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August 14, 2024

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

**Re: UG 490 – Application of NW Natural for a General Rate Revision
Joint Testimony in Support of Second Partial Stipulation**

Attached for filing in the above-mentioned proceeding is the Joint Testimony in Support of the Second Partial Stipulation on behalf of Northwest Natural Gas Company, dba NW Natural, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, the Alliance of Western Energy Consumers, the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club.

Please note, this filing contains confidential information that represents business-sensitive, non-public information and will be provided subject to General Protective Order No. 23-132.

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Public Utility Commission of Oregon
UG 490; Joint Testimony in Support of Second Partial Stipulation
August 14, 2024; Page 2

Respectfully submitted,

NW Natural

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Enclosures

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG 490

Joint Testimony in Support of Second Partial Stipulation

Stipulating Parties: Northwest Natural Gas Company d/b/a NW Natural, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, the Alliance of Western Energy Consumers, and the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club.

NW NATURAL-STAFF-CUB-AWEC-COALITION EXHIBIT 100

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

REDACTED

August 14, 2024

1 My name is Charity Fain, and I am the Executive Director of Community
2 Energy Project. I am testifying on behalf of the Coalition, and my qualifications are
3 set forth in Coalition/301.

4 **Q. What is the purpose of this Joint Testimony?**

5 A. This Joint Testimony describes and supports the Second Partial Stipulation
6 (“Second Stipulation”) filed in this docket on July 24, 2024.¹ The Second
7 Stipulation resolves most issues in this docket, including regarding the Company’s
8 revenue requirement; cost of capital and capital structure; capital projects and
9 capital additions, including officer attestations; rate spread and aspects of rate
10 design; and the Bill Discount Program, the Arrearage Management Program
11 (“AMP”) for Tier 0 customers, and cost recovery for the Bill Discount Program. The
12 Stipulating Parties support all terms in the Second Stipulation, with the limited
13 exceptions of the agreements relating to the Bill Discount Program discount levels
14 and cost recovery, which Staff does not join but does not oppose. The Stipulating
15 Parties expect that the Second Stipulation will address all remaining issues among
16 the Stipulating Parties except for those issues which the Second Stipulation
17 specifies will be litigated or, pending additional settlement discussions, may be
18 incorporated into a separate stipulated agreement entered into at a later date.

19 **II. BACKGROUND**

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

21 A. On December 29, 2023, NW Natural filed a request for a general rate increase (the

¹ The Stipulating Parties also filed an Errata to Attachment 1 to the Second Partial Stipulation on July 25, 2024.

1 “Initial Filing”) to become effective November 1, 2024 (the “Rate Effective Date”).
2 The Company’s Initial Filing requested a revision to customer rates that would
3 increase the Company’s annual Oregon jurisdictional revenues by \$154.9 million
4 which would have resulted in an approximately 16.62 percent increase to current
5 customer rates.² Administrative Law Judge (“ALJ”) Sarah Spruce convened a
6 prehearing conference on January 29, 2024. On February 5, 2024, ALJ Spruce
7 issued a memorandum establishing the procedural schedule. On March 6, 2024,
8 ALJ Spruce issued an additional memorandum clarifying the procedural schedule
9 and setting a date for a public comment hearing to be held at the Commission. On
10 April 16, 2024, the Commission conducted the public comment hearing and
11 received a number of comments from community members and associations
12 interested in the outcome of NW Natural’s rate request.³

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

14 A. Yes. Since the Initial Filing, the Stipulating Parties have exchanged and
15 responded to 1,164 data requests in total.

16 **Q. Did the Stipulating Parties file testimony and propose adjustments to NW
17 Natural’s Initial Filing?**

18 A. Yes. On February 23, 2024, the Company filed Supplemental Testimony relating
19 to the invalidation of the Climate Protection Plan (“CPP”) and its effect on the
20 Company’s rate request.

² Initial Filing, Executive Summary at 1.

³ Staff incorporated comments presented at the public hearing into the record in Staff’s Supplemental Opening Testimony, Staff/2200, Nottingham.

1 On April 18, 2024, Staff, CUB, AWEC, and the Coalition filed their Opening
2 Testimony, which proposed adjustments and revisions to NW Natural’s Initial
3 Filing. Staff filed Supplemental and Corrected Testimony on May 17, 2024. Staff
4 additionally conducted an energy justice workshop on April 25, 2024, to provide a
5 forum for the public, and environmental justice communities in particular to weigh
6 in on and improve procedural equity in NW Natural’s rate case.

7 NW Natural filed its Reply Testimony on June 4, 2024. Staff and intervenors
8 filed Rebuttal Testimony on July 2, 2024, both supporting their original
9 recommendations and presenting additional adjustments. NW Natural filed its
10 Surrebuttal Testimony on July 24, 2024, and the Commission held an evidentiary
11 hearing on August 1, 2024.

12 **Q. Have the Stipulating Parties to this proceeding engaged in settlement**
13 **discussions?**

14 A. Yes. On February 12, 2024, in accordance with the procedural schedule, the
15 parties held their first settlement conference. As a result of the settlement
16 discussions, NW Natural, Staff, CUB, and AWEC reached a partial settlement on
17 the cost of long-term debt and filed the First Partial Multi-Party Stipulation (“First
18 Stipulation”) contemporaneously with Joint Testimony in Support of the First Partial
19 Multi-Party Stipulation on February 26, 2024. The Coalition did not join but did not
20 oppose the First Stipulation.

