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May 13, 2020

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
P.O. Box 1088
Salem, Oregon 97308-1088

Re: UG 388 – NW Natural Request for a Rate Revision.

Attention Filing Center:

Attached for filing in the above-referenced docket is the Stipulating Parties' Joint Testimony in Support of the Partial Stipulation regarding Cost of Capital Issues.

Sincerely,

/s/ Alisha Till

Alisha Till
Paralegal

Attachment

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG 388

Joint Testimony in Support of Stipulation Regarding Cost of Capital Issues

Stipulating Parties: NW Natural Gas Company d/b/a NW Natural, Public Utility Commission of Oregon Staff, and the Oregon Citizens' Utility Board

NW NATURAL-STAFF-CUB EXHIBIT 100

Joint Testimony of Brody Wilson, Dr. Bente Villadsen, Matt Muldoon, Moya Enright, and Bob Jenks

May 13, 2020

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I. INTRODUCTION AND SUMMARY

Q. Who is sponsoring this testimony?

A. This testimony is sponsored jointly by NW Natural Gas Company d/b/a NW Natural (NW Natural or Company), Staff of the Public Utility Commission of Oregon (Staff), and the Oregon Citizens' Utility Board (CUB) (collectively, the Testifying Parties).

Q. Please provide your names, positions, and qualifications.

A. My name is Brody Wilson, and my current position is Vice President, Treasurer, Chief Accounting Officer, and Controller for NW Natural. My qualifications are provided in Exhibit NW Natural/200, Wilson/1.

My name is Dr. Bente Villadsen, and I am a Principal of the Brattle Group, and consultant in this docket for NW Natural. My qualifications are provided in Exhibit NW Natural/300, Villadsen/1-2 and NWN/301.

My name is Matt Muldoon, and I am the Economic Analysis Program Manager within the Energy Rates, Finance and Audit Division of the Public Utility Commission of Oregon (Commission). My qualifications are provided in Exhibit Staff/1301, Muldoon/1.

My name is Moya Enright. I am a Senior Financial analyst in the OPUC E-RFA Economic Analysis Program. My qualifications are provided in Exhibit Staff/1302, Muldoon-Enright/1.

My name is Bob Jenks, and I am the Executive Director for CUB. My qualifications are provided in Exhibit CUB/101.

Q. What is the purpose of this Joint Testimony?

A. This Joint Testimony describes and supports the Stipulation filed in Docket No. UG 388 on March 12, 2020 (Stipulation), which resolves three cost of capital (CoC) issues in this docket—Capital Structure, Cost of Common Equity, also known as Return on Equity

(ROE) and Cost of Long-Term Debt (LT Debt). The Alliance of Western Energy Consumers (AWEC) also signed the Stipulation but is filing separate supporting testimony. Mr. Muldoon and Ms. Enright are also filing separate testimony in support of the Stipulation, in addition to joining this Joint Testimony.

II. BACKGROUND

Q. Please summarize the background and context of Docket No. UG 388.

A. On December 30, 2019, NW Natural initiated this proceeding, Docket No. UG 388, by filing a request for a general rate increase (Initial Filing). In its Initial Filing, NW Natural requested a revision to customer rates that would increase the Company's annual Oregon jurisdictional revenues from base rates by $71.4 million, or an approximate 11.5 percent increase over current customer rates. In the Testimony of Brody Wilson, the Company requested that CoC be set based on a Capital Structure of 50 percent equity and 50 percent debt; ROE of 10.0 percent; and LT Debt of 4.596. The overall Rate of Return requested by the Company was 7.317.

Administrative Law Judge Allan J. Arlow convened a prehearing conference on January 30, 2020. In accordance with the prehearing conference order, the effective date for rates will be November 1, 2020.

Q. Have the Parties conducted discovery in this case?

A. Yes. Since the Initial Filing, NW Natural has responded to over 450 data requests from Staff, CUB, and AWEC. NW Natural has responded to 50 data requests related to CoC issues.

Q. Please describe the process to date in this docket.

A. Staff held the first workshop in this docket on March 3, 2020. Prior to that workshop, Staff notified the Parties that Staff wished to convert the first part of the workshop to a settlement conference, specifically to address CoC issues. As a result of settlement discussions held on that date, the Parties reached the settlement of the CoC issues reflected in the Stipulation.

