**BEFORE THE OREGON PUBLIC UTILITIES COMMISSION**

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| In the matter of<br><br>**NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL**<br><br>*Request for a General Rate Revision* | **DOCKETS UG 435**<br>**UG 411** |

**CROSS-ANSWERING TESTIMONY OF**

**Danny P. Kermode, CPA-Retired**

**SBUA/200**

**June 30, 2022**

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## *LIST OF EXHIBITS*

# I. INTRODUCTION AND SCOPE OF TESTIMONY

**Q. Please state your name, business address.**

A. My name is Danny Kermode, and my business address is 5326 75th CT SW, Olympia, Washington 98512. My business email address is 5553dkcpa@GMX.US.

**Q. Are you the same Danny Kermode who submitted response testimony on behalf of the Small Business Utility Advocates (SBUA) on April 23, 2022, in this docket?**

A. Yes.

**Q. What is the purpose of your cross-answering testimony?**

A. I am responding to OPUC opening testimony filed by Dlouhy, Fox, and Storm (Staff) addressing the accumulated NW Natural's deferral balance for COVID-19 costs. The Staff testimony discusses, among other things, possible allocation methods and rate spreads based on multiple theories and approaches of recovery. However, after a lengthy discussion Staff rejects many of the different approaches and chooses to use a Marginal Propensity to Save model to support its recommended rate spreads. I will address this choice in the following testimony.

I also respond to NW Natural's Reply Testimony where it discusses the proposed treatment of the COVID-19 Costs. I will finally discuss the newly filed proposed second partial settlement; I will address the theories and cost recovery approaches proposed in the settlement and proctor an appropriate allocation approach that more clearly reflects the cost causation principle for cost recovery than those offered by the other parties.

## II. PRUDENT COVID-19 COSTS IN UM 2068

**Q. In its testimony, Staff provides *Table 15-2: Prudent Costs in UM 2068*.[1] Please briefly explain the table.**

A. In *Table 15-2: Prudent Costs in UM 2068*, (Table 15-2), Staff provides the total COVID-19 costs for 2020 and 2021 deferred by the NW Natural that Staff believes are prudent and appropriately accrued for recovery. Staff uses Table 15-2 to categorize its rate spread recommendations based on items (a) through (f) listed below:

(a) Direct Costs, Savings, and Benefits
(b) Late Payment Fees Not Assessed
(c) Bad Debt Expense Above Baseline
(d) Reconnections and Field Visits Apr. 1, 2021-Oct. 1, 2022
(e) Foregone Reconnection Charges through Nov. 15, 2020
(f) COVID-19 Bill Payment Assistance Program

**Q. What is the total amount of COVID-19 related deferrals that Staff introduced into this case from Docket UM 2068 with its testimony?**

A. Staff is recommending ratepayers pay an additional $10.37 million over a two-year period above the $73.5 million originally requested by the company.

**Q. Did the Company give notice to the public or any of the parties of the proposal to increase rates in this docket for the deferred costs associated with COVID-19 in UM 2068?**

A. No, not to my knowledge.

**Q. Do you see any practical difficulties with the lack of notice?**

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[1] Dlouhy, et al, Exh. Staff/1500 at 15:10-11.

A. Yes, the lack of notice affectively removed the opportunity to closely review and audit the costs associated with the deferrals that would have been available through the normal discovery process of a rate case. The proposal Staff provided in its Opening Testimony sprang the COVID-19 deferrals into this case and only provided time for responsive testimony, effectively shortening the time to evaluate and discuss the rate increase with our members. The proposal should have been put forward originally by NW Natural in its filing, not Staff.

In the alternative, a motion to consolidate UM 2068 into this case may have provided some notice allowing more time for arguments, discussion and a closer assessment of the costs and the cost impacts on small businesses. This is especially relevant when considering the Bench Request issued by the Honorable Alison Lackey, the Administrative Law Judge in this matter, on May 13th of this year. The Bench Request specifically requested the Company to identify any other requests or applications that could result in a rate adjustment. The Company's May 27th, 2022, response included only a mention of the COVID-19 deferral UM 2068 with no elaboration let alone a request to consolidate the COVID-19 deferral that was introduced by Staff.

## III. ALLOCATION OF DIRECT COSTS, SAVINGS, AND BENEFITS

**Q. Describe the first cost category deferred by NW Natural for recovery.**

A. The first category is identified as item (a) and is broken into two parts; the first is "direct costs" and the second is labeled as "direct savings and benefits." These are costs and savings that were incurred by the company due to the impact of the COVID pandemic.

**Q. Could you please summarize Staff's rate spread recommendation for item (a) Direct Costs, Savings and Benefits?**

A. Staff recommends that the direct costs, savings, and benefits be recovered by the customer class using the test-year marginal revenue.[2]

**Q. Do you agree with Staff's proposal?**

A. I agree that using marginal revenue is a reasonable approach to allocating these costs to each customer class, due to their general nature, and inclusion of such items as employee expenses and reductions in travel. However, as I will discuss later, the use of the historical marginal revenue rather than the Staff proposed test-year marginal revenue provides a proper matching of the deferred costs.

**Q. Do you have a recommendation as to the allocation of this cost to the small commercial ratepayers?**

A. Yes, I would like to propose for economic policy reasons that those customers being served under Rate Schedule 03 (RS 03), the "small business tariff," be excluded from the burden of this cost category.

**Q. Please explain your reasoning for recommending that those small business served by NW Natural be excluded from the payment of the net direct COVID-19 costs.**

A. Many small businesses serving their local Oregon communities are in serious financial trouble. They have been hit hard by the impact of the COVID-19 pandemic

[2] Dlouhy, et. al, Exh Staff /1500 at 41:3-12.

and its variants with many temporarily closing or going out of business. Even though COVID-19 related restrictions are being relaxed, small businesses continue to struggle financially.[3] The owners of these Company's live and serve their own communities, so it is important that they stay viable not for themselves but the community they serve. Another reason to give small business a pass on these costs is that these same owners that live in NW Natural's service area will also be paying these very same costs in their residential rates. This is in stark contrast to the large companies represented in some of the other commercial and industrial tariffs that have employees and owners that reside outside of Oregon, these are the same companies which Staff refers to in its testimony.[4]

It would not be unreasonable for the Commission, as a matter of policy, to exclude small business from this allocation since doing so would provide some short-term economic relief to the small local business community helping their recovery from the impact of the pandemic and show the Commission's support of Oregon's local small business. My Exhibit SBUA 202, column (A) details the cost allocations of the COVID-19 costs, shows the minimal cost impact of the exclusion of Rate Schedule 03 (RS 03), the "small business tariff," on the other rate schedules in column (A) using historical marginal revenues as an allocator modified to exclude RS 03.

