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September 7, 2018

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UG 344 – NW Natural Request for a General Rate Revision

Attention Filing Center:

Attached for filing in the above-captioned docket is an electronic copy of the Parties' Second Partial Stipulation.

Please contact this office with any questions.

Sincerely,

A handwritten signature in blue ink that reads "Alisha Till".

Alisha Till
Legal Assistant

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 344

In the Matter of

NW NATURAL GAS COMPANY D/B/A NW NATURAL

Request for a General Rate Revision.

**SECOND PARTIAL
STIPULATION**

I. 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), and the Oregon Citizens' Utility Board (CUB) (collectively, the Stipulating
4 Parties) in Docket No. UG 344, NW Natural's Request for a General Rate Revision. The
5 Stipulating Parties previously filed a Stipulation on August 6, 2018 (First Stipulation) that
6 included Associated Western Energy Customers (AWEC) resolving all but three issues in the
7 docket. This Stipulation (Second Stipulation) resolves two of the remaining three issues in
8 the docket. Specifically, the Second Stipulation resolves the issues related to the Company's
9 Pension Balancing Account ("PBA") and the unresolved impacts of the 2017 federal Tax Cuts
10 and Jobs Act (TCJA) (including the impacts on the Company's accumulated deferred income
11 tax and the Company's tax expense during the time period leading up to the rate effective
12 date). The Stipulating Parties have not resolved the issues related to NW Natural's sharing
13 of revenues produced by optimization of certain NW Natural assets and the Company's
14 Interstate Storage operations, and will be briefing those issues in accordance with the briefing
15 schedule set forth in the Prehearing Conference Memorandum issued February 2, 2018.

II. BACKGROUND

1 On December 29, 2017, NW Natural filed a request for a general rate increase and
2 revised tariff sheets to become effective November 1, 2018 (the Initial Filing), which was
3 docketed as Docket No. UG 344. The Company's Initial Filing requested a revision to
4 customer rates that would increase the Company's annual Oregon jurisdictional revenues by
5 \$52.4 million (or \$40.38 million after the adjustment for decoupling is considered), or an
6 increase of approximately 8.3 percent over current customer rates. On December 29, 2017,
7 both Staff and NW Natural filed applications to defer certain tax expense associated with the
8 2018 US Tax Cuts and Jobs Act. NW Natural's application was docketed as Docket No. UM
9 1919 and Staff's application was docketed as Docket No. UM 1924. Administrative Law Judge
10 Allan J. Arlow convened a prehearing conference for Docket No. UG 344 on February 1, 2018.
11 On March 20, 2018, the Company filed supplemental direct testimony regarding updates to
12 the test year and revenue requirement that accounted for the impacts of the 2017 federal Tax
13 Cuts and Jobs Act to the rate case's forecasted Test Year and revised the application of the
14 depreciation study approved by the Commission on January 5, 2018 in Docket No. UM 1808
15 (the Supplemental Filing). The impact of these revisions was to reduce the requested revenue
16 requirement to \$37.8 million (or \$25.7 million after the consideration for decoupling).

17 On April 20, 2018, Staff, CUB, and AWEC filed opening testimony proposing various
18 adjustments to NW Natural's Initial Filing. The parties convened an initial settlement
19 conference on April 30, 2018. NW Natural filed its reply testimony on May 23, 2018. In its
20 reply testimony (Reply Filing), the Company provided corrections and updates to its Initial
21 Filing and responded to the testimony of Staff, CUB, and AWEC. The Stipulating Parties
22 convened settlement conferences on May 30-31, 2018 and June 12, 2018. As a result of
23 those discussions, the Stipulating Parties and AWEC reached a settlement of the issues
24 presented in the First Stipulation, filed on August 6, 2018.

1 On July 19, 2018, the Stipulating Parties and AWEC convened settlement discussions
2 on two of the three remaining issues in the docket. The Stipulating Parties met again on
3 August 27, 2018. AWEC was invited to participate but chose to not join this conference. As
4 a result of the discussions held on July 19 and August 27, the Stipulating Parties have agreed
5 to the Second Stipulation. AWEC does not join in the Second Stipulation.