1 **Q. Have the Stipulating Parties engaged in settlement discussions since the**
2 **First Stipulation?**

3 A. Yes. The parties held additional settlement conferences on May 3, 2024, and June
4 17, 2024; however, these discussions did not result in any additional settlement.
5 After Staff and intervenors filed their Rebuttal Testimony on July 2, 2024, all parties
6 participated in another settlement conference on July 10, 2024, and engaged in
7 additional settlement discussions thereafter. As a result of these settlement
8 discussions, the Stipulating Parties agreed upon and filed the Second Stipulation.

9 **Q. Please provide an overview of the Second Stipulation.**

10 A. The Second Stipulation represents the Stipulating Parties' agreement regarding
11 the Company's revenue requirement; cost of capital and capital structure; capital
12 projects and capital additions, including officer attestation; rate spread and aspects
13 of rate design; the Bill Discount Program; the AMP for Tier 0 customers; and cost
14 recovery for the Bill Discount Program.

15 **Q. Do the Stipulating Parties agree on all the reasons for coming to agreement**
16 **on the terms of the Second Stipulation?**

17 A. No. The Stipulating Parties do not necessarily have the same reasons for agreeing
18 to resolve each of the issues included in the Second Stipulation. However, the
19 Stipulating Parties believe that collectively all the agreed-upon resolutions
20 represent a reasonable settlement of the issues in the Second Stipulation, and that
21 the Second Stipulation is in the public interest and will result in rates that are fair,
22 just, and reasonable, consistent with the standard in ORS 756.040.

1 **Q. Does the Second Stipulation resolve all issues in this case?**

2 A. No. The Second Stipulation specifies the issues explicitly excluded from the
3 Second Stipulation, and which continue to be litigated or may be resolved pursuant
4 to subsequent stipulated agreement:

5 a. The Company's line extension allowance ("LEA") policy going forward;

6 b. CUB's and the Coalition's proposed rate base adjustment for LEAs between
7 2018-2023;

8 c. NW Natural's proposed monthly fixed rate charge for new residential
9 premises customers connected on or after November 1, 2024;

10 d. CUB's Rate Shock proposal;

11 e. Contested issues related to Decoupling;

12 f. Contested issues related to the Renewable Natural Gas Automatic
13 Adjustment Clause ("RNG AAC");

14 g. Contested issues related to post-enrollment verification in the Company's
15 Bill Discount Program;

16 h. Contested issues related to the Oregon Low-Income Energy Efficiency
17 ("OLIEE") program; and

18 i. The Coalition's proposed adjustment to the Company's Governmental
19 Affairs expenses (i.e., the Coalition's lobbying expense adjustment).

1 9.4 ROE⁷ and AWEC proposing a revenue requirement of approximately \$58
2 million.⁸

3 **Q. Please describe the Stipulating Parties' agreement regarding revenue**
4 **requirement.**

5 A. As a result of settlement discussions, the Stipulating Parties agree that the total
6 increase to NW Natural's annual Oregon revenue requirement is \$95,000,000,⁹
7 which includes the results of the settlement in the Company's depreciation study
8 proceeding, docket UM 2312.¹⁰ The incremental revenue requirement results in
9 an overall revenue increase of 10.2 percent.¹¹ With the combined effects of NW
10 Natural's Purchase Gas Adjustment filings, the total revenue change on November
11 1, 2024 results in a 7.0 percent increase to the Company's revenues, and a 7.0
12 percent average bill increase for residential customers.¹² While the revenue
13 requirement agreement is an unspecified black box agreement, the Commission
14 commonly approves black box stipulations as in the public interest.¹³ The revenue
15 requirement also includes the Stipulating Parties' agreements concerning cost of
16 capital and capital structure and rate base additions, as discussed below.

⁷ Staff/2500, Mondragon/3.

⁸ AWEC/200, Mullins/2.

⁹ Second Partial Stipulation at 4 (Jul. 24, 2024)

¹⁰ *In the Matter of Northwest Natural Gas Company, dba NW Natural, Updated Depreciation Study*, Docket No. UM 2312, Stipulation (July 1, 2024).

¹¹ Second Partial Stipulation – Attachment 1 Errata (Jul. 25, 2024).

¹² NW Natural's Update to Response to Bench Request 1 (Aug. 5, 2024).

¹³ *In the Matter of Portland Gen. Electric Co., Request for a General Rate Revision; and 2024 Annual Power Cost Update*, Docket No. UE 416, Order No. 23-386 (Oct. 30, 2023) (adopting parties' partial stipulations containing black box adjustments as in the public interest); *In the Matter of PacifiCorp, dba Pacific Power, 2024 Transition Adjustment Mechanism*, Docket No. UE 420, Order No. 23-404 at 5 (Oct. 27, 2023) (finding a contested black box stipulation resulted in just and reasonable rates).

