



MEASURE: HB 3632
EXHIBIT: Y
HOUSE REVENUE COMMITTEE
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SUBMITTED BY: JOE WESTBY

HB 3632

House Revenue Committee
April 25, 2011

Co-Chairs and Members of the Committee:

As part of the propane contingent of witnesses, I testified before your committee this morning on HB 3632 (relating to compressed natural gas), and this letter is a follow up to some of the questions that were asked.

I was asked the question by Representative Cliff Bentz about the cost of propane as it compares to that of natural gas. He said that the gas price he saw on the street for propane was posted at the \$3.07 mark and that the price he was quoted by NW Natural was around \$1.50 a gallon down in Medford, Oregon.

- The price per gallon that Representative Bentz saw was from a service station that "resells" propane to the customer at the street level. This "reseller", as we call them, typically sets their pricing point at a rate that accommodates the filling of small propane cylinders, usually used for BBQ or recreational (RV) type of applications. They are not necessarily setting their prices to accommodate autogas. In fact, many gas stations just offer bottle fill and RV fill only
- Autogas customers can usually purchase propane directly from many dealers throughout the state at discounted rates since the fill is typically larger than that of a smaller BBQ bottle.
- Fleet customers with larger facilities and vehicle counts often qualify for even larger discounts due to the amount of product that they purchase. The Portland School District, for example, utilizes an 18,000 gallon, above-ground tank and receives full truck load deliveries of 9,000 gallons or more. Their price is set at an agreed-upon margin over a local refinery posting. Without going into detail on the equation, I can tell you that the price of autogas today for the Portland School District is running at less than \$1.60 per gallon.

I hope this clarifies some of the confusion on the rate amount that Representative Bentz was concerned with this morning. Propane is a versatile fuel used in a number of different applications, and is sold by different kinds of vendors. There will often be a difference between what is offered by a second party vendor (gas station) and also for other applications (bottle fills, home heating tanks, etc.) in which the price point is different because of service demands, vs. the bulk purchase prices that dealers can offer fleet customers.

It is best to compare apples to apples – in this case, **fleet** price offered to natural gas customers to **fleet** price offered to propane customers by dealers, not some other application such as home heating fuel or bottle fills from a reseller.



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As I mentioned earlier, the end user can draw from the competitive nature of the propane market. Today you saw a large propane company, an independent regional company, and a small business propane dealer in our propane panel of witnesses. Competition between many different marketers always provides plenty of healthy choices for consumers throughout the state. If a customer is dissatisfied with the safety, service or price of product from one supplier, then they often have the ability to change to a new supplier.

In the case of the Portland School District, the account goes up for a bid process every few years in an effort to keep the pricing as competitive as possible. Once a fleet is switched over to natural gas, there are very limited (one?) choices for the provider that will service that account. Any changes going forward from that point on will be an expensive proposition to say the least. Having the right to choose is what will keep the alternative fuel market moving forward on all fronts.

Thank you again for your time and consideration during this morning's hearing. I appreciate the chance to speak before the committee and once again restate my opinion of HB 3632. It's too narrow for what it's trying to accomplish. I am opposed to HB 3632 as written, and I urge you to instead consider legislation that promotes all alternative fuels, including propane autogas.

Thank you for your time.

Joe Westby
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