

McDowell Rackner & Gibson PC



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

October 8, 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 five copies of the Joint Explanatory Brief in support of the Partial Stipulation and Second Partial Stipulation previously filed with Public Utility Commission of Oregon.

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

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UG 221**

4 In the Matter of

5 NORTHWEST NATURAL GAS COMPANY

6 Application for a General Rate Revision.

7 **JOINT EXPLANATORY BRIEF**

8 This brief explains and supports: (1) the Partial Stipulation filed in this proceeding on
9 July 9, 2012, among Northwest Natural Gas Company (“NW Natural” or “Company”), the
10 Public Utility Commission of Oregon Staff (“Staff”), the Citizens’ Utility Board of Oregon (CUB),
11 and the Northwest Industrial Gas Users (NWIGU) (together, the “First Stipulating Parties”) and
12 (2) the Second Partial Stipulation filed in this proceeding on October 2, 2012 among the First
13 Stipulating Parties and Northwest Energy Coalition (NWECC) (together, the “Second Stipulating
14 Parties”). The Partial Stipulation and the Second Partial Stipulation resolve specific issues
15 raised by parties related to NW Natural’s 2011 general rate case. The parties submit this
16 Joint Explanatory Brief to the Public Utility Commission of Oregon (“Commission”) pursuant to
17 OAR 860-001-0350(7)(a).

18 **I. BACKGROUND**

19 On December 30, 2011, NW Natural filed revised tariff sheets to be effective
20 February 1, 2012, seeking a general rate increase of approximately \$43.7 million, or
21 6.2 percent. In its filing, NW Natural used an historic base period of the 12 months ended
22 December 31, 2011, with adjustments to calculate a future test period of the 12 months
23 ending October 31, 2013 (“Test Year”).

24 In Order No. 12-011, issued on January 19, 2012, the Commission suspended the
25 Company’s application for a general rate revision for a period of nine months. Based on the
26 suspension, the effective date of the revised tariff sheets is November 1, 2012.

1 Discovery in this docket commenced with the Company providing responses to Staff's
2 127 Standard Data Requests concurrent with its initial filing. During the course of the
3 proceeding and prior to entering into the Partial Stipulation, the parties reviewed more than
4 500 responses to data requests provided by the Company.

5 Pursuant to Administrative Law Judge Hardie's Prehearing Conference Memorandum
6 of January 23, 2012, the parties to this docket convened settlement conferences on April 4
7 and 5, 2012. NW Natural, Staff, CUB, NWIGU, and NWEAC participated in those settlement
8 conferences.¹ On May 3, 2012, Staff, CUB, NWIGU, and NWEAC filed Opening Testimony
9 responding to the Company's Initial Filing. The parties again convened settlement
10 conferences on May 22 and 23, 2012. On June 15, 2012, NW Natural filed Reply Testimony.

11 As a result of the May settlement conferences, the First Stipulating Parties reached a
12 settlement resolving some of the issues in this case and filed a Partial Stipulation on July 9,
13 2012.² On July 20, 2012, Staff, CUB, NWIGU, and NWEAC filed Rebuttal Testimony. On
14 August 9, 2012, NW Natural filed Surrebuttal Testimony.

15 The Second Stipulating Parties continued settlement discussions in the first half of
16 August. The Second Stipulating Parties resolved additional issues during those settlement
17 discussions and reached an agreement in principle. On August 14, 2012, Staff filed a letter
18 with Administrative Law Judge Hardie indicating that the Parties had reached the settlement in
19 principle. On August 23, 2012, a hearing was held in this proceeding. On October 2, 2012,
20 the parties filed a Second Partial Stipulation, formalizing that agreement.

21

22

23

24 ¹ Portland General Electric Company, Northwest Pipeline GP, and Community Action Partnership of
25 Oregon are parties to this proceeding but did not participate in settlement discussions.

26 ² NWEAC does not object to the Partial Stipulation.

