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Deputy Director
Division of Public Utilities
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Lieutenant Governor

To: Utah Public Service Commission

From: Division of Public Utilities
Constance B. White, Director
Artie Powell, Manager, Energy Section
Marlin H. Barrow, Utility Analyst

Date: August 24, 2006

Subject: Docket No. 05-057-T01, QGC GSS/EAC Task Force Report

ISSUE:

On May 26, 2006, The Utah Public Service Commission ("Commission") issued an Order in Docket No. 05-057-T01 to "Create a task force to address GSS expansion area rate premiums and EACs in the company's tariffs and develop new tariff language to address future system expansion requests."[1]

A task force was formed which consisted of members Colleen Bell, Carl Galbraith, Ron Jibson, Brad Markus, Barrie McKay and Gary Robinson representing Questar Gas Company; Dan Gimble, Chris Keyser, Eric Orton and Reed Warnick representing the Committee of Consumer Services; Betsy Wolf representing the Salt Lake Community Action Program; Rob Adams (Beaver County), Delynn Fielding (Carbon County) and Mike McCandless (Emery County) representing the Utah Counties Economic Development Group; Jim Logan and Becky Wilson representing the Public Service Commission; and Marlin Barrow, Mary Cleveland, Mike Ginsberg, Sam Liu, Artie Powell, Carolyn Roll and Connie White representing the Division of Public Utilities.

RECOMMENDATION:

The task force members could not reach a consensus regarding how to address the current GSS/EAC rate premiums in Questar's Tariff. There was consensus regarding future expansion requests.

[1] Docket No. 05-057-T01 PSC Order, p. 10, ¶ 5, dated May 26, 2006.

While the task force could not reach a consensus the members of the task force representing Questar Gas, Utah Counties Economic Development Group and the Division of Public Utilities recommends to the Commission the following:

1. The expansion area rates (GSS, IS-4 and ITS) and Extension Area Charges ("EAC") should be removed from the Questar Gas Tariff. The expansion area rates can be found in Sections 2.03, 4.03 and 5.09, and the EACs are in Section 9.02 of the tariff.

2. The revenues now being collected through the GSS, IS-4, ITS rates and EACs should be rolled into the current GS-1, I-4 and IT rate schedules, and the rates for those schedules should be adjusted so that this change is revenue neutral for the combined classes (GS-1 and GSS, I-4 and IS-4, and IT and ITS).

3. The language in Section 9.02 of Questar Gas' current tariff that discusses "Availability Of Service To New Service Extension Areas" (Pages 9-3 through 9-6**)** should be removed.

4. The financing of the non-refundable contribution for any future expansion of QGC's distribution system into areas currently not served by natural gas should be funded from third party sources before the expansion begins, and all other charges or required contributions in aid of construction should follow the established main and service line expansion policies included in Sections 9.03 and 9.04 of Questar Gas' current tariff.

5. Questar Gas should file a tariff change with the Commission to incorporate the above-mentioned changes, including the support for the proposed rate changes.

HISTORY:

In the mid 1980s Mountain Fuel Supply Co. ("Questar Gas" or "QGC") along with three other companies' approached the Commission to extend natural gas service to several communities in Central and Southern Utah. Following hearings, Mountain Fuel was awarded the Certificate of Public Convenience and Necessity.[2]

In an Order dated January 5, 1987, the Commission granted QGC authority to create the GSS rate, which was designed to charge a double Distribution Non-Gas Cost (DNG**)** rate for a 10-year period to new communities who desired natural gas service. At that time the double DNG rate, at the estimated usage levels, was thought to be sufficient enough for QGC to recover the capital required for the cost of the expansion. There were

[2] Case No. 86-057-03.

communities in seven counties that received gas service under this agreement.[3] At the end of the 10-year period, these areas were converted to the GS-1 rate schedule.

When Kern River Pipeline ran a line through the western part of Utah, the opportunity again presented itself for extending service to new communities that could take service off of that line. Because those communities were more remote and had smaller populations and expected growth rates, Questar Gas estimated that the GSS rates would have to be collected for 20 years to recover the capital required for the cost of the expansions. There are currently communities in five counties that are receiving service under the GSS 20-year time period.[4] These GSS rates are scheduled to expire between 2012 and 2013. These communities have been paying the GSS rates for about 13 years.

The payback time frame for the communities under the GSS tariff was estimated using an average after tax interest rate. With the approval of the GSS rates, the Commission did not require QGC to monitor the extra revenues collected from the GSS rates and compare them to the original extra costs of the expansions.

When Ogden Valley wanted service in 1995, the EAC was initiated.[5] This established a basic monthly service fee to be charged, in addition to the authorized DNG tariff rate for the GS-1 rate schedule. The monthly service fee was determined based on an analysis of the non-refundable contribution required to cover the cost to install the feeder lines to the communities. This fee assumed a specific number of signups within a two-year period and using a discount of the authorized pre-tax rate of return over 15 years. In essence, QGC created a loan for the Ogden Valley customers to pay for the required contribution in aid of construction. After Ogden Valley, nine additional areas petitioned the Commission for approval of EAC with similar provisions (Exhibit 1).

Since the EAC payments were calculated as loans from QGC to the communities to cover the extra capital required for the cost of the expansions, the Commission required QGC to monitor the payments received from each community and collect these payments until the loan was paid off. The loans were calculated with 15-year terms for most of these areas. The orders included the provision that the EACs would end before 15 years if payments exceeded the estimates and later than 15 years if the payments were less than the estimates.

[3] Case Nos. 86-2016-01, 86-057-03, 86-091-01, 86-2019-01. Counties included: Sanpete, Sevier, Piute, Iron, Washington, Cache in Utah; and Franklin County in Idaho (See Original Sheet No. 215 in Mountain Fuel Supply Company's Utah Natural Gas Tariff No. 200).

[4] Docket No. 93-057-03. Counties include Iron, Washington, Millard, Beaver, and Emery in Utah (See current Questar Gas Company Utah Natural Gas Tariff, page 9-5).

[5] Docket No. 96-057-07.

In March, 2005, a memo was sent to the Commission from Beaver County that questioned the ability of rural communities to attract new industry into the area when communities with GSS/EAC rates are compared to communities served under GS-1 rates. As a result of that memo, the Commission initiated an investigation into the GSS/EAC tariff issues. That investigation reviewed the history behind GSS rates, as well as the process to calculate the EAC charge. It also highlighted the fact that, due to a lag in the number of initial customers signing up, with the exception of Ogden Valley, the EAC term for most of the other communities would exceed 15 years.

As the process was reviewed, an inconsistency was noted in the interest rate used in the calculation of the GSS and EAC rates. In order to help bring some consistency to the analysis, the EAC interest rates were adjusted to an after tax rate in 2005.[6] This adjustment accelerated Ogden Valley's payoff from March 2008 to September 2005, as well as shortened the expected payoff time frame for the other EAC communities.

TASK FORCE MEETINGS:

The task force met four times during the course of this investigation. Minutes of each meeting were taken and are attached as Exhibits 2 through 5 respectively. Various handouts were prepared and are also included as attachments.

FIRST MEETING

The first meeting was held on June 13, 2006. QGC reviewed the history of the creation of the GSS and EAC tariff provisions as outlined above. In addition, material from meetings held in 2005, which detailed the status of the various communities which were using the GSS/EAC tariff provisions, was also handed out to task force members. (See Exhibit 6).

Much of the first meeting of the task force dealt with two issues. The first issue looked at inter-class subsidization and whether it is appropriate to roll into one class of service the revenue requirement of another class of service, which would be the case if the current GSS and EAC customers were rolled into the GS-1 rate schedule. QGC cited an example of how this type of inter-class subsidization has occurred in the past with the purchase of Utah Gas Service and the rolling into the GS-1 rate schedule the costs of those Utah Gas Service customers at the next rate case after the purchase occurred.

The second issue discussed the problem of setting an unfavorable precedence of dealing with future expansion issues by what decisions are made as a result of this task force and the problems that are inherent in those decisions.

*SECOND MEET*ING

[6] Docket No. 05-057-13.

The second meeting of the task force was held on July 6, 2006. QGC handed out an update of the EAC payoff reflecting information as of May, 2006. Also included was information showing the payoff if the interest rate used to calculate the payments was changed from the current 9.64% to 6% and 0% respectively (Exhibit 7). A handout was also provided by QGC showing the analysis of the expected costs of extending service into some areas that currently do not have gas service (Exhibit 8). The contingent from the Rural Economic Development handed out a summary of some funding opportunities based on legislative action in 2007 (Exhibit 9). The Committee of Consumer Services ("CCS") staff also expressed their initial ideas concerning the issues.

The task force discussed each of these items. The additional annual revenues from the GSS/IS4/ITS tariffs are $1.3 million and $546,000 from the EAC customers. Combining these rate schedules into the GS-1/I-4/IT rate classes and adjusting the rates accordingly would add on average, approximately $0.19 cents per month to an average GS-1 customer's bill.[7]

QGC noted that the estimated costs to extend gas service to communities which currently have no service was done several years ago and that today, the costs could be much higher than those presented in the handout based on increased construction costs.

One of the biggest hurdles faced by rural communities competing for development funding is the current definition of what qualifies as rural under Utah law. Many of the communities surrounding the Wasatch Front as well as the St. George area still are considered rural, which makes it more difficult for the more remote areas in Utah to compete for the available funding. The task force recognized that this issue is beyond the jurisdictional authority and scope of the Commission but also realizes that the current disparity in the current GSS/EAC rates, when compared to the GS-1 rates, creates a disincentive for economic development in those rural areas.

