



8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-9803
www.cngc.com

April 17, 2014

Mr. Steven King
Executive Director and Secretary
Washington Utilities & Transportation Commission
PO Box 47250
Olympia, WA 98504-7250

Re: **Docket UG-140525, Investigation on Compressed Natural Gas for Fueling Natural Gas Powered Vehicles**

Dear Mr. King:

Cascade Natural Gas Corporation (Cascade) appreciates the opportunity to supply comments regarding the topic of compressed natural gas powered vehicles.

1. What are the benefits to Washington State of widespread availability of compressed natural gas services for transportation?

The current and future abundance of natural gas means a cheaper and cleaner burning fuel as compared to gasoline and diesel. Natural gas should also be the fuel of choice for vehicles over electric vehicles simply from the standpoint of direct use of natural gas versus the incremental electricity which would most likely need to be supplied by natural gas fired generation. Therefore, Washington State would benefit both economically and environmentally by providing opportunities to choose natural gas as the fuel for vehicles.

2. What are the benefits to utility ratepayers if the Commission approves a utility tariff for gas compression service, and if so, what are those ratepayer benefits?

One benefit is, assuming the utility is only providing distribution service under existing tariffs, the margins from such service would help spread common cost recovery over a larger base (economies of scale). Another benefit to be gained is the utility would provide a specific service requiring a separate tariff. If this occurs, all economic factors such as upfront costs, projected revenues, pay back periods, public interest, risk, etc. would be projected to show a reasonable expectation of existing ratepayers being held harmless in the long run.

3. What are the risks to ratepayers, if any?

In the Community to Serve®

If investment is involved by the utility, then there could be rate pressures in the early years. If projections didn't come to fruition or if market conditions changed over time, the economic analysis could change. However, these risks are present in any investment currently when adding customers.

4. Is the existing gas compression market potentially competitive? If so, how is the market benefited or harmed if a regulated utility provides service through its tariff?

No. Cascade believes that for a fully competitive market place to exist, customers need to have choices and options. The existing market is simply not there yet. The potential exists to have a fully functioning market; however, the market is only in its infancy and any barriers that can be removed to encourage more participants in the market only helps foster growth to a fully functioning competitive market.

One of the Commission's roles is to act as a surrogate for competition and evaluate when such markets are competitive and re-evaluate the need for regulation.

5. What would be the advantages or disadvantages to the market if a utility provides gas compression service as an unregulated subsidiary buying its gas from its regulated operation via an affiliate transaction?

Cascade sees a disadvantage to the market by using an unregulated subsidiary approach as slowing down the fully competitive market transition. Prices, rates, and costs are all considerations of entrance into the market and thus create risk; particularly if a customer base is in a fledgling state as well. A regulated approach allows for more certainty and allows the market to develop plus levels the playing field for all entrants into the market.

6. What constraints exist in developing NGV infrastructure – both nationwide and in Washington?

The chicken and the egg syndrome exists. Infrastructure must be built to supply vehicles and yet vehicles won't be built until infrastructure exists. Using regulation for the benefit of existing ratepayers and all of Washington State to bridge the gap until a fully functional competitive market exists helps meet the state's goals of a clean, efficient state.

7. What are the appropriate private sector, utility and commission roles in fostering the economic development and the expansion of the necessary infrastructure?

Cascade believes that all must work together to obtain the ultimate goal of a fully functioning competitive market in order to provide a clean, reliable, and economic fuel to the transportation system. Cascade's view is that the private sector will require more vehicles in place to add infrastructure to support the vehicles. The utilities, along with Commission support, can possibly help bridge the gap and foster the transition to a functioning market.

Again, Cascade appreciates the opportunity to provide these comments. If you have any questions regarding these comments, please contact me at (509)734-4593 or at michael.parvinen@cngc.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Pa", with a long horizontal flourish extending to the right.

Michael Parvinen
Director, Regulatory Affairs