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September 5, 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 Gas Company, dba NW Natural, Request for a General Rate Revision

Attention Filing Center:

Attached for filing in the above-captioned docket is an electronic copy of NW Natural's Final Brief.

Please contact this office with any questions.

Sincerely,

Alisha Till

Alisha Till
Legal Assistant

Attachment

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 344

In the Matter of: NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL Request for a General Rate Revision	**NORTHWEST NATURAL GAS COMPANY'S FINAL BRIEF**

September 5, 2018

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I. INTRODUCTION

In accordance with Administrative Law Judge Allan J. Arlow's ruling on September 4, 2018, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or the Company) respectfully submits this final brief to the Public Utility Commission of Oregon (Commission) responding to the response briefs filed by Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens' Utility Board (CUB), and the Alliance for Western Energy Consumers (AWEC).

Pursuant to a stipulation filed with the Commission on August 6, 2018 (First Stipulation), NW Natural, Staff, CUB, and AWEC agreed to resolve all but three issues in this proceeding. NW Natural, Staff, and CUB have continued settlement negotiations, and reached an agreement in principle regarding two remaining issues—the pension balancing account and impacts of tax reform. NW Natural, Staff, and CUB are in the process of memorializing their agreement in principle through a second stipulation (Second Stipulation), which will likely be filed with the Commission shortly after the filing of this final brief. AWEC did not join in the second settlement agreement, and will not be a party to the Second Stipulation. As a result, the issues to be addressed in this final brief are:

> (1) the sharing of revenues produced by optimization of certain NW Natural assets and the Company's interstate storage operations and the proper approach to reporting the Company's optimization revenues—which is not the subject of either of the two partial stipulations;
>
> (2) the treatment of the Company's pension balancing account—which remains contested by AWEC and will be addressed in the Second Stipulation; and
>
> (3) the impact of the 2017 federal Tax Cuts and Jobs Act (TCJA) on the Company's accumulated deferred income tax (ADIT) and the Company's tax expense during the time period leading up to the rate effective date—which remains contested by AWEC and will be addressed in the Second Stipulation.

Optimization

Staff, CUB, and AWEC recommend making dramatic changes to the Company's revenue sharing arrangement for its optimization activities—changing the existing sharing of 66 percent/33 percent to customers and shareholders, respectively, to a 90/10 split. The Commission should resist these proposals. The Company's optimization activities have yielded major benefits for customers, and NW Natural's substantial efforts to successfully manage the optimization activities justify retaining the existing sharing percentages. Further, the Company believes that the study and report performed by the Liberty Consulting Group (Liberty) as a result of the Commission's Order No. 15-066 in Docket No. UM 1654[1] (Liberty Report) does not provide an adequately detailed comparative analysis to justify making a significant change to the sharing arrangements. Accordingly, the Company urges the Commission to retain the existing revenue sharing arrangements for optimization activities and reject parties' proposals to drastically alter these arrangements. Finally, the Company does not support the parties' proposal for the Company to report optimization revenues in its results of operations (ROO), and instead recommends that those revenues should be reported in an annual Optimization Report.

Pension Balancing Account

Through the agreement in principle that will be memorialized in the Second Stipulation, NW Natural, Staff, and CUB have reached a comprehensive and durable resolution of the pension balancing account. AWEC did not join the settlement, and instead unilaterally proposes to terminate the pension balancing account and open an investigation to determine whether and to what extent the Company may recover the existing balance. AWEC's proposal

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[1] *In the Matter of Nw. Natural Gas Co., dba NW Natural, Investigation of Interstate Storage and Optimization Sharing*, Docket No. UM 1654, Order No. 15-066 (Mar. 5, 2015).

is inconsistent with the agreements and principles underlying the settlement giving rise to the account in Docket No. UM 1475, and should be rejected. The Company urges the Commission to instead adopt the approach that will be presented in the Second Stipulation, which provides a complete resolution of the pension balancing account that is consistent with the spirit and intent of the settlement in Docket No. UM 1475.

Tax Cuts and Jobs Act

On December 22, 2017, United States federal income tax reform, also known as the Tax Cuts and Jobs Act (the TCJA) was enacted. The TCJA permanently lowers the U.S. federal corporate income tax rate to 21 percent from the existing maximum rate of 35 percent, effective as of January 1, 2018.[2] As a result of the First Stipulation, all parties reached a resolution regarding the application of the TCJA's lower federal income tax rate in base rates, and thus, the only remaining issues associated with the TCJA are the calculation and treatment of the deferral of amounts from January 1, 2018 to October 31, 2018 (Interim Period) and the calculation and treatment of the excess deferred income tax (EDIT) benefit. NW Natural, Staff, and CUB recently reached an agreement in principle resolving all remaining issues related to the impacts of the TCJA. NW Natural, Staff, and CUB are in the process of finalizing their agreement in the Second Stipulation. AWEC, on the other hand, did not join the Second Stipulation and contests these issues.

Interim Period Deferral. AWEC recommends that the Commission establish a deferral for tax benefits for the January 1, 2028 to November 1, 2018 period (Interim Period Deferral) equal to $19,719,000, amortized over two years at a rate of $10,982,000 per year,

[2] Tax Reform and Jobs Act of 2017, Pub. L. No. 115-97, 131 Stat. 2099 (Dec. 22, 2017).

this calculation of the Interim Period Deferral amount is flawed and grossly overstated. In particular, AWEC's proposal is problematic in the following ways:

- AWEC's calculation is performed without considering the utility's actual results in 2018, and instead recalculates NW Natural's revenue requirement from its 2012 general rate case by incorporating the lower tax rate as if it had existed at that time;
- AWEC's calculation then multiplies the resulting amount by an even 10/12ths, ignoring the fact that gas utility revenues are not earned evenly throughout the year and instead are concentrated in the colder heating months;
- AWEC also includes additional amounts of EDIT in its calculation that AWEC mistakenly believes are already amortizing and providing a benefit to NW Natural; and,
- AWEC presents a new amount for the Interim Period Deferral for the first time in its response brief, claiming it discovered a $3.3 million error—with zero explanation or support describing the error, and without any supplemental or errata testimony.

The Commission should reject AWEC's calculation and proposed treatment of the Interim Period Deferral and instead adopt the approach that will be presented in the forthcoming Second Stipulation.

