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November 18, 2013

## VIA ELECTRONIC FILING AND FIRST CLASS MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 1088  
Salem, OR 97302-1088

Re: Docket UG 266 – In the Matter of Northwest Natural Gas Company Investigation into  
Schedule H, Large Volume Non-Residential High Pressure Gas Service Rider.

Attention Filing Center:

Enclosed for filing in the above-referenced docket are an original and five copies of Northwest Natural's Direct Testimony of Mark Thompson and Barbara Summers.

A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed Certificate of Service.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo  
Office Manager

Enclosure

cc: Service List

1 **CERTIFICATE OF SERVICE**

2 I hereby certify that I served a true and correct copy of the foregoing document in  
3 Docket UG 266 on the following named person(s) on the date indicated below by email  
4 addressed to said person(s) at his or her last-known address(es) indicated below.

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BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

UG 266

**NW Natural**

**Direct Testimony of Mark Thompson**

**LARGE VOLUME NON-RESIDENTIAL HIGH  
PRESSURE GAS SERVICE RIDER  
EXHIBIT 100**

November 18, 2013



**EXHIBIT 100 – DIRECT TESTIMONY – LARGE VOLUME NON-RESIDENTIAL HIGH  
PRESSURE GAS SERVICE RIDER**

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1 I. INTRODUCTION AND SUMMARY

2 **Q. Please state your name and position with Northwest Natural Gas Company (“NW**  
3 **Natural” or “the Company”).**

4 A. My name is Mark Thompson. I am Manager of Rates and Regulatory Affairs at NW  
5 Natural.

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

7 A. I have earned a Bachelor of Science degree in Conservation Biology from Brigham  
8 Young University in Provo, Utah, and a Juris Doctor degree from Lewis and Clark Law  
9 School in Portland, Oregon. From 2004 to 2010, I worked as Staff Counsel at the Public  
10 Power Council in Portland, which represents consumer-owned electric utilities in matters  
11 including power purchase agreements and policy matters at the federal level, especially  
12 in front of the Bonneville Power Administration. During this time period, I also spent  
13 about a year working as an associate at the law firm Richardson & O’Leary in Boise,  
14 Idaho, where I represented electric power producers and industrial retail customers in  
15 proceedings before the Idaho Public Utilities Commission. I joined NW Natural as  
16 Manager of Rates and Regulatory Affairs in late 2010.

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

18 A. My testimony provides support and context for the Company’s proposed Schedule H,  
19 which introduces a new service option for nonresidential customers receiving gas  
20 service on Schedules 3, 31, or 32. Under Schedule H, the Company will design, install,  
21 and maintain Company-owned compression facilities on a participating customer’s  
22 property. These High Pressure Gas Service (“HPGS”) facilities will provide participating  
23 customers with the ability to fuel their vehicles with compressed natural gas (“CNG”).  
24

DIRECT TESTIMONY OF MARK THOMPSON

1 **Q. Please summarize your testimony.**

2 A. In my testimony, I explain why the Company proposed to provide Schedule H as part of  
3 its utility service and I describe the applicable standard for approval of Schedule H and  
4 describe how the tariff satisfies the standard.

5 **Q. Are any other NW Natural witnesses filing testimony in support of the filing?**

6 A. Yes. Barbara Summers, the Company's Director of Business Development, is filing  
7 testimony providing detail on CNG as a transportation fuel in general and our proposed  
8 HPGS in particular, as NWN/200.

9 **II. PROVISION OF HPGS AS A UTILITY SERVICE**

10 **Q. The Company is requesting approval from the Public Utility Commission of**  
11 **Oregon ("Commission") to provide the HPGS, as set forth in Schedule H, as a**  
12 **regulated utility service. Please explain why the Company has taken this**  
13 **approach to providing this service.**

14 A. Under Oregon law and the precedents set by the Commission, CNG refueling services  
15 may be provided as a utility service or as an unregulated service. As explained in the  
16 testimony of Barbara Summers, NWN/200, NW Natural decided to offer CNG refueling  
17 as a utility service in response to requests from our customers, who desire the  
18 transparency and accountability that comes with a regulated service.

19 **Q. Please explain why you believe that CNG fueling may appropriately be categorized**  
20 **as a utility service.**

21 A. CNG fueling service may appropriately be offered as a utility service because it is  
22 fundamentally about providing natural gas to end-use customers through the utilization  
23 of Company-owned facilities that will allow the customer to use the natural gas to fuel

DIRECT TESTIMONY OF MARK THOMPSON

1 motor vehicles. As I describe in more detail below, these characteristics are all  
2 consistent with the provision of a utility service.

3 **Q. Is the term “utility service” defined in statutes?**

4 A. No. The statutes do not specifically define what types of services are regulated by the  
5 Commission. Therefore, whether a service provided by a utility is one that is subject to  
6 regulation must be inferred from the statutes defining “utility” and related statutes.

7 A “public utility” is defined as a “company . . . that owns, operates, manages or  
8 controls all or part of any plant or equipment in the state for the production, transmission,  
9 delivery or furnishing of heat, light, water or power, directly or indirectly to or for the  
10 public.”<sup>1</sup> In this context, the term “service,” is “used in its broadest and most inclusive  
11 sense and includes equipment and facilities related to providing the service or the  
12 product served.”<sup>2</sup>

13 **Q. Is there support for the proposition that a utility may offer alternative fuels for  
14 motor vehicles as a utility service?**

15 A. Yes. It is my understanding that the Commission’s statutes specifically contemplate  
16 circumstances in which public utilities would provide as utility service alternative fuels,  
17 including natural gas, for use in motor vehicles,. As discussed above, ORS  
18 757.005(1)(a)(A) defines “public utilities.” However, ORS 757.005(1)(b)(G) exempts  
19 from this general definition any company that provides an alternative fuel for use in  
20 motor vehicles. The fact that ORS 757.005 identifies a potential overlap between  
21 traditional public utility services and the provision of alternative fuels suggests that the  
22 Legislature contemplated scenarios in which a public utility *might* provide natural gas for

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<sup>1</sup> ORS 757.005(1)(a).

<sup>2</sup> ORS 756.010(8). This definition applies to ORS Chapters 756, 757, 758, 759.

DIRECT TESTIMONY OF MARK THOMPSON

1 use in motor vehicles as a utility service, while at the same time recognizing that the  
2 same service might be offered by a non-utility company. This is consistent with the  
3 conclusion that the Commission reached in Docket UM 1461 in which it found that  
4 utilities could be allowed to offer electric vehicle (“EV”) recharging as utility service, even  
5 though such services were also offered by non-utilities as an unregulated service.<sup>3</sup>

6 **Q. Does the fact that the service provided under Schedule H is subject to market  
7 competition affect the characterization of the service as a utility service?**

8 A. No. There are several cases where the Commission has agreed that a particular service  
9 offered by a utility was properly designated as a utility service—even though the service  
10 was also provided in a competitive market. For instance, in the EV docket mentioned  
11 above, the Commission specifically found that the provision of EV charging by an electric  
12 utility was a utility service even though the service was subject to market competition.  
13 The Commission observed: “At this early stage of development for the plug-in EV  
14 industry, we deem it paramount to allow all market players, including the electric utilities,  
15 to have flexibility to respond to emerging market demands.”<sup>4</sup> In so doing, the  
16 Commission concluded that utility investments in EV charging infrastructure could be  
17 included in rate base if the utility is able to satisfy certain criteria.<sup>5</sup>

18 In another example, in a 1997 proceeding, the Commission concluded that  
19 PacifiCorp’s provision of electricity through a direct access pilot program was a utility  
20 service subject to Commission jurisdiction even though the service was provided in a

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<sup>3</sup> See *Re Investigation into Matters Related to Electric Vehicle Charging*, Docket UM 1461, Order No. 12-013 (Jan. 19, 2012).

<sup>4</sup> Order No. 12-013 at 6.

<sup>5</sup> Order No. 12-013 at 10.

DIRECT TESTIMONY OF MARK THOMPSON

1 competitive market.<sup>6</sup> The Commission reasoned that PacifiCorp's participation in the  
2 market would be as a "vertically integrated utility, rather than through an affiliate" and  
3 therefore PacifiCorp "will be acting as a 'public utility.'"<sup>7</sup> The Commission concluded that  
4 tariffs are required "of regulated utilities even for services that are subject to direct  
5 competition."<sup>8</sup>

6 **Q. Are there other reasons why the Commission should regulate NW Natural's HPGS**  
7 **under Schedule H as a utility service?**

8 A. Yes. As described in the testimony of Ms. Summers, Schedule H is a direct response to  
9 requests from NW Natural's customers that the Company assist them in utilizing natural  
10 gas to fuel CNG vehicles.<sup>9</sup> These customers have made clear that they would like to  
11 convert their fleets to natural gas in order to realize the economic and environmental  
12 benefits of this alternative fuel, and they have cited the lack of CNG refueling  
13 infrastructure in Oregon as a barrier to conversion. They have been very clear that they  
14 would appreciate the opportunity to work with NW Natural not only because the  
15 Company is a known and trusted partner, but also because they desire the benefits of  
16 transparency, stability and accountability to regulators that come with a utility service.<sup>10</sup>  
17 It is for this precise reason that the Company believes that NW Natural's participation  
18 could help jumpstart the CNG fueling market.

19  

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<sup>6</sup> *Re Portland General Electric Co. and PacifiCorp*, Dockets UE 101/DR 10, Order No. 97-408 (Oct. 17, 1997).

<sup>7</sup> Order No. 97-408 at 4.

<sup>8</sup> Order No. 97-408 at 4.

<sup>9</sup> For example, attached to the Company's original tariff filing are letters from TriMet, the Port of Portland, West Linn Paper, Daimler, and Metro all supporting the Company's proposed Schedule H.

<sup>10</sup> See e.g. Comments of Fuelpoint CNG Innovations, LLC (Sept. 16, 2013).

**DIRECT TESTIMONY OF MARK THOMPSON**

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1 **Q. Are there any other utilities that provide this type of tariffed service?**

2 A. Yes. It is my understanding that in 2012 the California Public Utilities Commission  
3 (“CPUC”) approved a request by Southern California Gas Company (“SoCalGas”) to  
4 provide service that is very similar to Schedule H.<sup>11</sup> SoCalGas proposed a tariff that  
5 would allow the utility to own and operate gas compression equipment on the customer’s  
6 site to provide HPGS. The CPUC approved the tariff, concluding that the proposed  
7 service was:

8  
9 . . . in the public interest because it offers additional choice to  
10 consumers and makes more widely available a service that  
11 reduces the health and environmental impacts from air pollution,  
12 reduces greenhouse gas emissions, and will lead to an increase in  
13 the use of natural gas, an alternative to gasoline and diesel fuel.<sup>12</sup>

14 In response to concerns over the utility’s participation in a competitive market, the CPUC  
15 also adopted reporting requirements intended to allow the CPUC to ensure that  
16 SoCalGas gains no unfair competitive advantage in the marketplace.<sup>13</sup>

17 Similarly, in 2011 the Georgia Public Service Commission approved a program  
18 proposed by Atlanta Gas Light Company whereby the utility would install and own CNG  
19 fueling equipment on customers’ premises.<sup>14</sup> The program was a direct response to a  
20 request from the Georgia Public Service Commission to develop a program to attract  
21 CNG infrastructure investment.

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<sup>11</sup> See *Re Application of Southern California Gas Co. to Establish a Compression Services Tariff*, Application 11-11-011, Decision 12-12-07 (Dec. 20, 2012), available at the following: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M040/K653/40653068.PDF>

<sup>12</sup> *Id.* at 2.

<sup>13</sup> *Id.*

<sup>14</sup> <http://www.atlantagaslight.com/Home/CommunityInvolvement/CNGProgram.aspx>

DIRECT TESTIMONY OF MARK THOMPSON

1 New Jersey Gas Company also has a program that allows the utility to own CNG  
2 compression equipment located on customer premises. The program is intended to  
3 “boost the market for alternative-fuel vehicles” to “reduce reliance on petroleum-based  
4 fuels, lower transportation costs for consumers and businesses, and curb emissions that  
5 contribute to global climate change.”<sup>15</sup>

6 **III. STANDARD FOR APPROVAL OF SCHEDULE H**

7 **Q. CUB’s comments state that the Commission should approve Schedule H only**  
8 **after determining that the tariff will provide a net benefit to all ratepayers.<sup>16</sup> Do you**  
9 **agree that the net benefits standard is applicable to Schedule H?**

10 A. No. The Company maintains that the correct standard is the “no harm” standard, which  
11 the Commission generally applies when determining if a particular action is in the public  
12 interest.<sup>17</sup> It is my understanding that the Commission has found that the application of  
13 the no harm standard is based on the Commission’s general authority under ORS  
14 756.040 to protect customers from “unjust and unreasonable exactions and practices  
15 and to obtain for them adequate service at fair and reasonable rates.”<sup>18</sup> However, even  
16 if the Commission agrees with CUB, the Company can still approve Schedule H because  
17 the Company has in fact demonstrated that Schedule H meets the net benefits standard.  
18 Therefore, under either standard, the Commission should approve the tariff.

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<sup>15</sup> <http://www.njspotlight.com/stories/12/0618/2112/>

<sup>16</sup> CUB’s Comments at 1 (Sept. 30, 2013).

<sup>17</sup> See e.g. *Re Portland General Electric Company*, Docket UP 224, Order No. 05-966 (Aug. 29, 2005) (ORS 757.480 imposes a no harm standard); *Re CenturyLink, Inc. Application for Approval of Merger*, Docket UM 1484, Order No. 11-095 at 6 (Mar. 24, 2011) (no harm standard applies to transactions under ORS 759.375 and 759.380); *Re PacifiCorp Application Requesting the Purchase of the Goshen Series Capacitor Bank*, Docket UP 253, Order No. 10-011 (Jan. 11, 2010) (applies no harm standard to transaction under ORS 757.485); *Re PacifiCorp*, Docket UF 4000, Order No. 88-767, 95 P.U.R.4th 96 (July 15, 1988) (the same no harm standard that applies to ORS 757.480 applies to ORS 757.495)

<sup>18</sup> *Re PacifiCorp*, Docket UF 4000, Order No. 88-767, 95 P.U.R.4th 96 (July 15, 1988).

**DIRECT TESTIMONY OF MARK THOMPSON**



1 **Q. How does Schedule H satisfy the net benefits standard?**

2 A. As described in more detail in the testimony of Barbara Summers and outlined in the  
3 table attached to her testimony as Exhibit 202, the costs to provide Schedule H are  
4 proposed to be recovered entirely from the customers receiving the service. The  
5 Company's intent is to ensure that non-participating customers do not subsidize  
6 participating customers—thus satisfying the no harm standard.

7 Moreover, Schedule H will provide benefits to all customers, through the sharing  
8 of fixed costs. By definition, customers taking service under Schedule H will be adding  
9 to the overall gas volumes sold by the Company. These additional volumes will result in  
10 the Company's fixed costs being spread across greater loads, thereby reducing existing  
11 customers' contribution, and creating a net benefit.

12 It should be noted here that if an HPGS customer's site requires new distribution  
13 facilities to facilitate service under Schedule H, those new facilities will be installed in  
14 accordance with the terms of NW Natural's existing Schedule X. Under Schedule X, the  
15 costs of the upgrades will be paid for by the marginal revenues expected from the  
16 incremental gas sales over a five year period. And after five years, the additional margin  
17 will contribute to the overall fixed costs of the system, thus maintaining the net benefit for  
18 all existing customers.

19 **Q. Has the Company modified its original proposal to better ensure that either the no  
20 harm or the net benefits standards are satisfied?**

21 A. Yes. As described in the testimony of Barbara Summers, in response to concerns  
22 raised by Staff and parties, the Company has agreed to include in Schedule H all costs  
23 of developing the program, and all administrative service costs related to the program,

DIRECT TESTIMONY OF MARK THOMPSON

1 including the costs of helping HPGS customers understand the service options and the  
2 feasibility of their taking the service.

