



Citizens' Utility Board of Oregon

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October 24, 2012

Public Utility Commission

Attn: Filing Center

550 Capitol St. NE #215

P.O. Box 2148

Salem, OR 97308-2148

Re: UG 221 CUB Pre-hearing Brief Errata Filing

Dear Filing Center:

Please find enclosed an original and five copies of **Errata to Citizens' Utility Board of Oregon's Pre-hearing Brief**. On page 10 of its Pre-hearing 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 Pre-hearing brief. CUB is therefore deleting that reference. The attached Pre-hearing Brief replacement page 10 reflects this deletion. CUB apologizes for the error.

Sincerely,

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B. Oregon’s Regulatory System Allows NWN to Earn a Return on its Investment in Storage, Share the Savings this Causes in the PGA, Retain Over-earnings Caused by this Use of Storage in the PGA, and share in revenues generated by Commercial Use of rate-based storage.

To be clear, CUB is not arguing against a system that provides the Company an incentive to reduce costs. Customers also benefit when NW Natural uses its storage capacity to reduce its costs. But we also have to be honest. Oregon’s regulatory system allows NW Natural four opportunities to earn a return on its storage. First, it earns a rate of return on its invested rate base associated with storage. Second, when the Storage allows it to beat the WACOG in the PGA, the PGA sharing mechanism allows it to retain some of this savings. Third, when the Storage contributes to over-earning, the Company is allowed to retain most of that over-earning through the earnings sharing mechanism. Finally, the Company shares the revenues that are generated through its commercial optimization of rate based storage.

~~CUB further points out that the contract with Encana is rate based and the Company is also earning a return on the gas that it sells under that contract.~~ Again these factors must also be taken into account when looking in a “holistic” fashion at where to peg the Company’s Cost of Capital.³⁴

Staff’s Opening Testimony was correct—NW Natural has been chronically over-earning, with an ROE above 11% in recent years.³⁵ This is not a rate case driven by a utility that needs higher rates to get its earning to reasonable levels. To the contrary, this is a rate case that NW Natural was forced into because of concerns over the levels of its over-earnings.

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

35 UG 221/Staff/200 Johnson/4 line 1 table.

UG 221 – CERTIFICATE OF SERVICE

I hereby certify that, on this 24th day of October 2012, I served the foregoing **Errata to Citizens' Utility Board of Oregon's Pre-hearing 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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