**Q. In the alternative to exclusion of the Direct Costs, Savings, and Benefits costs for small business, what would be your recommendation for a fair allocation of the COVID-19 Direct Costs, Savings, and Benefits?**

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[3] Exhibit SBUA 201 - article
[4] Dlouhy, et. al, Exh Staff/1500 at 39:18-19.

A. Without the small business exclusion, the net costs would be allocated ratably to all classes, including small business, using the historical marginal revenues as an allocator as reflected in my Exhibit SBUA 203, column (A). Using the historical marginal revenues as an allocator is a reasonable approach for allocating to each of the customer classes since this cost category contains costs of a general nature, and none can be identified with a particular group or class of customers.

**Q. By using the historical marginal revenues allocation approach, would you recommend using any floors or caps as used in the first partial settlement in this docket.**

A. No. In contrast to the first partial settlement, which addressed, among other things, rate parity and forward-looking costs, I am using the historical marginal revenues allocation approach simply to have a reasonable proxy for cost activity that matches the period that these costs were historically incurred. The general costs in this category fit well with this approach. Since the historical marginal revenue approach will not realistically impact parity, nor will it impact rates so substantially as to create rate shock, the use of floors or caps are not required.

**Q. How do you recommend the cost be recovered?**

A. I recommend that the direct costs, savings, and benefits be recovered over two years using a temporary increment in the Purchased Gas Adjustment mechanism (PGA).

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## IV. COSTS OF LATE PAYMENTS & BILL ASSISTANCE PROGRAM

**Q. Please describe the next cost grouping used by Staff in its analysis of deferred COVID-19 costs.**

A. In the next grouping, Staff combines four different COVID-19 costs into one grouping and then recommends an allocation using a single approach for the blended grouping. Staff combined deferrals, shown in Table 209-1 below, Staff describes as "b plus d–f." [5]

| |
|---|
| **Item (b) Late Payment Fees not assessed** |
| **Item (d) Reconnection and Field Trips** |
| **Item (e) Foregone Reconnection Charges** |
| **Item (f) COVID-19 Bill Payment Assistance Program** |

**Table 200-1**

**Q. Do you agree with Staff's approach?**

A. No, I do not. The four cost classifications have no similarities with one another that would justify combining them into a single category. Instead, the four listed deferrals clearly lend themselves instead to three distinct groupings as shown in my Table 209-2 below:

| |
|---|
| **Item (b) - Late Payment Fees not assessed** |
| **Item (f) - COVID-19 Bill Payment Assistance Program** |
| **Items (d), (e) - Other Deferred Costs Categories with Zero Balances** |

**Table 209-2**

[5] Dlouhy, et. al, Exh Staff /1500 at 23:17-24:1

Although Staff applies its recommended marginal revenue approach to its "b plus d-f" category as a single item, I will address them as three distinct groupings and provide my recommend cost allocation for each.

**Q. Before you discuss your recommendations, could you begin by summarizing Staff's cost allocation and rate spread recommendation it uses for its "b plus d–f" grouping?**

A. The approach Staff recommends allocates the "b plus d-f" costs between the customer classes based on a derived measure of the benefits associated with the economic propensity to save or consume among Oregon consumers. Staff's proposed allocation is further complicated by applying only a portion of the direct benefits associated with Staff's *Marginal Propensity to Save* calculation to the residential class. [6] Staff then, using a theoretical indirect benefits of the *Marginal Propensity to Consume* for commercial and industrial classes, it allocates the remaining costs.[7]

**Q. According to Staff, what do the indirect benefits allocated to the commercial and industrial classes represent?**

A. Staff argues that the indirect benefits are benefits that mostly accrued to the employees and owners of companies that reside, not just outside NW Natural's service territory, but outside of Oregon itself.[8] According to Staff, it was those interstate employees and owners that received much of the indirect benefits of the

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[6] "Staff's model assigns [for the residential component only] the implied *Marginal Propensity to Save*…as the savings portion of the credits received and the [Marginal Propensity to Consume] as the direct effect." (*Emphasis added*) Dlouhy, et. al, Exh Staff /1500 at 39:6-8
[7] Dlouhy, et. al, Exh Staff /1500 at 39:13-15
[8] Dlouhy, et. al, Exh Staff /1500 at 37:1-11

NW Natural Residential Credits; and thus, should pay the deferred costs. However, obviously, since they are not ratepayers of NW Natural, Staff recommends that, based on the indirect benefits, the remaining portion of the direct costs of the NW Natural's credits provided to the residential class be allocated to NW Natural's Commercial and Industrial customers as "proxies."[9]

**Q. Are you aware of this approach or similar approach being relied on by other experts or commissions to form an opinion on cost allocation and cost recovery?**

A. No, I am not.

**Q. Do you have an opinion of the approach used by Staff in its recommendation for the allocation of its grouping "b plus d–f"?**

A. Yes. Although I do not doubt the sincerity of Staff and its proposal, the approach suggested by Staff fails to fairly allocate the costs to those that received the benefit. Clearly it was the residential class that received 100 percent of the grants and credits and therefore should be fully responsible for its recovery.

The difficulty with assuming the flow of indirect benefits to the commercial and industrial classes is that it becomes very subjective, and as we see, those trying to identify who received the assumed indirect benefits can easily find themselves going down a rabbit hole. Staff's recommended allocation of charging some of NW Natural ratepayers as proxies for the costs of those that are not customers simply fails as a workable model for ratemaking by failing to allocate costs justly or fairly.

[9] Dlouhy, et. al, Exh Staff /1500 at 37:5-7

**Q. Other than the difficulty identifying who received the indirect benefit, can you give another example of a flaw in Staff's model for allocating its grouping "b plus d–f"?**

A. Yes. In the Staff model there is the assumption that those that received the bill credit had a *Marginal Propensity to Save* of 10 percent. That is, when the customer received the benefit of the bill credit, the assumption used by staff to compute its multiplier effect was the customer would put into their savings 10 percent of the credit.[10] Staff states that saving 10% was the "most likely…behavior of NW Natural's Residential Customers who have received the credits during the COVID pandemic."[11]

I would argue that in fact, those that received the credit were most likely struggling and having difficulties paying their bills, otherwise there would be no need for the bill credit provided by the company. Those same customers would be very unlikely to be saving anything, in fact it is highly likely that those that received the credit were depleting, or had already depleted, any savings they may have had prior to the pandemic.