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

4 A. Yes.

DIRECT TESTIMONY OF MARK THOMPSON

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BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UG 266**

**NW Natural**

**Testimony of Barbara Summers**

**HIGH PRESSURE GAS SERVICE  
EXHIBIT 200**

November 18, 2013

**EXHIBIT 200 – TESTIMONY OF BARBARA SUMMERS – HIGH PRESSURE GAS SERVICE**

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1 I. INTRODUCTION AND SUMMARY

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

3 A. My name is Barbara Summers. My business address is 220 NW Second Avenue,  
4 Portland, Oregon 97209. My current position is Director of Business Development for  
5 Northwest Natural Gas Company, d/b/a NW Natural ("NW Natural" or the "Company").

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

7 A. Prior to joining NW Natural as Director, Business Development, I held similar positions  
8 with PacifiCorp and Scottish Power as Vice President, Business Development and Vice  
9 President PacifiCorp Power Marketing, now PPM. In addition to my natural gas and  
10 electric utility experience in business development and transactions, I worked for five  
11 years in the telecommunications industry where I was again responsible for negotiating  
12 and evaluating acquisitions and joint ventures as well as potential start-up businesses. I  
13 have a BS in Business Administration from Portland State University.

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

15 A. The purpose of my testimony is to explain NW Natural's proposed High Pressure Gas  
16 Service ("HPGS"), the reasons NW Natural is offering this service, what the service  
17 entails, how NW Natural will allocate the costs of the service, and to address concerns  
18 that other parties have raised as to the effect of that service on the competitive market.

19 **Q. Please summarize your testimony.**

20 A. In my testimony, I:

- 21 • Provide background on high pressure gas – or compressed natural gas ("CNG") – for  
22 transportation.
- 23 • Describe NW Natural's development of its HPGS service.
- 24 • Explain the Schedule H tariff requirements.

TESTIMONY OF BARBARA SUMMERS

- 1 • Describe the allocation of costs.
- 2 • Address potential competitiveness concerns.

3 **II. BACKGROUND ON HIGH PRESSURE GAS FOR TRANSPORTATION**

4 **Q. What is CNG and how is it used for transportation?**

5 A. CNG is natural gas that is compressed to less than one percent of its volume. In this  
6 compressed state, the CNG remains in gaseous form; however, because it requires less  
7 space, it can be carried by vehicles in sufficient quantities to allow them to travel  
8 significant distances before needing to refuel. Although individual cars or trucks can use  
9 CNG, the service that NW Natural is proposing is designed for use by customers fueling  
10 large fleets of trucks or buses.

11 **Q. What is necessary for fleets to convert to CNG?**

12 A. To switch from gasoline or diesel to CNG, fleet owners must use vehicles specifically  
13 designed to operate on CNG and must have access to CNG fueling facilities. The cost of  
14 converting a fleet is significant: estimates vary, but the cost to convert a truck to CNG  
15 may range from \$10,000 to \$60,000 per vehicle,<sup>1</sup> meaning that the cost to convert a fleet  
16 of 50 vehicles could range from \$500,000 to \$3 million. The cost to purchase a new  
17 heavy-duty CNG vehicle may range from \$84,000 to \$152,000<sup>2</sup> -- which translates, for a  
18 fleet of 50, to a total cost of \$4.2 million to \$7.6 million.

19 **Q. What are CNG fueling facilities?**

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1 Sean Lyden, *Are natural gas vehicle right for your fleet?* Work Truck Magazine, May 2011, Available at <http://www.worktruckonline.com/channel/green-fleet/article/story/2011/05/are-natural-gas-vehicles-right-for-your-fleet/page/2.aspx>; Tom Berg, *Monarch Beverage Spends \$16.5 Million to convert fleet*, Trucking Info, Sept. 2013, available at <http://www.truckinginfo.com/channel/fuel-smarts/article/story/2013/09/cng.aspx>

2 Pacific Northwest National Laboratory, *Issues Affecting Adoption of Natural Gas Fuel in Light- and Heavy-Duty Vehicles*, p.3.15 (Sept. 2010).

DIRECT TESTIMONY OF BARBARA SUMMERS

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1 A. A CNG fueling facility usually consists of a compressor, a storage tank, and a dispenser.  
2 The facility takes low pressure gas from the natural gas pipeline, uses a compressor to  
3 compress it to high pressure and low volume, transfers the CNG to a storage tank until  
4 needed, and uses a dispenser to dispense the CNG into the CNG vehicles.

5 **Q. What are the benefits of CNG for transportation?**

6 A. CNG as a transportation fuel offers many environmental, economic, national security,  
7 and safety benefits compared to gasoline or diesel. Compared to petroleum fuels, CNG  
8 can reduce emissions of the primary greenhouse gas pollutant, carbon dioxide, by 20-30  
9 percent. CNG can also reduce pollutants that cause smog and respiratory health issues:  
10 it can reduce nitrogen oxides by 75-90 percent, carbon monoxide by 70-90 percent, and  
11 also reduces sulfur oxides and particulate matter pollution.<sup>3</sup> Taken together, these  
12 pollution reductions can improve public health in Oregon, while helping achieve  
13 Oregon's greenhouse gas reduction goals.

14 In addition to being good for the environment, CNG also offers economic  
15 benefits, generally costing significantly less than gasoline.<sup>4</sup> CNG also offers both  
16 national security and safety benefits. By replacing foreign oil with a domestic resource  
17 like natural gas, we can move our country closer to energy independence.<sup>5</sup> And finally,  
18 CNG can be safer in the case of an accident than gasoline or diesel. Because it is a gas  
19 that will rise and disperse rapidly, and because it has a very narrow ignition range in air,

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3 Natural Gas Vehicles for America, [http://www.ngvc.org/about\\_ngv/index.html](http://www.ngvc.org/about_ngv/index.html); see also Columbia Willamette Clean Cities Coalition, *Oregon Natural Gas Transportation Fuel: Information Paper*, p.15 (Aug. 2013) (*hereinafter*: Clean Cities).

4 Clean Cities at p.14; Compressed Natural Gas Fact Sheet available at [http://www.driveclean.ca.gov/Search\\_and\\_Explore/Technologies\\_and\\_Fuel\\_Types/Compressed\\_Natural\\_Gas.php](http://www.driveclean.ca.gov/Search_and_Explore/Technologies_and_Fuel_Types/Compressed_Natural_Gas.php)

5 See Abundant CNG, at <http://www.cngnow.com/what-is-cng/abundant/Pages/information.aspx>

## DIRECT TESTIMONY OF BARBARA SUMMERS

1 a CNG vehicle will not catch fire, as often happens in accidents involving gasoline  
2 powered vehicles.

3 **Q. What are the federal and state policies relative to CNG for transportation?**

4 A. The federal government has a longstanding policy to encourage conversion to  
5 alternative transportation fuels in order to decrease our national dependence on foreign  
6 oil and to decrease environmental impacts of combustion of gasoline and diesel. The  
7 federal government has several programs in place to further this goal, including an  
8 alternative fuel excise tax credit, an investment tax credit, and a goal of reducing  
9 petroleum consumption of federal fleets by at least two percent per year through 2020.<sup>6</sup>  
10 In his 2013 State of the Union address, President Obama emphasized the need to  
11 decrease our dependence on oil by shifting our cars and trucks to alternative sources of  
12 fuel.<sup>7</sup>

13 Oregon has also indicated clear support for developing CNG for transportation.  
14 The Governor's 10-year Energy Plan calls for converting 20 percent of large fleets to  
15 alternative fuel vehicles.<sup>8</sup> Section 468A.205(b) of Oregon Revised Statutes calls for  
16 Oregon to reduce greenhouse gas emissions to 10 percent below 1990 levels by 2020;  
17 the Oregon Statewide Transportation Strategy has identified conversion of large fleets to

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6 Federal Laws and Incentives for Natural Gas, available at <http://www.afdc.energy.gov/laws/laws/US/tech/3253>. See also re investment tax credit for alternative vehicle infrastructure: <http://www.afdc.energy.gov/laws/laws/US/tech/3253>. Note: all tax benefits will be passed on to HPGS customers.

7 President Obama, State of the Union 2013, available at <http://www.whitehouse.gov/state-of-the-union-2013>

8 Kitzhaber, *10-Year Energy Action Plan*, p.36 (Dec. 14, 2012).

## DIRECT TESTIMONY OF BARBARA SUMMERS



1 low emissions fuels (including CNG) as an important strategy for achieving the  
2 Legislature's goal of reducing greenhouse gas emissions.<sup>9</sup>

3 **Q. What is the state of the market for CNG as a transportation fuel?**

4 A. The natural gas vehicle market is still in an early stage. Nationally, only 0.0004 percent  
5 of the vehicles on the road are fueled by CNG—which translates to just 112,000 CNG  
6 vehicles<sup>10</sup> out of a total 250 million vehicles in the U.S.<sup>11</sup> And, conversion rates continue  
7 to be very slow with only 0.001 percent of U.S. gasoline consumption being displaced by  
8 CNG consumption each year.<sup>12</sup> A majority of states have fewer than 12 CNG stations in  
9 the entire state.<sup>13</sup> Indeed, the lack of fueling stations helps explain why there are so few  
10 CNG vehicles on the road, despite the fact that natural gas currently costs from \$1.50 to  
11 \$2.00 less per gasoline gallon equivalent than a gallon of gasoline.<sup>14</sup> The market for  
12 CNG varies widely by state, with a few states consuming most of the CNG, and several  
13 states consuming none at all.

14 **Q. What is the state of the CNG market in Oregon?**

15 A. Oregon's CNG market is definitely in its infancy. Our information indicates that there are  
16 only **three** public CNG stations in the state, and of the 23 privately-owned CNG stations

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9 Oregon Department of Transportation, *Oregon Statewide Transportation Strategy: A 2050 Vision for Greenhouse Gas Emissions Reductions*, 63 (Mar. 20, 2013) (Strategy 2.3: "Using electricity, hydrogen, natural gas, propane, and other low emitting fuels in the transportation sector.")

10 U.S. Department of Energy Alternatives Fuels Data Center, available at [http://www.afdc.energy.gov/vehicles/natural\\_gas.html](http://www.afdc.energy.gov/vehicles/natural_gas.html)

11 U.S. Bureau of Transportation Statistics, available at [http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national\\_transportation\\_statistics/html/table\\_01\\_11.html](http://www.rita.dot.gov/bts/sites/rita.dot.gov/bts/files/publications/national_transportation_statistics/html/table_01_11.html)

12 The U.S. consumes about 134 billion gallons of gasoline each year, and about 200 million gasoline equivalent gallons of CNG. See EIA FAQs at <http://www.eia.gov/tools/faqs/faq.cfm?id=23&t=10>

13 U.S. DOE Alternative Fuels Data Center, at [http://www.afdc.energy.gov/fuels/stations\\_counts.html](http://www.afdc.energy.gov/fuels/stations_counts.html)

14 *Id.*

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1 in Oregon, eight are owned by NW Natural. This meager availability compares poorly to  
2 Oregon's network of fueling stations for other alternative fuels; compare Oregon's three  
3 public CNG stations with its 385 publicly accessible fueling stations for ethanol,  
4 biodiesel, and electric vehicles.<sup>15</sup> And Oregon's CNG usage for transportation lags far  
5 behind many states. Adjusted for population size, Utah has ten times as many CNG  
6 trucks and buses on the road as does Oregon. California utilizes ten times as much  
7 CNG for trucks and busses, and Georgia utilizes three times as much. Clearly, given  
8 Oregon's clear policy support for HPGS, some further action is required.

9 **Q. What are the primary barriers to CNG development?**

10 A. The primary barriers to development of CNG for transportation are the lack of fueling  
11 infrastructure and the cost of fleet conversion. Indeed, there is a "chicken and egg"  
12 aspect to the problem. Before vehicle fleet owners are willing to make the significant  
13 investment to transition their fleets to CNG, they must be sure there is sufficient fueling  
14 infrastructure available. However, CNG developers are reluctant to enter a market until  
15 a critical number of vehicles are converted to CNG.

16 If public fueling infrastructure does not exist – which is the case in most parts of  
17 the country – individual fleet owners will need to build it themselves, at a very significant  
18 cost. The cost to install a CNG fueling station ranges from \$400,000 to \$2 million,  
19 depending on the size and application.<sup>16</sup> However, even a fleet owner prepared to incur  
20 the cost to construct its own fueling infrastructure may be unable to find a developer to

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<sup>15</sup> Clean Cities at 17.

<sup>16</sup> Pacific Northwest National Laboratory, *Issues Affecting Adoption of Natural Gas Fuel in Light- and Heavy-Duty Vehicles*, p.5.6 (Sept. 2010).

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1 design and construct the station. As I will discuss further below, this has certainly been  
2 the experience of some of our customers.

3 **Q. Are there other barriers to the development of the market for CNG as a**  
4 **transportation fuel?**

5 A. Yes. Financiers in Oregon and private fleet operators are not experienced with the risk  
6 assessment necessary for financing CNG infrastructure.<sup>17</sup> In addition, permitting  
7 authorities are relatively unfamiliar with the use of CNG for transportation and the  
8 requirements for development of CNG fueling stations.<sup>18</sup> Moreover, current codes may  
9 not easily apply to CNG fueling construction, which can result in a longer and more  
10 complicated process for the builder of a CNG station.

11 Finally, lack of awareness of or familiarity with the benefits, economics, and  
12 reliability of CNG is a barrier to its adoption. Many customers may not know of the  
13 benefits of CNG at all, or they may be aware that there are some environmental and  
14 economic benefits, but lack the knowledge to implement a complete conversion without  
15 further education and assistance. Lack of familiarity with energy unit conversions and  
16 other aspects of CNG may make it difficult for customers to quickly assess how CNG  
17 could benefit them, thus preventing potential customers from pursuing CNG.

18 **Q. What policies have states implemented to encourage CNG use?**

19 A. Some states encourage CNG market development through investment tax credits, fuel  
20 tax rebates, transportation tax credits, clean air regulations, utility rebates, cost recovery,  
21 alternative fuel standards, and low-interest financing. The data suggests that allowing  
22 natural gas utility participation may aid in the development of the CNG market: the

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<sup>17</sup> Clean Cities at 23.

<sup>18</sup> *Id.* at 24

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1 eleven states that allow utilities to participate in the development of a CNG market now  
2 account for over 80 percent of national CNG use.<sup>19</sup> Notably, the National Association of  
3 Regulatory Utility Commissioners (NARUC) adopted a resolution in November 2012  
4 calling for utility company programs to promote the development of the alternative fuel  
5 vehicle market.<sup>20</sup> Consequently, the Clean Cities Coalition has called for “natural gas  
6 utility involvement” as one of the strategies needed to accelerate CNG transportation  
7 use in Oregon.<sup>21</sup>

8 **III. NW NATURAL’S DEVELOPMENT OF HPGS**

9 **Q. Why is NW Natural proposing to offer HPGS?**

10 A. NW Natural supports the view of many policy makers that expanded use of CNG as a  
11 transportation fuel will benefit Oregon from both economic and environmental  
12 perspectives. NW Natural believes that utility participation will help to jumpstart the  
13 market, and views the provision of CNG as a transportation fuel as fully consistent with  
14 the Company’s mission to provide safe and reliable natural gas to the public.

15 However, the primary reason the Company is proposing to offer HPGS as a utility  
16 service is to respond to requests from our customers. Over the past several years, our  
17 Major Accounts representatives have received an increasing number of calls from  
18 customers interested in converting their fleets to CNG. These customers have explained  
19 that they would like to move forward with fleet conversion for a host of economic and

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19 Clean Cities at 15, citing U.S Energy Information Administration (2013), Alternative Fuel Vehicle Data.

20 National Association of Regulated Utility Commissioners (NARUC) Resolution EL-1/ERE-2/GS-1 on *Expanding the Alternative Fuel Vehicle Market Development and Deployment* (Adopted Nov. 14, 2012). The eleven states with utility participation are: Arizona, California, Colorado, Georgia, Nebraska, New Jersey, New Mexico, Nevada, New York, Oklahoma, Texas.

