NORTHWEST INDUSTRIAL GAS USERS

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VIA E-MAIL
Oregon Public Utility Commission
Attn: Lisa Gorsuch
550 Capitol Street, N.E., #215
P.O. Box 2148
Salem, Oregon 97308-2148
lisa.gorsuch@state.or.us

Re: SB 32 –Northwest Industrial Gas Users' Comments on Draft Report

Dear Ms. Gorsuch:

Per your request to the members of the SB 32 Workgroup, I am providing comments to you on the Draft Report to the Legislative Assembly ("Draft Report").

At the outset, I want to thank Staff for sharing this draft and for capturing the discussion that occurred during the workshops. I do not have any suggested changes to the Draft Report.

The initial sections of the Draft Report do a good job reflecting the history of the extension of natural gas service. In both the description of how line extensions work and in the case study section, the common principle is that line extensions are primarily paid for by the customers who seek the new service and that existing ratepayers contribute only to the extent that they will benefit from an expanded system. Natural gas service and electric service are often viewed as similar services simply using a different fuel, but the reality is that there are fundamental differences in these services and how they have evolved. Natural gas service has traditionally been developed as the result of customers deliberately choosing that fuel source. As such, expansions of a natural gas system have occurred only when it makes economic sense for the customer to pay for that service, including the costs of expanding a system to provide the service.

As the Coos County case study similarly demonstrates, sometimes it is a broader community that makes the economic decision to obtain new service, in which case other public funds (i.e. bond revenue or lottery funds) may be appropriate for use to expand the system.

The specific findings included in the Draft Report also accurately capture the limits of, and opportunities for, system expansion. For example, if construction allowances do not accurately reflect all of the benefits to the existing system, there may be opportunity to revise line extension policies for that purpose. This is not anathema to the existing system, which contemplates that all customers will pay for the benefits they receive. Similarly, there may be opportunities for having surcharges to multiple customers in an expanded area as described in Finding 3. This approach of having a community pay for incremental capacity is precisely how all interstate pipeline expansions have been priced by FERC since the mid-1990s and it is reasonable to model a state system after this federal approach.

I look forward to reviewing the comments of other Workgroup members and assisting the PUC in developing the final report.

Sincerely,

/s

Edward A. Finklea