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August 6, 2018

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High Street SE Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**Re: UG 344: NW Natural's Application for a General Rate Revision  
Partial Stipulation**

Attached for filing in the above-referenced docket is the partial stipulation entered into between Northwest Natural Gas Company, Commission Staff, the Alliance of Western Energy Consumers, and the Oregon Citizens' Utility Board. The parties plan to file supporting testimony in the coming weeks.

Please address correspondence on this matter to me with copies to the following:

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Public Utility Commission of Oregon  
UG 344 – Partial Stipulation  
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Please feel free to contact me with any questions.

Sincerely,

NW NATURAL

*/s/ Zachary D. Kravitz*

Zachary D. Kravitz  
Associate Counsel

Northwest Natural Gas Company

enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 344**

In the Matter of  
NW NATURAL GAS COMPANY D/B/A NW NATURAL  
Application for a General Rate Revision.

**STIPULATION**

**INTRODUCTION**

1           The purpose of this Stipulation is to resolve issues among NW Natural Gas Company  
2 d/b/a NW Natural (NW Natural or the Company), Staff of the Public Utility Commission of  
3 Oregon (Staff), Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy  
4 Consumers (AWEC) (collectively, the Stipulating Parties) in Docket No. UG 344, NW Natural's  
5 Application for a General Rate Revision. The Stipulating Parties are the only parties to this  
6 proceeding, and they expect this Stipulation to resolve all the issues raised in this docket with  
7 the exception of issues related to the Company's pension balancing account, sharing of  
8 revenues produced by optimization of certain NW Natural assets and the Company's  
9 Interstate Storage operations, and the impact of the 2017 federal Tax Cuts and Jobs Act on  
10 the Company's accumulated deferred income tax and the Company's tax expense during the  
11 time period leading up to the rate effective date. These remaining issues continue to be  
12 litigated by the Stipulated Parties.

**BACKGROUND**

13           On December 29, 2017, NW Natural filed a request for a general rate increase and  
14 revised tariff sheets to become effective November 1, 2018 (the Initial Filing). The Company's  
15 Initial Filing requested a revision to customer rates that would increase the Company's annual  
16 Oregon jurisdictional revenues by \$52.4 million (or \$40.38 million after the adjustment for

1 decoupling is considered), or an approximately 8.3 percent over current customer rates.  
2 Administrative Law Judge Allan J. Arlow convened a prehearing conference on February 1,  
3 2018. On March 20, 2018, the Company filed supplemental direct testimony regarding  
4 updates to the test year and revenue requirement that accounted for the impacts of the 2017  
5 federal Tax Cuts and Jobs Act to the Test Year and revised the application of the depreciation  
6 study approved by the Commission on January 5, 2018 in Docket No. UM 1808 (the  
7 Supplemental Filing). The impact of these revisions was to reduce the requested revenue  
8 requirement to \$37.8 million (or \$25.7 million after the consideration for decoupling).

9 On April 20, 2018, Staff, CUB, and AWEC filed opening testimony proposing various  
10 adjustments to NW Natural's Initial Filing. The parties convened an initial settlement  
11 conference on April 30, 2018. NW Natural filed its reply testimony on May 23, 2018. In its  
12 reply testimony (Reply Filing), the Company provided corrections and updates to its Initial  
13 Filing and responded to the testimony of Staff, CUB, and AWEC. The Stipulating Parties  
14 convened a second settlement conference on May 30-31, 2018. As a result of those  
15 discussions, the Stipulating Parties made progress towards settlement of the issues  
16 presented in this Stipulation. The Stipulating Parties convened a final settlement conference  
17 on June 12, 2018 and reached a settlement of all issues presented in this Stipulation. This  
18 Stipulation memorializes the Stipulating Parties' agreements reached at the June 12, 2018  
19 settlement conference.

#### **TERMS OF AGREEMENT**

20 The Stipulation resolves the issues addressed below:

- 21 1. Revenue Requirement. The Stipulating Parties agree that the total increase to  
22 NW Natural's annual Oregon revenue requirement amount is \$16,000,000, as summarized  
23 in the table in Appendix A to this Stipulation. The \$16,000,000 annual revenue requirement  
24 increase in this proceeding is based on the Stipulating Parties' agreement that the

1 Company's requested Oregon-allocated increase to annual revenue requirement shall be  
2 reduced by a total of \$21.8 million from the Supplemental Filing amount of \$37.8 million,  
3 based on the following adjustments to NW Natural's Initial Filing and Supplemental Filing:

4 (a) ODOE Fees. A reduction of \$19,000 in expense to reflect a weighting of the  
5 last two years of fees equally. This adjustment results in a reduction to revenue  
6 requirement of \$20,000;

7 (b) Property Taxes. A reduction of \$147,000 in expense based on a compromise  
8 position between Staff's recommendation to adopt a three-year average, and the  
9 Company's position. This adjustment results in a reduction to revenue  
10 requirement of \$152,000;

11 (c) Customer deposits. A reduction to rate base of \$291,000 based on Staff's  
12 methodology of trending over the 2010-2017 period, with a change to Staff's  
13 methodology to update the calculation to use monthly values instead of Staff's  
14 year-end approach. This adjustment results in a reduction to revenue  
15 requirement of \$27,000;

16 (d) Salary, Wages, and Incentives, and Medical Benefits. A reduction of \$5,791,000  
17 in expense and \$2,300,000 to rate base to reflect a compromise between the  
18 Company's Initial Filing and Staff's proposed adjustments. This adjustment  
19 results in a decrease to revenue requirement of \$6,171,000. The Company also  
20 retains the right to request a separate generic docket to revisit Commission  
21 policy regarding incentive pay. The impacts of any such docket would not apply  
22 to this proceeding;

23 (e) Plant Adjustments. A reduction of \$33,730,000 to rate base to reflect removal of  
24 projects that will not go into service until after November 1, 2018, except that the  
25 Stipulating Parties have agreed to include for the Test Year a portion of the

1 capital additions related to customer acquisitions. This adjustment results in a  
2 reduction to revenue requirement of \$5,389,000. In recognition of the capital  
3 associated with customer additions, the Stipulating Parties have agree to also  
4 include an addition of \$13,516,000 to rate base to reflect the capital additions  
5 associated with new customers added during the test year, which increases  
6 revenue requirement by \$1,671,000. As described below, the Company has  
7 agreed to respond to additional discovery requests regarding forecast capital  
8 additions.

9 (f) Advertising Expense, Promotions and Concessions, Affiliated Interest, and  
10 Miscellaneous A&G. A reduction of \$3,306,000 to reflect a compromise between  
11 the Company's Initial Filing and Staff's recommendations for these categories of  
12 expense. This results in a reduction to revenue requirement of \$3,401,000.

13 (g) Miscellaneous Revenues. An increase of \$70,000 in revenue. This results in a  
14 \$70,000 reduction to revenue requirement;

15 (h) Fee Free Bankcard Program. A reduction of \$180,000 in expense to reflect  
16 savings estimated by Staff related to adoption of the program. This results in a  
17 revenue requirement reduction of \$185,000;

18 (i) Director and Officer Insurance Premiums. A reduction of \$191,000 in expense.  
19 This adjustment results in a reduction to revenue requirement of \$196,000;

20 (j) Gas Storage and Fuel Stock. A reduction of \$16,000 to revenue requirement to  
21 reflect a compromise between the Company's Initial Filing and Staff's proposal  
22 to use a three-year average to calculate this amount.