1 Sunset Sheds; Coos Bay Retrofit; and Astoria Retrofit. NW Natural has agreed to remove the
2 amounts that were included in rate base for these projects in the Test Year, consistent with
3 Attachment A.⁵

4 The Company clarified that that the Monmouth Reinforcement, Perrydale to
5 Monmouth, Tualatin Replacement, Unified Communication Phase 1, Portland System
6 Optimization Phase 1, and 2012 Generators projects will all be used and useful by the rate
7 effective date.⁶ To remove any continuing concerns, however, the Company agreed to file an
8 attestation from senior management by October 1, 2012, confirming that these projects either
9 are or will be used and useful by the rate effective date.⁷ In the event that the Company's
10 attestation demonstrates that one or more of these projects will not be used and useful by the
11 rate effective date, the revenue requirement in the case will be offset by the effect of removing
12 the costs of such project or projects from rate base.⁸

13 To address used and useful issues related to the remaining two projects, the 2013
14 Generators and the Nertec replacement project, the First Stipulating Parties agreed to rate
15 treatment for those projects. The First Stipulating Parties agree that the 2013 Generators will
16 be averaged into rate base such that 50% of the associated costs are reflected in rate base in
17 the Test Year.⁹ In the case of the Nertec replacement project, the First Stipulating Parties
18 understand that it is possible that not all of the Nertec replacement meters will be installed by
19 the rate effective date. Therefore, the First Stipulating Parties have agreed that, provided that
20 the Company attests that all of the Nertec replacement meters will be received by the rate
21 effective date and installed by the end of the Test Period, 50% of the Test Year costs of the

22 _____
⁵ Partial Stipulation Paragraph 10.

23 ⁶ Partial Stipulation Paragraph 11.

24 ⁷ Partial Stipulation Paragraph 11.

25 ⁸ Partial Stipulation Paragraph 18.

26 ⁹ Partial Stipulation Paragraph 17.

1 meters will be added to rate base.¹⁰ This approach allows the utility to recover some amount
2 for projects that will be used and useful during the test year, but on a reduced basis to reflect
3 the timing of their ultimate installation.

4 With respect to the projects that will not be used and useful in time to be included in
5 rates by the rate effective date, the Stipulating Parties understand that the Company may ask
6 the Commission to consider including those costs in rates through a tracker or at the time of a
7 Purchased Gas Adjustment. The Partial Stipulation does not, however, limit the Parties'
8 participation in future dockets or prejudge the Stipulating Parties' positions on such requests.¹¹

9 **2. Known and Measurable Costs**

10 Second, CUB, and NWIGU questioned whether the costs associated with the Corvallis
11 Reinforcement, Parkrose Retrofit, Portland System Optimization (Phase 1 and Phase 2),
12 Nertec Replacement, Unified Communication Phase 1 and Salem Retrofit are known and
13 measurable.¹²

14 To address these concerns, NW Natural has agreed that the attestation filing
15 described above will also confirm the amount that the Company has invested in each of those
16 projects as of the date of the filing, and, if the project is not yet complete, the Company's
17 reasonable expectation of costs that will be incurred up to the rate effective date.¹³ If the
18 attestation described demonstrates that a project is, or will be, used and useful by the rate
19 effective date, the First Stipulating Parties agree that the lower of the forecast or the actual
20 amount expended on that project as of the rate effective date may be added to rate base and
21 recovered through the revenue requirement.¹⁴

22 _____
¹⁰ Partial Stipulation Paragraph 14.

23 ¹¹ Partial Stipulation Paragraph 19.

24 ¹² Partial Stipulation Paragraph 9.

25 ¹³ Partial Stipulation Paragraph 11.

26 ¹⁴ Partial Stipulation Paragraphs 12, 16.

1 The First Stipulating Parties agree that the Company may file a deferral application in
2 the event that the Company believes it will incur additional costs related to the project after the
3 rate effective date, or if the amounts that have been incurred or will be incurred by the rate
4 effective date are greater than the amount included in the Company's original filing for that
5 project and are eligible for deferral.¹⁵ Nothing precludes other parties from taking any position
6 on the deferral application and application for amortization.

