

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**APPLICATION TO REMOVE GSS)
AND EAC RATES FROM QUESTAR)
GAS COMPANY'S TARIFF)**

Docket No. 06-057-T04

DIRECT TESTIMONY OF

ELIZABETH A. WOLF

on behalf of

SALT LAKE COMMUNITY ACTION PROGRAM

JANUARY 16, 2007

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Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A: My name is Elizabeth A. Wolf. My business address is 764 South 200 West, Salt Lake City, Utah.

Q: ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY?

A: I am testifying in Docket No. 06-057-T04 before the Utah Public Service Commission (PSC or the Commission) on behalf of Salt Lake Community Action Program (SLCAP).

Q: BY WHOM ARE YOU CURRENTLY EMPLOYED?

A: I have been employed by SLCAP as an advocate for low-income people on utility issues since 1997. Salt Lake Community Action Program is a nonprofit agency that works to help low-income families seek self-sufficiency through service delivery and advocacy.

Q: PLEASE OUTLINE YOUR BACKGROUND AND RELEVANT WORK EXPERIENCE.

A: I hold a B.A. in American Studies from the University of Michigan and have completed many graduate courses in the School of Social Work at the University of Utah.

1 Previously, I was employed for sixteen years as Executive Director of Utah Common
2 Cause, a nonprofit, nonpartisan citizens' lobbying group working for more open and
3 accountable government. In that capacity, I worked with other consumer groups on some
4 utility issues and provided testimony to the Utah Legislature on numerous occasions.
5

6 Q: HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY PROCEEDINGS?
7

8 A: Yes. I have testified in several natural gas and electric rate cases over the past decade,
9 both as a witness filing direct testimony and under oath as a public witness in many other
10 natural gas, electric and telephone utility cases.
11

12 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?
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14 A: The purpose of my testimony is to explain, from our perspective, some of the
15 complexities regarding the issues in question and to make some recommendations should
16 the Public Service Commission decide to remove the surcharge in rates for customers
17 living in expansion areas in rural Utah.
18

19 Q: WHY DID SLCAP INTERVENE IN THIS FILING?
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21 A: SLCAP intervened in this docket because it represents low income customers of Questar
22 Gas Company in Salt Lake and Tooele counties. Those customers are being asked to
23 increase the rates they pay in order to pay off the surcharges that were originally imposed
24 on communities in rural Utah in order to help fund the extension of natural gas to those
25 communities.
26

27 Q: DOES SLCAP SUPPORT OR OPPOSE THE APPLICATION BEFORE THE
28 COMMISSION IN THIS DOCKET WHICH RECOMMENDS THAT THE PSC
29 ELIMINATE THE SURCHARGES AND ROLL THESE RATES INTO THE

1 REMAINING GS-1, I-4 AND IT RATE SCHEDULES?
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3 A: I wish that there were an easy answer to that question but unfortunately there is not. We
4 neither support nor oppose the Application but believe that there are many complex
5 issues for the Commission to consider in this docket and urge that it do so.
6

7 Q: WHAT ARE SOME OF THOSE ISSUES?
8

9 A: Some of the thornier issues include issues related to how to fund expansion of natural gas
10 service to communities in the future, ongoing questions of subsidies to various groups of
11 ratepayers and issues relating to fairness, universal service and economic development.
12 Furthermore, should the PSC choose to remove the GSS and EAC tariffs, we recommend
13 several changes in how that could be instituted.
14

15 Q: DID SLCAP PARTICIPATE IN THE TASK FORCE ORDERED BY THE PSC TO
16 EXAMINE THIS ISSUE?
17

18 A: Yes. I attended most of the meetings on behalf of SLCAP.
19

20 Q: DID YOU AGREE WITH THE RECOMMENDATIONS OF THE GROUP?
21

22 A: At the conclusion of the task force proceedings, I was ambivalent about the
23 recommendations due to the complexity of the issues and continue to have similar
24 concerns. Probably the largest ongoing issue for us is the contention by most Task Force
25 members that if the surcharges of these communities were to be rolled into rates, that
26 would solve the current perceived problems of fairness of the communities paying the
27 surcharge and pave the way for a different solution in the future.
28

29 Q: HOW IS THAT ARTICULATED AND DO YOU AGREE WITH THAT

1 RECOMMENDATION OR CONCLUSION?

2
3 A: The Task Force Report and the Application both recommend that residential customers
4 statewide pay the same rates and therefore recommend elimination of the GSS and EAC
5 tariff which would remove the additional charges to customers in the expansion areas.
6 Furthermore, the Application states: “Additionally, with regard to the extension of natural
7 gas service to areas not currently served, the report recommended that these areas acquire
8 the necessary funding for the non-refundable portion of the contribution required to
9 extend service from third party resources.” (Application, p. 5) My concern is that if the
10 GSS and EAC rates were to be rolled into the rest of the rate structure, then that may
11 make it less messy going forward by eliminating the current surcharges that have not
12 worked out either as planned or in a positive manner. However, if the outstanding
13 remainder of the expansion costs from the current communities is picked up by other
14 ratepayers, then why would other communities seeking service not ask for the same
15 treatment in the future?

