



CABLE HUSTON

CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP • ATTORNEYS

TOMMY A. BROOKS
ADMITTED IN OREGON AND WASHINGTON

tbrooks@cablehuston.com
www.cablehuston.com

June 7, 2012

**VIA ELECTRONIC FILING
& FIRST CLASS MAIL**

Oregon Public Utility Commission
Attn: Filing Center
550 Capitol Street N.E., #215
P.O. Box 2148
Salem, Oregon 97308-2148

Re: **Docket No. UG-221** - In the Matter of Northwest Natural Gas Company –
Application for a General Rate Revision

Dear Filing Center:

Enclosed please find an original and five (5) copies of the redacted public version of the **Errata Direct Intervenor Testimony of Hugh Larkin, Jr.**, on behalf of the Northwest Industrial Gas Users and Citizens Utility Board. Also enclosed is an original and five (5) copies of the confidential portions of this testimony as required by Order 12-058.

Please note that the redacted version was submitted via electronic mail to the PUC Filing Center on this date, with confidential copies served on the parties who have signed the Protective Order in this docket.

The purpose of this errata testimony is to correct a number of minor errors in the original wording of the testimony and to revise the health benefits adjustment amounts in the original version of the testimony to reflect the fact that retiree health benefits are already included in the balance and would not be affected by the adjustment. The specific errata in this filing are on:

1. Page 11, lines 19-21, altering a reduction amount;
2. Page 30, line 7, correcting the narrative formula for calculating depreciation rate;
3. Page 46, lines 17-18, revising recommended adjustment to health benefits costs;
4. Page 47, line 6, correcting a typographical error;
5. Page 47, lines 8-9, revising recommended adjustment to health benefits amount.

Cable Huston

June 7, 2012

Page 2

Thank you for your assistance, and please do not hesitate to contact our office with any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'T. Brooks', with a long horizontal flourish extending to the right.

Tommy A. Brooks

TAB:sk

Enclosures

cc: UG 221 Service List

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

ERRATA DIRECT INTERVENOR TESTIMONY OF HUGH LARKIN, JR.

ON BEHALF OF THE NORTHWEST INDUSTRIAL GAS USERS

AND

THE CITIZENS' UTILITY BOARD

REDACTED PUBLIC VERSION

June 7, 2012

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	PURPOSE OF TESTIMONY	1
III.	SUMMARY OF ADJUSTMENTS	2
IV.	RATE BASE.....	4
A.	PLANT IN SERVICE/ACCUMULATED DEPRECIATION	4
B.	MATERIALS AND SUPPLIES	23
C.	CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC").....	24
D.	CUSTOMER DEPOSITS	25
E.	INJURIES AND DAMAGES RESERVE	26
V.	OPERATING INCOME	27
F.	MISCELLANEOUS REVENUES	27
1.	Amortization of State Tax Change-Deferred Taxes	27
2.	Miscellaneous Revenues.....	29
G.	DEPRECIATION EXPENSE	30
H.	INJURIES & DAMAGES EXPENSE	30
I.	RATE CASE EXPENSE	31
J.	AMERICAN GAS ASSOCIATION ("AGA") DUES	32
K.	UNCOLLECTIBLES	34

L.	DIRECTORS & OFFICERS INSURANCE.....	35
M.	ADVERTISING.....	38
N.	PAYROLL	41
O.	PAYROLL TAX	45
P.	MEDICAL BENEFITS/WORKERS COMPENSATION.....	46
Q.	PENSION	47
VI.	ENVIRONMENTAL REMEDIATION	49

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Hugh Larkin, Jr. I am a Certified Public Accountant licensed in the States of
4 Michigan and Florida and the senior partner of the firm of Larkin & Associates, PLLC,
5 Certified Public Accountants, with offices at 15728 Farmington Road, Livonia, Michigan
6 48154.

7 **Q. Please describe the firm Larkin & Associates, PLLC.**

8 A. Larkin & Associates, PLLC, is a Certified Public Accounting and Regulatory Consulting
9 Firm. The firm performs independent regulatory consulting primarily for public
10 service/utility commission staffs and consumer interest groups (public counsels, public
11 advocates, consumer counsels, attorney general, etc.). Larkin & Associates, PLLC, has
12 extensive experience in the utility regulatory field as expert witnesses in more than 800
13 regulatory proceedings including numerous gas, electric, water and sewer, and telephone
14 utilities.

15 **Q. Have you prepared an exhibit which describes your qualifications and experience?**

16 A. Yes. I have attached Exhibit NWIGU-CUB 101 which is a summary of my regulatory
17 qualifications and experience.

18 **II. PURPOSE OF TESTIMONY**

19 **Q. On whose behalf are you appearing?**

20 A. Larkin & Associates, PLLC, was retained by the Northwest Industrial Gas Users
21 ("NWIGU") and the Citizens' Utility Board ("CUB") to review the rate case filing

1 submitted by Northwest Natural Gas Company ("NW Natural" or "Company").

2 **Q. What is the purpose of your testimony?**

3 A: I will be addressing various rate base and operating income and expense issues as well as
4 the company's requested recovery of environmental remediation costs.

5 **III. SUMMARY OF ADJUSTMENTS**

6 **Q. Have you prepared a summary of your proposed adjustments?**

7 A. Yes. Below is a schedule detailing my adjustments to various rate base and operating
8 revenues and expenses.

9 ///

10 ///

11 ///

12 ///

13 ///

14 ///

15 ///

16 ///

17 ///

18 ///

19 ///

20 ///

21 ///

22 ///

10/31/13 Test Year
 (\$000 thousands)
 Confidential Amounts in Bold

	NW Natural	NWIGU/ CUB	Adjustment
Rate Base			
Plant In Service			\$ (53,642)
Accumulated Depreciation			\$ 754
Pension	\$ 21,930	\$ -	\$ (21,930)
Materials & Supplies	\$ 7,422	\$ [REDACTED]	\$ [REDACTED]
Contributions in Aid of Construction	\$ (1,994)	\$ (2,063)	\$ (69)
Customer Deposits	\$ -	\$ (5,101)	\$ (5,101)
Injuries & Damages Reserve	\$ -	\$ [REDACTED]	\$ [REDACTED]
<i>Subtotal Rate Base Adjustments</i>			\$ [REDACTED]
Revenues			
Miscellaneous Revenues	\$ 4,325	\$4,533	\$ 207
Amortization of State Tax Change	\$ (896)	\$ -	\$ 896
<i>Subtotal Revenue Adjustments</i>			\$ 1,103
O&M Expenses			
Depreciation Expense			\$ (1,508)
Injuries & Damages Expense	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Rate Case Expense	\$ 235	\$ 141	\$ (94)
AGA Dues	\$ 370	\$ 222	\$ (148)
Uncollectibles	\$ 2,110	\$ 1,662	\$ (448)
Customer Deposit Interest			\$ 5
Directors & Officers Insurance	\$ 544	\$ 272	\$ (272)
Advertising- Category A	\$ 1,412	\$ 833	\$ (579)
Advertising- Category B	\$ 583	\$ 335	\$ (247)
Base Payroll	\$ 52,190	\$ 49,465	\$ (2,725)
O&M Payroll			\$ (4,357)
Payroll Tax			\$ (643)
Pension Amortization	\$ 4,569	\$ -	\$ (4,569)
Medical Benefits	\$ 32,616	\$ 31,479	\$ (1,137)
<i>Subtotal O&M Adjustments</i>			\$ [REDACTED]

1 **IV. RATE BASE**

2 A. PLANT IN SERVICE/ACCUMULATED DEPRECIATION

3 **Q. What amount has the Company included in the test year rate base for plant in**
4 **service?**

5 A. The Company's requested test year plant in service is \$2.227 billion on an Oregon
6 jurisdictional basis, compared to the base year plant in service balance of \$2.038 billion,
7 an increase of \$188.8 million.

8 **Q. Please describe the Company's methodology for calculating plant in service in the**
9 **test year.**

10 A. The Company used the December 2010 book balance as its starting point. It forecasted
11 2011, 2012, and 2013 capital expenditures. For 2011 and 2012, annual increases were
12 added to the book balance, and for 2013, ten months of the annual increase were added.
13 To derive the test year plant in service amount, the company prorated the 2012 and 2013
14 increases to correspond with the test period.

15 **Q. Has the Company identified any major capital expenditures it plans to implement**
16 **during the test year?**

17 A. The Company identified test year capital expenditures in a workpaper titled "Large
18 Projects Timeline-DRAFT." Major capital expenditures proposed by the company relate
19 to the following three projects: 1) Corvallis Loop Project, 2) Willamette Valley Feeder
20 Project, and 3) the purchase of a new facility in Sherwood, Oregon.

21 ///

22 ///

1 **Q. What criteria did you rely on in determining whether the Company's proposed**
2 **capital expenditures should be included in rate base?**

3 A. To be included in rate base in the test year, basic criteria must be met. First, the
4 investment must be in service in the test year. If the investment will be in service during
5 the test year, the investment cost must be known and measureable and the benefit of the
6 investment must be reflected in the test year as well (i.e., reduced O&M costs, increased
7 efficiency).

8 **Q. Does the Commission also rely on similar standards regarding the inclusion of**
9 **utility property in rate base?**

10 A. ORS 757.355 provides guidance as to what is includable in rate base and states:

11 757.355 Costs of property not presently providing utility service excluded from
12 rate base; exception. (1) Except as provided in subsection (2) of this section, a
13 public utility may not, directly or indirectly, by any device, charge, demand,
14 collect or receive from any customer rates that include the costs of construction,
15 building, installation or real or personal property not presently used for providing
16 utility service to the customer.