EDIT. AWEC recommends the Commission authorize amortization of $7,435,414 of EDIT in the test period—which results in a revenue requirement reduction of approximately $11,971,308 after considering the effects of the conversion factor and rate base impacts of accumulated EDIT amortization prior to the test period. NW Natural urges the Commission to reject AWEC's calculation and proposed treatment of EDIT amount, as it is riddled with errors and, if adopted, would result in a normalization violation for NW Natural. Specifically, AWEC's calculation includes:

- Over $15 million of ineligible balances as part of NW Natural's EDIT balance;
- A decrease to rate base that should have been an upward adjustment;
- Acceleration for amortization of non-plant deferred balances over four years when the majority of the underlying balance relates to activity with over twenty years remaining;
- A gross up factor that is overstated; and
- Inappropriate use of an alternative amortization methodology for EDIT instead of the Average Rate Assumption Method (ARAM).

Use of AWEC's approach would credit customers with EDIT that was previously provided to customers in periods before 1981, return the remaining EDIT to customers too quickly and would result in a normalization violation. Accordingly, the Commission should reject AWEC's EDIT proposals and instead adopt the approach that will be presented in the forthcoming Second Stipulation.

II. ARGUMENT

A. Optimization

The Company has been engaged in storage services and optimization activities since the late 1990s, which have produced significant benefits for both customers and shareholders. Specifically, since 2000, customers have received $133.5 million in credits, and customers have also benefited through the ability to recall expanded portions of Mist Storage to serve customers on an as-needed basis.[3] The Company has actively worked to ensure the success of

[3] NW Natural/1300, Friedman/3.

the optimization program, and regularly expends significant time and resources participating in optimization activities with its asset manager, Tenaska Marketing Ventures (TMV). Because the existing arrangements have proved to be tremendously successful, and to recognize the Company's substantial efforts to actively manage and promote the success of the program, the Company proposes that the Commission retain the current sharing percentages for storage services and optimization activities.[4]

Staff, CUB, and AWEC recommend changing the revenue sharing percentage to a 90/10 split.[5] The parties assert that NW Natural's participation in optimization activities is consistent with industry standards for peer utilities, but that NW Natural's share of the optimization revenues is out of line with the revenue sharing arrangements of NW Natural's peer utilities.[6] However, the parties' recommendation to dramatically alter the sharing arrangement ignores the potential impact of altering the Company's incentive and fails to recognize the Company's substantial efforts driving the success of the optimization program, and accordingly should be rejected. NW Natural urges that the revenue sharing percentages should remain the same to provide an adequate incentive for the Company to continue to maximize optimization benefits for both customers and shareholders.

CUB, Staff, and AWEC also recommend that the Commission require the Company to report optimization revenues in the Company's ROO.[7] NW Natural urges that optimization revenues should not be included in the ROO, because reporting those revenues in the ROO

[4] NW Natural/1300, Friedman/33-34.
[5] AWEC's Response Brief at 3-4, 6-7, 13; CUB's Response Brief at 5; Staff's Response Brief at 2-3. AWEC initially recommended an 85/15 split in testimony, but agrees with the 90/10 sharing proposed by Staff and CUB and has now adopted 90/10 sharing as its primary recommendation. AWEC's Response Brief at 13.
[6] Staff's Response Brief at 8; CUB's Response Brief at 5; AWEC's Response Brief at 7.
[7] CUB's Response Brief at 11; Staff's Response Brief at 11; AWEC's Response Brief at 13.

may inappropriately suggest that those revenues should be considered in the application of earnings tests. NW Natural recommends instead that optimization revenues be presented in an annual Optimization Report.[8]

1. The Existing Sharing Percentages for Optimization Activities Should be Retained.

a. NW Natural Has Provided Substantial Evidence that the Existing Sharing Percentages Should be Retained.

CUB asserts that NW Natural has failed to meet its burden of proof to retain the existing sharing percentages.[9] NW Natural strongly disagrees with CUB's assertion. The Company has provided evidence that the existing sharing arrangements have resulted in substantial customer benefits, and has also provided evidence regarding its intense level of effort to coordinate with its asset manager, TMV.[10] Specifically, the Company explained that:

> At least one individual in the Gas Supply Department is involved on a daily basis in consultation with the optimization partner to review current positions, assess available resources, and determine new opportunities for optimization. The Company maintains this close working relationship with its optimization partner because this allows the Company to adapt as needed to changing market conditions and customer requirements. This ability to adapt allows the Company (together with the optimization partner) to undertake long-term strategies that result in higher values for customers.[11]

Moreover, customers do not bear any expense associated with the Company's role in managing optimization activities. Instead, the costs for this utility involvement are allocated to the separate, non-utility gas storage business segment where the costs and revenues of the storage services and optimization activities are recorded.[12]

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[8] NW Natural's Opening Brief at 3.
[9] CUB's Response Brief at 5-6.
[10] NW Natural/1300, Friedman/3; NW Natural/2400, Friedman/5.
[11] NW Natural/2400, Friedman/5.
[12] NW Natural/2400, Friedman/5.

Despite the Company's evidence that customers have received significant benefits from the optimization activities, AWEC argues that the cumulative benefit to customers is irrelevant to the question of whether the split in revenue between customers and shareholders is equitable.[13] NW Natural disagrees, as the cumulative benefit to customers *is* relevant to demonstrate that the existing sharing arrangements have been successful and have created an adequate and appropriate incentive for the Company to maximize optimization revenues.

Staff, CUB, and AWEC argue that NW Natural's claim that its participation in optimization activities is significantly more involved than its peers lacks evidentiary support and is contradicted by the findings of the Liberty Report.[14] NW Natural explained in its testimony that, based on its experience and information, the Company believes that it has gone, and continues to go, beyond the efforts typically expended by local distribution companies in the optimization of customer assets.[15] Additionally, NW Natural observed that it appeared that certain of the peer utilities included in the Liberty Report had optimization programs that were significantly less involved than the Company's program, and would require less active attention and involvement.[16] While the Liberty Report concludes that NW Natural's efforts are generally consistent with the Company's peer utilities, the Liberty Report does not explain in detail how this conclusion was made, and NW Natural finds this conclusion to be unreliable.

Based on the foregoing, the Commission should conclude that the weight of the evidence in this case supports retaining the existing sharing percentages.