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17 Q: WHY WOULD YOU VIEW THAT AS A POSSIBILITY IF IT’S NOT WHAT THE
18 REPORT RECOMMENDS AND WHY WOULD YOU SEE THAT AS A PROBLEM?

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20 A: The reason for this concern is that despite the agreement by Task Force members
21 including the Company, the Division of Public Utilities and representatives of Utah
22 Counties’ Economic Development agencies, the latter groups are looking for further
23 utility funding of expansion areas in the future. The Governor’s Rural Partnership
24 Board’s 2006 Annual Report (September 2006) states this clearly in its recommendations
25 to the Governor and the Legislature. It suggests that the state abandon its policy of low
26 cost utility rates in order to pay for extending utility services around the state.

27
28 As an agency that represents low income ratepayers, we are primarily concerned about
29 the impact of utility rates on low income customers. Low income customers have a high

1 energy burden, meaning that they pay a disproportionately high percentage of their
2 incomes for their basic heating and electricity needs. Increases in those rates make it
3 even more difficult for households with limited income to pay their energy bills.
4 Expansion of natural gas service into other even more distant communities in the future
5 could place a large burden upon low income households already struggling to pay for
6 their critical utility services.

7
8 Q: IS THERE ANYTHING DIFFERENT THAT DISTINGUISHES THESE
9 SURCHARGES AND THIS APPLICATION TO REMOVE
10 THEM FROM OTHER INSTANCES IN WHICH NEW
11 CUSTOMERS REQUEST ACCESS TO UTILITY SERVICES?
12

13 A: Yes, we believe there is. Prior to extending service to these areas, the Company
14 investigated the costs of expansion and the communities that applied agreed to pay extra
15 costs in order to receive this service. While we acknowledge that natural gas service
16 provides a relatively clean, safe, reliable and inexpensive means to heat a home, there are
17 many other means of doing so. That's what makes this situation different. In the past,
18 there was no substitute for telephone service and there still is no comparable substitute
19 for electric service. In that circumstance, it is typical to extend service to nearby areas
20 where there are no alternative means of receiving similar services. But in these cases,
21 there were other alternative means of home heating. However, the communities in
22 question chose to pay the *extra* costs of accessing natural gas since they deemed it to be
23 worthwhile for their communities. I would note that not everyone in the communities
24 was able to take advantage of the new gas service as often low income households were
25 unable to make the financial commitment necessary to sign up for gas service even as it
26 became available in their communities.

27
28 Because this was a choice of communities to extend natural gas service to their
29 communities where other fuel sources were or could be made available, this makes it

1 different than if there were no other choices. Thus, there is a difference in subsidizing a
2 particular fuel source rather than a critical and non substitutable utility service.

3
4 Q: IF THE EXTRA CHARGES OF THESE COMMUNITIES ARE ROLLED INTO
5 OTHER RATES, DOESN'T THAT REPRESENT A SUBSIDY FROM SOME
6 CUSTOMERS TO OTHER CUSTOMERS?

7
8 A: Yes, it does and I believe that all parties recognize that. I think it is important to
9 recognize that nearly all utility rates have some subsidies in them whether implicit or
10 explicit. While regulators may try hard to eliminate subsidies within rates, in fact
11 subsidies exist in various ways throughout utility rate structures. Those subsidies exist
12 for a variety of reasons to accomplish various objectives. When there was no alternative
13 to telephone service, all customers throughout the state paid essentially the same for
14 service even while the cost of service varied greatly depending upon whether the
15 customer was located in an urban or rural setting. Similarly, in general, as new customers
16 come onto a gas or electric system and costs to develop and maintain distribution
17 infrastructure increase, customers who have been on the system a long time are in
18 essence subsidizing newer customers through increased rates to fund the expanded
19 distribution network.

20
21 If these extra costs are rolled into rates, we think it is also important to acknowledge that
22 all GS-1 customers will be subsidizing the customers in the affected communities.
23 Similarly, low income customers will also be subsidizing both low income and non low-
24 income customers in these rural areas addressed in the Application.