The CCS staff recommended rolling in the revenue requirement of the GSS/EAC rate classes into the GS-1 tariff, but was also of the opinion that QGC should bear some of the cost of this action. QGC responded that they already have incurred some revenue shortfall by adjusting the interest rate used to calculate the EAC payments to an after-tax rate of 9.64%. This action reduced Ogden Valley's payoff from an estimated completion date of March 2008 to August 2005. Since this occurred between rate cases, QGC revenues were immediately reduced by $565,000 per year.

[7] ($1,252,000+546,000)/800,000/12) or $0.13 cents for GSS and $0.06 cents for EAC.

THIRD MEETING

The third meeting was held on July 19, 2006. The focus of this meeting was formulating a preliminary policy regarding the current GSS/EAC tariffs. The CCS staff reported that the Committee had met but really hadn't had time to study the GSS/EAC situation due to the recent settlement negotiations in the Rocky Mountain Power rate case.

The Division expressed a desire to roll-in the current GSS/IS-4/ITS/EAC revenue requirement into the GS-1/I-4/IT rate schedules. The Division felt that the policy regarding future expansion of QGC's system into new communities should be made outside the current regulatory arena and is more of a statewide policy that needs legislative attention.

QGC felt that, because of the inconsistencies that have existed between the GSS and EAC tariff policies, the two should be rolled-in with the GS-1 rate and that before any future expansion takes place, the communities should have the non-refundable contribution funds available before the project is started. QGC also commented on four possible legislative proposals which the Utah Counties Economic Development group brought before the task force. Of the four, QGC felt they could support the Industrial Assistance Fund and the Rural Enterprise Fund. (See Exhibit 8, Nos 1 and 3).

FOURTH MEETING

The fourth meeting was held on August 17, 2006. This meeting reviewed the preliminary recommendations of the task force regarding the current status of the GSS/EAC tariffs. The task force discussed the proposed recommendations. The CCS had several concerns with the recommendations and indicated they would not be able to support the recommendations in their present form.

CCS Staff noted that it was the Company's decisions to initiate petitions with the Commission to extend service to the new areas covered in the GSS and EAC rates with the intent to expand Questar's business. When the business expansions became problematic, Questar petitioned to have the Commission order the Company's other customers to accept the financial burden. Presently these communities are encumbered to the point that they will take decades to pay off their debt to the Company and some may never repay their obligation.

In the first order from the Commission regarding expansion of Questar's system (86-2016-01, 86-057-03, 86-091-01,86-2019-01) The initial criteria established by the Commission included six elements. Questar provided testimony in support of the Company meeting all these six criteria. In subsequent orders these six are not mentioned. The Committee wondered if the Commission intentionally eliminated those six as being criteria. The objective in the initial order was that the expansion be 'economically feasible' and the Company provided numbers to show that the expansion was economically feasible. However, in the second order, (93-057-03) the objective was to 'allow customers in new service areas to receive natural gas where it might otherwise be economically infeasible' even with Emery County providing an up-front contribution. The Committee again wondered if this change was intentional on the Commissions part.

Finally, in the Commission's order where the EAC was established (96-057-07) the Commission established its 'going forward' policy which, the Committee proposes, is still valid and supportable.

The task force members made an effort to try and resolve any differences but soon realized that the CCS would need to make a separate filing with the Commission expressing those concerns in that filing.

CONCLUSIONS:

In reviewing the work of the task force during the past few months, the Division must consider the implications of the age old battle between the concepts of "fairness and functional efficiency."[8]

The question of fairness arose often when the topic of discussion dealt with rolling the current GSS/IS-4/ITS/EAC revenue requirements into the GS-1/I-4/IT rate schedules. The central question in that discussion was, "Is it fair to excuse the obligations of some (the GSS/EAC customers) when they knowingly committed to that obligation?" The counter argument to that question was, "Is it fair that those individuals that did sign up, (referring to the EAC customers) when they said they were going to sign up, be punished with an extended payment schedule because others that said they were going to sign up but didn't, causing the entire community's payout schedule to be extended?"

When looking at these questions, the Division is reminded of the "Good-Faith Standard" of fairness.[9] The first eight communities which signed up under the GSS rate schedule paid under that schedule for ten years as agreed and then went to the GS-1 schedule. The next five communities signed up for a period of 20 years and have been paying under that schedule for 13 to 14 years. However, the Division cannot ascertain whether or not those communities under the GSS schedules have actually paid for the cost of the line extension, because no records have been kept by QGC pertaining to the collection of revenues from that class of customer.

The EAC customers agreed to a definite monthly surcharge in addition to the regular DNG rate that is charged to the GS-1 customer. The original terms established for the

[8] James C. Bonbright, *Principles of Public Utility Rates*, Chapter VIII (New York: Columbia University Press, 1961), republished on the web (July 2005): http://www.terry.uga.edu/bonbright/publications.

[9] Ibid, p127.

various EAC monthly charges were done in good faith based on the estimates at the time. However, due to lags in customer sign ups, many, if not most, EAC customers face payback periods greater than what was first negotiated. It seems an injustice to have EAC customers who signed up on time, should have to pay longer than originally negotiated, and it is also administratively impractical to monitor each individual customer's payback period.

The following tables illustrate the average differences in payments between GS-1 customers, GSS customers and EAC customers for a year(Table 1) and for the remaining duration of the GSS and the EAC estimated payback periods (Table 2) per Exhibit 6:

Table 1

	Annual Fee	Summer	Winter	
GS-1	$ 60.00	$1.65073	$1.95993	
Dth		37.5	77.5	115

	GS-1	GSS	EAC	Usage All Dth
Basic Fee (1)	$60.00	$ -	$348.85	
Summer/Dth	$1.65	$3.30	$1.65	37.5
Winter/Dth	$1.96	$3.92	$1.96	77.5
Annual Cost	**$251.05**	**$344.59**	**$539.90**	**115**
Diff from GS-1		$93.55	$288.85	
Diff from GSS			$195.31	
Average incremental cost over GS-1		$561.27	$2,599.68	
Average incremental cost over GSS			$2,038.41	

Table 2

	GSS	EAC
Estimated remaing years	6	
New Harmony	$ 25.14	5
Panguitch	$ 30.00	9
Oak City	$ 20.00	12
Joseph & Sevier	$ 20.00	12
Fayette	$ 28.00	9
Cedar Fort	$ 30.00	1
Newton & Clarkston	$ 16.50	12
Brian Head	$ 30.00	12
Wales	$ 17.00	9
Average	**$ 24.07**	**9.00**

(1) GS-1 Basic Fee is $5.00 x12
EAC Basic Fee is ($24.07x12)+60

With the understanding that the above tables uses averages, it can be seen that a GSS customer, assuming usage is the same irrespective of physical location, will pay an average of $94/ year (rounded) compared to a GS-1 customer. This equates to approximately $561 more that a GSS customer will pay when compared to a GS-1 customer over the remaining six year GSS contract life.

The EAC customer will pay $289 more per year than a GS-1 customer and $195 more than a GSS customer. Using an average estimate of 9 years of remaining EAC contract life, the EAC customer will pay an average of $2,600 more than a GS-1 customer and $2038 more than a GSS customer.

Most task force members, in reviewing this type of disparity in the rates of residential customers, feels the past experiences of QGC in extending service to new areas has been inconsistent and resulted in the unintended consequence of economic disparity between rural and urban areas for economic growth potential.

Rather than continue along this path, the Division along with QGC and the Utah Counties Economic Development recommends to the Commission that QGC opt for a path of “functional efficiency” by revising their current tariff to remove the expansion area rates and EACs so that residential customers statewide pay the same rate as currently provided by Rocky Mountain Power in their Schedule No.1 for Residential Service, and require those areas that desire new gas service to acquire the necessary funding for the non-refundable contribution from third party resources and not from QGC.

GSS/EAC TASK FORCE REPORT
Docket No. 05-057-T01

EXHIBITS

EXTENSION AREA CHARGE AND EXPIRATION DATE

The following table describes the areas in which the Extension Area Charge applies, the amount of the charge for residential and commercial customers and the date on which the charge is due to expire for each new extension area.

Extension Area Charges (All Charges Are In Addition To Regular Tariff Rates)				
	Residential	Commercial		
Area Definition	Monthly Charge	Monthly Charge	All Usage Over 45 Dth Per Month	Estimated Expiration Date
New Harmony and the area adjacent to the tap line serving this area .	$25.14	$25.14	$2.6235/Dth	November 1, 2007
Panguitch and the area adjacent to the tap line serving this area.	$30.00	$30.00	$2.7481/Dth	November 1, 2013
Oak City and the area adjacent to the tap line serving this area.	$20.00	$20.00	$2.0870/Dth	November 1, 2013
Joseph & Sevier and the areas adjacent to the tap lines serving this area.	$20.00	$20.00	$2.0870/Dth	November 1, 2013
Fayette and the area adjacent to the tap line serving this area.	$28.00	$28.00	$2.9009/Dth	November 1, 2014
Cedar Fort and the area adjacent to the tap line serving this area.	$30.00	$30.00	$3.1304/Dth	November 1, 2014
Newton and Clarkston and the area adjacent to the tap line serving this area.	$16.50	$16.50	$1.5069/Dth	November 1, 2014
Brian Head and the area adjacent to the tap line serving this area.	$30.00	$30.00	$2.7481/Dth	November 1, 2014
Wales and the area adjacent to the tap line serving this area.	$17.00	$17.00	$1.7739/Dth	November 1, 2015

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) l 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.

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 a 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.
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The meeting ended at 12:05 PM.