7 **3. Prudence of the Monmouth Reinforcement and Perrydale to Monmouth**
8 **Projects.**

9 Third, Staff, CUB, and NWIGU raised concerns regarding the prudence of the
10 Monmouth Reinforcement and Perrydale to Monmouth projects, which are portions of the Mid-
11 Willamette Valley Feeder.¹⁶ Therefore, even if the Company's attestation described above
12 demonstrates that the Monmouth Reinforcement and the Perrydale to Monmouth projects will
13 be used and useful by the rate effective date, there remains an issue of whether or not these
14 two projects are prudent.¹⁷

15 The Partial Stipulation provides that if the Commission finds that such projects are
16 prudent, the lower of the forecast or actual costs of such projects, incurred as of the rate
17 effective date, will be added to rate base for purposes of the Company's revenue
18 requirement.¹⁸ The First Stipulating Parties agree that the Company may file a deferral
19 application in the event that the Company believes it will incur additional costs related to the
20 projects after the rate effective date, or if the amounts that have been incurred or will be
21 incurred by the rate effective date are greater than the amount included in the Company's
22 original filing for that project and are eligible for deferral. Nothing precludes other parties from

23 ¹⁵ Partial Stipulation Paragraphs 12, 16.

24 ¹⁶ Partial Stipulation Paragraph 9.

25 ¹⁷ Partial Stipulation Paragraph 13.

26 ¹⁸ Partial Stipulation Paragraph 13.

1 taking any position on the deferral application and application for amortization.¹⁹ If the
2 Commission finds that the projects are not prudent, the parties also agree that those costs
3 would not be included in rates.

4 **B. Other Adjustments to Revenue Requirement**

5 In addition to the capital project adjustments described above, the First Stipulating
6 Parties agreed to 15 additional adjustments to various categories of revenues, expenses, and
7 rate base items.²⁰ The parties' initial positions on these issues and the result of each of the
8 associated adjustments are set forth in the Partial Stipulation and Attachment A to the Partial
9 Stipulation. The explanations of these adjustments show that the adjustments are within the
10 range of outcomes set forth in the parties' testimony in this proceeding.

11 **III. TERMS OF THE SECOND PARTIAL STIPULATION**

12 The Second Partial Stipulation resolves a number of additional issues, including cost
13 of debt, (with the exception of Staff's proposed adjustment relating to the Company's interest
14 rate hedge loss) rate spread and rate design, payroll expenses, working gas inventory,
15 interstate storage sharing, System Integrity Program, service window appointments, and
16 service reconnection charges. The Second Partial Stipulation also makes a correction to the
17 First Partial Stipulation.

18 **A. Cost of Long-Term Debt**

19 The Second Stipulating Parties agree that the appropriate cost of long-term debt is
20 6.056 percent.²¹ If, however, the Commission adopts an adjustment related to the interest
21 rate hedge loss, the 6.056 percent will be reduced consistent with the Commission's decision.
22 With this agreement, the only unresolved issue related to the cost of long-term debt that is

23

24 ¹⁹ Partial Stipulation Paragraph 13.

25 ²⁰ Partial Stipulation Paragraphs 20-34.

26 ²¹ Second Partial Stipulation Paragraph 14.

1 before the Commission is Staff's proposed adjustment relating to the Company's interest rate
2 hedge loss.

3 **B. Rate Spread and Rate Design**

4 The Second Partial Stipulation resolves issues related to residential rate design,
5 industrial rate design, and rate spread.

6 **1. Residential Rate Design and Related Issues**

7 In the Second Partial Stipulation, NW Natural agrees to withdraw the rate design it
8 proposed in this case.²² The Parties agree that the existing decoupling mechanism and
9 Weather Adjusted Rate Mechanism (WARM), as currently implemented in accordance with
10 NW Natural's tariffs, should continue but that the changes to these mechanisms proposed in
11 the Company's Opening Testimony, and addressed in the Second Partial Stipulation, should
12 be adopted, with the exception of the opt-out provisions in the WARM mechanism, which
13 provisions will remain in effect.²³

14 The Second Partial Stipulation resolves other issues related to residential rate design.
15 NW Natural agrees to continue to employ public purpose charges to fund Energy Trust of
16 Oregon programs.²⁴ The Second Stipulating Parties agree that the monthly customer charge
17 for Schedule 2–Residential Sales Service should be set at \$8.00.²⁵ The Second Stipulating
18 Parties agree that the revisions to Schedule X– Distribution Facilities Extensions for Applicant-
19 Requested Services and Mains proposed by the Company should be adopted, but that the
20 parties will engage in collaborative ongoing discussions regarding the charges for extensions
21 of service to residential customers contained therein.²⁶ The Second Stipulating Parties also

22 _____
²² Second Partial Stipulation Paragraph 15.