23 (k) Plaint Maintenance. A reduction of \$40,000 to expense to reflect a compromise  
24 between the Company's Initial Filing and Staff's proposal to use a three-year

1 average. This adjustment results in a reduction to revenue requirement of  
2 \$41,000;

3 (l) Distribution Operations and Maintenance (O&M). A reduction of \$200,000 to  
4 expense to reflect a compromise between the Company's Initial Filing and Staff's  
5 proposal to use a three-year average. The adjustment results in a reduction to  
6 revenue requirement of \$206,000;

7 (m) Stock Issuance Costs. A reduction of \$1,198,000 to expense to reflect Staff's  
8 recommendation not to account for these costs separately from return on equity.  
9 This adjustment results in a reduction to revenue requirement of \$1,233,000;

10 (n) Customer Account Expense. A reduction of \$100,000 to expense to reflect a  
11 compromise between the Company's Initial Filing and Staff's proposal to use a  
12 three-year average. The adjustment results in a reduction to revenue  
13 requirement of \$103,000;

14 (o) Memberships, Dues and Donations. A reduction of \$186,000 to expense to  
15 reflect Staff's recommendation for removal of 25% of the fees associated with  
16 national organizations. This adjustment results in a reduction to revenue  
17 requirement of \$191,000;

18 (p) Meals, Entertainment and Travel. A reduction of \$910,000 to expense. This  
19 adjustment reflects a compromise between the Company's Initial Filing and  
20 Staff's proposed adjustments and results in a reduction to revenue requirement  
21 of \$936,000;

22 (q) Research and Development (R&D) Tax Credits. A reduction of \$22,000 to  
23 revenue requirement, to reflect the R&D tax credit as proposed by AWEC.

24 2. Cost of Capital. The Stipulating Parties agree to a rate of return of 7.317%,  
25 which is based on a 50.0 percent equity and 50.0 percent long term debt capital structure,

1 with a Return on Equity (ROE) of 9.400% and a debt cost of 5.233%. An ROE of 9.400%  
2 results in a reduction to the revenue requirement of \$ 5,127,000.

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	5.233%	2.617%
Common Equity	50.0%	9.400%	4.700%
Total	100.0%		7.317%

3

4 3. Rate Spread and Rate Design. The agreed upon rate spread is shown in  
5 Appendix B to this Stipulation. The Stipulating Parties agreed to a consistent increase for  
6 all rate classes (equal percentage of margin).

7 4. Capital Additions. The Company agrees to respond to additional discovery  
8 requests regarding forecast capital additions. These requests and responses to these  
9 requests will not inform this proceeding but could be used to inform the Company's future  
10 rate proceedings.

11 5. Promotions and Concessions. The Company agrees to review and amend its  
12 promotions and concessions accounting practices to address concerns raised by Staff in  
13 the proceeding.

14 6. Attestation. The Company agrees to file an attestation of a Company officer  
15 by October 5, 2018, attesting to whether any projects forecast to cost over \$1,000,000 and



1 to be completed by October 31, 2018 will not be complete by this time. In the event that  
2 there are such projects, those projects will be removed from rate base for purposes of  
3 calculating the rates pursuant to this Stipulation, and rates adjusted accordingly.

4 7. Tariffs. Subject to approval of this Stipulation, NW Natural will file revised rate  
5 schedules as a compliance filing in Docket No. UG 344, to be effective November 1, 2018,  
6 reflecting rates as agreed in this Stipulation.

7 8. Revenue Decoupling. The Company agrees to withdraw its proposed changes  
8 to its revenue decoupling mechanism which it proposed in this proceeding. The Stipulating  
9 Parties do agree, however, to administer decoupling for the Commercial customer class on  
10 a rate schedule specific basis (Rate Schedules 3 and 31), as compared to the previous  
11 combined basis.

12 9. The Stipulating Parties recommend and request that the Commission approve  
13 the adjustments and provisions described herein as appropriate and reasonable resolutions  
14 of the identified issues in this docket.

15 10. The Stipulating Parties agree that this Stipulation is in the public interest, and  
16 will result in rates that are fair, just and reasonable, consistent with the standard in ORS  
17 756.040.

18 11. This Stipulation will be offered into the record as evidence pursuant to OAR  
19 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this  
20 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and  
21 recommend that the Commission issue an order adopting the Stipulation. The Stipulating  
22 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support  
23 of the Stipulation in accordance with OAR 860-001-0350(7).