Next Meeting: July 19, 2006
Location: Room 401, Heber Wells Building, Salt Lake City, Utah

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.

To: Questar Gas GSS EAC Task Force
From: Marlin Barrow, Utility Analyst, Division of Public Utilities
Date: July 25, 2006
Subject: Minutes of Meeting held July 19, 2006

Location: Room 401 Heber Wells Building Salt Lake City, Utah
Time: 10:30 AM
Attending:
Questar Gas Company; Carl Galbraith, Brad Markus, Barrie McKay, Gary Robinson.
Committee of Consumer Services; Chris Keyser, Eric Orton.
Division of Public Utilities; Marlin Barrow, Mary Cleveland, Sam Liu, Artie Powell.
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:

The first item of business the task force discussed is developing a recommendation concerning the current GSS/EAC tariff situation.

The CCS met on July 18th and one of the items of discussion was the GSS/EAC tariff situation. The CCS was not able to make a recommendation at this time.

The DPU supports the rolling in of the GSS class of customers into the GS-1 rate schedule but is more cautious and uncertain with respect to the EAC class of customers because of not wanting to set a precedent for future potential customers to follow.

SLCAP expressed similar feelings to that of the DPU that the GSS customers have been paying for more than 10 years with the current remaining five now about to complete their 13th and 14th years and probably should be rolled in however, there is a concern about subsidizing the EAC because they did agree to a specific term of payments.

The group discussed the disparity of payment amounts between the GSS class of customer and the EAC class of customer. The GSS customers pay double the DNG rate for the gas used while the EAC customer pays a fixed monthly charge with a range of $16.50 to $30.00 a month, in addition to the DNG rate for the gas used. Over the course of time, the EAC customer pays substantially more for his gas service than the GSS class of customer does. The company pointed out that with respect to the two programs, there never has been anything consistent between the two.

The Company expressed the position that because of the inconsistencies that have existed between the two tariffs they would like to roll into the GS-1 schedule both the GSS and EAC schedules. For future customers the Company wants to take the position that those future customers provide the necessary funding required for expansion from whatever means are available to them before that expansion it is undertaken.

The concept of future expansion and the funding of those projects were discussed by the group. Not all areas of the state are served by Questar Gas or Rocky Mountain Power. Electrical coops and municipalities have their own systems and rate structures which are not necessarily regulated by the PSC.

QGC reviewed four legislative initiatives, which were handed out in the previous meeting by Mike McCandless, and expressed opinions on how well the concepts in those initiatives could be supported by QGC. The one caveat expressed by QGC is that they are not necessarily supporting any one initiative before the legislature, only that they can support the concepts behind the initiatives as a way to provide funds for future expansion and as a statement of policy for their tariff. The initiatives they expressed support for were (1) Industrial Assistance Fund and (3) Rural Enterprise Fund. There was concern over (2) Rural Utilities Infrastructure Investment Tax Credits because of the tax issues PacifiCorp is facing in Oregon and (4) Creation of an Disadvantaged Rural Communities Utilities Infrastructure Fund which is similar to the telephone industry USF fund. The issue with a USF type fund is that all ratepayers of all utilities and municipalities need to participate in this and not just the customers of QGC or Rocky Mountain Power. Currently the PSC doesn’t have the jurisdictional authority to order an assessment for coops and municipalities through rate surcharges. Because of this, the question of future expansion and how funds for future expansion should be assessed and disbursed is better suited to a more state wide solution which is beyond the scope of this particular task force. The task force felt that those discussions need to take place in conjunction with the electric utility and should morph into a group which has been meeting to discuss electrical infrastructure issues.

For the next meeting the task force will see if the CCS has a response to the proposed recommendation of this task force to roll in the current GSS/EAC revenue requirement into the GS-1 rates, an increase of about $0.19/Dth per month. The mechanism for doing this will be a separate tariff filing initiated by QGC. Also review the recommendation that QGC in that future tariff filing reflect the concept that future expansion needs to be addressed more as a state issue and not left up to QGC to decide who gets gas service by offering to be the source of funding for such projects.
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The meeting ended at 11:35 AM.

Next Meeting and Last Meeting: August 17, 2006
Location: Room 401, Heber Wells Building, Salt Lake City, Utah
Time: 10:00 AM-12:00 PM.
Assignments: CCS is to give the task force response to the position of rolling in the current GSS/EAC costs into the GS-1 rate. .

To: Questar Gas GSS EAC Task Force
From: Marlin Barrow, Utility Analyst, Division of Public Utilities
Date: August 17, 2006
Subject: Minutes of Meeting held August 17, 2006

Location: Room 401 Heber Wells Building Salt Lake City, Utah
Time: 10:00 AM
Attending:
Questar Gas Company; Colleen Larkin Bell, Carl Galbraith, Brad Markus, Gary Robinson.
Committee of Consumer Services; Chris Keyser, Eric Orton.
Division of Public Utilities; Marlin Barrow, Sam Liu, Artie Powell, Carolyn Roll.
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:

The Task Force members in attendance reviewed initial proposed recommendations that were going to be put into the report. Staff of the CCS expressed the feeling that the CCS may not be able to support recommendations.

CCS Staff noted that it was the Company's decisions to initiate petitions with the Commission to extend service to the new areas covered in the GSS and EAC rates with the intent to expand Questar's business. When the business expansions became problematic, Questar petitioned to have the Commission order the Company's other customers to accept the financial burden. Presently these communities are encumbered to the point that they will take decades to pay off their debt to the Company and some may never repay their obligation.

In the first order from the Commission regarding expansion of Questar's system (86-2016-01, 86-057-03, 86-091-01,86-2019-01) The initial criteria established by the Commission included six elements. Questar provided testimony in support of the Company meeting all these six criteria. In subsequent orders these six are not mentioned. The Committee wondered if the Commission intentionally eliminated those six as being criteria. The objective in the initial order was that the expansion be ‘economically feasible’ and the Company provided numbers to show that the expansion was economically feasible. However, in the second order, (93-057-03) the objective was to ‘allow customers in new service areas to receive natural gas where it might otherwise be economically infeasible’ even with Emery County providing an up-front contribution. The Committee again wondered if this change was intentional on the Commissions part.

Finally, in the Commission’s order where the EAC was established (96-057-07) the Commission established its ‘going forward’ policy which, the Committee proposes, is still valid and supportable

After discussing some of their concerns, it was felt that the best approach to take was to state in the report to the PSC that a consensus on the recommendations could not be reached by all but by a majority and when the report is filed, those who have different concerns could also file those at the same time.

It was also noted that before any changes can be made, QGC will need to make a filing before the PSC requesting those changes and anyone can respond to that filing noting at that time there concerns or even requesting a hearing on the matter.