The absence of any propensity to save is indeed the more likely scenario. If that is true, the Marginal Propensity to Save drops to zero, and the Marginal Propensity to Consume increases to 100 percent. The result of a 100 percent Propensity to Consume on the Staff's model is a zero allocation to other classes which supports the logical conclusion, a full allocation to residential rate payers.[12]

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[10] Dlouhy, et. al, Exh Staff /1500 at 38:16-39:2
[11] Dlouhy, et. al, Exh Staff /1500 at 39:1-2
[12] SBUA Exhibit 204 - Staff response to SBUA Data Request 2

**Q. Is there another policy reason that the model is unworkable for rate setting purposes?**

A. Yes. It is not an acceptable rate making policy to establish rates to indirectly collect costs from people or entities that are not customers of the regulated utility. The recommendation to use commercial and industrial customers of NW Natural as proxies results in unfair rates and should be rejected.

**Q. Do you have recommendations for the fair allocation of the costs included in Staff's "b and d-f" grouping?**

A. Yes, as I discussed above, I divided Staff's "b and d-f" grouping it into the three distinct groupings • Late Payment Fees not Assessed, • COVID-19 Bill Payment Assistance Program, and • Other Deferred Costs Categories with Zero Balances. My recommendations for each are distinct since each has a different cost profile.

**Q. Beginning with item (b) *Late Payment Fees not Assessed,* could you please summarize your rate spread recommendation?**

A. *Late Fees not Assessed* represents late fees not collected due to the moratorium however, this cost cannot be traced directly back to the customer class that benefited from the late fee freeze. Because of the lack of detailed accounting and tracking, I recommend that the deferred $2.286 million be collected using the historical marginal revenues approach, again as with Direct Costs, Savings, and Benefits, without any caps or floors. The assumption is that the lost late fees will have had a similar pattern as the marginal revenues during the same time period resulting in rates being collected from the customer classes that created the shortfall. As with the other COVID-19 costs, I recommend that the cost be recovered using the temporary increment in the PGA mechanism.

**Q. Could you briefly summarize item (f) *COVID-19 Bill Payment Assistance Program*?**

A. The COVID-19 Bill Payment Assistance Program was implemented by NW Natural to provide an arrearage management program to help residential customers with outstanding past due amounts. The company could provide an eligible residential customer access to partial grants, 50/50 matching grants, or time payment arrangements with matching grants up to a limit of $1,200.

**Q. As discussed above, Staff recommends item (f), *COVID-19 Bill Payment Assistance Program* costs, be allocated using marginal revenues to all rate classes, could you please summarize your rate spread recommendation.**

A. In ratemaking, unless there is a strong policy reason not to, burden follows benefit, that is, those that received the benefits of a regulatory safety-net should be responsible for the associated costs. The Bill Payment Assistance Program was a wonderful program which helped struggling ratepayers pay their utility bills, but it was expressly limited to residential customers and, the program cost $3.730 million.

In considering its proper allocation we must recognize that all other customer classes, including small businesses, were explicitly excluded from the assistance program. It logically follows that the recovery of this deferred cost should also be limited to the residential class. The deferred balance should be recovered over a two-year period, using a temporary increment in the PGA mechanism.

**Q. Could you describe the cost category you labeled as *Other Deferred Costs Categories with Zero Balances*?**

A. *Other Deferred Costs Categories with Zero Balances* represent two groups listed on Staff's Table 15-2 that have no deferred balances. These are Item (d) *Reconnections and Field Visits Apr 1. 2021-Oct. 1, 2022*, and Item (e) *Foregone Reconnection Charges through Nov. 15, 2020*. Each show an aggregated total of zero.

**Q. Do you have a recommendation as to the regulatory treatment of both Item (d) and Item (e)?**

A. An actual recommendation for rate spread cannot be provided since both items have zero balances. If items (d) and (e) had balances, then the transactions that created the balances could be reviewed and the nature of the cost could be understood providing a basis for a recommendation of recovery. Without any transactions that would be associated with the category. There is literally nothing known about what could make up this cost and its possible forthcoming balance. Since both items reflect a zero balance the Commission should explicitly take no action on them.

**Q. Do you have a concern if the Commission would make an allocation decision that includes these categories even though they have no rate impact?**

A. Yes I do. I have a concern that if an allocation is approved, even though it is part of a group, the allocation decided upon by the Commission would become precedential. As I stated above, without any transactions, the true context of these two categories is unknown. In my opinion, it would be arbitrary for the Commission to allow any allocation approach. Instead, it should explicitly decline to do so.

## IV. COST ALLOCATION OF BAD DEBT ABOVE BASELINE

**Q. Do you have an opinion of the approach used by Staff to allocate item (c) *Bad Debt Above Baseline*?**

A. Staff is recommending that the amount deferred for recovery in *Item (c) Bad Debt Above the Base Line* be allocated based on test-year marginal revenues. Using test-year revenues results in an unfair subsidy from both the commercial and industrial classes of the bad debt expenses associated solely with residential users.

Normally an expense such as bad debt is socialized and spread evenly among all customers, however because of the special treatment reserved for only residential customers vis-à-vis troubled or overdue balances, a regulatory distinction was created between the residential class and the other non-residential customers. This regulatory distinction should be maintained for the COVID-19 costs for ratemaking purposes. When one customer class receives a benefit that all others are excluded from, it is reasonable to expect, that when the costs become recoverable, the class that benefited pays the cost.

**Q. How do you suggest the Bad Debt Above the Base Line be allocated?**

A. Once again, I believe the direct approach is the best. Bad Debt Above the Base Line should be allocated based on each classes deferred cost. Doing so is easy to understand and, in my opinion, a fair, just, and reasonable allocation. To highlight the fairness of this approach over a test year revenue-based allocation recommended by Staff, one should note that the industrial class provided more to the Bad Debt deferral than the cost it incurred by $71,000.[13] Using Staff's revenue-based

[13] SBUA Data Request 17

allocation results in much of the over payment being lost by the industrial class and instead used to subsidize the remaining two classes. On its face this is an unfair result. On the other hand, using the actual Bad Debt amounts associated with each customer class allows recovery of the Bad Debt above the Base Line from the customer classes that created the cost at the appropriate amount. In this case, it credits the industrial users for its overpayment consistent with the overall intent of the deferral mechanism.

