

Town of New Harmony

UTAH PUBLIC
SERVICE COMMISSION
New Harmony, Utah 84757
(435) 865-7522
Fax (435) 566-2378

2008 MAY -8 A 5: 52

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May 6, 2008

Utah Public Service Commission
PO Box 45585
Salt Lake City, Utah 84145-0585

Dear Commission Members:

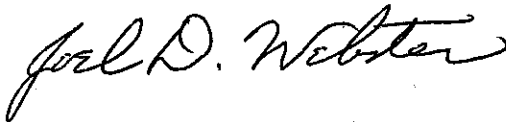
On February 13, 2008 New Harmony Councilman Dellas Imlay and I met with Brad Markus and Gary Robinson of Questar Gas Company to discuss the extension area charge for New Harmony Town. The attached letter of January 15, 2008 contains background information for that meeting.

The discussions on February 13, centered on the attached EAC payoff analysis using various interest rates. At the 13.86% pre-tax rate of return, it is improbable that any of the eight communities shown on the analysis will be able to pay off their debt, hence Questar has blacked out the estimated expiration date for all of the communities. Also note that at this rate of interest all communities presently owe more than their original balance. At the 9.64% interest rate, the situation is improved but only from the standpoint that eventually the debts will be paid.

Of most interest is the analysis at an interest rate of 6%. Mr. Markus and Mr. Robinson explained that the 6% rate is the amount Questar pays a customer on a deposit for natural gas service when the deposit is returned. Further, they stated that the use of 6% is reasonable.

The New Harmony Town Council strongly supports use of the 6% rate in upcoming Questar rate hearings.

Yours truly,



Joel D. Webster, Mayor

Attachments

Town of New Harmony

PO Box 620
133 E. Center St.
New Harmony, Utah 84757
(435) 865-7522
Fax (435) 586-2378

January 15, 2008

Questar Gas
Keith O. Rattie, CEO
180 East 100 South
PO Box 45433
Salt Lake City, Utah 84145-0433

Dear Mr. Rattie:

In November 1997, the Town of New Harmony began receiving natural gas service from Questar (Mountain Fuel). During the ten years we have received service, I feel sure that those residents who have service will agree that it is a great convenience.

In reviewing the service-line agreement, which other residents and I signed, there is no mention of a repayment period. I realized this when I signed the agreement. There is no way to determine the repayment period when it is not known how many residents will actually take service and how many gas appliances will be installed and used. A 10-year repayment period was the figure used by your company representative, with the period possibly being shorter if there were more connections than anticipated.

The 10-year repayment period put forth by your representative has been fulfilled, the line extension charge is still in place, and there are many upset residents. Residents should have been informed if the duration of the repayment period would be extended.

Calls to Questar by town residents have resulted in conflicting reports on duration of the charge. I will appreciate receiving the following information:

1. Initial cost of the extension of the gas line from Interstate 15 to and throughout the Town of New Harmony and all other costs subject to the line extension charge.
2. The number of town gas customers connected in November and December 1997, and for each year thereafter through December 2007.
3. The number of connections made to non-town customers since the gas line was installed.
4. Are all customers within the town limits paying the line extension charge regardless of the date of connection?
5. Are all customers outside the town limits paying the line extension charge?
6. The balance of the line extension charge as of December 31, 2007.

I will appreciate a reply to this letter by January 31, 2008.

Yours truly,



Joel D. Webster, Mayor,
For the Town Council and residents of New Harmony Town

EAC Payoff Analysis @ No Interest

Area	Original Balance	EAC per Month	Oct-07 Customers	12 Months Ending Oct-07 % Growth	12 Months Ending Oct-07 Payments	Interest Rate	Oct-07	Oct-07	Expiration Date	
							Paid So Far	Current Owing	Original	Estimated
New Harmony	\$161,600	\$25.14	82	1.23%	\$24,780	0.00%	\$216,934	(\$55,334)	Nov-07	Aug-05
Panguitch	1,255,000	30.00	412	0.98%	176,182	0.00%	1,436,262	(\$181,262)	Nov-13	Oct-06
Oak City	507,000	27.50	170	0.59%	62,325	0.00%	491,936	\$15,064	Nov-11	Jan-08
Joseph & Sevier	238,000	20.00	120	4.35%	28,096	0.00%	228,835	\$9,165	Nov-13	Feb-08
Fayette	142,000	28.00	61	-3.17%	21,030	0.00%	143,842	(\$1,842)	Nov-14	Sep-07
Newton & Clarkston	466,091	16.50	320	1.59%	64,382	0.00%	396,661	69,430	Nov-14	Dec-08
Brian Head	1,177,000	30.00	161	3.87%	89,882	0.00%	415,222	761,778	Nov-14	Sep-17
Wales	109,000	17.00	80	3.90%	16,820	0.00%	100,547	8,453	Nov-15	May-08
Total	\$4,055,691				\$483,497		\$3,430,239	\$625,452		

