

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

Northwest Natural Gas Company)	Advice Letter 13-10
d/b/a NW Natural)	
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)	

**COMMENTS OF INTEGRYS TRANSPORTATION FUELS, LLC
IN OPPOSITION TO PROPOSAL**

Pursuant to the Notice issued August 15, 2013, Integrys Transportation Fuels, LLC (“Trillium CNG™”) files its Comments opposing Northwest Natural Gas Company d/b/a NW Natural’s (“NWN”) Advice Letter No. 13-10 in which NWN proposes to install and maintain high pressure gas facilities and provide high pressure gas service to support vehicle fueling.

Trillium CNG™ appreciates Commission Staff’s invitation for interested persons to submit comments because NWN’s proposal could significantly interfere with the development of a robust compressed natural gas (“CNG”) and alternative vehicle fueling market in Oregon. Whatever short-term benefits may result from utility entry into the market would be outweighed by the barriers to entry that utility participation poses for non-utility competitors.

I. Background of Commenter

Integrys Transportation Fuels, LLC is an indirect, wholly-owned subsidiary of Integrys Energy Group, Inc., which is a diversified holding company with regulated and non-regulated energy operations that is headquartered in Chicago, Illinois (“Integrys”). Through its subsidiaries, Integrys Transportation Fuels, LLC owns and/or operates CNG fueling stations in multiple states that support mass transit operators and large private

fleet operators as well as public access, retail CNG stations. It also has compression packaging expertise, including design, fabrication, construction, and operation of complete CNG fueling stations.

Trillium CNG™ is thus concerned with the implications of regulated utility participation in the CNG market, such as NWN's proposed tariff.

II. NWN Proposal

NWN is a gas utility regulated by the Public Utility Commission of Oregon. On June 27, 2013, it filed a proposed new rider, Schedule H, "Large Volume High Pressure Gas Service." NWN proposes to provide high pressure gas service through NWN-owned and maintained compression equipment located on customers' premises. According to NWN, it will provide non-residential customers "with a turn-key solution not otherwise available for providing the gas pressure required for vehicle fueling, without a significant upfront capital investment into compression facilities." Advice Letter, p. 2. NWN will negotiate the terms of service and pricing with customers because it will vary for each customer. *Id.* NWN also asked for special accounting treatment to allow it to depreciate the facilities over ten years instead of thirty. Advice Letter, p. 4.

III. Comments

The CNG market is a competitive market, with non-utility participants operating successfully in many states. Trillium CNG™ is an active service provider in several states and is growing its business. The CNG market is still in its early stages and faces challenges. Indeed, NWN states that the CNG infrastructure in Oregon is currently limited. Advice Letter, p. 3. Trillium CNG™ shares NWN's stated goal (Advice Letter, p. 3) of contributing to the development of the market in Oregon for gas-fueled vehicles,

and the customer classes targeted by NWN's proposal (namely, non-residential fleet operators), are a good growth opportunity. Regulated utility service is not, however, the best way to achieve this development and could easily create barriers to entry for competitive service providers. These barriers would arise from advantages available to the utility because of its regulated business and not from proving itself to be a superior competitor.

In some states, state-regulated utilities have entered the market to offer CNG services, despite the presence of non-utility service providers offering what is clearly not a utility service.¹ NWN's proposal is an extreme example in that the utility is not simply providing high pressure gas service but would design, construct, install, own and maintain the compression facilities. The tariff would even allow NWN to assist the customer with the purchase and installation of additional dispensers, hanging hardware and other CNG-related equipment. Proposed Original Sheets H-1, H-2. These services go far beyond the traditional utility function of acquiring and distributing gas to consumers.

Trillium CNG™ opposes NWN's proposal because a regulated utility's participation in the CNG market inherently skews the market against non-utility competitors. A major reason the utility advantage is unfair is because gas utilities have unique and ratepayer-subsidized access to customer information that supports their marketing efforts to potential customers. For example, gas utilities

- have customer credit information and payment history;

¹ For example, under Oregon law, a public utility does not include "[a]ny corporation, company, partnership, individual or association of individuals that furnishes natural gas, electricity, ethanol, methanol, methane, biodiesel or other alternative fuel to any number of customers for use in motor vehicles and does not furnish any utility service described in paragraph (a) of this subsection." ORS 757.005(1)(a)(G).

- have gas usage data; and
- for large governmental, commercial and industrial customers, who are the presumed customers of NWN's proposed service, often have marketing/sales personnel who have acquired data about the customers' gas requirements, equipment, and potential gas uses.

These types of information advantages are particularly difficult for non-utilities to overcome. Customer information can be costly and time-consuming to acquire. Trillium CNG™ accepts this challenge as a cost of doing business and welcomes the opportunity to compete with other non-utilities to provide services that best meet the needs of potential CNG customers. But Trillium CNG™ will always start a step behind a utility competitor that has a wealth of raw data about its customers, merely as a function of its status as a public utility.

Retail gas consumers necessarily are customers of the local gas utility. To establish and maintain service, the customer likely provides credit-related information to the utility. The utility, simply to bill the customer, must maintain usage and payment data and, for larger customers, may require information about the customer's gas equipment. For states, like Oregon, with energy efficiency programs, utilities often gain additional valuable market information about their customers in conjunction with supporting those programs. Trillium CNG™, for all its experience and expertise in the field, is severely disadvantaged when a utility can draw on ratepayer-subsidized information and relationships to enter the marketplace.

Another information advantage is the utility's knowledge of its own system. That information is typically proprietary and confidential to the utility and access to it may be

further restricted to the extent it is protected as critical infrastructure information. When any customer requests new or different service, the utility is thus uniquely situated to assess the costs of extending service to the customer or modifying an existing service and identifying costs and obstacles to the extension. Indeed, the NWN proposal contemplates a feasibility review as part of the first phase of determining whether to provide service under the tariff. Advice Letter, p. 2. When a non-utility competitor seeks to assist a customer's assessment of CNG capability, the competitor must rely on the customer and the utility to provide key facilities' information needed for the analysis.

In addition to an information advantage, utilities, by virtue of their regulated status, may, compared with non-utility competitors, have better access to capital and credit markets because of their relatively lower risk profile. Like the benefit of customer information, this financial advantage is not attributable to the utility being a better competitor but a product of its utility status.

Because of these advantages, in states where regulated utilities are allowed to directly enter the CNG/alternative fuels market, state residents and businesses end up being deprived of the type of competition that applies and drives prices down in the traditional vehicle fuels market. Because this market works on a competitive basis and does not require the use of utility assets and personnel, Trillium CNG™ has advocated that utilities interested in providing such service do so through a non-regulated affiliate subject to affiliate transaction requirements. Most states require separation, whether physical or functional, between utilities and their non-utility affiliates such that the utility's information advantage is not available to its affiliates and the affiliate is on equal footing

with non-affiliates. Also, many states have “ring fencing” requirements that avoid the affiliate having financial market advantages that a utility may enjoy.

For the foregoing reasons, Trillium CNG™ respectfully requests that the Commission reject Northwest Natural Gas Company’s proposal.

Respectfully submitted,

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