21 Clean Cities at 37.

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1 environmental reasons. Unfortunately, consistent with the comments the Commission  
2 heard at its October 28, 2013, Public Meeting, they have been unable to find businesses  
3 willing to provide them with local CNG fueling service. For example:

- 4 • John Anderson of Eugene Truck Haven commented that he has been trying to find a  
5 provider of CNG in Oregon. He said: "Two years ago I called Clean Energy. I'm still  
6 waiting for them to call me back. A year ago I called IMW -- they're a manufacturer --  
7 to talk about a system. I'm still waiting for them to call me back."<sup>22</sup>
- 8 • Mark Fitz of StarOil said "I would say that the biggest chill in the marketplace was the  
9 promise of stations that have not been built by out-of-state players."<sup>23</sup>

10 As Kacia Brockman with Oregon Department of Energy stated at the Public Meeting, "we  
11 don't really have the market here yet and the competition doesn't exist."<sup>24</sup> A transcript of  
12 the Public Meeting is attached as Exhibit 201 to my testimony. Indeed, Clean Energy  
13 Fuels, a potential CNG provider and a party to this proceeding, explained in an interview  
14 earlier this year that it is unable to make any investments in CNG infrastructure in  
15 Oregon until the state Legislature extends the sunset for the clean fuels program.<sup>25</sup> The  
16 Legislature chose not to extend the sunset, so presumably Clean Energy Fuels remains  
17 unable to invest in CNG infrastructure in Oregon at this time.

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22 Public Utility Commission of Oregon, Public Meeting Transcript at pp.44-45 (Oct. 28, 2013)  
(*hereinafter*: Transcript).

23 Transcript at p.35.

24 Transcript at p.31.

25 *Panel considers future of Oregon clean fuels program* (Mar. 18, 2013) at <http://www.katu.com/politics/Panel-considers-future-of-Ore-clean-fuels-program-198905261.html> ("We would love to expand our operations, we'd love to build more stations in Oregon, but we can't make further investments until the sunset date is lifted," said Spencer Richley, policy and clean energy associate at Clean Energy Fuels, a Seal Beach, Calif.-based company that has two natural gas fueling stations in Oregon.")

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1 **Q. Why is NW Natural offering HPGS as a utility service instead of offering it as an**  
2 **unregulated service through an affiliate?**

3 A. As described in the testimony of Mark Thompson in NWN/100, we believe it is  
4 appropriate to offer HPGS as a utility service. Our customers are looking for a CNG  
5 provider, but they are particularly interested in the transparency and accountability that  
6 regulated utility service affords. For example, TriMet stated in its March 21, 2013 letter,  
7 filed as Attachment A of NW Natural's advice filing, that it has confidence that "a  
8 regulated service" will be "delivered cost-effectively." Similarly, West Linn Paper  
9 Company stated in its April 23, 2013 letter, that it believes "a regulated utility offering is  
10 one of the best and most effective ways to catch up with the rest of North America."  
11 HPGS is a new service for these customers, and regulatory oversight increases their  
12 confidence. We believe that, by establishing CNG service with the benefits of regulatory  
13 oversight, we can help customers become more comfortable with this fuel source and  
14 help create a more attractive market for participation by the so-far-absent private  
15 providers.

16 Offering HPGS as a regulated utility service is also consistent with the  
17 Governor's 10-year Energy Plan. The Governor's plan sets a specific action step of  
18 creating utility-owned fueling infrastructure to accelerate Oregon's transition to  
19 alternative fuels.<sup>26</sup> We agree that utility service is appropriate to enhance the current  
20 state of the Oregon CNG market.

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26 Kitzhaber, *10-Year Energy Action Plan*, p.36 (Dec. 14, 2012) ("Oregon should develop a comprehensive alternative fuel program that allows utility-ownership of refueling infrastructure and provides incentives, where appropriate, for vehicle conversions. Replacement vehicles include, but are not limited to, biodiesel, electric, CNG, propane and LNG vehicles for all vehicle types including heavy trucks and school buses.")

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1           Finally, HPGS is an extension of the utility service NW Natural already provides.  
2           Currently, the Company provides high pressure gas service to a number of customers  
3           who use it for combined heat and power (CHP) plants. Overseeing the installation and  
4           maintenance of the compression equipment, even if that equipment is on the customer's  
5           premises, is a natural application of the Company's utility expertise.

6   **Q.   Please describe the service NW Natural is proposing.**

7   A.   Under Schedule H, the Company proposes to design, install, and maintain Company-  
8           owned compression, storage and dispenser facilities on customers' premises. The  
9           facilities will compress natural gas to high pressures – up to 3,600 pounds per square  
10          inch – ready to be stored on-site and dispensed to CNG vehicles. The customer will  
11          operate the equipment to fuel vehicles with CNG, and if they choose, they may use the  
12          equipment to offer retail CNG to the public. The Company will own and maintain the  
13          equipment during a 10-year contract, and will continue to own the equipment at the end  
14          of the contract.

15   **Q.   Which customers do you propose to serve?**

16   A.   NW Natural will target fleets with approximately 40 or more return-to-base vehicles –  
17          trucks or buses that return to the same place each night. Examples include waste  
18          haulers, local delivery services, and public bus systems. These are, for the most part,  
19          large commercial or industrial customers. While factors vary, a fleet of 40 or more is  
20          approximately the size needed to render an investment in the CNG equipment  
21          economical for the customer. However, smaller fleet owners could improve their  
22          economics by offering CNG for sale to the public or by aggregating service with another  
23          smaller fleet owner to jointly finance and utilize a single CNG facility.

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1 **Q. Will NW Natural provide CNG to the general public?**

2 A. No. However, as I mentioned above, our customers could choose to do so.

3 **Q. How many customers do you anticipate will take service under Schedule H in the**  
4 **foreseeable future?**

5 A. We commissioned a third-party market study in 2012 to help us understand the potential  
6 markets for both CNG and LNG in Oregon. Based on that study, we estimate that  
7 approximately 27 customers will take service under Schedule H over the next five years.

8 **IV. SCHEDULE H TARIFF REQUIREMENTS**

9 **Q. Please generally describe the process by which a customer will obtain HPGS**  
10 **service under Schedule H.**

11 A. A customer interested in HPGS service will contact the Company during the Customer  
12 Service Phase. If the customer moves forward, the tariff delineates three more phases,  
13 each of which is governed by a separate agreement to be signed by the Company and  
14 the customer: first the Feasibility Study Phase, moving to the Site Design and Permit  
15 Evaluation Phase, and ending with construction and operation of the system, called the  
16 HPGS Service Phase.

17 **Q. What happens during the Customer Service Phase?**

18 A. A customer interested in HPGS will call the Company and speak with a Company  
19 representative for a very high level assessment of their needs.

20 **Q. What happens during the Feasibility Study Phase?**

21 A. If by the end of the initial Customer Service conversation, it appears that the customer is  
22 a potential match for HPGS, the customer may sign a Feasibility Agreement in order to  
23 continue with a Feasibility Study. The Feasibility Agreement, which is Attachment B to  
24 NW Natural's Advice Filing, includes a confidentiality agreement prohibiting both the

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1 customer and the Company from disclosing confidential information gained during the  
2 Feasibility Study. The Company will then conduct site visits and collect information from  
3 the customer in order to assess the customer's site, fuel needs, facilities and other  
4 factors. The final Feasibility Study will provide the customer with a preliminary estimate  
5 for the cost of HPGS for the customer

6 **Q. What happens during the Site Design and Permit Evaluation Phase?**

7 A. If after reviewing the Feasibility Study, the customer decides to move forward with  
8 HPGS, the customer will sign the Site Design and Permit Evaluation Agreement, which  
9 is Attachment C to NW Natural's Advice Filing. During this Phase, the Company will  
10 refine its cost estimate and perform the design and permitting work for HPGS  
11 installation. The final site design will include a final cost estimate for the customer.

12 **Q. What happens during the HPGS Service Phase?**

13 A. When the design work is complete, the customer will enter into the High Pressure Gas  
14 Service Agreement, which is Attachment D to NW Natural's advice filing. This  
15 Agreement governs the terms of service for the ten-year contract period, including the  
16 terms and conditions for the procurement and construction of the equipment, terms for  
17 scheduled and unscheduled maintenance, and the Administrative Services Charge.  
18 Once this Agreement is signed, the Company will proceed with construction of the  
19 compressor, storage tanks, dispenser, and any other customized equipment on the  
20 customer's property.

21 **Q. Have the Schedule H agreements been drafted to protect NW Natural's current  
22 customers from bearing the risks of HPGS?**

23 A. Yes. The Company has designed the service so that the customers who are receiving  
24 HPGS bear the incremental risks attendant to the service. For instance, Article 7.2 of

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1 the HPGS Agreement allocates responsibility to the customer for disturbances of any  
2 hazardous substances during HPGS construction. Also, the fee schedule allows NW  
3 Natural to recover the 30-year lifetime costs of the equipment over the course of the 10-  
4 year contract,<sup>27</sup> while at the end of the contract NW Natural retains all ownership rights  
5 to the HPGS equipment.<sup>28</sup> At that point, the customer may choose to renew the contract,  
6 the Company could re-use the equipment for another customer, or the Company could  
7 sell the equipment.

8 **Q. What protections does the tariff provide in the event the HPGS customer defaults**  
9 **on the contract?**

10 A. The Company has minimized this risk in a number of ways. First, the Company will  
11 require all HPGS customers to meet credit requirements for service in accordance with  
12 Part 2 of the Company's tariff. Moreover, if the contract is terminated early for any  
13 reason, NW Natural will provide the customer with an invoice for all costs incurred and  
14 the customer must pay the invoice within 30 days. In the unlikely event that a customer  
15 becomes bankrupt, NW Natural will retain all interest in the equipment, which, as  
16 mentioned above, can be removed and redeployed.

17 **V. ALLOCATION OF COSTS**

18 **Q. What were your objectives in developing pricing for HPGS?**

19 A. Our primary goal in setting the price for HPGS was to ensure that all of the incremental  
20 costs incurred to provide the service would be recovered from the HPGS customers.  
21 Accordingly, we attempted to build into the price of the service all of the costs, other than  
22 those costs we regarded as part of our utility role in developing new services and

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<sup>27</sup> NW Natural Response to CUB DR 15.

<sup>28</sup> NW Natural Response to CUB DR 14.

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1 educating customers. We did this both to ensure that HPGS customers are not being  
2 subsidized by other customer classes, and to ensure that our service did not have any  
3 unfair cost advantages over non-utility competitors.

4 **Q. CUB and Staff have contended that the Company has failed to remove all cross**  
5 **subsidies, specifically referencing program development and feasibility**  
6 **assessment costs. What is your response?**

7 A. In developing the costs and pricing for HPGS, NW Natural did not attempt to cover the  
8 costs to develop the program or the costs of the Customer Service and Feasibility Study  
9 Phases. With respect to the development costs, the Company believed that all  
10 customers appropriately bear costs to develop a utility service. With respect to the  
11 Customer Service and Feasibility Study costs, we also believed that these services were  
12 appropriately spread to all customers because we have and will continue to provide  
13 these types of consultations to any of our customers, even those intending to take CNG  
14 service from another provider. That said, we understand the parties' concerns and, as I  
15 will discuss later in my testimony, we are proposing some adjustments to ensure that  
16 HPGS revenues cover *all* costs associated with the service, including those incurred  
17 during development and the Customer Service and Feasibility Study Phases.

18 **Q. Please describe the categories of costs that NW Natural will incur to provide**  
19 **HPGS.**

20 A. The costs associated with HPGS service can be broken down into the following phases:  
21 Customer Service, Feasibility Study, Site Design and Permit Evaluation, and HPGS  
22 Service. In addition, there are administrative, or "overhead," costs associated with  
23 several phases. These costs are summarized in the table provided as Exhibit 202 to my  
24 testimony.

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1 **Q. Please describe the costs the Company expects to incur during the Customer**  
2 **Service Phase.**

3 A. The costs incurred during the Customer Service Phase comprise the time a Company  
4 employee spends speaking with an interested customer and give them a preliminary  
5 overview of HPGS and basic information about CNG including economics, conversion  
6 factors, and equipment needs. These calls will be conducted by one of two Company  
7 employees – a Major Accounts Services Team member or a Business Development  
8 Engineer. The length of these initial calls is likely to vary, but we expect that in most  
9 cases the NW Natural employee will spend approximately one to two hours on the  
10 phone with the customer. We estimate that we may receive 100 calls from potential  
11 HPGS customers, for a total estimated annual cost of up to \$1,570.

12 **Q. How will the Customer Service Phase costs be recovered?**

13 A. NW Natural proposes that the Customer Service Phase costs will be covered by the  
14 Administrative Services Charge included in the Scheduled Maintenance Charge in  
15 Schedule H, which is discussed in more detail below. The Administrative Services  
16 Charge will initially be set at \$10,087 per customer per year, but could be revised as we  
17 track actual costs over time.

18 **Q. Please describe the costs NW Natural expects to incur in performing the**  
19 **Feasibility Study.**

20 A. To complete the Feasibility Study, either the Major Accounts Service Team member or  
21 the Business Development Engineer, and possibly another engineering team member,  
22 will work with the customer to conduct a site visit and assessment, complete an  
23 inventory of the customer's fleet and consumption, investigate permitting and easement  
24 requirements, and create an estimate for the customer. We estimate that this will

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1 require up to 20 hours of work, which results in a one-time cost per customer of up to  
2 \$1,570.

3 **Q. How will the Feasibility Study costs be recovered?**

4 A. The HPGS customers will pay for the costs incurred in the Feasibility Study Phase via  
5 the Administrative Services Charge, which is discussed in more detail below. The  
6 Company proposes to amortize this cost over the ten years of service, for an annual cost  
7 per customer of up to \$157.

8 **Q. Please describe the Site Design and Permit Evaluation Phase costs.**

9 A. During the Site Design and Permit Evaluation Phase, Major Accounts, engineering, and  
10 legal staff will work to design the site, draw up the site design documents, file for tax  
11 credits, solicit bids, procure long lead items, and present the design and budget  
12 documents to the customer. Depending on the customer, we estimate these costs will  
13 be approximately \$30,000.

14 **Q. How will Site Design and Permit Evaluation costs be recovered?**

15 A. NW Natural staff will track all time devoted to these activities. If the customer goes  
16 forward with the final HPGS Agreement, these costs will be built into the Monthly Facility  
17 Charge in Schedule H. In the event the customer decides against going forward, that  
18 customer will receive a bill for the costs incurred, payable within 30 days.

19 **Q. Please describe the HPGS Service Phase costs.**

20 A. Once a customer signs the HPGS Agreement, the Company will acquire the  
21 compression, storage, and dispensing facilities from an equipment manufacturer and will  
22 work with the manufacturer to install the equipment on the customer's property. The  
23 Company will provide any coincident legal, technical, and customer support.

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1           The Company will initially contract with the equipment manufacturer to provide all  
2           scheduled and unscheduled maintenance of the equipment installed at the customer's  
3           premises. Scheduled maintenance provided by the equipment manufacturer will include  
4           periodic testing, adjustment, and calibration of the meter, external inspection of above-  
5           ground portions of HPGS facilities, and maintenance of all valves, piping, meter, and  
6           instruments. Unscheduled maintenance provided by the equipment manufacturer is  
7           expected to include repair and replacement of facilities or components as a result of  
8           normal wear, equipment additions, upgrades, or replacements, and investigation of any  
9           abnormality or emergency situation. Our hope is that NW Natural staff will eventually be  
10          able to provide scheduled and unscheduled maintenance instead of the equipment  
11          manufacturer, resulting in cost savings for our customers.

12 **Q.    How will the HPGS Service Phase costs be recovered?**

13 A.    The HPGS customer will pay all equipment, labor, and all legal, technical, and customer  
14          support costs via the Monthly Facility Charge in Schedule H. The customer will pay a  
15          yearly flat fee for scheduled maintenance, based on the contract established with the  
16          equipment manufacturer, via the Scheduled Maintenance Charge in Schedule H. The  
17          customer will pay for the actual costs for parts and labor for any unscheduled  
18          maintenance via the Unscheduled Maintenance Charge in Schedule H.

