

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 221

In the Matter of)
)
)
NORTHWEST NATURAL GAS)
COMPANY, dba NW NATURAL,)
)
Request for a General Rate Revision)
_____)

**REBUTTAL TESTIMONY OF THE
CITIZENS' UTILITY BOARD OF OREGON**

July 20, 2012



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1 Our names are Bob Jenks and Gordon Feighner, and our qualifications are listed
2 in CUB Exhibit 101.

3 **I. INTRODUCTION.**

4 CUB apologizes for the length of its Rebuttal Testimony, but there are still a lot
5 of important issues in this NW Natural (“NWN” or the “Company”) UG 221 docket
6 that need to be addressed.

7 A short summary of CUB’s Rebuttal Testimony follows:

- 8 • *NWN’s over-earning* – CUB urges the Commission to take NWN’s PGA
9 earnings into account. NWN has been chronically over-earning, with an
10 ROE above 11% in recent years.
- 11 • *Rate Design* – CUB opposes NWN’s proposal to increase the monthly
12 customer charge; refutes NWN’s allegations of discrimination; opposes
13 Staff’s proposal to introduce seasonal rates; highlights NWN’s

1 disagreement with the State's policy to encourage conservation and once
2 again advocates strenuously for the continued implementation of Oregon's
3 conservation policy; opposes the Company's attempt to classify distribution
4 mains as customer-related and advocates for distribution mains being
5 classified as capacity related; and supports disaggregating by function in
6 order to reconcile marginal costs to embedded costs when allocating
7 revenue requirement.

- 8 • *Connect/Reconnect Charges* – CUB continues to oppose NWN's proposal
9 to increase the customer reconnect charge from \$25 to \$40. It is CUB's
10 position that no increase in reconnect charges is necessary and that any
11 increase will disproportionately hurt the most vulnerable among us.
- 12 • *Customer Service Windows and Guarantees* – CUB proposes that if the
13 Commission grants the new customer services windows being requested by
14 the Company that the Commission also grant, on a perpetual basis, the
15 service guarantees being requested by CUB. This is because NWN needs
16 to be held accountable and once this program is in rates, without the
17 requested guarantees, the Company will have no incentive to follow
18 through with the program.
- 19 • *Decoupling* – CUB is willing to continue to support decoupling but only if
20 customers receive good efficiency programs in exchange. While CUB
21 believes that Staff's proposal is fair and provides the Company protection
22 from under-recovery of fixed costs, it does not remove the disincentive for
23 the Company to invest in energy efficiency. CUB proposes dealing with

1 Staff's concern over new customers by removing new customers from the
2 calculation altogether or requiring a regular true-up in customer counts,
3 fixed costs, and usage per customer every 3 to 5 years. CUB also proposes
4 that fixed costs should not be updated through tracking mechanisms.

- 5 • *ROE* – CUB supports Staff's ROE position. NWN's ROE position is not
6 even supported by its own expert witnesses' analysis; NWN's position is
7 simply not tenable and should be rejected by the Commission.
- 8 • *Gas Storage Adjustments* – NWN's request to include costs associated with
9 Working Gas Inventory should be rejected. Staff's adjustment to sharing
10 on the ratebased portion of interstate storage should be adopted.

11 And with that, CUB respectfully presents its Rebuttal Testimony for Commission
12 consideration.

13 **II. NW NATURAL'S DECADE LONG, OBVIOUS AND** 14 **EXTENSIVE OVER-EARNING.**

15 NW Natural begins its Reply Testimony by trying to explain away its chronic
16 overearning. Essentially, the Company argues that the Commission should not count
17 any overearning due to the PGA because WACOG "gains and losses are not
18 predictable, not repeatable and are driven by issues beyond the Company's control."¹
19 CUB's Rebuttal Testimony will likewise commence by addressing, what CUB sees as,
20 NW Natural's decade long, obvious and extensive, history of over-earning.

¹ UG 221/NWN/1800/Anderson/4, lines 10-11.

1 **A. The PGA, Storage and the WACOG.**

2 According to NW Natural, Staff overstates the Company’s overearning:

3 **Table 1: Staff ROE Calculations²**

	Staff/200 Table ROE ¹	Excluding WACOG Sharing ROE as filed ²	Operating Income exceeding 10.2% (\$000’s)
2003	8.91%	8.06%	\$0
2004	9.82%	9.49%	\$0
2005	10.02%	9.77%	\$0
2006	10.26%	10.31%	\$567
2007	10.15%	10.17%	\$0
2008	9.59%	10.91%	\$3,790
2009	11.22%	9.36%	\$0
2010	11.10%	10.95%	\$3,490

1 Staff’s ROEs reflect Staff’s proposed pro-forma adjustments after original filing

2 Staff’s ROEs prior to 2008 exclude WACOG sharing; it is included for 2008 and thereafter

4

5 CUB fundamentally disagrees with NW Natural’s argument that the
 6 Commission should not count any over-earning due to the PGA because WACOG
 7 “gains and losses are not predictable, not repeatable and are driven by issues beyond the
 8 Company’s control.”³ The PGA mechanism is part of Oregon’s regulatory approach to
 9 natural gas utilities. NW Natural is able to use its storage—a ratebased asset—to beat
 10 the WACOG and increase its earning. In other words, this is not “beyond the
 11 Company’s control.”

12 In fact, during the last review of the PGA mechanism (UM 1286), NW Natural
 13 did not argue that this was “beyond the Company’s control.” Instead, the Company
 14 argued that:

15 As mentioned above, NW Natural’s strategic use of its storage capacity
 16 represents its primary tool in pursuing lowest cost gas and in managing

²UG 221/ NWN/1800/Anderson/5, line 1.

³ *Ibid.*

1 volatility. And the Company's skill in managing that capacity has been
2 judged by an independent evaluator to be "truly impressive."⁴
3 When the market price of gas is below the WACOG used to establish base rates in the
4 PGA, NW Natural can buy from the market knowing that some of the difference
5 between the WACOG and the market price will be retained as excess earnings.⁵ When
6 the market price of gas is greater than the WACOG, NW Natural can lean on its storage
7 gas and avoid the higher price market purchases.⁶ While NW Natural has limited
8 market power, storage remains a tremendous tool that allows the Company to earn a
9 return on its gas supply by using storage as an arbitrage opportunity and not simply for
10 reliability purposes.

11 **B. Oregon's Regulatory System Allows NWN to earn a return on its storage**
12 **volume.**

13 CUB is not arguing against this system. Customers also benefit when NW
14 Natural uses its storage capacity to reduce its costs, and the incentive mechanism is
15 explicitly designed to encourage the Company to do so. But we also have to be honest.
16 Oregon's regulatory system does allow NW Natural to earn a return on its storage
17 volume. CUB further points out that the contract with Encana is ratebased and the
18 Company is also earning a return on the gas that it sells under that contract.

19 Staff's Opening Testimony was correct. NW Natural has been chronically
20 overearning, with an ROE above 11% in recent years. This is not a rate case driven by a
21 utility that needs higher rates to get its earning to reasonable levels. To the contrary,

⁴ UM 1286 – NW Natural Reply Comments, pg 11 (Jan. 28, 2008).

⁵ See UM 1286/CUB/100/Jenks/8.

⁶ *Ibid.*

1 this is a rate case that a utility was forced into because of concerns over the level of its
2 earnings.

3 **III. Marginal Cost and Rate Design**

4 In our Opening Testimony, CUB explained that we disagreed with NW
5 Natural's proposal to increase the monthly customer charge to nearly \$30, as this
6 change would reduce the incentive customers have to conserve natural gas. In its Reply
7 Testimony, NW Natural continued to press for this rate design, but argued that it is
8 about "discrimination," not reducing customers' investment in energy efficiency. CUB
9 continues to oppose this proposal and is unconvinced by the Company's argument that
10 discrimination, because of weather variability across the state, might be illegal, but
11 discrimination due to the difference in cost between infill and non-infill customers is
12 simply a reasonable consequence of averaging.

13 In addition, Staff has proposed a rate design that implements seasonal rates in
14 order to increase the cost of winter heating. CUB also opposes this Staff proposal and
15 believes that what it will really do is increase the burden of winter heating bills, which
16 are the primary cause of utility shut-offs among residential customers.

17 **A. CUB's Response to NW Natural's Proposal.**

18 The testimony of NW Natural witness Russell A. Feingold is dense and filled
19 with unsupported—and, at times, misleading—claims. But at the heart of CUB's
20 disagreement with Mr. Feingold's testimony is our rejection of his basic premise:

21 Finally, I conclude that NW Natural's proposed rate design should be
22 approved by this Commission because the unrefuted evidence in this
23 case supports the conclusion *that relying on volumetric rates to recover*
24 *the Company's fixed distribution costs is unduly discriminatory because*

1 *it charges different rates to residential customers that have the same*
2 *costs.*⁷ *(emphasis added)*

3 CUB fundamentally disagrees that there is any truth to Mr. Feingold’s
4 conclusion. Indeed, the opposite is true—using volumetric rates to recover some of the
5 Company’s fixed distributions costs is not unduly discriminatory because it does not
6 charge different rates to residential customers that have the same costs. Moreover, there
7 definitely is not “unrefuted” evidence to support this conclusion. For one, CUB refutes
8 it as follows.

9 ***i. There Is No Undue Discrimination When Customers Are Charged the Same***
10 ***Rate***

11 Mr. Feingold argues repeatedly that the primary issue on rate design is “undue
12 discrimination” and regularly suggests that NW Natural’s proposal is necessary from a
13 legal standpoint:

⁷ UG 221/NWN/2500/Feingold/3.