[13] AWEC's Response Brief at 10.
[14] Staff's Response Brief at 10; CUB's Response Brief at 9; AWEC's Response Brief at 12.
[15] NW Natural/2700, Friedman/4.
[16] NW Natural/2701, Friedman/1-3 (for example, it appears that certain peer utilities included in the study had optimization programs consisting of simple capacity release arrangements, which are not nearly as complex as the Company's optimization activities).

b. The Liberty Report Fails to Provide a Comparison Analysis Sufficient to Justify a Change to Sharing Percentages.

To support their recommendations, Staff, AWEC, and CUB rely on the Liberty Report's conclusions that the optimization activities are not risky or complicated for NW Natural, and NW Natural's efforts are in line with normal utility practices, but NW Natural's sharing percentages are an outlier among peer utilities.[17] The Company disagrees with the Liberty Report's conclusion that NW Natural's efforts in connection with optimization activities are typical for peer utilities, and believes the Liberty Report does not provide an "apples to apples" comparison. As NW Natural explained its testimony:

> NW Natural believes that the range of sharing arrangements reviewed in Liberty's survey are not specific to the more sophisticated Optimization Activities conducted by NW Natural through its AMA. Many of the LDCs surveyed by Liberty do not employ an asset manager, and it appears that the optimization activities referenced are equivalent to those NW Natural carries out itself, which benefit customers through the PGA. Moreover, NW Natural believes that even those LDCs that have engaged a third-party asset manager may not have an arrangement that encourages or allows the type of sophisticated transactions engaged in by NW Natural's asset manager on the Company's behalf. NW Natural believes that if Liberty had focused its review on optimization programs similar to that included in Schedules 185 and 186, NW Natural's share, while still at the high end of the range, would not appear to be an outlier.[18]

Additionally, based on NW Natural's review of Liberty's initial presentation of the peer benchmarking study for optimization sharing arrangements in Docket UM 1654, NW Natural expressed concern that the optimization activities of those utilities at the 90/10 end of the range may relate to simple capacity release arrangements, and would not be comparable to NW Natural's more complex and involved optimization activities and efforts.[19]

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[17] Staff's Response Brief at 8; CUB's Response Brief at 5; AWEC's Response Brief at 7.
[18] NW Natural/1300, Friedman/33.
[19] NW Natural/2701, Friedman/1-3.

Although the Liberty Report provides some useful data and analysis, NW Natural believes that Liberty failed to provide the type of comparison analysis required to justify significant changes to the sharing percentages. In particular, the Liberty Report fails to provide detailed information regarding the results of the peer utility companies it used for analysis as a comparison group. While the Liberty Report describes the revenue sharing arrangements for NW Natural's peer utilities, it provides no analysis of the actual results of each arrangement. Without a comparison of the actual results of the sharing arrangement, it is impossible to understand how the benefits received by NW Natural's customers compares with the benefits received by customers of NW Natural's peer utilities.

CUB argues that NW Natural tries to undercut the Liberty Report through speculation about the level of benefits the Company's customers receive in comparison with the customers of the Company's peer utilities, but provides no concrete evidence.[20] CUB also argues that it is entirely possible that the truth is just the opposite—perhaps NW Natural's customers are receiving a smaller percentage and a smaller amount of revenues.[21] While CUB is correct that a comparative analysis could go either way, the critical issue is that the Liberty Report fails to provide *any* comparative analysis of the benefits received by customers. The Commission should be hesitant to make a dramatic change to the sharing arrangements without the benefit of a complete comparative analysis of the results of the sharing arrangements by NW Natural's peer utilities.

CUB argues that even if NW Natural's customers enjoy greater overall revenues, that fact would not justify a greater sharing percentage.[22] The Company disagrees with CUB's

[20] CUB's Response Brief at 8.
[21] CUB's Response Brief at 8.
[22] CUB's Response Brief at 8.

assertion that overall revenues should have no bearing on the sharing arrangement. It is critical to consider the overall revenues to evaluate whether the sharing arrangement has provided and will continue to provide an adequate incentive for the Company to continue to expend substantial efforts in connection with optimization activities.

Staff and AWEC argue that NW Natural had the opportunity to help develop the scope of review and analysis in Liberty Report, suggesting that the Company missed its chance to raise complaints about any "shortcomings" in the conclusions.[23] Those parties state that NW Natural could have requested more detailed information or raised additional issues with the study during the investigation, but did not do so.[24] However, contrary to Staff and AWEC's assertions, the Company *did* raise concerns about the Liberty study methods and analysis as the investigation was in progress.[25] Liberty never addressed the Company's concerns, and as a result, the Company continues to find certain aspects of the analysis in the Liberty Report to be flawed and unreliable.

c. A Dramatic Change to the Sharing Percentages Could Impact the Incentives that Have Provided Significant Benefits for Both Customers and Shareholders.

The Commission has previously recognized the importance of establishing adequate incentives to achieve particular outcomes, and should continue to do so for the Company's optimization activities. For example, to promote a specific outcome—increasing energy

[23] Staff's Response Brief at 9; AWEC's Response Brief at 11.
[24] Staff's Response Brief at 9; AWEC's Response Brief at 11.
[25] NW Natural/2700, Friedman/6-7 ("The Company specifically raised concerns regarding its ability to verify Liberty's conclusions during the discovery process and reiterated these concerns in its comments submitted in response to the final draft of the Liberty Report. It is therefore incorrect to state that the Company failed to raise any issues with the Liberty Report during the stakeholder process. The Company did raise these issues and continues to express its concern that incomplete data could be relied upon to impose a significant change to the Company's optimization revenue sharing allocation."). See also NW Natural/2701 and NW Natural/2702, in which NW Natural provided specific feedback to Liberty during the pendency of its investigation.

efficiency—the Commission has recognized that it must break the link between sales levels and profits, and has approved decoupling mechanisms to achieve this end.[26] Additionally, to promote creative approaches to load management and influence customer behavior to reduce load during peak hours, the Commission has considered certain types of incentives such as time of use rates or rewards for reducing loads, which provide a reduced rate or other benefits to customers for diverting their consumption to off-peak hours or reducing their energy consumption during peak load events.[27] Incentives are a powerful tool to achieve desired behaviors and outcomes, and the Commission should retain the existing sharing arrangement to provide an adequate incentive for the Company to continue to work hard to maximize the benefits from its optimization activities.

