

Gov. Huntsman

Letter to the PSC, Politicians, Bureaucrats, the Media and every Utahn.

Re: Pricing of Compressed Natural Gas (CNG) at Questar Public Utility Stations. PSC Docket 07-057-13
UTAH PUBLIC SERVICE COMMISSION

- NO! NO! NO! NO!!!! to the current proposed price increases
- 2008 JAN 20 A 9:01 160312
- NO to this HUGE PRICE INCREASE in CNG – although there may be rationale for some SMALL increase in CNG pricing, this proposal should be scrapped.
 - NO to NGV owners paying spot market price for CNG – As consumers, they have a right to the same regulated pricing as home owners, adjusted only for unique additional costs/taxes.
 - NO to Yo-Yo Pricing – With gasoline prices fluctuating dramatically, CNG pricing needs to reflect the same long term stability inherent in regulated pricing to residences.
 - NO to prices outside a \$.70-1.20 band (see Right Answers below)
 - NO to PSC staff arbitrarily setting public policy – their role is to be the moderator between providing Questar a reasonable return on expenses/capital and Utah consumers deserving the lowest prices possible.

WHY?

Natural gas is the ONLY PRACTICAL SHORT TERM ALTERNATIVE FUEL to gasoline and probably the best long term solution to REDUCE OUR DEPENDANCE ON FOREIGN OIL and the attendant \$700 billion transfer of wealth to the Middle East. Utah has been in the fore-front of this conversion nationally and will be irreparably harmed by this action. It is BAD POLICY FROM EVERY PERSPECTIVE. Specifically, it is:

- 1) Politically Opposite our National and Utah State Objectives.
 - a) The Federal government gives tax credit of \$.50 per gallon because it WANTS consumers to switch to natural gas.
 - b) Federal and State governments have exempted natural gas from most road taxes to specifically encourage conversions to this cleaner fuel.
 - c) State of Utah provides tax incentives for conversion because we WANT consumers to switch to natural gas.
 - d) This action would be a death knell to the Utah NGV industry, currently stagnated or near dead by the current low gasoline prices.
 - e) Utah has the national spotlight for NGV conversions and this action makes us look anti-NGV and foolish. We are one of the very few States that have sufficient infrastructure to support a transition to natural gas and the last 3 years significantly increased CNG usage.
 - f) The U.S. has HUGE reserves of natural gas and conversion of even a large percentage of our transportation fleet to natural gas would not create the kinds of price increases seen in gasoline and diesel.
- 2) Economically Unjustified.
 - a) Utah has some of the lowest pricing of natural gas in the nation and this should be passed on to consumers.
 - b) Doesn't pass the "smell test". Even in California, where utility rates are higher and Pickens' Clean Energy stations gouge the public, prices for CNG are \$1.30/gal at So. Cal Gas and publicly-owned sites (e.g., U.C.L.A.).

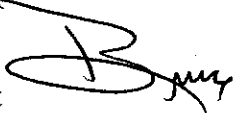
- c) Can't see the \$.50/gal Federal tax credit given the seller of the CNG accounted for in the rates.
 - d) There is no reason for CNG pricing to fluctuate any more than the seasonal price to home owners. In fact, NGV penetration would reduce seasonality by higher summer usage offsetting the heating season.
 - e) **QUESTAR EVEN OPPOSES THIS ACTION** according to recent news articles.
 - f) Natural gas pricing has been stable, with seasonal variations, for decades and the outlook is stable or even trending down over the foreseeable future with the increasing recent discoveries of large reserves. Alaska alone can provide any foreseeable increases in demand if the transportation infrastructure is built. This action creates the impression it is fluctuating dramatically, when in fact it is **ONLY BUREAUCRATIC ACTION THAT IS FLUCTUATING.**
 - g) Consumers can purchase home refueling stations and buy regulated gas from their own homes/businesses at the regulated price.
- 3) **Environmentally Backwards**
- a) Natural gas is **CLEAN** and we should do everything feasible to encourage the maximum transition of vehicles to CNG.
 - b) NGVs are **DRAMATICALLY CLEANER** than gasoline and can make a material difference in air quality.
 - c) Utah was recently cited for excess pollution in several counties and conversion to NGVs can be a key component in alleviating pollution in heavily populated areas.
 - d) All environmentalists support conversion to cleaner fuels, the only argument some have against natural gas is the incorrect assumption that it would require more drilling – Chesapeake Energy states: “North America has enough natural gas to supply the U.S. for at least 120 years. Plus, new reserves are being discovered every day, increasing our resources and potential production.” Although natural gas is obtained from the same drilling activity as oil, conversion to natural gas **DOES NOT** mean increases in drilling – it is an automatic by-product of drilling for oil.
- 4) **Based on Faulty PSC Logic.**
- a) Page. 41 says the price differential is \$.80 to \$1.14 just for Wexpro and it shouldn't be passed to NGV owners. I disagree completely. CNG users existed years ago the same as home owners. They are “ratepayers” now just like homeowners. Using PSC logic, we should have higher pricing for new homes/businesses or people that moved into Utah after the Wexpro deal (and they are being subsidized far more than NGV owners). Plus many, probably most, CNG users **ARE** rate payers but would be **PREVENTED FROM BENEFITING** on their NGV usage! There are probably far more ratepayers with NGVs than non-ratepayers.
 - b) One justification given was that natural gas is a highly fluctuating market like gasoline. Although somewhat true seasonally (gas fluctuates a rather predictable maximum of 60% seasonally), natural gas rates have only increased very slightly on average nationally compared to oil/gas with 400% increases over the same period..
 - c) **IF** there was some subsidy (apparently have to wait until Questar produces the requested Fact Sheet to see if that's really true), it would seem more appropriate to re-address it when there is enough penetration of NGVs that road taxes will also be increased.
- 5) **Un-Sound Public Policy and Destroys Consumer Confidence in the only PRACTICAL ALTERNATE FUEL.**