1 The critical missing component is a recognition that the Company's
2 current volumetric rates are unduly discriminatory and that this
3 deficiency should be remedied by a suitable rate design that the
4 Commission can approve. Just and reasonable rates must not be unduly
5 discriminatory and the courts have found that regulatory commissions
6 have an obligation to eliminate undue discrimination when it is
7 identified.⁸

8 For example, see *F&R Lazarus & Co. v. Pub. Util. Comm'n*, 162 Ohio
9 St, 223, 230, 122 N.E. 2d 783,786 7 P.U.R. 3d 319, 330 (1954) in which
10 the following statement was made, "...a utility may charge but one rate
11 for a particular service, and any discrimination between customers as to
12 the rate charged for the same service under like conditions is improper."⁹

13 By accepting the positions of Staff, CUB, and the Coalition, the
14 Commission will knowingly perpetuate the condition of undue
15 discrimination in NW Natural's residential service rates contrary to
16 law.¹⁰

17 Therefore, it becomes an obligation of the Commission to remedy the
18 undue discrimination present in the Company's current residential rates
19 that arises from the volumetric recovery of its fixed distribution-related
20 costs.¹¹

21 CUB will leave it to attorneys from the various parties to argue legalities in
22 briefs. Suffice it to say, however, there is no rate discrimination associated with the
23 pricing plans proposed by the Company or by Staff, CUB, or the Coalition. None of
24 the proposals in this docket propose charging different rates to customers who take the
25 same service. Customers are being charged the same rates under everyone's proposed
26 plans. The difference between the plans is how much of the cost is allocated to the
27 fixed customer charge and how much is allocated to the variable rate. But both of these
28 qualify as rates (a rate per month and a rate per therm) and are consistently applied to
29 customers in all proposals. To make the "undue discrimination" claim, Mr. Feingold is

⁸ UG 221/NWN/2500/Feingold/29.

⁹ *Ibid* at 30, footnote 31.

¹⁰ *Ibid* at 47.

¹¹ *Ibid* at 49.

1 forced to argue something that simply isn't true—that somehow other parties are
2 arguing that different customers should be charged different rates. None of the parties
3 have argued this – Mr. Feingold is tilting at windmills.¹²

4 **ii. *When Is It Proper to Average Costs?***

5 Mr. Feingold's argument seems to be about when it is proper to average costs and
6 when it is not. Mr. Feingold makes the argument that "relying on volumetric rates to
7 recover the Company's fixed distribution costs is unduly discriminatory because it
8 charges different rates to residential customers that have the same costs."¹³ It seems like
9 he is really arguing that while customers are being charged the same rates, these rates
10 do not always reflect the localized costs of service, particularly across the various
11 geographical sections of the service territory. That is, rates in colder parts of the
12 territory (e.g., The Dalles) over-recover costs, while rates in warmer parts of the
13 territory (e.g., Coos Bay) under-recover costs.

14 On the other hand, Mr. Feingold has no problem with averaging other costs:

¹² Just then they came in sight of thirty or forty windmills that rise from that plain. And no sooner did Don Quixote see them that he said to his squire, "Fortune is guiding our affairs better than we ourselves could have wished. Do you see over yonder, friend Sancho, thirty or forty hulking giants? I intend to do battle with them and slay them. With their spoils we shall begin to be rich for this is a righteous war and the removal of so foul a brood from off the face of the earth is a service God will bless."

"What giants?" asked Sancho Panza.

"Those you see over there," replied his master, "with their long arms. Some of them have arms well nigh two leagues in length."

"Take care, sir," cried Sancho. "Those over there are not giants but windmills. Those things that seem to be their arms are sails which, when they are whirled around by the wind, turn the millstone."

Excerpt from Miguel de Cervantes' *Don Quixote* - first published in 1604, under the title *The Ingenious Knight of La Mancha*.

¹³ UG 221/NWN/2500/Feingold/3.

1 Mains costs also differ based on when the main was installed. Older
2 main is more depreciated than newer main, yet we do not have vintaged
3 rates. Mains costs differ based on the front footage of the lots where the
4 homes are located and even differ within the same residential
5 development when lots are not uniform in size. The Company does not
6 go down the street and measure each lot to determine which rate
7 classification to use for each customer. Absent having a unique rate for
8 every different customer based on all these different factors, designing
9 rates to recover the average costs for a particular rate class is how utility
10 regulators have addressed this issue.¹⁴

11 What this case is really about is which customers will be overcharged. Infill
12 customers do not require additional investment in distribution mains and are more
13 likely to be heat-only customers than new homes, but NW Natural wants to charge
14 these infill customers as if they require an average investment in distribution mains.
15 Under the current rate design, supported by CUB which keeps the cost of mains as
16 capacity related and assigns it to volumetric charges, infill customers who use gas only
17 for heat—and therefore do not require a main investment—will pay less towards that
18 average cost of mains because those costs will be assigned to usage. Under the new
19 rate design proposed by NW Natural, these customers will pay monthly service charges
20 that will recover the cost of the mains that they did not require.

21 From NW Natural's perspective, it is okay to charge infill customers rates that
22 collect more than their share of costs, because this is a simple function of averaging
23 costs.

24 NW Natural would like a rate design that charges infill customer more than their
25 costs, but better aligns costs for cold-weather customers in The Dalles. Other parties
26 would like a rate design that better aligns costs for infill customers but may charge
27 customers in colder areas more than their actual costs.

¹⁴ UG 221/NWN/2500/Feingold/32.

1 The simple truth is that there is no way to align costs and revenues for each and
2 every customer without having an individual rate for every customer, there is no
3 expectation that such an endeavor should be the goal of regulation, and such an
4 endeavor could be challenged legally for overt price discrimination . Regulation is
5 supposed to be the substitute for marketplaces and marketplaces do not attempt to
6 charge each customer based on the full costs that each customer puts on the system. A
7 grocery store may make a capital investment in a parking lot or garage, but that does
8 not mean that customers who walk, ride bikes, or take transit are charged less – charged
9 differently - than those who drive. Likewise, customers who use the self check-out,
10 helping the store avoid labor costs, do not pay less - different prices – for their
11 purchases. Each customer is charged the same price, regardless of whether the
12 individual customer places different costs on the system.

13 ***iii. NW Natural No Longer Wants to Encourage Conservation***

14 The real issue in this docket, related to rate design, is that NW Natural disagrees
15 with designing rates in a manner to encourage conservation. This debate can easily be
16 solved by looking at the principles and policies applied in Oregon to the issue of rate
17 design.

18 As we argued in CUB’s Opening Testimony, Oregon has, historically, limited
19 customer charges to recover only the direct costs that the customer puts on the system
20 (i.e., that customer’s meter, their billing, etc.) and not to include upstream shared costs
21 of the distribution system, such as distribution mains.¹⁵

¹⁵ UG 221/CUB/100/Jenks-Feighner/9.

1 This policy is a reflection of the principle that rate design should encourage
2 conservation. RAP's support for similar rate design policies comes from the same
3 principle.¹⁶ NW Natural disagrees with this principle:

4 The current price signal from the Company's residential rates tells the
5 customer that costs may be saved (through lower gas bills) that, in fact,
6 cannot be saved (such as the cost of distribution mains that are recovered
7 volumetrically). Under this view, suppose all customers undertook to
8 simultaneously invest in a new conservation measure with a cost of \$100
9 and a savings of \$25 per year on their gas bills. Each customer is
10 satisfied with a four-year simple payback of his investment. However,
11 under revenue decoupling, the actual savings to the customer will only
12 consist of the commodity cost of gas, which is about half of the average
13 residential cost of service (i.e., as reflected in the gas bill), so the actual
14 benefit to the customer will only be \$12.50 per year, because the
15 Company recovers the lost fixed costs through subsequent rate
16 adjustments under its revenue decoupling mechanism. So now the
17 customer is frustrated because the increase to an eight-year simple
18 payback means that the customer must now forego the \$12.50 of annual
19 savings and suffer this loss of expected income - making this investment
20 less economic than other alternatives available at the time.¹⁷

21 While there would be some merit to NW Natural's statement, if all customers were to
22 make the same investment in energy efficiency and the current decoupling mechanism
23 was retained, then fixed costs that could not be avoided would reduce the expected
24 savings. But, not all customers will make the same investment in energy efficiency
25 each year – only a small percentage will make such an investment in any one year.

26 Furthermore, Oregon has maintained a rate design policy, for at least twenty
27 years, of encouraging conservation (CUB knows this because the policy has been
28 consistent as long as Mr. Jenks has been appearing before the Commission!). This has
29 been a largely successful policy. It can be demonstrated that actual average residential
30 demand per capita for both natural gas and electricity have been declining during that

¹⁶ UG 221/NWEC/100/Hirsh/14.

¹⁷ UG 221/NWN/2500/Feingold/65.

1 time period.¹⁸ The policy has also not led to complaints from “frustrated” customers
2 who complain that decoupling is reducing their expected savings. The only problem
3 with this policy today is that NW Natural no longer wants to follow it – NW Natural no
4 longer wants to encourage conservation.