17 (2) The Public Utility Commission may allow rates for a water utility that include
18 the costs of a specific capital improvement if the water utility is required to use
19 the additional revenues solely for the purpose of completing the capital
20 improvement.
21

22 Furthermore, the Commission's Order No. 08-487 states that, "Rate base has a narrow
23 meaning. It generally includes amounts that a utility prudently invests in capital assets
24 that service its customers."

25 **Q. Do you have any concerns with the Company's proposed increases to plant in**
26 **service during the test year?**

27 A. Yes. The Company's workpaper titled "Large Projects Timeline-Draft," summarizes

1 various projects it is proposing to implement during the test year. The majority of these
2 projects do not meet the criteria I described above to be included in the test year. Below I
3 will briefly discuss each project and whether it meets the criteria I have identified above
4 to be included in rate base, based on the information provided by the Company.

5 **2012 Projects**

6 **1. Westside Transmission Re-Rate (TIMP)**

7 The Large Projects Timeline identified the in-service date of this project as October 31,
8 2012 and a forecasted cost of \$2,000,000. The Company's response to OPUC-DR 158
9 indicates the in-service date for this project was changed from October 31, 2012 to
10 "under review." The Company again changed its estimated in-service date for this
11 project to "Re-scheduled to 2013" in response to NWIGU-CUB DR 95.

12
13 OPUC-DR 165 requested copies of requests for proposals, bids, bid evaluations, winning
14 bids, construction budgets, construction schedules, and any changes to the budgets or
15 schedules. The Company's response stated that there are no bids for this project and all
16 work will be done by NW Natural crews and referred to OPUC-DR 165 Attachment 4.
17 Attachment 4 is an untitled two-line table showing estimated costs by month, totaling \$2
18 million, for the period January 2012 through December 2013. The table states that the
19 bulk of the rerate work will be completed in 2013.

20 ///

1 The Company's estimate of \$2,000,000 should be removed from the test year, as it is not
2 clear whether the project will be in service during the test year and the costs were not
3 demonstrated to be known and measureable.

4 **2. Corvallis Reinforcement**

5 The Large Projects Timeline identified the in-service date for this project as October 31,
6 2012 and the estimated cost to be \$9,300,000. The response to OPUC-DR 165,
7 Attachment 8 indicates the total estimated project cost is \$13,451,105 with COH
8 (Construction Overhead). The response to NWIGU-CUB DR 95 has updated the in-
9 service date to July 1, 2013 and states the project is 0% complete.

10 [BEGIN CONFIDENTIAL]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [END CONFIDENTIAL]

18 The Company's response to OPUC-DR 216 stated it did not conduct a financial analysis
19 of the investment for this project. The decision to invest in this project was based on
20 system reliability and reinforcement. The Company later updated this response and
21 provided a copy of a schedule illustrating the [BEGIN CONFIDENTIAL] [REDACTED]

22 [REDACTED]

1 [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] [END CONFIDENTIAL]

13 The Company's response to OPUC-DR-267 states:

14 The estimated capital cost of the Corvallis Loop Project is \$12.8 million.
15 Approximately \$3.5 million of expense occurred in 2011. The remaining \$9.3 is
16 forecast to be spent in 2012 as stated in the Capital Projects Timeline.
17

18 An Excel schedule titled "200363 Corvallis Reinforcement" listed amounts charged to
19 various accounts totaling \$4,073,726.

21 [BEGIN CONFIDENTIAL] [REDACTED]

22 [REDACTED]

23 [REDACTED] . [END CONFIDENTIAL]

24 ///

1 The Company has not fully justified the \$9,300,000 identified in the filing as known and
2 measureable. The Company's estimate for this project should be removed from the test
3 year, less the \$96,000 for the purchase order for land owner services with WHPacific.

4 **3. Perrydale to Monmouth**

5 The Large Projects Timeline identified the in-service date for this project as October 31,
6 2012 and the estimated cost to be \$13,500,000. The response to OPUC-DR 165
7 Attachment 9 provided a memo dated August 24, 2011 regarding the "Proposal for
8 Project Initiation 200581" and states the possible start date for this project is September
9 1, 2012 and the estimated construction duration is 10 months. The Company provided
10 the following updated response to OPUC-DR 165 with regard to the August 24, 2011
11 memo:

12 The memorandum stated that the possible start date of the project was September
13 1, 2012 and that the project would take 10 months to complete. The start date
14 listed in the project initiation memorandum, which was drafted by an engineering
15 summer intern, was in error. When the project memo was created, the final
16 proposed schedule for the project was yet not known and was developed later by
17 the Capital Projects Project Manager utilizing inputs from all other projects
18 planned for the year and resource availability.

19
20 The correct start date for construction of the project is May, 2012 and the
21 expected completion date is October, 2012.
22

23 The updated response also attached an RFP for the project dated March 5, 2012 with bids
24 due April 20, 2012.

25
26 An Excel schedule titled "200581 Perrydale to Monmouth" listed amounts charged to
27 various accounts totaling \$478,065.

1 The response to NWIGU-CUB DR 95 dated April 24, 2012 states the project is 0%
2 complete.

3
4 The Company's response to OPUC-DR-216 stated it did not conduct a financial analysis
5 of the investment for this project. The decision to invest was based on the system
6 reliability, replacement of legacy bare steel and system reinforcement. The memo dated
7 August 24, 2011 identifies the "rough estimated cost" for this project as \$13,300,000.

8 The response to OPUC-DR-165 states that all work will be performed by NW Natural
9 crews.

10
11 The Company has not fully justified the \$13,500,000 estimated project cost as known and
12 measureable. The Company's estimate for this project should be removed from the test
13 year.

14 **4. Monmouth Reinforcement**

15 The Large Projects Timeline identified the in-service date for this project as May 15,
16 2011 and the estimated cost to be \$5,600,000. A memo dated August 12, 2011, provided
17 in response to OPUC-DR 165 Attachment 12, states the possible start date for this project
18 is November 1, 2011 for Phase 1 and March 1, 2012 for Phase 2. The Company's
19 response to OPUC-DR 216 states the anticipated in-service date is August 31, 2012.

20
21 The Company's response to OPUC-DR 216 stated it did not conduct a financial analysis
22 of the investment for this project. The decision to invest was based on the system

1 reliability, replacement of legacy bare steel and system reinforcement. The memo dated
2 August 12, 2011 identifies the "rough estimated cost" as \$7,500,000. The Company's
3 response to OPUC-DR 175 identifies the project cost as \$8,100,000. The Company's
4 response to OPUC-DR 165 states that only a portion of the project was sent to bid and
5 other portions of the project will be performed by NW company crews. That response
6 provided a copy of the RFP issued by the Company on December 16, 2011 for Phase 1 of
7 the Monmouth project. The Company received [BEGIN CONFIDENTIAL] [REDACTED]
8 [END CONFIDENTIAL] An email provided in response to NWIGU-CUB DR 95,
9 Attachment G-2, dated January 31, 2012, notified Brotherton Corporation as the
10 contractor selected. Attachment 14 to OPUC-DR 165 provided a copy of [BEGIN
11 CONFIDENTIAL] [REDACTED] [END
12 CONFIDENTIAL]

13
14 An Excel schedule titled "200580 Monmouth" listed amounts charged to various
15 accounts totaling \$3,322,509. The response to NWIGU-CUB DR 95 states the project is
16 15% complete.

17
18 The Company has not fully justified the \$5,600,000 identified in the filing as known and
19 measureable. The Company's estimate of \$5.6 million should be reduced by [BEGIN
20 CONFIDENTIAL] [REDACTED] [END
21 CONFIDENTIAL]

1 **5. Portland System Optimization (Phase 1)**

2 The Large Projects Timeline identified the in-service date for this project as October 31,
3 2012 and the estimated cost to be \$1,250,000.

4
5 The Company's response to OPUC-DR 165 states that the work will be performed by
6 NW crews and refers to OPUC-DR 165 Attachment 20 which is an untitled table showing
7 amounts by month totaling \$3.5 million for the period January 2012 through December
8 2013. Four pages with the description "Portland System Opt" listed amounts charged to
9 various accounts totaling \$98,905.

10
11 The Company has not fully justified the \$1,250,000 estimated project cost as known and
12 measureable. The Company's estimate for this project should be removed from the test
13 year.

14 **6. Nertec Replacement**

15 According to the Project Charter, the Nertec system is a data collection system used to
16 bill the largest industrial and commercial customers. The objective of this project is to
17 replace 650 Nertec devices with vendor supported product that interface with the current
18 MV90-xi system. The Company's Capital Project Timeline estimates the Nertec
19 replacement project to cost \$1,875,000 and to be in service on October 31, 2012.

20
21 The Company's response to OPUC-DR-158 provided a copy of the Project Charter
22 created on October 3, 2011. It was signed by various management personnel in October

1 2011, but the line titled "Approved by Executive Committee" was not signed. The
2 Project Charter identifies the project cost as \$2,600,000 and the estimated end date as the
3 4th quarter of 2012. The Project Charter identifies the following potential high
4 risk/impact areas:

- 5 • Implementing new technology
- 6 • NW Natural resource availability
- 7 • Completing project by required 10/31/2012 date
- 8

9 [BEGIN CONFIDENTIAL] [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED] [END CONFIDENTIAL]

13
14 The Company has not fully justified the \$1,875,000 estimated project cost as known and
15 measureable. The Company's estimate for this project should be removed from the test
16 year.