24 12. If this Stipulation is challenged, the Stipulating Parties agree that they will  
25 continue to support the Commission's adoption of the terms of this Stipulation. The

1 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they  
2 deem appropriate to respond fully to the issues presented, which may include raising issues  
3 that are incorporated in the settlements embodied in this Stipulation.

4 13. The Stipulating Parties have negotiated this Stipulation as an integrated  
5 document. If the Commission rejects all or any material portion of this Stipulation or imposes  
6 additional material conditions in approving this Stipulation, any of the Stipulating Parties are  
7 entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-  
8 001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide written  
9 notice to the Commission and other Stipulating Parties within five days of service of the final  
10 order rejecting, modifying or conditioning this Stipulation.

11 14. By entering into this Stipulation, no Stipulating Party approves, admits, or  
12 consents to the facts, principles, methods, or theories employed by any other Stipulating  
13 Party in arriving at the terms of this Stipulation, other than those specifically identified in the  
14 body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any  
15 provision of this Stipulation is appropriate for resolving issues in any other proceeding,  
16 except as specifically identified in this Stipulation.


17 15. This Stipulation is not enforceable by any Stipulating Party unless and until  
18 adopted by the Commission in a final order. Each signatory to this Stipulation avers that  
19 they are signing this Stipulation in good faith and that they intend to abide by the terms of  
20 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the  
21 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction  
22 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,  
23 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the  
24 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the  
25 Commission order under ORS 756.610.

1           16. This Stipulation may be executed in counterparts and each signed counterpart  
2 shall constitute an original document.

3           This Stipulation is entered into by each Stipulating Party on the date entered below  
4 such Stipulating Party's signature.

5  
6 DATED this 6th day of August, 2018.

NW NATURAL COMPANY D/B/A NW  
NATURAL

By:  \_\_\_\_\_

Date: 8/6/18 \_\_\_\_\_

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

By: \_\_\_\_\_

Date: \_\_\_\_\_

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: \_\_\_\_\_

Date: \_\_\_\_\_

7

OREGON CITIZENS' UTILITY BOARD

By: 

Date: 7/27/18

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: \_\_\_\_\_

Date: \_\_\_\_\_

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4 such Stipulating Party's signature.

5

6 DATED this \_\_\_ day of \_\_\_\_\_, 2018.

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_

By: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: \_\_\_\_\_

By:  \_\_\_\_\_

Date: \_\_\_\_\_

Date: 8/6/18 \_\_\_\_\_

7

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11 counterpart shall constitute an original document.

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13 such Stipulating Party's signature.

