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November 27, 2013

VIA ELECTRONIC FILING & U.S. MAIL

Oregon Public Utility Commission
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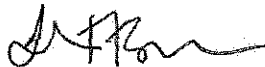
Re: In the Matter of Northwest Natural Gas Company dba NW Natural: Investigation
into Schedule H, Large Volume Non-Residential High Pressure Gas Service Rider
Docket No. UG 266

Dear Filing Center:

Enclosed please find the original and five (5) copies of the REPLY TESTIMONY OF
EDWARD FINKLEA ON BEHALF OF NORTHWEST INDUSTRIAL GAS USERS in the
above-referenced docket.

Thank you for your assistance with this filing. Should you have any questions, please
feel free to contact me.

Very truly yours,



Tommy A. Brooks

TAB:sk
Enclosures

cc: UG 266 Service List

4815-7786-6007, v. 1

CERTIFICATE OF SERVICE

I CERTIFY that I have on this day served the foregoing document upon all parties of record in this proceeding via electronic mail and/or by mailing a copy properly addressed with first class postage prepaid.

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Dated in Portland, Oregon, this 27th day of November 2013.



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Of Attorneys for the
Northwest Industrial Gas Users

UG 266
NWIGU 100
Finklea

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

**REPLY TESTIMONY
OF
EDWARD FINKLEA
ON BEHALF OF
NORTHWEST INDUSTRIAL GAS USERS**

NOVEMBER 27, 2013

1 **Q. Please state your name, business address and occupation?**

2 A. My name is Edward Finklea. My business address is 326 Fifth Street, Lake Oswego,
3 Oregon 97034. I am the Executive Director of the Northwest Industrial Gas Users (“NWIGU”).
4 I am also an Adjunct Professor at Lewis and Clark Law School, where I teach Law and
5 Economics.

6 **Q. Please summarize your educational background and experience.**

7 A. My resume is attached as Exhibit 101 to this testimony.

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to explain NWIGU’s position on what action the
10 Oregon Public Utility Commission (“OPUC” or “Commission”) should take regarding NW
11 Natural’s proposed High Pressure Gas Service (“HPGS”).

12 **Q. Does NWIGU support the Commission approving NW Natural’s HPGS filing?**

13 A. Yes, so long as the extra precautions NW Natural has agreed to take since making the
14 filing are incorporated into the approval. Ideally, a local distribution company would offer
15 compressed natural gas services as an unregulated subsidiary. The reason this structure is ideal
16 from NWIGU’s perspective is that it would ensure that the service is not subsidized by other
17 customers. If a regulated service is properly structured to ensure that no cross subsidy occurs,
18 however, the same objective can be achieved.

19 NW Natural has identified four phases to the provision of HPGS service: Customer
20 Service Phase, the Feasibility Study Phase, Site Design and Evaluation Phase and the provision
21 of the HPGS service. The Administrative Service Charge has been designed by NW Natural to
22 cover the Customer Service Phase and the Feasibility Study Phase. NWIGU expressed concern
23 early in this proceeding that the Administrative Service Charge may not be adequate to cover the
24 Customer Service Phase and the Feasibility Study Phase. NW Natural has agreed to track staff
25 time associated with those phases of providing service and to adjust the charge if necessary after
26 the first year. This is an important improvement to the filing from NWIGU’s perspective.

1 NWIGU believes that the OPUC should make clear in its order that if in the future it is
2 found that the charges for HPGS service do not fully compensate NW Natural for the expenses
3 related to providing the service, that the charges must be adjusted upward. Upward adjustments
4 should be made to the Administrative Service Charge and the Monthly Facility Charge in
5 Schedule H if the project development costs, including all first time costs of developing the
6 HPGS service, such as legal costs of drafting contracts, are not recovered in rates. Since the
7 service is new, the cost estimates in the filing before the Commission now may underestimate the
8 costs of providing the service, and thus there should be a clear mechanism to adjust the charges
9 upward after the company has gained experience in providing the service. So long as the
10 Commission makes clear in its order that such upward adjustments will be made if they are
11 found to be necessary, NWIGU supports the Commission approving the HPGS tariff.

12 **Q. Are there policy reasons why NWIGU supports Commission approval of the HPGS**
13 **tariff?**

14 A. Yes. NWIGU sees facilitating energy consumers switching from oil to natural gas as
15 a way to address concerns about carbon dioxide emissions and emissions of air pollutants.
16 Solutions for reducing global carbon dioxide emissions are more likely to come as a series of
17 small steps than from one fix driven by a governmental mandate or a single technological
18 breakthrough. CNG as a vehicle fuel is one such small step because it relies on existing
19 technology, it is economically feasible, and it makes real, measurable progress in reducing
20 carbon dioxide emissions.