1 **a. Cost of Capital/Capital Structure**

2 **Q. Please describe the Stipulating Parties' positions regarding cost of capital**
3 **and capital structure.**

4 A. In its Initial Filing, the Company requested a Rate of Return ("ROR") of 7.406
5 percent, based on a capital structure of 50 percent common equity and 50 percent
6 long-term debt, with an ROE of 10.1 percent.¹⁴

7 As discussed above, NW Natural, Staff, CUB, and AWEC entered into the
8 First Stipulation, which resolved the cost of long-term debt, which was set at 4.712
9 percent.¹⁵

10 In Opening Testimony, Staff proposed an overall ROR of 6.906 percent and
11 a capital structure of 50 percent common equity and 50 percent long-term debt.¹⁶
12 Staff proposed a range of ROEs from 8.9 percent to 9.3 percent, based on the mid-
13 point of 9.1 percent.¹⁷ AWEC also presented an alternative cost of capital
14 proposal, recommending an overall ROR of 6.8662 percent with a capital structure
15 of 52 percent long-term debt and 48 percent common equity, with a 9.2 percent
16 ROE.¹⁸

17 The Company did not change its cost of capital or capital structure
18 proposals in Reply Testimony.¹⁹ In Rebuttal Testimony, Staff updated its
19 recommended cost of capital to support an ROR of 7.001 percent and an

¹⁴ NW Natural/100, Palfreyman-Kravitz/13; NW Natural/400, Coyne-Nelson/5.

¹⁵ First Partial Multi-Party Stipulation Regarding Cost of Long-Term Debt at 2 (Feb. 26, 2024).

¹⁶ Staff/100, Muldoon/50.

¹⁷ Staff/100, Muldoon/17-18.

¹⁸ AWEC/100, Mullins/14, 16.

¹⁹ NW Natural/2500, Coyne-Nelson/61-62.

1 illustrative ROE of 9.29 percent within a range of ROEs of 9.18 percent to 9.40
2 percent with no changes to its recommended capital structure.²⁰ AWEC also
3 continued to support its original proposal.²¹

4 **Q. Please describe the Stipulating Parties' agreement regarding cost of capital**
5 **and capital structure.**

6 A. The Stipulating Parties agree to an ROR of 7.056 percent, which is based on a 50
7 percent common equity and 50 percent long-term debt capital structure, with an
8 ROE of 9.40 percent and a cost of long-term debt of 4.712 percent.²²

9 **b. Capital Additions**

10 **Q. Please describe the Stipulating Parties' agreement regarding the capital**
11 **additions component of the revenue requirement.**

12 A. In testimony, AWEC recommended excluding all Test Year capital additions from
13 rate base, and Staff recommended excluding all Test Year capital additions from
14 rate base with the exception of meters. The Stipulating Parties were not
15 necessarily in agreement on the capital forecast included in the black box revenue
16 requirement, but for purposes of the Second Stipulation and Paragraph 1(c) of the
17 Second Stipulation, the Stipulating Parties agree that the revenue requirement
18 assumes NW Natural will not include capital projects in rates that go into service
19 after October 31, 2024, except for Test Year capital additions related to customer

²⁰ Staff/2400, Muldoon/12, 14; Staff/3900, Pileggi/2.

²¹ AWEC/200, Mullins/9.

²² Second Partial Stipulation at 4 (Jul. 24, 2024). Cost of Long-Term Debt was resolved in the First Stipulation.

1 growth, which may be further adjusted depending on the outcome of Paragraph
2 1(c) to the Second Stipulation.

3 **Q. Are there any litigated issues that may further impact the revenue**
4 **requirement associated with capital additions?**

5 A. Yes, as noted above, in Paragraph 1(c) in the Second Stipulation, the Stipulating
6 Parties agree that the revenue requirement associated with Test Year capital
7 additions related to customer growth, and revenues associated with new
8 customers added in the Test Year, may be further increased or decreased as a
9 result of ongoing settlement discussions or litigation related to the Company's line
10 extension allowance policy, per Paragraph 10(a) of the Second Stipulation. For
11 purpose of implementing this provision, the Stipulating Parties agree to use the
12 Company's forecasted customer counts in the Company's initial general rate case
13 filing. The Second Stipulation does not create any presumptions about prudence
14 or the reasonableness of cost recovery for Test Year capital additions related to
15 line extensions or customer growth.

16 **Q. Please explain why the Stipulating Parties' agreement regarding revenue**
17 **requirement is reasonable.**

18 A. The Stipulating Parties' agreement on revenue requirement is reasonable,
19 because in context of the overall settlement, the agreement balances the
20 Company's request for an increase with the interests of customers and other
21 stakeholders and results in fair, just, and reasonable rates.