EAC Payoff Analysis @ 6%

Area	Original Balance	EAC per Month	Oct-07 Customers	12 Months Ending Oct-07 % Growth	12 Months Ending Oct-07 Payments	Interest Rate	Oct-07	Oct-07	Expiration Date	
							Paid So Far	Current Owing	Original	Estimated
New Harmony	\$161,600	\$25.14	82	1.23%	\$24,780	6.00%	\$216,934	\$6,003	Nov-07	Jan-08
Panguitch	1,255,000	30.00	412	0.98%	176,182	6.00%	1,436,262	\$314,921	Nov-13	Dec-09
Oak City	507,000	27.50	170	0.59%	62,325	6.00%	491,936	\$237,734	Nov-11	Apr-12
Joseph & Sevier	238,000	20.00	120	4.35%	28,096	6.00%	228,835	\$113,655	Nov-13	Jul-12
Fayette	142,000	28.00	61	-3.17%	21,030	6.00%	143,842	\$51,272	Nov-14	Jul-10
Newton & Clarkston	466,091	16.50	320	1.59%	64,382	6.00%	396,661	263,204	Nov-14	Aug-12
Brian Head	1,177,000	30.00	161	3.87%	89,882	6.00%	415,222	1,302,523	Nov-14	
Wales	109,000	17.00	80	3.90%	16,820	6.00%	100,547	42,672	Nov-15	Sep-10
Total	\$4,055,691				\$483,497		\$3,430,239	\$2,331,985		

13.86% EAC Payoff Analysis (Pre-Tax Rate of Return)

Area	Original Balance	EAC per Month	Oct-07 Customers	12 Months Ending Oct-07 % Growth	12 Months Ending Oct-07 Payments	Interest Rate	Oct-07	Oct-07	Expiration Date	
							Paid So Far	Current Owing	Original	Estimated
New Harmony	\$161,600	\$25.14	82	1.23%	\$24,780	13.86%	\$216,934	207,519	Nov-07	
Panguitch	1,255,000	30.00	412	0.98%	176,182	13.86%	1,436,262	1,756,273	Nov-13	
Oak City	507,000	27.50	170	0.59%	62,325	13.86%	491,936	851,974	Nov-11	
Joseph & Sevier	238,000	20.00	120	4.35%	28,096	13.86%	228,835	403,656	Nov-13	
Fayette	142,000	28.00	61	-3.17%	21,030	13.86%	143,842	189,355	Nov-14	
Newton & Clarkston	466,091	16.50	320	1.59%	64,382	13.86%	396,661	741,968	Nov-14	
Brian Head	1,177,000	30.00	161	3.87%	89,882	13.86%	415,222	2,478,499	Nov-14	
Wales	109,000	17.00	80	3.90%	16,820	13.86%	100,547	121,904	Nov-15	
Total	\$4,055,691				\$483,497		\$3,430,239	\$6,751,148		

EAC Payoff Analysis (Overall Cost of Capital)

Area	Original Balance	EAC per Month	Oct-07 Customers	12 Months Ending Oct-07 % Growth	12 Months Ending Oct-07 Payments	Interest Rate	Oct-07	Oct-07	Expiration Date	
							Paid So Far	Current Owing	Original	Estimated
New Harmony	\$161,600	\$25.14	82	1.23%	\$24,780	9.64%	\$216,934	75,847	Nov-07	Jul-11
Panguitch	1,255,000	30.00	412	0.98%	176,182	9.64%	1,436,262	833,499	Nov-13	Feb-15
Oak City	507,000	27.50	170	0.59%	62,325	9.64%	491,936	462,056	Nov-11	May-21
Joseph & Sevier	238,000	20.00	120	4.35%	28,096	9.64%	228,835	219,335	Nov-13	Oct-22
Fayette	142,000	28.00	61	-3.17%	21,030	9.64%	143,842	102,734	Nov-14	Sep-14
Newton & Clarkston	466,091	16.50	320	1.59%	64,382	9.64%	396,661	444,415	Nov-14	Sep-19
Brian Head	1,177,000	30.00	161	3.87%	89,882	9.64%	415,222	1,765,827	Nov-14	
Wales	109,000	17.00	80	3.90%	16,820	9.64%	100,547	73,330	Nov-15	Sep-13
Total	\$4,055,691				\$483,497		\$3,430,239	\$3,977,044		