17 **7. Unified Communications Phase 1 (PBX Switch)**

18 The Company's Large Project Timeline estimates the Unified Communications Project to
19 cost \$1,875,000 and to be in service on October 31, 2012.

20
21 The Company's response to OPUC-DR 158 provided a copy of the Project Charter
22 created in November 2011. It was signed by various management personnel in
23 November 2011. The Project Charter identifies the project cost as \$3,500,000.

1 The Company issued a Request for Proposal for the Unified Communications Project on
2 September 1, 2011, which was provided in an attachment in response to OPUC-DR 168.
3 The RFP identifies this project as a "major initiative to implement a Unified
4 Communications IP based telephony environment planned for deployment over the next
5 18 months." The Company received four bids in response to the RFP. Copies of the bids
6 were not provided with this data request. However, a Vendor Decision Report dated
7 January 24, 2012, identified the costs of the four bids and stated the Unified
8 Communications Project Team recommends [BEGIN CONFIDENTIAL] [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]. [END CONFIDENTIAL]

13 The Company has not fully justified the \$1,875,000 estimated project cost as known and
14 measureable. The Company's estimate for this project should be removed from the test
15 year.

16 **8. Tualatin bio-swale**

17 The Large Projects Timeline identified the in-service date for this project as October 31,
18 2012 and the estimated cost to be \$600,000. Workpapers identify this project as a
19 "tentative project." The response to OPUC-DR 165 states the project is "on hold." The
20 Company did not provide any documentation supporting this project.

21 ///

22 ///

1 The Company's estimate of \$600,000 should be removed from the test year, as it is not
2 clear whether the project will be in service during the test year and the Company has not
3 supported the \$600,000 as being known and measureable.

4 **9. Tualatin replacement, training facility and land**

5 The Large Projects Timeline identified the in-service date for this project as October 31,
6 2012 and the estimated cost to be \$17,750, 000. The Company's response to NWIGU-
7 CUB DR 95 indicates that Phase 1 of this project will be in service on October 15, 202
8 [sic] and Phase II will be in service in the 4th quarter of 2013. The Project Charter¹
9 provided in response to OPUC-DR 158 also identifies the in-service date as the fourth
10 quarter of 2013.

11
12 In its filing, the Company stated it was in the process of purchasing property in
13 Sherwood, Oregon, to construct a multi-purpose facility. The Company stated it
14 identified two functional business needs: 1) an integrated training facility and 2) a
15 business continuity center. The Company considered options to retrofit two of its
16 existing facilities, South Center and Tualatin. However, due diligence analysis conducted
17 for the South Center facility revealed that the property was in a 10-year flood zone as
18 opposed to a 100-year zone, as previously thought. The South Center property was
19 eliminated as an option. The Company stated its consultant estimated \$10.5 million
20 would be required to renovate the Tualatin facility. The Project Charter stated:

21 A study of the site determined that the remodeling cost was high enough to support a
22 decision to move the Tualatin Regional Operations to a new property. The former

¹ The Project Charter appears to be documents created by the Company that contain information about the project.

1 BMC lumber manufacturing site was identified, and based on initial studies appears
2 to meet NW Natural's business requirements.
3

4 The Project Charter states that this is a preliminary charter for planning purposes only. It
5 was signed by management and the executive committee in December of 2011. The
6 document identifies the following estimated costs for the project: pre-approval planning,
7 \$602,000; capital, \$21,090,967; and O&M, \$850,000. The document describes the
8 objectives as:

9
10 The goal of this project is to evaluate and optionally purchase the BMC property,
11 complete the design and schedule the construction. The actual construction may be
12 prioritized by function and phased in over time. The final schedule will be developed
13 during the planning phase.
14

15 A purchase agreement was executed for the Sherwood property on December 16, 2011, a
16 copy of which was provided as an attachment to OPUC-DR 266.
17

18 The Company received bids for the architectural design and the due diligence for this
19 property. The Company's response to NWIGU-CUB DR 48 states that the due diligence
20 regarding the Sherwood property was completed on March 16, 2012. [BEGIN

21 CONFIDENTIAL] [REDACTED]

22 [REDACTED] [END CONFIDENTIAL]
23

24 The Project Charter also identifies the following potential high risk/impact areas of the
25 project:

- 26
- Permitting uncertainties
 - Scope creep during design phase by stakeholders
- 27

- Moving the regional operations employees and equipment from Tualatin to the new site has the potential to disrupt work flow. It is recommended that a separate project be formed following construction to move the employees and equipment.

The Company's response to NWIGU-CUB DR 95, Attachment H-2, titled "Total Project Cost Analysis," identifies actual costs associated with this project as of April 17, 2012 as \$9,059,883.

The Company's response to OPUC-DR-266 states:

The Company assumes that it will be allowed to include in rate base the full change for the purchase of the facility and the cost of improvements. This amount is estimated to be about \$19.5 million. We expect that a portion of this will be returned to ratepayers once the two facilities are sold, assuming they are sold for a gain over the current book value.

It does not appear that this project will be in-service during the test year, therefore the Company's estimate \$17.750 should be removed from the test year.

10. Sunset Sheds

The Large Projects Timeline identified the in-service date for this project as October 31, 2012 and the estimated cost to be \$670,000. The Company's response to NWIGU-CUB DR 95 states that this project was cancelled. The Company's response to OPUC-DR 158 stated these are routine replacements/additions and did not attach any documentation supporting the cost. Since these projects will not be in service during the test year, coupled with the lack of supporting documentation, the Company's estimate of \$670,000 for this project should be removed from the test year.

1 **11. Generators**

2 The Large Projects Timeline identified the in-service date for this project as October 31,
3 2012 and the estimated cost to be \$600,000. The company's response to NWIGU-CUB
4 DR-95 states that this project is 30% complete. The company's response to OPUC-DR
5 165 stated these are routine replacements/additions and did not provide attach
6 documentation supporting the cost. Due to the lack of information supporting this project,
7 the Company's estimate of \$600,000 for this project should be removed from the test
8 year.

9 **12. Parkrose Retrofit**

10 The Large Projects Timeline identified the in-service date for this project as October 31,
11 2012 and the estimated cost to be \$1,400,000. The Company's response to NWIGU-CUB
12 DR 95 states the project is 0% complete.

13
14 The Company's response to OPUC-DR 158 provided a copy of the Project Charter
15 created on September 19, 2011, which was signed by various management personnel in
16 September 2011. The Project Charter identifies the project cost as \$2,209,840
17 (\$2,154,273 for capital and \$55,567 for O&M) for remodeling this facility, and \$100,000
18 for pre-approval planning work. The project charter identifies the following potential
19 high risk/impact areas:

- 20 • If the facility is determined to be located in a FEMA floodplain, the total amount
21 of building improvements may trigger additional permitting and construction
22 requirements that are not included in the present scope or budget.

- The construction of the bio-swale may be difficult due to limited yard space available. The direction of the bio-swale outlet could have a large impact on the total cost.
- There may not be adequate yard space to support simultaneous construction and operations. It may be necessary to relocate employees during construction.

7 [BEGIN CONFIDENTIAL] [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11
12 [REDACTED]
13 [REDACTED] [END CONFIDENTIAL] The Company's estimate for this project should
14 be reduced by [BEGIN CONFIDENTIAL] [REDACTED]
15 [REDACTED] [END CONFIDENTIAL] and removed from the test year.

16 13. Salem Retrofit

17 The Large Projects Timeline identified the in-service date for this project as October 31,
18 2012 and the estimated cost to be \$1,400,000. The Company's response to NWIGU-CUB
19 DR 95 states the in-service date is December 2012 and the project is 0% complete.
20 The Company's response to OPUC-DR 158 provided a copy of the Project Charter
21 created on September 19, 2011, which was signed by various management personnel in
22 September 2011. The Project Charter identifies the project costs as \$210,000 for pre-
23 approval planning work, \$5,588,246 for capital and \$220,638 for O&M. The project

1 description is to remodel this facility. The project charter identifies the following
2 potential high risk/impact areas:

- 3 • Building may require significant seismic upgrades (not included in estimate)
- 4 • Building may require significant ADA upgrades (not included in estimate)
- 5 • With the large number of employees at the site, it may not be feasible to utilize
6 modular trailers
7

8 [BEGIN CONFIDENTIAL] [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED] [END CONFIDENTIAL]

16 The Company's response to OPUC-DR-165 stated the bid process has not yet started and
17 did not provide any other supporting documents.

18
19 The Company has not fully justified the \$1,400,000 estimated project cost as known and
20 measureable. The Company's estimate should be reduced by [BEGIN CONFIDENTIAL]

21 [REDACTED]
22 [REDACTED] [END CONFIDENTIAL] and removed from the test year.

23 ///

24 ///

1 **2013 Projects**

2 **14. Portland System Optimization (Phase 2)**

3 The Large Projects Timeline identified the in-service date for this project as April 30,
4 2013 and the estimated cost to be \$1,250,000. The Company's response to OPUC-DR
5 158 Attachment 2 states the start and finish dates of Phase 2 are March 5, 2012 and
6 October 31, 2013, respectively. The Company's response to NWIGU-CUB DR 95 states
7 the project is 0% complete and the in-service date is "2013." The Company has not
8 demonstrated that this project will be in service during the test period, and the entire
9 \$1.250 million should be removed from the test year.

10 **15. Unified Communications Phase 2 (PBX Switch)**

11 The Large Projects Timeline identified the in-service date for this project as October 31,
12 2013 and the estimated cost to be \$1,000,000. Based on the arguments for Phase 1 of this
13 project, I recommend the removing the forecasted amount of \$1 million for Phase 2 from
14 the test year as well.

