



Citizens' Utility Board of Oregon

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September 19, 2012

Public Utility Commission

Attn: Filing Center

550 Capitol St. NE #215

P.O. Box 2148

Salem, OR 97308-2148

Re: UG 221 CUB Opening Brief Second Errata Filing

Dear Filing Center:

Please find enclosed an original and five copies of **Second Errata to Citizens' Utility Board of Oregon's Opening Brief**. On page 4 of its Opening Brief, CUB made reference to NW Natural's Encana contract. After re-reviewing the Stipulation that relates to that contract, CUB realizes that it may not reference that contract in the context used in its UG 221 brief. CUB is therefore deleting that reference. The attached Opening Brief replacement, page 4, reflects this deletion. CUB apologizes for the error.

Sincerely,

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1 allowed to retain most of that over-earning through the earnings sharing mechanism. And fourth,
2 the Company shares in the revenues that are generated through its commercial optimization of
3 rate based storage.

4 ~~There is also the Encana contract. The Company is also earning a return on the gas that it~~
5 ~~sells pursuant to that contract.~~ These factors must also be taken into account when holistically
6 determining where to peg the Company's Cost of Capital.⁹

7 **C. Programs Like Decoupling, SIP, and WARM All Reduce Regulatory Lag**

8 As discussed in CUB's Pre-Hearing Brief, the Commission has authorized many
9 mechanisms since the last NWN rate case in order to help the Company avoid regulatory lag.¹⁰
10 Those mechanisms include decoupling, WARM, and SIP, which have each helped improve the
11 Company's earnings even in a depressed economy.¹¹ Each of these programs, subject to some
12 tweaks, will continue after this rate case. And each of these programs benefits the Company
13 through reducing risk and regulatory lag. SIP allows the Company to collect both a return of and
14 return on certain rate base items without having to file for rate recovery through a general rate
15 case, which would entail thoroughly reviewing all the elements of costs and expenses or
16 subjecting these costs to an earnings test associated with a deferral.¹² It is CUB's position that all
17 of these mechanisms must be taken into consideration when determining the level of risk
18 remaining to the Company and thus the appropriate ROE/ROR.

19 **D. NWN's Request for 10.0% ROE is Still Too High**

20 As noted in CUB's Pre-Hearing Brief, CUB supports Staff's request for imposition of a

⁹ DR 10. UE 88 & 989 Order No. 08-487 at p. 64.

¹⁰ UG 221/Staff/200 Johnson/3 lines 3-6.

¹¹ UG 221/Staff/200 Johnson/3 lines 19-20.

¹² UG 221/Staff/200 Johnson/3 lines 8-15.

UG 221 – CERTIFICATE OF SERVICE

I hereby certify that, on this 19th day of September 2012, I served the foregoing **Second Errata to Citizens' Utility Board of Oregon's Opening Brief** in docket UG 221 upon each party listed in the UG 221 Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and five copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

(W denotes waiver of paper service)

(C denotes service of Confidential material authorized)

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Respectfully submitted,



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