**Q. The *Bad Debt Above the Base Line* deferral is only broken down to the general classes: Residential, Commercial, and Industrial. Is that a problem?**

A. No. As long as we have a reasonable method of allocating within the customer class, then the rate making objective of allowing each customer class to carry the cost of the bad debt deferral has been achieved.

**Q. Please describe your approach for the fair allocation intra-class of the *Bad Debt Above the Base Line* deferral.**

A. As shown in my Exhibit SBUA 205, I took the two-year average of the reported bad debt amounts and assigned the appropriate amount by customer class. I then used the historical revenue margins to allocate the average Bad Debt above the Base Line within the class. The use of the historical revenue margin assumes a relationship between the revenue margin and the amount of bad debt. This approach allocates the known bad debt amounts within the class it is identified with, to fairly allocate the bad debt burden. And in this case, allows recovery by the industrial class of the excess amount it paid. A fair and reasonable end result.

**Q. Are you alone in your view that bad debt above the base line should be allocated by class and not spread across all rate payers?**

A. No. Although NW Natural is supporting a single allocation that would spread the bad debt cost ratably to all classes in the filed second partial settlement, in NW Natural's Reply Testimony Mr. Walker and Mr. Wyman support allocation by class stating:

> "Based on the bad debt balances the Company has tracked and reported in its COVID 19 Deferred Accounting Reports, *it would be reasonable for any rate spread for this group to follow the classes in which the bad debt expense was tracked and incurred*."[14] (e*mphasis provided*)

**Q. Is there any rate making reason to not allocate by class in this instance?**

A. No there is not. The COVID pandemic created a unique environment which the Commission and the company admirably responded by creating special protections for certain customer classes. The tracking of bad debt by class allows the proper allocation of those costs to the classes that were impacted and provides the opportunity to design fair and just rates.

## V. ALLOCATION OF TOTAL COVID-19 DEFERRED COSTS

**Q. Please summarize your recommended approaches to recognizing the four categories of COVID-19 deferred costs.**

A. As described in my testimony above and shown in my exhibits SBUA 202 and SBUA 203, the four categories of costs were allocated using allocation approaches that fit the unique cost profiles that are demanded clearly for each. The Direct Costs,

[14] Reply testimony of Kyle T. Walker and Robert J. Wyman at 19:10-14

Savings, and Benefits grouping was allocated using a modified historical revenue margin which excluded the small business as a way to give a small temporary boost to Oregon's small business class in NW Natural's service territory.[15]

Late fees were allocated using the historical revenue margin as a fair and reasonable way of allocating out the cost since there was no data to support allocation by class or rate schedule.[16] Bad debt was allocated by class using the data provided by the company and then further allocated to each rate schedule using the historical revenue margin.[17] And finally, the Rate Payer Bill Assistance program was directly allocated using the burden-follows-benefit rate making principle since plainly no other class but residential received any benefit from the provided grants.

## VI. PROPOSED SETTLEMENT TREATMENT OF COVID COSTS

**Q. Have you had an opportunity to review the proposed treatment of the deferred COVID-19 Costs included in the second partial settlement?**

A. Yes. I am recommending the Commission reject the settlement proposal associated with the COVID-19 deferrals.

**Q. Could you explain why you are recommending the Commission reject the rate setting approach used by the settling parties for the COVID-19 costs?**

A. The settlement not only improperly groups dissimilar costs for a single allocator but also applies an inappropriate allocator to spread the costs to each rate schedule. The settlement proposes to group, and then allocate, all six categories of COVID-19 cost

[15] Exhibit SBUA 202, column (A)
[16] Exhibit SBUA 202, column (B)
[17] Exhibit SBUA 202, column (C) and Exhibit SBUA 203 column (C)

categories created and approved by the Commission in its November 2020 Order as if each cost category had the same cost profiles.[18] They do not. For example, clearly the Direct Costs, Savings, and Benefits category is distinctly different from Bad Debt Expense Above Baseline category, yet the settlement proposal treats them the same.

**Q. You mention that the settlement incorrectly groups dissimilar costs, could you expand on that statement?**

A. In its Order, the Commission created six clear and distinct categories of costs:

(a) Direct Costs, Savings, and Benefits
(b) Late Payment Fees Not Assessed
(c) Bad Debt Expense Above Baseline
(d) Reconnections and Field Visits Apr. 1, 2021-Oct. 1, 2022
(e) Foregone Reconnection Charges through Nov. 15, 2020
(f) COVID-19 Bill Payment Assistance Program

In the creation of these categories I believe the Commission understood that each would have a different cost treatment, otherwise they would have created just as a single category for all deferred costs labeled COVID-19 costs. It may be expedient to group the costs and ignore their distinctions, but I suggest it sets bad precedent for the other filings that will be coming before the Commission in the near future.

**Q. Could you explain why the allocator used in the settlement to allocate the COVID-19 costs is inappropriate?**

A. The settlement uses the test-year marginal revenue which is based on the results of the first settlement rate spread reflecting the *proposed* marginal revenue. The settling parties argue that the use of the proposed marginal revenue better reflects cost

[18] In the Matter of Public Utility Commission of Oregon, Investigation into the Effects of the COVID-19 Pandemic on Utility Customers, Docket UM 2114, Order No. 20-401 (Nov. 5, 2020)

causation and the results of the Long Run Incremental Cost Study (LRIC), but on this they are incorrect.

The problem with using *proposed* marginal revenues for spreading the costs associated with the COVID-19 deferrals is that rate case costs reflected in the LRIC and the proposed marginal revenues are future costs expected to be incurred in the test year, they are forward looking. Whereas the COVID-19 costs are deferred *historical costs*; costs that were incurred and deferred in 2020 and 2021. The use of the proposed marginal revenues causes a mismatch of costs and periods violating the matching principle and producing a flawed cost recovery.

The use of forward-looking vs historical marginal revenue is not a difference without a distinction. The use of a forward-looking allocator to allocate historical deferred costs has a material impact on who pays and how much. As shown in my Exhibit SBUA 206, the small commercial class is hit the hardest of all the rate classes with a cost allocation that increases from 20.9% to 24.1%, a 3.3% increase solely because of the use of the forward-looking marginal revenue. This results in small commercial rate payers, ("small business") paying 3.3% more of the COVID-19 costs under the proposed settlement than it had incurred as a class. Ironically, all the other non-residential rate classes have a combined decrease of 8.9%. The use of the forward-looking allocator is improper. It incorrectly matches costs and periods while creating a substantial subsidy to the large commercial and industrial classes from small business.