15 **16. Coos Bay Retrofit**

16 The Large Projects Timeline identified the projected in-service date for this project as
17 June 30, 2013 and an estimated cost of \$1,250,000. The in-service date was later updated
18 to September 30, 2013 in response to OPUC-DR 158 and again to December 2013 in
19 response to NWIGU-CUB DR 95. OPUC-DR 165 requested copies of requests for
20 proposals, bids, bid evaluations, winning bids, construction budgets, construction
21 schedules, and any changes to the budgets or schedules. The Company's response stated

1 this project is still in the planning phase and stated "none" in reference to the requested
2 documents. As the in-service date is now projected to be outside the test year, and
3 documentation supporting this project is lacking, the estimated \$1.250 million for this
4 project should be removed from the test year.

5 **17. Astoria Retrofit**

6 The Large Projects Timeline identified the projected in-service date for this project as
7 March 31, 2012. It was later updated to June 30, 2013 in response to OPUC-DR-158,
8 and again to December 2013 in response to NWIGU-CUB DR 95. OPUC-DR 165
9 requested copies of requests for proposals, bids, bid evaluations, winning bids,
10 construction budgets, construction schedules, and any changes to the budgets or
11 schedules. The Company's response stated this project is still in the planning phase and
12 stated "none" in reference to the requested documents. As, the in-service date is now
13 projected to be outside the test year and the documentation supporting this project is
14 lacking, the estimated \$800,000 for this project should be removed from the test year.

15 **18. Generators (5)**

16 The Large Projects Timeline identified the projected in-service date for this project as
17 June 30, 2013. It was later updated to May 31, 2013 in response to OPUC-DR 158, and
18 again to December 2013 in response to NWIGU-CUB DR 95. OPUC-DR 165 requested
19 copies of requests for proposals, bids, bid evaluations, winning bids, construction
20 budgets, construction schedules, and any changes to the budgets or schedules. The
21 Company's response stated this project is still in the planning phase and the stated "none"
22 in reference to the requested documents. As the in-service date is now projected to be

1 outside the test year and there is a lack of documents supporting this project, the
2 estimated \$600,000 for this project should be removed from the test year.

3 **Q. Are you recommending an adjustment to plant in service?**

4 A. I am proposing to remove the above capital projects that the Company has stated it will
5 implement during the test period that have not been adequately justified. Since the
6 Company has not provided adequate documentation supporting the project costs as
7 known and measureable, and analysis that that the benefits outweigh the costs for these
8 projects, ratepayers should not be expected to fund this "wish list" provided by the
9 Company. My total recommended adjustments reduce plant in service by approximately
10 \$60.110 million on a system basis and \$53.642 million on an Oregon basis.

11 **Q. Have you made an adjustment to the accumulated depreciation reserve to
12 correspond with your plant adjustment?**

13 A. Yes. I recommend increasing the accumulated depreciation reserve by approximately
14 \$754,000 to correspond with my plant adjustment. I derived this amount by taking half
15 of my depreciation expense adjustment, which is discussed in section G of my testimony.
16 Though not precise, it is a reasonable estimate of my plant adjustment's impact on the
17 reserve balance.

18 B. MATERIALS AND SUPPLIES

19 **Q. What amount of materials and supplies has the company included in the test year
20 rate base?**

21 A. The Company has included \$8.251 million on a system basis and \$7.422 million on an
22 Oregon basis for materials and supplies in the test year rate base, an increase of \$484,000

1 over the base year level. This amount was calculated by using a three-year average for
2 the period June 2008 through May 2011 of actual Materials and Supplies inventory,
3 excluding demonstration appliances.

4 **Q. What amount are you recommending to include in the test year rate base for**
5 **materials and supplies?**

6 A. Though the materials and supplies balance fluctuates, since 2008, levels have declined
7 and remained fairly consistent in 2010 and 2011. I have calculated an average of
8 monthly materials and supplies balance of [BEGIN CONFIDENTIAL] ██████████ [END
9 CONFIDENTIAL] on a System basis and [BEGIN CONFIDENTIAL] ██████████ [END
10 CONFIDENTIAL] on an Oregon jurisdictional basis based on the 13 months ended
11 December 31, 2011. This reduces the Company's test year amount of materials and
12 supplies by [BEGIN CONFIDENTIAL] ██████████ [END CONFIDENTIAL]

13 C. CONTRIBUTIONS IN AID OF CONSTRUCTION ("CIAC")

14 **Q. What amount of CIAC has the company deducted from the test year rate base?**

15 A. The Company has decreased rate base by \$2.151 million on a system basis and \$1.994
16 million on an Oregon basis, for contributions in aid of construction. The Company
17 projected no change from the base year to the test year level of CIAC. The Company
18 calculated the test year CIAC by using the 12 months ended September 30, 2011 average
19 of actual monthly balances.

20 ///

21 ///

22 ///

1 **Q. What amount are you recommending to deduct from the test year rate base for**
2 **CIAC?**

3 A. The Company provided actual balances through February 2012 for this account, which
4 show that the balance has increased slightly since September 30, 2011. I have calculated
5 the average contributions in aid of construction balances to reflect the 13 months ended
6 December 31, 2011. This increases the Company's test year amount of CIAC by
7 \$68,821, which reduces rate base.

8 D. CUSTOMER DEPOSITS

9 **Q: What are customer deposits?**

10 A: Customer deposits are monies paid by customers prior to receiving utility service as
11 security for future payment of monthly bills. These deposits are returned to customers
12 after a certain time period, or whenever the customer terminates service with the
13 Company.

14 **Q: Did the Company deduct the average balance of customer deposits held in the test**
15 **year from rate base?**

16 A: No.

17 **Q. Why is an adjustment necessary?**

18 A. The Company has an obligation to return these deposits to customers with interest;
19 however, during the time that the deposits are held by the Company, these ratepayer-
20 supplied funds are available for use by the Company.

21 ///

22 ///

1 **Q. Have you reduced the Company's rate base for the average balance of customer**
2 **deposits held by the Company in the test year?**

3 A. Yes. I have reduced the Company's rate base by the 13-month average balance of
4 customer deposits held by the Company for the year ended December 31, 2011 by
5 \$5,100,518 on an Oregon jurisdictional basis.

6 **Q. Are the customer deposits cost-free capital to the Company?**

7 A. No. The Company is required to pay customers interest for the period of
8 time that the deposits are held by the Company.

9 **Q. Have you reflected an adjustment to include this interest expense in the Company's**
10 **operating expense in the test year?**

11 A. Yes. The Company stated in its response to NWIGU-CUB DR 90 that the Oregon rate
12 for interest on customer deposits is .1%. Multiplying the test year average balance by
13 this rate will yield the test year interest expense for customer deposits. I am also
14 increasing O&M expense in the test year by \$5,101 for interest expense on the customer
15 deposits to be paid by the Company during the test year.

16 E. INJURIES AND DAMAGES RESERVE

17 **Q. What is the injuries and damages reserve?**

18 A. The utility has collected amounts in rates to build up a reserve for future injuries and
19 damages costs. In the event of an injury, an amount is charged to expense on the income
20 statement and a corresponding amount is credited to an injuries and damages reserve
21 account.

22 ///

1 **Q. Has the Company deducted the injuries and damages reserve balance from rate**
2 **base?**

3 A. No.

4 **Q. Why should the injuries and damages reserve balance be deducted from rate base?**

5 A. The expense is reflected in the utility's cost of service collected from ratepayers and the
6 reserve is reflected as a liability on the Company's balance sheet to be applied to future
7 injuries and damages claims. To properly match the rate base with the expense, the
8 injuries and damages reserve liability should be deducted from rate base.

9 **Q: What amount should be deducted from rate base related to the injuries and**
10 **damages reserve?**

11 A: I recommend reducing rate base by the average balance of injuries and damages reserve
12 held by the Company for the 13 months ended December 31, 2011, which is [BEGIN
13 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]

14 **V. OPERATING INCOME**

15 F. MISCELLANEOUS REVENUES

16 1. **Amortization of State Tax Change-Deferred Taxes**

17 **Q. Please describe the Company's proposed adjustment "Amortization of State Tax**
18 **Change- Def Taxes."**

19 A. In 2009, the State of Oregon increased its state tax rate from 6.6% to 7.9%. As a result of
20 the tax change, the Company recorded a regulatory asset of \$5,834,389. In 2010, the
21 state tax rate decreased from 7.9% to 7.6%. The incremental change as a result of this

1 was \$1,354,558. The net of these two items is \$4,479,831, which the Company is
2 proposing to amortize over five years and has reflected as a decrease of \$895,966 to
3 miscellaneous revenues in the test year.

4 **Q. Why has the Company reflected this amount as a reduction to miscellaneous**
5 **income?**

6 A. Data request OPUC-DR 305 asked the Company why it reflected this adjustment as an
7 offset to miscellaneous revenues. The Company's response stated:

8 Typically, an amortization of a revenue-related deferred account
9 would appear in the rate adjustments area of our income statement,
10 and would offset the billing effect coming through in revenues. In
11 addition, typical amortizations would be considered during the
12 PGA each year. This issue was set for consideration in a general
13 rate case. In a general rate case, the rate adjustment section is not
14 typically shown, so the amortization is needed as a reduction to
15 miscellaneous revenue to generate the revenue requirement needed
16 to ensure the amortization of the account.
17

18 **Q. Is this an appropriate adjustment?**

19 A. No. First, this is an example of single issue ratemaking, where the Company has singled
20 out an item and is requesting special cost recovery for this item. The Company could
21 have petitioned the Commission to issue an Accounting Order regarding the treatment of
22 this issue when it occurred. It is not appropriate to now set aside this one single issue for
23 future recovery. The Company should not be permitted to single out and charge
24 ratepayers for this effect of the state tax change, which may have occurred during a
25 period when the Company was otherwise earning a reasonable return.