5 *iv. Short-term Versus Long-term Marginal Costs.*

6 NW Natural makes the following statement about short-term versus long-term
7 marginal costs in its Reply Testimony. Quite frankly, CUB does not know what to
8 make of it:

9 CUB’s position is quite surprising given their intent to increase the
10 Company’s volumetric gas rates because from a theoretical viewpoint,
11 long-run marginal cost is below short-run marginal cost for a company
12 like NW Natural that exhibits economies of scale. Setting gas rates on
13 long-run marginal cost would result in lower, not higher volumetric
14 charges. The apparent confusion on the part of consumer advocates such
15 as CUB results from a misunderstanding of the assumptions underlying
16 the development of long-run marginal costs and average costs within the
17 context of utility regulation. Long-run marginal costs assume that both
18 technology and input prices are fixed consistent with those occurring in
19 the short-run. The fact that costs curves shift upward vertically over time
20 because of inflation and shift downward vertically over time because of
21 technology contributes to this confusion. The important point is that with
22 scale economies, as acknowledged by Staff, long-run marginal cost will
23 continue to be below short-run marginal cost until such time that all
24 scale economies are exhausted.¹⁹

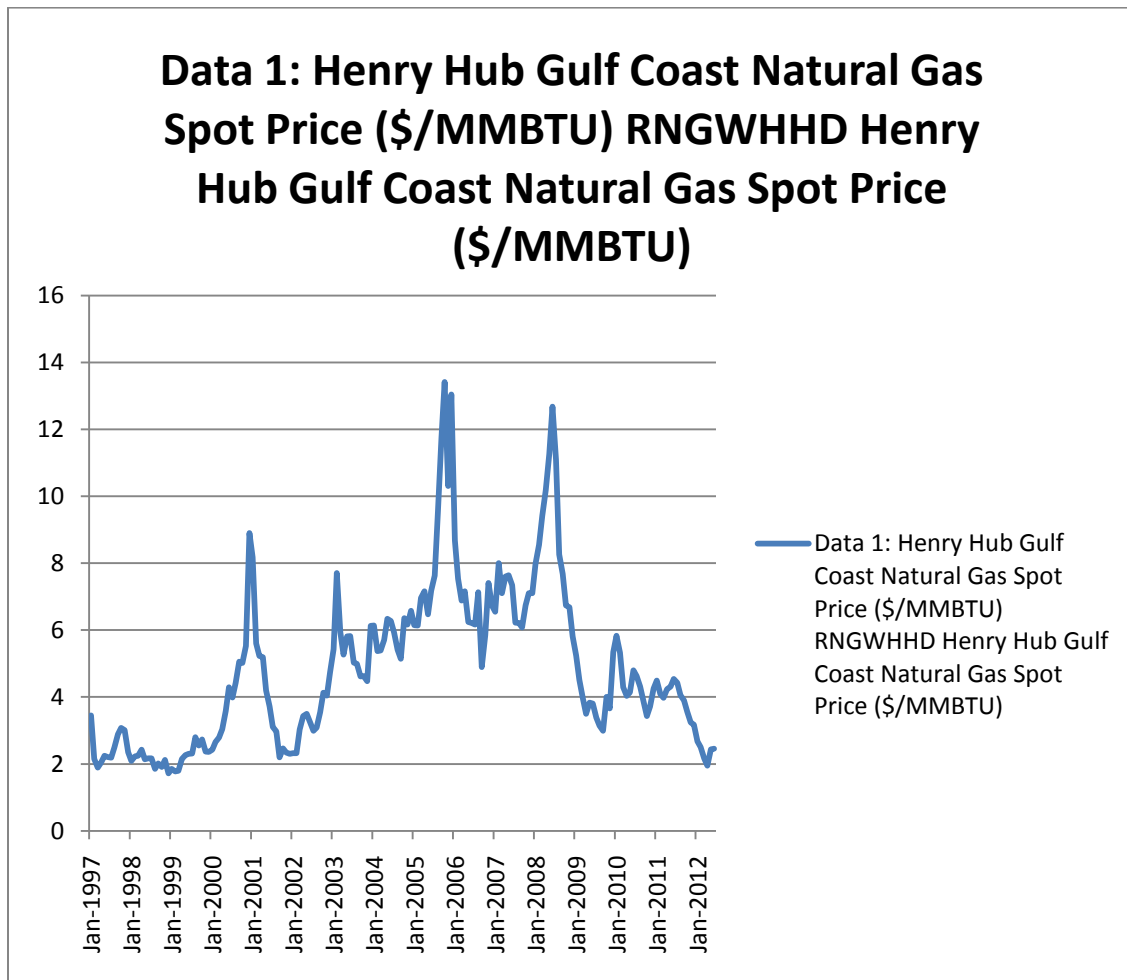
25 Natural gas is a commodity market. If long-term marginal costs were always
26 lower than short-term marginal costs, then long term contracts would be available at
27 prices that, when adjusted for inflation, were lower than current prices. Hedging would
28 become much easier. The volatility of both electricity and gas prices shows the
29 absurdity of this claim. Long-term marginal costs are not just a function of technology

¹⁸ Oregon Utility Statistics Book,
http://www.puc.state.or.us/puc/Pages/Oregon_Utility_Statistics_Book.aspx

¹⁹ UG 221/NWN/2500/Feingold/50-51.

1 and inflation; other ingredients in this complex soup include hedge fund speculation,
2 environmental regulation of carbon and fracking, and accessibility of markets, to name
3 just a few of the other ingredients.

4 The following graph,²⁰ shows the recent history of natural gas prices. It is hard
5 to see from this graph how, over time long term marginal costs are always below short
6 term. Instead, this shows a commodity that is subject to wild swings in its price.



7
8 It would be nice if the long-term marginal cost of the commodity we call natural
9 gas were guaranteed to be lower than the inflation-adjusted current price but the

²⁰ Source of data for graph: http://www.eia.gov/dnav/ng/hist_xls/RNGWHHDm.xls

1 employees of CUB would not risk their retirement account in the futures market betting
2 on NW Natural's claims about future prices.

3 **B. CUB's Response to Staff's Seasonal Rates Proposal**

4 Staff is once again proposing the use of seasonal rates but this time for a gas
5 utility, and this time the higher seasonal rates are to be inflicted upon customers who
6 use gas for heating their homes. In many respects, Staff's proposal moves in the
7 opposite direction of NW Natural's. Whereas the basis of NW Natural's rate design
8 proposal is to reduce the costs that flow to winter heating customers in the colder areas
9 of NW Natural's service territory, the Staff's proposal is to increase rates for this same
10 group of customers. The same customers that the Company wants to protect from
11 overpaying as compared to their cost of service, Staff wants to prevent from
12 underpaying as compared to their cost of service.

13 CUB has already discussed the Company's claim that customers in colder areas
14 over-pay their share of distribution system costs. Now CUB will discuss Staff's
15 assertion that winter heating customers actually under-pay their share of costs because
16 they do not adequately pay for their share of storage and transmission:

1 Gas storage costs are incurred to enable the utility to efficiently meet
2 winter peak demands and to allow some purchases of gas to occur
3 during the lower-cost summer season, thereby reducing the average cost
4 of gas sold in the winter. Gas storage can also be used to avoid peak
5 transmission costs by using storage to meet some of the peak loads
6 instead of having to purchase all of the gas needs during peak periods.
7 Similarly, pipeline capacity costs, i.e., the charges imposed by the
8 transmission companies who deliver gas to NW Natural, are a direct
9 function of the peak level of delivery to that utility. Some of NW
10 Natural's own transmission costs are also peak-delivery determined.
11 Staff believes strongly that the costs incurred directly for the benefit of,
12 or to meet, winter loads should be charged to winter loads via a winter-
13 time per-therm volumetric charge rather than being spread throughout
14 the entire year.²¹

15 This shows one inherent problem with chasing cost causality. Arguments about
16 aligning costs and prices in a manner that is fair, are often contradictory and fixing one
17 issue may throw other issues out of balance. Any cost allocation model contains many
18 debatable assumptions that drive the assignment of costs. Some of the assumptions
19 assign more costs to winter heating load, and others assign costs away from winter
20 heating load. While incremental proposals to change specific assumptions may seem to
21 represent improvements in cost causality, they may make the allocation model more
22 biased if larger more debatable assumptions counteract the impact of the assumption
23 that is being changed. To put it another way, the overall goal should be to ensure that
24 the overall rate design is fair, rather than to try to precisely fix every element in the rate
25 design.

26 *i. UM 1415 - time varying rates, seasonal rates and conservation.*

27 UM 1415 was an investigatory docket the Commission used to examine time-
28 varying rates, including seasonal rates. While the docket only applied to electric
29 utilities, CUB suspects this was because no one had proposed to apply time-varying

²¹ UG 221/Staff/1500/Compton/5.

1 rates to gas utilities at the time the docket commenced, and that this was also because
2 natural gas does not have the same on peak/off peak pricing as electricity. If no one
3 expected time-varying rates to be proposed for gas utilities, it follows that no one would
4 feel the need to address time varying rates in that docket.

5 Assuming that many of the policy issues between gas and electric utilities and
6 time varying rates are, however, the same, an examination of UM 1415 is then helpful
7 in analyzing time varying rates for a gas utility. Indeed, Staff cited to UM 1415 in an
8 attempt to support its seasonal rate proposal claiming that seasonal rates would help
9 encourage efficiency:

10 **Q. THE COMMISSION’S COMMENTS IN THE UM 1415**
11 **DOCKET PLACED A LOT OF EMPHASIS ON THE**
12 **POTENTIAL FOR SYSTEM COST SAVINGS DUE TO**
13 **CUSTOMERS’ SHIFTING THEIR LOADS AWAY FROM THE**
14 **PEAK PERIODS IN RESPONSE TO PRICE SIGNALS. WHAT**
15 **MIGHT BE THE RELEVANCE OF SEASONAL RATES IN A UM**
16 **1415 CONTEXT?**

17 A. Higher winter gas prices certainly won’t cause gas heating loads to
18 shift to the non-winter in the same manner that high daily peak-period
19 electricity rates might cause customers to shift some of their
20 discretionary electrical loads to the lower-priced periods of the day. But
21 some gas system cost savings can still be expected to occur owing to the
22 kind of winter-season rates advocated by the Staff. In the short and long
23 run, the basic price elasticity effect of the higher-than-otherwise rate will
24 encourage some reduction in consumption. The longer run effect has to
25 do with the type of customer-conservation-responsiveness that is either
26 carried out individually or through the Energy Trust of Oregon.²²

27 But the Commission did not say that seasonal rates should be imposed if they
28 encouraged conservation. The Commission said:

²² UG 221/Staff/1500/Compton/12

1 *At this time, we are willing to consider mandatory seasonal rates for any*
2 *customer class .We would evaluate any such proposal on its merits,*
3 *based on a comprehensive review of the factors adopted in this order.*²³

4 ***ii. The Commission’s UM 1415 comprehensive review factors.***

5 The factors that Staff should have comprehensively analyzed if it wanted to
6 support its position in this docket are:

7 F-1. The amount of demand-side resource and system benefits that can
8 be tapped through a time-varying rate.

9 F-2. The extent to which an optional rate or alternative program can
10 achieve these demand-side resource and system benefits.