1 **Q. Are all issues relating to the revenue requirement resolved by this Second**
2 **Stipulation?**

3 A. No. The Stipulating Parties have agreed that the Second Stipulation resolves all
4 issues relating to the Company's revenue requirement with the exception of the
5 adjustments proposed by the Coalition in the amounts of \$720,900 for litigation
6 expenses and \$1,725,922 for lobbying expenses. Because these adjustments
7 were excluded from the revenue requirement included in the Second Stipulation,
8 any amounts approved for recovery by the Commission will be incremental to the
9 revenue requirement increase identified in the Second Stipulation. While the
10 Second Stipulation specifies that the Stipulating Parties intended to litigate the
11 Coalition's proposed adjustment to the Company's litigation expenses, the
12 Company's subsequent decision not to pursue recovery of these costs in its
13 Surrebuttal Testimony has resolved this issue.²³

14 In addition, the Stipulating Parties have agreed that CUB's and the
15 Coalition's proposed adjustments to reduce rate base for line extensions between
16 2018-2023 will continue to be litigated. If the Commission disallows recovery of
17 any amounts of such line extensions, the Company will remove such ordered
18 amounts from rate base.

²³ NW Natural/4400, Kravitz/35.

1 **2. Officer Attestation**

2 **Q. Please describe the Stipulating Parties' positions regarding officer**
3 **attestations for ongoing capital projects.**

4 A. In Opening Testimony, Staff proposed that the Company provide officer
5 attestations for certain enumerated capital projects,²⁴ and AWEC advocated for
6 attestations for any capital projects costing over \$1 million total.²⁵

7 In its Reply Testimony, the Company proposed an attestation process for
8 capital projects similar to the process used in docket UG 435.²⁶ In response, in its
9 Rebuttal Testimony, Staff proposed the attestation process be applied to any
10 project valued at over \$1 million scheduled to come online between the date of
11 Staff's testimony and NW Natural's compliance filing for this rate case.²⁷ AWEC
12 continued to support its recommendation in its Surrebuttal Testimony.²⁸

13 **Q. Please describe the Stipulating Parties' agreement regarding officer**
14 **attestations for capital projects scheduled to be in service by October 31,**
15 **2024.**

16 A. The Stipulating Parties agree that NW Natural will file officer attestations on or
17 before October 4, 2024, and October 25, 2024, attesting to whether any projects
18 forecast to cost over \$1,000,000 and to be completed by October 31, 2024, will be

²⁴ Staff/600, Anderson/18-19.

²⁵ AWEC/100, Mullins/21-22.

²⁶ NW Natural/2600, Kizer/21.

²⁷ Staff/2900, Anderson/6.

²⁸ AWEC/200, Mullins/9.

1 completed after that date. In the event there are such projects, those projects will
2 be removed from rates.²⁹

3 **Q. Please explain why the Stipulating Parties' agreement regarding officer**
4 **attestations for capital projects is reasonable.**

5 A. The Stipulating Parties found term regarding officer attestations to be reasonable
6 because it reflects a reasonable compromise between the Stipulating Parties'
7 positions in the context of the overall Second Stipulation.

8 **3. Rate Spread/Rate Design**

9 **Q. Please describe the Stipulating Parties' positions regarding rate spread and**
10 **rate design.**

11 A. In its Direct Testimony, the Company presented its Long-Run Incremental Cost
12 Study ("LRIC") to demonstrate its baseline for rate spread adjustments.³⁰ In so
13 doing, the Company proposed a multi-step process for spreading the revenue
14 requirement across customer classes.³¹

15 In its Opening Testimony, Staff was generally supportive of the Company's
16 methodology but expressed concerns as to the equity of the difference in
17 increases in rates between industrial and residential customer classes.³² AWEC
18 expressed concern that the Company's LRIC methodology uses a peak and
19 average allocation method and argued that the interruptible rate schedule

²⁹ Second Partial Stipulation at 5 (Jul. 24, 2024).

³⁰ NW Natural/1800, Wyman/80-81.

³¹ NW Natural/1800, Wyman/83-85.

³² Staff/1800, Shierman/4, 13-15.

1 discount should be 100 percent.³³ It also took the position that the Company
2 applied an inconsistent methodology for service line allocation.³⁴

3 In its Reply Testimony, the Company agreed to update its service line
4 allocation methodology but otherwise clarified its allocation methods and
5 continued to support its interruptible rate schedule discount.³⁵ In Rebuttal
6 Testimony, Staff did not change its recommendation.³⁶ AWEC testified in
7 opposition to Staff's recommendations and presented revised
8 recommendations³⁷

9 **Q. Please describe the Stipulating Parties' agreement regarding rate spread and**
10 **rate design.**

11 A. The Stipulating Parties agree to the rate spread reflected in Attachment 1 filed in
12 the Errata to the Second Stipulation.³⁸ Further, the Stipulating Parties agree to the
13 following aspects of rate design:

- 14 1. The Company will increase the monthly fixed charge for existing RS 2
15 Residential customers residing in single-family dwellings from \$8.00 to
16 \$10.00 in order to collect more of its fixed costs on a per-customer, per-
17 month basis; and

³³ AWEC/100, Mullins/43-46.

³⁴ AWEC/100, Mullins/46-47.

³⁵ NW Natural/3900, Wyman/14-21.

³⁶ Staff/4100, Shierman/17.

³⁷ AWEC/200, Mullins/17-18.

³⁸ Second Partial Stipulation at 5 (Jul. 24, 2024).

1 2. The Company will maintain the current residential monthly fixed charge
2 of \$8.00 for existing RS 2 Residential customers residing in multi-family
3 dwellings to reflect the comparatively lower cost of service for multi-
4 family dwellings in relation to single-family dwellings.

