

From: "MICHAEL D PARKER"
To: <reap@utah.gov>
Date: 1/5/2009 4:16 PM
Subject: PSC NGV policy

UTAH PUBLIC
SERVICE COMMISSION

January 5, 2009

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Utah Public (Service?) Commission
Heber M. Wells Building
160 East 300 South
Salt Lake City, UT 84114

RECEIVED

RE: "DOCKET NO. 07-057-13 - In the Matter of the Application of Questar Gas Company to Increase Distribution Non-Gas Rates and Charges to Make Tariff Modifications. As Filed by the Commission on Monday, December 22, 2008

Dear Commissioners:

I believe that I am being discriminated against by the PSC. I buy local natural gas to fuel my two NGVs, vehicles bought at a premium price in an attempt to do something positive to combat air pollution problems in SL and Davis counties. I was able to justify the higher initial conversion costs because of the lower local fuel costs, the costs that you unexpectedly increased in the recent past and continue to heap on us. I have no alternative natural gas sources available in Utah to choose from; Questar has a monopoly that, in this case, seems to be totally supported by the Commission's closed door pricing policies.

I understand that Questar wants to charge as much as they can, to profit from the periodic windfall market pricing swings that have little to do with actual production costs. I sort of understand the problems with paying for infrastructure construction; however, Questar has a history of slipping unfair business costs and operational mistakes into their rate requests. With the wild price swings common to the natural gas industries, setting rates is obviously difficult. It is hard to figure who subsidizes who when everyone pays different rates based on who knows what. I find it very hard pill to swallow that my highly regulated NGV should pay several times the price that my less efficient furnace and all the large industrial boilers and electric generators have to pay. That gas comes from the same wells, and the same pipes, with similar delivery costs.

I do know from experience that Questar's NGV fuel pumps have been designed with gross under capacity that created massive maintenance problems of their own making, and that maintenance has been shoddy at best in our State. Utah, Wyoming, and Colorado have huge natural gas reserves and severely limited outlets that must be expanded to provide new markets. IMHO, those development costs represent an investment in the future; building a NGV supply infrastructure is a choice taken to provide future revenue streams, (according to TB Pickens) potentially larger in the long run than heating and electrical generation are now. The local gas oversupply tends to keep pricing down when the markets are allowed to operate freely. Contrary to the natural order of things, your ruling says that I now have to pay the highest national nat gas rates (Nymex) for plentiful local fuels, a rate that has nothing at all to do with Questar's actual raw material and delivery costs and little to do with the prices they can charge other customers unless they have a magic pipeline with unlimited capacity to the East coast.

As you know, natural gas prices fluctuate widely and tend to be highly seasonal. If you want to pick a stable price for local consumption, fine, but at least base it on fair assumptions, possibly a rolling 12 month rolling average of realistic costs and a reasonable profit. Natural gas currently is priced around \$5.50 at the Henry Hub, the same location where Questar must buy and sell its excess natural gas production. Presumably, Questar produces gas much cheaper from their own gas fields; likely more in the \$3/mmBTU range common to the Pinedale production area.

Based on fuel value (1 gal gasoline = 114,100 btu's), the current real natural gas price should be close to \$0.63 per GGE (at \$5.50/mmBTU). What is a fair profit markup? I think your recommended July price set at 150% is much too high, much higher than other energy producers charge per BTU, especially when Questar sells that same gas much more cheaply to all other customers, customers who have paid less for the privilege, have fewer incentives to conserve, and have no requirements to limit and control air pollution as vehicle users do. That I find to be extremely unfair, since I, as a Utahn, have to breathe Questar's pollution and pay for their operational inefficiencies and mistakes.

You are setting up a situation in Utah that will be very similar to the other US cities gouged by Clean Energy's predatory monopolistic pricing (California, Nevada, Colorado, and Arizona) tactics, where pump pricing is routinely set by discounting competing gasoline and diesel prices, not from local costs of production and distribution.

I feel you (PSC) should have opened up a forum to openly and honestly discuss these issues before you secretly dropped the axe on us over this Holiday. We, as NGV users, have had no input, discussion, warning of the proceeding, or had published data available to study and comment on. The DEQ was not asked to provide you with information concerning the many known benefits and savings provided by NGV's. How does that serve the public? It appears that the only ones served here is Questar and the other vested interests looking to take over and monopolize the NGV industry in Utah as they have done elsewhere. Prove me wrong, please.

Mike Parker