Gary A. Dodge, #0897
HATCH, JAMES & DODGE
10 West Broadway, Suite 400
Salt Lake City, UT 84101
Telephone: 801-363-6363
Facsimile: 801-363-6666
Email: gdodge@hjdlaw.com
Attorney for UAE

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Investigation Required by S.B. 275, Energy Amendments, Addressing Cleaner Air through the Enhanced use of Alternative Fuel Vehicles	**Docket No. 13-057-02** **INITIAL COMMENTS OF THE UTAH ASSOCIATION OF ENERGY USERS**

Pursuant to the Commission's April 18, 2013 Scheduling Order and Notice of Public Hearing in this docket, the Utah Association of Energy Users (UAE), an association of many of the State's largest energy users, hereby submits the following initial comments on the implementation of Senate Bill 275 "Energy Amendments" (SB 275).

Summary

Section 2 of SB 275 directed the Commission to open this docket to "explore anddevelop options and opportunities for advancing and promoting measures designed to result incleaner air in the state through the enhanced use of alternative fuel vehicles, including … potential funding options." Utah Code § 54-1-13 (1). In Section 3 ofSB 275, the Commission was also directed to permit Questar Gas Company (QGC) to recover prudently incurred natural gas vehicle (NGV) fueling station and related infrastructurecosts of up to $5,000,000 per year through an incremental revenue-based surcharge on all customer classes. Utah Code § 54-4-13.4.

UAE supports SB 275's efforts to identify and promote reasonable clean-air measures and to enhance NGV vehicle usage, and is prepared to participate with the Commission, the Legislature and others in the discussion and pursuit of these worthy goals. However, UAE strongly opposes the use of utility rates to fund policies and programs not directly related to or required by the provision of utility services. Thus, while Section 3 of SB 275 requires all QGC customers to subsidize NGV infrastructure development to a certainextent, UAE strongly urges the Commission not to support or suggest continued or expanded use of similar funding through utility ratesfor these purposes.

1. Subsidizing NGV Infrastructure Through Utility Rates Violates Sound Ratemaking Principles.

Sound ratemaking principles long honored in Utah -- and responsible in part for Utah's relatively low utility rates -- include limitation of public utility activities to those properly required of a regulated monopoly;assignment of costs to customer classes who benefit from a public utility's expenditures;and strict limitations on using public utility rates to fund or subsidize other public policies of programs -- even worthy ones.The funding mechanism hard-wired into Section 3 of SB 275 violates all of these time-honored ratemaking principles, and thus should not be continued or expanded.

First, development of NGV filling stations is not a necessary or legitimate function of a regulated monopoly. The private sector is well equipped to, and is, developing NGV infrastructure and should be allowed to do so unimpeded by subsidized utility activities or rates. The delivery of natural gas to end users is an appropriate role of a regulated utility, but building infrastructure for the myriad of potential public and private end uses of the fuel -- including NGVs and filling stations-- is not.

Second, the costs incurred by QGC for NGV infrastructure are not being assigned by Section 3 of SB 275 to those customers who benefit directly from the expenditures. Sound ratemaking principles dictate that costs should be assigned to utility users who benefit --here, NVG owners -- rather than to all customers.

Third, all Utahns, not just QGC ratepayers, benefit from cleaner air. To the extent sound public policies support public expenditures to enhance NGV infrastructure, all Utah citizens should fund those efforts through the transparent legislative budget process, rather than having those costs imposed only on utility ratepayers.

2. Funding NGV Infrastructure Through Utility Rates Lacks Transparency

Transparency is a key tenet undermined by the funding mechanism in Section 3 of SB 275. That mechanismessentially creates a new "tax" that will be largely hidden in utility rates. UAE strongly resists the use of hidden utility rate increases to fund even worthy public policies and programs that are not directly related to or required by the provision of regulated utility services. There are fair and transparent ways to fund legitimate public policies and programs; UAE strongly opposes the use of disguised utility rate increases for such purposes.If the expenditures are legitimate from a public policy perspective they can and should be funded through general revenues or through other taxes or fees; they should not be hidden in in utility rates.

3. Utah Businesses are Already Making Significant Investments in Cleaner Air

UAE's industrial, commercial and governmental members, like other QGC customer classes, are already making significant direct and indirect investments in cleaner air through a myriad of efforts, including the following:

- Significant investments in energy efficiency technologies at customer facilities;
- Significant investments in air quality technologies at customer facilities;
- Energy conservation and energy efficiency programs funded through utility rates of QGC and Rocky Mountain Power;
- Significant levels of renewable energy resources being acquired by utilities;
- Significant utility investmentsin air quality technologies at utility plants.

UAE members and other utility ratepayers should not be forced to subsidize through higher utility rates additional expenditures for non-utility functions, even for the laudable goal of cleaner air.

4. SB 275 Leads to a "Double Subsidy" of Natural Gas Vehicles

Since about 2009, when NGV filling stations were relatively new and struggling to gain a foothold in Utah, QGC ratepayers in Utah have been subsidizing the cost of fuel for such vehicles. SB 275 adds a second subsidy for NGV fueling stations. As this type of alternative transportation infrastructure is now available through the private sector, QGC customers should not continue to subsidize NGV usage.

5. The Tariff Could Have A Negative Impact on Economic Development

The proposed tariff is inconsistent with building the Utah economy. Utah's relatively low utility rates are often cited as a significant incentive for businesses to locate in Utah. Those lower rates are eroding, and adding additional, inappropriate costs to utility rates will only accelerate their erosion.

Conclusion

UAE respectfully submits that the collection of taxes through utility surcharges is inappropriate and ill advised. While SB 275 directs the use of a hidden utility rate increase to fund up to $5 million per year in NGV infrastructure costs for now, UAE respectfully urges the Commission not to recommend any continuation or expansion of that type of funding mechanism going forward.

UAE appreciates the opportunity to participate in this process and looks forward to its continued involvement.

DATED this 3rd[th]day of July, 2013.

HATCH, JAMES & DODGE

/s/ ___________________________
Gary A. Dodge
Attorney for UAE

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing was served by email this 3rd day of July, 2013, on the following:

Questar Gas Company:	
Barrie McKay	barrie.mckay@questar.com
Evelyn Zimmerman	evelyn.zimmerman@questar.com
Division of Public Utilities:	
Patricia Schmid	pschmid@utah.gov
Justin Jetter	jjetter@utah.gov
Chris Parker	chrisparker@utah.gov
Artie Powell	wpowell@utah.gov
Dennis Miller	dennismiller@utah.gov
Office of Consumer Services:	
Michele Beck	mbeck@utah.gov
Cheryl Murray	cmurray@utah.gov
Dan Gimble	dgimble@utah.gov
Office of Energy Development:	
Paul Proctor	pproctor@utah.gov
Clean Energy Fuels:	
Todd Campbell	tcampbell@cleanenergyfuels.com
Fuel Freedom Foundation:	
James A. Holtkamp:	jholtkamp@hollandhart.com

/s/ ________________________________