Q. Please provide an overview of the issues addressed in the Stipulation.

A. In the Stipulation, the Parties agreed to recommend that the Commission maintain for NW Natural the Capital Structure and authorized ROE that are currently in effect, resulting in a balanced Capital Structure of fifty percent equity and fifty percent debt, and an ROE of 9.4 percent. The Parties further agreed to decrease the Company's Cost of LT Debt from 4.596 percent to 4.529 percent. Agreement to these CoC components yield an overall rate of return (ROR) of 6.965 percent, as shown on the chart below:

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	4.529%	2.265%
Common Equity	50.0%	9.40%	4.700%
Total	100.0%		6.965%

In this testimony, the Parties will explain why they believe that the terms of this Stipulation will result in fair and reasonable rates, and the Parties will explain why they continue to support these terms during the current economic uncertainty caused by the COVID-19 pandemic. As is common with stipulations, each party has their independent perspective for why entering into a stipulation is reasonable, and for that reason, each of the Testifying Parties has also included an independent statement of support for this Stipulation.

III. SUPPORT FOR THE STIPULATION

Q. Since the Parties initially agreed to the terms of the Stipulation, on March 3, 2020, have there been changes in the equity and debt markets that the Commission should consider in evaluating the reasonableness of the Stipulation's terms?

A. Yes. At the time the Parties agreed to the terms of the Stipulation, the general public was just beginning to understand that the spread of COVID-19 would not be contained to a few specific areas of the globe, and financial markets were just beginning to register this fact. In general, many believed that the related market volatility would be limited and of short duration. However, as the virus has become a global pandemic, we have seen significant and sustained disruptions in markets, the result of which have been steep declines in the prices of equities, a cost of risk-free debt at close to zero, a sharp increase in credit spreads, and significant ongoing volatility.

Prior to the market reaction to this pandemic on February 21, 2020, the share price for NW Natural Holdings was $76.72, and following the realization of the pandemic its share price hit a low of $52.66 on March 17, 2020, representing a 31% decrease in share value. As of April 30, 2020, NW Natural Holding's share price partially recovered, increasing to $65.38.

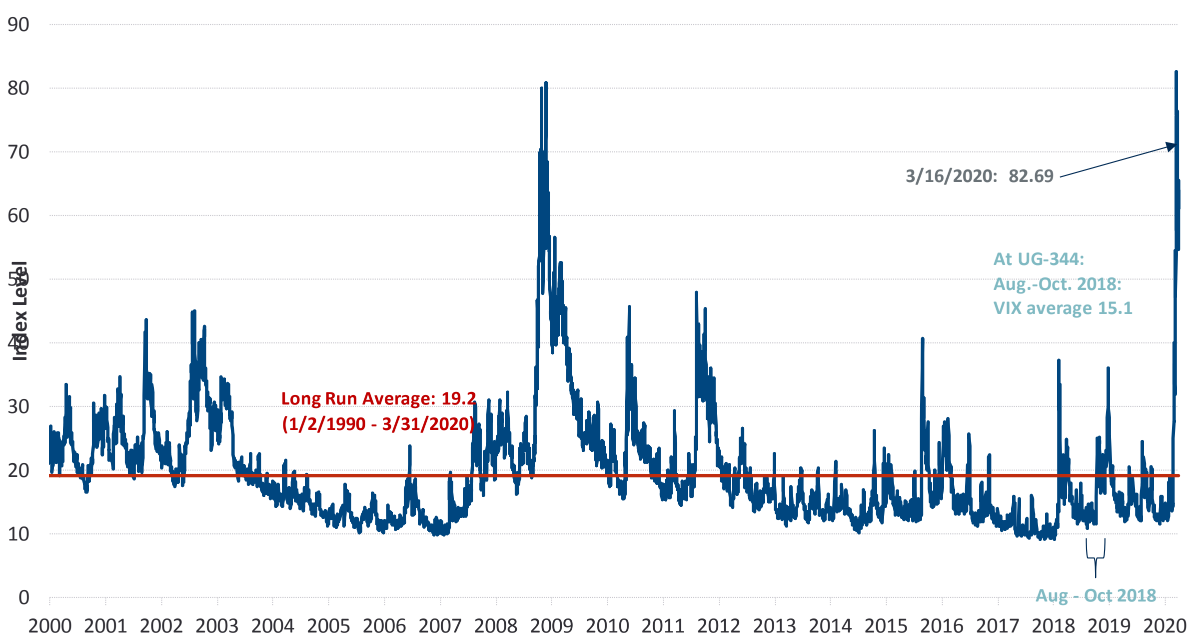
Q. Can you provide some detail regarding the current status of debt and equity markets?