Staff, CUB, and AWEC fail to recognize the importance of the Company's incentive to the overall success of the optimization program. AWEC points out that the Liberty Report concludes that adjusting the sharing percentages would not diminish NW Natural's incentive to maximize optimization benefits.[28] While AWEC correctly states the Liberty Report's opinion, NW Natural respectfully disagrees. A change to the sharing arrangement may disrupt the balance of incentives that has historically produced significant benefits for both customers and shareholders.

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[26] *In the Matter of Nw. Natural Gas Co. Application for Pub. Purpose Funding and Distribution Margin Normalization*, Docket No. UG 143, Order No. 02-634 at 2, 7-8 (Sept. 12, 2002); *see also In the Matter of the Revised Tariff Schedules for Elec. Serv. in Or. Filed by Portland Gen. Elec. Co.*, Docket No. UE 88, Order No. 95-322 (Mar. 29, 1995) (The Commission has explained that decoupling mechanisms are established specifically "to align the utility's financial interest with the interest of its customers" by removing "a variety of short-term perverse incentives inherent in the existing regulatory structure.").

[27] *See, e.g. In the Matter of Portland Gen. Elec. Co., Application for Reauthorization to Defer Expenses Associated with Two Residential Demand Response Pilots,* Docket No. UM 1708, Order No. 17-244 (July 11, 2017).

[28] AWEC's Response Brief at 12.

Staff and CUB assert that because NW Natural has a responsibility to maximize the value of customer-owned assets, the Company cannot reasonably claim that a change to the sharing arrangements would alter the Company's incentive to pursue optimization activities.[29] NW Natural agrees that it has an obligation to prudently manage customer assets, and routinely does so through its base utility optimization activities—the benefits of which are flowed through to customers as part of the Company's purchased gas adjustment (PGA).[30] The optimization activities that are at issue in this case are enhanced optimization activities that go above and beyond ordinary prudent utility management and include additional complexity and levels of effort, and therefore justify providing an incentive to the utility to continue to expend additional efforts and resources to maximize enhanced optimization benefits.[31]

Staff and AWEC argue that the Company's optimization activities are mostly conducted by TMV, and TMV retains an incentive to maximize profits regardless of the level of NW Natural's incentive.[32] While it is true that TMV will retain its own incentive regardless of the level of the Company's incentive, the parties discount the importance of the Company's substantial and active participation in optimization activities. Importantly, the Liberty Report recognizes the value and importance of incentives with respect to optimization, and notes that "we observe that optimization takes active management, constant attention, effective risk management, a willingness to explore and pursue as many alternatives as market conditions

[29] Staff's Response Brief at 11; CUB's Response Brief at 10.
[30] The Liberty Report provides additional discussion of base optimization and enhanced optimization activities. NW Natural/1301, Friedman/40-43.
[31] CUB even makes the inflammatory statement that NW Natural is insinuating that it needs to be bribed to act prudently. CUB's Response Brief at 10. There is no basis for such an accusation. As the Company explained above, the Company prudently manages its gas supply resources through its normal base utility optimization activities. It is entirely appropriate to maintain an adequate incentive for the Company's participation in enhanced optimization activities.
[32] Staff's Response Brief at 11; AWEC's Response Brief at 13.

permit, and a dynamic approach to identifying and responding to inconstant market opportunities and threats" and that "[r]educing ownership's share of margins to a level that would substantially diminish its incentive to maximize optimization benefits would appear inconsistent with experience in Oregon across a period approaching two decades."[33] Thus, the findings in the Liberty Report recognize the additional work and effort that go into managing a complex optimization program and that providing an adequate incentive is important to ensure that utility management continues to expend the significant time and resources required to maintain a successful optimization program.

d. If the Commission Makes a Change, it Should be Modest.

Parties claim that they relied on the Liberty Report for their proposals to make dramatic changes to the sharing arrangements. However, the Liberty Report did not recommend such an extreme reduction to the Company's share of the optimization revenues as is being recommended by the parties. Rather, Liberty provided three alternatives to the current sharing arrangement for optimization activities for consideration: 1) Increase the customer sharing ratio from the current 67/33 percent to a more typical 75/25 to 85/15; 2) Take the asset-manager's share from both Mist and Non-Mist Optimization margins, rather than only from Non-Mist Optimization, as is done currently; and 3) Introduce a declining-block structure into determination of NW Natural's customers' share, analogous to the declining-block structure in NW Natural's asset management agreement with TMV.[34] In their briefing, no party recommended adoption of the latter two alternative sharing arrangements. Instead, the parties all proposed a variation of Liberty's first alternative by recommending that the Company's

[33] NW Natural/1301, Friedman/37-38.
[34] NW Natural/1301, Friedman/55.

share of the optimization revenues be reduced to ten percent—which is beyond the range of 25 to 15 percent recommended in the Liberty Report.

Staff, CUB, and AWEC have arbitrarily proposed to modify the optimization sharing arrangement beyond the lowest end of the spectrum suggested by Liberty.[35] It is highly inconsistent that the parties unanimously praise the Liberty Report on the one hand, but argue for an extreme resolution that was not suggested in the Liberty Report on the other. Further, as the Company has explained, the parties' proposals to significantly alter the revenue sharing arrangements could impact the balance of incentives that has resulted in substantial benefits to both customers and shareholders. In the event that the Commission deems it appropriate to change the sharing percentage for optimization revenues, a more modest change would be more likely to substantially retain the benefits of the existing sharing arrangement—and continue to incentivize the Company to maximize benefits.

2. Optimization Revenues Should not be Reported in the ROO.

CUB, Staff, and AWEC also recommend that the Commission require the Company to report optimization revenues in the Company's ROO.[36] NW Natural urges that optimization revenues should not be included in the ROO, because reporting those revenues in the ROO may inappropriately suggest that those revenues should be considered in the application of earnings tests—aside from the Company's Site Remediation and Recovery Mechanism (SRRM), where 50 percent of optimization revenues are already included, as ordered by the

[35] While Liberty's alternatives analysis considered several different sharing arrangements, Liberty suggested that a range of 75 to 85 percent would be "more typical"—and did not recommend a change to 90 percent. NW Natural/1301, Friedman/55.

[36] CUB's Response Brief at 11; Staff's Response Brief at 11; AWEC's Response Brief at 13.

