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UG-__ – Vancouver District Office

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1 **I. Introduction**

2 **Q. Please state your names and positions at NW Natural.**

3 A. My name is Sandra K. Hart. I am employed by NW Natural (NW Natural or
4 company) as Manager of the Risk Environment and Land Department. My
5 qualifications appear in Part VI of this testimony.

6 My name is Scott A. Milam. I am employed by NW Natural as Manager
7 of the Clark County Service Center. My qualifications appear in Part VI of this
8 testimony.

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

10 A. Our testimony supports NW Natural's decision to acquire property and construct
11 a new district office in Vancouver, Washington. Specifically, we explain the
12 background for the company's decision, the alternatives we considered, our site
13 selection process, and the operational changes that will occur when the new
14 facility is in service in July 2004. We discuss the expected costs associated with
15 the district office, and we detail the cost-savings features of the new location and
16 the advantages it will provide in serving NW Natural's customers throughout
17 southwest Washington.

18 **II. Background and History**

19 **Q. How has the company provided service to southwest Washington customers
20 in the past?**

21 A. NW Natural first moved its Washington operations into Clark County six years
22 ago, to the Hazel Dell location, where the Vancouver service center is presently
23 operated. For the last six years, the locally provided operations have been limited

1 to the resources that would physically fit into the grounds of the Hazel Dell site.
2 The resources grew from five construction crews (approximately sixteen workers)
3 to eight crews (approximately twenty-two workers) over the past six years. Yet,
4 this is only the resource necessary to manage fifty percent of the total construction
5 work performed within Clark County; the remaining workforce comes from the
6 Portland area service centers. In addition, we maintain an average of twenty-five
7 percent dependence upon construction contractors to help with excess work loads
8 during very busy seasons.

9 **Q. What led to NW Natural's decision to discontinue use of the Hazel Dell**
10 **location?**

11 A. In 1998, C-Tran contacted NW Natural to discuss their interest in the company's
12 existing service center facility. C-Tran had hired a consultant, The JD White
13 Company, Inc., to prepare a Park-and-Ride Site Selection Study. A travelshed-
14 wide inventory selected 25 sites in the Interstate 5 corridor. The company's site
15 was listed as the "Number One" site out of the 25. On July 26, 2000, NW Natural
16 received a "Letter of Just Compensation" that notified the company of C-Tran's
17 intent to purchase the property. *See, Exhibit No. ____ (SKH/SAM-2)*. The letter
18 also stated that if NW Natural decided to reject C-Tran's offer that C-Tran, acting
19 in the public's interest, could exercise its right of eminent domain to acquire the
20 property for public use. NW Natural sold the property to C-Tran on December
21 19, 2001. At that time, C-Tran was not ready to move forward with their
22 construction plans and agreed to lease the property to NW Natural in order to give
23 the company time to investigate its options.

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III. Alternatives Considered

Q. Did NW Natural consider other alternatives besides purchasing property and constructing a new district office?

A. Yes, we did. We investigated leasing another site in Clark County, and we considered moving our Washington operations back into Portland, Oregon.

Q. Why did the company decide not to lease the district office property?

A. NW Natural eliminated the leasing option because the company could not identify a suitable site. Fully operational district offices have very specific site and building requirements in order to function at an optimal level. This includes such items as garage, fueling, and washing facilities, storage areas and storerooms, and excellent communication capability. The company was unable to locate a site in the Vancouver area that met these requirements.

Q. Why was it not feasible to transfer the Washington customer service functions to Portland?

A. Moving the Washington operation group to Oregon was not feasible for several reasons. First, eliminating the Vancouver district office would have been, at best, a short-term solution, because Vancouver is the company's fastest growing service territory. Second, the distance that would be required for crews in Portland to travel to job sites in Vancouver would cause unacceptable levels of downtime, exacerbated by the fact that there are only two bridges and two heavily-traveled freeways connecting the two cities. Third, and most significant, the travel time and access issues are of critical concern for emergency response. The company must be able to respond immediately to emergency situations. In a

1 large disaster scenario, such as an earthquake, the company might not even be
2 able to reach Vancouver customers if crews were located in Portland. Our
3 Washington district operation will become the company's Emergency Operations
4 Center for Washington, and this is a crucial component of our service to
5 Washington customers.

6 **IV. Site Selection and Operations**

7 **Q. How did the company select the site to be purchased for the new district**
8 **office?**

9 A. The company reviewed 43 potential sites, using the following set of exclusion
10 criteria: lack of proximity to general work areas, poor location to freeway access,
11 wrong size or shape, traffic issues, or inconsistent land use in the surrounding
12 area. Twenty-seven sites were excluded under these criteria without a site visit,
13 using map data and general site information. The remaining 16 sites were
14 evaluated visually; 13 were excluded under the criteria. This narrowed the choice
15 to three locations. Of those three, one was not for sale, and another had
16 restrictions put on it by the current owner who wanted to develop a partnership
17 and joint use of the property. The company purchased the remaining property.

18 **Q. Is NW Natural satisfied with the location of the new property?**

19 A. Yes. The current service center, at Hazel Dell, is located on the west side of
20 Interstate 5 at the intersection of Northeast 99th Street. The new facility location,
21 at 9013 Northeast 72nd Avenue, Vancouver, was selected to place our field
22 employees in the center of the Clark County service territory and, therefore,
23 shorten the commute time to and among customers and facilities. Unlike the

1 Hazel Dell location, the new location is also situated toward the eastern part of
2 Vancouver, which is NW Natural's highest growth area.