19 **Q.    Please describe administrative costs the Company expects to incur in connection  
20          with the HPGS.**

21 A.    In addition to the costs discussed above, we have also accounted for the administrative,  
22          or "overhead," costs we expect to incur in the provision of HPGS. Such costs include  
23          those of performing customer credit evaluation, drafting the customer contract and site  
24          license, billing, warehousing and inventory management of spare parts, monitoring, and

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1 dispatch. We estimate that these administrative services will require approximately 81  
2 hours of NW Natural staff time, for a cost of up to \$7,000 per year per customer. Exhibit  
3 NWN/202 shows an itemization of the administrative costs the Company expects to incur  
4 in its provision of HPGS.

5 **Q. How will the administrative costs be recovered?**

6 A. The HPGS customer will pay all administrative costs via the Administrative Services  
7 Charge included in the Scheduled Maintenance Charge in Schedule H. The  
8 Administrative Services Charge will initially be set at \$10,087 per customer per year. As  
9 I mentioned, this charge will be revised as necessary in future years, as we track actual  
10 costs incurred over time.

11 **Q. How can you be certain the Administrative Services Charge will be adequate?**

12 A. We have calculated the Administrative Services Charge based on our best estimates of  
13 the costs we will incur to provide HPGS. Nevertheless, we acknowledge that this is a  
14 new service and our estimates may be high or low – although our continued review  
15 suggests that the initial amount of the charge is conservative. Our estimate is that all  
16 costs included in the Administrative Services Charge – the administrative costs, the  
17 costs associated with the Customer Service Phase, and the costs of the Feasibility  
18 Study Phase – will be up to approximately \$9,000 per customer per year, as detailed in  
19 Exhibit 202. The initial Administrative Services Charge of \$10,087 should comfortably  
20 cover that amount, as well as any unanticipated costs. However, in order to address  
21 concerns raised by Staff, CUB, and NWIGU, we agree that we will track staff time spent  
22 on these services for the first year, meet with stakeholders to discuss the costs, and  
23 propose changes to the tariff in order to adjust the Administrative Services Charge as  
24 necessary.

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1 **Q. How do you propose to recover project development costs?**

2 A. We agree to conform to Staff's recommendation that we identify and record all first-time  
3 costs of developing the HPGS service proposal, including legal costs of drafting  
4 contracts, general pricing review, and market research. We will include those costs in  
5 the Monthly Facility Charge in Schedule H, which will be amortized over 10 years.  
6 Although Staff recommended adding these costs as a tariff rider after the first year of  
7 service, we would like to establish these costs as soon as possible and include them in  
8 Schedule H from the outset, so that customers know the full costs of the service from the  
9 outset.

10 **VI. COMPETITIVE CONCERNS**

11 **Q. Please summarize the concerns voiced by Natural Gas Vehicle Fuel Providers**  
12 **("NGVFP") regarding the impact of NW Natural's HPGS proposal on the**  
13 **development of a CNG market.**

14 A. NGVFP argues that, as a monopoly utility, NW Natural has several competitive  
15 advantages over non-utility providers.<sup>29</sup> Specifically, it argues that the utility can benefit  
16 from its brand equity; that the utility can use ratepayer-funded administrative  
17 infrastructure for marketing, billing, and services; that the utility has detailed information  
18 about potential customers including historical data and existing facility design; that the  
19 utility has access to the potential customer base via an established communications and  
20 marketing platform; and that the utility has access to lower cost capital.<sup>30</sup>

21 **Q. Do you agree with NGVFP's contention that NW Natural's status as a monopoly**  
22 **utility gives it an unfair competitive advantage due to brand name?**

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29 Advice No 13-10, NGVP Comments at 14 (Sep. 30, 2013).

30 NGVP Comments at 14-15.

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1 A. No. The most important competitive advantage that a monopoly utility could gain in  
2 entering a competitive market is the ability to spread the costs of service to other  
3 ratepayers. As I have explained, NW Natural has taken great pains to ensure that the  
4 costs of HPGS will be paid by HPGS customers, and not by other customer classes. It  
5 is important to be clear that the question here is not whether NW Natural has **any**  
6 competitive advantages, but whether NW Natural has **unfairly gained** any advantages  
7 **as a result of** its status as a regulated utility. NW Natural did not earn its brand  
8 reputation because of its status as a monopoly. NW Natural earned its reputation by  
9 consistently providing high quality service.

10 **Q. Do you agree with NGVFP's contention that NW Natural's status as a monopoly**  
11 **utility gives it an unfair competitive advantage due to ratepayer-funded**  
12 **administrative and marketing services?**

13 A. No. HPGS customers will pay for the administrative services provided to them through  
14 the Administrative Services Charge in Schedule H, as described above. NW Natural's  
15 other customers will not pay for any of these services. As to marketing, because the  
16 potential customer group is limited, the Company has no plans or budget to run  
17 advertising campaigns for HPGS through any mass medium such as television, radio, or  
18 bill inserts. The Company does plan to discuss CNG for transportation generally, and  
19 HPGS in particular, on its website, and in the newsletter that is sent to industrial  
20 customers via email.

21 **Q. Do you agree with NGVFP's contention that NW Natural's status as a monopoly**  
22 **utility gives it an unfair competitive advantage due to access to information about**  
23 **customers' historical data and facility design?**

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1 A. No. To identify fleets that could be converted to CNG, NW Natural did not review  
2 customers' historical data. Rather, it used publicly available information listing fleets in  
3 Oregon via software called "FleetSeek." This information is equally available to any  
4 competitor wishing to target fleets for conversion to CNG.

5 **Q. Do you agree with NGVFP's contention that NW Natural's status as a monopoly**  
6 **utility gives it an unfair competitive advantage due to access to the potential**  
7 **customer base via an established communications and marketing platform?**

8 A. No. We will not use bill inserts or other mass media to advertise HPGS. We will use  
9 direct marketing channels and e-newsletter promotions to market this service, but those  
10 will be paid for by shareholders, and thus give NW Natural no unfair advantage.

11 **Q. Do you agree with NGVFP's contention that NW Natural's status as a monopoly**  
12 **utility gives it an unfair competitive advantage due to lower cost of capital?**

13 A. No. Cost of capital is related to a company's size and credit-worthiness, and is not  
14 guaranteed to monopoly utilities. Nevertheless, any advantages NW Natural might have  
15 with respect to cost of capital are more than offset by the other financial and flexibility  
16 advantages that unregulated competitors enjoy over a regulated provider, as I will  
17 explain below.

18 **Q. What competitive advantages do unregulated companies have over NW Natural in**  
19 **providing CNG service?**

20 A. Unregulated companies enjoy numerous competitive advantages over a regulated utility  
21 like NW Natural:

- 22 • Unregulated companies can levelize costs and spread them over a longer time  
23 period, thus reducing the annual price of service for the customer. For example, by

DIRECT TESTIMONY OF BARBARA SUMMERS

- 1 spreading costs over 20 years, rather than the 10-year period allowed in Schedule H,  
2 a competitor could undercut the cost of Schedule H.
- 3 • Private providers can discriminate between customers, offer different prices, or only  
4 offer service to the most lucrative customers. NW Natural, on the other hand, must  
5 make the same tariff available to all customers. This means NW Natural must  
6 provide the same service at the same price to any interested customer, while  
7 competitors can cherry-pick the most lucrative customers.
  - 8 • Because NW Natural must maintain a public tariff, competitors will know exactly how  
9 much NW Natural is charging for HPGS, but NW Natural will not have reciprocal  
10 access to their cost information. Competitors will be able to design their prices to  
11 undercut NW Natural for the most attractive accounts.
  - 12 • Unregulated companies can offer or change offerings at any time without going  
13 through a regulatory process like this one to gain approval. This allows them to be  
14 flexible and fluid in responding to changes in the market, while it could take NW  
15 Natural months or years of regulatory work to catch up with changes.
  - 16 • Unregulated companies can enter and leave a market at will, depending on market  
17 conditions. NW Natural will be committed, by regulation, to continue providing  
18 service for at least 10 years.

19 **Q. Will other developers be able to use NW Natural's HPGS?**

20 A. Yes. Other developers could use NW Natural's HPGS to offer full-service CNG  
21 packages to customers. For example, a developer could offer a customer a complete  
22 CNG package in which the developer will fuel and maintain the customer's fleet using  
23 NW Natural HPGS for the fuel, and will provide their own resources to operate the  
24 compression facilities for the customer and maintain the customer's fleet.

DIRECT TESTIMONY OF BARBARA SUMMERS

1 **Q. How do other CNG developers view NW Natural's entry into the market?**

2 A. As discussed above, NGVFP has expressed several concerns about a regulated utility's  
3 role in a competitive market. However, as the Commission heard during the Public  
4 Hearing on October 28, other developers view NW Natural's HPGS offering as a positive  
5 development for the Oregon market. For example:

- 6 • Greg Stone of TechStar Energy stated: "I am, obviously, in full support of what  
7 Northwest Natural is doing. Even as a developer, I don't feel like it's a competitive  
8 disadvantage. I think it's an advantage to everyone."<sup>31</sup>
- 9 • Ian Berkheimer of TransEnergy Solutions stated: "with a state that is severely  
10 underdeveloped in compressed natural gas, we fully support" NW Natural's  
11 offering.<sup>32</sup>
- 12 • Mark Fitz of StarOil stated "The [HPGS] would not chill the market. It'd actually be  
13 the opposite because it would show that there's a direct pathway to our project taking  
14 place."<sup>33</sup>

15 **Q. Does California's experience with CNG suggest that utility participation will hinder  
16 the development of a competitive market?**

17 A. No. The California market arguably benefited from early direct participation by natural  
18 gas utilities.

19 In 1991, in response to state legislation encouraging the use of natural gas as a  
20 transportation fuel, the California Public Utility Commission (CPUC) declared that  
21 "utilities play a critical role in the development of this market," and the utilities must "jump

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31 Transcript at p.54.

32 Transcript at p.52.

33 Transcript at p.34.

## DIRECT TESTIMONY OF BARBARA SUMMERS

1 start the retail market by providing fueling stations and offering conversion incentives.”

2 The CPUC concluded that any potential competitors were “waiting for [the utility] to show  
3 them the way through investment of ratepayers’ funds.” The CPUC authorized a suite of  
4 2-year ratepayer-funded education and incentive programs, including ratepayer-  
5 subsidized retail CNG fueling stations.

6 Two years later, the CPUC noted that non-utility entrants were ready to enter the  
7 market, and that utility presence should not hamper competition. Finally, in December  
8 1995, the CPUC ordered the phase-out of ratepayer funded fueling stations no later than  
9 the end of 1996. Notably, the CPUC decision did not address competitiveness issues,  
10 but was based entirely on whether it made sense for ratepayer to bear the risk of CNG  
11 fueling stations. The Commission specifically noted that utilities should be allowed to  
12 build CNG stations so long as they were not subsidized by ratepayers.

13 Although there are many factors that combine to create a thriving competitive  
14 market, the early “jump start” by utilities appears to have contributed to the development  
15 of the CNG market in California. Our proposal is, of course, very different from  
16 California’s approach, because ratepayers will not be subsidizing the stations.  
17 Nevertheless, we believe that the California experience demonstrates that utility  
18 participation ultimately supports robust CNG market development.

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

20 **A. Yes.**

21

DIRECT TESTIMONY OF BARBARA SUMMERS

**NWN/201**

**Witness: Barbara Summers**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 266**

**NW NATURAL**

**Exhibit Accompanying Direct Testimony of Barbara Summers**

**Transcript of  
Public Utility Commission of Oregon  
Public Meeting on October 28, 2013**

**November 2013**

N

NAEGELI

DEPOSITION AND TRIAL EXPERTS

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PUBLIC UTILITY COMMISSION OF OREGON  
PUBLIC MEETING  
CONCERNING NORTHWEST NATURAL

Advice Number 13-10  
TAKEN ON  
MONDAY, OCTOBER 28, 2013

THE NAEGELI ADVANTAGE

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**APPEARING ON BEHALF OF**

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1 PUBLIC UTILITY COMMISSION OF OREGON

2 PUBLIC MEETING

3 Advice Number 13-10

4 TAKEN ON

5 MONDAY, OCTOBER 28, 2013

6  
7 CHAIRWOMAN ACKERMAN: We're going to go on  
8 to Item number 1, and I think 2 is related.  
9 Correct?

10 UNIDENTIFIED MALE: Yeah.

11 CHAIRWOMAN ACKERMAN: All right. Go  
12 ahead, Erik.

13 MR. COLVILLE: Good afternoon, Chair  
14 Ackerman, Commissioners Savage and Bloom. For the  
15 record, I'm Erik Colville representing Staff. Judy  
16 Johnson is here also representing Staff on -- for  
17 Item number 2. I'm going to address Item number 1.

18 Item number 1 is an advice filing by  
19 Northwest Natural introducing a new optional rider  
20 to provide high-pressure gas service through  
21 Northwest Natural-owned and maintained compression  
22 equipment sited on the high-pressure gas customers'  
23 premises.

24 According to Northwest Natural, the  
25 proposed high-pressure gas service rider responds to

1 customer requests for utility services that would  
2 provide the infrastructure needed to support the  
3 customers' ability to fuel vehicles using compressed  
4 natural gas.

5           In addition to responding to the customer  
6 requests for utility-provided high-pressure gas  
7 service, Northwest Natural notes that what they're  
8 referring to as Schedule H, this proposed service,  
9 it also is consistent with public policy, including  
10 Governor Kitzhaber's 10-year Energy Plan, which  
11 calls for the acceleration of a more efficient and  
12 cleaner transportation system.

13           Northwest Natural offers that because  
14 customers served under Schedule H will pay all  
15 incremental costs associated with the provision of  
16 the service, the addition of the service offering  
17 should have no negative cost impact on other  
18 ratepayers. Northwest Natural notes the program is  
19 also designed in such a manner as to mitigate any  
20 risks associated with providing this new utility  
21 service.

22           All the parties that filed comments agree  
23 and support the development of natural gas fueling  
24 infrastructure in Oregon. In addition, Governor  
25 Kitzhaber's 10-year Energy Plan and then the

1 Commission's electric vehicle docket, the order in  
2 that docket, also encourage regulated utility  
3 participation in alternative fuel vehicle fueling  
4 markets.

5           In addition, Staff's analysis confirms  
6 that the proposed high-pressure gas service tariff  
7 satisfies reasonable regulatory criteria and, as a  
8 result, Staff recommends that Northwest Natural be  
9 allowed to provide the service as a regulated  
10 utility.

11           After considering the high-pressure gas  
12 service tariff filing, the cost of service work  
13 papers, the revised pages of the filing that were  
14 filed in response to Staff and other party input,  
15 Staff concludes that the proposed tariff should be  
16 allowed to go into effect.

17           Staff's specific recommendation is  
18 outlined in the -- the Staff reports. I won't go  
19 over that, but I will answer questions that you may  
20 have.

21           **CHAIRWOMAN ACKERMAN:** Questions?

22           **COMMISSIONER SAVAGE:** I do, but I was  
23 wondering if we should deal with the procedural  
24 issue? Because it's either we go deep or we don't  
25 go deep on this one, if you'll --

1           **CHAIRWOMAN ACKERMAN:** Gotcha. A  
2 procedural matter came up -- just advising all the  
3 parties, our attorney has advised us that one of the  
4 parties, who was a proper party to the case -- that  
5 party is Clean Energy -- had asked for, I think, an  
6 investigation is what they asked for, but  
7 technically, under the statute, it would fall under  
8 the category of parties that are entitled to a  
9 hearing if they have requested a hearing and it is  
10 within the time constraints. And so we've been  
11 advised by counsel that we should permit that.

12           And so I've got a number of questions.  
13 Maybe the company should come to the table; and  
14 Clean Energy, why don't you come to the table.

15           I'm going to address this question to --  
16 I'm sorry, what's your name, sir?

17           **MR. CAMPBELL:** My name is -- sorry --

18           **CHAIRWOMAN ACKERMAN:** No, it's me,  
19 actually. I think I did that.

20           **MR. CAMPBELL:** Oh, because I moved my  
21 microphone at the same time.

22           My name is Todd Campbell. I'm the vice  
23 president of public policy and regulatory affairs  
24 for Clean Energy.

25           **CHAIRWOMAN ACKERMAN:** Put about 20 inches

1 between your mike --

2 **MR. CAMPBELL:** Yes.