23 ²³ Second Partial Stipulation Paragraph 15.

24 ²⁴ Second Partial Stipulation Paragraph 16.

25 ²⁵ Second Partial Stipulation Paragraph 17.

26 ²⁶ Second Partial Stipulation Paragraph 19.

1 set forth the process by which Schedule 1–General Sales Service should be eliminated.²⁷
2 Staff agrees to withdraw its request that the Company implement seasonal rates and the
3 Company agrees that it will not implement such rates as part of this case.²⁸ Finally, the
4 Company agrees to work with parties to make its decoupling-related tariff schedules
5 understandable and clear.²⁹

6 **2. Industrial Rate Design**

7 In this case the Company proposed changes to its non-residential sales and
8 transportation service schedules, Schedule 31 and Schedule 32. The Second Stipulating
9 Parties agree that the monthly customer charges for these schedules will remain the same as
10 under NW Natural's tariffs that are in effect as of the date of the Second Partial Stipulation.³⁰
11 The Second Stipulating Parties agree to eliminate the interruptible service option from
12 Schedule 31 and agree that customers eligible to take service under Schedule 31 will have a
13 ninety-day period from the rate effective date to opt for interruptible service under Schedule 32
14 or the other remaining service options under Schedule 31.³¹ Other than certain specified
15 housekeeping changes and the above described opt-in for Schedule 31 customers, the
16 Second Partial Stipulation provides that all other terms and conditions for service under
17 Schedule 32 will remain the same as they exist in NW Natural's current tariffs, including the
18 current terms and conditions for interruptible service for Schedule 32. The housekeeping
19 changes to which the parties have agreed are set forth in Sheets 32-1, 32-3, 32-4 and 32-7.³²

20

21

22 ²⁷ Second Partial Stipulation Paragraph 18.

23

²⁸ Second Partial Stipulation Paragraph 20.

24

²⁹ Second Partial Stipulation Paragraph 21.

25

³⁰ Second Partial Stipulation Paragraph 22.

26

³¹ Second Partial Stipulation Paragraph 23.

³² Second Partial Stipulation Exhibit A.

1 **3. Long Run Incremental Cost Study and Rate Spread**

2 With respect to rate spread, the Second Stipulating Parties agree to not litigate issues
3 related to NW Natural’s proposed Long Run Incremental Cost Study (LRIC) in this docket,
4 except that the parties agree that any rate schedule receiving a zero percent base margin
5 increase under NW Natural’s proposed rate spread will instead receive a five percent base
6 margin decrease.³³ The final overall revenue requirement increase, net of offsetting revenues
7 associated with the five percent decreases, will be achieved by uniform percentage increases
8 to the base margin for Schedules 2R Residential Sales, 3C [Commercial] Firm Sales, 3I
9 [Industrial] Firm Sales, and 31C [Commercial] Firm Sales.³⁴ Additionally, all Parties retain the
10 ability to argue appropriate rate spread allocations based upon relative LRIC issues for the
11 rate design for any environmental remediation surcharge, if any, that may result from this
12 case.³⁵ The Company also agrees to hold separate workshops on two issues raised by Staff
13 in this case and complete any agreed-upon studies arising out of those workshops before the
14 next general rate case.³⁶

15 **C. Payroll Expenses**

16 The Second Partial Stipulation resolves three issues relating to payroll expenses: the
17 level of full-time equivalent employees (FTEs), medical benefits, and payroll operations and
18 maintenance (O&M) allocation.

19 With respect to the level of costs included in the Test Year related to full-time
20 equivalents (FTEs), the Parties agree that the regulated Company FTE level should be set at
21

22 ³³ Second Partial Stipulation Paragraph 32.

23 ³⁴ The intent of the parties is that any decreases to base margin in one schedule will be made up for
24 with offsetting increases to the base margin for other schedules, such that there is no impact to revenue
25 requirement from the rate design agreed to.

25 ³⁵ Second Partial Stipulation Paragraph 32.

26 ³⁶ Second Partial Stipulation Paragraph 32.

