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February 26, 2024

VIA E-MAIL TO

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

Re: Docket UG 490 - In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision

Attached please find the Joint Testimony in Support of First Partial Multi-Party Stipulation.

Please contact this office with any questions.

Sincerely,

Cole Albee

Cole Albee
Paralegal
McDowell Rackner Gibson PC

BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG 490

Joint Testimony in Support of First Partial Multi-Party Stipulation Regarding Cost of Debt

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

NW NATURAL-STAFF-CUB-AWEC EXHIBIT 100

Joint Testimony of Zachary D. Kravitz, Matt Muldoon, Bob Jenks, and Bradley Mullins

February 26, 2024

I. INTRODUCTION AND SUMMARY

Q. Who is sponsoring this testimony?

A. This testimony is sponsored jointly by Northwest Natural Gas Company d/b/a NW Natural ("NW Natural" or "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), the Oregon Citizens' Utility Board ("CUB"), and the Alliance of Western Energy Consumers ("AWEC") (individually, "Stipulating Party" and collectively, the "Stipulating Parties").

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

A. My name is Zachary D. Kravitz, and my current position is Vice President of Rates and Regulatory Affairs for NW Natural. My qualifications are provided in NW Natural/100.

My name is Matt Muldoon appearing on behalf of Staff. My qualifications are provided in Stipulating Parties/101.

My name is Bob Jenks, and I am the Executive Director of CUB. My qualifications are provided in Stipulating Parties/102.

My name is Bradley Mullins, and I'm a consultant with MW Analytics, appearing on behalf of AWEC. My qualifications can be found at Stipulating Parties/103.

Q. What is the purpose of this Joint Testimony?

A. This Joint Testimony describes and supports the First Partial Multi-Party Stipulation ("Stipulation") filed in this docket on February 26, 2024. The Stipulation addresses one component of cost of capital—the Cost of Long-Term Debt. The Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (collectively, the "Coalition") is also a party to this proceeding but does not join the Stipulation. Although the Coalition does not join the Stipulation, the Coalition does not oppose the Stipulation.

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II. BACKGROUND

Q. Please summarize the background and context of Docket UG 490.

A. On December 29, 2023, NW Natural filed a request for a general rate increase (the "Initial Filing") to become effective November 1, 2024. The Company's Initial Filing requested a revision to customer rates that would increase the Company's annual Oregon jurisdictional revenues by $154.9 million which would have resulted in an approximate 16.62 percent increase to current customer rates.[1] In the Testimony of Brody Wilson, the Company requested that cost of capital be set based on a capital structure of 50 percent equity and 50 percent long-term debt, resulting in an overall rate of return on rate base of 7.406 percent based on a 4.712 percent embedded cost of long-term debt and a 10.1 percent cost of equity.[2]

Administrative Law Judge Sarah Spruce ("ALJ") convened a prehearing conference on January 29, 2024. In accordance with ALJ Spruce's February 5, 2024, Prehearing Conference Memorandum, the effective date for rates will be November 1, 2024.

Q. Have the Stipulating Parties conducted discovery in this proceeding?

A. Yes. Since the Initial Filing, NW Natural has responded to 401 data requests received from Staff, CUB, and AWEC. Discovery is ongoing, and NW Natural will continue to provide timely responses in accordance with OAR 860-001-0540.

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

A. In accordance with the procedural schedule, on February 12, 2024, the parties held a settlement conference to specifically discuss cost of capital. As a result of the settlement discussions held on that date, the Stipulating Parties reached agreement regarding the

[1] Initial Filing, NW Natural's Executive Summary at 1.
[2] NW Natural/300, Wilson/3.

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cost of long-term debt component of cost of capital.

Q. Although the Coalition did not join the Stipulation, did the Coalition participate in settlement discussions?

A. Yes, while the Coalition ultimately did not join the Stipulation, the Coalition participated in all of the settlement discussions on February 12, 2024.

Q. Please provide an overview of the Stipulation.

A. The Stipulation represents the Stipulating Parties' agreement regarding cost of long-term debt. No other components of cost of capital are included in this Stipulation.