11 F-3. The impacts on customers of the proposed rate (e.g. rate shock, bill
12 impacts on vulnerable populations, etc.) and the ability of customers to
13 respond to those impacts.

14 F-4. The means available to mitigate impacts on customers.

15 F-5. The direct costs of implementing time-varying rates.

16 F-6. The ability to explain and communicate the rate to customers.

17 F-7. The cost differential between the relevant time periods, how robust
18 the cost studies are, and whether customer response to the time-varying
19 rate is expected to affect the cost differential over time.

20 F-8. The extent to which rates reflect cost-of-service.

21 F-9. The effects on utility revenues arising from time-varying rates.

22 But Staff failed to analyze the factors in the context of this docket. Beyond a
23 discussion of Staff’s claim that these seasonal rates are based on cost of service (F-8),
24 there is no comprehensive discussion of the other factors. While the Staff does claim
25 that seasonal rates will encourage energy efficiency, it does not make any effort to
26 identify the amount of that resource that will be obtained (F-1) under its program, or
27 whether there are alternatives that can capture that resource (F-2).

²³ OPUC Order No. 12-159.

1 There is also no comprehensive discussion of F-3, the impact on customers and
2 customers' ability to respond to those impacts. This is a critical piece of any review of
3 time varying rates. UM 1415 data demonstrated that winter heating bills are what drive
4 residential utility shut-offs.²⁴ While this was looking at electric utilities, there is little
5 doubt that it would also be true for gas utilities which are truly winter peaking.
6 Increasing winter heating bills by design will push more customers who are close to the
7 edge of being shut off right over that edge. None of the parties to this case know what
8 the weather will be like next winter. It is apparent, however, that unemployment will
9 remain high compared to historic standards. A cold winter combined with high
10 unemployment makes winter heating bills difficult for many Oregon families. Last
11 November 28, 2011, the PUC held a workshop on low income energy assistance where
12 CUB urged the Commission and the regulated utilities to consider if there was anything
13 that could be done to minimize winter shut-offs. Given the current economic climate,
14 proposals that are likely to increase winter shut-offs should not be implemented.

15 Factors F-3 and F-4 also get at the ability of customers to respond to seasonal
16 rates, and the means that can mitigate those rates. There are two ways customers can
17 respond to higher seasonal winter bills. First, customers can sign up for equal pay
18 programs, but many customers do not know that this option exists until they are already
19 facing shut offs. Second, Oregon has a heating assistance program to augment the
20 federal heating assistance program. Both of these programs help mitigate the problem
21 of shut-offs due to the unaffordability of heating fuel. However, funds available for the

²⁴ UM 1415 – Opening Comments of Bob Jenks on Behalf of the Citizens' Utility Board of Oregon at p. 15 and Attachment BJ 1 (Sept. 8, 2011).

1 federal program are decreasing as the federal government cuts its budget.²⁵ Shifting
2 costs from summer, when few customers have trouble with their gas bills, to winter,
3 when many customers have trouble with their gas bills, will increase arrearages (the
4 amounts that customers are behind on their bills) and increase the need for bill paying
5 assistance, just as bill paying assistance is declining.

6 Based upon the above review, application of the required Commission factors to
7 Staff's analysis in this docket does not in fact support Staff's request for time varying
8 rates.

9 *iii. CUB reiterates in this docket that Customers Need Help to Deal With Winter*

10 *Heating Costs*

11 In the electric ratecases where the Staff has proposed seasonal rates, its proposal
12 has always been to increase summer rates. Here the Staff is proposing raising winter
13 heating costs. This is a significant change in direction for Oregon, which for more than
14 3 decades has developed policies designed to help customers pay winter heating bills.
15 In UM 1415, CUB walked through Oregon's long history of helping customers deal
16 with their winter heating bills.²⁶ We repeat that list here - though we have shortened our
17 descriptions of the policies. For more information about these policies, parties can
18 review CUB's Comments in UM 1415, at pages 4-11.

19 **a. Ballot Measure 9 in 1978**

20 In 1978, voters passed Ballot Measure 9, which limits utility rate base to
21 investments that are "presently used to serve customers," with 69% voting in favor.

²⁵ CUB Exhibit 201.

²⁶ UM 1415 – Comments of Bob Jenks of Behalf of the Citizens' Utility Board of Oregon at p. 4-11 (Sept. 8, 2011).

1 One argument in favor of Ballot Measure 9 was the effect of rising bills on Oregon
2 seniors' abilities to heat their homes:

3 The Current practice of charging now for services provided in the future
4 hold particular significance for Oregon's senior citizens ... because
5 seniors are the hardest hit by the constant rise in the cost of heating,
6 lighting and maintaining their homes.²⁷

7 **b. HB 2661 in 1979**

8 Rising electric bills and concerns over the affordability of winter heating were
9 an issue in the 1979 Oregon legislature, which passed HB 2661:

10 The legislative assembly finds that the termination of residential electric
11 and natural gas utility service in the winter can lead to the serious
12 impairment of human health and possibly to loss of life; therefore, the
13 Legislative Assembly has enacted this 1979 Act.²⁸

14 **c. House Bill 2527 in 1983**

15 Even after the passage of HB 2661, concerns over the affordability of winter
16 heating bills continued as utility rates increased and economic conditions grew worse.
17 By the time the Legislature met in January of 1983, the national unemployment rate had
18 climbed to 10.4%.²⁹ In 1983, Representative Wally Priestly introduced HB 2527 to
19 tighten the rules concerning shutoff notices and requirements and to protect customers
20 from having to pay excessive deposits to open or restore utility accounts. In his speech
21 recommending the bill, he summarized the issues and reasons that the amendments
22 were necessary. Representative Priestly noted that unemployment had increased over
23 the past few years, pushing more and more families into a financial squeeze and

²⁷ 1978 Voters' Pamphlet, page 54.

²⁸ Oregon Laws 1979, ch. 868 § 2, 1205 (1979).

²⁹ Bureau of Labor Statistics, US Department of Labor.

1 requiring more people to choose between buying food and necessities and heating their
2 homes.³⁰

3 **d. Ballot Measure 3 in 1984**

4 In 1984, concern over the high cost of heating was one of the arguments made
5 in favor of the creation of the Citizens' Utility Board. The 1984 Voters' Pamphlet
6 included this argument from the Gray Panthers and United Seniors:

7 High utility bills are a serious concern for Oregon's senior citizens.
8 Each winter thousands of us face the impossible task of choosing
9 between heating our home and buying food to eat...

10 A large percentage of utility shutoffs involve homes where older persons
11 live. Doing without electricity is a serious threat to the health and safety
12 of our senior citizens.³¹

13 **e. Ballot Measure 4 in 1986**

14 In 1986, Ballot Measure 4 passed to create a 3-person Commission rather than
15 continuing to have rates set by a single Commissioner. The arguments in favor of this
16 measure were similar to the arguments for the creation of CUB. Bills were rising too
17 fast, customers were having trouble heating their homes, and the Commissioner was
18 protecting utility profits at the expense of consumer interests.

19 **f. AR 193 Introduced in 1990**

20 In October 1989, the Commission took up a review of the Division 21 rules,
21 which govern shutoffs and other consumer protections. The main focus of this review
22 was to help customers avoid shutoffs and manage their highest bills including rules
23 requiring Equal Payment Plans.

³⁰ *Hearing on H.B. 2527 Before the House Committee on Human Resources, 1983 Leg., 62nd Sess., Ex. B at 1 (Or. 1983).*

³¹ 1984 Oregon Voters Pamphlet, page 14.

1 **g. Governor's Blue Ribbon Panel in 1997**

2 In 1997, at the request of Oregon HEAT, Governor John Kitzhaber appointed a
3 Blue Ribbon Panel to examine the low-income affordability gap for utility customers.
4 CUB's Executive Director, Bob Jenks served on that panel, along with the Chair of the
5 OPUC at that time, Ron Eachus. The panel looked at the gap between federal LIHEAP
6 funding and low-income needs in Oregon. It also looked at the rate at which low-
7 income homes were being weatherized to determine the number of years it would take
8 to improve the low-income housing stock to a reasonable and modern level of
9 efficiency. The panel concluded that current federal funding was inadequate and that
10 Oregon should establish a low-income heating assistance program and a low-income
11 weatherization program.

12 **h. Increased Bill Payment Assistance in 2007**

13 As we head towards the present, we find there is still concern about Oregon's
14 low income customers. In 2007, the Oregon Legislature passed SB 461. That bill
15 increased Oregon's bill payment assistance program from \$10 million per year to \$15
16 million per year and indexed the amount for load and customer growth.³²

17 **i. The Oregon Legislature Increased Bill Payment Assistance Again in 2011**

18 Again in 2011, concern was expressed for the plight of Oregon's low income
19 customers when, with Oregon facing its worst recession in 30 years, the Legislature
20 passed SB 863, which allows for a temporary increase to the funds collected for bill
21 payment assistance.³³

³² SB 461 passed in 2007.