1 1,057.³⁷ This adjustment, on an Oregon allocated basis, reduces the Company's proposed
2 payroll level included in its original application in this proceeding by \$3.9 million, of which \$2.7
3 million is O&M and \$1.2 million is capital.³⁸

4 To reflect the Second Stipulating Parties' agreement on FTEs, the Second Partial
5 Stipulation reduces the test period medical benefits expense level by the ratio of the number
6 of stipulated FTEs to the number of FTEs used by the Company to calculate its requested rate
7 increase.³⁹ Applying the adjustment factor to medical benefits for active employees and to
8 workers compensation results in an overall adjustment of \$752 thousand.⁴⁰ Parties agree to a
9 test period expense level for medical benefits and workers' compensation of \$15.52 million.⁴¹

10 Finally, the Second Partial Stipulation resolves the payroll O&M issue. NWIGU-CUB
11 proposed reducing the Company's proposed payroll O&M allocation from 69.3 percent to 63.7
12 percent.⁴² The Parties agree that NWIGU-CUB will withdraw this recommendation and that
13 the Company's payroll O&M allocation of 69.3 percent should be used to calculate payroll
14 expense.⁴³

15 **D. Working Gas Inventory**

16 Staff and CUB proposed removing working gas inventory from rate base.⁴⁴ The
17 Second Stipulating Parties agree that cushion gas will continue to be included in rate base,
18 but that working gas inventory will be excluded from rate base and that the Company will
19 request recovery of the carrying costs on working gas inventory through the process outlined

20 ³⁷ Second Partial Stipulation Paragraph 24.

21 ³⁸ Second Partial Stipulation Paragraph 24.

22 ³⁹ Second Partial Stipulation Paragraph 25.

23 ⁴⁰ Second Partial Stipulation Paragraph 25.

24 ⁴¹ Second Partial Stipulation Paragraph 25.

25 ⁴² Second Partial Stipulation Paragraph 26.

26 ⁴³ Second Partial Stipulation Paragraph 26.

⁴⁴ Second Partial Stipulation Paragraph 27.

1 in the Second Partial Stipulation, which will result in the evaluation and potential recovery of
2 any appropriate carrying costs associated with working gas inventory, as determined by the
3 Commission, through the annual Purchased Gas Adjustment.⁴⁵ Pursuant to that process, NW
4 Natural will be permitted to file a deferred accounting application to allow for the adjustment of
5 future rates to account for the appropriate recovery of working gas inventory and associated
6 carrying costs for the period November 1, 2012 through October 31, 2013, as will be
7 determined by the Commission through the process outlined in the Second Partial Stipulation.
8 Then on May 1, 2013 NW Natural will file testimony with the Commission supporting its
9 proposed level of working gas to be included in rate base, its proposed rate of return for
10 working gas and Staff, CUB, and NWIGU, after conducting any necessary discovery, may file
11 testimony supporting alternative levels of working gas to be included in rate base and also
12 alternative rates of return for working gas. Thereafter, the appropriate rate of return ordered
13 by the Commission, with interest, will be implemented through rate adjustment effective
14 November 1, 2013.⁴⁶ The prudence of NW Natural's management of storage inventory will
15 continue to be reviewed in NW Natural's annual PGA filing. This process will continue in
16 subsequent PGA years until NW Natural's next general rate case.⁴⁷

17 **E. Interstate Storage Sharing**

18 Staff and CUB proposed altering the existing sharing mechanism for Schedule 185–
19 Special Annual Interstate Storage and Transportation Credit and Schedule 186–Special
20 Annual Core Pipeline Capacity Optimization Credit.⁴⁸ The Second Stipulating Parties agree
21 that the sharing mechanisms set forth currently in these schedules will remain in place for the
22

23 ⁴⁵ Second Partial Stipulation Paragraph 27.

24 ⁴⁶ Second Partial Stipulation Paragraph 27.

25 ⁴⁷ Second Partial Stipulation Paragraph 28.

26 ⁴⁸ Second Partial Stipulation Paragraph 29.