26 ///

1 This is also an example of retroactive ratemaking. All Cost of Service components, i.e.,
2 revenues, expenses, and cost of capital, change over time. However, the "matching
3 principle" dictates that all of the cost of service components should be considered and
4 evaluated in relation to the specific test year. That is why a test year is chosen and
5 utilized, so that a proper relationship is established between revenues, expenses, and the
6 cost of capital. The Company is requesting that current ratepayers fund the cost for an
7 event which occurred in a prior period outside the test year. The adjustment that the
8 Company made on its books was to adjust deferred taxes for 2007 and 2008 as a result of
9 these state tax rate changes. This is clearly retroactive ratemaking, which is a violation of
10 ratemaking principles, and should be disallowed.

11 **Q. What adjustment are you recommending?**

12 A. I recommend disallowing the Company's proposed \$895,966 reduction to miscellaneous
13 revenues.

14 **2. Miscellaneous Revenues**

15 **Q: Are you recommending another adjustment to miscellaneous revenues?**

16 A. Yes. The Company has presented a schedule illustrating its historical miscellaneous
17 revenues normalized for the years 12-months ended 2009, 2010 and 2011 on Exhibit
18 NWN/304. The Company calculated test year revenues for the various components using
19 either a one or three year average, but did not offer any compelling reason why the
20 different averages were used for the different components of miscellaneous revenue. I
21 have calculated a three year average of these items based on the 12 months ended

1 December 31, 2009, 2010 and 2011. My adjustment increases miscellaneous revenues by
2 \$207,452.

3 G. DEPRECIATION EXPENSE

4 **Q. Please explain your adjustment to depreciation expense.**

5 A. I recommend decreasing depreciation expense to correspond with my recommended
6 reduction to plant in service. To come up with an approximate depreciation rate, I
7 divided the base year depreciation expense by the base year plant in service. This yielded
8 an average depreciation rate of 2.81%. I multiplied this percentage by my recommended
9 reduction to plant in service. Though not a precise calculation, it is a reasonable estimate
10 of the reduction in depreciation expense corresponding with my reduction to plant in
11 service. My recommended adjustment reduces test year depreciation expense by
12 approximately \$1.508 million.

13 H. INJURIES & DAMAGES EXPENSE

14 **Q. What amount has the Company included in the test year for injuries and damages
15 expense?**

16 A. According to the response to NWIGU-CUB DR 27, the Company has included [BEGIN
17 CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL]
18 on an Oregon jurisdictional basis in the test year for injuries and damages expense. This
19 amount is based on the average annual payments from 2008 - 2010.

20 ///

21 ///

22 ///

1 **Q. Do you agree with this amount?**

2 A. No. According to that response, the year 2009 contained an *extraordinary* claim of
3 [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] which should not have
4 been considered in the average.

5 **Q. What adjustment are you recommending?**

6 A. I am recommending the removal of the extraordinary claim in 2009 and the use of the
7 GDP for 2008-2011 to adjust the Company's expenses for the last four years to 2011
8 dollars (the most recent GDP available.) I then recommend the average of the amounts
9 from those four years to arrive at a test year expense of [BEGIN CONFIDENTIAL]
10 [REDACTED] [END CONFIDENTIAL] on a system basis and [BEGIN CONFIDENTIAL]
11 [REDACTED] [END CONFIDENTIAL] on an Oregon basis.² Using this four year average
12 results in a reduction of the Company's expense by [BEGIN CONFIDENTIAL] [REDACTED]
13 [END CONFIDENTIAL].

14 I. RATE CASE EXPENSE

15 **Q. What amount of rate case expense has the Company included in the test year?**

16 A. The company has projected \$704,000 of rate case expense for this proceeding. The
17 Company proposes to amortize this over three years and has included \$234,667 of rate
18 case expense in the test year.

19 **Q. Do you agree with the Company's proposal?**

20 A. Not entirely. It has been eight years since the Company's last rate case. The Company
21 has been earning a reasonable return and its financial risk is reduced by the various cost

² 2006 was not readily available by the company for use in the submission of this testimony.

1 recovery mechanisms it has in place. It is uncertain when the Company may have
2 another full rate case. I recommend amortizing this expense over five years, which
3 brings the annual amortization to \$140,800. This reduces the Company's test year rate
4 case expense by \$93,867.

5 J. AMERICAN GAS ASSOCIATION ("AGA") DUES

6 **Q. What amount has the Company included in the test year for AGA dues?**

7 A. According to the Company's response to NWIGU-CUB DR 40, the Company has
8 included \$370,284 in the test year for AGA dues on an Oregon jurisdictional basis.

9 **Q. Please describe the AGA.**

10 A. The AGA is an organization that advocates for the interests of its natural gas company
11 members and provides information and services regarding gas distribution.

12 **Q. Is the total amount of this expense necessary for the provision of gas service?**

13 A. No. The National Association of Regulatory Utility Commissioners ("NARUC")
14 sponsors Audit Reports of the Expenditures of the AGA. The audit report categorizes the
15 AGA's expenditures funded by membership dues. A 2001 memo to the Chairs and
16 Accountants of State Regulatory Commissions included with the NARUC-sponsored
17 audit report of 1999 AGA expenditures stated "these expense categories may be viewed
18 by some State commissions as potential vehicles for charging ratepayers with such costs
19 as lobbying, advocacy, or promotional activities which may not be to their benefit."

20 The table below shows a breakdown of the categories of expenditures funded by AGA
21 member dues from a more recent NARUC audit.

22 ///

Table 1: NARUC Recommendation for AGA Dues

NARUC Operating Expense Category	March 2005 NARUC Audit Report for Year Ended 12/31/02		AGA 2008 Budget	
	% of Dues	Recommended Disallowance	2008 % Allocation	Recommended Disallowance
Public Affairs	24.13%	-24.13%	24.44%	-24.44%
Advertising			1.18%	-1.18%
Communications	15.53%			
Corporate Affairs and International	10.54%	-10.54%	9.14%	-9.14%
General Counsel & Corp Secretary	5.20%	-2.60%	4.17%	-2.09%
Regulatory Affairs	15.51%			
Policy Planning & Regulatory Affairs			15.78%	
Marketing Department	2.37%	-2.37%		
Operating & Engineering Services	15.85%		21.71%	
Policy & Analysis	12.94%			
Industry Finance & Admin. Programs	4.75%		3.36%	
General & Administrative			20.22%	
Total Expenses	106.82%	-39.64%	100.00%	-36.85%

As can be seen in the table above, approximately 40% of AGA dues fund expenses related to public and corporate affairs, general counsel, and marketing and are recommended to be disallowed. For comparative purposes, a copy of AGA's 2008 budget is shown, which contains a comparable percent of dues related to public corporation affairs, general counsel, and marketing.

Q: Did the Company exclude any portion of lobbying related AGA dues from the test year?

A: No. The Company's response to NWIGU-CUB DR-6 states that in 2010 the AGA spent approximately 5.4% of its membership dues on lobbying and advocacy efforts; however, it believes this expense benefits ratepayers.

///

///

1 **Q: Have other state utility commissions disallowed a similar percent of AGA dues in**
2 **rate cases?**

3 A: Yes. The Arizona Corporation Commission disallowed 40% of AGA dues in UNS Gas
4 Inc.'s rate case Docket No. G-04204A-06-0463. The Florida Public Service Commission
5 disallowed 40% of AGA dues in City Gas' rate case Dockets 030569-GU and 940276-GU
6 and 45.10% in Chesapeake Utilities Corporation's rate case Docket No. 000108-GU.

7 **Q: What adjustment are you recommending?**

8 A: Based on the 2008 AGA dues budget, I am recommending that the Commission remove
9 the approximate 40% of AGA dues that relate to public and corporate affairs, general
10 counsel, and marketing, which are not necessary for the provision of gas service, from the
11 test year. This reduces the Company's test year expense by \$148,114 on an Oregon basis.

12 K. UNCOLLECTIBLES

13 **Q. Please describe the Company's adjustment for uncollectible expense.**

14 A. The Company has projected uncollectible expense of \$2.110 million in the
15 test year compared to the base year amount of \$1.617 million. This is an increase of
16 approximately 31% over 2011 levels. The Company's test year amount is based on a
17 three-year historical average of write-offs as a percent of total revenues times the total
18 test year revenue.

19 **Q: Has the Company provided adequate justification for this increase to uncollectibles**
20 **expense?**

21 A: In my opinion, no. The Company calculated a three year average of write-offs using the
22 years 2009 through 2011. 2009 contained a much higher level of write-offs due to the

1 weakened economy and should not be factored into the calculation of uncollectible
2 expense. I have calculated uncollectible expense based on the last two calendar years of
3 write-offs, 2011 and 2010, as this is the best estimate of what uncollectibles would be
4 during the test year. Although the use of a two-year average is typically not preferred, it
5 is a better measurement than the three year average of write-offs which contains a much
6 higher amount of write-offs due to the recession.