- a) Consumers were shocked, hurt and angered by the run-up in gasoline prices and flocked to CNG conversions. Although the unprecedented recent decline in gasoline prices to one-fourth the price of only a few months ago has temporarily destroyed the demand for conversions, gasoline will go back up and consumers will be interested again IF THEY HAVE CONFIDENCE IT IS A BETTER LONG TERM SOLUTION.
 - b) Stability in pricing creates consumer confidence and support. This kind of ridiculous fluctuation makes it look like natural gas is the next non-solution. Over the last 2 decades, consumers converted to diesel only to see it rise to substantially over gasoline prices, they thought bio-fuels were the answer only to see these never reach price targets, they have waited forever for electric vehicles to be practicable. Natural gas is a VIABLE SOLUTION THAT'S AVAILABLE NOW.
 - c) NGVs are practical and economical NOW – unlike electric, hydrogen or other alternatives that are still years away from practicability. We don't need to maliciously kick an industry already reeling from the huge decline in gasoline prices.
 - d) Utah, with its reasonable refueling infrastructure, is watched nationally for NGV conversions. Most of the rest of the country will have to wait for additional infrastructure or reasonably priced home refueling stations to benefit from CNG. Doubling CNG prices while gasoline is ¼ it's price this summer will have long-lasting negative impact here and nationally.
 - e) If anything we need lower/subsidized CNG prices during this current and temporary aberration in gasoline prices to maintain as much of the NGV conversion industry expertise, infrastructure and motivation as is possible. Gasoline prices will go up again and the price advantage of CNG return before too long. REASONABLE prices increases would be logical if postponed to occur following increases in gasoline pricing.
- 6) Absolutely the Worst Timing Possible
 - a) The PSC analysis claims to be up-to-date, but the market has changed more in the last 18 days or weeks than the 18 years since the pricing was last examined. It may have been timely 6 months ago or 12-24 months from now, but NOT NOW.
 - b) NGV owners seeing their payback on the investment in clean fuel dramatically increasing because of the current low gasoline prices are doubly penalized by an arbitrary (not market driven) huge increase in CNG pricing.
 - c) NGV owners and the CNG conversion industry support some increase to pay for upgrading and adding infrastructure, again NOT NOW and NOT THIS HUGE INCREASE.
 - 7) Harmful to our Domestic Security.
 - a) Thwarts our best national hope to make significant reductions in our dependence on foreign oil.
 - b) Utah has been leading the conversion nationally and this action alone eliminates a primary advantage we have (the other being at least minimal infrastructure).
 - 8) Disruptive of the efforts being made to increase the safety of CNG conversions.
 - a) Destruction of the legitimate CNG conversion industry would mean future conversions will return to unsafe backyard installations by untrained consumers.
 - b) All recent incidents can all be traced to un-safe installations, not failures of the products being used or (contrary to EPA claims) because they were not EPA certified (their jurisdiction is pollution not safety).

THE RIGHT ANSWER for the PSC and Utah politicians!

- The price should be the regulated price of gas to the homeowner, MINUS the \$.50/gal tax credit given Questar by the Federal government, plus the cost of compression, plus road taxes (minimal) and minus any State credits (currently none). Currently this means about \$.70 to \$1.20/gal.
- The cost of compression is the energy cost plus a somewhat arbitrary capital recovery allowance. It's true that Questar's stations are old, high maintenance, over-utilized, frequently down, few in number and in need of upgrading. There is a need to provide sufficient return to upgrade our infrastructure, however, that should only require part of the \$.50/gal Federal tax credit to accomplish.
- Keep the pricing at regulated rates and keep Questar in the business. States selling out to Picken's Clean Energy have seen rampant price gouging that eliminated the financial incentive for NGV conversions.
- **KEEP PRICES STABLE.** Do not destroy customer confidence with huge unjustified pricing changes at inopportune times. Move the price up slowly as gasoline spikes again (and it will).
- Consider reducing or subsidizing CNG prices during the current aberration.
- Encourage State lawmakers to continue support and, where feasible, provide incentives to transition to natural gas as quickly as possible. There is validity to subsidizing the price of natural gas and vehicle conversions, but they should be long term and not at the whim of the PSC.
- Support Utah Clean Cities and the NGV industry in getting Utah a moratorium on the outrageous EPA certification costs and instead stressing safety (not an EPA responsibility) in installations.

from Bruce Collet



- a Utah resident desirous of a cleaner environment..
- an NGV proponent frustrated by this PSC action.
- a U.S. citizen heartsick about being held hostage to the Middle East.
- a voter frustrated by politicians/bureaucrats that thwart the very objectives they were elected/hired to accomplish (the PSC by this action, EPA with ridiculous life-of-vehicle certification fees for conversions of used vehicles).
- an ex-employee of Alaskan Natural Gas Pipeline that never got built because of natural gas price declines two decades ago.
- President of Bi-Fuel CNG, a company dedicated to finding solutions for large scale conversions of vehicles to CNG