5 The Stipulating Parties agree these changes are applicable to existing residential
6 customers only and that the Company's proposed new premises customer charge
7 will be litigated.

8 **Q. Please explain why the Stipulating Parties' agreement regarding rate spread**
9 **and aspects of rate design is reasonable.**

10 A. Although parties had differing positions regarding rate spread and aspects of rate
11 design, the Stipulating Parties agree that this agreement reflects a reasonable
12 compromise and balancing of interests among the Stipulating Parties' positions.

13 ***4. Residential Bill Discount Program***

14 **Q. Please describe the Stipulating Parties' positions regarding the Company's**
15 **Bill Discount Program.**

16 A. In Direct Testimony, the Company provided an overview of its proposed
17 modifications to the Bill Discount Program. In particular, the Company proposed
18 to increase the discounts provided to target a 3 percent energy burden for each
19 income tier, based on the midpoint for each tier.³⁹ The income tiers and discounts
20 the Company proposed were as follows:

- 21 a. Tier 0 – 0 to 15% of SMI – 80% discount
- 22 b. Tier 1 – 16 to 30% of SMI – 40% discount

³⁹ NW Natural/200, Tanaka/21-24.

1 c. Tier 2 – 31 to 45% of SMI – 20% discount

2 d. Tier 3 – 46 to 60% of SMI – 15% discount.⁴⁰

3 In its Opening Testimony, Staff expressed concern that the tiers did not
4 provide deep enough discounts and that the Company calculated discounts based
5 on the mid-point of each income tier, which would not address the energy burden
6 for the individuals in the low range of each tier.⁴¹ Staff also expressed interest in
7 better understanding the program costs and cost recovery before supporting the
8 implementation of the new discount levels.⁴² The Coalition proposed alternative
9 bill discount levels, seeking deeper discounts for Tiers 0 – 2. It proposed bill
10 discounts as follows:

11 a. Tier 0 – 90% discount

12 b. Tier 1 – 70% discount

13 c. Tier 2 – 50% discount⁴³

14 In its Reply Testimony, the Company continued to support its original
15 proposal as presented in Direct Testimony.⁴⁴ In its Rebuttal Testimony, Staff
16 indicated tentative support for the Company's proposed discount levels for Tier 0
17 and Tier 1, but argued the Company's proposed program changes should not be
18 implemented without certain modifications.⁴⁵

⁴⁰ NW Natural/200, Tanaka/24.

⁴¹ Staff/300, Scala/9; Staff/1200, Lockwood/25-26.

⁴² Staff/1200, Lockwood/26-28.

⁴³ Coalition/300, Fain-Segovia Rodriguez-Daryanani/23.

⁴⁴ NW Natural/2300, Tanaka/8-9.

⁴⁵ Staff/3500, Lockwood/24-25.

1 **Q. Please describe the Stipulating Parties' agreement regarding Company's Bill**
2 **Discount Program.**

3 A. The Company, CUB, AWEC, and the Coalition agree that the Company will revise
4 the discount levels for the tiers of the Bill Discount Program as follows:

5 a. Tier 0 – 85 percent

6 b. Tier 1 – 50 percent

7 c. Tier 2 – 30 percent

8 The Stipulating Parties agree that these discount levels will take effect on the Rate
9 Effective Date. Staff does not join in this term in the Second Stipulation but does
10 not oppose it.⁴⁶

11 The Stipulating Parties further agree that following the completion of the
12 Company's Energy Burden Assessment ("EBA"), the Stipulating Parties will hold
13 one or more workshops, open to stakeholders, to discuss the results of the EBA
14 and potential refinements to NW Natural's energy assistance programs, including
15 the Bill Discount Program. The Stipulating Parties agree that, by the Company,
16 CUB, AWEC and the Coalition supporting the modifications to the Bill Discount
17 Program discount levels stated above, the Stipulating Parties are not precluded
18 from seeking further modifications to the Bill Discount Program in proceedings
19 before the Commission.⁴⁷

20 **Q. Please explain why the Stipulating Parties' agreement regarding the Bill**
21 **Discount Program is reasonable.**

⁴⁶ Second Partial Stipulation at 6 (Jul. 24, 2024).

⁴⁷ Second Partial Stipulation at 6 (Jul. 24, 2024).

1 A. The Stipulating Parties balanced the recommendations made by the parties in this
2 proceeding to craft a reasonable compromise which will provide deeper discounts
3 and mitigate energy burden for the Company's low-income customers.

4 **5. AMP**

5 **Q. Please describe the Stipulating Parties' positions regarding implementing an**
6 **AMP.**

7 A. In Direct Testimony, the Company did not propose an AMP. In Opening
8 Testimony, the Coalition proposed that the Company include an AMP for Tier 0
9 customers to match peer utilities that have a similar offering to address
10 arrearages.⁴⁸

11 In its Reply Testimony, the Company opposed the Coalition's proposal for
12 the inclusion of an AMP, arguing that it is not needed in light of additional
13 assistance programs such as Oregon Low-Income Gas Assistance Program and
14 the supplemental low-income assistance program.⁴⁹ In Rebuttal Testimony, the
15 Coalition continued to advocate for the inclusion of an AMP.⁵⁰

16 **Q. Please describe the Stipulating Parties' agreement regarding the AMP.**

17 A. The Stipulating Parties have agreed that immediately following the execution and
18 filing of the Second Stipulation, NW Natural will schedule a workshop with the
19 Stipulating Parties, open to stakeholders, to discuss the details of an AMP for the
20 Bill Discount Program's Tier 0 customers. NW Natural commits to best efforts to

⁴⁸ Coalition/300, Fain-Segovia Rodriguez-Daryanani/23-24.