7 **Q: What adjustment are you recommending?**

8 A: Using this two-year average yields a test year amount of \$1.662 million.

9 I am recommending that uncollectible expense be reduced by \$448,000 on Oregon
10 jurisdictional basis.

11 L. DIRECTORS & OFFICERS INSURANCE

12 **Q. Does the Company's filing include costs for Directors and Officers liability**
13 **insurance ("D&O")?**

14 A. Yes, it does. The Company has included \$603,571 of D&O expense for the total system,
15 with a 90.12% allocation to Oregon of \$543,938.

16 **Q. What is the purpose of this coverage?**

17 A. D&O provides financial protection for the Company's directors and officers in the event
18 that they are sued for actions taken while performing their professional duties. These
19 lawsuits are typically brought against Company management by the Company's own
20 shareholders. Therefore, in essence, this insurance protects shareholders from the
21 decisions they made when they hired the Company's Board of Directors, and the Board of
22 Directors in turn hired the officers of the Company.

1 **Q Are you recommending an adjustment for the D&O expense?**

2 A. Yes. In ratemaking, the burden should follow the benefit, and the ratepayers are not the
3 primary beneficiaries of this insurance. As such, they should not be responsible for all of
4 the costs. Companies will sometimes argue that this is a justifiable business expense, but
5 the question is not whether the expense is justified, but to what extent it benefits the
6 ratepayers.

7 **Q. Who are the beneficiaries of D&O?**

8 A. In my opinion, shareholders, directors, and officers receive most of the benefits from
9 D&O. In the event of a claim, the beneficiaries of this insurance are the shareholders,
10 who are most likely to be the ones making claims and receiving payouts, and the directors
11 and officers that receive the personal protection from the claim.

12 **Q. Do ratepayers receive any benefit from this insurance?**

13 A. The ratepayers may receive a small benefit from the D&O. The ratepayers are
14 beneficiaries to the extent that this insurance aids in attracting and retaining qualified
15 directors. Although there is a possible minor benefit to the ratepayer, it can be clearly
16 seen that the ratepayer is at best a secondary or incidental beneficiary of the insurance
17 and not the primary beneficiary. Because of this fact, it would be inappropriate to assign
18 100% of the costs to ratepayers.

19 ///

20 ///

21 ///

22 ///

1 **Q. In response to NWIGU-CUB DR 101, the Company states that it would be**
2 **impossible to hire knowledgeable and experienced board members and officers**
3 **without this insurance. Does your recommendation jeopardize the Company's**
4 **ability to hire qualified directors and officers?**

5 A. No, it does not. I am not recommending that the Company no longer offer D&O. I am
6 simply stating that the costs for this insurance should not be fully borne by the
7 Company's customers.

8 **Q. Who should be responsible for this expense?**

9 A. As the shareholders receive most of the benefit, it would be inappropriate for the
10 ratepayers to bear all of the costs. This expense should be shared by both parties 50/50.
11 Thus, I am recommending that 50% of the D&O insurance expense be removed from
12 rates.

13 **Q. Has the Commission determined a 50/50 split between ratepayers and shareholders**
14 **to be an appropriate allocation of D&O expense?**

15 A. It has. In Order No. 09-020, the Commission stated on page 22:

16 We concur with Staff that the cost of D&O insurance should be shared equally
17 between shareholders and ratepayers to properly reflect the benefits and burdens
18 of that expense. We eliminate 50 percent of the D&O insurance as a shareholder
19 cost.
20

21 **Q. Have other jurisdictions concluded that D&O expense should be shared between the**
22 **Company's shareholders and ratepayers?**

23 A. Yes. In Connecticut, sharing of these costs has been determined to be appropriate on
24 multiple occasions. In Docket No. 07-07-01, the Department limited D&O recovery

1 from ratepayers to 30%. The Department limited ratepayer responsibility for this
2 expense to 25% in Docket 05-06-04. In New York, Consolidated Edison was limited to
3 recovering 50% of D&O costs from ratepayers in Case 08-E-05539. In the discussion,
4 the New York commission stated:

5 We find no particularly good way to distinguish and quantify the benefits of D&O
6 insurance to ratepayers from the benefits to shareholders, especially taking into
7 account the advantage that shareholders have in control over directors and
8 officers. We believe the fairest and most reasonable way to apportion the cost of
9 D&O insurance therefore is to share it equally between ratepayers and
10 shareholders.
11

12 The New York commission calls attention to an important point in that discussion. As
13 these cases typically involve a lawsuit between shareholders and officers, ratepayers have
14 very little influence or involvement.

15 **Q. What is your recommended adjustment to D&O expense?**

16 A. I recommend that the expense be shared by both the ratepayers and the shareholders. In
17 my opinion, a 50/50 split is an appropriate allocation of this expense. I am therefore
18 recommending the removal of 50% of the \$603,571 in D&O costs, resulting in an
19 adjustment of \$301,786 on a total system basis and \$271,969 on an Oregon basis.

20 **M. ADVERTISING**

21 **Q. Does the Company's filing include advertising expenses?**

22 A. Yes, it does. The Company has included \$1,575,000 for Category A advertising
23 expenses and \$650,000 for Category B advertising expenses.

24 **Q. Please explain these two categories.**

25 A. Oregon Administrative Rule 860-026-0022 describes Category A expenses as:

1 Energy efficiency or conservation advertising expenses that do not relate to a
2 Commission-approved program, utility service advertising expenses, and utility
3 information advertising expenses.
4

5 The rule defines Category B expenses as "Legally mandated advertising expenses."

6 **Q. Do you propose any adjustments for advertising expenses?**

7 A. Yes, I recommend adjustments for both Categories A and B. First, I will explain my
8 adjustment to the Category A expense.

9 OAR-860-026-0022 (3)(a) states:

10 Advertising expenses in Category "A" are presumed to be just and reasonable in a
11 rate proceeding to the extent that expenses are twelve and one-half hundredths of
12 1 percent (0.125 percent) or less of the gross retail operating revenues determined
13 in that proceeding.
14

15 **Q. Is the Company's request under this threshold?**

16 A. No, it is not. The Company's request is 0.212% of operating revenues. This puts the
17 Company's Category A expenses at 69% over the amount "presumed to be just and
18 reasonable."

19 **Q. Doesn't OAR-860-026-0022 also state that these presumptions are rebuttable?**

20 A. It does. However, the rule further states that the Company will have the burden of proof
21 of showing that the expenditures are just and reasonable.

22 **Q. What justification did the Company offer to rebut this assumption?**

23 A. In her direct testimony at page 4, Kimberly Heiting makes three arguments for going over
24 the reasonableness threshold. First, the formula provides LDCs with an unfairly low
25 allocation-per-customer compared to an electric utility. Second, the Company's service
26 territory is very large and diverse. Third, media costs have increased.

1 **Q. Did the Company provide sufficient proof that these expenditures are just and**
2 **reasonable?**

3 A. In my opinion, the Company has not provided sufficient proof to increase advertising
4 expenses to 69% over the recommended amount. While a larger and more diverse
5 service territory and increased media costs will affect advertising expenses, it must be
6 considered that OAR-860-026-0022 provided a range of expenses, with .125% at the very
7 upper limit to be presumed just and reasonable. I do not believe that the Company has
8 demonstrated that those three factors have justified increasing its expenses beyond that
9 range. Furthermore, the Company has not demonstrated that the advertising benefits
10 ratepayers.

11 **Q. What adjustment are you recommending?**

12 A. For my recommended adjustment to Category A advertising expenses, I multiplied the
13 Test Year Operating Revenue of \$742,978,000 by 0.125% to arrive at \$928,723 on a total
14 system basis and \$832,693 on an Oregon basis. This is an adjustment of \$646,278 on a
15 total system basis and \$579,452 on an Oregon basis. This is the highest possible amount
16 under OAR-860-026-0022 that would be "presumed to be just and reasonable." I would
17 note that the revenue amount used in determining this expense is the Company's proposed
18 revenue. This means that the amount I am recommending will still be higher than
19 0.125% of total revenue, assuming that some downward adjustment in the revenue
20 requirement occurs. I would also note that the allocation to Oregon is an estimate based
21 on NWN/Exhibit 312.

1 **Q. Please explain why you are recommending an adjustment to the Category B**
2 **advertising expenses.**

3 A. The Company's filing includes projections for a 15.8% increase in 2012 and a 36.8%
4 increase in the test year. The test year projection appears to be quite large when
5 considering the fact that the Company's Category B advertising expenses actually
6 averaged a 0.2% decrease from 2007 to 2011. The Chart below shows the increase or
7 decrease in expenses for each year from 2007 through the test year.

Category B Advertising Expense							
Year	2007	2008	2009	2010	2011	2012	Test Year
Expense	325,213	353,507	349,764	344,850	410,058	475,000	650,000
% Change	(26.13)	8.70	(1.06)	(1.40)	18.91	15.84	36.84

8
9 **Q. What adjustment are you recommending?**

10 A. For Category B expenses, I recommend an adjustment of \$275, 914 on total system basis
11 and \$247,384 on an Oregon basis. I used the GDP to adjust the Company's expenses for
12 the years 2007-2011 to 2011 dollars (the most recent GDP available.) I then averaged the
13 amounts from those five years to arrive at a test year expense of \$374,086 on total system
14 basis and \$335,406 on an Oregon basis. I would note that the allocation to Oregon is an
15 estimate based on NWN/Exhibit 312.

16 N. PAYROLL

17 **Q. What adjustments to payroll are you recommending?**

18 A. I am recommending an adjustment to the level of full time equivalents ("FTEs") and an
19 adjustment to the overall level of payroll expense.

