

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
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DIRECT TESTIMONY OF

Delynn Fielding

FOR

Carbon County

January 11, 2007

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Delynn Fielding. My business address is 120East Main Street, Price, Utah
4 84501.

5 **Q. By whom are you employed and what is your position?**

6 A. I am the Economic Development Director for Carbon County.

7 **Q. What is the purpose of your testimony in this proceeding?**

8 A. The purpose of my testimony is to provide background on the events that lead to the
9 filing of this tariff, to explain the negative impacts of the current Tariff on rural Utah
10 and to address potential concerns about the underlying “fairness” of this proposal

11 **Q. Why did the County intervene in the filing?**

12 A. The current Tariff has proven to be a significant impediment to economic development
13 in rural Utah and has pitted local communities against each other. While not directly
14 tied to this discussion actions taken previously by East Carbon and Sunnyside Cities in
15 Carbon County the cities and residents have suffered because of the policy set forth in
16 the GSS and EAC schedules. The schedules have a negative effect on growth in
17 Cleveland and Elmo towns located in Emery county. As Carbon and Emery Counties
18 are essentially one economic unit, these rates consequently negatively effect all
19 residents in this area.

20 **Q. Are you involved in the filing in any other capacity other than a county economic
21 development professional?**

22 A. Yes. As a member of the Governor’s Rural Partnership Board, I have brought the
23 problem to board discussion on several occasions where it was met with favorable
24 consideration.

25 **Q. What are the key items the Application resolves?**

26 A. The Application, if approved, will remove the GSS, (IS-4 and ITS) EAC rates that are
27 an economic development impediment to communities in primarily rural Utah.
28 Removal of these rates art the first step in establishing long term policies and methods
29 of providing natural gas services to those rural areas that do not currently have natural

30 gas service. As a participant in the GSS/EAC Task Force, we were tasked with
31 answering two key questions. First was to provide a recommendation on the GSS and
32 EAC rates. Secondly, we were tasked with developing long-term recommendations on
33 providing natural gas service to communities that currently do not have the service.
34 Removal of the GSS and EAC rates places all communities on “level ground” and
35 would not prejudice the new process and procedures in obtaining the service.

36 It was universally recognized in the Task Force that the GSS and EAC programs had
37 not worked as well as hoped and that Questar would not want to use this mechanism in
38 the future.

39 While the task force did not develop a specific set of recommendations for natural gas
40 expansion into new communities, a funding approach must included a wide assortment
41 of funding options and that relying on Tariffs like the GSS and EAC were not the way
42 to proceed.

43 This application addresses the financial inequity in the amounts that rural customers in
44 the affected communities are paying for natural gas service. Depending on the location
45 the approximate disparities of costs range from 130% to 190% more than similar
46 charges in other areas of the state. This is a particular concern for the fixed income
47 individuals which represent a disproportionate percentage of the affected rural
48 communities. It also points out the competitive disadvantage rural small businesses
49 have in competing with other businesses in Utah, and many just a few miles away.

50 **Q. Is there precedent for proposed action in the Application?**

51 A. Yes. The concept of spreading costs associated with particular utility across multiple
52 customer groups is a central part of monopolistic utility regulation. Current and new
53 customers of all areas are asked to pay a common connection charge and on going rate
54 charge. These costs do not necessarily reflect the actual cost and impacts to the system
55 of a particular connection or cost of delivered gas. As new customers in fast growing
56 parts of the state are added, the rates being paid by current customers are in fact
57 subsidizing these new customers’ costs in order to maintain the authorized rate of
58 return determined by regulations.

59 A precedent for lowering rate charges and spreading the revenue over all customers
60 was recently demonstrated in the Utah Gas Services Company (UGS) acquisition and
61 subsequent report and order, DOCKET NO. 01-057-03. The Commission stipulated
62 that the existing Utah Gas Services Company HIGHER rate structure in place at the
63 time of the acquisition be “used for an interim period terminating on the earlier of
64 either “1) when Questar's non-gas rates are adjusted in a general rate case or 2) six
65 years from the closing of the purchase and sale of Utah Gas Service's Operations. At
66 that time, Utah Gas Service's customers will be incorporated into the existing rate
67 structure of Questar Gas Company.” While the rates were anticipated to be in place for
68 up to six years, the next general rate case was completed approximately two years from
69 this time and the UGS rates were eliminated and the associated costs were included in
70 the general rate case for the entire state.