III. TERMS OF AGREEMENT

6 The Stipulation resolves the issues addressed below:

7 1. Impacts of Tax Reform. The Stipulating parties agree that NW Natural properly
8 recorded the remeasurement of regulated utility excess deferred income taxes (“EDIT”) as
9 a result of the TCJA. Specifically NW Natural recorded a remeasurement of regulated utility
10 deferred income taxes of \$156.8 million on a system-wide basis. The figure is comprised of
11 balances related to Plant, Other Non-Plant, and Non-Plant Gas Reserves in the amounts of
12 \$140.62 million, \$5.50 million, and \$10.80 million, respectively. The sum of these figures,
13 grossed up for income taxes, equals \$213.30 million. These amounts, and the allocation
14 for Oregon, are included in Exhibit A to the Second Stipulation.

15 2. NW Natural will return to customers EDIT (Plant) subject to the average rate
16 assumption method (“ARAM”) in the amount of \$3.26 million per year in base rates
17 beginning on the rate effective date.

18 3. NW Natural will return to sales customers \$14.64 million of EDIT (Non-Plant
19 Gas Reserves), inclusive of a gross up for income taxes, over five years through a separate
20 tariff rider.

21 4. NW Natural will credit to customers \$6.67 million of EDIT (Other Non-Plant) as
22 an offset to the PBA as described in Paragraph 10 of this Second Stipulation.

1 5. Effective on the rate effective date, rate base will be increased by \$22.15
2 million to reflect the EDIT being provided to customers as part of the Second Stipulation.
3 This increase to rate base results in a \$2.06 million increase to revenue requirement.

4 6. In the Company's next general rate case, or five years from the date of the rate
5 effective date, whichever is sooner, the amount of EDIT subject to ARAM being amortized
6 will be reviewed and adjusted as appropriate based on the remaining balance of the EDIT
7 and normalization requirements under ARAM. In the event that an adjustment to the
8 amortization of EDIT occurs outside of a general rate case, the adjustment would be made
9 through a separate tariff rider, and rate base would not be adjusted until the Company's next
10 general rate case.

11 7. NW Natural agrees to forego any sharing of deferred amounts that it would
12 otherwise be allowed to recover under any earnings review the Commission applies before
13 amortization of amounts in the Interim Period Tax Deferral and the EDIT in the TCJA
14 Deferral Dockets (Docket Nos. UM 1919 and 1924).

15 8. The Stipulating Parties agree that all issues related to NW Natural's and Staff's
16 deferrals associated with the impacts of the TCJA in Docket Nos. UM 1919 and 1924 (the
17 "TCJA Deferral Dockets"), respectively, are resolved by the Second Stipulation. After
18 approval of the Second Stipulation, the Stipulating Parties will jointly request to the
19 Commission that the TCJA Deferral Dockets be resolved in accordance with the terms of
20 this Second Stipulation. The Stipulating Parties will also jointly request that any amounts
21 deferred in Docket Nos. UM 1919 and UM 1924 be amortized in accordance with the terms
22 of the Second Stipulation.

23 9. Pension Balancing Account. The Stipulating Parties agree that NW Natural
24 will "freeze" the PBA as of October 31, 2018, meaning that NW Natural will no longer book

1 FAS 87 expense – net of the \$3.80 million of FAS 87 authorized expense collected annually
2 in rates pursuant to the PBA Stipulation – to the Pension Balancing Account.

3 10. Effective on November 1, 2018 (the “rate effective date”), NW Natural will
4 reduce the balance in the PBA by:

5 a. Applying \$5.9 million of amounts deferred in the Interim Period Tax
6 Deferral, plus interest, as an offset to the balance in the PBA; and

7 b. Applying the \$6.7 million of EDIT (Other Non-Plant) as an offset to the
8 balance in the PBA.