A. Yes. While financial markets fluctuate daily, the following discussion provides perspective on the status of financial markets at the time of the preparation of this testimony.

First, equity markets have declined sharply. The S&P 500 stood at 3,337.75 on February 20, 2020, then dropped to a low of 2,237.40 on March 23, 2020 for a drop of almost 1/3 of its market value. It has since gained about 18 percent back and as of May 11th stood at 2930.32. These are by all means extreme movements. Utility stocks have also declined, and NW Natural's stock price dropped 24 percent between January 2 and April 1, 2020.

Second, market volatility is extreme. For example, the VIX index, which measures the implied market volatility using stock options reached an all-time high on March 16, 2020. While it has since declined to 46.8 as of April 3, it remains more than double its long-run average and above any level seen since 2012. This is shown in the chart below, which exhibits the VIX index from 2000 through April 1, 2020. The high level of the VIX shows a very high level of investor uncertainty, which leads to high premiums above the risk-free rate.

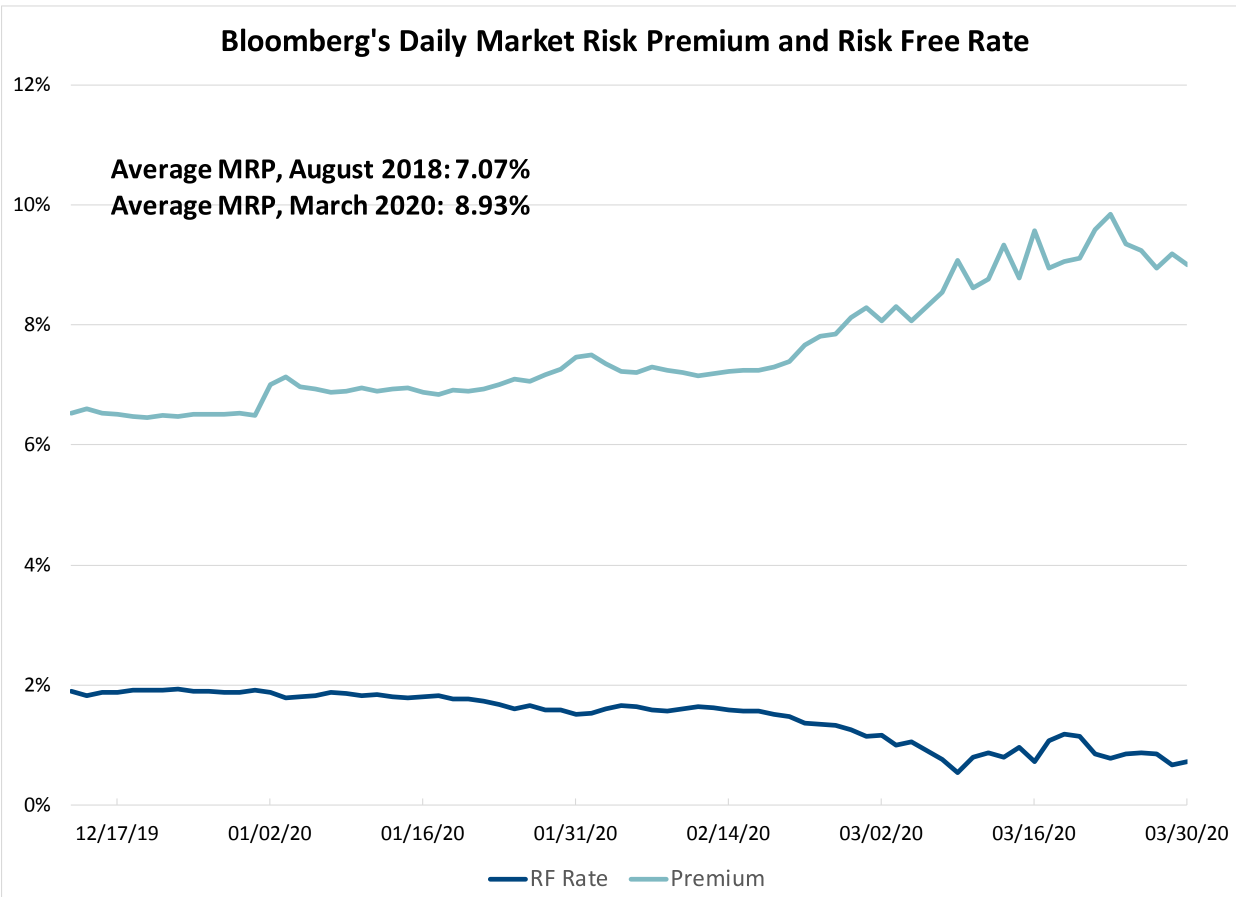
Figure 1 – Chicago Board Options Exchange's (CBOE) Volatility Index (VIX)