3 **CHAIRWOMAN ACKERMAN:** -- and mine. Okay.

4 I'd like to ask you a question. Did you  
5 think that the Staff in its memo fairly described  
6 Clean Energy's concerns about the Northwest Natural  
7 filing?

8 **MR. CAMPBELL:** Well, the -- the memo came  
9 out on Thursday --

10 **CHAIRWOMAN ACKERMAN:** Um-hmm.

11 **MR. CAMPBELL:** -- and I haven't been able  
12 to fully, you know, read it, review it, and I would  
13 have liked more time. It's a very important issue,  
14 given the fact that this is our -- our business that  
15 we're in, along with other -- 70 other competitors.

16 But I do not believe -- I do believe there  
17 are some -- some items that should be addressed and  
18 explored more. That the -- that the concern that  
19 the company has and our competitors have are not as  
20 fully vetted, and I truly believe that if we had a  
21 full proceeding, we would be able to work together  
22 and find a way that the utility can help enable and  
23 move the market forward in conjunction with the  
24 private firms, as opposed to one or the other.

25 Specifically, we don't believe that we can

1 adequately compete against a utility that has a  
2 natural monopoly power within its service territory.  
3 We have seen numerous examples where it is  
4 absolutely extinguished any private capital from the  
5 private space, specifically, for example, Utah where  
6 Questar has largely dominated the compressed natural  
7 gas service territory. And you do not have  
8 competitors unless there is, for example, an LNG  
9 business that happens to offer compressed natural  
10 gas service just to support the customers.

11 **CHAIRWOMAN ACKERMAN:** Okay. Just -- just  
12 one caution, I guess. What we have in front of us  
13 is a tariff filing by the utility, and that actually  
14 causes us to do --

15 **MR. COLVILLE:** Sure.

16 **CHAIRWOMAN ACKERMAN:** -- up or down, yes  
17 or no; and so if we were to have further process on  
18 this, like a hearing for you, the question of them  
19 working with you in cooperation may not even be a  
20 question on the table. I think --

21 **MR. COLVILLE:** It may not be an option,  
22 yeah.

23 **CHAIRWOMAN ACKERMAN:** Yeah. The option is  
24 for you to give us evidence why we shouldn't approve  
25 the tariff.

1           **MR. COLVILLE:** I see. And -- and we would  
2 be very interested in -- we would like to have the  
3 tariff disapproved and maybe that would create an  
4 opportunity for Northwest Natural and Clean Energy  
5 and the competitors to explore an option where the  
6 utility actually can move the market forward.

7           And we do believe there are ways to do  
8 that. It may not be in this process, but I do  
9 believe it would benefit the Utility Commission to  
10 further understand the serious implications of a  
11 utility moving into this space, particularly when  
12 the economics for the industry are just starting to  
13 happen where you're seeing significant adoption.

14           And I don't think it's the Commission's  
15 intent or would be the Commission's intent to turn  
16 away significant investment in this space and  
17 innovation that comes with the participation of true  
18 competition in this space by making a -- a -- a  
19 decision today.

20           I think that you would benefit  
21 tremendously from the perspective that we have as  
22 well as our competitors who, unfortunately, I  
23 understand Blu LNG is -- was -- came this morning  
24 and got confused as to when the agenda item was. So  
25 I think they've left already.

1 But I think that the Commission would  
2 benefit from all of our input, and also our  
3 experiences, for example, with Southern California  
4 Gas Company.

5 **CHAIRWOMAN ACKERMAN:** Okay. I'm going to  
6 actually direct the question to you, Erik. Please  
7 describe for us the process you've already had with  
8 the company on the tariff and with Clean Energy and  
9 other folks that are interested in this tariff  
10 filing.

11 I understand you had a number of workshops  
12 and meetings, that sort of thing. Just describe for  
13 us what you've already done.

14 **MR. COLVILLE:** Sure. The -- following the  
15 filing by the company in late June, there was a  
16 workshop held where parties were invited to come and  
17 to hear what the company is proposing to do and to  
18 ask questions of the company -- so there was just  
19 that one workshop.

20 **COMMISSIONER SAVAGE:** Was the nature of  
21 that clarifying questions mostly, or was this -- or  
22 was this back and forth?

23 **MR. COLVILLE:** Mostly clarifying  
24 questions. I -- I think what Chair Ackerman  
25 presented initially, that it's an up or down kind of



1 a --

2 **UNIDENTIFIED MALE:** I understand that.

3 **MR. COLVILLE:** -- a matter that the  
4 company was very clear. This is what they're  
5 proposing to do, so ask us what we're proposing to  
6 do and we'll be glad to talk to you.

7 Now, having said that, what then proceeded  
8 to happen after that workshop was Staff spent a  
9 considerable amount of time discussing with the  
10 company the -- the details of how they structured  
11 the tariff and looked into whether or not there is  
12 cross-subsidization going on, looked into whether or  
13 not there is -- at least from -- from Staff's  
14 limited view of the policy world, whether there is  
15 consistency with energy policy in Oregon.

16 Northwest Natural filed two revisions to  
17 the tariff that incorporated changes that were  
18 requested, things like eliminating some exclusivity  
19 clause from one of the agreements that they had  
20 proposed. Very cooperative with making adjustments  
21 as Staff identified matters that -- that caused  
22 concern.

23 Following the -- the review process with  
24 working with the companies -- I think I may have  
25 just misspoke. I don't recall if it was following

1 or right in the midst of the review, Staff sent a  
2 letter out to the Energy Service list -- which was a  
3 combination of electric and natural gas --  
4 interested parties as well as each of the parties  
5 that were identified -- or identified themselves in  
6 the workshop as having an interest in this subject  
7 matter, and asked that they submit comments in  
8 writing so that -- that Staff could be sure to  
9 address those comments so that when, then, we became  
10 -- we came before the Commission that -- that there  
11 wouldn't be or shouldn't be lingering issues or  
12 concerns about things that had not been addressed.

13 **CHAIRWOMAN ACKERMAN:** Okay. My -- I guess  
14 I'd test my colleagues here to find out what they  
15 think, but right now my inclination is to go ahead  
16 and have another process.

17 But it's not an extensive process, sir. I  
18 mean, I think there's already been extensive  
19 process. And I think one thing we can do -- I'm  
20 looking at our chief ALJ -- is have -- schedule a  
21 one-day hearing where you get a chance to bring your  
22 witnesses and -- and make whatever case you want to  
23 make as -- maybe, Alan, you want to explain that a  
24 little bit more.

25 **ALJ ARLOW:** All right. Well, my -- my

1 tentative thought would be that we would have a  
2 prehearing conference perhaps this Thursday  
3 afternoon.

4 **UNIDENTIFIED MALE:** I'm not here.

5 **ALJ ARLOW:** And at that time, all those  
6 people who had wanted to indicate that they were  
7 interested in being parties to some kind of a  
8 proceeding could do so, and we could then arrange  
9 for a mutually-agreed-upon date for a hearing and  
10 anybody who wished to provide some written materials  
11 prior to that time and have a witness made available  
12 for cross-examination on the hearing date could do  
13 so.

14 And then that way we could have a process  
15 that would be fully airing the positions of the  
16 parties, but at the same time operate under a  
17 schedule that would satisfy the Commissioners with  
18 respect to the issue.

19 **COMMISSIONER SAVAGE:** Can I offer mine too  
20 on this. I think Staff has teed up all the right  
21 issues. I would sort of start there as, to me, as  
22 they've teed up every single issue that to me  
23 matters.

24 And second of all, I would like the right  
25 to be able to probe with questions on everybody on

1 this one as well. So, I would assume that that's  
2 part of it.

3 **ALJ ARLOW:** What I would propose to do is  
4 once I have the prehearing conference and we have a  
5 number of potential dates for the hearing, I will  
6 check with each of your respective --

7 **COMMISSIONER SAVAGE:** Right.

8 **ALJ ARLOW:** -- calendars --

9 **COMMISSIONER SAVAGE:** Yeah.

10 **ALJ ARLOW:** -- to make sure that, to the  
11 extent you wish to be there and examine the  
12 witnesses or ask questions of --

13 **COMMISSIONER SAVAGE:** Right.

14 **ALJ ARLOW:** -- counsel --

15 **COMMISSIONER SAVAGE:** Yeah.

16 **ALJ ARLOW:** -- all right, you'll be able  
17 to do so.

18 **COMMISSIONER SAVAGE:** And I concur with  
19 Chair that we should be doing this fairly  
20 expeditiously given that --

21 **CHAIRWOMAN ACKERMAN:** Within the next  
22 month, if we can.

23 **COMMISSIONER SAVAGE:** Yeah.

24 **ALJ ARLOW:** That's -- that was my  
25 intention of having the immediate prehearing

1 conference on Thursday.

2           **CHAIRWOMAN ACKERMAN:** I don't think we're  
3 inclined to reject the tariff today. In fact --

4           **COMMISSIONER SAVAGE:** No.

5           **CHAIRWOMAN ACKERMAN:** -- an option for the  
6 company might be they could allow it to go into  
7 effect subject to whatever the process is, and that  
8 would be the company's decision to make. You can  
9 have it go into effect on November 1 subject to  
10 whatever comes out of the hearing on this matter.  
11 Or you could wait until the end of the hearing; I  
12 think that's another option that you guys have.

13           **ALJ ARLOW:** A third thought which I might  
14 offer is that Northwest Natural might wish to amend  
15 its filing to specify a later date rather than  
16 November 1.

17           **COMMISSIONER SAVAGE:** Yeah.

18           **CHAIRWOMAN ACKERMAN:** Okay. I don't know  
19 if you guys had a chance to hear that, but while you  
20 were chatting, Judge Arlow suggested that another  
21 option for you would be to amend your filing to  
22 specify a later date -- maybe to what --

23           **ALJ ARLOW:** Maybe 60 days beyond November  
24 1st. Maybe January 1st as opposed to November 1st,  
25 something along those lines. But if that -- or

1 sooner perhaps if the Commissioners felt so. But  
2 it's a matter, you know, for your determination.

3 **CHAIRWOMAN ACKERMAN:** Go ahead. I haven't  
4 given you a chance to talk company. Go ahead.

5 **MS. RACKNER:** Thank you. Lisa Rackner for  
6 Northwest Natural. I think, given the expedited  
7 process that the Commission is proposing, that it  
8 would make sense to allow the tariff to go into  
9 effect subject to any changes that might occur.

10 I mean, realistically, we would not be  
11 asking any of our customers to sign any contracts  
12 until this expedited process is over. They would  
13 need certainty regarding the price; on the other  
14 hand, we could begin -- if the Commission  
15 provisionally adopts the tariff, we could then begin  
16 to start talking to customers, going into -- have  
17 initial discussions around design and construction.

18 So I think our preference would be, then,  
19 for today for the Commission to go ahead, adopt the  
20 tariff subject to the rules that allow for adopting  
21 tariffs subject to refund, with an understanding  
22 that no money would, you know, be committed by our  
23 customers up until the time we have some finality on  
24 the terms and conditions.

25 **COMMISSIONER SAVAGE:** Okay.

1           **MR. COLVILLE:** But if for some reason we  
2 reject the tariff and Northwest has invested some  
3 money, what would the company's position be with  
4 regard to that investment?

5           **MS. RACKNER:** I don't --

6           **MARK THOMPSON:** I mean, I'll just say, I  
7 guess, in reality, I don't know that the two paths  
8 are really different because I think the company and  
9 customers are going to be hesitant to lock up  
10 everything until we've got ultimate certainty.

11           But that's, you know -- I think having the  
12 tariff go in effect is a step, and so we would  
13 welcome that. We'll probably be careful to just  
14 start down the process recognizing that we don't  
15 have full certainty yet.

16           And so, you know, I'd -- I'd -- I think we  
17 will be -- begin discussions with customers, which  
18 we think would be appropriate in light of the fact  
19 that a tariff would have been adopted. So I guess  
20 our position would be every -- every step we would  
21 take would be reasonable, but they'll probably be  
22 pretty limited steps.

23           **CHAIRWOMAN ACKERMAN:** Okay. I saw  
24 Catriona --

25           **COMMISSIONER SAVAGE:** Yeah.

1           **CHAIRWOMAN ACKERMAN:** -- why don't you  
2 come on up, Catriona.

3           **MS. MCCRACKEN:** I wanted to ask a  
4 clarifying question. In terms of the -- the  
5 expedited hearing schedule that you're talking about  
6 setting, is that limited only to the discussion of  
7 competitors or is that also open --

8           **COMMISSIONER SAVAGE:** I said --

9           **MS. MCCRACKEN:** -- others

10          **COMMISSIONER SAVAGE:** -- that's why I said  
11 it very explicitly. Every issue --

12          **MS. MCCRACKEN:** They're all issues --

13          **COMMISSIONER SAVAGE:** -- that's raised in  
14 the Staff memo, including sub cross-subsidization.

15          **MS. MCCRACKEN:** All the issues --

16          **BOB JENKS:** Okay. That's -- that's  
17 helpful, because we -- we have -- it seems like  
18 we're moving towards accepting this thing subject to  
19 a hearing on competitive pressures and we have very  
20 much concerns with the costs associated with this.  
21 The company hasn't -- hasn't identified a lot of the  
22 costs associated --

23          **COMMISSIONER SAVAGE:** No, I understand  
24 that --

25          **MR. JENKS:** -- with it other than saying



1 they will be paid by other customers and not the  
2 customers participating, and we don't want to end up  
3 another situation like Mist Storage like Smart  
4 Energy where 10 years down the road we don't know  
5 what the costs of a program are and we don't know  
6 who's paying for it because they're all assigned to  
7 common costs and -- and nobody can ever fix that.

8           So we -- we wanted clear rules about costs  
9 before we get too far into this.

10           **CHAIRWOMAN ACKERMAN:** Okay. We have  
11 another -- okay. Very good. (Indiscernible.)

12           **MS. RACKNER:** And I just want to respond  
13 to that. I mean, that is clearly our intent is to  
14 ensure that all costs of this service are covered by  
15 the customers who are receiving the service, and --

16           **MR. JENKS:** Can I just say that is -- that  
17 -- just to interrupt -- your filing very clearly  
18 says from the time the customer signs a contract  
19 forward all costs are covered. But before that all  
20 costs go to a -- to all customers, just like any  
21 other cost, but it's not the same.

22           The customer service costs associated with  
23 leading somebody into a 10-year contract are much  
24 different than the customer service costs associated  
25 with a restaurant calling up and signing service.

1 And we don't know the difference. We don't know how  
2 many people you need to add to the customer service  
3 to walk through.

4 We do know those costs are assigned to all  
5 customers in your filing generally. It's -- from  
6 the time the contract is signed forward, I agree.  
7 There's no cross-subsidy. But before that, it's all  
8 cross-subsidy. And we haven't identified what those  
9 costs are, what the business plan, what the  
10 marketing is other than advertising, and those costs  
11 are borne by other customers. And we just simply --  
12 we want to know what they are, is really what it  
13 comes down to.

14 **MR. CAMPBELL:** And furthermore, I would  
15 argue that if you did grant them the ability to move  
16 forward today under the -- under the knowledge that  
17 it could be rescinded 30 days later, it still  
18 impacts the market. It still chills the market in  
19 terms of competitors and my ability to bring you  
20 witnesses that would like to testify and be heard  
21 before you.

22 So I --

23 **UNIDENTIFIED MALE:** I'm not sure I  
24 understand why I would show anyone coming to testify  
25 within a month.

1           **MR. CAMPBELL:** Yeah. I -- I think -- I  
2 think that it's by the -- by the obvious example  
3 that I was the only one that was able to make it  
4 today, it -- it -- there, you know, these companies  
5 that are investing in natural gas infrastructure  
6 have restrained resources to be able to be involved  
7 in public forums, unfortunately, because they are  
8 out building stations.

9           And so for me to get them to -- to -- the  
10 -- you know, to the venue, it's important for me to  
11 be able to convey to them that there's still, you  
12 know, obviously, there's an opportunity, but you  
13 know, sometimes there are perception there that a  
14 Commission can move one way or the other.