1 time being.⁴⁹ However, the Parties will jointly request that a new contested case docket be
2 opened to evaluate these sharing mechanisms and that a decision in that docket will be
3 requested to be issued on or before December 31, 2013.⁵⁰

4 **F. System Integrity Program**

5 In its Direct Testimony, NW Natural proposed the continuation of its System Integrity
6 Program (SIP), which provides for certain safety-related capital costs to be tracked into rates
7 annually.⁵¹ The Company also recommended that the soft cap placed on the costs that can
8 be tracked into rates through this mechanism be increased from \$12 million annually to \$26.3
9 million for 2013 to account for a bare steel replacement project planned for that year.⁵² In its
10 Opening and Rebuttal Testimony, Staff recommended that the Commission discontinue the
11 tracker mechanism associated with NW Natural's SIP.⁵³

12 The Second Stipulating Parties agree that the Company's existing tracker mechanism
13 associated with SIP will remain in effect for two years after the rate effective date in this case,
14 after which date it will sunset.⁵⁴ Prior to this sunset date, NW Natural will make a filing each
15 year specifying projects and expenses that are proposed to be tracked into rates through the
16 SIP for that year and parties will have the opportunity to conduct discovery and file responsive
17 testimony.⁵⁵ The current soft cap of \$12 million will remain in effect, and NW Natural will not
18 recover through the tracking mechanism the first \$3.25 million of combined bare steel and
19 leakage capital costs, or any of its O&M funding embedded in base rates.⁵⁶ The Second

20 ⁴⁹ Second Partial Stipulation Paragraph 29.

21 ⁵⁰ Second Partial Stipulation Paragraph 29.

22 ⁵¹ Second Partial Stipulation Paragraph 30.

23 ⁵² Second Partial Stipulation Paragraph 30.

24 ⁵³ Second Partial Stipulation Paragraph 30.

25 ⁵⁴ Second Partial Stipulation Paragraph 31.

26 ⁵⁵ Second Partial Stipulation Paragraph 31.

⁵⁶ Second Partial Stipulation Paragraph 31.

1 Partial Stipulation does not affect the Bare Steel Stipulation adopted in Order No. 01-843 or
2 NW Natural's right to request that the Commission continue the SIP program past the date of
3 the sunset.⁵⁷

4 **G. Service Window Appointments**

5 The Second Stipulating Parties agree that the Company's proposed service window
6 appointment program should be approved, subject to the service window guarantee described
7 in the Second Partial Stipulation.⁵⁸ That guarantee provides that beginning on May 1, 2013, a
8 service window guarantee of \$50 will be charged to the Company for each missed service
9 window appointment if the Company meets fewer than 90 percent of scheduled service
10 window appointments. These \$50 charges will be tracked through the PGA year and returned
11 to customers as a whole as a credit coincident with the annual PGA. The parties agree to
12 review the service window guarantee after five years from the implementation date.

13 **H. Service Reconnection Charges**

14 The Company proposed increasing its service reconnection charges and changing the
15 framework from a two-tier structure to a three-tier structure.⁵⁹ The Second Stipulating Parties
16 agree on a modified three-tier structure the details of which are set forth in the Second Partial
17 Stipulation.⁶⁰

18 **IV. THE STIPULATIONS WILL RESULT IN JUST AND REASONABLE RATES**

19 The Commission will approve a stipulation if it is an appropriate resolution of the
20 issues in a case⁶¹ and results in just and reasonable rates.⁶² When evaluating these rates,

21 ⁵⁷ Second Partial Stipulation Paragraph 31.

22 ⁵⁸ Second Partial Stipulation Paragraph 33.

23 ⁵⁹ Second Partial Stipulation Paragraph 36.

24 ⁶⁰ Second Partial Stipulation Paragraph 36.

25 ⁶¹ See *Re PacifiCorp's 2010 Transition Adjustment Mechanism*, Docket UE 207, Order No. 09-432 at 6
26 (Oct. 30, 2009) ("The Commission concludes that the Stipulation is an appropriate resolution of all
primary issues in this docket."); See *Re PacifiCorp Request for a General Rate Revision*, Docket UE
210, Order No. 10-022 at 6 (Jan. 26, 2010) ("When considering a stipulation, we have the statutory duty

1 the Commission examines “the reasonableness of the overall rates, not the theories or
2 methodologies used or individual decisions made.”⁶³

3 The Partial Stipulation and the Second Partial Stipulation should be approved because
4 they constitute a reasonable resolution of the issues addressed in the Partial Stipulation and
5 in the Second Partial Stipulation and will result in just and reasonable rates. The Stipulating
6 Parties’ agreements in the Partial Stipulation related to capital projects are reasonable
7 because they ensure that capital projects included in rates in this case meet the used and
8 useful standard set forth in ORS 757.355 and that the costs associated with the projects that
9 are included in rates are known and measurable. In addition, the various adjustments related
10 to revenues and expenses in both stipulations reduce the Company’s revenue requirement
11 request and fall within a “range of reasonableness” for resolution of these issues.⁶⁴ Finally,
12 the Second Partial Stipulation resolves how a number of mechanisms will be operated,
13 including the decoupling, WARM, and the System Integrity Program. The agreements related
14 to these mechanisms were developed based on the input of all stakeholders and reflect
15 modifications that all parties agree are reasonable and in the public interest.