³³ SB 863 passed in 2011.

1 **C. Other Long Run Incremental Cost (LRIC) Issues**

2 *i. Distribution Mains - CUB opposes the Company's attempt to make 2 inch mains*
3 *the minimum system investment*

4 CUB opposes the Company's attempt to make 2-inch mains the minimum
5 system investment:

6 In using the cost of the minimum size of distribution main (i.e., a 2-inch
7 main) to develop the customer-related costs of its gas delivery system,
8 the Company has recognized that the higher total costs of distribution
9 mains for its larger customers (i.e., its commercial and industrial
10 customers) are appropriately allocated on the basis of their generally
11 higher design day demands. And by attributing no design day demand to
12 its smallest customers (i.e., its residential and small general service
13 classes) for cost allocation purposes, NW Natural has avoided the issue
14 that the minimum system concept can result in a double-counting of
15 some costs for these smaller customers.³⁴

16 The minimum system approach to marginal cost pricing is an attempt to identify
17 the minimum-sized system a utility would install to serve customers, but not load, so
18 this can be allocated based on the number of customers as a customer-related cost. For
19 example, whether a customer uses gas or not this month, that customer's utility bill will
20 be sent to their house and the postage will be the same. The cost of the bill is truly
21 customer-related. It is a cost that is incurred by virtue of the fact that a customer is on
22 the system at all and is unrelated to the amount of gas that the customer purchases
23 overall or the peak amount of gas that the customer needs at any one time. In the past,
24 NW Natural has classified distribution mains as demand-related, but in this case it has
25 shifted its position and is now classifying distribution mains as 100% customer-related
26 for residential customers, just like a utility bill.

³⁴UG 221/ NWN/2500/Feingold/5.

1 Distribution mains, however, are not like billing expenses. Mains serve
2 multiple houses and carry a certain capacity of gas. If a customer reduces their usage,
3 this frees up capacity that can be used by other existing customers or capacity that can
4 be used for new customers being added to the system. NW Natural's approach to
5 classifying distribution mains as 100% customer-related equates to a claim that the
6 minimum size of pipe the Company actually buys is 2-inch, and that all customers
7 therefore need to be hooked up to 2-inch mains – even customers who use no gas. This
8 means NWN is saying that the minimum-sized system, that is unrelated to how much
9 gas customers use, needs to be 2 – inch main.

10 This is a misapplication of the minimum system approach. The minimum
11 system approach is not supposed to be based on the smallest sized component the
12 Company currently purchases, but is instead supposed to be based on the theoretical
13 minimum-sized component that the Company would purchase if it had a system of
14 customers but no demand. Some states require utilities to use a zero-intercept approach
15 (as opposed to a minimum system approach) that looks at the sizes of components and
16 figures out what a component would cost if it was sized to carry zero capacity.

17 While it may be true that the smallest sized main NW Natural would purchase
18 is 2 inches, it is not true of other utilities, so 2 inches cannot represent the theoretical
19 minimum-sized system. In Michigan, for example, distribution mains that are 1.25
20 inches are sometimes used:

21 The MPSC, via its rules and regulations (per state laws), requires these
22 utilities to build and maintain their gas facilities to minimum safety
23 standards and to accept natural gas within certain quality standards. The
24 Technical Standards for Gas Service and Customer Billing Practices
25 ensure that gas meters are accurate and gas customers are treated and
26 billed fairly. With the advance of technology, new gas facilities are

1 designed and built to last well into the 21st century. Michigan has over
2 55,000 miles of distribution main and over 3,200,000 service lines.
3 These gas facilities are maintained to minimize the potential for leaks.
4 Most new distribution mains are made of polyethylene plastic that range
5 in size from 1.25 inches to 8 inches in diameter.³⁵

6 In our Opening Testimony, CUB pointed out that the Company had oversized its
7 minimum system:

8 In order to identify all of the cost of the distribution mains as customer-
9 related, NW Natural has oversized its minimum system needed to serve
10 customers. The classic definition of a minimum system is a hypothetical
11 system that is designed to connect all customers, but is sized to serve
12 little or no demand. One of the key controversies in the minimum-
13 system approach is sizing the minimum system based not on the utility's
14 actual practice, but instead on the hypothetical system necessary to serve
15 customers with little load. NARUC describes this controversy as it
16 relates to electric utilities:³⁶

17 When applying this approach, it is necessary to take care that the
18 minimum size equipment being analyzed is, in fact, the
19 minimum-sized equipment available, and not merely the
20 minimum size stocked by or usually installed by the company.³⁷

21 In its rebuttal, the Company made no attempt to show that the 2-inch main is the
22 minimum-sized equipment available. It cannot demonstrate this because smaller mains
23 are available and are used by some gas utilities. The above quote, showing that
24 smaller sized mains are used in Michigan, proves that a 2-inch main is not the
25 theoretical minimum system.

26 The Commission should reject NW Natural's use of 2 inch mains as the
27 minimum system in its LRIC. If the Company wants to use a minimum system
28 approach to allocate the cost of distribution mains between customer-related and
29 capacity-related, it needs to identify what is truly the minimum system. In the

³⁵ <http://www.dleg.state.mi.us/mpsc/gas/about4.htm>

³⁶ UG 221/CUB/100/Jenks - Feighner/26.

³⁷ Electric Utility Cost Allocation Manual, National Association of Regulatory Utility Commissioners, January 1992, page 138.

1 meantime, distribution mains should be classified as capacity-related, as NW Natural
2 has done in previous LRIC studies that have been approved by this Commission.

3 *ii. CUB Strongly Supports Disaggregating by Function.*

4 CUB strongly supports disaggregating by function. CUB has argued for many
5 years that this is the correct way to reconcile marginal costs to embedded costs when
6 allocating revenue requirement. CUB first introduced this concept in the electric sector
7 in docket UM 827, where our proposal to disaggregate revenue reconciliation was
8 included in the stipulation reached by parties:

9 In this proceeding, the parties have agreed to a new method in which
10 each functional component of costs – generation, transmission,
11 distribution and customers, will be reconciled separately to the
12 corresponding functional component of the utility's revenues.³⁸

13 This is particularly important if the Company is allowed to allocate more and
14 more of its costs as customer-related - as is being proposed for distribution mains in
15 this docket. Otherwise, changes such as NW Natural's proposal to increase the
16 allocation of distribution mains to residential customers, will force residential
17 customers to also pay a higher share of transmission facilities, when NW Natural is not
18 claiming those costs are misallocated. When the Company incurs transmission related
19 costs, these costs should be spread through the LRIC of transmission, not through the
20 LRIC of distribution and transmission.

³⁸ UM 827/CUB/1/Stutz/18.

1 **IV. Connect/Reconnect Charges.**

2 In Opening Testimony, CUB opposed NW Natural's proposal to increase the
3 customer reconnect charge from \$25 to \$40. CUB opposes NW Natural's
4 fixed/variable pricing proposal, which would incent seasonal disconnects – customers
5 who use gas only for heat and can therefore disconnect over the summer – and without
6 fixed variable pricing, CUB does not believe that it is necessary to increase the
7 Company's reconnect charges.

8 Since filing our own Opening Testimony, CUB has reviewed Staff's Opening
9 Testimony on reconnect charges and believes that no increase in reconnection charges
10 is necessary, but that if the Commission decides to increase reconnect charges, Staff's
11 more modest proposal for Tiers 1 and 2 is better.

12 **A. The Burden of Reconnection.**

13 CUB's concern with high reconnection charges is that they hit the most
14 vulnerable customers. A customer who falls behind on their bill and is shut off is a
15 customer who is in a difficult financial condition. In order to get reconnected, the
16 customer must make some arrangement for the amount that the customer owes – the
17 customer may be eligible for time payment and equal pay arrangements which can
18 reduce the cost, but depending on what is owed, this cost can still be significant and can
19 be a barrier to reconnection.

20 The Company's desire to raise reconnection charges is based on the claim that
21 reconnection charges are currently below the cost of reconnecting a customer. But

1 according to the Company's analysis, this will still be true even if the Commission
2 increases these charges to the level desired by the Company.³⁹

3 For reconnections made during normal business hours the Company is
4 proposing an increase from \$25 to \$40. For reconnections made after hours on the next
5 day, the Company is proposing a charge of \$80. And, for reconnections made the same
6 day or on weekends the Company is proposing to impose a new charge of \$185.

7 As an alternative, Staff is proposing to increase the reconnection charge during
8 normal business hours to \$30, a charge of \$80 for same day or evenings and a charge of
9 \$175 for Saturday, Sunday or Holidays.

10 As we said, CUB's concern is in regard to the financial burden that
11 reconnection charges place on a customer who is already struggling and also on the fact
12 that heat is an essential service in Oregon in the winter. Oregon's economy is
13 suffering. Many families are struggling with unemployment or underemployment.
14 Making it more difficult to regain gas service, after it has been shut off, is poor public
15 policy.

16 It is also important to note that not all customers can take time off during the
17 day to stay home during normal business hours. Taking such time off may have a cost
18 in lost wages. Requiring significantly higher charges for evenings, and extremely high
19 charges for weekends, only increases the difficulties felt by low income working
20 families.

21 While the Company argues about the cost of this service, it is important to
22 recognize that these revenues, like all utilities revenues are designed to meet the

³⁹ UG 221/NWN/2800/King/7.