**Q.** **Could you quickly expand on the matching principle and how it impacts these deferred costs?**

Under regulatory theory, since the deferred costs were incurred and deferred prior to any change in rate design, the allocator must also reflect the period those costs were incurred (matching principle). If the company's rate design had stayed basically stable from when the costs were incurred and when the rates to recover them were put in place, there would be no issue. However, in this case, NW Natural is attempting to achieve parity of its rates so there has been a significant change in its marginal revenue profile. That is why it is essential that the historical marginal revenue be used to allocate these costs, the failure to do so results in rates that will be neither just, fair, and certainly, not reasonable.

**Q. Do you have other concerns regarding the approval of the treatment proposed in the second partial settlement?**

A. Yes, I have a concern that, if approved, the settlement's proposed approach will set precedent in other cases that will come before the Commission resulting in cost recovery that ignores the cost profiles of the costs embedded in the COVID-19 deferrals and unfairly allocates costs to weakest sector that can least pay for it, small business. The proposed settlement's treatment of COVID-19 cost is simply wrong, it does not accurately reflect cost causation nor correctly assign costs, therefore it should not be approved.

**Q. Does this conclude your testimony?**

A. Yes.

Docket No.UG 435
Exhibit SBUA/201
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

**NEW YORK BUSINESS JOURNAL ARTICLE MAY 26TH 2022**

SBUA/201
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From the New York Business Journal:
https://www.bizjournals.com/newyork/news/2022/05/26/sba-loan-credit-inflation-expense.html

# As inflation soars, a crisis awaits many small businesses

May 26, 2022, 12:37pm EDT



Nearly half of small-business owners aren't confident they could fund an unplanned $5,000 expense.

IMAGE PROVIDED BY GETTY IMAGES (AMANDA ROHDE)

Nearly half of small-business owners couldn't fund a $5,000 expense.

That's one big takeaway from a survey by Reimagine Main Street, a part of Public Private Strategies, which aims to find ways for the government and private sector to work together. The survey found 45% of the thousands of small-business owners surveyed couldn’t fund an unexpected $5,000 expense.

The startling statistic comes at a time of soaring inflation, supply-chain snarls and labor challenges — all factors that are driving up costs and reducing margins for businesses. Additionally, the Small Business Administration's Economic Injury Disaster Loan program, one of the few remaining Covid-19 relief options, recently exhausted its funding, which is leading businesses toward other financing options as interest rates are rising.

The survey found most small-business owners have applied for a loan or other form of credit in the last 12 months, with 79% applying for a loan — and of those, 83% applying for a loan of less than $250,000 and 69% applying for a loan of less than $100,000.

Most small-business owners lacked the confidence they could fund a marketing campaign, increase payroll or purchase property or equipment.

## Small-business owners and the SBA

But one thing most business owners have confidence in is the Small Business Administration, according to the survey. About 76% of white, Black and Latino small-business owners said they trust the SBA, while 81% of Asian and Pacific Islander small-business owners said they trust the SBA. However, only 46% of American Indian small-business owners said they trusted the agency.

The massive awareness of the SBA and generally positive opinions of it is most likely due to the overwhelming amount of small-business relief that passed through the agency in the form of Covid-19 grants and loans. The SBA ultimately made 11.5 million PPP loans and 3.9 million Covid-19 EIDL Program loans, as well as hundreds of thousands of restaurant, venue and Targeted EIDL Advance cash grants, although some small-business owners have been left in the lurch.

Here are the SBA's future plans on direct lending, climate change and more.

The Reimagine Main Street survey comes as more and more small businesses are worried about the higher costs that come from inflation, according to a separate survey by small business network Alignable.

About 51% of small-business owners in that survey were concerned that inflation could force them to close their businesses within the next six months.

SBUA/201
Kermode/3

About 37% of those polled in May have just one month or less of cash on hand, and 44% are earning 50% or less of the monthly revenue they generated prior to the Covid-19 pandemic. About 49% say their costs have increased by more than 25%, but only 16% are able to charge their customers the same amount to cover those increased expenses.

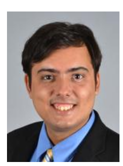
Meanwhile, many employers — particularly smaller ones — are struggling with how to approach pay in this labor climate. As we recently noted, average weekly earnings rose 5.7% between February 2021 and February 2022 for worker in U.S. metro areas. Some metros posted double-digit increases.

And many workers, despite being satisfied with their jobs overall, are open to making a change. About 71% of workers considered a major career move in 2022, according to a survey of more than 32,000 workers from around the world by payroll firm ADP.

And hopes for high pay are high, with 61% are anticipating a pay raise in the next 12 months, and 43% expect a promotion. About 63% placed salary as their number one priority in a job, although flexibility and work-life balance come in a close second.

Overall, about 63% of small businesses said they can't find the employees they need — a 2-point improvement since February, according to a separate, recent survey of more than 2,400 small businesses by small business network Alignable Inc.

**Andy Medici**
Senior Reporter, The Playbook



Docket No.UG 435
Exhibit SBUA/202
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

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**SCHEDULE FOR THE ALLOCATION OF COVID DEFFERED COSTS EXCLUDING RS 03 FROM DIRECT COSTS AND SAVINGS**