15           I would -- I would strongly suggest too  
16 that their ability to go ahead preliminarily blocks  
17 me from being able to compete in the market because  
18 the customers who believe they're going to get a  
19 lower cost capital -- and I do believe there will be  
20 cross-subsidies of -- they'll think that they have a  
21 better -- they'll have a better deal with Northwest  
22 Natural. And further I would say it's very hard for  
23 a company like Clean Energy to compete with a name  
24 brand like Northwest Natural.

25           I -- I guarantee you if you walk down the

1 street and you said, "Do you know who Northwest  
2 Natural is," I probably get at least 9 out of 10  
3 people, whereas if I asked if they knew who Clean  
4 Energy was, they would not. So --

5 **COMMISSIONER SAVAGE:** Can I -- an  
6 observation right at this moment. I'm sort of most  
7 comfortable with going with approving the tariff  
8 under the condition if, sort of by getting some  
9 agreement right at the -- I mean, if there's -- if  
10 I'm feeling agreement, I guess I'd like to see if  
11 there's some option here of shelving this while we  
12 do the expedited without prejudice?

13 **MS. RACKNER:** Yes. I mean, I can  
14 certainly understand your concern given that there's  
15 disagreement. And may I -- there's just a few  
16 things out that I would like to add on this point.

17 And first of all, you know, obviously, the  
18 gentleman from Clean Energy has his view, Northwest  
19 Natural believes, as does the governors' office, as  
20 do many states in this country, that utility  
21 participation jumpstarts the market as opposed to  
22 hampers the market.

23 So, I understand that you're not wanting a  
24 full discussion of that issue here today if we're  
25 going forward, but I do just want to make the point

1 because Clean Energy has had their say on that  
2 point.

3           The other piece I do want to make clear is  
4 that Staff asked -- had two conditions in their --  
5 in their recommendation, and one had to do with the  
6 project development costs.

7           Now, the company did not include project  
8 development costs primarily because they believe it  
9 is important that it's a utility service and to the  
10 extent they incurred any unusual costs such as, you  
11 know, we had a market study done. Those were --  
12 that was paid for by the shareholders.

13           However, we do understand that how  
14 important competitive neutrality is. And so for  
15 that reason, we can agree to take a good hard look  
16 at development costs, work with the parties, and --  
17 and adopt some way to have those spread over our  
18 customers. So we do agree.

19           We also want to make clear that we agree  
20 with Staff's request and NWIGU's request that once  
21 the service is adopted and we get going, that we  
22 start very carefully tracking all of the costs  
23 involved including customer service and any kind of  
24 overhead.

25           We actually believe by building in \$10,000

1 worth of annual overhead costs that we're actually -  
2 - that was -- that was conservative, and we actually  
3 believe that by tracking them, we may end up with a  
4 lower number for our customers ultimately.

5 But we do agree. We see the importance of  
6 competitive neutrality. There's no doubt about it.  
7 We take it seriously. I did just want to make that  
8 clear.

9 And then finally, we are aware that there  
10 are a lot of people who came today to speak. People  
11 from the industry, like Clean Energy, but there are  
12 others as well, potential customers, and while we  
13 certainly appreciate that, a lot of people have an  
14 opportunity to speak more through the extended  
15 service because we'd like to make a pitch for  
16 allowing them to speak since they made the effort to  
17 come here today.

18 **MIKE WEIRICH:** One matter to follow up on  
19 what Lisa said. When you say you're considering  
20 letting the tariff go into effect subject to  
21 refund, would it then be subject to Staff's two  
22 conditions even though they might become moot during  
23 that process? I'm not sure that --

24 **MS. RACKNER:** Well, I think I heard  
25 Commissioner Savage say --

1           **COMMISSIONER SAVAGE:** Well, I -- I -- I'm  
2 just going to state for myself. Right now my most -  
3 - my comfort zone, given we're getting deep into  
4 debate, which is what I think the point of the  
5 hearing is is that if you'd be willing to -- I  
6 understand where he's coming from, but if you'd be  
7 willing to just shelve this tariff --

8           **UNIDENTIFIED FEMALE:** A few months --

9           **COMMISSIONER SAVAGE:** -- for the -- to the  
10 period of the expedited hearing --

11           **UNIDENTIFIED MALE:** Yeah.

12           **UNIDENTIFIED MALE:** Without prejudice -- I  
13 mean, seriously. Without prejudice

14           **MR. CAMPBELL:** We don't want an exhaustive  
15 hearing. I mean, I think it's really important for  
16 you to hear the facts because you know, as she just  
17 stated, governors in states believe that utilities  
18 leading this industry is the way to actually move  
19 forward is absolutely incorrect.

20           **CHAIRWOMAN ACKERMAN:** Well, we don't need  
21 to --

22           **UNIDENTIFIED MALE:** And so I --

23           **UNIDENTIFIED MALE:** Well --

24           **UNIDENTIFIED MALE:** -- you know --

25           **COMMISSIONER SAVAGE:** -- we're getting

1 into debate right at this moment.

2           **COMMISSIONER BLOOM:** Yeah, you know, I  
3 don't want to get into --

4           **COMMISSIONER SAVAGE:** And we really are  
5 getting into debates

6           **COMMISSIONER BLOOM:** Right. I actually  
7 agree with -- with John about just shelving this  
8 thing, setting the hearing within 30 days, it's  
9 either up or down, with conditions. Everyone has an  
10 opportunity, a fair opportunity to be heard.

11           **MR. THOMPSON:** Yeah -- to that I -- like I  
12 said before, I think either way we're -- we're going  
13 to be cautious obviously going forward. This is not  
14 a point that we would fall on our sword over. If it  
15 makes more sense to give us a little bit of time to  
16 keep this open and have the hearing --

17           **UNIDENTIFIED MALE:** Uh-huh.

18           **UNIDENTIFIED MALE:** -- I guess the --

19           **CHAIRWOMAN ACKERMAN:** I think he just  
20 heard two votes.

21           **(Laughter.)**

22           **COMMISSIONER BLOOM:** You can keep arguing,  
23 but it's not going to change my mind.

24           **UNIDENTIFIED MALE:** Yeah.

25           **COMMISSIONER BLOOM:** How's that.



1           **MR. THOMPSON:** And I -- I appreciate that.  
2 And I guess the only point I wanted to make is I  
3 think we're comfortable with that and especially if  
4 the time is quick.

5           I hear -- I hear the view expressed that  
6 the process should be short. I think we feel like  
7 there has been pretty substantial process to date,  
8 and opportunity for public comment, and so I guess  
9 what would make us nervous about that is if the  
10 process becomes the means to an end of putting this  
11 off so long that it's ineffective, and that's what  
12 we're trying to avoid. So.

13           **COMMISSIONER BLOOM:** So, this really --  
14 this process is being driven by our learned counsel  
15 because Clean Energy has requested an investigation  
16 that's synonymous according to our legal counsel  
17 with their request for a hearing, and so we're going  
18 to do that because that's what our legal counsel  
19 says we have to do.

20           So we're going to do it expedited and  
21 we're going to have everyone given a fair  
22 opportunity to be heard, then we'll make a decision  
23 up or down.

24           **MR. THOMPSON:** Appreciate that. Thank  
25 you.

1           **CHAIRWOMAN ACKERMAN:** All right. I heard  
2 what you said, Ms. Rackner, and -- and I think that  
3 we will invite everybody else up who wanted to say  
4 anything about this before we finally move on this.

5           So if you all don't mind clearing the  
6 tables, we're going to get the other parties up.

7           **UNIDENTIFIED MALE:** Thank you.

8           **CHAIRWOMAN ACKERMAN:** I would invite --  
9 you can stay.

10          **COMMISSIONER BLOOM:** Can -- can I just say  
11 one other thing? Again, we'll have time in the  
12 process to -- to go through what -- what specific  
13 are the concerns about costs and conditions that we  
14 think can -- can do this. I just wanted to say  
15 overall. I don't want to come up here and appear  
16 that I'm opposed to this service. I myself own an  
17 alternative-fueled vehicle. This is clearly what we  
18 need to do about climate change, we clearly need to  
19 find a way to enable natural gas fueling for fleets.  
20 Our concern is about sort of the cross-subsidy and  
21 how -- how that happens.

22          **CHAIRWOMAN ACKERMAN:** I see. Actually,  
23 Bob, you can stay unless you think you've said  
24 everything you want to say because I want to give  
25 everyone else --

1           **MR. JENKS:** There's more to process. I've  
2 got lots -- I've got time to say what I have with  
3 more substance, so that's fine.

4           **COMMISSIONER BLOOM:** But it's going to be  
5 expedited and we're going to have, you know,  
6 everyone a fair opportunity.

7           **CHAIRWOMAN ACKERMAN:** All right. I'm  
8 going to invite up Kacia Brockman of ODOE, John  
9 McArdle of Linn-Benton Community College, Mark -- is  
10 it Fitz? -- of Solar -- Star -- I don't know what  
11 that is. I'm sorry.

12           **MR. FITZ:** Star Oil, ma'am.

13           **CHAIRWOMAN ACKERMAN:** Thank you, sir.  
14 Ed Finklea? Come on up, Ed.  
15 And is this Burt Stallman?

16           **MR. STALLMAN:** Bill.

17           **CHAIRWOMAN ACKERMAN:** Bill. I'm sorry.  
18 Come on up, Bill.

19           I might find room for one more person up  
20 here, and that is John Anderson. We've got more  
21 coming, but we'll start here.

22           Okay, as you all have just heard, before  
23 you offer your comments, we've decided that we will  
24 probably have a very short, quick hearing sometime  
25 in the month of August -- excuse me, November, so

1 the parties can answer -- raise all their issues and  
2 we can have that prior to making a decision on the  
3 tariff filing.

4 So is there something that you all would  
5 like us to hear? Go ahead. And we'll start with  
6 you, Kacia.

7 **COMMISSIONER SAVAGE:** Given that you can  
8 come back.

9 **CHAIRWOMAN ACKERMAN:** Yeah, you can come  
10 back. There will be more process. You can come  
11 back.

12 **MS. BROCKMAN:** Okay. Sure. Chair  
13 Ackerman, Commissioners, my name is Kacia Brockman.  
14 I'm an energy policy analyst with Oregon Department  
15 of Energy.

16 The department submitted written comments  
17 in support of Northwest Natural's filing for three  
18 main reasons. It addresses a major market barrier  
19 to the compressed natural gas as a vehicle fuel, and  
20 that is the initial cost and difficulty financing  
21 the fueling infrastructure.

22 The transitioning to CNG as a cleaner fuel  
23 is in alignment with the greenhouse gas goals of the  
24 state and also has -- we have the potential in this  
25 state to incorporate some renewable natural gas into

1 that to clean it even further.

2           And we think that there's potential  
3 economic benefit to non-participating customers, as  
4 customers who subscribe to this service will buy  
5 more gas to fuel their vehicles with, providing a  
6 broader customer base for the fixed cost recovery.

7           What we didn't address in comments, which  
8 are obviously a lot of the other comments that have  
9 been provided by other parties, had to do with  
10 competition. And we certainly respect the need for  
11 a competitive environment in a market that you're  
12 trying to develop.

13           I would just point out that we don't  
14 really have the market here yet and the competition  
15 doesn't exist. All of the fueling stations out  
16 there today are privately-owned, done with people's  
17 own capital investments. And Oregon is a small  
18 consumer market; it's hard to attract third-party  
19 service providers until we have a broader customer  
20 base here.

21           And the scope of Northwest Natural's  
22 tariff filing seems to us to be narrow enough to not  
23 impede the hypothetical future competition. Thank  
24 you.

25           **CHAIRWOMAN ACKERMAN:** Thank you.

1 Questions?

2 **COMMISSIONER SAVAGE:** No.

3 **COMMISSIONER BLOOM:** No.

4 **CHAIRWOMAN ACKERMAN:** Okay. Mr. McArdle ?

5 **MR. McARDLE:** Hi, I'm John McArdle. I'm  
6 the director of development and government relations  
7 for Linn-Benton Community College.

8 I'm here to speak today because we think  
9 expanding the opportunities for CNG as suggested by  
10 Natural -- Northwest Natural is good for Oregon.

11 We just opened an advanced -- a 35,000  
12 square foot advanced transportation technology  
13 center in Lebanon, Oregon. We've been in the  
14 business of training folks for 40-plus years in auto  
15 and diesel. And we look to expand our opportunities  
16 because in talking with our industry partners: Snap-  
17 on, Industrial Nationally and Papay and  
18 Freightliner, and a host of others, including the  
19 Oregon legislature, there's a huge need for  
20 alternative fuels for transportation.

21 It saves money, it makes -- it's good  
22 business. It helps make local business more  
23 competitively globally, and we're training the  
24 people to do that because there's an express need.  
25 Additional opportunities for folks to fuel both the

1 big guys and the little guys would really help  
2 Oregon, and they also would clean up the environment  
3 at the same time. So we think that this makes good  
4 sense and we think it should move forward.

5 **CHAIRWOMAN ACKERMAN:** One quick question  
6 for you.

7 **MR. McARDLE:** Please.

8 **CHAIRWOMAN ACKERMAN:** In your humble  
9 opinion, is having Northwest Natural in the market a  
10 hindrance or a help?

11 **MR. McARDLE:** Well, I will say, they've  
12 been helpful for us. They'll -- they are one of our  
13 partners along with many others. And yes, they --  
14 it is helpful for us and helpful for local industry  
15 to move this forward.

16 **CHAIRWOMAN ACKERMAN:** Thank you.

17 All right. Mr. Fitz.

18 **MR. FITZ:** My name is Mark Fitz. My  
19 family's business is StarOil. We've been in  
20 business in Oregon since 1936. We started in  
21 sawdust and coal, moved on to liquid fuels in the  
22 '40s, and now we're looking ahead to CNG.

23 We've had a very robust last ten years  
24 developing a biodiesel market with a plant right  
25 around the corner from us up over here as well too,

1 hauling over three million gallons last year of new  
2 business in Oregon.

3 I have a unique perspective, I think in  
4 this room, as a motor fuel seller who does  
5 wholesale, cardlock, retail, as well as commercial  
6 bulk volumes of fuel and deals with those fleets on  
7 the ground. And we also have an HVAC division,  
8 which works with Northwest Natural.

9 We need the schedule in this tax year. I  
10 would say that if you're talking about a decision is  
11 based on a chill in the marketplace if we move too  
12 fast, we have tax benefits on the books to small  
13 fleets that are looking at their first CNG vehicles,  
14 that they're going to lose that opportunity if they  
15 don't -- if they don't believe there's a resolve by  
16 the utility to help them buy fuel in their yard.

17 There's a more dynamic marketplace going  
18 on. The schedule would not chill the market. It'd  
19 actually be the opposite because it would show that  
20 there's a direct pathway to our project taking  
21 place.

22 The first bleeding edge adopters are  
23 garbage haulers. Some of them are my customers, who  
24 have dumped insane amounts of money to prove that  
25 they could actually use this because they knew it



1 was coming.

2 I would say that the biggest chill in the  
3 marketplace was the promise of stations that have  
4 not been built by out-of-state players. People have  
5 money to basically invest in slow fill in their yard  
6 with this schedule, and then they would know that  
7 they have bigger fills, you know, faster fills,  
8 coming to back up their own usage.

9 The natural monopoly argument is not the  
10 reality in home heating and industrial users. We're  
11 calling them on a daily basis telling them where  
12 we're going to be putting places, where they're  
13 going to go. They don't tip off the competition.  
14 They don't play unfairly. They do a very good job  
15 of being aboveboard and taking care of our  
16 interests.

17 And I'd also say there are hundreds of  
18 heating contractors out now that are looking at this  
19 as a potential install line of their mechanical and  
20 -- and -- and commercial lines. By not having the  
21 schedule, they're not there to start talking to  
22 their customers who are asking about it.

23 I've been getting hit up for -- since  
24 diesel went above five bucks a gallon, people have  
25 been looking at this. As fracking's expanded, I'm

1 consistently being asked to work up pro formas, how  
2 do I get there, can you supply it to me.

3 Right now, I have to invent a new business  
4 if I want to supply this. If Northwest Natural  
5 enters the marketplace, we're going to start helping  
6 customers get into this fuel to start with, just  
7 like we've done with biodiesel and ethanol.

8 So I would ask you to seriously consider  
9 passing this. Thank you.

10 **CHAIRWOMAN ACKERMAN:** Thank you.

11 Questions?

12 **COMMISSIONER SAVAGE:** No questions.

13 **CHAIRWOMAN ACKERMAN:** Mr. Finklea.

14 **MR. FINKLEA:** I am Ed Finklea, the  
15 executive director of Northwest Industrial Gas  
16 Users. We appreciate the opportunity to comment  
17 today. We'll save most of our more in-depth  
18 comments for the -- for the formal process. I just  
19 wanted to make a couple of points.

20 One, in our written comments, we did say  
21 that in an ideal world Northwest Natural would do  
22 this through an unregulated subsidiary, that that  
23 would take care of the cross-subsidy issues. We're  
24 -- we're satisfied with the changes that the Staff  
25 asked Northwest Natural to make in order to address

1 the startup costs, so we're satisfied that there  
2 isn't a cross-subsidy and because of that we can  
3 support the tariff.

4           It's a hard call for our organization  
5 because this is not -- this is not distribution of  
6 natural gas. We understand. This is the next  
7 generation or the next level of service that  
8 utilities are starting to look at providing.

9           In other states, utilities do provide this  
10 service. It does seem to be working. I'm not aware  
11 of any state that has turned down a utility's  
12 request to do this. So I do think you'd be in well  
13 stead to approve it. I understand the -- your  
14 desire to have more process before we do that,  
15 though.

16           The other thing that -- that I would note  
17 is we just really don't see that this is going to be  
18 something where private sector companies can't  
19 compete if a utility is in the space. And the  
20 reason for that is Northwest Natural is both a  
21 blessing and a curse to be a regulated utility.

22           They have to do everything by tariff. If  
23 I compete with them, all I have to do to know what  
24 they charge is to open their tariff book. They  
25 can't discriminate among customers. Clean Energy

1 and other companies can. They can cut a deal for  
2 one person that looks different than the deal for  
3 the next person. So the notion that -- that somehow  
4 if a utility is allowed in this space, that then  
5 nobody else can -- can compete.

6 I have a problem with that  
7 philosophically. I can't see that that would  
8 necessarily be the case. But I do understand that  
9 if a -- if a utility is offering a subsidized  
10 service, well then, yes, then people can't compete  
11 with that. And that's why we think, both from a  
12 ratepayer perspective and a -- and a market  
13 perspective, the -- the -- the bright line that we  
14 be sure that this is done in a way where there is no  
15 cross-subsidies.

16 If we can -- if we can meet that standard  
17 and be confident of that and regulate the service  
18 going forward with the -- with the absolute that  
19 there'd be no cross-subsidies, then I think we'd  
20 take care of both the rate payer concern, which my  
21 group income has, and the competitors' concern.  
22 Because competitors shouldn't have to compete with a  
23 subsidized service, but they also shouldn't be able  
24 -- they shouldn't be in a position where they claim  
25 they can't compete with a utility just because it's

1 a utility. I don't think that that makes sense.

2 And then the -- the other thing that  
3 really does matter for our group, and we had quite a  
4 debate within our organization about this, but this  
5 is a small step forward in addressing climate. And  
6 a CO2 reduction of 30 percent compared to oil, that  
7 -- that's significant. And we as a group understand  
8 that.

9 This state wants to be a leader in  
10 climate. And we think the way that we're going to  
11 get there from here is with a lot of small steps,  
12 and this would be a -- a small positive step that  
13 the state could take.

14 We don't think we can just wait for some  
15 technology that none of us have seen work yet come  
16 along and solve the problem, and we don't  
17 necessarily think that we can mandate or -- or tax  
18 our way out of this situation. We think we have to  
19 innovate our way out, and that CNG as a -- as a --  
20 as a fuel which is cleaner than -- cleaner than oil,  
21 gas as a way to generate electricity, which is  
22 cleaner than coal, that fuel-switching is actually  
23 going to be part of the -- the answer to climate.  
24 And that gas is part of that answer.

25 **CHAIRWOMAN ACKERMAN:** Thank you, Ed.

1 Any questions?

2 **COMMISSIONER SAVAGE:** No.

3 **CHAIRWOMAN ACKERMAN:** All right. Mr.

4 Stallman.

5 **MR. STALLMAN:** I have something you need  
6 to look at. May I bring it up?

7 **CHAIRWOMAN ACKERMAN:** Sure.

8 **MR. STALLMAN:** Okay. It's with the  
9 previous hearing and this is what I found before  
10 coming over here this afternoon.

11 I'm Bill Stallman. I'm a driver of  
12 natural gas cars. I have here a training video from  
13 1999 when I first started driving natural gas cars.

14 Before getting to the exhibit that I left  
15 you up there, it is without debate that the natural  
16 gas supply is enormous in North America. High  
17 charge here. The only part that's not ours in North  
18 America is the Canadian's.

19 I wanted to dispel any doubt about the clean  
20 value of this fuel. This is a Clean Cities  
21 Coalition publicity page, and I read: "Natural gas  
22 passenger vehicles provide up to 30 percent  
23 reduction in greenhouse gas emissions compared to  
24 gasoline, and natural gas trucks more than twenty  
25 percent greenhouse gas emission reduction compared

1 to diesel trucks."

2           But didn't want to leave you with just  
3 that. Honda, which has been making a natural gas  
4 car since '99, this is their 2010 brochure. It  
5 says, "The GX model has been certified by the EPA as  
6 the cleanest internal combustion vehicle in the  
7 world for 11 straight years."

8           And then the 2012 brochure says that, "It  
9 was once again topped the list of greenest  
10 vehicles."

11           But my own car, which is sitting out there  
12 in the parking lot, when it was nine years old --  
13 down in California, the smog checks give a whole  
14 report, and it measured zero hydrocarbons and 27  
15 nitrous oxides at 68,000 miles. And after another  
16 20,000 miles in two more years of driving, it  
17 finally registered one hydrocarbon.

18           So these things are clean beyond belief.  
19 By the way, our -- the price that the utility was  
20 charging down there was \$1.75 a gallon.

21           Or the item that's before you -- the --  
22 the previous piece from Northwest Natural at the  
23 hearing. They show a rendering of what a fleet  
24 station would look like if they were to help provide  
25 service. And it seems to resemble the package sold

1 by Chesapeake Energy. And on the back of those  
2 yellow sheets is a package sold by Vocational  
3 Energy. And on -- some other piece of material --  
4 North -- Clean Energy decided that there were, like,  
5 11 competitors building CNG stations.

6 It occurred to me that Northwest natural  
7 doesn't design and build their CNG stations, they  
8 just buy it from somebody. So I was baffled at how  
9 allowing Northwest Natural to put in stations for  
10 fleets, would disparage some commercial companies as  
11 opposed to others. Because Northwest Natural has to  
12 go out and buy the station just as any fleet here  
13 would have to do it on their own.

14 So, I think that kind of eliminates the  
15 problem of -- of the competitive disadvantage.

16 **CHAIRWOMAN ACKERMAN:** I take it you  
17 support the filing?

18 **MR. STALLMAN:** I'm -- I'll -- I'll -- in  
19 two minutes I'll have that for you.

20 **UNIDENTIFIED MALE:** (laughter.)

21 **MR. STALLMAN:** This -- this is the  
22 directory of where to find fueling stations back in  
23 '94, and there's 18 here. And then in 2011, the  
24 last -- they stopped publishing the book, now it's  
25 on the internet -- there's too many to count. This



1 was published by PG&E down in California, so as far  
2 as utilities jumpstarting this, this is how it's  
3 been happening.

4 And, as I said, my car's out there in the  
5 lot. The out-of-fuel lamp came on about six miles  
6 down the road. I'm headed to the one station we  
7 have in northern Oregon at Salem Motor Pool, and the  
8 authorization for that to provide fuel to the public  
9 expires in 2014.

10 For prosperity, for clean air, and to grow  
11 business in the state, Oregon needs to keep up the  
12 pace of putting in more CNG stations, and I support  
13 this tariff request as a way to get there. Thank  
14 you.

15 **CHAIRWOMAN ACKERMAN:** Thank you, Mr.  
16 Stallman.

17 Questions?

18 Yes, sir. We are looking for -- you're  
19 John Anderson?

20 **MR. ANDERSON:** That'd be me.

21 **CHAIRWOMAN ACKERMAN:** Hi, John. Go ahead.

22 **MR. ANDERSON:** I'm John Anderson. I'm  
23 president of Eugene Truck Haven. We're a family-  
24 owned petroleum marketer down the Eugene-Coberg  
25 area. I'm here to speak in favor of the tariff.

1           We as a family have been following natural  
2 gas for five, ten years, and really believe it will  
3 be the transportation fuel of the second, third, and  
4 fourth quarter of this century. We'll just spend  
5 the next 15 years getting there -- well, maybe the  
6 next 12, now.

7           Day after tomorrow, that would be  
8 Wednesday, we will start construction on our own CNG  
9 facility that'll be open to the public and expect to  
10 have it open and operational by the end of the month  
11 or the first of December.

12           But we're a small family business. We  
13 have a limited amount of capital, and our biggest  
14 concern at this moment in time is what do we do when  
15 the demand surpasses our capacity. How do we grow?

16           We -- we need partners. Two years ago I  
17 called Clean Energy. I'm still waiting for them to  
18 call me back.

19           A year ago I called IMW -- they're a  
20 manufacturer -- to talk about a system. I'm still  
21 waiting for them to call me back. So, they don't  
22 seem to be a willing partner.

23           Last year we spent -- I spent a good two  
24 months talking with Northwest Natural trying to  
25 figure out a way that they could help participate in

1 the project, and they just -- they didn't have a  
2 vehicle to help us get there.

3           So we're going to go it alone. And as  
4 word has leaked out that we are going to -- not  
5 going to, we are starting construction and building  
6 this facility, I have received several phone calls  
7 over the last couple weeks from fleet managers who  
8 are out of state that have small fleets inside the  
9 community of Eugene asking me how many CNG vehicles  
10 can they send to Eugene.

11           I think I've already surpassed my  
12 capacity. I've got a problem. It's a good problem,  
13 but we need a partner. And Northwest Natural seems  
14 to be a willing partner to talk with us and really  
15 step up to the plate. So we need you to approve  
16 this. Thank you.

17           **CHAIRWOMAN ACKERMAN:** Thanks. Questions?

18           **COMMISSIONER SAVAGE:** No questions.

19           **CHAIRWOMAN ACKERMAN:** All right,  
20 everybody. I'm going to ask you all to go, and I'm  
21 going to ask Matt Tracy, Ian Burkheimer, Greg Stone.

22           **UNIDENTIFIED MALE:** Oh, you want me to take  
23 a --

24           **UNIDENTIFIED MALE:** I don't know. I got  
25 to share a table with you?

1                   **UNIDENTIFIED MALE:** Oh, I don't know -- I  
2 don't know.

3                   **CHAIRWOMAN ACKERMAN:** Just out of  
4 curiosity, those are all of the people that have  
5 asked to speak to us. Is there anyone in the  
6 audience that did not -- come on up. If you're in  
7 the audience and you've not yet submitted an  
8 appearance slip but you want to address us, please  
9 do.

10                   And Kendall. Okey doke. All right.  
11 You're next.

12                   **MR. TRACY:** Okay. Good afternoon  
13 Commissioner, Staff members, and guests. My name is  
14 Matt Tracy. I serve on the board of directors of  
15 the Columbia Willamette Clean Cities Coalition and  
16 in the -- also the chair of the Oregon Natural Gas  
17 Vehicle Coalition, which is a subcommittee of the  
18 Columbia Willamette Clean Cities Coalition.

19                   I'm going to choose to -- to make my  
20 statement pretty brief today now that we're going to  
21 go into an extended period on this.

22                   But I wanted to touch on a couple of  
23 things. I've been involved in convening the  
24 discussions about natural gas fueling infrastructure  
25 for about five years now -- four-and-a-half, five

1 years.

2           And one of the things I wanted to bring to  
3 this Board, to the Commission's attention, is that  
4 four years ago when we were discussing the -- the  
5 lack of natural gas fueling infrastructure in the  
6 region, there were third-party fuel providers who  
7 were at the table and who had promised to the  
8 customers at that time that they would be deploying  
9 assets and deploying infrastructure in the region at  
10 a rapid rate.

11           Now, this is four years ago. I did a  
12 "back of the envelope" calculation, and I'm very  
13 familiar with the refuse and recycling hauling  
14 community and especially in the Portland  
15 metropolitan region, and my back-of-the-envelope  
16 calculation, it said if you had a 20 percent  
17 deployment of those vehicles four years ago, we  
18 would have realized a potential eight million dollar  
19 cost savings over that four year period of time.

20           Now those numbers are with full technology  
21 deployment, and I know that there's -- there are  
22 calculations that have to be embedded in those  
23 numbers to make it real, but at the same time, what  
24 we're talking about here is true cost savings which  
25 is a benefit to the Solidwaste utility rate payers

1 in the region and throughout the state of Oregon.

2           The second thing I'd like to touch on is  
3 that as part of the coalition we are really working  
4 closely with the partners that are here in Oregon  
5 that are deploying capital such as JC-Biomethane and  
6 Columbia Biogas in the development of renewable  
7 natural gas as a transportation fuel alternative.

8           Northwest Natural's advice is going to  
9 help us gain some traction and go forward with that  
10 process, and without their -- this advice taking  
11 place and without their ability to provide the high-  
12 pressure gas service in the form of the tariff, it's  
13 going to set us back potentially a few months, if  
14 not a few years. Because, as I said, we've been  
15 waiting for gas infrastructure to be built into the  
16 state over -- for the last four years.

17           Again, I'd also want to reiterate one  
18 other point. We have two liquid natural gas  
19 stations that are ready to operate assets here in  
20 the state of Oregon. One is in Central Point  
21 Oregon; the other one, I believe, is in Stansfield,  
22 Oregon. If -- these are significant investments by  
23 a third party fuel provider.

24           However, to the best of my knowledge, they  
25 -- they mean -- they have maintained a ready-to-

1 operate status and not dispensed a molecule of fuel  
2 for energy to any vehicles. Had that money been  
3 deployed in the Portland metropolitan region, I  
4 can't help but think that there would have been at  
5 least a return on the revenue and a return on  
6 investments that surpasses the zero that I see  
7 currently with those two particular deployments.

8           And those companies -- that particular  
9 company has those -- those deployments at about a  
10 million dollars apiece. Not generating any income.  
11 So we're having a hard time understanding how the  
12 competitive -- based on the lack of competition that  
13 the tariff will bring to a -- to an area that  
14 basically these folks have had all the opportunities  
15 to come in and develop a market in.

16           So. I'll just leave it at that.

17           **CHAIRWOMAN ACKERMAN:** Thank you, sir.

18           Mr. -- is it Birkheimer?

19           **MR. BIRKHEIMER:** Birkheimer, yes.

20           **CHAIRWOMAN ACKERMAN:** Birkheimer. Sure.

21           **MR. BIRKHEIMER:** Well, my name's Ian  
22 Birkheimer with TransEnergy Solutions. I'd like to  
23 thank the commissioners for allowing me the  
24 opportunity to supply some comments.

25           We very much support the -- the advice.

1 We do, however, have a few concerns with a utility  
2 being in this business what I think is being -- are  
3 being addressed by the comments from your Staff.

4           One is the cost subsidization. We feel  
5 that can -- that should -- should not be cross-  
6 subsidized by rate payers, and it's very important  
7 that this be done on a basis that is as competitive  
8 as possible within the marketplace.

9           We also feel that being able -- having it  
10 being fleet specific and quote, unquote, behind the  
11 fence rather than retail is of benefit. We see that  
12 -- we work with fleets and other -- other interested  
13 parties in alternative fuels throughout the Pacific  
14 Northwest and western Canada.

15           We've seen an array of deployments of  
16 natural gas here in Oregon. It's an extremely  
17 undeveloped marketplace for public -- public access  
18 CNG stations, while in Washington State, where the  
19 utility currently does not play a role, there's  
20 about seven. And in Utah, where the utility does  
21 play a role, there's about 22.