Commission in Order No. 15-049.[37] NW Natural recommends instead that optimization revenues be presented separately in an annual Optimization Report.[38]

CUB does not support NW Natural's alternative Optimization Report proposal. CUB states that the Company's proposal does not alleviate CUB's concerns regarding transparency, and CUB further argues that the ROO is the traditional reporting instrument describing revenues arising from regulated activities, and since core customer asset optimization is a regulated activity, the revenues arising from it belong in the ROO.[39] Yet CUB does not explain in its brief why NW Natural's alternative proposal to provide optimization revenues in an annual Optimization Report would not be adequate, except to state that the ROO is the "traditional" reporting instrument to provide revenues arising from regulated activities. If CUB is truly concerned about the Company reporting optimization revenues in a transparent way, it is not clear why reporting these revenues outside of the ROO would not satisfy CUB's concerns.

Finally, none of the parties respond to the Company's concern about how reporting optimization revenues in the ROO may inappropriately suggest that those revenues should be considered in the application of earnings tests. The Company continues to believe that reporting optimization revenues in the ROO would be inappropriate and would unnecessarily complicate future earnings tests. Accordingly, the Company recommends that the Commission adopt its alternative proposal to report optimization revenues in an annual Optimization Report.

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[37] *In the Matter of Nw. Natural Gas Co. dba NW Natural, Mechanism for Recovery of Envtl. Remediation Costs*, Docket No. UM 1635, Order No. 15-049 at 27 (Feb. 20, 2015).
[38] NW Natural's Opening Brief at 3.
[39] CUB's Response Brief at 12-13.

B. Pension Balancing Account

In Docket No. UM 1475, NW Natural filed an application for deferral of FAS 87 pension expenses required to fund the Company's pension plans.[40] The Company filed this deferral application because it was experiencing significant under-recovery of its FAS 87 pension expense.[41] The request for deferral was ultimately resolved through an all-party settlement which established the pension balancing account at issue in this proceeding.[42] Importantly, the settlement in that case contemplated that NW Natural would eventually recover all of its FAS 87 pension expense, as well as the costs of financing the FAS 87 pension contributions.[43]

Now, despite the agreement in the Docket No. UM 1475 settlement—to which AWEC's predecessor, the Northwest Industrial Gas Users was a party—AWEC unilaterally recommends the Commission terminate the pension balancing account, adopt a ratemaking methodology based on FAS 87 for future pension costs, and open an investigation to determine whether and to what extent NW Natural may recover the existing balance in the account.[44] AWEC's proposed approach is contrary to both the spirit and the letter of the settlement stipulation in Docket No. UM 1475 and must be rejected. While all parties generally agree that the pension balancing account has not functioned exactly as was expected at the time parties entered the stipulation, this fact does not justify a unilateral proposal to terminate it.

[40] *In the Matter of Nw. Natural Gas Co., dba NW Natural, Application to Defer Pension Costs*, Docket No. UM 1475, Application to Defer Pension Costs (Mar. 15, 2010).
[41] *In the Matter of Nw. Natural Gas Co., dba NW Natural, Application to Defer Pension Costs*, Docket No. UM 1475, Joint Brief in Support of Stipulation at 1 (Dec. 13, 2010).
[42] *In the Matter of Nw. Natural Gas Co., dba NW Natural, Application to Defer Pension Costs*, Docket No. UM 1475, Order No. 11-051 at 2-3 (Feb. 10, 2011).
[43] Order No. 11-051 at 3-5.
[44] AWEC's Response Brief at 4, 17.

AWEC also includes a lengthy discussion in its response brief indicating that NW Natural should not presume that it is entitled to recover all of the pension balancing account balances from customers, and recommends that the Commission open a new proceeding to perform an after-the-fact prudence review—including review of historical contribution levels, actuarial assumptions, and interest rate assumptions—to determine what amount (if any) should be recovered from customers.[45] However, AWEC's proposal to open a new proceeding to examine the prudence of the balancing account balance is directly at odds with its agreement in Docket No. UM 1475. In that settlement, parties agreed that certain assumptions were appropriate and necessary to provide full recovery for pension expense and related financing costs—with no further prudence review. AWEC had the opportunity to provide input into those assumptions during the course of the settlement in Docket No. UM 1475 and has never called into question the balance in the pension balancing account until now – only after NW Natural informed the parties prior to this rate case that the balance was higher than originally anticipated, and that the Company would like to work with the parties to mutually resolve this issue that was previously settled by the parties. It is inappropriate for AWEC to renege on the fundamental aspects of the agreement in the settlement in Docket No. UM 1475 and propose a contrary approach in this case.

The Company has instead worked in good faith with the other parties to reach a resolution to the pension balancing account and recovery of FAS 87 pension expense that is consistent with the fundamental agreements contained in the Docket No. UM 1475 stipulation. Because the original settlement giving rise to the pension balancing account specifically prohibits individual parties from proposing that the FAS 87 pension expense recovered by the

[45] AWEC's Response Brief at 15-16.

Company be increased, NW Natural had hoped to address future treatment for the pension balancing account through a settlement.[46] NW Natural, Staff, and CUB reached an agreement in principle regarding the pension balancing account and future recovery of FAS 87 pension expense, and are in the process of finalizing their agreement in the Second Stipulation, which will be presented to the Commission soon.

NW Natural urges the Commission to adopt the approach that will be described in the forthcoming Second Stipulation, and to reject AWEC's proposed piecemeal treatment of the pension balancing account. Importantly, the Commission should not terminate the pension balancing account without a comprehensive solution to the recovery of FAS 87 pension expense, including the existing amounts in the balancing account.

C. Impacts of the 2017 Federal Tax Cuts and Jobs Act

NW Natural, Staff, and CUB have reached a resolution regarding the impacts of tax reform that ensures that customers will timely receive the benefits of the TCJA. The Company urges the Commission to adopt the calculation and treatment of the Interim Period Deferral and EDIT that will be provided in the forthcoming Second Stipulation.

1. Interim Period Deferral

a. AWEC's Calculation of the Interim Period Deferral Amount is Seriously Flawed and Should be Rejected.

AWEC recommends that the Commission establish a deferral equal to $19,719,000, amortized over two years at a rate of $10,982,000 per year.[47] NW Natural had initially proposed that the parties resolve the calculation and treatment of the Interim Period Deferral amount in the pending deferral docket, Docket No. UM 1919.[48] Given the disparity between

[46] NW Natural's Opening Brief at 19-20.
[47] AWEC's Response Brief at 5.
[48] NW Natural's Opening Brief at 25.

the Company's own forecast of the Interim Period deferred amounts of $5.9 million and AWEC's inflated calculation, the Company sought to address this issue in the separate docket so that these differences could be explored and resolved amongst the parties. Staff noted that addressing this issue in the deferral docket may be appropriate, too.[49] CUB did not make a proposal for ratemaking treatment of the Interim Period Deferral, but noted that the deferred amounts could be used to offset the Pension Balancing Account.[50] The Company, Staff, and CUB have since reached an agreement in principle resolving the calculation and treatment of the Interim Period Deferral. As a result of this agreement, NW Natural urges the Commission to reject AWEC's proposal and instead adopt the approach that will be described in the forthcoming Second Stipulation.

AWEC asserts that NW Natural criticized Mr. Mullins' calculation as being a simplified approach, but never identified anything wrong with his methodology.[51] The Company has serious concerns about AWEC's calculation of the Interim Period Deferral amount, and did specifically identify its concerns in its testimony and Opening Brief in this case. Specifically, AWEC's calculation of the Interim Period Deferral Amount is incorrect for the following three reasons:

(1) AWEC's calculation of the proposed amount is performed without considering the utility's actual results in 2018. Instead, AWEC proposes to recalculate NW Natural's revenue requirement from its 2012 general rate case by incorporating the lower tax rate as if it had existed at that time.[52]

[49] Staff/1400, Gardner/10-11.
[50] CUB/300, Jenks/5.
[51] AWEC's Response Brief at 22.
[52] AWEC/204, Mullins/1.

(2) AWEC then multiplies the resulting change by 10/12ths in an attempt to equate this to the 10 month period of the Interim Period Deferral, without considering the fact that gas utility revenues are not earned evenly throughout the year and instead are concentrated in the colder heating months.[53]

(3) AWEC then adds additional amounts to reflect AWEC's assertion that EDIT balances are already amortizing and providing a benefit to NW Natural.[54] As NW Natural explained in its testimony, this approach is inconsistent with deferral accounting and would be in conflict with the direction provided to NW Natural following the February tax workshop on the TCJA.[55]

NW Natural addresses each of these issues in turn below.

First, AWEC's approach is problematic because it improperly considers changes to NW Natural's revenue requirement from its 2012 general rate case, UG 221, to calculate the amount of the deferral. The Commission has found that, "[e]xcept in limited circumstances, it is improper to consider changes to components of the revenue requirement in isolation."[56] NW Natural's actual revenues and costs have changed significantly from those used to set its revenue requirement in its last rate case. Consequently, calculating an income tax expense deferral for 10 months of 2018 based on revenues and costs that are no longer relevant estimates of the Company's actual results will not provide a calculation that is dependable or reasonable. This is why the Company is utilizing a 2018 results of operations report format that performs a "with" TCJA and "without" TCJA calculation. By using the 2018 results of

[53] AWEC's Response Brief at 23; AWEC/204, Mullins/1.
[54] AWEC's Response Brief at 23; AWEC/204, Mullins/1.
[55] NW Natural/2500, Borgeson/10.
[56] *In the Matter of Nw. Natural Request for a General Rate Revision,* Docket No. UG 221, Order No. 12-437 at 26 (Nov. 16, 2012).

operations, the Company will accurately capture the actual amounts differed (*i.e.* the difference between the prior 35% federal income tax rate and the new 21% income tax rate) based on the Company's 2018 revenues and costs. AWEC has not attempted to challenge the reasonableness of this methodology.

Second, AWEC explains that in Mr. Mullins' model, the revenue requirement impact on tax expense was $13,265,953.98, and that applying 10/12ths of that amount yields $11,052,460, or nearly twice NW Natural's estimate.[57] AWEC's approach of applying 10/12ths to its estimate for the annual amount to calculate the Interim Period amount may be appropriate for a utility that has relatively consistent earnings throughout the year, but is inappropriate for a gas utility that earns the bulk of its revenues during the winter months. As such, AWEC's approach unjustifiably assumes evenly distributed revenues for the entire year. Because gas utility revenues are significantly higher during the colder months and much lower during the warmer summer months, it is essential to consider actual or forecast revenues during the months that are included during the Interim Period (January through October) rather than applying a mathematical formula that does not consider how the Company's revenues vary throughout the year.

Third, AWEC's calculation of the Interim Period Deferral is also misguided because it includes additional amounts representing the amortization of EDIT prior to November 1, 2018.[58] As explained in NW Natural's testimony and the Opening Brief, NW Natural deferred the full remeasurement of deferred taxes, as a result of federal income tax reform, in December of 2017, consistent with the deferral filing in UM 1919. There has not been an order from the

[57] AWEC's Response Brief at 23.
[58] AWEC/200, Mullins/13; AWEC/500, Mullins/8; AWEC's Response Brief at 23.

Commission authorizing amortization of this balance, and therefore, AWEC's calculation is premature because there has been no amortization occurring during this period.

Furthermore, for the first time in its response brief—and without any explanation or support—AWEC states that it has identified an error in its original calculation of $7,696,140 in amortization expense, which should have been $10,982,000.[59] The Commission should disregard AWEC's "new" Interim Period amount. AWEC has not provided any information about the $3.3 million dollar "error" in its response brief, nor has AWEC filed any supplement or errata to its previously filed testimony. There is absolutely no evidence in the record to support AWEC's new recommendation that the Interim Period Deferral should be even greater than AWEC's earlier estimate—which was already grossly overstated, as described above.

Finally, AWEC claims that Mr. Mullins was forced to use a simplified approach because NW Natural did not cooperate in providing an estimate.[60] NW Natural disagrees with AWEC's assertion. NW Natural responded to all of AWEC's data requests, provided all information requested, and shared detailed information about its calculation of the Interim Period Deferral amount through settlement workshops—in which AWEC participated. AWEC's claim that NW Natural did not cooperate in providing an estimate is absolutely false.

b. The Commission Should Adopt the Calculation and Proposed Treatment of the Interim Period Amount that will be Presented in the Forthcoming Second Stipulation.