Schedule for the allocation of COVID Deferred Costs

Exclusion of Small Business from General COVID Costs

June 30, 2022

Exhibit SBUA/202

Kermode / 1

| Line No. | | (A) | (B) | (C) | (D) | (E) |
|---|---|---|---|---|---|---|
| 1 | Grouping | COVID Exp/Benefits | Late Fees | Bad Debt (2) | Bill Assistance | Total Recovery |
| 2 | Table 15-2 | 2,467,152 | 2,285,559 | 1,959,677 | 3,730,918 | 10,443,306 |
| 3 | Adjustment | 68,206 | | | | 68,206 |
| 4 | Adjusted Deferred Cost | 2,535,358 | 2,285,559 | 1,959,677 | 3,730,918 | 10,511,512 |
| 5 | Amort Yrs. | 2 | 2 | 2 | 2 | 2 |
| 6 | Annual Recovery | 1,267,679 | 1,142,780 | 979,839 | 1,865,459 | 5,255,756 |
| 7 | | | | | | |
| 8 | Schedule / Allocator | Modified Hist Rev Margin | d | Bad Debt/Margin | Direct Benefit | Total |
| 9 | | | | *Exhibit SBUA 111* | | |
| 10 | 2 R | 1,090,084 | 777,686 | 727,826 | 1,865,459 | 4,461,055 |
| 11 | 3 CFS | - | 238,394 | 226,900 | | 465,293 |
| 12 | 3 IFS | 7,712 | 5,502 | (3,303) | | 9,911 |
| 13 | 27 | 1,698 | 1,211 | 1,134 | | 4,043 |
| 14 | 31C Firm Sales | 29,748 | 21,223 | 20,200 | | 71,171 |
| 15 | | | | | | |
| 16 | 31C Firm Transpt | 3,533 | 2,521 | 2,399 | | 8,453 |
| 17 | | | | | | |
| 18 | 31I Firm Sales | 11,656 | 8,316 | (4,992) | | 14,979 |
| 19 | | | | | | |
| 20 | 31I Firm Transpt | 518 | 369 | (222) | | 666 |
| 21 | | | | | | |
| 22 | 32C Firm Sales | 42,785 | 30,524 | 29,052 | | 102,361 |
| 23 | | | | | | |
| 24 | 32I Firm Sales | 8,866 | 6,325 | (3,797) | | 11,393 |
| 25 | | | | | | |
| 26 | 32C Firm Transpt | 3,690 | 2,632 | 2,505 | | 8,827 |
| 27 | | | | | | |
| 28 | 32I Firm Transpt | 23,710 | 16,915 | (10,155) | | 30,470 |
| 29 | | | | | | |
| 30 | 32C Interr Sales | 8,040 | 5,736 | 5,459 | | 19,235 |
| 31 | | | | | | |
| 32 | 32I Interr Sales | 11,910 | 8,497 | (5,101) | | 15,306 |
| 33 | | | | | | |
| 34 | 32C Inter Transpt | 1,894 | 1,351 | 1,286 | | 4,530 |
| 35 | | | | | | |
| 36 | 32I Inter Transpt | 21,837 | 15,579 | (9,353) | | 28,063 |
| 37 | | | | | | |
| 38 | 33 Transpt | | | | | |
| 39 | | | | | | |
| 40 | | 1,267,679 | 1,142,780 | 979,838 | 1,865,459 | 5,255,756 |
| 41 | | | | | | 5,255,756 |
| 42 | | | | | | 0 |

*(1) Source: NW Exhibit 1403, Proposed Rate Spread Summary, Line 2*

*(2) Bad debt is first allocated by Class Then allocated within the class using historical revenue margin*

Exhibit SBUA/202
Kermode / 2

| (F) | (G) | (H) | (I) | (J) |
|---|---|---|---|---|
| | Historical Revenue Margin | | Modified Historical Revenue Margin No allocation to 03 CFS | |
| | Hist Revenue Margin (1) | Percentage Margin | Hist Revenue Margin (1) | Percentage Margin |
| Schedule | | | | |
| 2 R | 302,743,546 | 68.052% | 302,743,546 | 85.991% |
| 3 CFS | 92,803,627 | 20.861% | - | 0.000% |
| 3 IFS | 2,141,772 | 0.481% | 2,141,772 | 0.608% |
| 27 | 471,508 | 0.106% | 471,508 | 0.134% |
| 31C Firm Sales | 8,261,800 | 1.857% | 8,261,800 | 2.347% |
| | | | | |
| 31C Firm Transpt | 981,292 | 0.221% | 981,292 | 0.279% |
| | | | | |
| 31I Firm Sales | 3,237,130 | 0.728% | 3,237,130 | 0.919% |
| | | | | |
| 31I Firm Transpt | 143,836 | 0.032% | 143,836 | 0.041% |
| | | | | |
| 32C Firm Sales | 11,882,484 | 2.671% | 11,882,484 | 3.375% |
| | | | | |
| 32I Firm Sales | 2,462,192 | 0.553% | 2,462,192 | 0.699% |
| | | | | |
| 32C Firm Transpt | 1,024,698 | 0.230% | 1,024,698 | 0.291% |
| | | | | |
| 32I Firm Transpt | **6,584,741** | 1.480% | 6,584,741 | 1.870% |
| | | | | |
| 32C Interr Sales | 2,232,839 | 0.502% | 2,232,839 | 0.634% |
| | | | | |
| 32I Interr Sales | 3,307,718 | 0.744% | 3,307,718 | 0.940% |
| | | | | |
| 32C Inter Transpt | 525,889 | 0.118% | 525,889 | 0.149% |
| | | | | |
| 32I Inter Transpt | 6,064,679 | 1.363% | 6,064,679 | 1.723% |
| | | | | |
| 33 Transpt | | | | |
| | | | | |
| Totals | 444,869,751 | 100.000% | 352,066,124 | 100.000% |
| Proof | 444,869,751 | | | |
| Difference | - | | 352,066,124 | |

**COVID Exp and Benefits**
Source: Table 15-2

| | |
|---|---|
| Deferred Exp | 3,281,179.43 |
| Benefits | |
| | (598,896.03) |
| | (201,228.65) |
| | (13,902.81) |
| Net Deferral | 2,467,151.94 |
| Adjusted (settlement) | 10,511,512 |
| Table 15-2 | 10,443,306 |
| Adjustment | 68,206 |

*Prepared by: Danny Kermode*

Docket No.UG 435
Exhibit SBUA/203
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