21 Attached as Exhibit 102 to this testimony is a chart from the Energy Information
22 Administration that shows the air toxins and carbon dioxide emitted by the combustion of natural
23 gas, oil and coal. Natural gas emits nearly 30 percent less carbon dioxide than oil. Air toxins
24 such as sulfur dioxide, mercury and particulates are nearly non-existent when burning natural
25 gas. It has been known for decades that natural gas is a superior fossil fuel to oil and coal from
26 an environmental perspective. Ten years ago, the concern that natural gas supplies were not
sufficient held the United States back from promoting a shift to natural gas in the transportation

1 sector. Supply is not a concern today, as the rapid expansion of natural gas from unconventional
2 sources has led to an abundance of natural gas in North America.

3 Shifting vehicles to natural gas is a good result from both an economic and environmental
4 perspective. Yet, the United States lags behind the rest of the world in the use of natural gas as a
5 vehicle fuel. According to Richard A. Muller's *Energy for Future Presidents -The Science*
6 *Behind the Headlines. New York: W.W. Norton &, 2012. Print.,p.264*, there are 12 million
7 natural gas vehicles in the world, but only about 150,000 in the United States, even though the
8 United States has an abundance of domestically produced natural gas.

9 The economics of natural gas vehicles are superior to gasoline and electric cars.

10 Consider the following facts that also appear in Mr. Muller's book at page 263:

11 (1) The cost of natural gas to drive one mile is about 4 cents. Compare that to the current
12 cost of 10 cents per mile for gasoline (more if gasoline prices rise) or to the battery
13 replacement cost of 44 to 75 cents per mile.

14 (2) Natural gas tanks are much cheaper than batteries and unlike batteries do not require
15 replacement after 500 refills.

16 As Mr. Muller further explains on page 257 of his book, you always get the 30 percent reduction
17 in carbon dioxide emissions from a natural gas-powered vehicle. With an electric vehicle, the
18 carbon reduction depends completely on what the assumed source of electricity is for the vehicle.
19 If the electricity is generated from coal, the total air emissions are greater than even with a
20 gasoline vehicle.

21 Oregon has been a leader in electric vehicles, but lags far behind many other states in the
22 use of natural gas vehicles. Natural gas vehicles should not be ignored if Oregon wants to lower
23 its dependency on foreign oil, reduce the carbon footprint of its transportation sector, and give
24 consumers an economic alternative to oil.

25 NWIGU supports allowing NW Natural to provide natural gas compression services in
26 furtherance of these policies so long as that service can be provided without subsidies from other

1 natural gas ratepayers. The HPGS service, with the improvements recommended by
2 Commission Staff, achieves that objective.

3 **Q. Do you share Clean Energy's concern as expressed at the public hearing that if**
4 **utilities are allowed to go into the business of providing compression services for vehicle**
5 **users that the compressed natural gas business will be thwarted?**

6 A. No, unless the utility is allowed to provide subsidized services. The mere fact that the
7 utility provides the service does not mean that other companies cannot compete with the utility.
8 If NW Natural was proposing to build CNG public filling stations and have existing ratepayers
9 subsidize the construction of the stations, competitors could be deterred from entering the
10 market. Companies such as Clean Energy, however, should be able to compete with an
11 unsubsidized service such as the one NW Natural is proposing with the HPGS proposal. In fact,
12 such companies may actually have a competitive edge because NW Natural's cost of service and
13 rates will be publicly available and others in the market will presumably have access to that
14 information, whereas NW Natural will not have reciprocal access to that information from other
15 service providers.

16 **Q. Do you agree with the Citizens Utility Board that the HPGS service should provide a**
17 **"net benefit" to existing NW Natural ratepayers?**

18 A. No, in fact I strongly disagree with that assertion. "Net benefit" is a standard the
19 Commission has applied when companies have proposed to purchase an existing Oregon gas or
20 electric utility. In a merger or acquisition, the Commission has appropriately held that the
21 utility's ratepayers should see a net benefit from the transaction. To apply that standard to a
22 utility offering a new service, however, would be misguided.

23 For the customers of the new service to provide a net benefit to existing customers, the
24 customers of the new service would have to be charged more than the cost of providing the new
25 service. In other words, the customers of the new service would have to subsidize existing
26 customers. NWIGU opposes subsidies in either direction, from existing customers to new

1 customers and from new customers to existing customers. The rates for all services from
2 regulated gas utilities should recover the cost of providing the service to that class of customers,
3 nothing more and nothing less.

4 **Q. Does this conclude your testimony?**

5 A. Yes, it does.

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PUBLIC UTILITY COMMISSION OF OREGON**

**REPLY TESTIMONY
OF
EDWARD FINKLEA
ON BEHALF OF
NORTHWEST INDUSTRIAL GAS USERS**

EXHIBIT 101

NOVEMBER 27, 2013

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Phone 503-303-4061
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Edward A. Finklea

Primary Professional Experience

Lead counsel for the Northwest Industrial Gas Users ("NWIGU") from 1986 until 2008 in all regulatory interventions concerning Williams Gas Pipeline West and TransCanada Gas Transmission Northwest, and before state regulatory commissions concerning regulation of the five regional natural gas local distribution companies ("LDCs").

