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Submitted July 2, 2013

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**- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -**

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|---|---|----------------------|
| In the Matter of the Investigation Required | ) |                      |
| by S.B. 275, Energy Amendments,             | ) | DOCKET NO. 13-057-02 |
| Addressing Cleaner Air through the          | ) |                      |
| Enhanced use of Alternative Fuel Vehicles   | ) | Initial Comments     |

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Pursuant to the Scheduling Order issued April 18, 2013, IntegrYS Transportation Fuels, LLC ("Trillium CNG™") files its Initial Comments in this proceeding.

Trillium CNG™ is concerned with the implications of regulated utility participation in the compressed natural gas ("CNG")/alternative fuels market. Trillium CNG™ is a leading provider of CNG fueling services as well as a single-source provider of CNG fueling facility design, construction, operation and maintenance. Trillium CNG™ specializes in fueling fleets that require high-performance solutions.

The CNG market is a competitive market, with non-utility participants operating successfully in many states. Trillium CNG™ is an active service provider in several states and is growing its business. However, the CNG market is still in its early stages

and faces challenges. Notably, in some states, state-regulated utilities have entered the market to offer what most agree is a non-utility service. Even absent S.B. 275, regulated utilities enjoy significant competitive advantages.

The utility advantage is unfair because gas utilities have unique and ratepayer subsidized access to customer information that supports their marketing efforts to potential customers. For example, gas utilities

- have customer credit information and payment history;
- gas usage data;
- for large governmental, commercial and industrial customers, often have marketing/sales personnel who have acquired data about the customers' gas requirements, equipment, and potential gas uses; and
- by virtue of their regulated status, may, compared with non-utility competitors, have better access to capital and credit markets because of their relatively lower risk profile.

Trillium CNG™, for all its experience and expertise in the field, is severely disadvantaged when a utility can draw on ratepayer-subsidized information and relationships to enter the marketplace.

Because of these advantages, in states where regulated utilities are allowed to directly enter to CNG/alternative fuels market, state residents and businesses end up being deprived of the type of competition which applies and drives prices down in the traditional vehicle fuels market. Because this market works on a competitive basis and does not require the use of utility assets and personnel, Trillium CNG™ has advocated

that utilities interested in providing such service do so through a non-regulated affiliate subject to affiliate transaction requirements.

S.B. 275 provides Utah gas utilities substantial added competitive advantages in the CNG/alternative fuels market by membership on the interlocal entity; a cost recovery tracker; and PSC oversight of the process.

Notably, the cost recovery tracker, applicable to all customer classes, allows utilities to recover substantial costs outside of a rate case, which is an unusual form of cost recovery for the CNG/alternative fuels market. It is a big advantage for a gas utility to have current rate recovery across a broad customer base for a defined set of costs without subjecting all its cost and revenues to Commission oversight in a rate case and without subjecting the overall utility cost structure to scrutiny for cross-subsidies.

Commission oversight of the S.B. 275 process benefits gas utilities because this is the arena with which utilities are familiar but which many competitors in the CNG/alternative market lack experience and are not well-known to regulators. While Trillium CNG™ is confident that the Commission and its Staff will use their best efforts to protect ratepayers and scrutinize potential unfair subsidies, the structure that S.B. 275 creates inherently makes that task more difficult. It requires the Commission to exercise exceptional care in monitoring the utility's participation in the CNG market to prevent improper ratepayer subsidies that may impair market development to the detriment of all Utah residents and not just those customers of participating utilities.

Respectfully submitted,

Foley & Lardner LLP

/s/ \_\_\_\_\_  
Thomas McCann Mullooly

*Attorney for Integrys Transportation Fuels, LLC*

July 2, 2013

**CERTIFICATE OF SERVICE**

I hereby certify that on the 2<sup>nd</sup> day of July, 2013, an original, seven (7) true and correct copies, and an electronic copy of the foregoing **Initial Comments of Integrys Transportation Fuels, LLC** In the Matter of the Investigation Required by S.B. 275, Energy Amendments, Addressing Cleaner Air through the Enhanced use of Alternative Fuel Vehicles in Docket No. 13-057-02 were sent to:

Attn: Gary Widerburg  
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In addition, true and correct copies were emailed to the addresses below:

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/s/ \_\_\_\_\_