14 DATED this \_\_ day of \_\_\_\_\_, 2018.

NW NATURAL COMPANY D/B/A NW  
NATURAL

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By:  \_\_\_\_\_

Date: August 1, 2018



**NW Natural**  
**Oregon Jurisdictional Rate Case**  
**Test Year Twelve Months Ended October 31, 2019**

**APPENDIX B - UG 344 STIPULATION**

**Allocation by Rate Schedule Summary**

Line No.	Rate Schedule	Total Revenue at Present Rates	Proposed Revenue Increase	Total Revenue at Proposed Rates	Total Revenue Percentage Increase	Percentage Increase to Average Bill
1	02	\$ 387,770,097	\$ 10,696,958	\$ 398,467,055	2.76%	2.81%
2	03CSF	\$ 137,975,522	\$ 3,265,092	\$ 141,240,613	2.37%	2.40%
3	03ISF	\$ 3,740,132	\$ 81,855	\$ 3,821,987	2.19%	2.22%
4	27CSF	\$ 1,038,854	\$ 25,607	\$ 1,064,461	2.46%	2.50%
5	31CSF	\$ 18,521,031	\$ 382,345	\$ 18,903,376	2.06%	2.12%
6	31CTF	\$ 1,113,636	\$ 51,199	\$ 1,164,835	4.60%	4.61%
7	31ISF	\$ 8,813,710	\$ 146,530	\$ 8,960,240	1.66%	1.70%
8	31ITF	\$ 89,844	\$ 4,131	\$ 93,975	4.60%	4.61%
9	32 CSF	\$ 24,565,050	\$ 407,601	\$ 24,972,651	1.66%	1.87%
10	32ISF	\$ 7,608,655	\$ 94,748	\$ 7,703,403	1.25%	1.42%
11	32TF	\$ 7,460,021	\$ 342,970	\$ 7,802,991	4.60%	5.87%
12	32CSI	\$ 9,271,906	\$ 100,304	\$ 9,372,210	1.08%	1.42%
13	32ISI	\$ 10,710,650	\$ 115,869	\$ 10,826,519	1.08%	1.39%
14	32TI	\$ 6,194,584	\$ 284,792	\$ 6,479,376	4.60%	4.87%
15	33T	\$ -	\$ -	\$ -	0.00%	0.00%
16	<b>Total</b>	<b>\$ 624,873,692</b>	<b>\$ 16,000,000</b>	<b>\$ 640,873,692</b>	<b>2.56%</b>	

	Percent Increase	Dollar/Year Increase
<b>Residential</b>	2.76%	\$ 10,696,958
<b>Commercial</b>	2.20%	\$ 4,232,148
<b>Industrial</b>	2.40%	\$ 1,070,894
<b>Overall to NWN</b>	2.56%	\$ 16,000,000





APPENDIX B - UG 344 STIPULATION

NW Natural  
Oregon Jurisdictional Rate Case  
Test Year Twelve Months Ended October 31, 2019

Proposed Rate Spread Summary

Line No.	RATE SCHEDULE	CUSTOMER CLASS												Special Contracts		
		Residential		Commercial		Industrial		Commercial		Industrial		Transportation				
		Sales Firm		Sales Firm		Sales Firm		Sales Firm		Sales Firm		Sales Firm		Sales Firm		
		02	09CSF	03SF	27CSF	31CSF	31CTF	31ISF	31ITF	32CSF	32ISF	32TF	32IS	32TI	33T	
Oregon Total																
1	Current Revenue	\$387,770,097	\$137,975,522	\$3,740,132	\$1,038,854	\$18,521,031	\$1,113,636	\$8,813,710	\$89,844	\$24,565,050	\$7,608,655	\$7,460,021	\$10,710,650	\$6,194,584	\$0	\$1,788,868
2	Current Margin	\$232,672,334	\$71,019,860	\$1,780,460	\$556,990	\$8,316,491	\$1,113,636	\$3,187,208	\$89,844	\$8,865,834	\$2,060,888	\$7,460,021	\$2,520,290	\$6,194,584	\$0	\$1,788,868
3	% of Current Margin (@ current rates)	66.86%	20.41%	0.51%	0.16%	2.39%	0.32%	0.92%	0.03%	2.55%	0.59%	2.14%	0.72%	1.78%	0.00%	0.51%
4	Incremental Increase to Revenue Requirement	\$16,000,000														
5	% Increase to Current Revenue	2.56%														
6	Proposed Revenue Increase	\$10,696,958	\$3,265,092	\$81,855	\$25,607	\$382,345	\$51,199	\$146,530	\$4,131	\$407,601	\$94,748	\$342,970	\$115,869	\$284,792	\$0	\$0
8	Proposed Revenue	\$398,467,055	\$141,240,613	\$3,821,987	\$1,064,461	\$18,903,376	\$1,164,835	\$8,960,240	\$93,975	\$24,972,651	\$7,703,403	\$7,802,991	\$10,826,519	\$6,479,376	\$0	\$0
9	Proposed Margin	\$243,369,292	\$74,284,951	\$1,862,316	\$582,597	\$8,698,836	\$1,164,835	\$3,333,738	\$93,975	\$9,273,435	\$2,155,636	\$7,802,991	\$2,282,048	\$6,479,376	\$0	\$0