9 11. Beginning on the rate effective date, NW Natural will amortize the balance of
10 the PBA over a ten year period by collecting \$8.2 million per year from all customers through
11 a separate tariff rider. NW Natural agrees that it will amortize no more than this amount for
12 the PBA.

13 12. Effective on the rate effective date, NW Natural will recover the test year FAS
14 87 pension expense in base rates. This results in an increase of \$8.1 million to NW Natural’s
15 revenue requirement.

16 13. The Stipulating Parties request that the Commission find that this Second
17 Stipulation supersedes the PBA Stipulation ordered in Docket UM 1475, Order No 11-051.

18 14. General Terms. The Stipulating Parties recommend and request that the
19 Commission approve the adjustments and provisions described herein as appropriate and
20 reasonable resolutions of the identified issues in this docket.

21 15. The Stipulating Parties agree that this Stipulation is in the public interest, and
22 will result in rates that are fair, just and reasonable, consistent with the standard in ORS
23 756.040.

24 16. This Stipulation will be offered into the record as evidence pursuant to OAR
25 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this

1 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and
2 recommend that the Commission issue an order adopting the Stipulation. The Stipulating
3 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support
4 of the Stipulation in accordance with OAR 860-001-0350(7).

5 17. If this Stipulation is challenged, the Stipulating Parties agree that they will
6 continue to support the Commission's adoption of the terms of this Stipulation. The
7 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they
8 deem appropriate to respond fully to the issues presented.

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

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

22 20. This Stipulation is not enforceable by any Stipulating Party unless and until
23 adopted by the Commission in a final order. Each signatory to this Stipulation avers that

1 they are signing this Stipulation in good faith and that they intend to abide by the terms of
2 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
3 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction
4 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
5 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the
6 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the
7 Commission order under ORS 756.610.

8 21. This Stipulation may be executed in counterparts and each signed counterpart
9 shall constitute an original document.

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

DATED this 7 day of Sept., 2018.

NW NATURAL COMPANY D/B/A NW
NATURAL

By: 

Date: Sept 7 2018

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

1 they are signing this Stipulation in good faith and that they intend to abide by the terms of
2 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the
3 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction
4 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,
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11 such Stipulating Party's signature.

DATED this 7th day of September, 2018.

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: [Signature] for S. Andrews

Date: _____

Date: 9/7/2018

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

they are signing this Stipulation in good faith and that they intend to abide by the terms of this Stipulation unless and until the Stipulation is rejected or adopted only in part by the Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation, the Stipulating Parties reserve the right to seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

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DATED this 7th day of Sept., 2018.

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: 

Date: 9/7/18

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

UG 344

SECOND PARTIAL STIPULATION

Exhibit A

September 7, 2018

	System Wide Deferred Tax Remeasurement		Gross Up Factor		Excess Deferred Income Tax (EDIT) Liability		Oregon Allocation		Oregon Allocated EDIT
Plant	\$ 140,619	x	1.36	=	\$ 191,242	x	90%	=	\$ 172,118
Non-Plant - Other	5,450	x	1.36	=	7,412	x	90%	=	6,671
Non - Plant - Gas Reserves	<u>10,767</u>	x	1.36	=	<u>14,643</u>	x	100%	=	<u>14,643</u>
	\$ 156,836				\$ 213,297				\$ 193,432

	Oregon Allocated EDIT	Applied in Settlement:					
		Immediately	Year 1	Year 2	Year 3	Year 4	Year 5
Plant	\$ 172,118	\$ -	\$ 3,263	\$ 3,263	\$ 3,263	\$ 3,263	\$ 3,263
Non-Plant - Other	6,671	6,671	-	-	-	-	-
Non - Plant - Gas Reserves	<u>14,643</u>	-	2,929	2,929	2,929	2,929	2,929
	\$ 193,432	\$ 6,671	\$ 6,192	\$ 6,192	\$ 6,192	\$ 6,192	\$ 6,192