20 ///

1 **Q. Please explain your first adjustment.**

2 A. My first adjustment is a reduction to the number of FTEs. The Company has included a
3 number of unfilled positions in the test year. Ratepayers should only be expected to be
4 responsible for expenses that are known and measurable and these unfulfilled positions
5 do not meet that standard.

6 **Q. Please explain how the Company determined the number of FTEs in the test year.**

7 A. Mr. Sohl states on page 4 of his testimony that the Company expects to add 58 FTEs
8 between the end of the base period and the beginning of the test year. Mr. Sohl started
9 with a base period forecast of 1,072 FTEs and added 58 FTEs to reach a test year amount
10 of 1,130 FTEs.

11 **Q. What are your concerns with his results?**

12 A. My first concern is that the Company's calculations did not begin with the correct number
13 of FTEs. The Company projected 1,072 FTEs for the base period, but actually only had
14 1,040 as of December 31, 2011, according to the response to NWIGU-CUB DR 75.
15 Therefore, the calculation to add 58 FTEs should begin with 1,040, not 1,072, and the
16 actual increase requested should be considered 90 FTEs, not 58 FTEs.

17 **Q. Why shouldn't the 32 FTEs that were projected but not hired by December 31, 2011
18 be included if the Company still plans to hire them?**

19 A. The Company might plan on hiring those 32 FTEs, (1,072 projected minus 1,040 actual
20 FTEs) but this is not the amount that it started with, nor is it an amount that is known and
21 measurable. Even if the Company does hire some of those FTEs, the timing of the hiring
22 is not known and by the time some employees are hired, others may have left the

1 Company. The bottom line is that ratepayers should not be expected to pay for 32
2 employees that do not exist and may never exist.

3 **Q. Do you recommend any further reductions in FTEs?**

4 A. I do. Of the 58 FTEs that Mr. Sohl discussed hiring between the base year and the
5 beginning of the test year, I recommend removing 27 FTEs.

6 **Q. Please explain how you arrived at that figure.**

7 A. As of March 31, 2012, the employee count was 1,058, according to the response to
8 NWIGU-CUB DR 75. This leaves 40 of the planned 58 FTEs unhired. Thirteen of the
9 remaining 40 FTEs are related to service window appointments. Staff will be addressing
10 those thirteen FTE's in their testimony. Subtracting those 13 from 40 results in 27 FTEs
11 that remain unhired from the original 58 that I recommend removing.

12 **Q. What is your reason for removing the remaining 27 FTEs?**

13 A. I recommend their removal for the same reason that I recommended removing the 32
14 FTEs that were projected but not hired before the end of the base year. These are
15 projected positions that may never be filled. Ratepayers should not be responsible for the
16 costs of hires that may not take place.

17 **Q. Is it possible that some of the remaining 27 positions could be hired before the test
18 period when rates are to go into effect?**

19 A. Yes, it is possible that the employees will be hired, but it is also possible that the
20 employees will not be hired. Even if the Company hires some employees, it is possible
21 that others will leave and there could actually be fewer than 1,058 FTEs in the test period.
22 When making the determination as to whether the 58 requested positions will be filled, it

1 is important to remember that the Company projected that base period FTEs would be
2 1,072 and the actual count was only 1,040. In my opinion, the number of additional
3 FTEs projected by the Company is overly optimistic.

4 **Q. What is your recommended adjustment?**

5 A. I recommend the removal of 59 FTEs, the 32 not hired in the base period and the 27
6 requested but unfilled FTEs for the Test Year. After allocating to O&M, the
7 recommended removal of the 59 FTEs results in a recommended reduction of \$3,044,670
8 on a total system basis and \$2,724,980 on an Oregon basis.

9 **Q. Please explain your second recommended adjustment to payroll expense.**

10 A. My second adjustment to payroll expense is in regard to total payroll expense. According
11 to the response to NWIGU-CUB DR 99, the test year payroll expense exceeds any of the
12 four years of expense 2008-2011 and 2012 projected, and exceeds the 3-year actual
13 average O&M expense factor of 63.7% for the years 2008-2010. Based on the
14 information provided, the expense factor fluctuates from year to year. This fluctuation is
15 to be expected because it is based on the level of capital projects undertaken from year to
16 year. In its filing, the Company has included an increase in capital expenditures in the
17 test year. The increase in capital expenditures should increase the level of payroll
18 capitalized, thereby reducing the percentage of payroll expensed. Therefore, the increase
19 in the O&M expense factor to 69.3% is considered to be inappropriate.

20 ///

21 ///

22 ///

1 **Q. Why would an increase in capital expenditures reduce the percentage of payroll**
2 **expensed?**

3 A. Labor is allocated primarily to either capital projects or O&M. Because total payroll is
4 comprised of these two categories, as the percentage of one goes up the percentage of the
5 other must go down. Due to the increase in capital projects, the percentage of labor that
6 is capitalized will rise, resulting in the decline of the percentage expensed.

7 **Q. What is your recommended adjustment?**

8 A. To arrive at a more appropriate test year amount, I recommend the use of the ratio of
9 expense to total payroll for 2008-2010 to adjust the test year payroll. I then recommend
10 taking the 63.7% average of those three years and multiplying that expense factor by my
11 adjusted payroll of \$86,452,889 thus arriving at an expense of \$55,070,490 on a total
12 system basis and \$49,288,089 on an Oregon basis. This is a recommended adjustment of
13 \$4,868,616 on a total system basis and \$4,357,411 on an Oregon basis.

14 **O. PAYROLL TAX**

15 **Q. Are you recommending an adjustment to payroll tax?**

16 A. Yes. I am recommending a reduction to payroll taxes of \$718,421 on a total system basis
17 and \$642,987 on an Oregon basis. This adjustment is the flow through impact of my
18 payroll adjustment. I recommend reducing the payroll taxes by the effective payroll tax
19 rate multiplied by my dollar adjustment for payroll.

20 ///

21 ///

22 ///

1 P. MEDICAL BENEFITS/WORKERS COMPENSATION

2 Q. Do you recommend any adjustments to Medical Benefits and Workers
3 Compensation expense?

4 A. Yes, I do. The Company's response to Standard Data Request No. 96 provides a breakout
5 of test year labor expense expressed as percentages. The response indicates that .96%
6 and .82% of labor expense are allocated to "Merchandise" and "Other," respectively. I
7 recommend the removal of both of these categories of expense from Medical Benefits
8 and Workers Compensation.

9 Q. What is your reason for removing them?

10 A. These categories represent unregulated segments of the Company's business and the
11 Company has allocated the labor expense accordingly. If the same allocations are not
12 made to Medical Benefits and Workers Compensation, ratepayers would be funding
13 benefits for the non-regulated segments of the Company's business.

14 Q. What is your recommendation?

15 A. I recommend removing both categories of unregulated expense. Together, the allocation
16 of 0.96% to "Merchandise" and 0.82% to "Other" total 1.78% of labor expense.
17 Multiplying health benefits costs of \$16,042,347 by this percentage results in a reduction
18 of \$285,554 on a total system basis and \$255,571 on an Oregon basis. Multiplying
19 Workers Compensation by this percentage results in a recommended reduction of
20 \$25,435 on a total system basis and \$22,764 on an Oregon basis. I would note that the
21 allocation to Oregon is an estimate based on NWN/Exhibit 312.

1 **Q. Do you recommend any other adjustments to Medical Benefits and Workers**
2 **Compensation expense?**

3 A. Yes. Because I adjusted the number of FTEs, it is necessary to reflect the effects of that
4 change to both of these categories. The recommended reduction to FTEs was 5.22% so I
5 recommend reducing Medical Benefits and Workers Compensation by the same amount.
6 This results in a recommended adjustment to Workers Compensation of \$73,262 on a
7 total system basis and \$65,570 on an Oregon basis. This also results in a recommended
8 adjustment to Health Benefits costs of \$822,505 on a total system basis and \$736,142 on
9 an Oregon basis. I would note that the allocation to Oregon is an estimate based on
10 NWN/Exhibit 312.

11 **Q. PENSION**

12 **Q. Do you recommend an adjustment to Pension expense?**

13 A. Yes, I do.

14 **Q. Please explain what the Company is requesting in regards to pension expense.**

15 A. In his Direct Testimony, Mr. Feltz states that the Company is proposing to add
16 unrecovered pension plan contributions from investors to ratebase. Mr. Feltz states that
17 the Company has been required to pay cash contributions totaling \$57 million between
18 2009 and 2011 to its pension plans to meet requirements of the Pension Protection Act
19 (PPA) passed in 2006. The Company proposes to recover this money by adding these
20 contributions to ratebase as described on pages 27-28 of Mr. Feltz's testimony:

21 The Company proposes to add the average unrecovered investor contribution
22 amount during the Test Year, estimated at \$21,929,876 net of deferred taxes, or
23 \$36,549,793 pre-tax, to rate base...The Company proposes to amortize the pre-tax

1 amount over eight years...The revenue requirement impact of this proposal is
2 estimated to be \$4,568,724, or \$36,549,793 divided by eight years.
3

4 **Q. In your opinion, is this proposal equitable to ratepayers?**

5 A. I believe that this proposal is neither beneficial nor equitable to ratepayers. These cash
6 contributions were necessitated in large part by the country's current economic recession.

7 Mr. Feltz acknowledges as much at page 23 of his direct testimony where he states:

8 In 2008 and 2009, the equity and bond markets collapsed, which led to a
9 significant decline in the value of the Plans' assets. The recession that followed
10 also caused a significant reduction in interest rates to historic lows, which
11 dramatically increased Plan liabilities.
12

13 The effect of the recession was to lower the value of the pension plan assets to the extent
14 that FAS 87 and PPA regulations required further contributions from the Company.

