of Workforce Services, Workforce Information, July 2006). This increase amounted to an approximate 100 additional households (basically the size of Cedar Fort), yet none of these communities have to pay interest at about 9.6% on the new gas infrastructure for 14 years as does Cedar Fort. Just the interest factor alone increases the cost of the infrastructure to Cedar Fort gas users by over 150%. This is arbitrary and unfair, especially since QGC ends up owning and operating the infrastructure equally in both cases over a much longer time period.

In addition, Cedar Fort gas users are likely to have the time period extended for the EAC surcharge due to its inability to effectively compete for new residential and commercial users as do other users in Utah County and the Wasatch Front area. This is clearly unfair to Cedar Fort gas users who relied on the time period quoted to them at the outset.

6. Cedar Fort Supports the Recommendation of the TASK FORCE.

Cedar Fort supports the recommendation of the Task Force, created by order of the Commission, that the EAC and other similar “surcharges” created for rural communities be terminated.

The bewildering position of the Committee of Consumer Services (“Committee”) to object to the Task Force recommendation at the last minute is both suspect and lacking in rational due to its mandate to represent the interests of consumers in Utah. To side step the interests of rural communities as in the case of Cedar Fort, which is part of the Wasatch Front, part of one of the major counties in Utah and which has a lower than average per capita income than that of its other County communities, leads to the question: Who does the Committee represent? In Cedar Fort’s case one can only conclude that the Committee is only speaking on behalf of the staff’s personal biases and prejudices and consequently, its position has to be regarded as without merit or at least inapplicable to the case of Cedar Fort.

Thus the decision to terminate the EAC surcharge should be made as the only rational conclusion of the Task Force’s good faith study and recommendation by all involved, including QGC.

## 7. SUMMARY

In Summary, Cedar Fort respectfully requests the PSC to terminate the EAC surcharges for gas service as being unfair and positions Cedar Fort at an unfair disadvantage for developing its residential and its commercial base as compared to the surrounding communities in Utah County and along the Wasatch Front in general. The cost of spreading the un-recovered costs (if any, if interest rates are subtracted) simply are inconsequential to the gas users in Utah County when proper comparative data are reviewed.

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Duane W Moss, Attorney  
For and on behalf of Howard Anderson, Mayor  
Town of Cedar Fort  
Utah County, Utah