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December 13, 2013

Attention: Filing Center
Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
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Re: *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL
Investigation into Schedule H, Large Volume Non-Residential High Pressure Gas Service
Rider*
OPUC Docket No.: UG 266
DOJ File No.: 330030-GN0422-13

Enclosed for filing with the Commission today are an original and five copies of the Oregon Department of Energy's Post-Hearing Brief in the above-captioned matter.

Sincerely,

Renee M. France
Senior Assistant Attorney General
Natural Resources Section

Enclosures
RME:jrs/#4844849
c: UG 266 Service list

1 Oregon proposes a “20 percent conversion of large fleets to alternative fuel vehicles, including,
2 but not limited to, electric, compressed natural gas (CNG), and liquefied natural gas (LNG)”
3 over the next 10 years.²

4 To date, the Oregon market has been slow to develop CNG fueling infrastructure. Public
5 fueling is offered at three of the 28 CNG fueling stations in Oregon, leaving most businesses and
6 public bodies that operate fleets without access to CNG. The lack of publicly accessible CNG
7 stations and the high initial cost to invest privately in CNG fueling infrastructure has deterred
8 fleet owners from converting to CNG vehicles. NW Natural’s tariff may eliminate this
9 investment barrier for some customers and provide the infrastructure needed to allow more
10 fleets, public and private, to use CNG. At the same time, customers will still have the
11 opportunity to approach a third-party service provider to provide services or contract to build a
12 private station.

13 III. UNLIKELY TO CURTAIL COMPETITION

14 NW Natural’s tariff is unlikely to curtail competition in Oregon’s CNG market. First, there
15 are currently no third-party service providers operating CNG fueling stations in Oregon. Third-
16 party providers are likely to become more interested in the Oregon market after demand for CNG
17 increases. NW Natural’s high pressure gas service may facilitate some fleet conversions to
18 *CNG, thereby establishing demand for CNG that may support a more competitive market.*

19 Second, in each of the 12 other states that have some type of utility involvement in the
20 CNG or liquefied natural gas market, third-party service providers also operate. In California,
21 for example, 68 of the 141 CNG stations in the state are operated by third-party service
22 providers, 33 are operated by a utility, and 40 are operated by private fleet owners.³ In 2012, the
23 California Public Utilities Commission approved a tariff proposal from Southern California Gas
24 Company that is similar to NW Natural’s high pressure gas service.⁴ It appears that utility
25

26 ² John A. Kitzhaber, M.D., Governor, 10-Year Energy Action Plan, December 2012, pg. 13, available at:
http://www.oregon.gov/energy/Ten_Year/Ten_Year_Energy_Action_Plan_Final.pdf

³ ODOE/100, Peacock Williamson/4.

⁴ *California Public Utilities Commission Decision 12-12-037 as modified by Decision 13-10-042.*

1 ownership of stations has not prevented third-party service providers from expanding services in
2 California. It is ODOE's expectation that this would be the case in Oregon as well.

3 **IV. LIKELY TO PROVIDE ECONOMIC BENEFIT TO NON-PARTICIPATING**
4 **RATEPAYERS**

5 Under NW Natural's proposal, the utility will recover all project development and
6 administrative costs from participating customers through an administrative services charge and
7 a monthly facilities charge, ensuring that those costs are not shifted to other ratepayers. In
8 addition, participating customers that convert their fleets to CNG will purchase natural gas for
9 vehicle use and will make the same contribution to fixed costs on those additional gas purchases
10 as other commercial gas customers. Thus, NW Natural's gas compression service may help
11 lower natural gas rates for non-participating customers by broadening the customer base over
12 which NW Natural's fixed system costs are recovered.

13 **II. CONCLUSION**

14 ODOE recommends that the Commission approve NW Natural's proposed Schedule H
15 Large Volume Non-Residential High Pressure Gas Service Rider to its Schedules 3, 31, and 32
16 non-residential natural gas service schedules.

17 DATED this 13th day of December, 2013.

18 Respectfully submitted,

19 ELLEN F. ROSENBLUM
20 Attorney General

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22 Renee M. France, #004472
23 Senior Assistant Attorney General
24 Of Attorneys for Oregon Department of Energy,
25 State of Oregon.
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CERTIFICATE OF SERVICE/SERVICE LIST

I hereby certify that on December 13, 2013, I served the foregoing OREGON DEPARTMENT OF ENERGY'S POST-HEARING BRIEF upon the persons named on the service list, by electronic mail only as all parties have waived paper service.

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