16 //

17 //

18 //

19 //

20 //

21 to make an independent judgment as to whether any given settlement constitutes a reasonable
22 resolution of the issues.”).

23 ⁶² See *Re. PacifiCorp Request for a General Rate*, Docket UE 217, Order No. 10-473 at 7 (Dec. 14,
2010) (“We have reviewed the Stipulation, and find that it will result in rates that are fair, just, and
reasonable.”).

24 ⁶³ *Re. Application of Portland General Electric Co. for an Investigation into Least Cost Plant Retirement*,
25 Docket DR 10 et al., Order No. 08-487 at 7-8 (Sept. 30, 2008).

26 ⁶⁴ See *Re US West*, Docket UM 773, Order No. 96-284 at 31 (Nov. 1, 1999).

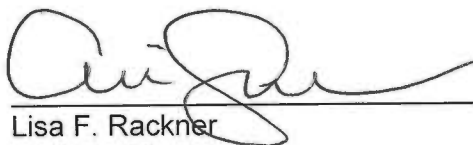
1 **V. CONCLUSION**

2 For all of the above reasons, the parties request that the Commission approve the
3 Partial Stipulation and the Second Partial Stipulation.

4 DATED: October 2, 2012.

5 Respectfully submitted,

6 **MCDOWELL RACKNER & GIBSON PC**

7 

8 Lisa F. Rackner
9 Amie Jamieson
Of Attorneys for NW Natural

10 NORTHWEST NATURAL GAS COMPANY
11 Mark Thompson
12 Manager, Rates and Regulatory
220 NW Second Ave
Portland, OR 97209

13 PUBLIC UTILITY COMMISSION STAFF
14 Jason Jones
15 Attorney for Staff
Oregon Department of Justice
1162 Court Street NE
Salem, OR 97301-4096

16 CITIZENS' UTILITY BOARD OF OREGON
17 Catriona McCracken
18 General Counsel
Citizens' Utility Board of Oregon
610 SW Broadway, Ste. 400
Portland, OR 97205

19 NORTHWEST INDUSTRIAL GAS USERS
20 Tommy Brooks
21 Cable Huston Benedict Haagensen & Lloyd
1001 SW Fifth Ave., Suite 2000
Portland, OR 97204-1136

22 NORTHWEST ENERGY COALITION
23 Wendy Gerlitz
24 1205 SE Flavel
25 Portland, OR 97202
26

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.

OPUC Dockets
Citizens' Utility Board Of Oregon
dockets@oregoncub.org

G. Catriona Mccracken
Citizens' Utility Board Of Oregon
catriona@oregoncub.org

Judy Johnson
Public Utility Commission of Oregon
judy.johnson@state.or.us

Douglas C. Tingey
Portland General Electric
doug.tingey@pgn.com

Tommy A. Brooks
Cable Huston Benedict Haagensen & Lloyd
tbrooks@cablehuston.com

Teresa Hagins
Northwest Pipeline GP
teresa.l.hagins@williams.com

Jess Kincaid
Community Action Partnership Of Oregon
jess@caporegon.org

Robert Jenks
Citizens' Utility Board Of Oregon
bob@oregoncub.org

Jason W. Jones
PUC Staff
Department Of Justice
jason.w.jones@state.or.us

Wendy Gerlitz
NW Energy Coalition
wendy@nwenergy.org

Randy Dahlgren
Portland General Electric
pge.opuc.filings@pgn.com

Chad M. Stokes
Cable Huston Benedict Haagensen & Lloyd Llp
cstokes@cablehuston.com

Stewart Merrick
Northwest Pipeline GP
stewart.merrick@williams.com

Paula E. Pyron
Northwest Industrial Gas Users
ppyron@nwigu.org

Dated: October 8, 2012



Wendy McIndoo
Office Manager