

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

NORTHWEST NATURAL GAS
COMPANY,

Respondent.

DOCKET UG-200994

DOCKET UG-200995

DOCKET UG-200996

DOCKET UG-210085

NORTHWEST NATURAL GAS COMPANY

Direct Testimony of Wayne K. Pipes

YEAR TWO OPERATIONS FACILITY CAPITAL PROJECT

Exh. WKP-6T

December 2, 2022

DIRECT TESTIMONY OF WAYNE K. PIPES

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1 **I. INTRODUCTION AND SUMMARY**

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

4 A. My name is Wayne K. Pipes. I am the Director of Facilities, Security and Emergency
5 Management for NW Natural. In this role I am responsible for facilities, planning and
6 management of real estate, construction, capital projects, maintenance, security and
7 emergency management activities for NW Natural.

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

9 A. I have over 42 years of facilities management and construction experience. I have been
10 employed at NW Natural since 2014. Before assuming my current position at NW
11 Natural in 2014, I worked for New Seasons for a year as Director of Design,
12 Construction, and Facilities Management. I also worked for Knowledge Universe for
13 15 years as Vice President of Facilities and Development, and for Red Lion Hotels for
14 17 years as Senior Director of Facilities Management.

15 **Q. Have you previously filed testimony in Docket UG-200994?**

16 A. Yes. I filed confidential Direct Testimony as Exhibit WKP-1CT and its associated
17 Exhibits WKP-2 through WKP-5 as part of the Company’s initial filing in its rate case
18 Docket UG-200994, made on December 18, 2020 (“Initial Filing”).

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

20 A. The purpose of my testimony is to present evidence sufficient to demonstrate the
21 prudence of the Year Two operations facility capital project listed in paragraph 10 of
22 the Full Multi-Party Settlement Agreement (“Agreement”) (and its Attachment 1), filed
23 with the Washington Utilities and Transportation Commission (“Commission”) on July

1 27, 2021, and approved by the Commission in Order 05 issued in Dockets UG-200994,
2 UG-200995, UG-200996 and UG-210085 on October 21, 2021.

3 **Q. What is the Year Two operations facility capital project in the Agreement?**

4 A. The Year Two operations facility capital project in the Agreement is:

- 5
 - The Vancouver Resource Center Project – Phase 2

6 **Q. Did the Vancouver Resource Center Project – Phase 2 go in service prior to**
7 **November 1, 2022, the rate effective date for Year Two?**

8 A. Yes. The actual in-service date of the Vancouver Resource Center Project – Phase 2
9 was August 26, 2022, and it is used and useful.

10 **Q. What evidence of the prudence of the Vancouver Resource Center Project – Phase**
11 **2 are you providing in your testimony?**

12 A. In accordance with paragraph 14 of the Agreement, I am providing evidence regarding
13 any changes to the project and related costs, including but not limited to:

- 14
 - a. The justification for the project, including supporting information;
 - 15 b. Actual in-service date;
 - 16 c. Actual final cost, as well as explanations for significant cost variances;
 - 17 d. Any changes to the project itself (for example, deviations from the scope
18 and descriptions provided in the Company's Initial Filing);
 - 19 e. Evidence that any cost overruns and the decision to continue to invest in the
20 project under any relevant changed circumstances was prudent; and
 - 21 f. Updated information on offsetting factors presented in this case.

1 **II. YEAR TWO OPERATIONS FACILITY CAPITAL PROJECT**

2 **A. Vancouver Resource Center Project – Phase 2**

3 **Q. Please provide the justification for the Vancouver Resource Center Project –**
4 **Phase 2, including supporting information.**

5 A. The Vancouver Resource Center is the base for the Company’s field operations in Clark
6 County. It is the Company’s only facility located in Washington State—and the only
7 facility located north of the Columbia River—and is therefore strategically important
8 for the Company’s operations and business continuity planning, especially to respond
9 to a major disaster. The Vancouver Resource Center Project had two phases. Phase 1,
10 completed in December 2020, included retrofitting the office and warehouse space.
11 Phase 2 included numerous improvements to the yard and outbuildings, such as new
12 vehicle garages, a fueling station, new storage structures, truck wash system, truck
13 scale and decant system, to ensure operational functionality and to support ongoing
14 Company operations in a safe and efficient manner. I described each of the Phase 2
15 improvements in greater detail on pages 52-54 of my Direct Testimony filed in Docket
16 No. UG-200994, Exh. WKP-1CT. Exhibit WKP-7 are pictures of the Vancouver
17 Resource Center Project – Phase 2.

18 **Q. What was the actual final cost of the Vancouver Resource Center Project – Phase**
19 **2, compared with the Company’s cost estimate provided in its Initial Filing?**

20 A. The actual final cost of the Vancouver Resource Center Project – Phase 2 was \$6.3
21 million at the end of October 2022. I provided the actual final cost of the Vancouver
22 Resource Center project – Phase 2 to Company witness Kyle T. Walker, who is
23 presenting Direct Testimony (Exh. KTW-10T) on the revenue requirement increase for

1 Year Two. In its Initial Filing, the Company's cost estimate for the Vancouver
2 Resource Center Project – Phase 2 was \$4.7 million.

3 **Q. Please explain the cost variance between the estimate provided in the Company's**
4 **Initial Filing and the actual final cost of the Vancouver Resource Center Project**
5 **– Phase 2.**

6 A. The cost variance between the estimate provided in the Company's Initial Filing and
7 the actual final cost of the Vancouver Resource Center Project – Phase 2 was mostly
8 caused by increased materials and construction costs from inflationary pressures
9 experienced across the industry. However, it is important to note, that prior to
10 construction of the Phase 2, the Company did use a competitive bidding process to
11 ensure the lowest possible cost resources were being utilized for this project.

12 **Q. Were there any notable changes to the Vancouver Resource Center Project –**
13 **Phase 2 from its description in the Initial Filing?**

14 A. No.

15 **Q. Despite the cost increase, did the Vancouver Resource Center Project – Phase 2**
16 **continue to be prudent?**

17 A. Yes. In 2020, the Company decided to proceed with the Vancouver Resource Center
18 Project, and to complete it in two phases in order to mitigate the increase in rates
19 associated with this project over two different rate changes. As I explained above, after
20 retrofitting the resource center, the Company needed to make improvements to the yard
21 to ensure operational functionality and to support ongoing Company operations in a
22 safe and efficient manner. Despite the market driven cost increases, Phase 2 was a
23 successful project that is now being utilized by our Vancouver Resource Center

1 employees, and the decision to phase the project was in the best interest of our
2 customers.

3 **Q. Are there any offsetting factors associated with the Vancouver Resource Center**
4 **Project – Phase 2?**

5 A. No. As a retrofit of the yard and outbuildings, the Vancouver Resource Center Project
6 – Phase 2 does not result in any savings or offsetting revenues.

7 **Q. Does this conclude your Direct Testimony?**

8 A. Yes.

9

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III. LIST OF EXHIBITS

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Exh. WKP-7 Pictures of Vancouver Resource Center Project – Phase 2