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June 30, 2016

Public Utility Commission of Oregon
Attn: Lisa Gorsuch
201 High Street, S.E.
P.O. Box 1088
Salem, OR 97308-1088

RE: PGE's SB 32 Work Group Recommendations

PGE appreciates this opportunity to offer comments on the draft Findings and Conclusions of the Senate Bill (SB) 32 Work Group concerning Natural Gas Expansion to Unserved Areas - 2016 Report to the Legislative Assembly. SB 32 directs the PUC to form a work group to conduct a study on methods by which a natural gas utility may expand the utility's service to areas that do not have access to natural gas. The legislation further directs the work group to review the Commission's authority and policies to authorize the expansion of natural gas services. PGE appreciates the work of Commission staff and the work group and offers the following comments in response to the draft Findings and Conclusions:

- Generally, PGE recommends the Workgroup articulate the factual bases of each finding within the discussion section of each finding.
- In the discussion for the second finding, it states:
 - *"A natural gas utility's expansion into unserved areas does provide service-related benefits to the utility's existing customers and the Commission can allocate costs associated with these benefits to the utility's existing ratepayers."*
 - The declaration that expansion into unserved areas provides benefits to existing customers seems at odds with the Commission's review and treatment of the River District development (PGE Advice No. 97-15) in the PGE service territory. In that case, the burden rested with the company to demonstrate benefits to existing customers—it was not presumed. As I discussed at the May 5 meeting of the Work Group, the River District involved the company covering the initial costs of trenching, conduit and vaults, essentially the necessary service backbone in the NW Portland area described in our Tariff, Rule I. As customers connect to the system they each pay a per square foot charge to connect. For a standard 200 x 200 foot block, the initial fee was \$33,280. After 2007, the connection fee was adjusted based on PGE's cost of capital.

At the time that the matter was pending before the Commission, PUC staff expressed the interest that existing ratepayers not be burdened by any of the costs. There was no finding or presumption that the expansion into the unserved area provides service related benefits to the utility's existing customers. The burden was clearly placed on the utility to demonstrate such benefit to existing customers in that instance.

- SB 32's finding and declaration that "access to natural gas is in the public interest" does not alter the Commission's previous treatment that a utility has the burden to demonstrate such benefits. Instead, the legislation requires the commission to study its policies related to expansion and "methods" for expansion. One of those methods is to allow the utility to make a showing that existing customers would benefit.
- PGE recommends that the discussion of this finding be amended to state that the gas utility may make a showing that the expansion provides benefits to existing customers or to change the referenced sentence to the conditional: "If a natural gas utility's expansion into unserved areas provides service-related benefits to the utility's existing customers, the Commission may allocate costs associated with those benefits to the utility's existing ratepayers."
- Finding #3 seems to be inconsistent with finding #2. Finding #3 describes how the Commission would determine whether expansion into unserved territory will result in benefits to existing customers. Finding #2 presumes that those benefits exist.
- The discussion in finding #4 repeats the statement that "expansion will have system benefits that accrue to all the utility's customers." PGE does not oppose the ability of a utility to attempt to make such a showing, but believes that the burden is on the utility to do so.

Thank you for the opportunity to comment. We look forward to reviewing the Draft Report.

Should you have any questions or comments regarding this filing, please contact me at (503) 464-8718. Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pgn.com

Sincerely,



For
Karla Wenzel
Manager, Pricing and Tariffs