AWEC argues that NW Natural's estimate of the Interim Period Deferral amount of $5.9 million is unreasonable and off by an order of magnitude.[61] Additionally, AWEC continues to support a two-year amortization of the Interim Period Deferral.[62] As NW Natural

[59] AWEC's Response Brief at 21.
[60] AWEC's Response Brief at 22.
[61] AWEC's Response Brief at 22.
[62] AWEC's Response Brief at 24.

indicated previously, the agreement in principle among NW Natural, Staff, and CUB resolves the calculation and treatment of the Interim Period Deferral amount. The Second Stipulation and any supporting joint testimony or joint briefing will include detailed information regarding the calculation of the Interim Period Deferral amount, and NW Natural urges the Commission to adopt the proposed calculation and treatment of the Interim Period Deferral amount to be described in the Second Stipulation and to reject AWEC's proposals.

2. Excess Deferred Income Taxes (EDIT)

a. AWEC's Calculation of the EDIT Balance and Related Amortization Includes Numerous Errors and Would Result in a Normalization Violation.

AWEC recommends the Commission authorize amortization of $7,435,414 of EDIT in the test period—which results in a revenue requirement reduction of approximately $11,971,308 after considering the effects of the conversion factor and rate base impacts of accumulated EDIT amortization prior to the test period.[63] As NW Natural explained in its testimony, AWEC's calculation of the EDIT amount suffers from numerous flaws. AWEC argues that NW Natural's criticism of Mullins' calculation is unsupported and no evidence in the record suggests that Mullins' calculation is wrong.[64] AWEC's assertions are simply false. The Company explained in detail in its testimony why AWEC's calculation of EDIT is incorrect—which includes the inclusion of over $15 million of ineligible balances as part of NW Natural's EDIT balance, a decrease to rate base that should have been an upward adjustment, acceleration for amortization of non-plant deferred balances over four years when the majority of the underlying balance relates to activity with over twenty years remaining, a gross up factor that is overstated, and inappropriate use of an alternative amortization

[63] AWEC's Response Brief at 5-6, 29.
[64] AWEC's Response Brief at 28.

methodology for EDIT instead of the Average Rate Assumption Method (ARAM). These flaws will be addressed in turn.

First, AWEC included in EDIT over $15 million of ineligible balances from NW Natural's workbook provided in response to a discovery request from AWEC.[65] The inclusion of these amounts overstates the beginning figure underlying AWEC's work in this matter.[66] These ineligible balances related to other plant flow-through differences that were directly benefited to customers in periods before 1981.[67] Although the Company pointed out this problem in its testimony,[68] AWEC did not correct this simple error.

Second, AWEC improperly included a reduction to rate base as a result of their proposed amortization of EDIT.[69] NW Natural agrees that rate base must be adjusted when EDIT is amortized, but the correct adjustment would reflect an upward adjustment to rate base.[70] This is because rate base is reduced for deferred taxes when it represents a cost-free financing benefit to the utility, but when the money is actually provided as a benefit to customers, that financing benefit to the utility goes away, and consequently rate base is increased. By decreasing rate base by the amount of AWEC's proposed annual amortization of EDIT, AWEC's error has the effect of almost doubling the annual impact to rates that their approach would otherwise yield.[71]

Third, AWEC failed to provide a reasonable basis for amortizing non-plant EDIT balances over four years.[72] The four year amortization proposed by AWEC is inconsistent

[65] NW Natural/2500, Borgerson/26.
[66] NW Natural/2500, Borgerson/26; AWEC/200, Mullins/10; AWEC/203, Mullins/2.
[67] NW Natural/2500, Borgerson/26.
[68] NW Natural/2500, Borgerson/26.
[69] AWEC/200, Mullins/12; AWEC/202, Mullins/1.
[70] NW Natural/2500, Borgerson/27.
[71] NW Natural/2500, Borgerson/27.
[72] AWEC/200, Mullins/12.

with the regulatory life of the underlying regulatory assets.[73] The majority of the non-plant balance relates to a gas reserves investment with scheduled recovery out to the year 2040.[74] Additionally, AWEC proposes to include the four-year amortization in permanent base rates, which unnecessarily denies NW Natural the opportunity to earn a reasonable return beyond four years, when those amounts are still being provided to customers after the balance of the non-plant EDIT has been fully amortized to customers.

Fourth, AWEC's proposal to use a "conversion" factor to translate the excess deferred tax amortization figure into a revenue requirement deduction figure is misplaced. Based on AWEC's response brief, which proposes an $11.971 million revenue reduction based on an amortization figure of $7.435 million, AWEC's conversion factor is at least 1.61.[75] This is derived by dividing $11.971 million by $7.435 million. While it is necessary to include an income tax gross up factor, the actual factor is 1.36.[76] The result of AWEC's proposed conversion factor results in a revenue requirement reduction that is overstated.

Finally, AWEC also claims that the TCJA provides an alternative method for calculating EDIT similar to the Reverse South Georgia Method (RSGM), and Mr. Mullins' approach complies with the alternative method.[77] As the Company explained in its testimony, ARAM is the primary method for calculating EDIT, and must be used if the Company has adequate data to use ARAM.[78] The alternative (or exception) method, similar to RSGM, may be used only for vintages in which there is not adequate data to use ARAM.[79] Mr. Mullins'

[73] NW Natural/2500, Borgerson/27-28.
[74] NW Natural/2500, Borgerson/27-28.
[75] AWEC's Response Brief at 29.
[76] NW Natural/2501, Borgerson/1.
[77] AWEC's Response Brief at 28-29.
[78] NW Natural/2500, Borgerson/23-24.
[79] NW Natural/2500, Borgerson/24.

approach of using an "alternative" method is simply not appropriate when there is adequate data to support the use of ARAM. AWEC asserts that NW Natural cannot use ARAM because its data is not adequately granular.[80] NW Natural disagrees with AWEC's claim. As the Company explained in its testimony, NW Natural has the data available to use ARAM to calculate the amortization of EDIT, but AWEC did not request that data during discovery.[81] As discussed further in the Company's testimony, NW Natural has provided an amortization schedule in accordance with ARAM that would not result in normalization violations.[82] Because the Company has sufficiently granular data to use ARAM, AWEC's alternative approach must be rejected.

b. AWEC Misstates the Applicable Normalization Requirements.