III. STIPULATION REGARDING COST OF DEBT

Q. Please describe the cost of long-term debt agreed to by the Stipulating Parties.

A. The Stipulating Parties agreed to a Cost of Long-Term Debt of 4.712 percent.

Q. Please explain why the Stipulating Parties' agreement regarding NW Natural's cost of long-term debt is reasonable.

A. NW Natural proposed the Cost of Long-Term Debt at 4.712 percent based on a calculation that incorporates both existing debt and forecasted debt.[3] The Company's proposal for cost of long-term debt was calculated by multiplying debt outstanding, including future projected debt issuances, by the average cost for each debt issuance.[4] The Stipulating Parties reviewed NW Natural's calculations of the cost of long-term debt and analyzed the figures supporting the Company's proposal. As such, the Stipulating Parties agree the Company's cost of long-term debt included in its Initial Filing is reasonable.

Q. Does the Stipulation resolve all issues among the Stipulating Parties?

A. No. The Stipulating Parties intend for the Stipulation to resolve only the cost of long-term debt component of cost of capital.

[3] NW Natural/300, Wilson/5.
[4] NW Natural/300, Wilson/5.

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IV. SUPPORT FOR THE STIPULATION

Q. What is the basis for the Stipulation?

A. The Stipulation provides a reasonable result on cost of debt based on the record in this case. Over the course of the settlement discussions, the Stipulating Parties resolved the cost of long-term debt issue through dialogue and negotiations to reach a fair result.

Q. What is your recommendation to the Commission regarding the Stipulation?

A. The Stipulating Parties recommend and request that the Commission approve the Stipulation in its entirety.

Q. Please explain why the Stipulating Parties believe that the Commission should adopt the Stipulation?

A. The Stipulating Parties have carefully reviewed NW Natural's Initial Filing and have thoroughly analyzed the issues. The Stipulating Parties believe that the agreement in the Stipulation provides a fair and reasonable resolution of the issues of cost of long-term debt and the resulting rates are fair, just and reasonable.

a. NW Natural

Q. Mr. Kravitz, please explain why NW Natural supports the Stipulation.

A. NW Natural believes that the cost of long-term debt proposed in its Initial Filing is supported by evidence in the record and is not contrary to Commission policy. As such, the Stipulation represents a reasonable result on this issue. The Company also values the positive regulatory relationships furthered by the settlement and appreciates the opportunity to narrow the issues being litigated in this case, which will reduce the costs and risk associated with litigation.

Q. What is your recommendation to the Commission?

A. I recommend that the Commission find that the terms of the Stipulation are consistent with the public interest, and that the Commission approve the Stipulation.

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b. Staff

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

A. Staff compiled a full tabulation of the Company's outstanding long-term debt, inclusive of NW Natural's planned pro forma issuances. In addition, Staff reviewed Bloomberg data on market forwards for planned issuance dates. Using this data for each pertinent maturity and the spread over U.S. Treasuries for NW Natural's first mortgage bond ratings, Staff then projected carrying costs for the Company's planned issuances.

Further, Staff compiled and analyzed NW Natural's debt maturity profile. Staff detected no future year given NW Natural's planned issuances, in which the Company would be stressed to address maturing securities.

Because Staff's calculated Cost of Long-Term Debt was materially the same as the Company's and Staff sees no concerns or substantive risks in NW Natural repayment of planned issuances at said maturities, Staff recommends the Commission adopt the stipulated Cost of Long-Term Debt shown herein of 4.712 percent.

c. CUB

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

A. CUB supports the Stipulation as a reasonable compromise of the issue addressed that lands on a reasonable figure for the Company's Cost of Long-Term Debt that balances the interests of the Company and its customers. CUB believes the figure agreed to in the Stipulation will result in rates that are just and reasonable and will serve as a foundation for further settlement discussions around the Company's overall cost of capital. CUB recommends that the Commission adopt the Stipulation and find that it furthers the public interest.

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d. AWEC

Q. Mr. Mullins, please explain why AWEC supports the Stipulation.

A. AWEC supports the Stipulation as being in the public interest and recommends the Commission approve it. Even though the parties were not able to settle the overall cost of capital, AWEC was comfortable that the Cost of Long-Term debt contained in NW Natural's initial filing was reasonable based on the information AWEC reviewed. AWEC found the Stipulation to be a fair compromise between NW Natural and its customers.

