

McDowell Rackner & Gibson PC



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September 21, 2012

VIA ELECTRONIC FILING AND FIRST CLASS MAIL

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

Re: Docket UG 221 – Northwest Natural Gas Company Application for a General Rate Revision

Attention Filing Center:

Enclosed for filing in the above captioned docket are an original and one copy of Northwest Natural's Response to Second Bench Request. A portion of the attachment to the bench request is confidential and will be sent separately to the parties who signed the Protective Order.

A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed Certificate of Service.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Office Manager

Enclosure

cc: Service List

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UG 221

In the Matter of
NORTHWEST NATURAL GAS COMPANY
Application for a General Rate Revision.

NORTHWEST NATURAL'S
RESPONSE TO SECOND
BENCH REQUEST

NW Natural Gas Company ("NW Natural") provides the following response to ALJ
Hardie's Second Bench Request dated September 14, 2012.

Bench Request Response

Bench Request No. 1:

NWN/409, page 1: looking at the "Pension Contributions" box in the middle of the page, and
for Company contributions made in the years 2008, 2009, 2010, and 2011, on what dates did
the company make each of those contributions (day, month, year)?

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1 **NW Natural Response:**

2 Contribution dates and amounts are as follows:

	<u>Date</u>	<u>Amount</u>
3	2008	\$ -0-
4	2008 Total	\$ -0-
5	4/1/2009	\$ 25,000,000
6	2009 Total	\$ 25,000,000
7	3/1/2010	\$ 10,000,000
8	2010 Total	\$ 10,000,000
9	1/14/2011	\$ 1,645,000
10	2/28/2011	\$ 2,000,000
11	3/31/2011	\$ 10,000,000
12	4/14/2011	\$ 2,800,000
13	7/15/2011	\$ 2,800,000
14	10/14/2011	\$ 1,000,000
15	2011 Total	\$ 20,245,000
16	1/13/2012	\$ 2,800,000
17	3/30/2012	\$ 11,000,000
18	4/13/2012	\$ 4,600,000
19	7/13/2012	\$ 4,500,000
20	9/14/2012	\$ 600,000
21	10/15/2012	TBD
22	2012 Total	\$ 23,500,000

17 Please note that NWN/409, page 1 was updated to include actual contributions for the
18 calendar year 2011, and the revised schedule was filed as NWN/2006. Contributions listed in
19 the above table totaled \$55,245,000 for the 2008-2011 period, which is consistent with
20 NWN/2006, page 1. We included 2012 contributions in the above table because these
21 amounts also are known and measurable and impact test period FAS 87 expense.
22 Contributions for the 2008-2012 period totaled \$78,745,000.

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1 **Bench Request No. 2:**

2 Provide an estimate of the effect on the Test Period FAS 87 pension expense as a direct
3 result of the Company's pension contribution made in calendar year 2008, calendar year
4 2009, calendar year 2010, and calendar year 2011.

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6 **NW Natural Response:**

7 See "Pension Contributions Impact on FAS 87 Expense.xls" schedule attached for details on
8 the estimated impact of contributions on FAS 87 pension expense by year. The estimated
9 impacts on the Test Period FAS 87 pension expense as a direct result of contributions for
10 calendar years in question are as follows:

11

<u>Contribution Year</u>	<u>Estimated Impact on Test Period FAS 87 Expense</u>
2008	\$0
2009	\$(2,518,980)
2010	\$(834,593)
2011	\$(1,539,402)
2012	\$(1,873,687)

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17 In addition, NW Natural made contributions during calendar years 2004 and 2005 totaling
18 \$39,260,000, which also *reduce* Test Period FAS 87 pension expense by an estimated
19 \$2,631,094. We believe these amounts should be considered in this proceeding for several
20 reasons:

21

- 22 • 2004 and 2005 contributions are known and measurable;
- 23 • 2004 and 2005 contributions benefit customers by reducing Test Period FAS 87
24 expense and pension balancing account deferrals;
- 25 • If it had not been for the Pension Protection Act (PPA), NWN would have recovered its
26 2004 and 2005 contributions through higher FAS 87 expense over a reasonable period

1 of years following those contributions based on pre-PPA funding requirements.
2 However, as NW Natural testified in this proceeding, the larger funding requirements
3 under new PPA rules prevent us from being able to recover those earlier contributions
4 through FAS 87 expense.

5 In addition to the reported Test Period FAS 87 expense impact, the attached schedule shows
6 how much these contributions have reduced FAS 87 expense in prior years.

7 **Bench Request No. 3:**

8 Provide an estimate of the effect on the Test Period FAS 87 pension expense as a direct
9 result of the Company's pension contributions made in calendar years 2008, 2009, 2010, and
10 2011 combined.

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12 **NW Natural Response:**

13 The combined impact of the contributions made during calendar years 2008-2011 on Test
14 Period FAS 87 expense is a reduction of \$4,892,975. If we include contributions made during
15 calendar year 2012 (i.e. actual amounts contributed prior to September 30, 2012), then the
16 combined impact of contributions is a FAS 87 expense reduction of \$6,766,662. Again, these
17 amounts exclude the impact of 2004 and 2005 contributions.

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19 **Bench Request No. 4:**

20 Provide an estimate of the effect on the Test Period FASB 87 pension expense as a
21 direct result of the Company's pension contributions made in calendar years 2009,
22 2010, and 2011 combined.

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1 **NW Natural Response:**

2 The combined impact of the contributions made during calendar years 2009-2011 on Test
3 Period FAS 87 expense is the same as reported in response to Question 3 above because
4 contributions for calendar year 2008 were \$0 and therefore had no impact.