Source: Bloomberg as of 3/31/2020

The increased volatility may lead to an increase in the market risk premium (MRP) going forward. Recent forward-looking MRP calculations are consistent with that observation and Bloomberg's forward-looking MRP has increased by about 200 basis points over the last 30-45 days. The chart below shows the one year forward MRP as calculated by Bloomberg as well as the comparable risk-free rate (Bloomberg bases its calculation on the 10-year rate, so the risk-free rate is correspondingly the 10-year yield).

Figure 2 – Bloomberg Plot of MRP and Risk Free (R_f) Rate

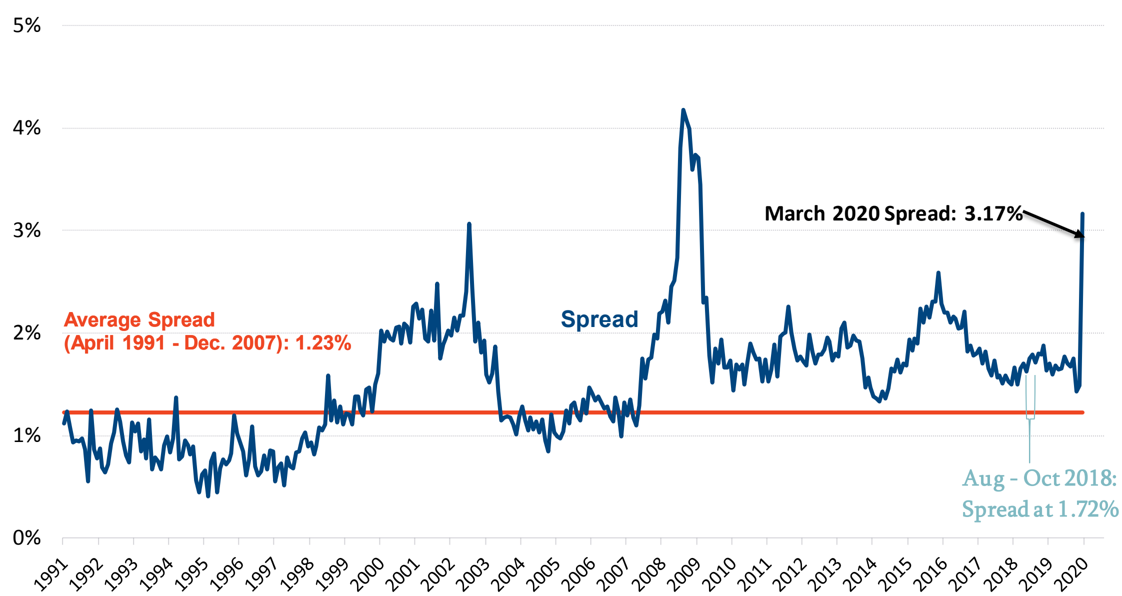


Third, government bond yields have declined sharply, so that the 30-year bond yield dropped below 2 percent in February and as of April 1 was only 1.35 percent.[1]

[1] Federal Reserve, FRED *available at:* https://fred.stlouisfed.org/tags/series?t=interest+rate.

However, the spread between the yield on 30-year utility bonds and like maturity spiked from about 1.3 percent to over 3.0 percent in March before receding. The increase in spread is consistent with investors becoming more risk averse when times are highly uncertain as shown in Figure 3 below.

Figure 3 – Spread of BBB Rated Utility Bonds over like maturity US Treasuries



Source: Bloomberg as of 3/31/2020.

