



February 16, 2015

Senate Business and Transportation Committee
Re: **Opposition to SB 32 - Natural Gas Expansion**

Mr. Chair and Members of the Committee:

I am Joe Westby, President of the Pacific Propane Gas Association (PPGA). I work for Ferrellgas Propane in Oregon. On behalf of the association and my company, I am here to oppose Senate Bill 32.

For over 100 years, propane has been a consistent, reliable and affordable source of energy in Oregon and the rest of our country. During that time, propane has become a primary energy source to heat homes in rural areas. Then as now, propane companies service every county in Oregon.

We currently serve a number of small towns in rural Oregon – propane is not just in the “boonies” – to heat homes and other reasons. Expansion of natural gas would threaten our business to a real degree. SB 32 seriously threatens the livelihood of my company and the jobs of my employees, along with the many other propane companies in the state of Oregon and their industry employees. We are an industry that contributes over \$238 million dollars per year to the Oregon economy, including both direct and indirect economic effects.

Asking the state through the Public Utility Commission (PUC) to help a big utility in its marketing efforts is just not fair to competitors of natural gas, especially propane.

Let me state very clearly that the propane industry is pro-natural gas. Much of the propane that my customers and propane customers across Oregon use comes directly from natural gas production. The ongoing production of natural gas means an increased production of propane nationwide. These are terrific moves for Oregon and our nation for our collective energy security.

First and foremost, natural gas utilities in our state already have the ability to expand their natural gas lines to rural Oregon. In fact, the natural gas utilities are already expanding to areas where there are propane customers and the utilities have been doing so for quite some time. Like any business, if it is cost effective for them to expand, then they should do so. However, when it is not cost effective to do something, then it should not be done.

Unfortunately, SB 32 may lead to enabling natural gas utilities to expand in areas where it is not cost effective by requiring all their existing utility customers to bear the expansion costs for the benefit of a few. The reason for this legislation is that, clearly, expanding natural gas lines to all parts of Oregon cannot be done effectively unless it is subsidized for the natural gas companies. Existing customers will receive no benefits from the addition of new customers, yet many may be forced to pay for the subsidized expansions. PPGA absolutely opposes any and all subsidized expansion of natural gas.

The proposed subsidized expansion of natural gas lines may allow utilities to use the resources of its captive customer base to make below-market natural gas service available to new customers that already have competitive choices, and to compete unfairly with other sources of energy. It also results in the utility under-pricing the cost of providing service to new customers. If it economically makes sense for natural gas companies to expand, they should do it. If it does not make economic sense, then it should not be done.

PPGA has never come to the legislature and asked them to pass legislation to expand our customer base. It is disappointing that the major utilities that already have 80% of all customers think they should get special treatment so they can get more customers at the expense of Oregon’s small businesses who sell propane. We have always just asked for a fair playing field—not special treatment.

Natural gas may be less expensive than propane, but the reason the utilities are asking for ratepayer subsidization of infrastructure is because their infrastructure costs are so much more expensive. PPGA asks the committee to keep those costs in mind. This is much more complicated than just the price of natural gas vs the price of propane. Consumers may need to pay for hook up costs to natural gas. Those hookup costs can range in the thousands if not tens of thousands of dollars. According to the American Gas Association, a home a mile from a gas line can see pipeline costs of nearly a million dollars.

Additionally, what about the new appliances or other costs associated with retrofitting the home? Those costs can also be in the thousands. Financially, what about current natural gas low income customers who may see an increase in their utility bill to pay for this subsidization? This gets back to the basic point that such expansion doesn’t make economic sense or the natural gas utilities would already be doing it.

PPGA is opposed to major investor owned utilities getting special treatment by the government at the peril of our own businesses and the potential of being able to have their current customers pay for infrastructure projects that the utility company itself should be paying for.

In addition, no one who would be hurt by this bill would be appointed to serve on the task force.

Thank you for your attention! I’m happy to answer any questions.

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