AWEC consistently argues that the federal income tax normalization requirements, recently enacted as part of the TCJA, prohibit a state commission from establishing cost of service rates that do not take excess tax reserves into consideration; govern the balance sheet financial statement accounting for NW Natural; and prescribe the specific methods that must be used by regulators to account for the EDIT benefits.[83] AWEC describes its interpretation of applicable normalization requirements, and asserts that "ignoring the requirement to pass back [EDIT] in newly established base rates violates normalization requirements."[84] AWEC also claims that the "TCJA § 13001(d)(3)(A) requires NW Natural to carry an Excess Tax Reserve for public utility property" and states "[t]hat requirement is not optional, and thus if NW Natural does not account for the excess tax reserves, and the corresponding effects of

[80] AWEC's Response Brief at 28.
[81] NW Natural/2500, Borgerson/25-26.
[82] NW Natural/2501, Borgerson/1.
[83] AWEC/200, Mullins/8-10; AWEC/500, Mullins/7; AWEC's Response Brief at 25, 27.
[84] AWEC's Response Brief at 27.

amortizing those balances, it would not be using a system of normalization."[85] AWEC's discussion of normalization requirements is wrong in several ways and appears to be based on a fundamental and gross misapprehension of how the normalization requirements work.

NW Natural agrees that federal normalization requirements should be part of the regulatory decision-making process, but the actual federal income tax normalization legislation does none of the things that AWEC claims. As described in the Company's testimony, Accounting Standards Codification (ASC) 740, issued by the Financial Accounting Standards Board (FASB), requires remeasurement of deferred tax liabilities and deferred tax assets for the effects of a change in tax laws or rates in the period that includes the enactment date (December 22, 2017) of the TCJA.[86] Federal accumulated deferred income taxes were remeasured by NW Natural in December of 2017, the enactment period of the TCJA, using the newly lowered income tax rate.[87] The EDIT amount was recorded as a net reduction in accumulated deferred income taxes, with an offsetting entry to a new regulatory liability deferral account.[88]

NW Natural has accounted for these benefits to customers, and has taken all of the necessary steps to preserve them by filing for a deferral of these benefits for customers in Docket No. UM 1919.[89] NW Natural's books clearly reflect the EDIT benefit deferral to be used to benefit customers.[90] ASC 980, also issued by the FASB, indicates that if the Company determines that, as a result of a regulatory action, it is probable that the reduction in income

[85] AWEC's Response Brief at 27-28.
[86] NW Natural/2500, Borgerson/13.
[87] NW Natural/2500, Borgerson/13.
[88] NW Natural/2500, Borgerson/13.
[89] NW Natural/2500, Borgerson/14.
[90] NW Natural/2500, Borgerson/14.

tax expense, recorded in 2017 as a result of the deferred tax remeasurement, will accrue to the benefit of customers, then the income tax benefit should be reversed and a regulatory liability should be recorded.[91] This occurred in December 2017.[92] The regulatory liability for excess deferred income taxes was recorded in 2017 as a result of the Company's view of the probable regulatory outcome, which is that customers will receive the benefits of excess deferred taxes related to the utility.[93] Federal Energy Regulatory Commission (FERC) guidance in AI93-5-000 mirrors the guidance in ASC 980 on this topic.[94] NW Natural's books and records reflect adherence to both of these guidelines.[95]

The normalization rules do not dictate specific accounting treatment, set a time limit for the settlement of EDIT, or require that the Commission address EDIT in a particular way. Furthermore, normalization does not require the Company to amortize its EDIT balances to the benefit of customers, nor does it require a particular rate for amortization—instead, the normalization requirements operate to limit how quickly EDIT balances are returned to customers in the event those EDIT benefits are, in fact, returned to customers. As the Company explained in its testimony, the normalization requirements create a "speed limit" on how quickly the Company can return EDIT to customers based on ARAM.[96] If the Company exceeds the "speed limit," the Company will be subject to a normalization violation, resulting in a dollar-for-dollar tax penalty for any amounts that are returned to customers too quickly. NW Natural has always maintained that it would be providing the benefits of EDIT back to

[91] NW Natural/2500, Borgerson/14.
[92] NW Natural/2500, Borgerson/14.
[93] NW Natural/2500, Borgerson/14.
[94] NW Natural/2500, Borgerson/14.
[95] NW Natural/2500, Borgerson/14.
[96] NW Natural/2500, Borgerson/21-22.

customers, but the Company has espoused caution in determining the amortization schedule so as not to run afoul of the ARAM "speed limit." Ironically, AWEC's proposed amortization of EDIT would result in a normalization violation.[97] NW Natural has provided an amortization schedule in accordance with ARAM that would not result in normalization violations.[98] As mentioned above, NW Natural urges the Commission to adopt the proposed calculation and treatment of EDIT to be provided in the Second Stipulation, and to reject AWEC's alternative methodology that would result in a normalization violation.

c. The Commission Should Adopt the Calculation and Proposed Treatment of the EDIT Amount that will be Presented in the Forthcoming Second Stipulation.

AWEC argues that NW Natural provided no evidentiary support for its calculation of $4.5 million of EDIT amortization identified in its brief, and the Commission should not use that value.[99] NW Natural disagrees with that contention, as the Company's calculation of EDIT has been provided as an exhibit to the Company's testimony in NW Natural/2501, Borgerson/1. However, the agreement in principle among NW Natural, Staff, and CUB resolves the calculation and treatment of EDIT. The Second Stipulation and any supporting joint testimony or joint briefing will include detailed information regarding the calculation of the EDIT amount, and NW Natural urges the Commission to adopt the proposed calculation and treatment of the EDIT amount to be described in the Second Stipulation and to reject AWEC's proposals.

[97] NW Natural/2500, Borgerson/27.
[98] NW Natural/2501, Borgerson/1.
[99] AWEC's Response Brief at 29.

III. CONCLUSION

For the reasons set forth above, NW Natural respectfully requests that the Commission: (1) reject the significant modifications proposed for optimization revenue sharing and instead retain the existing sharing arrangements, and confirm that it is not necessary for the Company to report the revenues from its optimization in the ROO but instead to report them through its annual Optimization Report; (2) adopt the approach regarding the pension balancing account and recovery of FAS 87 pension expense that will be presented in the forthcoming Second Stipulation, and reject AWEC's proposals; and (3) adopt the approach regarding the calculation and treatment of the Interim Period Deferral amount and the calculation and treatment of the EDIT that will be presented in the forthcoming Second Stipulation, and reject AWEC's calculations and proposed treatment of EDIT.

Respectfully submitted this 5th day of September, 2018.

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