Moreover, as we file this testimony there is uncertainty as to the future course of the virus, as well as the market response. For example, an April 3, 2020 analysis by McKinsey looks to a range of scenarios and finds that the most likely impact on the U.S. gross domestic product (GDP) is negative 8 to 13 percent. The study also finds that the most likely recovery to pre-COVID-19 GDP could occur between Q4, 2020 and Q2, 2024.[2] The study also considers more severe impacts on the economy and a lengthier recovery. Regardless, there is substantial uncertainty about the magnitude of the impact and the

[2] McKinsey & Company, "COVID-19: Briefing Materials," April 3, 2020, pp. 21-25 *available at*: https://www.mckinsey.com/~/media/mckinsey/business%20functions/risk/our%20insights/covid%2019%20implications%20for%20business/covid%2019%20march%2030/covid-19-facts-and-insights-april-3.ashx.

timeline for recovery.

Q. What is your general view of the reasonableness of the Stipulation in light of these events?

A. We believe that the Stipulation remains reasonable, and, as we discuss below in more detail below, provides needed stability for both customers and the utility in these difficult times.

CAPITAL STRUCTURE

Q. Please describe the capital structure agreed to by the Parties.

A. The Parties agreed to a balanced capital structure for NW Natural of 50 percent equity and 50 percent LT Debt.

Q. What are the advantages of a 50/50 capital structure?

A. A 50/50 capital structure maintains a strong equity component, which demonstrates a utility's commitment to a strong and stable balance sheet, which in turn helps to maintain the utility's credit ratings. Strong investment grade credit ratings provide the utility with financing flexibility and liquidity, ensuring timely access to capital markets, which helps to lower the cost of capital. At the same time, this balanced capital structure includes 50 percent debt, which helps to reduce the overall cost of capital.

Q. Is a 50/50 capital structure consistent with the capital structures approved by the Commission for NW Natural in past rate cases?

A. Yes. The Commission adopted a 50/50 capital structure for NW Natural in 2018[3], in UG 344, and a 50/50 capital structure for NW Natural in 2012, in UG 221.[4]

[3] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision*, Docket UG 344, Order No. 18-419 at 4 (Oct. 26, 2018).
[4] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision*, Docket UG 221, Order No. 12-437 at 3 (Nov. 16, 2012).

Q. Is the adoption of a 50/50 capital structure consistent with the Commission's general policy?

A. Yes. As noted in the separate testimony of Mr. Muldoon and Ms. Enright in support of the Stipulation, the Commission has generally accepted that a 50/50 capital structure balances the lower cost of borrowing against the credit enhancement represented by equity.

Q. Please comment on the stipulated capital structure in light of current market conditions.

A. We believe that a balanced capital structure with 50 percent equity provides the Company with sufficient equity to withstand adverse economic conditions such as we are facing today. The strong equity component will help to lower NW Natural's cost of debt—which is particularly critical given the increasing spread in yield between utility bonds and government bonds. Additionally, a strong equity component of 50 percent will prove vital if the current crisis results in the liquidity constraints, we saw during the 2008-2009 Financial Crisis; in that circumstance, long-term debt financing may not be available for all utilities or if available, it may be at very high costs.

RETURN ON EQUITY

Q. Please describe the ROE agreed to by the Parties.

A. The Parties agreed to an ROE for NW Natural of 9.4 percent.

Q. Is this ROE consistent with that approved by the Commission for NW Natural in past rate cases?

A. Yes. The Commission adopted a 9.4 percent ROE for NW Natural in 2018 in UG 344[5],

[5] Order No. 18-419 at 4.

and a 9.5 percent ROE for NW Natural in 2012 in UG 221.[6]

Q. How does an ROE of 9.4 percent comport with the modelling performed by NW Natural's expert witness, Bente Villadsen, and Staff's experts, Mr. Muldoon and Ms. Enright?

A. In her Opening Testimony, Dr. Villadsen presented her analysis of NW Natural's ROE. Her models produced a range of 9.4 to 10.5 percent. In their separate testimony, Mr. Muldoon and Ms. Enright present their analysis of NW Natural's ROE, which produces a range of 8.80 to 9.35 percent. Accordingly, the 9.4 percent ROE agreed to in the Stipulation lands just above the top of Staff's range and at the bottom of Dr. Villadsen's range, and therefore represents a compromise of the models' results.