1 revenue requirement, not the cost of a discrete visit. In other words, all of the costs of
2 reconnection are part of the general revenue requirement and all of the revenue from
3 reconnection charges is used to meet this revenue requirement. CUB does not propose
4 that the Company be disallowed from recovering the cost of reconnection, only that
5 there should be a limit on the amount that is charged to customers for reconnection.
6 There is certainly no requirement that each individual customer pay for each interaction
7 with the utility. There is a cost to using the customer call center and some customer use
8 it frequently whereas some customers never use it, but we do not require NW Natural to
9 identify the average cost of a call center interaction and charge that to the customer who
10 makes the call. We do not charge customers more for after-hours calls to the call
11 center. Call center costs are recoverable, but as part of the general revenue
12 requirement.

13 Beyond the claim that reconnection visits cost more than the charge, NW
14 Natural's arguments have little merit.

15 First the Company argues that this is based on 860-021-0328(7)(b):

16
17 OAR 860-021-0328(7)(b), provides that reconnect fees may differentiate
18 between after-hours, same-day reconnections and after-hours
19 connections on a subsequent day...

20 Staff's proposal should be rejected because it does not align with OAR
21 860-021-0328(7)(b), which provides for a price differentiation that the
22 Company believes is important to reflect.⁴⁰

23 The rule cited is permissive with regard to whether the after-hours charge for
24 same day reconnections may be higher than the after-hours charge for a subsequent day
25 reconnection. It does *not* require that they differentiate and it certainly doesn't express

⁴⁰ UG 221/NWN/2800/King/8.

1 a preference. To suggest that the basis for rejecting Staff proposal is that it does not
2 align with the rule is absurd. Both NW Natural's proposal and the Staff's proposal are
3 consistent with the rule and the rule is not the basis to reject either.

4 Tier 3 (weekends and holidays) is new. The Company is proposing a new \$185
5 charge for this, while Staff is proposing \$175. The Company argues that the Staff
6 proposal should be rejected:

7 Because the work performed under this charge is the highest cost work,
8 if the cost is reduced below the Company's actual cost then there is risk
9 that the Company will not be able to meet the volume of requests for this
10 type of reconnect charge.⁴¹

11 This argument makes no sense. Today we don't have a higher charge for this
12 service. According to the Company if we charge \$175 rather than \$185 the Company
13 will not be able to meet the volume for this. A \$10 difference isn't going to increase
14 demand to the point that the Company cannot keep up. Or is it that if the Company
15 cannot charge the extra \$10 it will is not willing to meet the volume of demand? The
16 Company offers no evidence to support either claim.

17 **B. CUB's Proposal for Reconnection Charges**

18 CUB supports keeping the charges at their current levels: \$25 for reconnections
19 during normal business hours and \$75 for reconnections outside of normal business
20 hours. CUB believes that it is inappropriate during current economic circumstances to
21 increase costs which fall upon the most vulnerable customers.

⁴¹ UG 221/NWN/2800/King/9.

1 **V. Customer Service Windows and Guarantees**

2 NW Natural opposes the customer service guarantees that Staff has proposed as
3 a condition of the Company's new customer service windows. CUB believes such
4 guarantees are necessary.

5 It is important to recognize that NW Natural does not need to be implementing
6 this change now with this rate case. If the utility felt that providing customers with 4
7 hour service windows was important it could have hired the personnel to do this
8 without going through a rate case. With an ROE of more than 11% in recent years, NW
9 Natural could have made the choice to implement this proposal and still been able to
10 provide a reasonable return to its investors. The fact that the Company did not, tells us
11 something about how NW Natural values overearning as compared to customer service
12 windows.

13 But reviewing these costs in a rate case does not guarantee that they will
14 happen. A ratecase forecasts the Company's costs. If it can reduce those costs, after the
15 ratecase, those reductions can flow to the Company as over-earning until the next rate
16 case. If the Company values over-earning above the customer window, then that choice
17 still exists after this case is over.

18 This is why Staff's proposal for service guarantees is so important. It will hold
19 the Company accountable for implementing these service windows. The Company has
20 three arguments against the Staff's proposal:

21 **A. Staff assumes that the Company can meet this 100% of the time.**

22 According to the Company:

23 First, it appears that Staff assumes that 100% of all appointments must
24 be met. This is an unrealistic assumption and does not consider the many

1 variables faced by field personnel that could cause an appointment to be
2 missed. Variables include things such as the Company's need to redirect
3 resources for emergency response, traffic accidents, inclement weather
4 conditions, or even the situation where a customer is not home when the
5 technician arrives. Especially given the Company's commitment to
6 safety, it is not reasonable to assume that the Company could, or should
7 meet 100% of its SWAs, given that it would dispatch employees to
8 handle a safety situation (such as an odor call) rather than try to meet a
9 SWA, which would not represent a safety hazard.⁴²

10 CUB does not read the Staff proposal to say that the Company will, or should,
11 always meet the performance guarantee. CUB understands the Staff proposal to say
12 that the Company will meet the guarantee or pay \$100 with \$25 of that used to
13 compensate the customer for the missed appointment. If there is a car accident or one
14 of the other events that NW Natural cites that prevents the appointment, there would be
15 a \$100 cost to the Company. There may also be a cost to the customer in terms of lost
16 wages.

17 But \$100 per missed appointment is not onerous and does not require that the
18 Company meet 100% of all appointments. What is important is that the Company be
19 held accountable for implementing the program.

20 **B. The Starting Date for Accountability**

21 According to the Company:

22 Second, Staff does not identify when the service guarantee would be
23 effective. As stated in the direct testimony of David Williams
24 (NWN/900, Williams/9), there will be a minimum ten-month period
25 following the date that rates go into effect in this proceeding before the
26 Company can begin to implement the SWA program. The Company
27 actually expects that the full implementation period could be as long as
28 18 months due to the time needed to hire and train new service
29 technicians simply due to the fact that many new hires do not complete
30 training, causing the hiring and training period to extend even further. In

⁴² UG 221/NWN/2800/King/3.

1 addition, it may take as long as six months to receive the new vehicles
2 needed to support the new service technicians. If an appropriate
3 implementation period is not considered, any service guarantee would be
4 inappropriate, since it would penalize the Company for expectations that
5 are beyond its ability to fulfill.⁴³

6 NW Natural is concerned that the under Staff's proposal it may incur a cost of
7 \$100 before it has fully implemented the program, but is not concerned that it will not
8 have implemented this program when rates are effective and customers are paying for
9 the program. The Company argues that such accountability should not be allowed until
10 18 months after the effective date for rates in this docket.⁴⁴ But the Company does not
11 explain why customers should pay for this on the effective date for rates if the
12 Company has not hired or trained any of the personnel and has not purchased the trucks
13 for the personnel. Is the program used and useful when rates go into effect?

14 Without accountability, once this program is in rates, but the costs have not
15 been incurred, the Company has no real incentive to move quickly to implement the
16 program.

17 **C. Ending date**

18 Finally, the Company argues that the Staff's plan should not be allowed because
19 it does not have an ending date for the accountability.⁴⁵ CUB believes that no ending
20 date should be established because without an accountability system, NW Natural may
21 not replace technicians as they leave and the ability to maintain these windows may
22 erode.

⁴³ UG 221/NWN/2800/King/4.

⁴⁴ *Ibid* at 5.

⁴⁵ *Ibid* at 4.

1 **D. CUB's Proposal**

2 While CUB commends the Staff for designing a system of accountability, CUB
3 proposes a couple of changes to the Staff proposal.

4 First, CUB recommends that \$50 of the \$100 charge go to the customer who
5 wasted half a day waiting for the technician. Having to take time off work to wait for
6 an appointment that does not show is a frustrating experience for a consumer and that
7 customer should be adequately compensated.

8 Second, while CUB opposes NW Natural's proposal to wait 18 months for
9 accountability, CUB is willing to hold off on the accountability until 6 months after
10 rates are effective. At this point we are midway through the test year that includes
11 these costs and customers should expect the costs in their rates to be used and useful.
12 This also gives the Company an incentive to move forward with the program – in fact,
13 the Company could begin to hire and train before the day that rates become effective.

14 **VI. Decoupling**

15 Staff provides a good description of decoupling:

16 Decoupling is a regulatory rate mechanism designed to remove a rate
17 regulated energy utility's incentive to increase profits by increasing
18 volumes of delivered energy. The objective underlying the removal of
19 such an incentive is to make the utility indifferent as to the volumes of
20 energy it sells, thereby removing the parallel incentive to oppose energy
21 efficiency efforts serving to reduce the use of energy provided by the
22 utility.⁴⁶

23 In this docket, both Staff and NW Natural support decoupling, but they propose
24 very different models to accomplish it.

⁴⁶ UG 221/Staff/1300/Storm/5.

1 **A. NW Natural Misrepresents CUB's Position**

2 According to the Company's Reply Testimony set forth below, CUB both
3 supports NW Natural's proposed changes in the decoupling mechanism and also does
4 not propose alternate changes to the mechanism:

5 [T]he Company proposed modest changes to the mechanism. CUB and
6 the Coalition agree with these changes, and do not propose any other
7 changes to the mechanism.⁴⁷

8 When CUB wrote its Opening Testimony, CUB did not spend a lot of time
9 discussing decoupling, because CUB knew Staff had changes it wanted to propose, and
10 CUB wanted a chance to evaluate Staff's proposed changes. Neither did CUB endorse
11 NW Natural's proposed changes; instead, CUB suggested that CUB could continue to
12 support decoupling if the Company's plans to increase the customer charge were
13 rejected:

⁴⁷UG 221/ NWN/1900/Siores/2.