Q. Does this conclude your testimony?

A. Yes.

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NW NATURAL-STAFF-CUB-AWEC EXHIBIT 101

Witness Qualifications Statement – Matthew Muldoon

February 26, 2024

WITNESS QUALIFICATIONS STATEMENT

NAME: Matthew (Matt) J. Muldoon

EMPLOYER: PUBLIC UTIILTY COMMISSION OF OREGON

TITLE: Manager, Accounting and Finance Section of Rates, Safety and Utility Performance Program (RSUP) of the Public Utility Commission of Oregon (OPUC)

ADDRESS: 201 High Street SE, Suite 100, Salem, OR 97301

EDUCATION: In 1981, I received a Bachelor of Arts Degree in Political Science from the University of Chicago. In 2007, I received a Masters of Business Administration (MBA) from Portland State University with a certificate in Finance.

EXPERIENCE: From April of 2008 to the present, I have been employed by the OPUC. My current responsibilities include financial analysis with an emphasis on Cost of Capital (CoC). I have worked on CoC in the following general rate case dockets: AVA UG 186; UG 201, UG 246, UG 284, UG 288, UG 325, UG 366, UG 389, UG 433 and UG 461; CNG UG 287, UG 305, UG 347, and UG 390; IPC current UE 426; NWN UG 221, UG 344, UG 388, UG 435, and current UG 490; PAC UE 246, UE 263, UG 374, UE 399, and current UE 433; and PGE UE 262, UE 283, UE 294, UE 319, UE 335, UE 394, and UE 416.

From 2002 to 2008, I was Executive Director of the Acceleration Transportation Rate Bureau, Inc. where I developed new rate structures for surface transportation and created metrics to ensure program success within regulated processes.

I was the Vice President of Operations for Willamette Traffic Bureau, Inc. from 1993 to 2002. There I managed tariff rate compilation and analysis. I also developed new information systems and did sensitivity analysis for rate modeling.

OTHER: I have prepared and defended formal testimony in contested hearings before the OPUC, ICC, STB, WUTC and ODOT. I have also prepared OPUC Staff testimony in BPA rate cases.

Abbreviations: AVA – Avista Corp., CNG – Cascade Natural Gas Company, IPC – Idaho Power Company, NWN – Northwest Natural Gas Company, PAC – PacifiCorp, PGE – Portland General Electric Company

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NW NATURAL-STAFF-CUB-AWEC EXHIBIT 102

Witness Qualifications Statement – Bob Jenks

February 26, 2024

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UE 233, UE 246, UE 283, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UM 1633, and UM 1654. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America
Board of Directors (Public Interest Representative), NEEA

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NW NATURAL-STAFF-CUB-AWEC EXHIBIT 103

Witness Qualifications Statement – Bradley Mullins

February 26, 2024

MW Analytics
ENERGY & UTILITIES

Bradley Mullins
Principal Consultant
brmullins@mwanalytics.com

MW Analytics is the professional practice of Bradley Mullins, a consultant and expert witness that represents utility customers in regulatory proceedings before state utility commissions throughout the western United States. Since starting MW Analytics in 2013, Mr. Mullins has sponsored expert witness testimony in over 100 regulatory proceedings on a variety of subject matters, including revenue requirements, regulatory accounting, pricing, cost allocation, depreciation and new resource additions. MW Analytics also assists utility customers on informal regulatory, legislative energy policy matters. In addition to providing regulatory services, MW Analytics also provides advisory and other energy consulting services.

Education

- Master of Accounting, Tax Emphasis, University of Utah, 2007
- Bachelor of Finance, University of Utah, 2006
- Bachelor of Accounting, University of Utah, 2006

Relevant Prior Experience

PacifiCorp, Portland, OR: Net Power Cost Consultant 2010 – 2013

- Analyst responsible for power cost modeling and forecasting
- Supported regulatory filings, including drafting prewritten testimony, preparing annual power cost deferral filings, and developing qualifying facility avoided cost calculations

Deloitte, San Jose, CA: Tax Senior 2007 – 2009

- Staff accountant responsible for preparing corporate tax returns for multinational corporate clients and partnership returns for hedge fund clients
- Joined national tax practice specialized in research and development tax credits