Q. What was the Parties' initial reasoning in adopting a 9.4 ROE for NW Natural?

A. The Parties acknowledged that 9.4 percent was within a reasonable range of ROEs for NW Natural and further believed that maintaining NW Natural's ROE at the level at which it was recently set in its last rate case would benefit both the Company and its customers by providing stability and certainty.

Q. Neither Dr. Villadsen's nor Mr. Muldoon's analysis take into account the circumstances of the current financial volatility balanced against downward projections of U.S. productivity and gross domestic product (GDP). Should the Commission wait for further information?

A. No, we do not believe so. It would not be fruitful to re-run financial models when markets are volatile. And while it is difficult to predict how long the current volatility will persist, we do not expect markets to return to anything that looks like "normal" for the next several months. So, even if we waited to re-run our models until mid-summer, when the hearing

[6] Order No. 12-437 at 6.

is set, and the evidentiary record closes, we are unlikely to obtain helpful results. Moreover, it is important to remember that ROE models always capture a moment in time, and that there will always be hope for better information in the future. For these reasons, while we think it is important to recognize that we are in a time of substantial volatility, we nevertheless recommend that the Commission determine ROE for NW Natural based on the modelling conducted by Staff and NW Natural, which was conducted under more normal conditions.

Q. Please explain why, given current market conditions, the stipulated ROE of 9.4 percent is reasonable.

A. As we have noted, NW Natural's costs of equity may differ from that modelled. However, there are several reasons why we believe that the stipulated ROE of 9.4 percent remains reasonable and in the public interest.

First, a 9.4 percent ROE provides both customers and the Company the certainty of a consistent and stable ROE at a time of significant uncertainty. As such, customers avoid an increase in ROE at a time when they may be facing financial hardship. At the same time, the settlement assures NW Natural of a return that will ensure sufficient revenues to allow it to continue to invest in necessary infrastructure and fund operations as required to provide safe and reliable utility service.

Additionally, the settled ROE is consistent with those adopted for NW Natural since 2012, and therefore suggests a reasonable return when rates will go into effect.

The Parties agree that this balanced approach to ROE is consistent with *Hope* and *Bluefield*.[7]

[7] *Bluefield Water Works & Improvement Co. v. Public Service Com'n of West Virginia*, 262 U.S. 679 (1923) ("Bluefield"), and *Federal Power Com'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944) ("Hope").

COST OF LONG-TERM DEBT

Q. Please describe the Cost of LT Debt agreed to by the Parties.

A. The Parties have agreed to a Cost of LT Debt of 4.529 percent.

Q. What was the Parties' initial reasoning in agreeing to this Cost of LT Debt?

A. The Parties considered the cost of NW Natural's outstanding debt, as well as anticipated issuances, to come up with a reasonable compromise LT Debt that is approximately 75 basis points lower than that requested by the Company.

Q. You have noted above that since the date that the Parties settled the CoC issues, the Federal Government has lowered interest rates and the yield on government bonds has decreased. Do you believe the settled Cost of LT Debt is reasonable in light of current conditions?

A. Yes. It is important to keep in mind that the settled Cost of LT Debt is based primarily on the Company's embedded debt—and not forecasts for future issuances. Any decrease in debt costs beyond those contemplated at the time of the settlement was entered will have a relatively small impact on NW Natural's overall Cost of LT Debt. Moreover, we do not believe that the current low rates for risk-free debt are reflective of the rates NW Natural will pay when it borrows in the future. While the Federal Government has lowered interest rates and the yield on government bonds has declined, the spread between the yield on utility bonds and government bonds has increased. The Testifying Parties do not agree on the import and predictive ability of indicative like-rated debt series' coupon rates and market forwards at this time but do agree that the stipulated Cost of Long-Term Debt is a fair compromise given large uncertainties.

OVERALL RATE OF RETURN

Q. **What is the overall rate of return, based on the settled Capital Structure, ROE and Cost of LT Debt?**

A. The overall rate of return based on the settled components is 6.965 percent.

Q. Do you agree that this overall rate of return is appropriate and will result in fair and reasonable rates?

A. Yes. The settled rate of return represents a decrease from NW Natural's current authorized rate of return of 7.317 percent—which is a benefit to NW Natural's customers but is nevertheless sufficient to assure confidence in the financial soundness of the utility.

