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September 27, 2013

VIA ELECTRONIC FILING

Commission Filing Center
puc.filingcenter@state.or.us

Re: Northwest Natural Advice No. 13-10

Dear Filing Center:

Northwest Industrial Gas Users (NWIGU) submits this letter pursuant to Staff's request for comments dated August 15, 2013.

NWIGU can support Northwest Natural's (NW Natural or Company) proposed tariff relating to compressed natural gas as a responsible way to allow a utility to offer compression service by offering equipment to a customer under regulated, published rates so long as the service is not subsidized by other customers. A better alternative to the tariffed service for ratepayers would be for NW Natural to offer the service through an unregulated subsidiary. The goal of either approach would be to have the services available without existing ratepayers subsidizing the service.

The key to NWIGU's support of a local distribution company (LDC) offering compression or liquefaction services is that the service must be designed to be stand alone, not relying on subsidies from other natural gas customers to get consumers to purchase the compression equipment service. NWIGU would oppose having a gas utility build filling stations and placing the costs of those stations in rate base. Given natural gas's price advantage over oil, heavy users of gasoline and diesel do not need to be subsidized by ratepayers to switch to natural gas and take advantage of the service NW Natural is offering.

NWIGU would similarly be opposed to service offerings by Oregon LDCs that would rely on subsidies from other customers to support liquefied natural gas (LNG) services. If LNG facilities can be shown to provide both fueling and capacity avoidance benefits through peak shaving, NWIGU could support the design of services that provide, in essence, a joint product. But with that exception, NWIGU believes vehicle fuel services should completely support themselves.

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NWIGU has carefully reviewed the Company's filing and knows that Staff has done the same. There is no evidence that NW Natural is seeking to have other ratepayers subsidize the compressed natural gas (CNG) service it proposes to offer. The fees charged consumers who order the compression facilities are designed to cover the cost of the service. A review of the Company's workpapers shows a self-sufficient service based on Company projections.

NWIGU recommends that the Commission require NW Natural to keep track of all expenses, including employee time, devoted to offering the service, and show in its next rate case that all expenses, as well as investments, are being carried by the revenue from CNG customers. If there is a revenue deficiency shown in the next rate case, the rates for the compression service should be adjusted upward to cover the shortfall.

NWIGU's approach would place the risk on CNG customers during the period of the service contract that the rates will be adjusted upward or downward depending on cost of service reviews in future general rate cases. NWIGU urges the Commission to be explicit in any order approving the service that the rates will be reviewed in NW Natural's next general rate case.

If NW Natural opposes that level of scrutiny, a workable solution would be for NW Natural to offer the service through an unregulated subsidiary. If NW Natural is willing to offer the service through an unregulated subsidiary, the outcome is better for existing ratepayers, as the need for audits in future rate cases would be less with an unregulated subsidiary than with a regulated, tariffed service.

NWIGU is aware of the claim that Clean Energy is making that true free-market providers of the service cannot compete on a level playing field with a regulated LDC. However, if NW Natural's CNG tariff is approved, Clean Energy and others will compete against a company that is both blessed and cursed with its regulated status. Competitors of NW Natural will know exactly what NW Natural is charging. They would have to beat that price, but they would know what that price is. NW Natural cannot discriminate among customers if it offers a tariffed service, whereas unregulated firms can vary their prices.

Unregulated firms benefit from having contracts and are free to design their own private contractual relationships with customers and lock in prices or even provide rebates or incentives to specific customers. Unregulated firms can still open public filling stations or provide private service using pricing for fuel at a discount off oil prices. Public access stations could be provided on the other side of the fence from a customer of NW Natural by unregulated firms.

The regulatory process should ensure that Clean Energy and others are not competing against a subsidized service. Subsidies from other ratepayers would lead to unfair competition and would be inappropriate use of ratepayer money. Only if NW Natural offers the service through an unregulated subsidiary will there be no issues of cross-subsidies.

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NWIGU appreciates the opportunity to submit written comments and will appear before the Commission when this matter is taken up at a public meeting.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'T. Brooks', with a long horizontal flourish extending to the right.

Tommy A. Brooks