⁴⁹ NW Natural/2300, Tanaka/15-17; see NW Natural/200, Tanaka/14.

⁵⁰ Coalition/700, Colton/27-36.

1 submit a filing for an AMP for Tier 0 customers by December 31, 2024, for
2 implementation on April 1, 2025.⁵¹

3 **Q. Please explain why the Stipulating Parties' agreement regarding the AMP is**
4 **reasonable.**

5 A. The Stipulating Parties' agreement regarding the AMP reflects a reasonable
6 compromise between the Stipulating Parties' positions and will provide targeted
7 relief for Tier 0 customers.

8 **6. Cost Recovery for Bill Discount Program**

9 **Q. Please explain the Stipulating Parties' positions regarding cost recovery for**
10 **the Bill Discount Program.**

11 A. In its Direct Testimony, the Company proposed changes to the Bill Discount
12 Program but did not propose any modifications to cost recovery for the program,
13 which is currently recovered as a fixed rate per bill on a separate tariff, Schedule
14 335. Staff's Opening Testimony raised questions about cost recovery, and
15 expressed concern about whether the cost recovery structure would "ensure
16 equitable distribution of costs."⁵² Staff recommended the Commission wait to
17 approve any Bill Discount Program changes until the Company provided additional
18 detail regarding cost recovery.⁵³ In its Reply Testimony, the Company provided
19 cost recovery estimates to demonstrate the impact of the new discount levels.⁵⁴

20 In Rebuttal Testimony, Staff recommended a cost recovery proposal that

⁵¹ Second Partial Stipulation at 6 (Jul. 24, 2024).

⁵² Staff/1200, Lockwood/28.

⁵³ Staff/1200, Lockwood/26-28.

⁵⁴ NW Natural/2300, Tanaka/28-32.

1 “include[d] a reasonable fixed residential charge and volumetric non-residential
2 charges.”⁵⁵

3 **Q. Please describe the Stipulating Parties’ agreement regarding cost recovery**
4 **for the Bill Discount Program.**

5 A. The Company, CUB, AWEC and the Coalition agree that costs recovered through
6 Schedule 335 will be recovered as a monthly charge per bill, with a maximum rate
7 cap of \$94/month for rate schedule 31 and 32 customers (individually, not as a
8 combined class of rate schedule 31 and rate schedule 32). The costs will be
9 allocated to all rate schedules on an equal percent of margin basis. In the event
10 that the costs of the program reach the cap for rate schedule 31, the costs allocated
11 to rate schedule 31 in excess of the cap will be spread on an equal percent of
12 margin basis to all non-capped rate schedules. In the event that the costs of the
13 program reach the cap for rate schedule 32, the costs allocated to rate schedule
14 32 in excess of the cap will be spread on an equal percent of margin basis to all
15 non-capped rate schedules. Staff does not join in this term of the Second
16 Stipulation but does not oppose this term.⁵⁶

17 **Q. Please explain why the Stipulating Parties’ agreement regarding the cost**
18 **recovery is reasonable.**

19 A. In context of the overall settlement, the agreement regarding cost recovery for the
20 Bill Discount Program balances the interests among Stipulating Parties in providing

⁵⁵ Staff/3500, Lockwood/25.

⁵⁶ Second Partial Stipulation at 7 (Jul. 24, 2024).

1 relief to residential low-income customers with the interests of the non-residential
2 customer classes that will contribute funding for the program.

3 **IV. SUPPORT FOR THE STIPULATION**

4 **Q. What is the basis for the Second Stipulation?**

5 A. The Second Stipulation provides a reasonable result on revenue requirement; cost
6 of capital and capital structure; capital projects and capital additions, including
7 officer attestation; rate spread and aspects of rate design; the Bill Discount
8 Program; the AMP for Tier 0 customers; and cost recovery for the Bill Discount
9 Program, all based on the record in this case. Over the course of the settlement
10 discussions, the Stipulating Parties resolved issues relating to these topics through
11 dialogue and negotiations to reach a fair result.

12 **Q. What is your recommendation to the Commission regarding the Second
13 Stipulation?**

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

16 **Q. Please explain why the Stipulating Parties believe that the Commission
17 should adopt the Stipulation.**

18 A. In arriving at the resolution of the issues in the Second Stipulation, the Stipulating
19 Parties have carefully reviewed NW Natural's Initial Filing, Staff and Intervenors'
20 Opening Testimony, NW Natural's Reply Testimony, and Staff and Intervenors'
21 Rebuttal Testimony, and have thoroughly analyzed the issues. The Stipulating
22 Parties believe that the agreement in the Second Stipulation provides a fair and
23 reasonable resolution of the issues of revenue requirement; cost of capital and

1 capital structure; capital projects and capital additions, including officer attestation;
2 rate spread and design; the Bill Discount Program discount levels, the AMP for
3 Tier 0 customers, and cost recovery for the Bill Discount Program. The Stipulating
4 Parties agree that this Second Stipulation is in the public interest and will result in
5 rates that are fair, just and reasonable, consistent with the standard in ORS
6 756.040.