Future discussions dealing with rural infrastructure concerns will be handled in a rural infrastructure forum which has been on going since January 2006. The next meeting of that forum is August 17, 2006 at 1:30 PM here in the Heber Wells Bldg.
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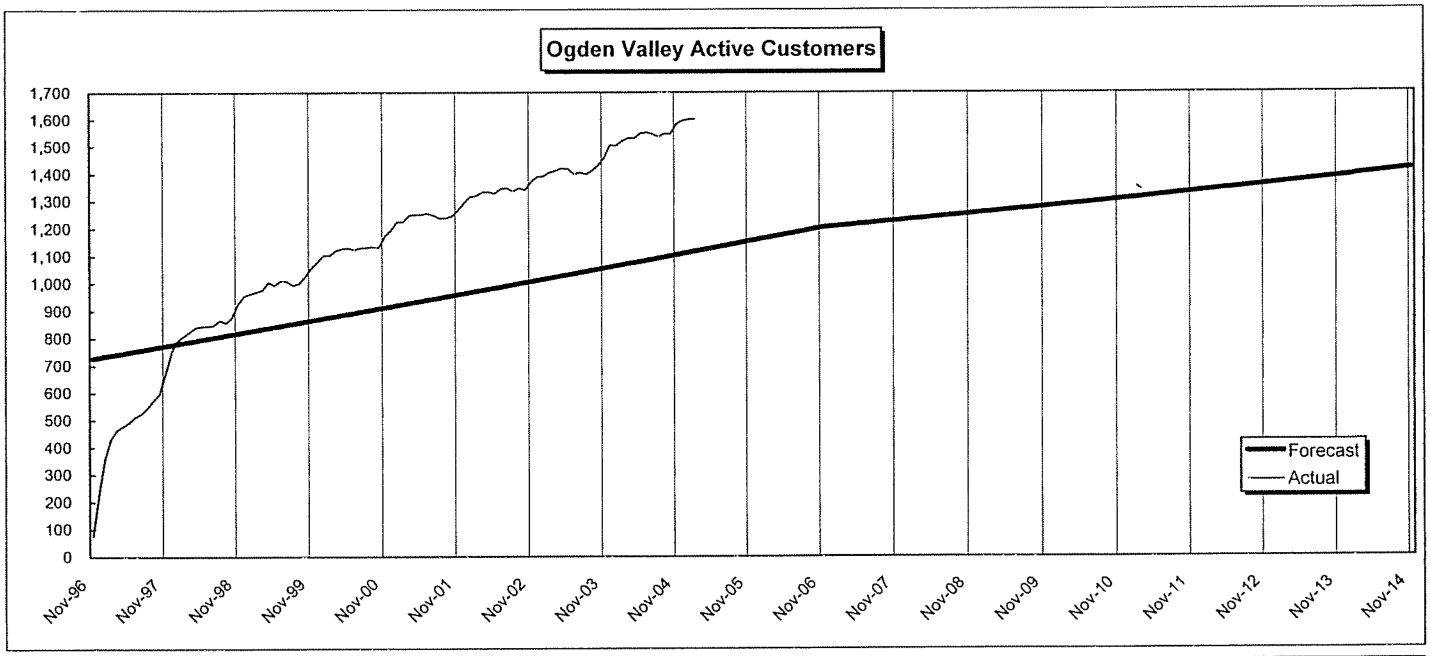
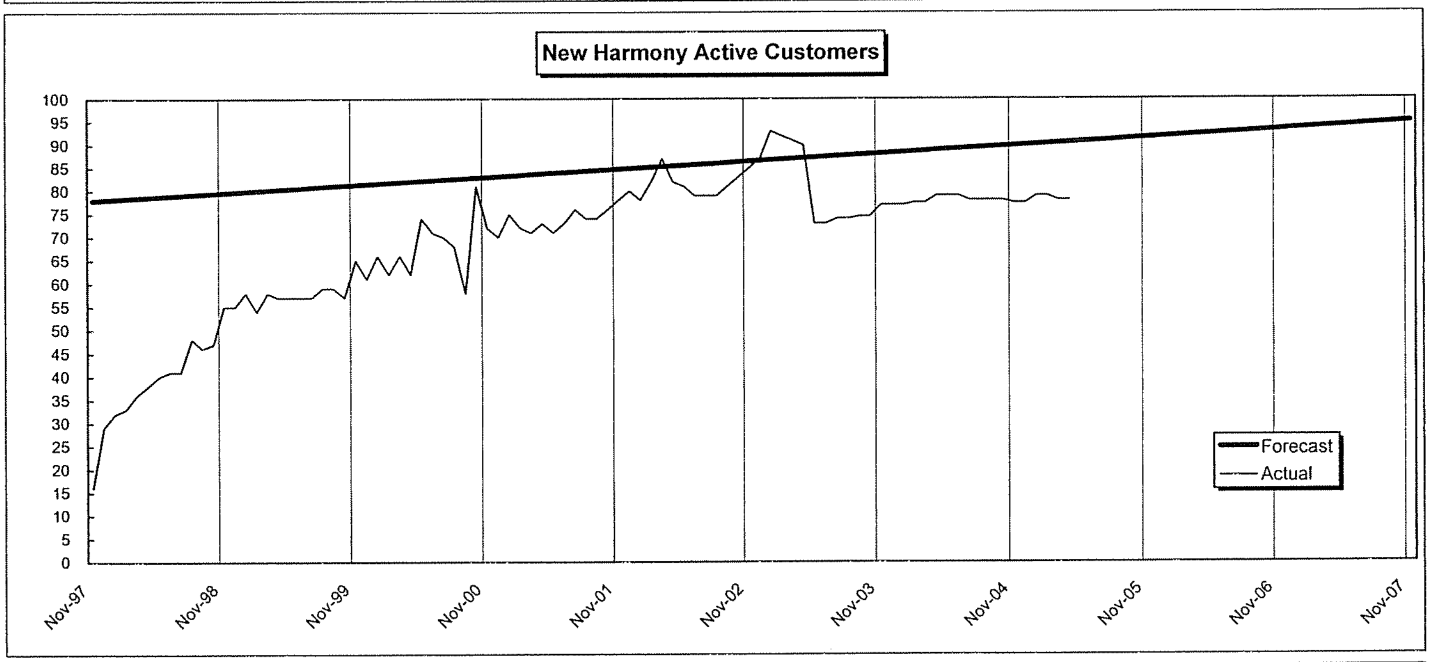
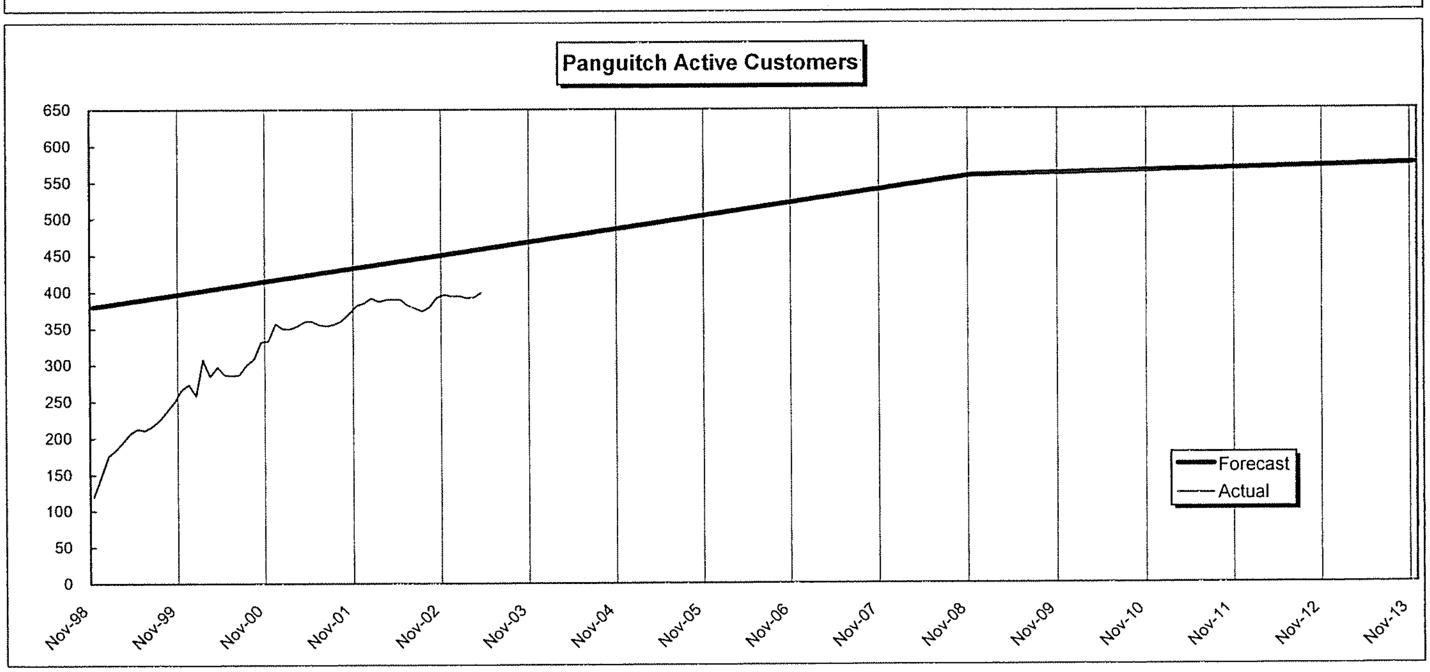
The meeting ended at 10:45 AM.