Represented NWIGU before the Federal Energy Regulatory Commission in interstate pipeline rate and certificate proceedings, before the Oregon Public Utility Commission in natural gas rate and other regulatory proceedings, before the Washington Utilities and Transportation Commission in natural gas rate, safety and other regulatory proceedings and in proceedings before the Idaho Public Utility Commission.

Employment History

Executive Director for the Northwest Industrial Gas Users, August 2012 to present

Adjunct Professor at Northwestern School of Law, Lewis and Clark College "Law and Economics" Current

Senior Counsel, NiSource Corporate Services Inc.
Regulatory counsel to interstate pipeline, representing company before Federal Energy Regulatory Commission and advising company on federal regulatory compliance and business transactions. November, 2009 to November, 2011

Executive Director, Energy Action Northwest. Organization advocated for siting and permitting of interstate pipelines, liquefied natural gas terminals, and high voltage transmission projects in Oregon and Washington.
Represented organization before state legislature and in media relations. July, 2008 to October, 2009

Partner, Cable Huston Benedict Haagensen & Lloyd. Private law practice specializing in energy law. 2004 until July 2008.

Managing Partner, Energy Advocates LLP. Founded firm with offices in Portland, Oregon and Washington D.C. 1997-2003

Partner, Ball Janik LLP. 1994-1997

Partner, Heller Ehrman White & McAuliffe. 1990-1994

Partner, Tonkin Torp Galen Marmaduke & Booth. 1986-1990

Associate, Garvey Schubert. 1986-1988

Assistant General Counsel to Northwest Natural Gas handling state regulatory matters and providing counsel to the company on energy projects, including a landfill gas project. 1984-1986

Counsel to the Bonneville Power Administration litigating electric rate issues in administrative hearings and defending BPA before the Ninth Circuit Court of Appeals. 1982-84

Trial Attorney for the Federal Energy Regulatory Commission in hydroelectric licensing and co-generation regulation. 1981-82

Law Clerk for the Council on Wage and Price Stability, Executive Office of the President of the United States. 1980-81

**Summary of
Professional
Engagements**

Represented Columbia Gulf Transmission in general rate proceeding before the Federal Energy Regulatory Commission.

Represented applicants in proceeding before Federal Energy Regulatory Commission seeking authorization to provide incentive fuel mechanism and natural gas hub services.

Represented industrial gas consumers in contract negotiations for the purchase of natural gas commodity and interstate pipeline services.

Counsel to a medical center interconnecting a cogeneration plant with an investor-owned utility and advising client on long-term gas purchasing arrangement for electric generation.

Represented numerous clients to secure direct connections to interstate pipelines, addressing all regulatory issues involving certification of connecting facilities and operations of private pipelines.

Represented liquefied natural gas developer in governmental relations associated with securing federal and local permits for development of an energy project.

Represented customers in negotiating special contracts for purchasing natural gas distribution services from local utilities.

Represented public port authority in a pipeline siting issue.

Represented Eugene Water and Electric Board in select issues concerning Bonneville Power Administration.

Represented irrigation farmers in electric rate dispute involving FERC-licensed hydroelectric project before the Oregon Public Utility Commission.

Represented clients in trial court and appellate litigation on energy-related issues.

Represented industrial customer in anti-trust litigation and FERC refund proceedings stemming for 2000-2001 Western Energy Crisis.

Represented industrial electric customers in the restructuring of electric utilities in Oregon.

Represented an oil company shipper on an intrastate oil pipeline in rate proceeding before the Washington Utilities and Transportation Commission.

Individual clients while in private practice in addition to NWIGU included Alcoa, Armstrong World Industries, Blue Heron Paper, Boeing, ESCO, James River Paper (now Georgia Pacific) JR Simplot, Legacy Health Systems, MicroChip Technology, NorthernStar Natural Gas, Texaco Gas Marketing, Valley Medical Center, WaferTech, Wah Chang, West Linn Paper, and Weyerhaeuser.

Education

BA in Political Science from the University of Minnesota
1974

J.D. Northwestern School of Law, Lewis and Clark College
1980

**Professional
Memberships**

Admitted to practice law in the States of Oregon and Texas
and before several Federal district and appellate courts.

Adjunct Professor at Northwestern School of Law, Lewis and
Clark College "Northwest Energy Law". 1984 to 2005

Past Chairman of "Energy, Telecom and Utilities" section of
the Oregon State Bar.

Member of the Federal Energy Bar Association.

Lecturer: Buying and Selling Electric Power in the West, Law
Seminars International Conference. Presentations on natural
gas industry. 2004 to 2009.

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NOVEMBER 27, 2013

Natural Gas fuel switching is an answer to air toxins and CO2

- **Fossil Fuel Emission Levels**
- **- Pounds per Billion Btu of Energy Input**
- **Pollutant:** **Natural Gas** **Oil** **Coal**
- Carbon Dioxide 117,000 164,000 208,000
- Carbon Monoxide 40 33 208
- Nitrogen Oxides 92 448 457
- Sulfur Dioxide 1 1,122 2,591
- Particulates 7 84 2,744
- Mercury 0.000 0.007 0.016
- Source: EIA – Natural Gas Issues and Trends 1998