25
26 We find it interesting to note that in this case, ratepayers are being asked to subsidize the
27 "unaffordable" rates of rural customers. We have often raised the issue of rates that are
28 "unaffordable" to low income customers but with a notably less sympathetic response. It
29 is hard to understand why some people believe it is inappropriate to subsidize a low

1 income customer who must make their \$600 monthly income pay for housing, utilities,
2 food, medications and all other costs of living while it is fine to subsidize others who may
3 or may not be able to “afford” the costs of providing service to their area. In addition,
4 many participants in the Task Force expressed the opinion that the imposition of a \$0.19
5 monthly increase in GS-1 rates was inconsequential. However, when customers in other
6 cases have been asked to fund low income programs at considerably less cost, there has
7 been great resistance if any portion of that charge represents a “subsidy.”
8

9 Q: CAN YOU PLEASE EXPLAIN SOME OF THE OTHER CONCERNS YOU RAISED?
10

11 A: Yes. One of the issues raised is fairness in the sense of whether it’s fair for the rural
12 communities to pay more for service than other customers. I don’t dispute that notion but
13 there are other elements of fairness to consider as well. Is it fair that some communities
14 paid the full amount they were assessed (those in earlier GSS communities who paid their
15 entire commitment) or paid significantly more for years (those in the Ogden Valley) and
16 actually paid off the expansion costs? Is it fair that some in rural communities will have
17 service while others do not? I do not suggest that all those questions need to be answered
18 but just raise the questions to point out that the solution is not as simple as some would
19 propose.
20

21 Another issue raised during discussions on the topic of the expansion area rates is that of
22 universal service. As an advocate for low income people, SLCAP supports the concept
23 of universal service for essential utility services such as home energy. However, while
24 there has long been a concept of universal service with respect to basic telephone service
25 in Utah, I do not believe that the state has articulated a position that supports similar
26 universal service for energy service - a service that is probably far more critical for the
27 health and well-being of the citizens of the state. We would likely support such a policy
28 change if it would apply both to the availability and affordability of such services so that
29 low-income customers would not be disadvantaged.

1 A final issue is that of economic development and whether it can or should be resolved
2 through the utility rate structure. In the past, these same communities requested that
3 natural gas be provided so that they could attract growth and development, asserting that
4 they would be happy to pay a premium for the ability to have access to natural gas and
5 attract economic development opportunities. Now those same communities assert that
6 they can't attract the development due to the higher rates and consequently don't want to
7 pay them anymore.

8
9 The fact is that there are many reasons that rural communities don't attract certain types
10 of development. And there will always be competition between communities in
11 attracting development due to factors that none of us will be able to influence such as
12 location, weather, only so much business to go around, proximity to hospitals, airports,
13 etc. At the same time, there are advantages to living in rural areas that will not be
14 available to those in more urban areas. The point is that each has its advantages and
15 disadvantages and providing every technological utility advance to every rural
16 community will not change that or provide each rural community unlimited economic
17 development potential.

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19 Q: YOU MENTIONED EARLIER HAVING SOME RECOMMENDATIONS FOR THE
20 COMMISSION IN THE EVENT IT IS INTERESTED IN ROLLING THE GSS AND
21 EAC TARIFFED RATES INTO THE GENERAL RATE STRUCTURE. CAN YOU
22 PLEASE ELABORATE?

23
24 A: Yes. If If the PSC were to decide it is appropriate for the rates of the current GSS and
25 EAC customers to be commensurate with those of other customers outside those areas,
26 we have some recommendations for how that should occur that are different than in the
27 Application.

28
29 At a minimum, the Commission should investigate further what the remaining charges

1 are. One of the problems with the issue before the Commission is that in the initial GSS
2 rates, apparently the Company was not required to keep track of the monies that were
3 collected. That makes it difficult to know what was actually paid for the GSS rates and
4 consequently what is appropriately owed. We currently only know that there was a
5 certain amount to be collected over a certain period of time. We would hope not to add
6 insult to injury by exacerbating this situation. Thus, we would recommend that rather
7 than rolling the proposed amount into rates, that the Commission attempt to more fully
8 ascertain the actual amount necessary to be collected. This is a matter that would more
9 appropriately be determined in a general rate case.

10
11 In addition, it would be appropriate that the money be collected as a surcharge so that it
12 would be possible to keep track of it in the future. In this way, customers do not keep
13 paying the charges for an unlimited amount of time nor do they overpay for the costs of
14 extending the lines and service to these areas.

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16 Q: IS THERE ANYTHING YOU WOULD LIKE TO SAY IN CONCLUSION?

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18 A: Yes. As I've described, this is not a simple issue but one that has many complex aspects
19 that merit careful scrutiny. We are sympathetic to the concerns of those in the rural areas
20 regarding "affordable" rates. We also think there are other issues in this case that need
21 further exploration, particularly those regarding the actual costs that should be paid by
22 GS-1 customers if the Commission decides that is appropriate.

23
24 Q: DOES THAT CONCLUDE YOUR TESTIMONY?

25
26 A: Yes, it does.
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