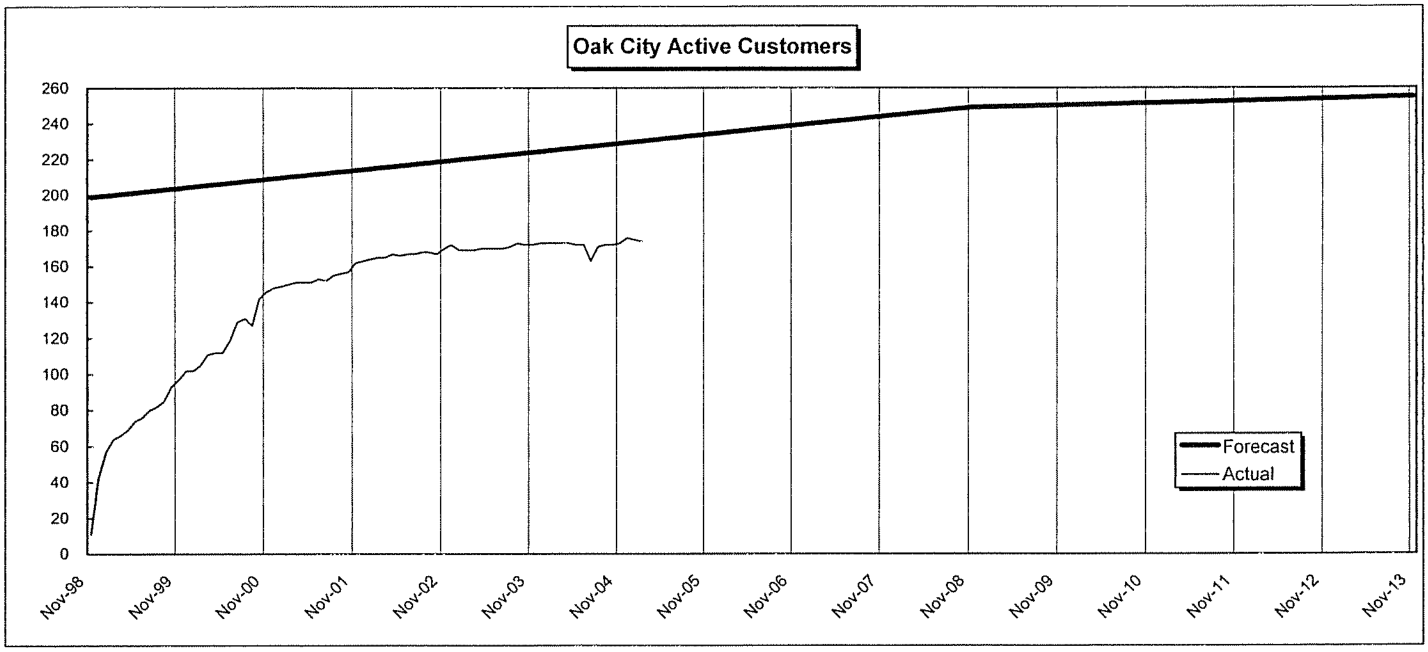
GSS Summary by Area

Area	Years	Expiration
Sanpete County – Including the communities of Indianola, Fairview, Mount Pleasant, Moroni, Wales, Freedom, Chester, Spring City, Ephraim, Manti, Sterling, Gunnison, Centerfield, Fountain Green, Mayfield and Axtell	10	September 1, 1997
Sevier County – Including the communities of Redmond, Salina, Aurora, Vermillion, Sigurd, Venice, Richfield, Glenwood, Central, Annabella, Elsinore, Austin and Monroe	10	September 1, 1997
Piute County – Including the communities of Marysvale, Junction, Kingston, and Circleville	10	September 1, 1997
Northeastern Iron County – Including the communities of Paragonah, Parowan, Summit, Enoch and Cedar City	10	September 1, 1997
Southeastern Iron County – Including the communities of Hamilton Fort and Kanarraville	10	December 1, 1998
Southern Washington County – Including the communities of Pintura, Toquerville, La Verkin, Hurricane, Leeds, Washington, St. George, Santa Clara and Ivins	10	December 1, 1998
Northern Cache County – Including the community of Cove	10	December 1, 2000
Franklin County, Idaho – Including the communities of Franklin, Whitney and Preston	10	December 1, 2000
Western Iron County – Including the community of Newcastle	20	September 1, 2012
Northwest Washington County – Including the communities of Enterprise, Central, Veyo, Diamond Valley, Dammaron Valley and Winchester Hills	20	September 1, 2012
Millard County – Including the communities of Leamington, Lynndyl, Delta, Scipio, Holden, Fillmore, Meadow, Kanosh, Hinckley, Desert and Oasis	20	November 1, 2012
Beaver County – Including the communities of Milford, Minersville and Beaver	20	November 1, 2012
Emery County – Including the communities of Elmo and Cleveland	20	September 1, 2013

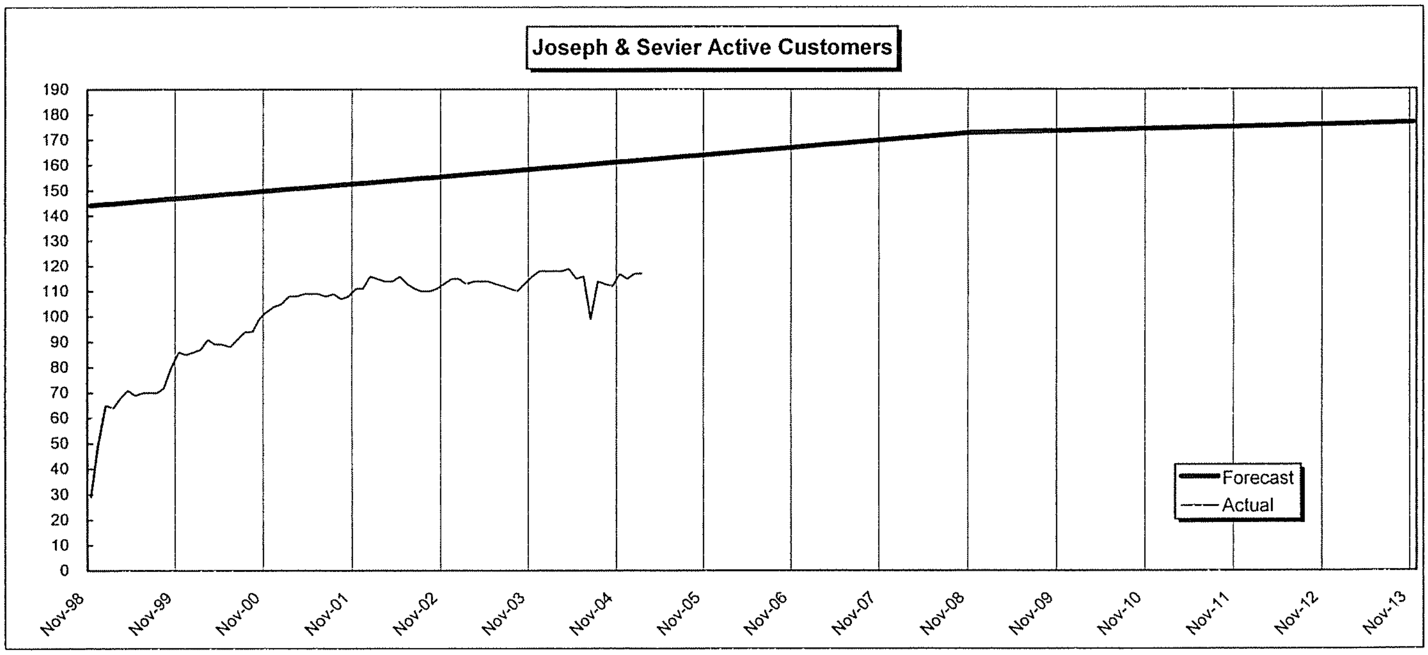

Ogden Valley Active Customers
1,700
1,600
1,500
1,400
1,300
1,200
1,100
1,000
900
800
700
600
500
400
300
200
100
0
Nov-96
Nov-97
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Nov-14
Forecast
Actual


New Harmony Active Customers
100
95
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
Nov-97
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Forecast
Actual

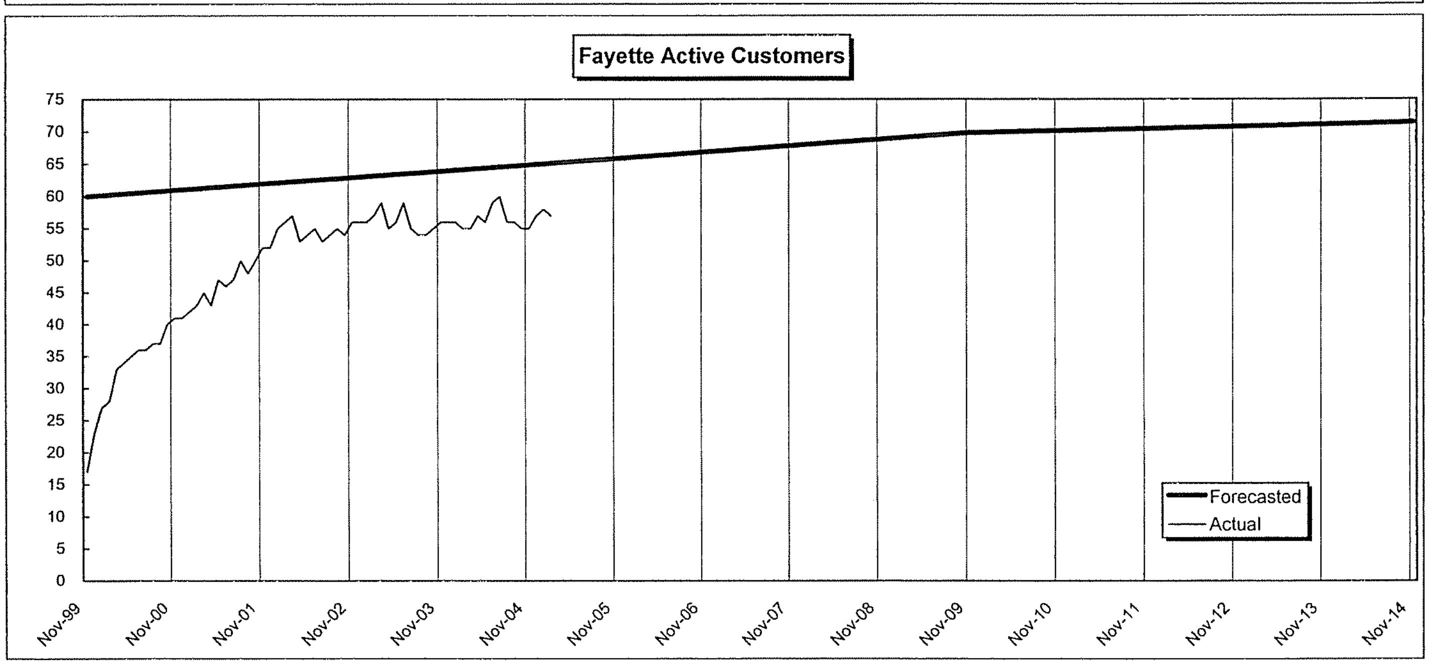

Panguitch Active Customers
650
600
550
500
450
400
350
300
250
200
150
100
50
0
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Forecast
Actual