1 CUB has been willing to support decoupling in exchange for good
2 energy efficiency programs, and is willing to continue to support
3 decoupling in exchange for continued good energy efficiency programs.
4 But, CUB cannot support a decoupling plan that encourages certain
5 customers to disconnect for the summer and requires other customers to
6 make up that cost to keep NW Natural whole.

7 The bottom line is that with decoupling overlaid on NW Natural's new
8 rate design, NW Natural will not have to address the unintended
9 consequences of seasonal disconnections, even though it is a known
10 result of the rate design. The Company has testified that disconnections
11 will be a clear result of its preferred rate design, but the Company is not
12 proposing a mechanism to deal with this problem. This is because
13 decoupling has shifted the risk of less-than-full-fixed cost recovery to
14 customers. CUB cannot support this. Decoupling was designed to
15 protect the utility from the loss of fixed cost recovery as customers
16 invested in energy efficiency. Here, it would be used to protect NW
17 Natural from the known consequences of a misguided rate design. This
18 is not acceptable to CUB.⁴⁸

19 Beyond the issue of whether decoupling should be allowed under the rate design
20 proposed by NW Natural, and whether decoupling is a generally acceptable trade-off
21 for good energy efficiency programs, CUB did not weigh in on, and has certainly not
22 endorsed, the Company's proposal. CUB's evaluation of both NWN's and the Staff's
23 decoupling proposals follow.

24 **B. The Differences Between Staff's and NW Natural's Proposals**

25 Staff and NW Natural have both made proposals that CUB believes are
26 consistent with the general definition of decoupling but each takes a different approach,
27 and each has strengths and weakness. Each is consistent with Staff's earlier definition,
28 but focuses on a different part of that definition.

29 Staff's proposal focuses on removing "a rate regulated energy utility's incentive
30 to increase profits by increasing volumes of delivered energy," including the incentive

⁴⁸ UG 221/CUB/100/Jenks-Feighner/22-26.

1 to add new customers. NW Natural’s proposal focuses on “removing the parallel
2 incentive to oppose energy efficiency efforts serving to reduce the use of energy
3 provided by the utility.”In other words NW Natural proposes decoupling that is based
4 on maintaining a specific contribution towards fixed costs to each customer. Staff on
5 the other hand is proposing decoupling that is based on maintaining a contribution
6 towards fixed costs for each customer class covered by decoupling.

7 The reason for the different proposals can easily be explained, as use per
8 customer, and total use per customer class, are going in opposite directions. This is
9 demonstrated by a review of the statistics. For residential customers, there has been an
10 increase in total residential load of about 2.1% since 2002-03 and also a decrease in
11 average residential usage of 1.9%.⁴⁹

12 *i. NW Natural’s View of Decoupling*

13 Per-customer decoupling as proposed by NW Natural focuses on recovery of the
14 fixed cost contribution that is lost due to the decrease in average usage of each
15 residential customer. Per class decoupling as proposed by Staff would somewhat offset
16 this by recognizing the fixed cost contribution associated with the growth of the
17 residential class. Both focus on truing up the collection of fixed costs, but each would
18 include significantly different costs.

19 NW Natural claims that Staff Exhibit 1303 shows that when the two
20 mechanisms are compared, NW Natural gets less recovery of fixed costs under Staff’s
21 proposal than the Company would under its proposal. From this, the Company
22 concludes:

⁴⁹ UG 221/Staff/1300/Storm/19.

1 In short, the exhibit illustrates that Staff's proposed mechanism would
2 always under-recover the Company's fixed costs unless customer counts
3 decline, which historically has not been the case.⁵⁰

4 But the exhibit does not show anything about over- or under-recovery. The exhibit
5 shows the revenue associated with the decoupling adjustments between the two
6 proposals but does not relate either to actual costs, which is necessary to determine
7 whether there is over- or under-recovery. The exhibit simply shows that NW Natural
8 will recover less under the Staff's methodology than it would under its own
9 methodology.

10 ***ii. Staff's View of Decoupling***

11 Staff, on the other hand, views its proposal as superior because the current
12 mechanism is placing significant surcharges onto customers' bills, even when the total
13 contribution to fixed costs is increasing on a class basis:

14 It is important to understand the relationships between changes in total
15 use, use per customer, and customer growth (decline). Use per customer
16 is declining, but growth in the number of customers more than offsets
17 this, so total therms increase. Therefore, the total number of therms on
18 which to recover fixed costs has increased, not decreased. This is the
19 situation I described earlier for Northwest Natural and its Residential
20 customers since implementation of decoupling: actual weather-
21 normalized therms have increased and revenues to cover fixed costs
22 have therefore increased, yet Residential customers paid a cumulative
23 \$54.0 million in decoupling charges.⁵¹ (*emphasis added*)

24 Staff recognizes that the increase in customers has increased fixed costs, but
25 concludes that the increase in fixed costs is less than the revenue the Company receives

⁵⁰ UG 221/NWN/1900/Siores/8.

⁵¹ UG 221/Staff/1300/Storm/32.

1 from those customers.⁵² This results in a utility that, under NW Natural’s mechanism, is
2 “highly incented to increase its number of customers.”⁵³

3 Staff’s primary proposal to solve this problem is to switch to decoupling based
4 on total therm sales rather than per customer therm sales.⁵⁴ Staff accomplishes this by
5 establishing a baseline from the docket, and adding additional fixed cost recovery
6 associated with additional fixed costs that vary with new customers. Staff does not
7 include mains as a fixed cost that varies with new customers.⁵⁵

8 ***iii. CUB’s View of Decoupling***

9 From CUB’s view, both of these mechanisms achieve decoupling, but each
10 mechanism operates differently. CUB is concerned about the incentive as it relates to
11 energy efficiency more than as it relates to new customers. Staff is concerned about the
12 incentive to sign up new customers under the current NW Natural mechanism. CUB is
13 not so concerned. While the purpose of decoupling is to sever the link between sales
14 and profits, CUB is primarily concerned about how that move affects current gas
15 customers, not new customers. The reason CUB originally supported decoupling for
16 NW Natural was to remove the disincentives a utility has in offering good, high quality
17 energy efficiency programs, such as the ETO programs. This is reflected in the use per
18 household going down.⁵⁶ New customers, on the other hand, are a bit different.
19 Because of modern codes and the success in market transformation, new residential

⁵² Staff/1300/Storm/33.

⁵³ *Ibid.*

⁵⁴ *Ibid* at 39.

⁵⁵ *Ibid* at 42.

⁵⁶ CUB/100/Jenks-Feighner/15 lines 19-21; 16 lines 1-2.
<http://www.puc.state.or.us/puc/docs/statbook2010.pdf>

1 customers are likely to occupy relatively efficient new homes, or existing homes that
2 are changing from less-efficient oil and electric heat to more-efficient gas heat.

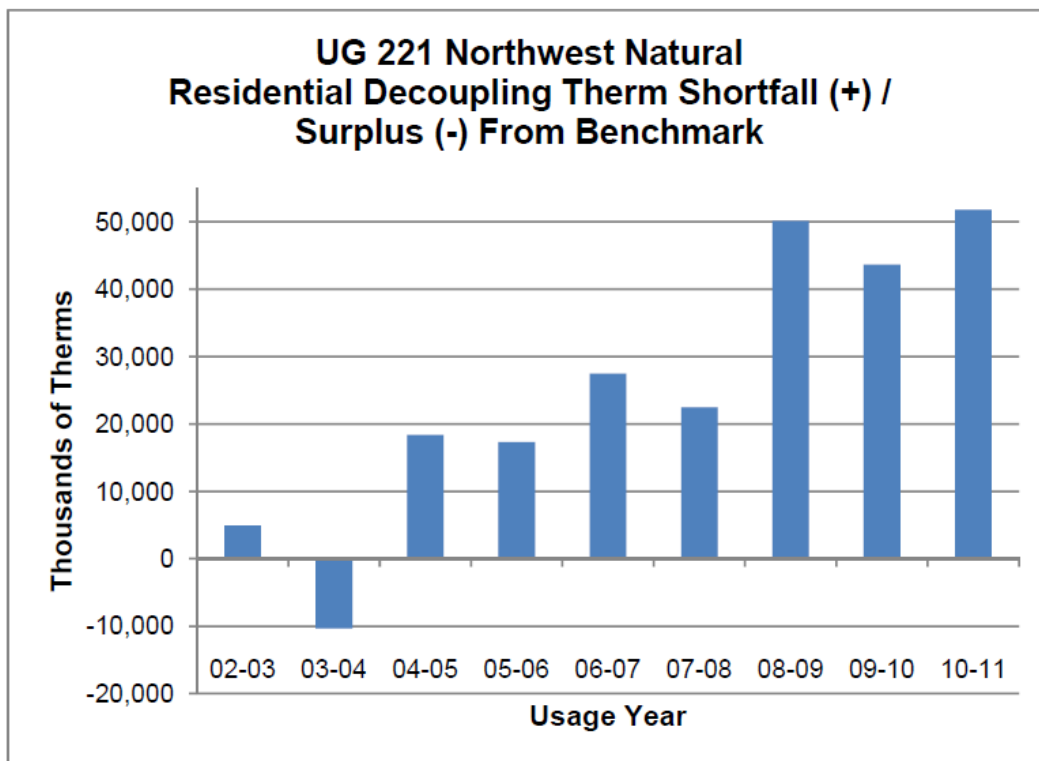
3 CUB likes the fact that Staff's proposal would result in smaller adjustments, but
4 CUB is concerned that it does so by not providing the same removal of the disincentive
5 to invest in energy efficiency. If a customer takes advantage of an energy efficiency
6 program, that customer will contribute less to NW Natural's fixed costs, and the
7 Company will lose marginal revenue. Staff recognizes that new customer growth can
8 offset this lost revenue by recognizing the contribution to fixed costs associated with
9 that new customer growth.⁵⁷ However, that new customer growth is independent of the
10 existing customers' energy usage. The new customer growth does not affect the
11 amount of margin reduction the utility has from energy efficiency programs when
12 individual customers reduce their usage. It recognizes an "offset," but that "offset"
13 would be there even if the customer did not decrease their usage, meaning the margin
14 loss to the Company is unaffected by the offset. The disincentive is, therefore, also
15 unaffected. So, while the Staff methodology may be fair from the point of view of
16 allowing the Company to recover its fixed costs, the Staff proposal would leave the
17 utility worse off when it offers strong energy efficiency programs than when it does
18 not.