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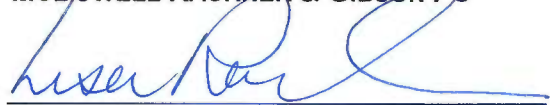
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DATED: September 21, 2012.

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MCDOWELL RACKNER & GIBSON PC



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NORTHWEST NATURAL GAS COMPANY

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Attorneys for NW Natural

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Pension Contributions Impact on FAS 87 Expense

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Total FAS 87 expense	\$ 14,579,030	\$ 11,404,046	\$ 16,295,255	\$ 19,832,904	Not Available	Not Available
Total contributions	25,000,000	10,000,000	20,245,000	23,500,000	Not Available	Not Available
Expected return on assets (EROA)	8.25%	8.25%	8.25%	8.00%	8.00%	8.00%
Actual return on assets	15.80%	13.20%	-2.40%	8.00%	Not Available	Not Available

Question 1

See response letter.

Question 2

2008 Contributions Only	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Test Year 2012/2013
Impact on EROA	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Impact on (gain)/loss amortization	0	0	0	0	0	0
Total impact on FAS 87 expense	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0

2009 Contributions Only	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ (1,532,888)	\$ (2,302,603)	\$ (2,606,546)	\$ (2,466,899)	\$ (2,664,250)	\$ (2,631,358)
Impact on (gain)/loss amortization	0	(150,995)	(293,125)	122,625	110,329	112,378
Total impact on FAS 87 expense	\$ (1,532,888)	\$ (2,453,598)	\$ (2,899,671)	\$ (2,344,274)	\$ (2,553,921)	\$ (2,518,980)

2010 Contributions Only	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ 0	\$ (684,852)	\$ (915,059)	\$ (866,034)	\$ (935,316)	\$ (923,769)
Impact on (gain)/loss amortization	0	0	(46,976)	97,952	87,421	89,176
Total impact on FAS 87 expense	\$ 0	\$ (684,852)	\$ (962,035)	\$ (768,082)	\$ (847,895)	\$ (834,593)

2011 Contributions Only	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ 0	\$ 0	\$ (1,168,273)	\$ (1,592,050)	\$ (1,719,414)	\$ (1,698,187)
Impact on (gain)/loss amortization	0	0	0	171,648	156,212	158,785
Total impact on FAS 87 expense	\$ 0	\$ 0	\$ (1,168,273)	\$ (1,420,402)	\$ (1,563,202)	\$ (1,539,402)

2012 Contributions Only	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ 0	\$ 0	\$ 0	\$ (1,315,799)	\$ (1,985,264)	\$ (1,873,687)
Impact on (gain)/loss amortization	0	0	0	0	0	0
Total impact on FAS 87 expense	\$ 0	\$ 0	\$ 0	\$ (1,315,799)	\$ (1,985,264)	\$ (1,873,687)

Question 3

2008 - 2011 Contributions Combined	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ (1,532,888)	\$ (2,987,455)	\$ (4,689,878)	\$ (4,924,983)	\$ (5,318,980)	\$ (5,253,314)
Impact on (gain)/loss amortization	0	(150,995)	(340,101)	392,225	353,962	360,339
Total impact on FAS 87 expense	\$ (1,532,888)	\$ (3,138,450)	\$ (5,029,979)	\$ (4,532,758)	\$ (4,965,018)	\$ (4,892,975)

2008 - 2012 Contributions Combined	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ (1,532,888)	\$ (2,987,455)	\$ (4,689,878)	\$ (6,240,782)	\$ (7,304,244)	\$ (7,127,001)
Impact on (gain)/loss amortization	0	(150,995)	(340,101)	392,225	353,962	360,339
Total impact on FAS 87 expense	\$ (1,532,888)	\$ (3,138,450)	\$ (5,029,979)	\$ (5,848,557)	\$ (6,950,282)	\$ (6,766,662)

Question 4

2009 - 2011 Contributions Combined	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ (1,532,888)	\$ (2,987,455)	\$ (4,689,878)	\$ (4,924,983)	\$ (5,318,980)	\$ (5,253,314)
Impact on (gain)/loss amortization	0	(150,995)	(340,101)	392,225	353,962	360,339
Total impact on FAS 87 expense	\$ (1,532,888)	\$ (3,138,450)	\$ (5,029,979)	\$ (4,532,758)	\$ (4,965,018)	\$ (4,892,975)

2009 - 2012 Contributions Combined	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012 ¹	Fiscal 2013 ²	Test Year 2012/2013
Impact on EROA	\$ (1,532,888)	\$ (2,987,455)	\$ (4,689,878)	\$ (6,240,782)	\$ (7,304,244)	\$ (7,127,001)
Impact on (gain)/loss amortization	0	(150,995)	(340,101)	392,225	353,962	360,339
Total impact on FAS 87 expense	\$ (1,532,888)	\$ (3,138,450)	\$ (5,029,979)	\$ (5,848,557)	\$ (6,950,282)	\$ (6,766,662)

¹Estimated based on actual contributions through September 30, 2012, beginning of year gain/(loss) and asset values from fiscal year end 2011 disclosures, and estimated average remaining service of 9.67 years (BU) and 7.94 years (NBU).

²Estimated based on 8% actual return for 2012, 8% expected return in 2013, and estimated average remaining service of 9.17 years (BU) and 7.69 years (NBU).

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UG 221 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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Dated: September 21, 2012



Wendy McIndoo
Office Manager