**SCHEDULE FOR THE ALLOCATION OF COVID DEFFERED COSTS INCLUDING RS 03 DIRECT COSTS AND SAVINGS**

Schedule for the allocation of COVID Deferred Costs

Alternative Solution - Inclusion of Small Business in General COVID Costs

June 30, 2022

Exhibit SBUA/203
Kermode / 1

| Line No. | | (A) | (B) | (C) | (D) | (E) |
|---|---|---|---|---|---|---|
| 1 | Grouping | COVID Exp/Benefits | Late Fees | Bad Debt (2) | Bill Assistance | Total Recovery |
| 2 | Table 15-2 | 2,467,152 | 2,285,559 | 1,959,677 | 3,730,918 | 10,443,306 |
| 3 | Adjustment | 68,206 | | | | 68,206 |
| 4 | Adjusted Deferred Cost | 2,535,358 | 2,285,559 | 1,959,677 | 3,730,918 | 10,511,512 |
| 5 | Amort Yrs. | 2 | 2 | 2 | 2 | 2 |
| 6 | Annual Recovery | 1,267,679 | 1,142,780 | 979,839 | 1,865,459 | 5,255,756 |
| 7 | | | | | | |
| 8 | Schedule / Allocator | Hist Rev Margin | Hist Rev Margin | Bad Debt/Margin | Direct Benefit | Total |
| 9 | | | | *See Exhibit SBUA 111* | | |
| 10 | 2 R | 862,683 | 777,686 | 727,826 | 1,865,459 | 4,233,654 |
| 11 | 3 CFS | 264,449 | 238,394 | 226,900 | | 729,742 |
| 12 | 3 IFS | 6,103 | 5,502 | (3,303) | | 8,302 |
| 13 | 27 | 1,344 | 1,211 | 1,134 | | 3,688 |
| 14 | 31C Firm Sales | 23,542 | 21,223 | 20,200 | | 64,965 |
| 15 | | | | | | |
| 16 | 31C Firm Transpt | 2,796 | 2,521 | 2,399 | | 7,716 |
| 17 | | | | | | |
| 18 | 31I Firm Sales | 9,224 | 8,316 | (4,992) | | 12,548 |
| 19 | | | | | | |
| 20 | 31I Firm Transpt | 410 | 369 | (222) | | 558 |
| 21 | | | | | | |
| 22 | 32C Firm Sales | 33,860 | 30,524 | 29,052 | | 93,435 |
| 23 | | | | | | |
| 24 | 32I Firm Sales | 7,016 | 6,325 | (3,797) | | 9,544 |
| 25 | | | | | | |
| 26 | 32C Firm Transpt | 2,920 | 2,632 | 2,505 | | 8,057 |
| 27 | | | | | | |
| 28 | 32I Firm Transpt | 18,764 | 16,915 | (10,155) | | 25,524 |
| 29 | | | | | | |
| 30 | 32C Interr Sales | 6,363 | 5,736 | 5,459 | | 17,557 |
| 31 | | | | | | |
| 32 | 32I Interr Sales | 9,426 | 8,497 | (5,101) | | 12,821 |
| 33 | | | | | | |
| 34 | 32C Inter Transpt | 1,499 | 1,351 | 1,286 | | 4,135 |
| 35 | | | | | | |
| 36 | 32I Inter Transpt | 17,282 | 15,579 | (9,353) | | 23,508 |
| 37 | | | | | | |
| 38 | 33 Transpt | | | | | |
| 39 | | | | | | |
| 40 | | 1,267,679 | 1,142,780 | 979,838 | 1,865,459 | 5,255,756 |
| 41 | | | | | | 5,255,756 |
| 42 | | | | | | 0 |

*(1) Source: NW Exhibit 1403, Proposed Rate Spread Summary, Line 2*

*(2) Bad debt is first allocated by Class Then allocated within the class using Historical revenue margin*

| (F) | (G) | (H) |
|---|---|---|
| | Historical Revenue Margin | |
| | Hist Revenue Margin (1) | Percentage Margin |
| Schedule | | |
| 2 R | 302,743,546 | 68.052% |
| 3 CFS | 92,803,627 | 20.861% |
| 3 IFS | 2,141,772 | 0.481% |
| 27 | 471,508 | 0.106% |
| 31C Firm Sales | 8,261,800 | 1.857% |
| | | |
| 31C Firm Transpt | 981,292 | 0.221% |
| | | |
| 31I Firm Sales | 3,237,130 | 0.728% |
| | | |
| 31I Firm Transpt | 143,836 | 0.032% |
| | | |
| 32C Firm Sales | 11,882,484 | 2.671% |
| | | |
| 32I Firm Sales | 2,462,192 | 0.553% |
| | | |
| 32C Firm Transpt | 1,024,698 | 0.230% |
| | | |
| 32I Firm Transpt | **6,584,741** | 1.480% |
| | | |
| 32C Interr Sales | 2,232,839 | 0.502% |
| | | |
| 32I Interr Sales | 3,307,718 | 0.744% |
| | | |
| 32C Inter Transpt | 525,889 | 0.118% |
| | | |
| 32I Inter Transpt | 6,064,679 | 1.363% |
| | | |
| 33 Transpt | | |
| | | |
| Totals | 444,869,751 | 100.000% |
| Proof | $ 444,869,751 | |
| Difference | $ - | |

**COVID Exp and Benefits**
Source: Table 15-2

| | |
|---|---|
| Deferred Exp | 3,281,179.43 |
| Benefits | |
| | (598,896.03) |
| | (201,228.65) |
| | (13,902.81) |
| Net Deferral | 2,467,151.94 |
| | |
| Adjusted (settlement) | 10,511,512 |
| Table 15-2 | 10,443,306 |
| Adjustment | 68,206 |

*Prepared by: Danny Kermode*

*June 19, 2022*

Docket No.UG 435
Exhibit SBUA/204
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

**SBUA DATA REQUEST AND STAFF RESPONSE TO SBUA DATA REQUEST 2**

Date: June 24, 2022

TO:

GRANT HART
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DIANE HENKELS
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FROM: Steve Storm
Senior Economist
Rates, Finance, and Audit Division

**OREGON PUBLIC UTILITY COMMISSION**

**Docket No. UG 435 – SBUA Data Request filed June 9, 2022**

**SBUA Data Request No 02:**

**02.** Please provide a spreadsheet and computations showing actual allocation amounts recommended by Staff showing indierect [*sic*] and direct portions from Table 15-2 in Dlouhy, et. al, Exh Staff /1500

**OPUC Response No 02:**

Staff uploaded to Huddle an electronic workpaper in Excel format titled "Workpaper A Staff Ex 1500 UG 435 OT" on April 22, 2022. Within the Excel file, spreadsheet "COVID-related Costs" has values for Item c in Table 15-2 in row 60; values for the aggregation of Items b, d, e, and f in Table 15-2 in row 72, while row 74 contains values for the total of Item a in Table 15-2. See also Exhibit Staff/1500, Dlouhy – Fox –Storm/23 line 8 through Staff/1500, Dlouhy – Fox – Storm/24 line 9.