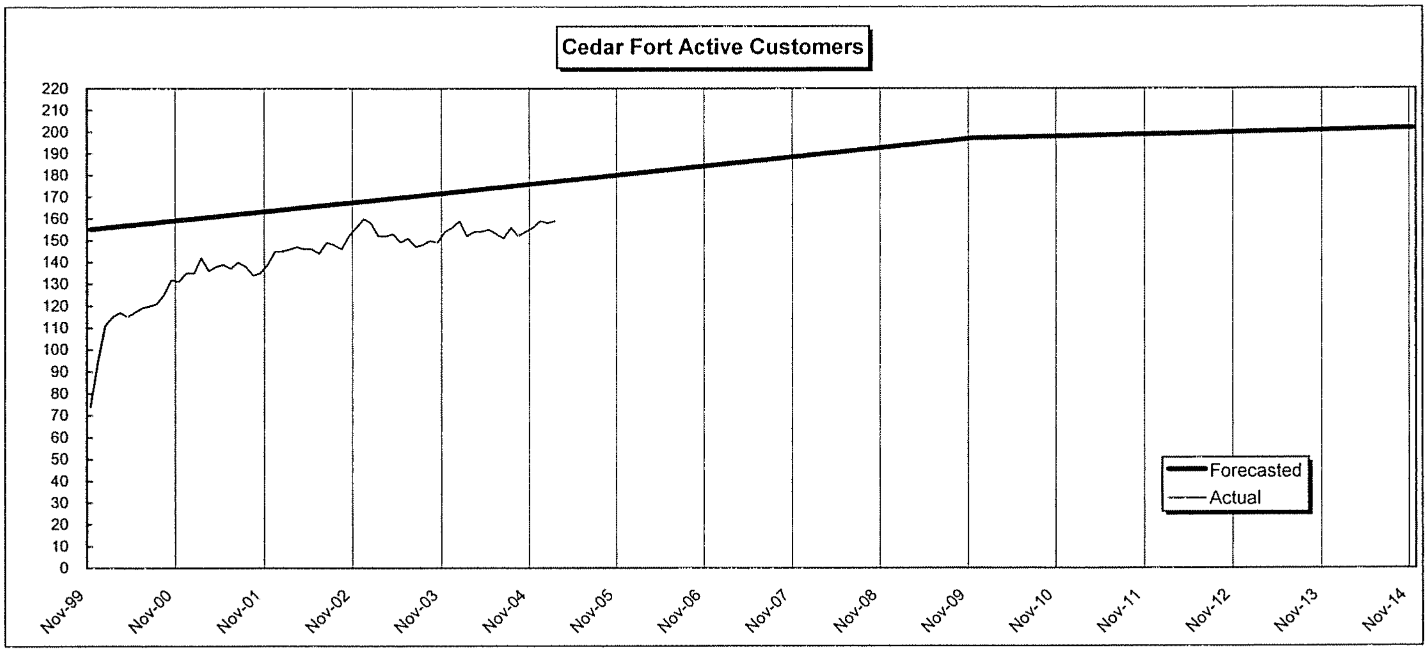
Oak City Active Customers
260
240
220
200
180
160
140
120
100
80
60
40
20
0
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Forecast
Actual

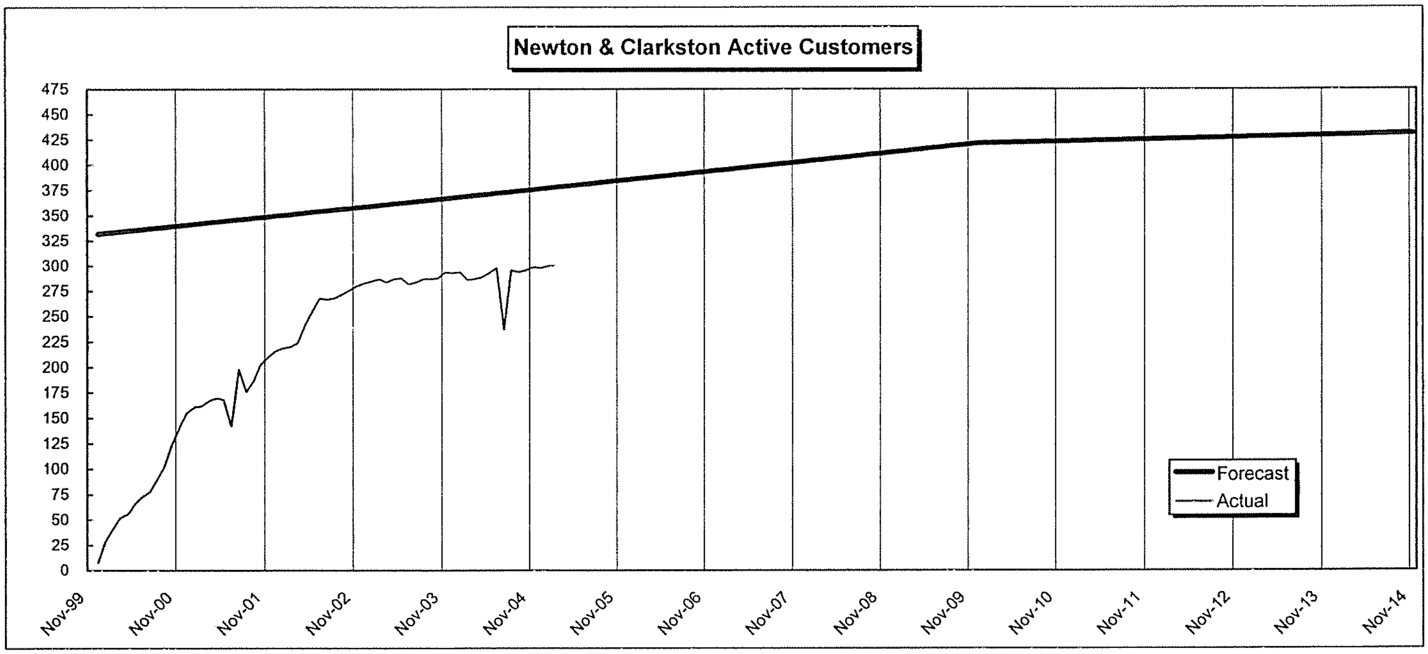


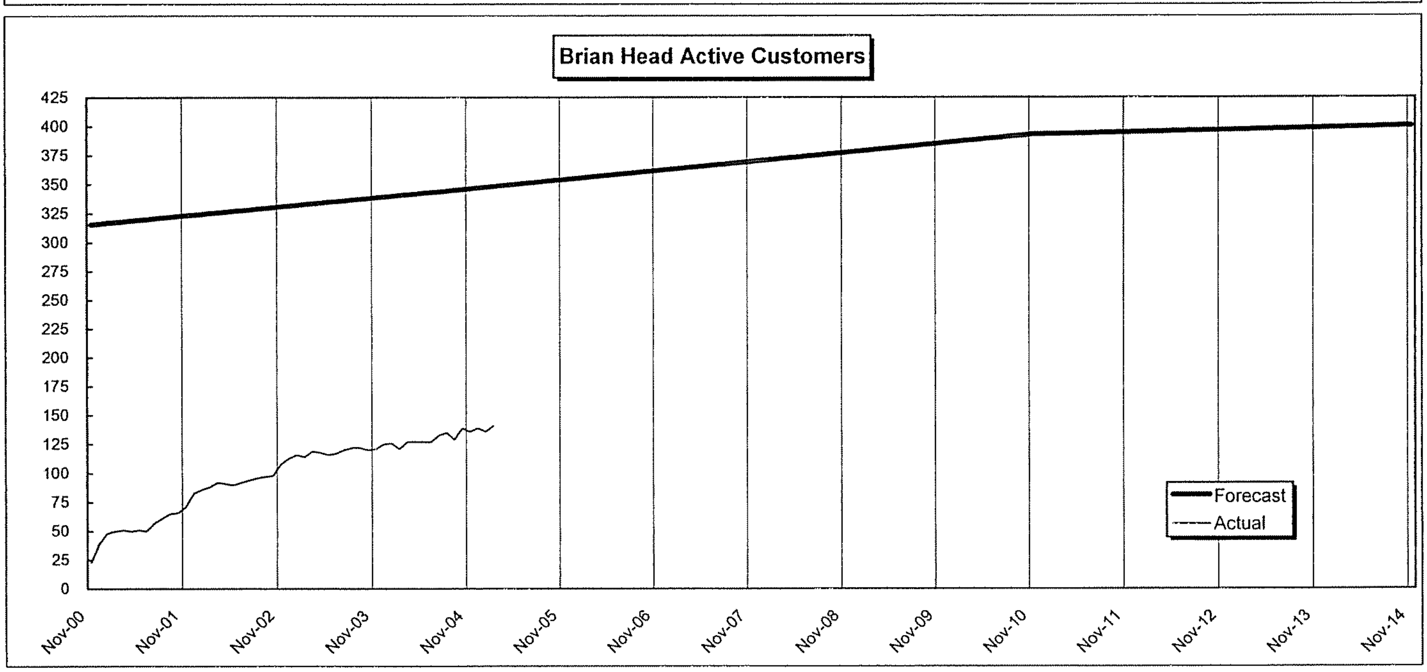
Joseph & Sevier Active Customers
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
Nov-98
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Forecast
Actual