7 **1. NW Natural**

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

9 A. NW Natural supports the Second Stipulation because it represents a reasonable
10 compromise among the parties. It keeps rates as manageable as possible across
11 all customer classes while enabling the Company to recover the costs associated
12 with key projects that are essential to continued safe and reliable service. For
13 example, Phase 2 of our Central Resource Center project in southeast Portland,
14 which includes constructing an office building and warehouse, provides NW
15 Natural more efficient dispatch capabilities in a densely populated area of our
16 service territory. NW Natural is also beginning its Meter Modernization Program
17 (“MMP”), which will replace metering infrastructure nearing the end of life.
18 Specifically, the MMP will replace end-of-life Encoder Receiver Transmitter
19 (“ERT”) devices, which electronically record and transmit metered gas
20 consumption data to the Company and will maximize cost-efficiency by
21 simultaneously replacing meters that do not meet our testing standards. In select
22 areas, NW Natural will install ultrasonic replacement meters, which includes
23 shutoff capability and alerts related to high flow and high temperature.

1 In addition, the Second Stipulation will allow the Company to recover the
2 cost of several necessary investments in the Mist Storage Facility, which is vital to
3 ensuring reliable natural gas service during the coldest days of the year. These
4 investments include acquiring spare turbine compressor units to mitigate the
5 impact of unplanned outages, as well as upgrades to the Miller Station Control
6 Building (located at Mist) to address seismic and other safety concerns, resolve
7 space constraints, and improve inadequate facilities. NW Natural is also
8 completing projects to further modernize its IT&S infrastructure and transition to
9 cloud-based IT&S architecture. These upgrades are largely in response to cyber-
10 security advancements, existing software reaching end of life and end of support,
11 and developers exclusively providing cloud-based solutions. Further, our system
12 upgrades, such as the North Coast Feeder Upgrade Project and the rebuilding of the
13 SE Gate Station in the southeast Portland area, as well as seismic upgrades to the
14 Sunset Resource Center in Hillsboro and the Sherwood Data Center, will help
15 reinforce our system to ensure it runs safely and reliably.

16 While we recognize that there is rarely a good time to seek an increase to
17 rates for our customers, the Second Stipulation reflects a reasonable increase to
18 rates that is based on years of planning for prudent investments that will be
19 completed and benefit customers by the time our customers experience a rate
20 change in November. As such, the Second Stipulation is supported by substantial
21 evidence in the record and is not contrary to Commission policy. Furthermore,
22 nothing in the Second Stipulation precludes the Company from seeking a multi-
23 year rate plan in a future proceeding. NW Natural also believes that the Second

1 Stipulation addresses many of the concerns Staff and intervenors expressed in
2 testimony, and values the positive regulatory relationships furthered by the Second
3 Stipulation, including the opportunity to narrow the issues being litigated in this
4 case that will reduce the costs and risk associated with litigation.

5 **Q. What is your recommendation to the Commission?**

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

9 **2. Staff**

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

11 A. Staff performed robust discovery and analysis on a wide spectrum of issues; and
12 wrote two rounds of Staff Testimony thereon. In aggregate, the First and Second
13 Stipulations provide a balanced compromise between divergent perspectives of
14 rate case participants, leading to reasonable outcomes on issues addressed.
15 Further, the Second Stipulation carves out select policy issues allowing the record
16 to be enhanced on those topics that may benefit from Commission guidance.

17 **3. CUB**

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

19 A. CUB prioritizes the health, safety, and financial integrity of residential ratepayers.
20 In supporting this stipulation CUB understands that certain parameters could
21 change based on the outcome of litigation, including the rate implementation date.
22 CUB appreciates the work put into revising the Bill Discount Program and agreeing
23 to develop an AMP to address the health and safety ramifications of high winter

1 rates and disconnections. These interim programs will support vulnerable
2 ratepayers pending the Commission's investigation of implementation of HB 2475

3 **4. AWEC**

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

5 A. AWEC supports the Second Stipulation as a reasonable compromise of the issues
6 that it raised in testimony, as well as through its involvement in NW Natural's
7 companion depreciation Docket UM 2312. The Second Stipulation represents a
8 major reduction to NW Natural's proposed revenue requirement, from a \$154.9
9 million revenue increase in its initial filing to a \$95.0 million in the stipulation. That
10 represents a \$59.9 million reduction negotiated to the revenue requirement
11 increase, inclusive of the settlement on Depreciation reached in Docket UM 2312.
12 In general, AWEC found this level of revenue requirement to be reasonable. While
13 the Second Stipulation does not address all of the issues AWEC identified in
14 Opening Testimony, the settlement maintains a steady ROE of 9.4 percent, which
15 was an important consideration for AWEC to join the Second Stipulation. AWEC
16 also found the rate spread to be reasonable because it recognizes that the large
17 customer classes are paying rates that are well above their cost of service and
18 allocated a smaller portion of the increase to those customers. Finally, the
19 inclusion of a cap on the low-income discount program rates applicable to
20 Schedules 31 and 32 was also an important consideration to AWEC because it
21 provided certainty as to the amount of costs that will be collected from customers
22 through those schedules. In general, AWEC is supportive of the Second
23 Stipulation, which is not opposed by any party. AWEC recommends the