3 **Q. Is NW Natural satisfied with the size of the property?**

4 A. Yes, although the total parcel size is larger than we originally planned. We
5 purchased the first parcel at that location and then learned that Clark County site
6 preparation requirements mandated installation of an expensive underground
7 storm drainage system for that parcel. That system would have cost about
8 \$370,000. For about the same amount of money, we were able to purchase an
9 adjacent parcel, an expansion which had the dual benefits of requiring a much less
10 costly drainage system and also allowing us to plan for growth, as I explain in
11 more detail below.

12 **Q. What are NW Natural's goals in designing the new facility?**

13 A. The company's primary concern has been planning for growth in its southwest
14 Washington operations. The selection of the site and the design of the new
15 building and yard allow for expansion, both in the near- and long-term future.
16 Clark County and the City of Vancouver are successfully managing and planning
17 for the growth of southwest Washington. According to their projections, those
18 local governments believe that Vancouver could become the second largest city
19 within the State. In planning for NW Natural's future, we have prepared
20 ourselves to accommodate the continued growth of our plant and customer base
21 for the long run. From the new district office, we can serve our southwest
22 Washington customers more effectively, efficiently, and safely.

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1 **Q. When will the new district office become operational?**

2 A. The expected in-service date is July 1, 2004.

3 **Q. What district office operations will be performed at the new facility?**

4 A. District office functions will include the following: Emergency Response,
5 Pipeline/Plant Construction, Pipeline/Plant Maintenance, Pipeline/Plant Safety
6 Compliance, Customer Equipment Services (residential service calls),
7 Commercial/Industrial Service, Field Data (locating and construction stand-by),
8 Residential/Commercial Construction Estimating, Engineering Functions, and
9 Consumer Services and Promotions. The new district office will serve as the
10 Washington Emergency Operations Center. In short, we expect to be capable of
11 handling virtually all functions necessary to meet Washington customers' needs
12 locally from the new district office location.

13 **Q. Are these functions different from those currently provided at the Hazel Dell**
14 **facility?**

15 A. Essentially, no. Functionally, we will perform the exact daily work and services
16 that we have always performed. However, because of the size limitations at the
17 Hazel Dell location, we perform many of the functions described above either
18 wholly or partially with crews from the Portland area — including Emergency
19 Response, Pipeline/Plant Construction, Pipeline/Plant Safety Compliance,
20 Customer Equipment Services (residential service calls), Commercial/Industrial
21 Service, and Field Data (locating and construction stand-by). Once the new
22 district office is operational, we expect to handle all of these functions locally.

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V. Costs

Q. What is the expected cost of the new district office?

A. The total estimated cost of the new facility is \$8,045,197. The associated revenue requirement, which is calculated including offsets against that amount, is set forth in Kevin McVay’s Test Period & Adjustments testimony, *Exhibit No. ____ (KSM-1)*.

Q. What are the major items included in this cost estimate?

A. Major components of the estimate can be summarized as follows:

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|---|-------------|
| Land | \$1,386,220 |
| Construction (including contingency) | \$4,944,564 |
| Communications tower | \$225,000 |
| Fuel tank, security system, furnishings | \$358,365 |
| Taxes (B&O, sales) | \$456,048 |
| Clark County site requirements | \$675,000 |

Q. How does this estimate compare with the company’s original cost projections for the facility?

A. The estimate is approximately \$1.5 to \$2 million higher than anticipated. Basically, the extra cost is attributable to Clark County’s somewhat stringent site preparation requirements, which for the most part consist of recently enacted environmental and land use controls written to comply with federal and state mandates. Those additional cost items can be summarized as follows:

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| Street improvements (one-half) | \$155,000 |
| Traffic signal | \$195,000 |
| Fuel station canopy | \$155,000 |
| Cement soil amendment | \$300,000 |
| Taxes (B&O, sales) | \$456,048 |
| County-required site work | \$300,000 |
| Permits and professional fees | \$240,000 |

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2 **Q. What costs does the company expect to save through the new facility's**
3 **greater operational capabilities?**

4 A. The biggest area of savings, as discussed above, will be realized through
5 decreased dependence upon crews and workers from the Portland area.
6 Considering the number of employees that will work in the Vancouver area once
7 the new district office is operational, we will easily eliminate between 15 and 25
8 man hours per day in “windshield time” — time that Portland area employees
9 now spend commuting from their existing center locations to the various work
10 locations each day around Clark County. Some Clark County work locations are
11 along the Columbia River and near the bridges, but the largest areas of growth are
12 east of Interstate 205 and north of State Highway 500. Reaching these areas
13 currently requires an average one-way commute of 30 minutes for each employee.

14 We will see specific, quantifiable costs savings in several areas. For
15 example, daily fueling costs at the new facility should drop from \$165 to \$60, for
16 a monthly savings of \$2,205. Our on-site equipment washing capability will save
17 us \$300 per month, and our on-site mechanical work capability, for equipment
18 and truck maintenance, will save \$139 per month. Taken together, these items
19 will save us \$2644 per month, for an annual costs savings of \$31,728.

1 engineering, consumer services, promotions, maintenance, and civic
2 responsibilities.

3 **Q. Witness Sandra Hart, have you testified in a regulatory proceeding before?**

4 A. Yes. I have testified before the Oregon Public Utility Commission.

5 **Q. Witness Scott Milam, have you testified in a regulatory proceeding before?**

6 A. Yes. I have testified before the Washington Utilities and Transportation
7 Commission and the Oregon Public Utility Commission.

8 **Q. Does this conclude your joint direct testimony?**

9 A. Yes.