15 Ratepayers do not receive refunds when pension plan assets are increasing in value so
16 reciprocally ratepayers should not be responsible when the assets' values temporarily
17 decline. As the market recovers, the value of the assets will rise and the additional
18 contributions will no longer be necessary. This is a temporary issue that should be
19 corrected over time without adjustments to ratemaking procedures.

20 **Q. Are there any other reasons why the Company's request is inappropriate?**

21 A. Yes. The Company, according to Mr. Feltz at page 24 of his direct testimony, made
22 contributions between 2009 and 2011. To now include past contributions in future rates
23 would constitute retroactive ratemaking. Retroactive ratemaking is not an appropriate or
24 acceptable practice in utility regulation. Even if the Commission authorized the deferral

1 of these contributions, it is my position that it is not appropriate for ratepayers to fund
2 these past contributions.

3 **Q. What is your recommended adjustment?**

4 A. I recommend removing the unrecovered investor contribution of \$21,929,876 from
5 ratebase and removing the entire \$4,568,724 from amortizable expenses on an Oregon
6 basis.

7 **VI. ENVIRONMENTAL REMEDIATION**

8 **Q. What does NW Natural propose regarding environmental costs associated with
9 manufactured gas plants and the recovery of such costs?**

10 A. My understanding is that NW Natural is proposing that all costs that the Company
11 determines to be related to the environmental remediation of former manufactured gas
12 plants which the Company or its predecessors operated, should be deferred and collected
13 from ratepayers.

14
15 The Company's proposal, as I understand it, would defer costs that the Company would
16 determine are related to the environmental remediation of these properties in a deferred
17 account. The Company would earn a full rate of return on these deferrals during the
18 period that they remained in the deferred account.

19
20 The Company then proposes that the Commission authorize a recovery mechanism,
21 which would take the balance in the deferred account at a specific date and remove one-
22 fifth of it for recovery through the mechanism proposed by the Company. During the 12-

1 month period that the recovery amount is being amortized through rates, the Company
2 would collect a Modified Blended Treasury Rate ("MBTR") on the balance being
3 recovered through the mechanism. As I understand it, this is the rate authorized by the
4 Commission as financing costs on amounts being amortized. The Company would still
5 continue to earn a full rate of return on the balance reflected in the deferred remediation
6 cost account during the period that amounts are being amortized and collected from
7 ratepayers.

8 **Q. Does the Company's proposal seem equitable to you?**

9 A. No, it does not. Both the United States Environmental Protection Agency ("EPA") and
10 the Oregon Department of Environmental Quality ("DEQ") have held the owners of the
11 land responsible for the environmental remediation. This would be true whether the
12 Company was a regulated company such as NW Natural or an unregulated company
13 subject to competitive pricing. It is clear that the responsibility for remediation flows to
14 those who had responsibility for whatever pollutants were deposited on the land during
15 its use by its owner. In a competitive environment, owners of property who are required
16 to make remediation investments cannot recover those costs automatically from their
17 customers. Owners of the land that was used in a manner which caused environmental
18 damage are held responsible by the EPA and DEQ. This is so because these owners are
19 the ones who profited from the use of the land and were the only ones who could have
20 affected the level of environmental damage incurred.

21 ///

22 ///

1 Ratepayers never owned or operated the facilities which resulted in the environmental
2 damage. They had no knowledge or input into the operation of these facilities. They
3 were merely consumers of services without any control or knowledge of the possible
4 effects on the environment of the operations taking place on these sites.

5
6 NW Natural is now requesting that current ratepayers be held responsible for costs
7 associated with providing manufactured gas to a group of unknown and unrelated
8 ratepayers. The manufactured gas sites were contaminated decades ago and the cost of
9 remediating these sites is unrelated to the current service provided to ratepayers. These
10 costs are not necessary to providing current service, but instead are costs incurred related
11 to the Company's ownership of these pieces of property.

12 **Q. In your opinion, does the Company's return on equity reflect a component related**
13 **to risk?**

14 A. Yes. When the Company receives a return on equity from its investments, that return
15 reflects a risk factor. There are risks associated with the operation of any business, both
16 competitive and regulated. The equity return reflects a risk factor associated with the
17 operation of a business. This risk factor is related to unknown factors such as the
18 assessment by the environmental agencies of remediation costs against the owners of the
19 land which was contaminated. Even though a regulated entity has substantially less risk
20 than a competitive company, the return it receives still reflects a component related to
21 risk, otherwise it would receive a return on its investment somewhat closer to government
22 bonds. In the case of contaminated property, only the Company's management, who

1 were employed by the stockholders, could have affected the outcome of the initial
2 contamination of this property. The owners and operators of these facilities should have
3 been, or could have been, aware that by-products were either being dumped or stored on
4 site and only they could have affected the amount and type of contamination done to
5 these properties. It seems apparent that the Company's management accepted the risk
6 from the operation of manufactured gas plants that was reflected in the rate of return that
7 they received.

8 **Q. Are you recommending that the Company bear the full cost of the remediation of**
9 **the contaminated property?**

10 A. No, I am not. However, I do feel that it is not appropriate for ratepayers to bear the full
11 cost of the remediation and have the Company earn a full rate of return on those costs
12 until they are reflected in the Company's proposed recovery mechanism.

13 **Q. Are these costs subject to insurance recovery?**

14 A. Ms. Hart's testimony states the following:

15 Based on the language of its policies, controlling Oregon law and the underlying
16 facts, NW Natural believes that each of its historical policies provide coverage for
17 the costs related to the environmental damage that NW Natural is investigating and
18 remediating.

19
20 Therefore, the cost subject to earning a return at this time are not known at this time.

21 Any proceeds could reduce the cost significantly.

22 **Q. What is your recommendation with respect to the cost in question?**

23 A. I would recommend that the Commission allocate 50 percent of the total environmental
24 remediation costs to stockholders. In addition, the Company should only earn a debt rate
25 of return on the balance reflected in the Deferred Environmental Cost Account. Once the

1 Commission has issued an order stating what amount NW Natural would recover as a
2 reimbursement for environmental remediation costs, that amount would be a guaranteed
3 recovery amount. There would be no risk associated with the recovery of this amount by
4 the Company, and therefore no equity investment would be necessary. The
5 Commission's Order would guarantee the return of the environmental remediation costs
6 and therefore only a debt return should be recovered by the Company, because no risk
7 would be involved in the recovery of the authorized amount.

8 **Q. Does that conclude your testimony?**

9 **A.** Yes, it does.

CERTIFICATE OF SERVICE

I CERTIFY that I have on this day served the foregoing document upon all parties of record in this proceeding via electronic mail and/or by mailing a copy properly addressed with first class postage prepaid.

NW Natural (W) (C) (HC)

Mark R. Thompson
220 NW Second Avenue
Portland, OR 97209
mark.thompson@nwnatural.com

NW Natural – E-Filing (W)

220 NW Second Avenue
Portland, OR 97209
efiling@nwnatural.com

Citizens Utility Board (W)

OPUC Dockets
610 SW Broadway, Suite 400
Portland, OR 97205
dockets@oregoncub.org

Citizens Utility Board (W) (C) (HC)

Robert Jenks
610 SW Broadway, Suite 400
Portland, OR 97205
bob@oregoncub.org

Citizens Utility Board (W) (C) (HC)

G. Catriona McCracken
610 SW Broadway, Suite 400
Portland, OR 97205
catriona@oregoncub.org

McDowell, Rackner & Gibson (W) (C) (HC)

Lisa Rackner
419 SW 11th Avenue, Suite 400
Portland OR 97205
lisa@mcd-law.com

Department of Justice (W) (C) (HC)

Jason Jones
Business Activities Section
1162 Court ST NE
Salem, OR 97301-4096
jason.w.jones@state.or.us

Public Utility Commission (W) (C) (HC)

Judy Johnson
P.O. Box 2148
Salem, OR 97308-2148
judy.johnson@state.or.us

NW Energy Coalition (W)

Wendy Gerlitz
1205 SE Flavel
Portland, OR 97202
wendy@nwenergy.org

Community Action Partnership of Oregon (W)

Jess Kincaid
PO Box 7964
Salem, OR 97301
jess@caporegon.org

Northwest Pipeline GP (W)
Stewart Merrick
295 Chipeta Way
Salt Lake City, UT 84108
stewart.merrick@williams.com

Northwest Pipeline GP (W)
Jane Harrison
295 Chipeta Way
Salt Lake City, UT 84108
jane.f.harrison@williams.com

Portland General Electric (W)
Douglas C. Tingey
121 SW Salmon Street – 1WTC13
Portland, Oregon 97204
Doug.tingey@pgn.com

Portland General Electric (W)
Randy Dahlgren
121 SW Salmon Street – 1WTC0702
Portland, Oregon 97204
pge.opuc.filings@pgn.com

Northwest Industrial Gas Users
Paula Pyron
4113 Wolf Berry Court
Lake Oswego, OR 97035
ppyron@nwigu.org

Dated in Portland, Oregon, this 7th day of May 2012.



Chad M. Stokes, OSB No. 004007
Tommy A. Brooks, OSB No. 076071
Cable Huston Benedict Haagensen & Lloyd
1001 SW Fifth Ave., Suite 2000
Portland, OR 97204-1136
Telephone: (503) 224-3092
Facsimile: (503) 224-3176
E-Mail: cstokes@cablehuston.com
tbrooks@cablehuston.com

Of Attorneys for the
Northwest Industrial Gas Users