1 Commission find that the Second Stipulation is in the public interest and
2 recommends that the Commission approve it.

3 **5. Coalition**

4 **Q. Ms. Fain, please explain why the Coalition supports the Second Stipulation.**

5 A. The Second Stipulation contains important protections for low-income ratepayers
6 enrolled in the bill discount program. In its Opening Testimony, and Rebuttal
7 Testimony, the Coalition proposed changes to the Bill Discount Program that would
8 reduce the energy burden of low-income ratepayers at or below 2 percent.⁵⁷ The
9 Coalition also recommended adopting an arrearage management program for Tier
10 0 customers to provide much needed relief to the lowest-income customers and
11 provide them a pathway out of debt.⁵⁸

12 The Coalition brought forward these recommendations because energy
13 insecurity harms low-income Oregonians by keeping them in a cycle of paying for
14 energy bills they cannot afford, leading to deep, generational debt. Because low-
15 income Oregonians are most likely to live in housing that lacks adequate
16 weatherization and energy efficient appliances, these structural deficiencies lead
17 to recurrent high energy costs to heat homes or use other basic services. This
18 creates an impenetrable barrier that prevents low-income Oregonians from ever
19 reaching self-sufficiency because costs accumulate as arrearages build up.⁵⁹ One
20 in four Oregonians, or about 400,000 households, struggle to pay their energy bills

⁵⁷ Coalition/300, Fain-Segovia Rodriguez-Daryanani/6-24; Coalition/700, Colton/6-36

⁵⁸ See *Id.*

⁵⁹ See Coalition/300, Fain-Segovia Rodriguez-Daryanani/9.

1 each year. Increasing utility rates without any protections for those households
2 would make energy bills even less affordable.⁶⁰

3 In our testimony, we explained how the Company undercounted energy
4 burdens at each tier in its testimony, and further explained that low-income
5 customers will face higher energy burdens even considering the Company's
6 proposed changes to the discount tiers. Further, we explained why a 3 percent
7 gas-utility energy burden is insufficient to provide deep enough savings for the
8 lowest-income customers. Accordingly, we recommended the discounts we
9 proposed in our Opening Testimony to keep rates affordable, and mitigate
10 customers' gas-utility energy burden to a 1.8–2 percent energy burden.⁶¹

11 While the parties did not agree to the analysis or the discounts that the
12 Coalition proposed in its Opening and Rebuttal Testimony, the Second Stipulation
13 represents a reasonable compromise that will provide important and much needed
14 relief to low-income ratepayers.

15 We also recommended adoption of an arrearage management program
16 ("AMP") for Tier 0 customers because an AMP assists the lowest-income
17 customers who have an obligation to pay pre-existing arrears. These existing
18 arrears increase required payment amounts to unaffordable levels. An AMP with
19 an arrearage forgiveness component would relieve those pre-existing arrears. The
20 Coalition's recommendation to implement an AMP is not an independent or stand-
21 alone program and is intended to assist payment-troubled lowest-income

⁶⁰ Coalition/300, Fain-Segovia Rodriguez-Daryanani/17

⁶¹ See *generally*, Coalition/700, Colton/6-26.

1 customers. An AMP is the most appropriate way for NW Natural to address low-
2 income arrearages while mitigating the total costs that NW Natural will eventually
3 bear. An AMP is essential to the success and effectiveness of a bill discount
4 program that reduces bills to an affordable percentage of income.⁶²

5 The parties agreed to develop an AMP for Tier 0 bill discount customers
6 consistent with the Coalition's proposal in its testimony. This important program
7 will provide substantial relief to the lowest-income ratepayers, especially in a time
8 of rising costs and inflation. Basic necessities like heating a home in winter must
9 be affordable, and the Second Stipulation will help to ensure that for thousands of
10 Oregonians in NW Natural's service territory.

11 Further, the Coalition supports the Second Stipulation because while it does
12 result in a rate increase for residential ratepayers, that increase is much lower than
13 the proposed increase in the Company's initial filing. Additionally, the settlement
14 preserves for litigation important issues that the parties could not resolve, which
15 are identified in Paragraphs 8, 9 and 10 of the Second Stipulation.

16 **Q. What is your recommendation to the Commission?**

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

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

21 A. Yes.

⁶² See generally, Coalition/700, Colton/27-36.



CERTIFICATE OF SERVICE

UG 490

I hereby certify that on August 14, 2024, I have served the unredacted, confidential version of the JOINT TESTIMONY IN SUPPORT OF SECOND PARTIAL STIPULATION upon parties of record in docket UG 490 by electronic delivery.

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DATED August 14, 2024, Troutdale, Oregon.

/s/ Erica Lee-Pella
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