71 Approximately one third of the set time (2 years) had elapsed before Utah Gas Service
72 customers rates were lowered to Questar’s rates. With the rural locations under
73 consideration with this rate change proposal, no less than 12 years have elapsed or
74 about 2/3 of the required time.

75 There is ‘no fairness’ in maintaining the current system.

76

77 **II. BACKGROUND**

78 **Q. At what point did the various rural economic development professionals (EDP’s)**
79 **become aware and involved in the process?**

80 A. Specific involvement by associated economic development professionals (EDP’s)
81 began on August 11, 2005 at Senator Robert Bennett’s Rural Conference held in Cedar
82 City. At this conference a group of EDP’s discussed specific recruitment efforts that
83 have been thwarted as a result of utility rates, service availability and regulations. For
84 example, a project in Beaver County was discussed because of the direct effect the
85 GSS rate had on the recruitment efforts. This discussion highlighted other situations in
86 many of the GSS / EAC communities where the disparity in rates created economic
87 development challenges.

88 In Emery County, the disparity was highlighted with a new sawmill to the county.
89 There were several tracts in an around the town of Cleveland. However, it became
90 clear that the operator was not comfortable with the natural gas rate structure. It was
91 estimated that his costs in Cleveland for this project would run between 35% and 50%
92 more than other areas in Utah.

93 As a result of the initial meeting in Cedar City, a follow up meeting was held in Price,
94 Utah on August 29, 2005. Seven EDP's participated in this initial meeting; Delynn
95 Fielding, Carbon County; Bill Johnson, Uintah County; Irene Hansen, Duchesne
96 County; Rob Adams, Beaver County; Michael McCandless, Emery County; Nick
97 Tatton, Price City; and Malcolm Nash, Sevier County. At this meeting Rob Adams
98 agreed to initiate discussions with Questar regarding the GSS / EAC issue. Other
99 assignments were given to other group members relating to concerns with electrical
100 and telecommunications.

101 **Q. What was the outcome of the Task Force set up by the Commission?**

102 A. The Commission ultimately decided to issue a stipulation that the Division appoint a
103 task force to further discuss the best course of action in regard to the existing EACs
104 and to recommend tariff language to address future requests by communities for
105 expansion of the system. The task force began meeting on June 13 with subsequent
106 meetings on July 6, July 18, and issued a final report to the Commission on August 24,
107 2006. It was the feeling of the majority of the group that the proposal to eliminate the
108 GSS and EAC rates was the recommended course of action and that should be reflected
109 in the final document. Up until the final meeting of the task force, the Committee of
110 Consumer Services communicated to the group that they would take "No Position" on
111 the recommendation. At the final meeting, the Committee of Consumer Services made
112 it clear that it was unable to support the recommendation and therefore the report from
113 the task force was amended to reflect this change.

114 The agreement of the majority of the members is as follows:

- 115 1. The expansion area rates (GSS, IS-4 and ITS) and Extension Area Charges
116 ("EAC") should be removed from the Questar Gas Tariff. The expansion area rates

117 can be found in Sections 2.03, 4.03 and 5.09, and the EACs are in Section 9.02 of
118 the tariff.

119

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

124

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

128

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

135

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

138

139 . Ultimately, as you are aware from the report submitted to the Commission, the feeling
140 of the majority of the members of the Task Force was that the GSS and EAC rates were
141 becoming an economic development barrier, other Questar Customers would only be
142 affected in a minor way, residential customers and small businesses in these areas were
143 negatively impacted by the rates and finally, Questar would be held harmless in the
144 process.

