

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON
UG 388**

In the Matter of)
)
NORTHWEST NATURAL GAS COMPANY,)
dba NW NATURAL)
)
Request for a General Rate Revision.)

**TESTIMONY OF
BRADLEY G. MULLINS
IN SUPPORT OF COST OF CAPITAL STIPULATION
ON BEHALF OF
ALLIANCE OF WESTERN ENERGY CONSUMERS**

1 **I. INTRODUCTION AND SUMMARY**

2 **Q. PLEASE STATE YOUR NAME AND OCCUPATION.**

3 A. My name is Bradley G. Mullins. I am a Consultant for MW Analytics, an independent
4 consulting firm representing utility customers before state public utility commissions in
5 the Northwest and Intermountain West.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS DOCKET?**

7 A. Yes. I previously filed testimony in this docket, AWEC/100, and my witness
8 qualification statement can be found at Exhibit AWEC/101.

9 **Q. PLEASE IDENTIFY THE PARTY ON WHOSE BEHALF YOU ARE**
10 **TESTIFYING.**

11 A. I am testifying on behalf of the Alliance of Western Energy Consumers (“AWEC”).

12 **Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?**

13 A. This Testimony describes and supports the stipulation filed in this docket on March 12,
14 2020 (“Stipulation”) between NW Natural Gas Company d/b/a NW Natural (“NW Natural
15 or Company”), Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon
16 Citizens’ Utility Board (“CUB”) and AWEC (collectively, the “Parties”). The Stipulation
17 addresses cost of capital issues in this docket which includes Capital Structure, Return on
18 Equity (“ROE”) and the cost of long-term debt.

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1 **II. BACKGROUND**

2 **Q. PLEASE SUMMARIZE THE BACKGROUND AND CONTEXT OF DOCKET**
3 **NO. UG 388.**

4 A. On December 30, 2019, NW Natural filed its general rate case seeking to increase customer
5 rates by \$71.4 million. This case was docketed as UG 388. In its filing, NW Natural
6 requested a capital structure comprised of 50.00% equity and 50.00% debt, an ROE of
7 10.00%, and a cost of long term debt of 4.596%. The overall rate of return requested by
8 the Company was 7.317%.

9 **Q. HAVE THE PARTIES SETTLED COST OF CAPITAL ISSUES?**

10 A. Yes, on March 3, 2020, the Parties reached a settlement of the cost of capital issues as
11 memorialized in the Stipulation referenced above.

12 **Q. HAVE THE PARTIES SETTLED ANY OTHER ISSUES IN THE CASE?**

13 A. No, only the cost of capital issues have been settled thus far.

14 **Q. PLEASE PROVIDE A SUMMARY OF THE AGREEMENT REACHED IN THE**
15 **STIPULATION.**

16 A. In the Stipulation, the Parties agreed to continue with the Capital Structure and ROE that
17 are currently in effect and approved in NW Natural's prior rate case, UG 344. Under the
18 Stipulation, the Capital Structure is comprised of fifty percent equity and fifty percent debt
19 and the ROE is 9.4 percent. The Parties further agreed to decrease the Company's cost of
20 long term debt from 4.596 percent to 4.529 percent. The overall rate of return under the
21 Stipulation is 6.965 percent.

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1 **Q. PLEASE EXPLAIN WHY AWEC SUPPORTS THE STIPULATION.**

2 A. AWEC supports the Stipulation because it represents a reasonable compromise of the
3 issues resolved through the Stipulation. By settling cost of capital, parties will have greater
4 ability to review and consider other issues in this proceeding and avoid the expense of
5 litigating cost of capital issues. With regard to the effects of COVID-19, had ROE not
6 been settled, AWEC may have recommended a lower cost of capital than provided in the
7 Stipulation. On the other hand, the impact of the effects of COVID-19 on the cost of debt
8 would only impact future debt issuances and would therefore have a small impact on
9 revenue requirement. Plus, NW Natural's cost of debt is already lower than that of its
10 peers, a difference which can be attributed to NW Natural's good credit and debt
11 management practices. Accordingly, AWEC still supports the Stipulation as a compromise
12 even considering the market changes that have occurred since entering into the Stipulation.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes.