McDowell & Rackner PC

WENDY L. MCINDOO
Direct (503) 595-3922
wendy@mcd-law.com

May 2, 2008

VIA ELECTRONIC FILING AND FIRST CLASS MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UM 1286 – Stipulation and Joint Direct Testimony

Enclosed for filing in the above-referenced docket are an original and five copies of the Stipulation by the Joint Parties and the Joint Direct Testimony of Ken Zimmerman, Brian Hirschkorn, Katherine Barnard, Alex Miller and Paula Pyron. Please note that some of the signature pages are a facsimile. We will file the originals as soon as we received them.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

Wendy L. McIndoo

Wendy L. McIndoo
Legal Assistant

Enclosure

Phone: 503.595.3922 • Fax: 503.595.3928 • www.mcd-law.com
520 SW Sixth Avenue, Suite 830 • Portland, Oregon 97204

CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing document in OPUC Docket No. UM 1286 by electronic mail and first class mail to the following parties or attorneys of parties:

DAVID J MEYER
VICE PRESIDENT & CHIEF COUNSEL
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3727
david.meyer@avistacorp.com

EDWARD A FINKLEA
CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD LLP
efinklea@chbh.com

LOWREY R BROWN
CITIZENS' UTILITY BOARD OF OREGON
lowrey@oregoncub.org

ROBERT JENKS
CITIZENS' UTILITY BOARD OF OREGON
bob@oregoncub.org

PAULA E PYRON
EXECUTIVE DIRECTOR
NORTHWEST INDUSTRIAL GAS USERS
ppyron@nwigu.org

KEN ZIMMERMAN
PUBLIC UTILITY COMMISSION OF OREGON
550 CAPITOL ST NE, STE 215
SALEM OR 97301
ken.zimmerman@state.or.us

DAVID HATTON
ASSISTANT ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
1162 COURT ST NE
SALEM OR 97301-4096
david.hatton@state.or.us

JON T STOLTZ
SR VICE PRES.—REGULATORY & GAS
CASCADE NATURAL GAS
jstoltz@cngc.com

KATHERINE BARNARD
DIRECTOR - REGULATORY AFFAIRS
CASCADE NATURAL GAS
kbarnard@cngc.com

JASON EISDORFER
CITIZENS' UTILITY BOARD OF OREGON
jason@oregoncub.org

CHAD M STOKES
CABLE HUSTON BENEDICT
HAAGENSEN & LLOYD LLP
cstokes@chbh.com

LAWRENCE REICHMAN
PERKINS COIE LLP
1120 NW COUCH ST, 10TH FLOOR
PORTLAND OR 97209-4128
lreichman@perkinscoie.com

Dated May 2, 2008

McDOWELL & RACKNER PC

Wendy L. McIndoo

Wendy L. McIndoo
Legal Assistant

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1286

In the Matter of THE PUBLIC UTILITY COMMISSION OF OREGON Investigation into the Purchased Gas Adjustment (PGA) Mechanism Used by Oregon's Three Local Distribution Companies

JOINT DIRECT TESTIMONY

OF

KEN ZIMMERMAN

BRIAN HIRSCHKORN

KATHERINE BARNARD

ALEX MILLER

and

PAULA E. PYRON

May 2, 2008

INTRODUCTION

Q. Please state your names, occupations, and business addresses.

A. My name is Ken Zimmerman. I am employed by the Public Utility Commission of Oregon ("Staff") as a Senior Utility Analyst. My business address is 550 Capitol Street NE, Suite 215, Salem, Oregon 97301-2551. My qualifications are shown in Joint Parties Exhibit 101.

My name is Brian Hirschkorn. I am employed by Avista Corporation ("Avista") as Manager, Retail Pricing. My business address is 1411 East Mission Avenue, Spokane, WA 99220. My qualifications are shown in Joint Parties Exhibit 102.

My name is Kathie Barnard. I am employed by Cascade Natural Gas Corporation ("Cascade") as Senior Director Gas Supply and Regulatory Affairs. My business address is 222 Fairview Avenue North, Seattle, WA 98109. My qualifications are shown in Joint Parties Exhibit 103.

My name is Alex Miller. I am employed by Northwest Natural Gas Company ("NW Natural") as Managing Director Regulatory Affairs and Assistant Treasurer. My business address is 220 NW Second Ave, Portland, Oregon, 97209. My qualifications are shown in Joint Parties Exhibit 104.

My name is Paula E. Pyron. I serve as the Executive Director of the Northwest Industrial Gas Users ("NWIGU"). My business address is 4113 Wolf Berry Court, Lake Oswego, OR 97035-1827. My qualifications are shown in Joint Parties Exhibit 105.

Q. What is the purpose of your joint testimony?

A. The purpose of our joint testimony is to describe and support the Stipulation dated May 2, 2008 (the "Stipulation") of Staff, Avista, Cascade, NW Natural and NWIGU (together, "the Parties") to settle all of the issues arising from Phase I of this investigative Docket. The Stipulation is being submitted to the Commission as Joint Parties Exhibit 106.

Q. Please summarize the major issues addressed in your testimony.

A. *First,* we provide background information regarding the docket, including a description of the procedural schedule to date;

Second, we provide a detailed explanation of the Purchased Gas Adjustment mechanism ("PGA") that the Parties have recommended for adoption in the Stipulation ("the Stipulated PGA");

Third, we explain the differences between the Stipulated PGA and the current PGA mechanism; and

Fourth, we explain why the Stipulated PGA is superior to the current PGA mechanism, and provide our opinion that the Stipulated PGA will result in fair and reasonable rates for the LDCs and their customers.

BACKGROUND

Q. Why was this docket opened?

A. On November 14, 2006, Staff issued a memorandum in which it requested that the Public Utility Commission of Oregon (the "Commission") open an investigation into the PGA used by Oregon's three local distribution companies ("LDCs"). In that memorandum, Staff noted that the dynamics and operation of the U.S. and Northwest natural gas markets have changed dramatically, and expressed its view that the current PGA—which was designed for more stable conditions—no longer serves well the LDCs or their customers. Staff recommended that this docket be opened to review the PGA mechanism and to consider how it might be redesigned to better function within the current natural gas market.

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

A. The Parties to this Stipulation intervened in the docket, as did Citizens' Utility Board of Oregon ("CUB"). A prehearing conference was held on January 11, 2007, and the parties to the docket agreed to a proposed schedule of eight workshops held between January 22 and August 23 of 2007. All parties[1] participated in each of the eight workshops which featured robust debate on many issues. After the workshops concluded, the Assistant Attorney General David Hatton notified the ALJ that the parties had agreed to bifurcate the docket into two phases: Phase I of the docket would address PGA mechanisms, including any proposed "incentive" arrangements. Phase II would address guidelines for implementing PGA mechanisms, incentive mechanisms, and portfolio purchases of natural gas and related documentation.[2] The parties filed two rounds of comments in Phase I on December 4, 2007 and January 28, 2008.

After comments had been filed, the Commission held a workshop on February 4, 2008. The parties held a settlement conference on February 7, 2008. That settlement conference was continued on February 13, 2008, via teleconference. The Stipulation is the product of those discussions.

Q. Was there general agreement on the issues during the workshop and comment phases of the docket?

A. There was general agreement on some issues. On other issues there was significant disagreement.

Q. On what issues did the Parties agree?

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[1] All parties to the docket will be referred to as "parties" (uncapitalized) as opposed to the Parties to the Stipulation which, as a defined term, will be capitalized.

[2] The parties may recommend that additional issues be addressed in Phase II.

A. From the beginning of the docket the Parties generally agreed on a number of issues.

- First, on the most fundamental level, all of the Parties generally agreed that the Commission should retain a PGA to provide the LDCs with a reasonable opportunity to recover their gas costs on a timely basis.
- Second, there was general agreement that under the current PGA and current market conditions, the LDCs and their customers are subject to increased and unnecessary financial risk.
- Third, the Parties generally agreed that an independent, market-based benchmark should be set against which actual gas costs would be measured.
- Fourth, the Parties agreed that an earnings review should continue to be applied each spring.

Q. What were the areas of disagreement during the workshop and comment phases?

A. There were 3 primary areas of disagreement.

- First, Staff, NW Natural, CUB and NWIGU agreed that the PGA should include an incentive mechanism by which the LDC and its customers would share costs above and below a benchmark. These parties argued that the LDCs maintain enough influence over their gas costs to justify an incentive mechanism. Cascade and Avista, however, argued that they have virtually no ability to influence their gas costs, and thus an incentive mechanism makes no sense for them.
- Second, while both Staff and NW Natural agreed that a market-based benchmark should be used to measure and incent LDC performance, they disagreed on the specific benchmark. NW Natural advocated that the benchmark be based upon a NYMEX price strip, in one form or another.

Staff was not opposed to including NYMEX prices in the benchmark but argued that the benchmark should also include non-NYMEX prices, e.g., purchases of natural gas based on current index prices (both short- and long-term).

- Third, the parties advocated differing changes to the earnings review. Staff and NWIGU advocated revising the method of determining whether or not excess earnings are shared with customers. Moreover, there was general disagreement as to whether the current earnings thresholds should be changed.

Q. Describe the process by which the Parties came to the agreement reflected in the Stipulation.

A. After the February workshop the parties agreed that settlement negotiations might be fruitful. Several parties circulated settlement proposals, and ultimately, in the settlement discussions that followed, the Parties were able to compromise on their differences.

Q. Please provide a general description of the PGA agreed to in the Stipulation.

A. The Parties agreed upon a PGA mechanism that incorporates an incentive mechanism and an earnings review. The PGA is comprised of five basic components:

(1) The annual setting of the embedded commodity WACOG in customer rates for the following PGA year;

(2) The selection and application of sharing levels and corresponding earnings threshold levels;

(3) The selection and calculation of a monthly benchmark against which both embedded WACOG ("Embedded WACOG") and actual monthly gas costs will be compared;

(4) The calculation of variance between the monthly benchmark and annual Embedded WACOG and between the monthly benchmark and actual monthly unhedged gas costs; and

(5) The application of a spring earnings review.

Q. Please describe the annual setting of the Embedded WACOG.

A. In the fall of each year, each LDC will file its Embedded WACOG that will serve as the basis for customer rates for the PGA year beginning the following November 1 and ending October 31 (the "PGA Year"). The LDC will make this initial PGA filing ("Initial Filing") on or before August 31. The LDC will update that filing ("Update Filing") no later than two weeks prior to the scheduled Public Meeting addressing the PGAs.

Q. Does the Stipulation provide for an interim rate change at some time during the PGA Year?

A. No. The Parties agreed to only one PGA rate change each year.

Q. How will the Embedded WACOG be calculated?

A. The Embedded WACOG will be set as a function of the LDC's expenses for (a) fixed price hedges; (b) storage; and (c) unhedged volumes. These components of the Embedded WACOG will be calculated as follows:

(A) Total PGA volumes will be set on a forecasted basis.

(B) Fixed price hedges and storage fill (completed by July 31 for the Initial Filing and by September 30 for the Update Filing) will be included in Embedded WACOG at 100% of cost. Additional storage refills taking place by October 31 of each year will be separately accounted for and passed through to customers at 100% of cost. (NW Natural and Avista are already accounting for storage in this manner.)

(C) Amounts for gas supplies that are unhedged ("Unhedged Gas") as of the date of filing, as discussed in a. below, will be calculated using the following inputs:

a. Prices will be set using the basis-adjusted 60-day NYMEX strips for the PGA Year. This methodology will be used for three years (through the 2010/2011 PGA Year), after which the Commission will review its effectiveness.

(i) Each LDC's Initial Filing will use the basis-adjusted NYMEX daily information from the previous 60 calendar days through July 31.

(ii) The Update Filing will use the basis-adjusted NYMEX daily information from the previous 60 calendar days through September 30.

b. Unhedged volumes will be priced using the expected percentage mix of supply basins for Unhedged Gas supply for each of the twelve months of the PGA Year. The expected percentage mix will be based on the LDC's three-year historical weighted average volumes adjusted for known and measurable changes.

Q. Please describe the selection and calculation of the monthly benchmark.

A. By August 31 of each year, the LDC will select an independent, market-based benchmark (the "Unhedged Benchmark Price") against which both Embedded WACOG and actual monthly gas costs will be compared. The LDC has the option each year of selecting one of the following methods for setting this benchmark:

(1) First of Month ("FOM") index, which will be weighted by the actual purchases at each basin during the month, plus/minus an appropriate amount applicable for each basin for physical supplies adjusted for each month; or

(2) The average of the Gas Daily indices, which will be weighted by the actual purchases at each basin during the month, plus/minus an appropriate amount applicable for each basin for physical supplies adjusted for each day.

Q. In its comments, NW Natural argued against the use of a daily market price to set the independent market-based benchmark. Why has NW Natural agreed to a Stipulation in which this is one of the options available to the LDCs?

A. NW Natural believes that daily market prices would not serve as an effective benchmark for NW Natural. Avista on the other hand has indicated its preference for the use of daily market prices because that is the market on which it buys its short-term physical supply. For this reason, while NW Natural will not choose daily prices to set its own benchmark, it has agreed that Avista and Cascade should have this option.

Q. Please describe the calculation of variances for sharing and deferrals.

A. The Monthly Benchmark WACOG is the actual unhedged volumes at the Unhedged Benchmark Price plus the costs of fixed price hedges and storage withdrawals divided by total actual volumes.

(1) The difference between the Annual Embedded WACOG[3] and the Monthly Benchmark WACOG will be calculated each month and multiplied by total actual volumes ("Monthly WACOG Variance") and deferred for later collection or refund. The Monthly WACOG Variance will be shared at 95/5, meaning that 95 percent of any variance will be collected from or refunded to customers.

[3] The Annual Embedded WACOG is actually a weighting of Monthly Embedded WACOGs based on volumes. The Monthly Benchmark WACOG will be compared to the Monthly Embedded WACOG.

(2) The actual costs for the Unhedged Gas will be calculated each month. Differences between actual costs for the Unhedged Gas and the product of the Unhedged Benchmark Price multiplied by actual unhedged volumes ("Unhedged Benchmark Variance") will be deferred for later collection or refund. The Unhedged Benchmark Variance will be shared with customers at the percentage selected by the LDC each year by August 15 at one of the following levels: 67/33, 80/20 or 90/10 (meaning that 67, 80 or 90 percent of any variance will be collected from or refunded to customers).

Q. **Why are there two different sharing calculations, the first based on a comparison of the Annual Embedded WACOG and the Monthly Benchmark WACOG with a 95/5 sharing and the second based on the Unhedged Benchmark Variance with sharing level options?**

A. The first level of incentive is provided by the sharing on a 95/5 percent basis of the variance between the Embedded WACOG and the Benchmark WACOG. The Embedded WACOG is based upon forecasts made at the beginning of the gas year using the 60 day NYMEX strip, as well as hedging of expected sales volumes, expected storage usage and unhedged prices. Thus, this first level incentive operates similarly to the current PGA to reward (or "penalize") the results of the LDC's longer-term decision making processes.

The second level of incentive is provided by the application of the monthly benchmark—the Unhedged Benchmark Price—and the sharing between the Unhedged Benchmark Price and actual unhedged gas costs. Because the Unhedged Benchmark Price is based upon a current market price, this second incentive rewards (or penalizes) the LDC based on its day-to-day performance. These two sharing mechanisms together provide the LDCs with more effective incentives to construct reasonable long-term gas procurement strategies and effectively manage day-to-day gas purchasing, to the benefit of customers as well as shareholders.

Q. None of the Parties advocated in their comments for 67/33 sharing. Why did the Parties include this sharing level in the Stipulated PGA?

A. As discussed in more detail below, Cascade argued that in view of the approved stipulations in its recently-completed rate case (Docket No. UG 173; Order No. 07-220) and merger approval docket (Docket No. UM 1283; Order No. 07-221) and accompanying conditions, Cascade should have the option of continuing to share at the 67/33 level with an earnings threshold of 215 basis points ("bp") of return on equity ("ROE") through 2012. As a matter of compromise and to provide flexibility for each LDC to examine their particular risk and asset parameters in light of natural gas market conditions as they change over time, the Parties reached agreement to provide the same 67/33 sharing to each LDC on terms other than the Cascade stipulations but with a tighter earnings review threshold of 175 bp for customers' interests

Q. What revisions to the current earnings reviews did the Parties agree to make?

A. The Stipulation provides that an earnings review will be performed each spring. The 2009 earnings review will use 2008 Fiscal Year results and the earnings review thresholds currently allowed by the Commission for each LDC. For subsequent years, the earnings threshold applied to each fiscal year's results will correspond to the sharing election made by the LDC the previous August, for the following PGA Year, as described below; e.g., the August 2008 election will apply to the 2009 Fiscal Year results which are the subject of the 2010 earnings review.

(A) For LDCs choosing to share at 67/33 (with the exception of Cascade, as provided below, and discussed above), the earnings threshold will be set at

175 bp of ROE (as determined in the LDC's last rate case), further modified by 20 percent of any change in the risk free rate for the 12-month calendar year preceding the annual earnings review pursuant to Commission Order No. 04-203, as modified by Order 07-019;

(B) For LDCs choosing to share at 80/20, the earnings threshold will be set at 150 bp of ROE (as determined in the LDC's last rate case) further modified by 20 percent of any change in the risk free rate for the 12-month calendar year preceding the annual earnings review pursuant to Commission Order No. 04-203, as modified by Order 07-019;

(C) For LDCs choosing to share at 90/10, the earnings threshold will be set at 100 bp of ROE (as determined in the LDC's last rate case) further modified by 20 percent of any change in the risk free rate for the 12-month calendar year preceding the annual earnings review pursuant to Commission Order No. 04-203, as modified by Order 07-019.

Q. Does the Stipulation allow Cascade a different earnings threshold tied to 67/33 sharing than that allowed for the other LDCs?

A. Yes. As mentioned above, if Cascade opts for 67/33 sharing, its earnings threshold will be set at 215 bp but only through 2012. Other LDCs opting for a 67/33 sharing will have a 175 bp earnings threshold.

Q. Why did the Parties agree to a different earnings threshold tied to the 67/33 sharing for Cascade than that allowed for the other LDCs?

A. Cascade argued that the the stipulations in its recent rate case and merger approval docket, and the Commission's approval of these stipulations tied its 67/33 sharing and 215 bp earnings threshold to various other terms and conditions (such as its approved ROE, a cap on A&G expenses and guaranteed rate credits), so that these components should could not be altered in isolation. Staff and NWIGU agreed, but felt that this arrangement should not be made available to the other LDCs. In the end the Parties agreed that the earnings threshold for other LDCs opting for 67/33 sharing should be set at 175 bp.

Q. Did the Parties place conditions on Cascade's right to continue to employ a 215 bp earnings threshold?

A. Yes. Staff agreed to allow Cascade to continue the current arrangement only because Cascade argued that it should have this option until 2012 based upon the rate case and merger docket stipulations. For this reason, Staff insisted that if Cascade elects either 80/20 or 90/10 sharing prior to 2012, then Cascade will forfeit the right to return in the future to its 215 bp earnings threshold, and instead will have the same options as the other LDCs, as is described above. In addition, after 2012, Cascade will only have the options available to the other LDCs.

Q. Did the Parties agree to adjustments to the PGA to account for the impact of SB 408?

A. Yes. The Stipulation provides that sharing percentages for earnings above the threshold will be adjusted to account for the impact of SB 408. Customers of LDCs not subject to SB 408 will continue to receive 33% of earnings above the threshold. Based upon current federal and state tax rates, the Parties agreed that customers of LDCs subject to SB 408 will receive 20% of earnings above the threshold. This percentage is subject to change if federal and/or state tax rates change.

Q. What happens to the current fall earnings review?

A. The Parties agreed that there would be no fall earnings test. Currently, if the LDC bears less than 33 percent of the risk of commodity cost differences in the PGA, OAR 860-022-0070(8) requires an earnings review prior to amortizing gas cost deferrals. The Parties understand that if the Commission adopts the Stipulated PGA, OAR 860-022-0070 will need to be revised accordingly. Thus, if the Commission adopts the Stipulation, Staff will recommend that the Commission open a rulemaking docket to make the necessary changes to its rules. The Parties agree that the sunset provision for the earnings reviews should be removed through the requested rulemaking.

Q. Did the Parties also agree to an audit provision?

A. Yes, the Parties agreed that all deferrals made pursuant to the methodology described in this Stipulation will be subject to audit and modification for a period of up to three years following each PGA Year.

Q. Structurally does the Stipulated PGA have the same fundamental elements as the current PGA?

A. Yes. The Stipulated PGA has the same fundamental elements as the current PGA. Both allow for the orderly and timely recovery by the LDCs of their gas purchase costs; both incorporate a mechanism intended to encourage the LDCs to procure gas at the lowest reasonable cost (at the time gas is procured); and both incorporate an earnings review.

Q. What are the important differences between the Stipulated PGA and the current PGA?

A. *First*, the current PGA allows the LDCs to select a method for calculating the estimated cost of unhedged volumes included in the Embedded WACOG each year which has been an area of controversy. The Stipulation on the other hand provides that the LDCs will all use a 60-day average of NYMEX prices for determining the estimated cost of unhedged volumes, and sets specific parameters for updates.

Second, the Stipulated PGA introduces a monthly market-based benchmark—the Unhedged Benchmark Price—against which actual unhedged gas costs are compared in the incentive calculation. Moreover, under the Stipulation the LDCs may select one of two methods for calculating the Unhedged Benchmark Price: the FOM index or the monthly average of the Gas Daily indices.

Third, under the present PGA mechanism, the LDCs' earnings thresholds are set at levels that were individually determined by the Commission. Under the terms of the Stipulation, the earnings thresholds for the LDCs are explicitly a function of their sharing selections: 100 bp for an LDC selecting 90/10 sharing; 150 bp for an LDC selecting 80/20 sharing; and 175 bp for an LDC selecting 67/33 sharing—with the exception for Cascade described above.

Q. Do you believe that the Stipulated PGA is superior to the PGA as it is currently structured?

A. Yes. We believe that the Stipulated PGA is superior to the current PGA in several respects.

First, the Stipulated PGA's process for determining the cost of unhedged volumes included in the Embedded WACOG is superior to that under the current PGA's method. In the current PGA, the LDCs have had the opportunity and the burden of selecting a method for calculating the Embedded WACOG each and every year, and that process has proved to be extremely controversial. In the Stipulated PGA, the Parties have agreed to a reasonable method for setting Embedded WACOG that will be used by all LDCs every year. This provision will ensure for smoother and more efficient PGA filings in the fall. The Stipulation also includes a provision for the Commission to examine the effectiveness of this methodology after three years and to determine if it should be continued in any form or be terminated.

Second, the incentive mechanism contained in the Stipulated PGA is superior to the current PGA. As outlined above, the Stipulated PGA contains two levels of incentive that work together to encourage the most effective purchasing practices. The first level of incentive (provided by the application of the Embedded WACOG) is similar to the current PGA incentive and rewards (or penalizes) the results of the LDC's longer-term decision making processes, in particular with respect to longer term contracts and hedging.

The second level of incentive provided by the application of the Unhedged Benchmark Price tied to current market prices (either First of Month or Gas Daily third party indices) creates an incentive for the LDCs to manage shorter term purchasing to the benefit of customers. Thus where the current PGA has one incentive level (provided by the application of the benchmark WACOG) the Stipulated PGA has two. The combination of the two incentives, and the use of an Unhedged Benchmark Price tied to current market indices, further mitigates the increased financial risk presented by today's higher prices and greater market volatility. Mitigating this risk provides better incentives for the LDC to construct a more balanced and diversified portfolio, which is in the best interest of customers. In sum, the new sharing mechanism will provide the LDCs with more effective incentives to construct reasonable longer-term supply portfolios and effectively manage day-day-to gas purchasing, to the benefit of customers.

Third, the Stipulated PGA is more flexible than the current PGA. The Stipulated PGA allows the LDCs to select their sharing percentage (and the corresponding earnings threshold) on an annual basis. Under the current PGA, the LDCs had the opportunity to "opt into" a sharing percentage at one point in time, and presumably would need to petition the Commission in order to alter that arrangement. The Stipulated PGA will allow the LDCs to more easily adapt to changing market and financial conditions.

The Stipulated PGA provides for additional flexibility by allowing the LDCs to choose between two separate methods for calculating the Unhedged Benchmark Price, thus allowing the LDCs to choose an incentive mechanism that is truly tailored to each particular company and its gas purchasing situation.

Fourth, the linking of the sharing percentage and earnings threshold provides for a fair, reasonable and sustainable balance of risk and reward for both the LDC and its customers. As discussed above, the Stipulated PGA allows the LDCs to choose among three levels of risk that they are willing to accept. However, this risk/reward calculation is balanced by the corresponding earnings threshold that is applicable to each level of sharing.

Fifth, the use of forecasted volumes in the Embedded WACOG produces a more accurate WACOG. The current method is to use recorded volumes adjusted for weather effects. This method excludes the effect of customer growth on expected sales. The use of forecasted volumes contained in the Stipulated PGA allows the LDCs to capture the effects of load change, thus providing a more accurate charge to customers.

Last, the Stipulated PGA eliminates several areas of controversy that exist under the current PGA. The Stipulated PGA, while more flexible in options, provides for a uniform methodology to be used to calculate Embedded WACOG in the PGA, as well for determining the monthly incentive/sharing amounts. These changes should result in a more streamlined PGA process.

Q. Does the application of the PGA alter the Commission's review of the prudency of the LDC's actions in procuring gas supplies for their customers?

A. No, it does not.

Q. Do you believe that the application of the PGA described in the Stipulation will result in fair and reasonable rates for LDC customers?

A. Yes. The PGA established by this Stipulation fits better the circumstances of today's volatile natural gas market. The Stipulated PGA provides greater incentives to the LDCs to purchase gas in ways that benefit their customers while at the same time reducing the increased financial risk presented to the LDCs by the current market.. This reduced financial risk will allow the LDCs more flexibility in designing and implementing their gas procurement portfolio based on changing market conditions, risks and opportunities, all of which should be to the benefit of customers.

The Parties also agree that resolution of Phase I issues will allow the parties and the Commission to focus on Phase II issues. In Phase II the parties will work to establish recommended guidelines for portfolio gas purchasing.

Q. Does this conclude your testimony?

A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME	Ken Zimmerman
EMPLOYER	Oregon Public Utility Commission
TITLE	Senior Utility Analyst
ADDRESS	5500 Capitol Street, NE, Suite 215, Salem, OR 97301
EXPERIENCE	Having retired as Chief of Energy with the Oklahoma Corporation Commission's Public Utility Division (1985 – 2005), Dr. Zimmerman is now Senior Utility Analyst with the Oregon Public Utility Commission (2005 – Current). His primary responsibilities in that position are: natural gas price and demand forecasting; natural gas integrated resource planning; the flow through of natural gas costs to end-users by gas utilities; and analysis of the general structure and operation of the current, past, and future networks for energy exploration, production, and distribution (including energy markets). Prior to his work in energy utility regulation, Dr. Zimmerman was a legislative staffer, private consultant, and university professor. Dr. Zimmerman holds PhDs in Sociology/Anthropology and History from the University of North Texas and The University of Texas, respectively; an MA (Sociology and Psychology) from St. Mary's University (TX); an MA from Lancaster University (UK) in Economics, Science, and Technology; and undergraduate degrees in History (BA), Mathematics (BS), American Literature (BA), and Philosophy (BA) from Baylor University. Dr. Zimmerman also holds a BSEE in electrical engineering from the University of Houston (TX) and is a certified professional engineer (PE) in Texas and Florida (certificates currently inactive). Dr. Zimmerman is fluent in written and spoken German, and written French. Dr. Zimmerman also enjoys music (from Bach to punk); plays the guitar (bassist); SCUBA diving and snorkeling; and holds black belts in both ju-jitsu and judo. Dr. Zimmerman has traveled to over 40 countries for both work and pleasure. Dr. Zimmerman is also President, a driver, and one of four employees of "Decade Racing," a Rally racing team Dr. Zimmerman founded in 1975.

WITNESS QUALIFICATION STATEMENT

NAME	Brian Hirschkorn
EMPLOYER	Avista Corporation
TITLE	Manager, Retail Pricing
ADDRESS	1411 East Mission Avenue, Spokane, WA 99220
EXPERIENCE	I have been employed by Avista Corp. / Washington Water Power since June 1978. I have over twenty-eight years of experience in Rates and Regulatory Affairs. My responsibilities include electric and natural gas rate design, revenue and cost analysis, and tariff administration. I have been the Company expert witness related to these areas in all regulatory filings made by the Company for over twenty years. As part of my responsibilities, I coordinate and oversee the preparation of PGA filings in all three jurisdictions in which the Company provides service. I am a 1978 graduate of Washington State University with Bachelor degrees in Business Administration and Accounting.