Staff allocates the three amounts to customer classes, after adjusting for Staff's estimates of pre- and post-amortization interest, per Staff's recommendation in spreadsheet "Defer & Amortize" in column K for rows 21-23 (2020) and 35-37 (2021) for Item c; rows 57-59 (2020) and 74-46 (2021) for Items b, d, e, and f in the aggregate; and in rows 96-98 (2020) and 110-112 (2021) for the total of Item a. Allocation proportions for customer classes are in column C for each of these identified rows, which Staff calculates using information in spreadsheet "Scenarios" in cells B44:D44 for Items b, d, e, and f in the aggregate and information in spreadsheet "Exh 1403 Rate Impacts" for the other two amounts.

Staff's analysis does not compute any dollar amounts in Table 15-2 by "indirect and direct portions," but notes that such values could be computed using values in rows 40 – 42 of spreadsheet "Scenarios."

Docket No.UG 435
Exhibit SBUA/205
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

**SCHEDULE TO ALLOCATE BAD DEBT ABOVE THE BASE LINE – TWO STEP APPROACH**

Schedule to Allocate *Bad Debt Above the Base Line*
Bad Debt Allocation - Two Step Approach
June 30, 2022

Exhibit SBUA/205
Kermode / 1

| Schedule | (A) Primary Allocator Bad Debt (1) | % | (B) interest Allocated | % | (C) Total Allocated | (D) % | (E) Secondary Hist Revenue Margin (2) (intra-class) | (F) % |
|---|---|---|---|---|---|---|---|---|
| 02R | 699,455 | 74.3% | 28,370 | | 727,826 | 74.3% | 302,743,546 | 99.84% |
| 27R | 1,089 | 0.1% | 44 | | 1,134 | 0.1% | 471,508 | 0.16% |
| Total Res | 700,545 | 74.4% | 28,415 | 74% | 728,959 | 74.4% | 303,215,054 | 100.00% |
| | | | | | | | | |
| 03CFS | 218,055 | 23.2% | 8,844 | | 226,900 | 78.8% | 92,803,627 | 78.84% |
| 31CTF | 2,306 | 0.2% | 94 | | 2,399 | 0.8% | 981,292 | 0.83% |
| 31CSF | 19,412 | 2.1% | 787 | | 20,200 | 7.0% | 8,261,800 | 7.02% |
| 32CSI | 5,246 | 0.6% | 213 | | 5,459 | 1.9% | 2,232,839 | 1.90% |
| 32CTF | 2,408 | 0.3% | 98 | | 2,505 | 0.9% | 1,024,698 | 0.87% |
| 32CSF | 27,920 | 3.0% | 1,132 | | 29,052 | 10.1% | 11,882,484 | 10.09% |
| 32CTI | 1,236 | 0.1% | 50 | | 1,286 | 0.4% | 525,889 | 0.45% |
| Total Com | 276,583 | 29% | 11,218 | 29% | 287,801 | 100.0% | 117,712,629 | 100.00% |
| | | | | | | | | |
| 03IFS | (3,174) | -0.3% | (129) | | (3,303) | -0.3% | 2,141,772 | 8.95% |
| **31ITF** | (213) | 0.0% | (9) | | (222) | 0.0% | 143,836 | 0.60% |
| 31ISF | (4,797) | -0.5% | (195) | | (4,992) | -0.5% | 3,237,130 | 13.52% |
| 32ITF | (9,759) | -1.0% | (396) | | (10,155) | -1.0% | 6,584,741 | 27.50% |
| 32TI | (8,988) | -1.0% | (365) | | (9,353) | -1.0% | 6,064,679 | 25.33% |
| 32ISF | (3,649) | -0.4% | (148) | | (3,797) | -0.3% | 2,462,192 | 10.28% |
| 32ISI | (4,902) | -0.5% | (199) | | (5,101) | -0.5% | 3,307,718 | 13.82% |
| Total Ind | (35,483) | -3.8% | (1,439) | -3.8% | (36,922) | -3.8% | 23,942,068 | 100.00% |
| | | | | | | | | |
| Total | 941,645 | | 38,194 | | 979,838 | | 444,869,751 | |
| Allocated | 941,645 | | 38,194 | | 979,838 | | | |

*(1) Bad Debt first allocated based on Company accounting - SBUA Data Request 17*

*(2) Each general-class bad debt amount is further allocated intra-class using Test Year Revenue Margin*

*Source: NW Exhibit 1403, Proposed Rate Spread Summary, Line 2*

*(2) Bad debt is first allocated by Class Then allocated within the class using the Historical Revenue Margin*

Docket No.UG 435
Exhibit SBUA/206
Witness: Danny Kermode

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 435

SMALL BUSINESS UTILITY ADVOCATES

**SCHEDULE TO COMPUTE IMPACT OF HISTORICAL VS PROPOSED RATE SPREAD HISTORICAL TO PROPOSED REVENUE MARGIN ALLOCATION PERCENTAGES**

## Schedule to Compute Impact of Historical vs Proposed Rate Spread

Historical to Proposed Revenue Margin Allocation Percentages
June 30, 2022

| Class | Sch | Historical (1) | Proposed (2) | Difference |
|---|---|---|---|---|
| Residential | 02R | 68.1% | 69.7% | 1.6% |
| Small Business | 03C | 20.9% | 24.1% | 3.3% |
| Industrial | 03I | 0.5% | 0.4% | -0.1% |
| Commercial | 27R | 0.1% | 0.1% | 0.0% |
| Commercial | 31CSF | 1.9% | 1.5% | -0.4% |
| Commercial | 31CTF | 0.2% | 0.2% | 0.0% |
| Industrial | 31ISF | 0.7% | 0.0% | -0.7% |
| Industrial | 31ITF | 0.0% | 0.0% | 0.0% |
| Commercial | 32CSF | 2.7% | 0.0% | -2.7% |
| Industrial | 32ISF | 0.6% | 0.0% | -0.6% |
| Commercial | 32CTF | 0.2% | 0.0% | -0.2% |
| Industrial | 32ITF | 1.5% | 0.0% | -1.5% |
| Commercial | 32CSI | 0.5% | 0.0% | -0.5% |
| Industrial | 32ISI | 0.7% | 0.0% | -0.7% |
| Commercial | 32CTI | 0.1% | 0.0% | -0.1% |
| Industrial | 32ITI | 1.4% | 0.0% | -1.4% |
| | | | | |
| Combined non-residential | | 11.1% | 2.2% | -8.9% |

*(1) Historical Marginal Revenue - NW Exhibit 1403, Proposed Rate Spread Summary, Line 2*

*(2) Proposed (forward looking) Marginal Revenue -Workpaper to Appendix B to UG 435 and UG 411 Multi-Party Stipulation*