22           In the state of Utah, I believe there's --  
23 I know in Park City I believe the Top Spot -- Top  
24 Stop; Phillips in Ogden, Utah; Sinclair in Price,  
25 Utah. I believe those are all public -- publically



1 available, privately funded stations outside of  
2 Questar's deployment there.

3           So I think one of the things that also is  
4 very important for the marketplace right now is  
5 we're very early in this marketplace development.  
6 As alluded to, there's been a lot of discussion  
7 around the deployment of natural gas infrastructure  
8 in this state for the last four years with very  
9 little to see from it, so the current situation is  
10 not working.

11           One of the things also to alleviate some  
12 of the concerns possibly about Northwest Natural  
13 becoming an uncompetitive player, I will just give -  
14 - tell you a quick story about BC Gas. BC Gas back  
15 in the late '90s started to develop CNG stations and  
16 infrastructure to support deployment of natural gas  
17 in British Columbia. Many of those stations are  
18 still in existence today.

19           That part of the utility became very  
20 successful and caused -- and there was a lot of  
21 issues around the competitiveness as they became  
22 larger and larger. Interestingly enough, BC Utility  
23 -- BC Gas became Terasen Gas in 2003. That company  
24 actually became Clean Energy. So Clean Energy is --  
25 was birthed in the utility industry itself.

1           So we feel that there is definitely issues  
2 with a utility being involved. Cross-subsidization  
3 is an issue that we see could give them an  
4 uncompetitive -- or an unfair advantage.

5           But we also see and would ask that the  
6 Commission review this tariff on an ongoing basis,  
7 and I'm sure that -- that that would be part of your  
8 purview to see that it -- if it does have  
9 uncompetitive aspects to it, that it will be  
10 addressed as it goes in the future.

11           But in general today, with a state that is  
12 severely underdeveloped in compressed natural gas,  
13 we fully support it and look forward to a decision  
14 on this. Thank you.

15           **CHAIRWOMAN ACKERMAN:** Thank you so much.

16           **COMMISSIONER SAVAGE:** No -- no questions.

17           **CHAIRWOMAN ACKERMAN:** All right. Greg  
18 Stone.

19           **MR. STONE:** My name is Greg Stone,  
20 managing member for TechStar Energy located here in  
21 Oregon.

22           I've been in the Natural Gas industry now  
23 for about four years. My main -- my core business  
24 has been in the equipment side. I've been a  
25 supplier of equipment -- refurbished equipment --

1 distributing throughout the United States.

2 Up to this year we are constructing our  
3 first station, which, unfortunately isn't happening  
4 in the state of Oregon, it's happening in the state  
5 of Pennsylvania where there's been an incredible  
6 market development that's occurred over several  
7 years now with ample quality natural gas at  
8 competitive pricing.

9 It's provided that industry within the  
10 state an incredible economic upturn. The governor  
11 has taken part by providing legislature to further  
12 help that market by providing additional funding.  
13 The funding that could be missed out on if this goes  
14 on much longer. I do realize that you've given it  
15 30 days, but with tax year ending, there's an  
16 opportunity for a number of companies here to be  
17 competitively -- to a competitive advantage over  
18 others.

19 And as it turns out, I think the one point  
20 that is disappointing my being here today -- and  
21 I'll reserve most of my comments for that time -- is  
22 that there've been I think 11 people here that have  
23 sat here in support of this tariff and one that's  
24 come forward and said that they -- they're not in  
25 support of and they haven't had enough time to

1 determine if this is what they -- is what they --  
2 what they can work with.

3 Well, they've decided not to, and now  
4 we're waiting on them. And I feel like we've been  
5 waiting on them for four years. To be quite honest,  
6 four years ago, we had an expo for natural gas at --  
7 at the Expo Center in Portland. Clean Energy was  
8 there. They had sales representatives there. They  
9 provide a presentation and they, like some of the  
10 people before me, made promises for deployment and -  
11 - products.

12 Well, that's yet to really happen here in  
13 such a way that -- that the people in this room can  
14 be satisfied.

15 I am, obviously, in full support of what  
16 Northwest Natural is doing. Even as a developer, I  
17 don't feel like it's a competitive disadvantage. I  
18 think it's an advantage to everyone.

19 Every market has a number different levels  
20 to serve to. If you are -- if you're a large  
21 company, you're going to want to do business with  
22 other large companies and they depend on someone  
23 like Northwest Natural that can back what they say  
24 they're going to do.

25 Smaller business, they will also do

1 business with smaller companies as well because they  
2 like that how they can work together. There's  
3 flexibility there.

4 So, what I would tie this all down to is  
5 that Northwest Natural is easier to work with than  
6 just about anyone in the state with regards to this  
7 matter, and I hope that this is taken care of within  
8 the 30 days.

9 **COMMISSIONER SAVAGE:** No questions.

10 **CHAIRWOMAN ACKERMAN:** Thank you, sir.

11 **UNIDENTIFIED MALE:** It's --

12 **CHAIRWOMAN ACKERMAN:** Mr. Kendall.

13 **MR. KENDALL:** Hi, I'm Greg Kendall with  
14 Kendall Energy Consulting. I've evaluated the  
15 market, I've listened to the market, and I've  
16 reported on it, and from all of my conclusions, we  
17 need this to happen in Oregon.

18 I'm in full support of Northwest Natural  
19 putting this together and doing it. It's -- this is  
20 not a new technology. It's been around since the  
21 '90s. It makes sense for customers, it builds  
22 infrastructure for energy independence, and it's the  
23 only pathway to renewable RNG.

24 As a rate payer, as a consumer of goods, I  
25 think Oregon needs this and it needs to happen

1 quick. I appreciate you guys wanting to have an  
2 expedited system. The data's been done. My father,  
3 Mark Kendall, worked on this back in the '90s, and  
4 he did reports, analysis, programs, and it got us  
5 right here today.

6 Still don't have the system set up. This  
7 is an opportunity and the solution that the  
8 Commission needs to take advantage of for rate  
9 payers, for Oregonians, for cleaning up the  
10 environment.

11 **CHAIRWOMAN ACKERMAN:** Very good.

12 **MR. KENDALL:** So I would appreciate you  
13 guys to work through this as fast as possible and  
14 improve it.

15 **CHAIRWOMAN ACKERMAN:** Okay. Thank you.

16 **UNIDENTIFIED MALE:** Okay. No questions.

17 **UNIDENTIFIED MALE:** Nope.

18 **CHAIRWOMAN ACKERMAN:** I want to make a  
19 recommendation. I first of all wanted to thank  
20 everybody who's come to address us on this, and I  
21 apologize for the last minute glitch in the process.  
22 But it's not just a good idea, it's the law. We  
23 have to have a hearing. And we're going to have a  
24 hearing.

25 What I'd recommend is that everybody who's

1 interested in that stay with Judge Arlow and maybe  
2 pick a prehearing conference time which can be done  
3 by telephone. You don't need to travel all the way  
4 here for that.

5 And then pick -- pick a -- pick a date for  
6 the hearing.

7 **ALJ ARLOW:** Well, what I can do, then, in  
8 order to do that, I'd like to -- need to have the  
9 opportunity to take a look at your calendars to make  
10 sure that it's a date that works for you as well as  
11 for everyone who's an interested party.

12 **CHAIRWOMAN ACKERMAN:** Well, I was only  
13 asking you to pick the --ma'am -- pick the  
14 prehearing conference date.

15 **ALJ ARLOW:** Oh. But I had originally  
16 suggested that this Thursday might be a good date  
17 because we really would like to get out a public  
18 notice so that those who were not able to attend  
19 today would have an opportunity to know that the  
20 Thursday afternoon date would be possible.

21 And for those who wanted to attend it  
22 here, we do have this room available to us in the  
23 afternoon. I have another conference in the  
24 morning, but this room will be available in the  
25 afternoon on Thursday, and so I thought that might

1 be a good date to use.

2           **CHAIRWOMAN ACKERMAN:** And just one thing  
3 that I heard a couple of people mention. A couple  
4 of -- a couple of people mentioned was tax  
5 advantages that are available in this year but will  
6 end at the end of the tax year. And so I -- I don't  
7 know the law of that, but I'm going to assume that  
8 you'll take that into consideration --

9           **ALJ ARLOW:** I will --

10           **CHAIRWOMAN ACKERMAN:** -- in setting the  
11 schedule.

12           **ALJ ARLOW:** I will take that into  
13 consideration in setting the schedule. Absolutely.  
14 And obviously between now and the time we have the  
15 prehearing conference, I'll be checking with the  
16 commissioners to see if you have any additional  
17 questions or procedural matters you'd like me to  
18 address at the time of the prehearing conference.

19           **CHAIRWOMAN ACKERMAN:** I appreciate that.  
20 The last thing I would just say, I guess, is that I  
21 -- I would love it if all if you could come back for  
22 the hearing and I regret that you had to make two  
23 trips.

24           On the other hand, you have spoken today  
25 and I appreciate getting everybody's comments. It



1 is in our public meeting -- public meeting recording  
2 and so we'll be hearing it then.

3 **MR. WEIRICH:** Can we do this in a motion?

4 **CHAIRWOMAN ACKERMAN:** Pardon?

5 **MR. WEIRICH:** Is there a motion that  
6 you're going to vote on then?

7 **CHAIRWOMAN ACKERMAN:** I think the motion  
8 is that we will --

9 **(Cross-talk.)**

10 **MR. WEIRICH:** Well your options were to  
11 allow it to go in effect subject to refund --

12 **COMMISSIONER SAVAGE:** Okay, I'm --

13 **MR. WEIRICH:** -- or suspend and --

14 **COMMISSIONER SAVAGE:** -- hearing that --

15 **MR. WEIRICH:** -- investigate

16 **COMMISSIONER SAVAGE:** I'm hearing from the  
17 company that they're -- I don't know what -- how  
18 we're doing it, but there's nothing to move. No  
19 motion now because --

20 **MR. WEIRICH:** Well, I'm not so certain  
21 there's a tariff that's got a schedule going into  
22 effect November 1st.

23 **CHAIRWOMAN ACKERMAN:** Okay. So I think  
24 the motion is that we deny --

25 **UNIDENTIFIED MALE:** Well --

1           **COMMISSIONER SAVAGE:** Suspend and --

2           **CHAIRWOMAN ACKERMAN:** request --

3           **COMMISSIONER SAVAGE:** -- investigate

4           **CHAIRWOMAN ACKERMAN:** -- suspend. Suspend

5 it for now --

6           **UNIDENTIFIED MALE:** All right. Suspend

7 it. Fine.

8           **CHAIRWOMAN ACKERMAN:** Bring it back to  
9 life in another 30 days or following the conclusion  
10 of the process. And I think that's for both Item  
11 number 1 --

12           **UNIDENTIFIED MALE:** Yeah.

13           **CHAIRWOMAN ACKERMAN:** -- and Item number  
14 2, which includes the accounting order that you're  
15 looking for. Is that correct?

16           **UNIDENTIFIED SPEAKER:** Yeah.

17           **UNIDENTIFIED MALE:** They can be aligned.

18           **CHAIRWOMAN ACKERMAN:** Okay.

19           **COMMISSIONER BLOOM:** What -- Mike, would  
20 it be better for Northwest to ask that it be  
21 suspended or is this something that we should  
22 suspend?

23           **MR. WEIRICH:** No, you can do it on your  
24 own motion.

25           **COMMISSIONER BLOOM:** I would second that.

1           **COMMISSIONER SAVAGE:** Yeah.

2           **CHAIRWOMAN ACKERMAN:** It carries. Does  
3 everyone understand what we're doing now? It's been  
4 a bit of a disjointed hearing, but I think as long  
5 as you understand, Al, what we're doing.

6           **ALJ ARLOW:** We'll suspend -- there is no  
7 minimum time that we have to suspend it until we can  
8 --

9           **UNIDENTIFIED MALE:** Correct.

10          **ALJ ARLOW:** -- suspend it assuming that  
11 the proceeding is going to take less than six months  
12 --

13          **CHAIRWOMAN ACKERMAN:** Right.

14          **ALJ ARLOW:** -- which obviously is the  
15 intention of the Commission. We can have it just  
16 suspended until such time as we've completed the  
17 procedures necessary to satisfy --

18          **UNIDENTIFIED MALE:** Right.

19          **ALJ ARLOW:** -- the Commission so that  
20 they're in position to have a decision meeting and  
21 reach a conclusion.

22          **CHAIRWOMAN ACKERMAN:** Very good. Thank  
23 you, Judge Arlow.

24          **ALJ ARLOW:** Thank you all.

25          **CHAIRWOMAN ACKERMAN:** There's nothing

1 else. We are -- one last question -- one last  
2 request for public comment on anything not on this  
3 regular agenda?

4           Hearing none, we are adjourned. Thank you  
5 everybody.

6           **(Whereupon the meeting concluded.)**

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**NWN/202**

**Witness: Barbara Summers**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 266**

**NW NATURAL**

**Exhibit Accompanying Direct Testimony of Barbara Summers**

**November 2013**

Tasks		Personnel	Provided To	Estimated Cost	Cost Recovery From HPGS Customer
1	Customer Service – general info about HPGS	Major Accounts Service Team ( <b>not general call center</b> )	Any customer or non-customer interested in HPGS	\$1,240 / \$1,580 total per year. *\$46 / \$58 per customer per year.	Schedule H Administrative Services Charge
2	Feasibility Study, including site assessment and Review of Contract Stages and Requirements	Major Accounts Service Team; Possible Engineering	Customer, after request and signing Feasibility Agreement	*\$1,236 / \$1,570 per customer one-time cost *\$125 / \$157 per customer per year over 10 year contract	Schedule H Administrative Services Charge.
3	Site Design & Permit Evaluation	Major Accounts Engineering Legal	Customer, after signing Site Design and Permit Evaluation Agreement	~\$30,000 per customer	Schedule H Monthly Facilities Charge. (If customer does not proceed with HPGS, costs billed to customer.)
4	Distribution System Design	Engineering	Customer, after signing Site Design and Permit Evaluation Agreement or upon request for Service (if alternative provider)		Schedule X
5	Credit Evaluation	Credit	Customer, after signing Site Design and Permit Evaluation Agreement	*\$586 / \$744 per customer per year	Schedule H Administrative Services Charge
6	Customer Contract and Site Lease	Legal, Major Accounts	Customer, after signing Site Design and Permit Evaluation Agreement	*\$1,568 / \$1,999 per customer per year	Schedule H Administrative Services Charge
7	Billing	MAS Billing, MAST, System Opps Info. System	Customer, after signing HPGS Contract	*\$1,427 / \$1,817 per customer per year	Schedule H Administrative Services Charge
8	Warehousing & Inventory Mgmt of Spare Parts	NWN Stores Management	Customer, after signing HPGS Contract	*\$247 / \$315 per customer per year	Schedule H Administrative Services Charge
9	Monitoring & Dispatch	Eq Vendor / Engineering	Customer, after signing HPGS Contract	*\$495 / \$629 per customer per year	Schedule H Administrative Services Charge
10	Management Review	Program Manager	Customer, after signing HPGS Contract	*\$1,235 / \$1,575 per customer per year	Schedule H Administrative Services Charge
11	Equipment Installation	Engineering supported by Equipment Vendor	Customer, after signing HPGS Contract		Schedule H Monthly Facilities Charge
12	Legal, Technical and Customer Support	Engineering, Legal Program Management Rates, Credit	Customer, after signing HPGS Contract	~\$3,000 per customer	Schedule H Monthly Facilities Charge
13	Scheduled Maintenance	Eq Vendor / Engineering	Customer, after signing HPGS Contract	~\$80,000 per customer per year	Schedule H Scheduled Maintenance
14	Unscheduled Maintenance, Back-up service, System removal	Eq Vendor, Engineering	Customer, after signing HPGS Contract	Billed at cost	Schedule H Unscheduled Maintenance
15	On-Site Equipment		Customer, after signing HPGS Contract		Schedule H
16	System Removal	Engineering	Customer, after signing HPGS Contract		Schedule H

\*Shows amount with loaded payroll only / amount including corporate overhead

**Total Administrative Services Costs = \$6,885 (loaded payroll) or \$8,757 (including corporate overhead)**