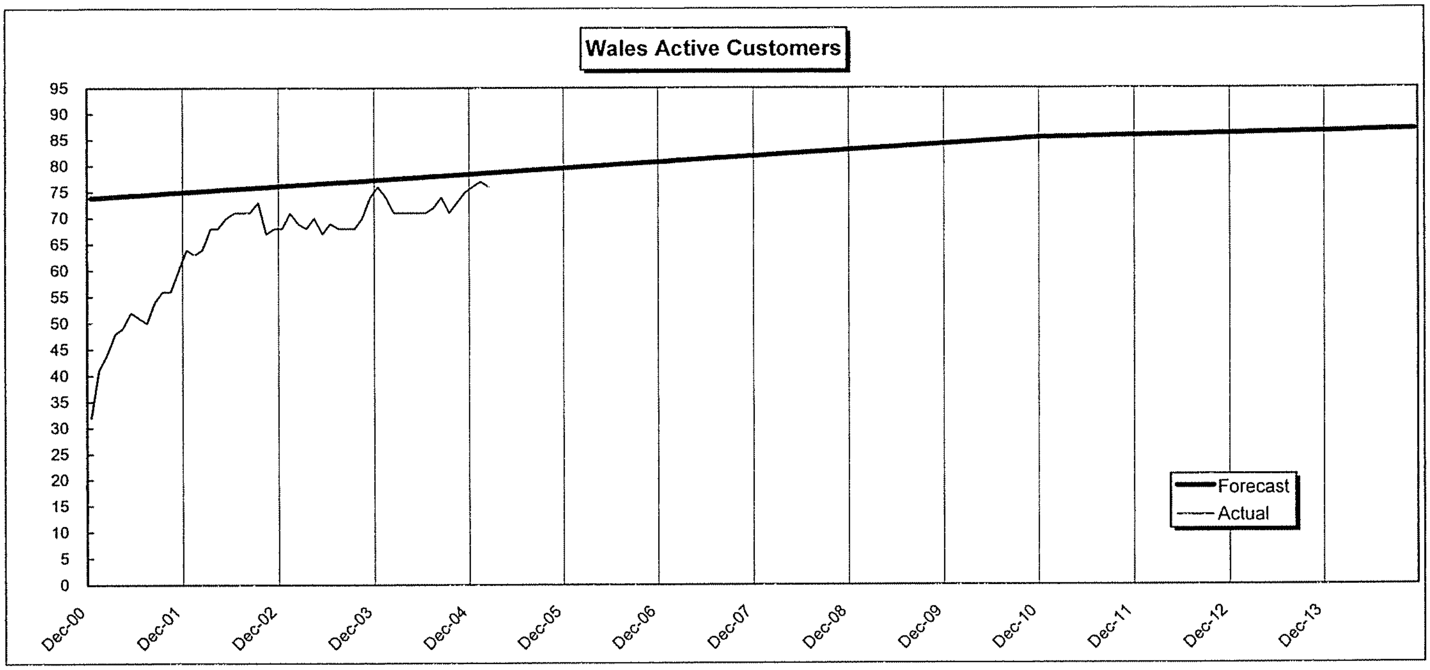


Fayette Active Customers
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Nov-14
Forecasted
Actual


Cedar Fort Active Customers
220
210
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
50
40
30
20
10
0
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Nov-14
Forecasted
Actual


Newton & Clarkston Active Customers
475
450
425
400
375
350
325
300
275
250
225
200
175
150
125
100
75
50
25
0
Nov-99
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Nov-14
Forecast
Actual


Brian Head Active Customers
425
400
375
350
325
300
275
250
225
200
175
150
125
100
75
50
25
0
Nov-00
Nov-01
Nov-02
Nov-03
Nov-04
Nov-05
Nov-06
Nov-07
Nov-08
Nov-09
Nov-10
Nov-11
Nov-12
Nov-13
Nov-14
Forecast
Actual



Wales Active Customers
95
90
85
80
75
70
65
60
55
50
45
40
35
30
25
20
15
10
5
0
Dec-00
Dec-01
Dec-02
Dec-03
Dec-04
Dec-05
Dec-06
Dec-07
Dec-08
Dec-09
Dec-10
Dec-11
Dec-12
Dec-13
Forecast
Actual

EAC Payoff Analysis (Pre-Tax Rate of Return)

Area	Original Balance	EAC per Month	Dec-04 Customers	2004 % Growth	2004 Payments	Interest Rate	Jun-05 Paid So Far	Jun-05 Current Owing	Expiration Date Original	Expiration Date Estimated
Ogden Valley	$2,300,000	$27.50	1,596	5.98%	$565,404	13.57%	$3,330,111	1,286,788	01-Nov-11	Mar 2008
New Harmony	161,600	25.14	78	0.65%	23,843	13.86%	$147,679	199,377	01-Nov-07	Never
Panguitch	1,255,000	30.00	422	5.50%	180,694	13.86%	$933,085	1,623,066	01-Nov-13	Never
Oak City	507,000	20.00	176	1.73%	62,383	13.86%	$315,890	740,770	01-Nov-11	Never
Joseph & Sevier	238,000	20.00	115	-2.54%	27,689	13.86%	$149,389	348,303	01-Nov-13	Never
Fayette	142,000	28.00	57	1.79%	19,168	13.86%	$86,437	177,863	01-Nov-14	Never
Cedar Fort 1/	397,000	30.00	159	1.92%	56,065	13.86%	$265,376	242,541	01-Nov-11	Feb 2012
Newton & Clarkston	466,091	16.50	298	1.71%	58,056	13.86%	$218,243	664,499	01-Nov-14	Never
Brian Head	1,177,000	30.00	139	11.20%	58,382	13.86%	$160,907	1,972,221	01-Nov-14	Never
Wales	109,000	17.00	76	0.00%	14,758	13.86%	$54,164	121,300	01-Nov-15	Never
Total	$6,752,691				$1,066,441		$5,661,281	$7,376,728		

EAC Payoff Analysis (Overall Cost of Capital)

Area	Original Balance	EAC per Month	Dec-04 Customers	2004 % Growth	2004 Payments	After tax Interest Rate	Jun-05 Paid So Far	Jun-05 Current Owing	Expiration Date Original	Expiration Date Estimated	Total Years to Payoff
Ogden Valley	$2,300,000	$27.50	1,596	5.98%	$565,404	9.64%	$3,330,111	80,735	01-Nov-11	Aug 2005	9
New Harmony	161,600	25.14	78	0.65%	23,843	9.64%	$147,679	111,969	01-Nov-07	Nov 2011	14
Panguitch	1,255,000	30.00	422	5.50%	180,694	9.64%	$933,085	1,032,897	01-Nov-13	Sep 2015	17
Oak City	507,000	20.00	176	1.73%	62,383	9.64%	$315,890	498,468	01-Nov-11	Aug 2020	22
Joseph & Sevier	238,000	20.00	115	-2.54%	27,689	9.64%	$149,389	233,699	01-Nov-13	Jul 2022	24
Fayette	142,000	28.00	57	1.79%	19,168	9.64%	$86,437	124,721	01-Nov-14	Oct 2016	17
Cedar Fort 1/	397,000	30.00	159	1.92%	56,065	9.64%	$265,376	100,367	01-Nov-11	Jun 2007	8
Newton & Clarkston	466,091	16.50	298	1.71%	58,056	9.64%	$218,243	488,041	01-Nov-14	Jan 2022	23
Brian Head	1,177,000	30.00	139	11.20%	58,382	9.64%	$160,907	1,595,292	01-Nov-14	Long Time	??????
Wales	109,000	17.00	76	0.00%	14,758	9.64%	$54,164	93,161	01-Nov-15	Nov 2014	14
Total	$6,752,691				$1,066,441		$5,661,281	$4,359,349			

1/ Reduced Cedar Fort balance by $208,000 in January 2005
J:\state\utah\expand\eac summary mortgage approach payoff master.xls
18-Jul-05

UTAH GSS, IS4, & ITS switching to
GS1, F1, I4 & IT Rates

	# Customers	DTH	Current DNG revs	Switched to non Ext. area rates	Difference
GSS Res	6,435	472,396	1,989,300	1,361,839	627,461
GSS Com	649	194,546	803,389	368,433	434,956
	---------	---------	---------	---------	---------
	7,084	666,942	2,792,689	1,730,272	1,062,417
IS4	6	284,178	210,693	49,029	161,664
ITS	1	51,618	42,772	14,320	28,452
			=======	=======	=======
Total			3,046,154	1,793,621	1,252,533

Summary of EAC Payoff Scenarios At Various Interest Rates

EAC Payoff Analysis At Current Approved Interest Rate of 9.64%

Area	Original Balance	EAC per Month	May-06 Customers	2005 Customer Growth %	Latest 12 Month Payments	Interest Rate	May-06 Paid So Far	May-06 Current Owing	Expiration Date Original	Expiration Date Estimated \2	Start Date	Total Years To Pay Off \3
New Harmony	$161,600	$25.14	84	4.52%	24,528	9.64%	181,948	98,788	Nov-07	May-11	Nov-97	13.5
Panguitch	1,255,000	$30.00	414	0.95%	182,272	9.64%	1,195,213	952,118	Nov-13	Feb-15	Sep-98	16.4
Oak City	507,000	$20.00	171	-2.27%	62,021	9.64%	403,993	485,209	Nov-11	After 2015	Nov-98	>17.2
Joseph & Sevier	238,000	$20.00	119	3.48%	28,227	9.64%	189,318	228,240	Nov-13	After 2015	Oct-98	>17.3
Fayette	142,000	$28.00	59	5.26%	19,978	9.64%	114,497	116,985	Nov-14	Mar-15	Sep-99	15.5
Cedar Fort \1	397,000	$30.00	160	1.89%	57,402	9.64%	346,533	54,728	Nov-11	Jun-07	Aug-99	7.8
Newton & Clarkston	466,091	$16.50	320	7.38%	63,502	9.64%	306,356	471,981	Nov-14	After 2015	Dec-99	>16.1
Brian Head	1,177,000	$30.00	157	13.67%	91,416	9.64%	294,609	1,653,481	Nov-14	After 2015	Nov-00	>15.2
Wales	109,000	$17.00	82	6.58%	16,532	9.64%	77,092	85,843	Nov-15	Aug-15	Dec-00	14.7
Total	$4,452,691		1,566		$545,878		$3,109,559	$4,085,079				

EAC Payoff Analysis @ 6% Interest

Area	Original Balance	EAC per Month	May-06 Customers	2005 Customer Growth %	Latest 12 Month Payments	Interest Rate	May-06 Paid So Far	May-06 Current Owing	Expiration Date Original	Expiration Date Estimated \2	Start Date	Total Years To Pay Off \3
New Harmony	161,600	$25.14	84	4.52%	24,528	6.00%	181,948	38,979	Nov-07	Jan-08	Nov-97	10.2
Panguitch	1,255,000	$30.00	414	0.95%	182,272	6.00%	1,195,213	519,954	Nov-13	Dec-09	Sep-98	11.3
Oak City	507,000	$20.00	171	-2.27%	62,021	6.00%	403,993	302,528	Nov-11	Apr-12	Nov-98	13.4
Joseph & Sevier	238,000	$20.00	119	3.48%	28,227	6.00%	189,318	142,209	Nov-13	Jul-12	Oct-98	13.8
Fayette	142,000	$28.00	59	5.26%	19,978	6.00%	114,497	75,163	Nov-14	Sep-10	Sep-99	11.0
Cedar Fort \1	397,000	$30.00	160	1.89%	57,402	6.00%	346,533	(47,332)	Nov-11	**Paid Off**	Aug-99	6.9
Newton & Clarkston	466,091	$16.50	320	7.38%	63,502	6.00%	306,356	328,168	Nov-14	Sep-12	Dec-99	12.8
Brian Head	1,177,000	$30.00	157	13.67%	91,416	6.00%	294,609	1,311,931	Nov-14	After 2015	Nov-00	>15.2
Wales	109,000	$17.00	82	6.58%	16,532	6.00%	77,092	61,633	Nov-15	Aug-10	Dec-00	9.7
Total	$4,452,691		1,566		$545,878		$3,109,559	$2,733,235				

EAC Payoff Analysis @ 0% Interest

Area	Original Balance	EAC per Month	May-06 Customers	2005 Customer Growth %	Latest 12 Month Payments	Interest Rate	May-06 Paid So Far	May-06 Current Owing	Expiration Date Original	Expiration Date Estimated \2	Start Date	Total Years To Pay Off \3
New Harmony	161,600	$25.14	84	4.52%	24,528	0.00%	181,948	(20,348)	Nov-07	**Paid Off**	Nov-97	8.7
Panguitch	1,255,000	$30.00	414	0.95%	182,272	0.00%	1,195,213	59,787	Nov-13	Oct-06	Sep-98	8.1
Oak City	507,000	$20.00	171	-2.27%	62,021	0.00%	403,993	103,007	Nov-11	Feb-08	Nov-98	9.3
Joseph & Sevier	238,000	$20.00	119	3.48%	28,227	0.00%	189,318	48,682	Nov-13	Feb-08	Oct-98	9.3
Fayette	142,000	$28.00	59	5.26%	19,978	0.00%	114,497	27,503	Nov-14	Oct-07	Sep-99	8.1
Cedar Fort \1	397,000	$30.00	160	1.89%	57,402	0.00%	346,533	(157,533)	Nov-11	**Paid Off**	Aug-99	6.9
Newton & Clarkston	466,091	$16.50	320	7.38%	63,502	0.00%	306,356	159,735	Nov-14	Dec-08	Dec-99	9.0
Brian Head	1,177,000	$30.00	157	13.67%	91,416	0.00%	294,609	882,391	Nov-14	Mar-15	Nov-00	14.3
Wales	109,000	$17.00	82	6.58%	16,532	0.00%	77,092	31,908	Nov-15	May-08	Dec-00	7.4
Total	$4,452,691		1,566		$545,878		$3,109,559	$1,135,132				

\1 Reduced Cedar Fort balance by $208,000 in January 2005 with purchase of main by PacifiCorp
\2 Assuming current number of customers (No Growth)
\3 Years for those areas allready paid off assumes payoff on July 1, 2006

J:\state\utah\expand\eac summary mortgage approach payoff master.xls
18-Jul-05

GSS/EAC Task Force Report
Docket No. 05-057-T01
Exhibit No. 8

Summary of Potential Future Expansion Areas

Communities that have requested service and an analysis has been done.

Community	Year of Analysis	Miles of Extension	Total # of Customers	Seasonal # of Customers	Estimated Cost of Expansion
Bear Lake (Laketown to Lakota)	1997	14	878	520	$3,267,000
Scofield	2004	2	53		$300,000
Green River	1999	23	500		$4,100,000
Kanab	1998	70	1,816		$12,150,000
Malad	1998	20	840		$4,135,000
Virgin, Rockville, Springdale	1998	20	513		$3,583,000
Wallsburg	1998	11	235		$1,879,000
Rush Valley, Ophir	1998	12	144	26	$1,268,000
Dugway	1998	20	616		$6,793,000
Smith & Morehouse	1998	9	700	665	$3,800,000
Miller Creek	2000	9	181		$1,176,000
Wendover	1996	76	781		$11,710,000
Dutch John	2000	3	75		$486,000
Genola, Goshen	2004	24	550		$2,700,000

ALTERNATIVE FUNDING MECHANISM'S

FUNDING OPPORTUNITIES BASED ON LEGISLATIVE ACTION IN 2007

1. Industrial Assistance Fund
   a. Section 63-38f-903 (1)(a) provides authorization for the Industrial Assistance Fund program. This should be amended to read as follows. The proposal would strike up to 50% and substitute no less than 30% to defined rural areas.
      "~~up to 50%~~ no less than 30% shall be used in rural areas defined as all 4th, 5th, and 6th class counties along with towns and cities of less than 10,000 population in 3rd class counties. and..."
   b. Add to Section 63-38f-903 (1)(c) Funds may be used for expansion, relocation, and retention in rural areas
2. Rural Utilities Infrastructure Investment Tax Credits
   a. The credit is only available in those areas as defined as 'rural.'
   b. Utility and community jointly develop application to credit the utility industry (either directly or through tax credits) for the investments they make in line extensions or facility upgrades based on the economic development contribution the project makes. This would be structured similarly to the current Enterprise Zone tax credits.
   c. The size of the tax credit is to be determined.
   d. The improvements are part of the company's rate of return base.
   e. The Investment Credit Request is jointly submitted by the utility and community, and reviewed by the GOED Board in consultation with GRPB to determine validity of Economic Development importance.
3. Rural Enterprise Fund
   a. Only available in those areas as defined as 'rural.'
   b. The County applies for funding for use at any place in the county (county or town).
   c. Multi-county projects are encouraged.
   d. All applications must demonstrate consistency with the county's overall plan.
   e. Local cash or in-kind matches will be considered as a criterion in rating proposals.
   f. The Grant Committee is Governor's Rural Partnership Board, in conjunction with GOED board.
   g. The maximum grant amount will be determined by the GOED Board in consultation with GRPB.
   h. Rural Counties do not necessarily have a grant limit per year.
   i. The grants can be for flexible purposes, i.e. building, infrastructure, housing, etc.
   j. Advertising, marketing, engineering, feasibility studies and other 'soft' costs are limited to an amount determined by the GOED Board in consultation with GRPB.
   k. Some of the prioritization criterion are:
      i. Job creation
      ii. "But for these dollars" . . . the project will not happen.
      iii. Leverage from other participating partners i.e. Private, CDBG, CIB, EDA, etc.
      iv. The amount of participating dollars.
   l. Funds are available for new, relocating (in or out of state companies), and existing expanding businesses.
   m. The program must be responsive - fast approval process of with in 30 days. With e-mail, conference calls etc. communications and action does not need to be drawn out.
   n. In the event multiple projects are under consideration, those proposals impacting sites approved as EDCUtah SURE Sites have priority.
   o. SURE Site preparation and development is a valid usage.
   p. Any unexpended funds will be carried over from year to year.

4. Creation of an Disadvantaged Rural Communities Utilities Infrastructure Fund

The fund will serve as a means to pay upfront utility costs traditionally paid directly by the affected business. As a result, rural utility extensions can be incredibly expensive and will stop the development.

a. The PSC would approve the addition of the Tariff Rider (1/10th to 1/4th %) on each utility's bill, to be set aside by each regulated utility and municipal utility system (Electric, Telecommunications & Natural Gas).

b. The fund will be used to cover all or a portion of up-front utility costs of new development projects, business expansion projects and business retention projects.

c. The fund will be distributed to projects by the GOED Board in consultation with GRPB through an application based process.

i. In order to be eligible for disbursement of the funds, ongoing planning efforts between the utilities and County Officials is required.

ii. To apply for disbursement of funds, the local (county) government will file an application jointly with the utility and the affected business entity for consideration.

d. Some of the key components are,

i. Mandate a tariff rider enabling Utilities and Municipal Utilities to collect the fund from customers

ii. Distribution of funds are to be targeted to Disadvantaged Rural Communities as defined in SB57 from 2005 session

iii. GOED Board in consultation with GRPB will oversee distribution of funds in a similar fashion to the Industrial Assistance Fund monies.

iv. Funds collected will be retained by utility until use.

v. Eligible counties and utilities are to engage in coordinated planning activities in order to qualify for disbursements of funds. This process would require annual planning activity between the utility and county to prioritize activities with at least 4 follow up meetings per year between the utility and the county to coordinate efforts.

vi. vi. A cap of 5% of gross annual revenue is the maximum amount to be held by the utility company for the program. If the amount reaches this threshold, the tariff rider (charge on the customer bill) will be discontinued until disbursements are made and the available funds reduced.

SOLUTIONS THAT CAN SERVE AS PARTIAL MATCHES FOR INFRASTRUCTURE PROJECTS

5. **EDA** –GRANTS FOR PUBLIC WORKS AND ECONOMIC DEVELOPMENT FACILITIES and ECONOMIC ADJUSTMENT ASSISTANCE GRANTS
6. **HUD -** CBDG - Community Development Block Grant Entitlement Communities Grants
7. Municipal Bonding (Keep in mind, however, East Carbon)
8. Local Special Service District with Taxing Authority