NW NATURAL

Q. Dr. Villadsen and Mr. Wilson, please explain why NW Natural supports the Stipulation.

A. These are challenging times for the Company, our customers, and the global economy. Not only are we facing substantial volatility in financial markets, there is uncertainty as to how long the volatility may persist. As discussed above, given our current situation, we believe that the most prudent course is to provide stability for our Company and its customers by holding the current Capital Structure and ROE steady, and making a modest adjustment to Cost of LT-Debt.

Q. Can you provide any general observations as to how the current volatility may be immediately impacting NW Natural's costs of equity?

A. Certainly. In the short to mid-term, the current volatility impacts investors' attitudes toward risk. As investors become more risk averse, they require a higher premium to invest in securities that are not risk-free. Thus, the market risk premium increases, which would be expected to lead to an increase in NW Natural's cost of equity. This increase in NW

Natural's cost of equity would indicate a higher ROE than would have been indicated prior to the financial crisis.

Separately, the immediate effect of a declining stock price is that the dividend paid per dollar invested increases, so that the dividend yield increases, which results in an increase in ROE estimates. At the same time a forward-looking equity risk premium increase will result in an increase in ROE because the risk premium investors require increases. This understanding is consistent with the results of a study by Barclays, which has identified sharp increases in utility costs of equity metrics since February 19, 2020. Barclay's study, which was issued on March 28, 2020, concludes that the short-to-medium term cost of equity has increased by more than 600 basis points, while the paper estimates the 2-year cost of equity is up by about 450 basis points. Thus, the cost of equity is expected to remain elevated for an extended period of time.

As a result, it its very likely that NW Natural's costs of equity are significantly higher today than they were when Dr. Villadsen ran her models, and that Dr. Villadsen's ROE estimates would be significantly higher if she were to re-run her models today.

That said, over a longer period, it can be expected that growth rates will adjust to the new reality and thus lead to lower costs of equity or ROE estimates. It is also plausible that some may hold dividends steady or even reduce dividends, which would further put downward pressure on ROE estimates. In short, in the near-term ROE estimates would increase, and over time, plausibly return to a level more comparable to that of the past.

Figures 1 and 3 above allow for a comparison of the market volatility relative to conditions at the time of NW Naturals 2018 rate case, when the Parties agreed to an ROE of 9.4 percent.[8] As explained above, the current volatility has increased substantially as

[8] Order No. 18-419 at 4.

has the forward-looking market risk premium and the spread between utility and government bond yields. All of these are indications that the return investors require over and above the risk-free rate has increased dramatically since the last rate case, so that if an ROE of 9.4 percent was appropriate in 2018, then 9.4 percent or above is appropriate for April 2020.

Q. Can you provide any general observations as to how the condition of the current debt markets may be impacting NW Natural's cost of debt?

A. As noted above, while the cost of risk-free debt is extremely low, spreads have increased. The table below shows the bond issuances for regulated utilities between February 12 and April 1, 2020 and demonstrates that the spread has increased from below 100 basis points in mid-February 2020 to above 250 basis points in March 2020. Importantly, all of the issuances in the table below except SCE are investment grade and above BBB (i.e., they are not BBB- and bordering the non-investment grade). Thus, there is empirical evidence that while the government bond yield has declined, the spread between utility and government bond yields has increased. The lone BBB- issuance came at a spread of 462. This increase in the spread suggests that the Stipulation's Cost of LT Debt is reasonable, even in view of the historically low cost of risk-free debt.