145

146 **III. COMMITTEE OF CONSUMER SERVICES**

147 **Q. Was the Committee of Consumer Services asked to represent the residents of**
148 **rural Utah?**

149 A. Yes. Delynn Fielding and Michael McCandless attended the June meeting of the
150 Committee of Consumer Services to explain rural Utah's plight with the rate structure
151 and request their assistance in addressing the issues that were before the Commission
152 in this Docket. The Committee of Consumer Services communicated to us that they do
153 not believe that they represent rural residential customers but represent the "majority"
154 of residential users in Utah, which are located along the Wasatch Front. The only
155 discussions were relating to the concerns of low income residents on the Wasatch
156 Front. There was no discussion about the economic effect of the rate structure on small
157 business in those areas subject to the rates. This is a concern because our original
158 concerns about the Tariffs were in relation to economic development needs. UCA 54-
159 10-4 states, "(1)The committee shall assess the impact of utility rate changes and other
160 regulatory actions on residential consumers and those engaged in small commercial
161 enterprises in the state of Utah. (2) The committee shall assist residential consumers
162 and those engaged in small commercial enterprises in appearing before the Public
163 Service Commission of the state of Utah."

164 It seems that even if the Committee of Consumer Services can make the argument that
165 it can only fairly represent the residential customers along the Wasatch Front because
166 they are the majority, it is still incumbent on them to at least attempt to represent small
167 commercial enterprises. Because of their failure to address their statutory
168 responsibility, the economic development professionals and city managers throughout
169 rural Utah have been attempting to fill this role. It became clear in the meeting, that
170 the Committee of Consumer Services would not accept there statutory responsibility
171 for residential or small business natural gas customers in rural areas.

172 **Q. Was the Committee of Consumer Services provided adequate access to**
173 **information in order to formulate an opinion?**

174 A. Yes. Dan Gimble, Chris Keyser, Eric Orton and Reed Warnick all represented the
175 Committee of Consumer Services during the hearings, as well as Betsy Wolf

176 representing the Salt Lake Community Action Program. All requests for information
177 from Questar by these members or other members of the Task Force were delivered
178 and discussed in the meetings.

179 Included in the Task Force Report is the technical and financial information
180 that was discussed by the group during the meetings. This includes the history of the
181 GSS and EAC rates, financial impacts to Questar, amounts paid by affected customers
182 up to date, alternative options rather than rolling the rates into the general rates at this
183 time. All Task Force members were provided access to any information that was
184 requested and offers were made by other Task Force members to hold additional
185 meetings if necessary in order to disseminate the necessary information.

186 **IV. SUMMARY**

187 **Q. Would you please summarize your testimony?**

188 A. The rural economic development professionals in Utah, along with the Governor's
189 Rural Partnership initiated discussions in August of 2005 that led to the Application to
190 the Commission to remove the GSS and EAC rates from the Questar Tariff. This
191 Application was then supported by a majority of members of the GSS / EAC Task
192 Force. The purpose of this request is to allow affected rural communities to compete
193 on a level playing field with surrounding communities for economic development
194 projects. Residential customers in the affected communities are experiencing
195 significant hardship from the higher rates and since the Committee for Consumer
196 Services has elected not to represent this group, other communities have elected to
197 represent this point of view. The concept of existing utility customers "subsidizing"
198 newer, higher cost customers is well established in practice, in precedence, and in
199 policy and should be utilized in this docket. Finally, the Committee of Consumer
200 Services, who should be representing small business enterprises in our communities, as
201 per statute, has not only elected not to represent this population, but appears to oppose
202 the application.

203 **Q. Does this conclude your testimony?**

204 A. Yes.

I, Delynn Fielding, being first duly sworn on oath, state that the answers in the foregoing written testimony are true and correct to the best of my knowledge, information and belief. Except as stated in the testimony, the exhibits attached to the testimony were prepared by me or under my direction and supervision, and they are true and correct to the best of my knowledge, information and belief. Any exhibits not prepared by me or under my direction and supervision are true and correct copies of the documents they purport to be.

State of Utah)
 : ss.
County of Carbon)

Delynn Fielding

SUBSCRIBED AND SWORN TO this 11th day of January 2007.

Notary Public