WITNESS QUALIFICATION STATEMENT

NAME	Katherine Barnard
EMPLOYER	Cascade Natural Gas Corporation
TITLE	Senior Director-Gas Supply and Regulatory Affairs
EDUCATION	BA in Business Administration and Arts & Sciences University of Washington (1984)

EXPERIENCE

Cascade Natural Gas Corporation (1992 to Present)
Since joining Cascade, I have held numerous roles including Sr. Accountant, Planning & DSM Resource Specialist, Director-Regulatory Affairs, and currently Senior Director- Gas Supply and Regulatory Affairs. My responsibilities include preparation of rate-related exhibits in "tracking" and general rate relief filings along with integrated resource planning. I have sponsored testimony before both the Washington Utilities and Transportation Commission and the Public Utility Commission of Oregon.

Washington Utilities & Transportation Commission (1990-1992)
As a Revenue Requirement Specialist, my responsibilities included reviewing tariff filings, affiliated interest applications, and performing audits of several telephone companies' compliance reports.

Nevada Bell (1988-1990)
As Manager-Separations my responsibilities included the development of rates for the Company's FCC tariff filings along with FCC and National Exchange Carriers Association (NECA) compliance reporting.

Ernst & Whinney's Telecommunication Group (1985-1987)
As a Senior Consultant, I was responsible for the preparation of cost allocation studies for several small telephone companies.

WITNESS QUALIFICATION STATEMENT

NAME	Alex Miller
EMPLOYER	Northwest Natural Gas Company
TITLE	Managing Director Regulatory Affairs and Assistant Treasurer
ADDRESS	220 NW Second Ave, Portland, Oregon, 97209
EDUCATION	Bachelor of Arts degree in Economics from the University of Oregon, Masters of Business Administration from the Claremont Graduate School.
EXPERIENCE	I have worked for NW Natural for the last 5 years. Before that I worked for PacifiCorp for 4 years and for Southern California Edison for 17 years. I have had roles in regulation and finance throughout my career.

WITNESS QUALIFICATION STATEMENT

NAME Paula Pyron

EMPLOYER Northwest Industrial Gas Users

TITLE Executive Director

ADDRESS 4113 Wolf Berry Court, Lake Oswego, OR 97035-1827

EXPERIENCE Paula Pyron is the Executive Director of the Northwest Industrial Gas Users ("NWIGU"), a nonprofit association of 36 large end-users of natural gas with facilities in Oregon, Washington and Idaho. The association represents its members' interests in distributor and pipeline rate cases, tariff filings and regulatory policy issues in the three states and at the Federal Energy Regulatory Commission. Ms. Pyron accepted this representation of NWIGU effective September 2000.

Ms. Pyron has been a lawyer since 1983, hailing from the oil patch in Tulsa, Oklahoma for the first several years of her business-focused practice with the law firm of Boesche, McDermott & Eskridge. She began private practice in Portland, Oregon in 1991 with an emphasis in energy regulation and contract negotiation. She represented Northwest Industrial Gas Users from 1991 to 1999 as one of its outside counsel, most recently as a partner at Energy Advocates LLP, and prior to that firm's founding was a partner at Ball Janik LLP. Immediately prior to her engagement as NWIGU's executive director, from 1999 to 2000, she managed the legal department in Portland as Assistant General Counsel for PG&E Gas Transmission, Northwest Corporation.

Ms. Pyron is admitted to practice in the state bars of Oregon and Oklahoma and numerous federal courts. She is a 1983 graduate of the University of Tulsa, College of Law and has a BS in Economics, *summa cum laude* from the University of Texas at Dallas. She has testified on energy regulatory and legislative matters in Oregon and Washington before the Oregon Public Utility Commission (OPUC), the Washington Utilities and Transportation Commission (WUTC), and state legislative committees. She has appeared on numerous occasions before the WUTC, the OPUC and the Idaho Public Utility Commission as executive director of NWIGU.