Table 1: Bond Issuances for Regulated Utilities

	Utility	Spread to benchmark Treasury (bps)	Moody's rating	S&P Global rating	Fitch rating	Type	Maturity year	News date
1	DTE Energy Co.	195.0	Aa3	A	A+	2.625% general and refunding mortgage bonds	2031	4/1/2020
2	Edison International	462.5	Baa3	BBB-	BBB-	4.95% senior notes	2025	4/1/2020
3	Exelon Corp.	337.5	Baa2	BBB	BBB+	4.05% senior notes	2030	4/1/2020
4	Exelon Corp.	337.5	Baa2	BBB	BBB+	4.70% senior notes	2050	4/1/2020
5	AEP Transmission Co. LLC	235.0	A2	A-	A	3.652% senior notes	2050	4/1/2020
6	Dominion Energy Inc.	280.0	Baa2	BBB	BBB+	3.375% senior notes series C	2030	4/1/2020
7	Ameren Corp.	285.0	Baa1	BBB		3.50% senior notes	2031	4/1/2020
8	Southern California Edison Co.	275.0	A3	A-	BBB+	3.70% first and refunding mortgage bonds series 2018E	2025	3/31/2020
9	Oklahoma Gas and Electric Co.	260.0	A3	A-	A	3.25% senior notes	2030	3/31/2020
10	Xcel	270.0	Baa1	BBB+	BBB+	3.40% senior notes	2030	3/30/2020
11	Florida Power & Light Co.	237.5	Aa2	A+	AA-	2.85% first mortgage bonds	2025	3/27/2020
12	Entergy Louisiana LLC	275.0	A2	A		4.20% collateral trust mortgage bonds	2048	3/27/2020
13	Consumers Energy Co.	200.0	Aa3	A	A+	3.50% first mortgage bonds	2051	3/26/2020
14	NSTAR Electric Co.	325.0	A1	A	A+	3.95% debentures	2030	3/24/2020
15	Dominion Energy Inc.	265.0	Baa2	BBB	BBB+	3.30% senior notes series A	2025	3/19/2020
16	Dominion Energy Inc.	275.0	Baa2	BBB	BBB+	3.60% senior notes series B	2027	3/19/2020
17	Entergy Arkansas LLC	175.0	A2	A		4.00% first mortgage bonds	2028	3/18/2020
18	AEP Ohio	170.0	A2	A-		2.60% senior notes	2030	3/17/2020
19	Florida Power & Light Co.	3-mo London interbank offered rate - 0.30%	A1	A		floating-rate notes	2070	3/16/2020
20	Duke Energy Indiana LLC	165.0	Aa3	A		2.75% first mortgage bonds series ZZZ	2050	3/11/2020
21	Entergy Texas Inc.	137.5	Baa1	A		3.55% first mortgage bonds	2049	3/10/2020
22	Entergy Louisiana LLC	130.0	A2	A		2.90% collateral trust mortgage bonds	2051	3/6/2020
23	Southern California Edison Co.	170.0	A3	A-	BBB+	3.65% first and refunding mortgage bonds series 2020A	2050	3/6/2020
24	Southern California Edison Co.	125.0	A3	A-	BBB+	2.25% first and refunding mortgage bonds series 2020B	2030	3/6/2020
25	Commonwealth Edison Co.	68.0	A1	A	A	2.20% first mortgage bonds series 128	2030	2/26/2020
26	Commonwealth Edison Co.	100.0	A1	A	A	3.00% first mortgage bonds series 129	2050	2/26/2020
27	DTE Energy Co.	68.0	Aa3	A	A+	2.25% general and refunding mortage bonds series A	2030	2/12/2020
28	DTE Energy Co.	90.0	Aa3	A	A+	2.95% general and refunding mortage bonds series B	2050	2/12/2020

Notes:
Red highlight indicates spread to benchmark Treasury is above 250 bps.
The term of the benchmark Treasury corresponds to that of the bond.

OPUC Staff

Q. Mr. Muldoon and Ms. Enright, please explain why Staff supports the Stipulation.

A. We are filing separate testimony specifically explaining why Staff supports the Stipulation.

CUB

Q. Mr. Jenks, Please explain why CUB supports the Stipulation.

A. CUB believes the Stipulation is a reasonable compromise of the issues related to ROE and Capital Structure that serves to both protect customers in Oregon and offers a fair return for the Company in light of changing economic circumstances. Residential customers in Oregon are facing record levels of unemployment from the economic fallout related to COVID-19 and many businesses are struggling to survive. Under these circumstances, CUB believes it would be highly inappropriate to increase returns/profits to shareholders. To CUB, ensuring that the Company's ROE will not increase during this tumultuous time is an important element of our support for the Stipulation. Further, the

9.4 ROE in the Stipulation is well within the range of reasonableness as indicated in the analysis of Staff and the Company. A 9.4 ROE and a 50/50 Capital Structure aligns with the Company's peer utilities. While the future remains uncertain, CUB supported the Stipulation because it represents a fair compromise between the Company and its customers based upon the information we have available to us at this time.

Q. Does this conclude your testimony?

A. Yes.