NO on SB 32 (PUC task force to help expand natural gas territory)

From the Desk of Senator Ted Ferrioli

When is a study not just a study? When it leads to unfair competition and rates. Please vote NO!

> **"Why should state government help natural gas - a big utility - to expand its territory by stealing my customers? That's not fair!"**
> **– Randy Camp, Co-Energy Propane, a small business owner**

Other states have had concerns over charging current ratepayers to fund natural gas expansion:

New York

"Concerns remain regarding subsidization of expansions by existing ratepayers, particularly as such benefits shareholders."

State of New York Public Service Commission, *Proceeding on Motion of the Commission To Examine Policies Regarding the Expansion of Natural Gas Service, Order Instituting Proceeding and Establishing Further Procedures*, November 30, 2012 at http://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId=%7B33008B64-79D4-4DD3-B222-442061E06BAE%7D .

Vermont

"Another concern was that using ratepayer money to expand gas-distribution lines might place competitors, who do not have the same opportunity, at an unfair disadvantage."

See Vermont Public Service Board, *Request of Vermont Gas Systems, Inc. to establish a System Expansion and Reliability Fund with funds provided by reductions in the quarterly Purchase Gas Adjustment rate under the Alternative Regulation Plan, Order Amending Alternative Regulation Plan*, Docket 7712, September 28, 2011.

Line Extensions for Natural Gas: Regulatory Considerations

Ken Costello, Principal Researcher, National Regulatory Research Institute, Report No. 13–01, February 2013

"Someone has to pay for the "free" pipes, so their costs just pass to someone else, namely, utility shareholders or existing customers."

"Subsidies funded by a utility's existing customers come across as both unfair and economically inefficient:

1. It is unfair to existing customers because they are involuntarily funding new customers at no benefit or less-than-commensurate benefits to them.
2. It is also economically inefficient if it induces additional energy consumers to switch to natural gas when they otherwise would not have if they had to pay the full cost of line extensions.
3. Subsidies also may distort competition among energy sources. By offering new gas customers subsidies, suppliers of oil, propane, and electricity would be at a disadvantage.
4. Even with public benefits, subsidies funded by existing customers might not constitute the most cost-effective approach for increasing the number of new gas customers and gas consumption."

Natural Gas Line Extensions and Fair Competition, National Propane Gas Association

"From the perspective of competing fuel sources—such as propane—rolled-in rates to bring natural gas service to unserved areas or underserved areas amounts to unfair competition. The utility is using its existing monopoly franchise territory and its existing (essentially captive) customers within that area to make below-market natural gas service available to new customers that have competitive choices, to the damage of competing suppliers of energy. This is unfair competition. Moreover, it is unfair to the existing utility customers, who are called upon to subsidize new customers. In the rolled-in pricing scenario, the utility is essentially under-pricing the cost of providing service to new customers."

- Lana Butterfield, Pacific Propane Gas Association