Recent Expert Witness Testimony

Docket	Party	Topics
Application of Nevada Power Company d/b/a NV Energy for authority to adjust its annual revenue requirement for general rates charged to all classes of electric customers and for relief properly related thereto, PUC Nv. Docket No. 23-06007; *Application of Nevada Power Company d/b/a NV Energy for approval of new and revised depreciation and amortization rates for its electric and common accounts,* PUC Nv. Docket No. 23-06008	Circus Circus Las Vegas, LLC, HR Nevada, LLC, and Smart Energy Alliance	Revenue Requirement, Depreciation
In re the Application of Rocky Mountain Power To Increase Current Rates By $50.3 Million To Recover Deferred Net Power Costs Pursuant to Tariff Schedule 95 Energy Cost Adjustment Mechanism And To Decrease Current Rates By $1.5 Million Pursuant to Tariff Schedule 93, REC and SO2 Revenue Adjustment Mechanism, Wy.PSC Docket No. 20000-642-EM23	Wyoming Industrial Energy Consumers	Power Cost Deferral
In re the Application of Rocky Mountain Power for Authority to Increase Its Retail Electric Service Rates by Approximately $140.2 Million Per Year or 21.6 Percent and to Revise the Energy Cost Adjustment Mechanism, Wy.PSC Docket No. 20000-633-ER-23	Wyoming Industrial Energy Consumers	Power Costs
In re of Avista Corporation, d.b.a. Avista Utilities, Request for a General Rate Revision, Or.PUC Docket No. UG 461	Alliance of Western Energy Consumers	Revenue Requirement

Docket	Party	Topics
In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of the Cost Recovery of the Regulatory Assets Relating to the Development and Implementation of their Joint Natural Disaster Protection Plan., PUC Nv. Docket No. 23-03004	Smart Energy Alliance and Wynn Las Vegas, LLC	Wildfire Mitigation
In re of PacifiCorp, dba Pacific Power, 2024 Transition Adjustment Mechanism, Or.PUC Docket No. UE 420	Alliance of Western Energy Consumers	Power Costs
In re the Application of Avista Corporation dba Avista Utilities Requesting Authority to Revise Its Natural Gas Book Depreciation Rates And Deferred Accounting, Or.PUC Docket No UM 2277	Alliance of Western Energy Consumers	Depreciation
In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of their Joint Natural Disaster Protection Plan, PUC Nv. Docket No. 23-03003	Caesars Enterprise Services, LLC; MGM Resorts International; Wynn Las Vegas, LLC; and Smart Energy Alliance	Wildfire Mitigation
In re NW Natural Gas Corporation, d.b.a NW Natural Renewable Natural Gas Adjustment Mechanism - Dakota City, Or.PUC Docket No UG 462.	Alliance of Western Energy Consumers	Revenue Requirement
In re Portland General Electric Company Request for a General Rate Revision, Or. PUC Docket No. UE 416.	Alliance of Western Energy Consumers	Power Costs / Revenue Requirement
In re the Application of Intermountain Gas Company for Authority to Increase Its Rates and Charges for Natural Gas Service in the State of Idaho, Id.PUC Case No. INT-G-22-07.	Alliance of Western Energy Consumers	Revenue Requirement
In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of the fourth amendment to its 2021 Joint Integrated Resource Plan, PUC Nv. Docket No. 22-11032.	Caesars Enterprise Services, LLC; MGM Resorts International; Nevada Resorts Association	Resource Planning
In re Joint Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for approval of the Third Amendment to its 2021 Joint Integrated Resource Plan., PUC Nv. Docket No. 22-09006.	Caesars Enterprise Services, LLC; MGM Resorts International; Nevada Resorts Association	Transportation Electrification
In re Portland General Electric Company, Advice No. 22-18 New Schedule 151 Wildfire Mitigation Cost Recovery, Or.PUC Docket No. UE 412.	Alliance of Western Energy Consumers	Regulatory Accounting
In re PacifiCorp, Automatic Adjustment Clause for Wildfire Protection Plan Costs, Or.PUC Docket No. UE 407.	Alliance of Western Energy Consumers	Regulatory Accounting
In re Portland General Electric Company, Application for Authority to Amortize Deferred Amounts Related to 2020 and 2021 Wildfire and Ice Storm Emergency Events, Or.PUC Docket No. UE 408.	Alliance of Western Energy Consumers	Regulatory Accounting