19 CUB is not a huge fan of decoupling because it shifts risk to customers.
20 Nevertheless, CUB has agreed to support decoupling in this case in order to remove the
21 disincentive for NW Natural to invest in energy efficiency programs, as long as
22 decoupling is directly tied to the provision of good, high quality energy efficiency

⁵⁷ UG 221/Staff/1300/Storm/26.

1 programs.⁵⁸ The harm of the shift in risk is offset by the benefit of programs customers
2 can use to reduce their bills. While CUB believes that Staff’s proposal is fair and
3 provides the Company protection from under-recovery of fixed costs, it does not
4 remove the disincentive for the Company to invest in energy efficiency.

5 Staff’s testimony does, however, raise a concern. Declining customer usage and
6 new customer growth impacts the mechanism. Reductions in usage from existing
7 customers should allow more new customers to be hooked up to existing mains. In
8 addition, many new customers are infill customers who do not require new mains and
9 are using gas primarily for heating purposes. Over time, the mechanism can get “out of
10 whack.” Figure 4 from Staff’s testimony demonstrates this:⁵⁹



11

⁵⁸ UG 221/CUB/100/Jenks-Feighner/22 lines 11-15.

⁵⁹ UG 221/Staff/1300/Storm 21 line 1.

1 In recent years, the decoupling mechanism has consistently required significant
2 surcharges to customers. There are a variety of factors that may have influenced this,
3 including the Great Recession which began in 2008.⁶⁰ The recession may have caused
4 customers to reduce their usage, and coincided with the collapse of new housing
5 construction. In addition, the recession likely meant that most new customers were
6 infill customers who did not require new mains, but because the new infill customers
7 have more limited use of gas (heat only), each new infill customer brings with them a
8 decoupling adjustment.

9 Staff testimony shows that there is a need to reexamine decoupling every few
10 years to adjust decoupling for the impact new customer growth is having on the
11 mechanism.

12 There are two ways that this could be handled:

13 1. *Remove new customers from the calculation altogether.*

14 Rather than assuming all new customers require main extensions, as the
15 Company does, or assuming that all new customers do not require main extensions, as
16 the Staff does, the alternative is to not make any assumptions about the impact new
17 customers have on fixed costs. Instead, the mechanism would be set to ensure that the
18 Company receives the fixed cost recovery associated with existing customers as those
19 customers reduce their usage into the future. New customers would only be added to
20 the formula when new rates are set. At this time, new customers would be included in
21 the mechanism, new fixed costs associated with those customers would be added, and
22 the actual weather-normalized usage of those customers would be included. This way

⁶⁰ UG 221/Staff/1300/Storm/23 lines 9-16.

1 the actual fixed costs associated with these new customers would be known and there
2 would not be a concern about our ability to forecast infill versus non-infill new
3 customers. In addition, the decoupling incentive for adding new customers that Staff is
4 concerned about would be reduced and the Company would not be able to use
5 decoupling to avoid general rate cases.

6 *2. Require a regular true-up in customer counts, fixed costs, and usage per customer*
7 *every 3 to 5 years.*

8 This could be done by requiring regular rate cases to update the mechanism, or
9 by working on a methodology that would allow the mechanism to be updated based on
10 the Company's Results of Operations.

11 *iv. When to Set the Fixed Cost Level?*

12 One additional point of disagreement between Staff and NW Natural relates to
13 the issue of whether the margin adjustment associated with the mechanism is updated
14 between general rate cases.

15 NW Natural takes the position that it should be:

16 I do not agree with fixing the value of the margin rate per therm only in
17 a general rate case. Typically, the margin rate per therm will change in
18 between rate cases only due to capital tracking mechanisms that may be
19 in effect and due to elasticity which has been proposed to be removed in
20 this case.⁶¹

21 CUB's position is that unless there is an attempt to update the entire
22 mechanism—fixed costs, usage per customers, and number of customers—it makes
23 little sense to add additional fixed costs associated with capital tracking mechanisms.
24 By including new customers and including an assumed level of fixed costs associated

⁶¹ UG 221/NWN/1900/Siores/11.

1 with those customers, the Company's proposal already adds "assumed" capital
2 investment between rate cases to the decoupling mechanism. CUB believes that it
3 makes no sense to add additional actual capital investment without ensuring that the
4 "assumed" capital investment is not sufficient. CUB agrees with Staff that the
5 mechanism should not be adjusted for capital tracking mechanisms.⁶²

6 **VII.NWN's Request for ROE Is Not Even Supported By its Own**

7 **Expert Witnesses' Analysis.**

8 NW Natural's ROE witness, Dr. Hadaway, updated his analysis and concluded
9 that a reasonable range for an ROE is 9.6% to 10.0%.⁶³ NW Natural, however, is
10 rejecting its own expert witness's analysis and is asking for an ROE of 10.2%:

11 In Dr. Hadaway's updated analysis, the DCF range narrowed to 9.6
12 percent to 10.0 percent. In sponsoring this update, Dr. Hadaway testified
13 that current market conditions also undermine the traditional assumption
14 that the best cost of equity estimate for the rate effective period can be
15 found in the most recent data. Considering this testimony, the Company
16 decided to recommend a 10.2% ROE, a number which acknowledges the
17 results of Dr. Hadaway's updated analysis, but ultimately gives his
18 original analysis more weight. In my opinion, Dr. Hadaway's original
19 analysis more accurately estimates NW Natural's cost of equity in the
20 rate effective period.⁶⁴

21 CUB cannot remember a utility rejecting its own expert witnesses' analysis and
22 asking for a higher ROE. But if its own witnesses' analysis cannot support the
23 Company's position, then it is not a tenable position.

⁶² UG 221/Staff/1300/Storm 51 lines 11-12.

⁶³ UG 221/NWN/2100/Hadaway/2 lines 14-20; 20 lines 5-16.

⁶⁴UG 221/ NWN/1800/Anderson/15.

1 **VIII. Gas Storage Adjustments**

2 **A. NWN's Request to Include Costs Associated with Working Gas Inventory**

3 **Should be Rejected**

4 CUB's Opening Testimony recommended that the Commission disallow NW
5 Natural's request to include costs associated with working gas inventory (WGI) in rate
6 base.⁶⁵ CUB reiterates this stance here and recommends that WGI be included in NW
7 Natural's Purchased Gas Adjustment (PGA), a proceeding in which it will be subject to
8 a review for prudence and accuracy.

9 **B. CUB Supports Staff's Adjustment for Ratebase for Interstate Storage**

10 Staff's Opening Testimony addresses the sharing mechanisms related to
11 interstate storage and pipeline transportation in Schedules 185 and 186.⁶⁶ Staff
12 recommends changes to the sharing mechanisms in both of these schedules. CUB is
13 primarily concerned with Schedule 186 since this relates to a ratebased asset.

14 *i. Schedule 186*

15 Schedule 186 provides a bill credit to customers for the Oregon share of
16 Revenues derived by the Company from the optimization of pipeline and storage
17 capacity. Staff recommends that the sharing split on these revenues be adjusted from
18 the current level of 67/33 in favor of customers to a 90/10 split in favor of customers.
19 As noted by Staff,⁶⁷ utilities must seek to optimize the usage of resources that are
20 included in customer rate base; storage and pipeline capacity certainly are included in
21 this set of resources.

⁶⁵ UG 221/CUB/100/Jenks-Feighner/3 lines 1-2; 24, lines 15-22 to 25, lines 1-12.

⁶⁶ UG 221/Staff/1000/Zimmerman/12-21.

⁶⁷ *Ibid* at 19-20.

1 This is not a novel idea. Electric utilities are constantly involved in market
2 transactions using ratebased assets with a goal of optimizing those assets, and
3 generating revenues to offset rates. For example, a utility with a natural gas
4 combustion turbine will dispatch that turbine whenever market prices support its
5 dispatch. If the power is not needed in its own system it will sell the power into the
6 market and the 100% revenues are used to offset power costs. There is no revenue
7 sharing. The regulatory system does not act as if electric utilities need to be bribed to
8 maximize the value of a ratebased asset. The utility is paid a rate of return on that asset
9 and it is expected that it will maximize its value to the system.

10 Schedule 186 storage is similar. It is a ratebased asset. In exchange for this
11 ratebase, NW Natural should maximize the value of this asset to the system. This is the
12 basic responsibility of a utility with ratebase.

13 Staff does, however, propose allowing the Company to retain 10% of the
14 revenue as an incentive to optimize the utilization of this asset.⁶⁸ While CUB does not
15 believe this sharing is necessary, we are willing to allow NW Natural to keep a small
16 percentage of revenues from optimization to provide an incentive for optimal
17 utilization. CUB therefore agrees with Staff's assessment of this issue and supports the
18 adjustment of the sharing ratio to a 90/10 split, with eligible customer classes receiving
19 90% of the revenues from optimization and NW Natural retaining 10%.

⁶⁸ UG 221/Staff/100/Zimmerman/19, line 23 to 20, line 3.

LIHEAP: MEETING NEEDS IN OREGON

CAMPAIGN FOR

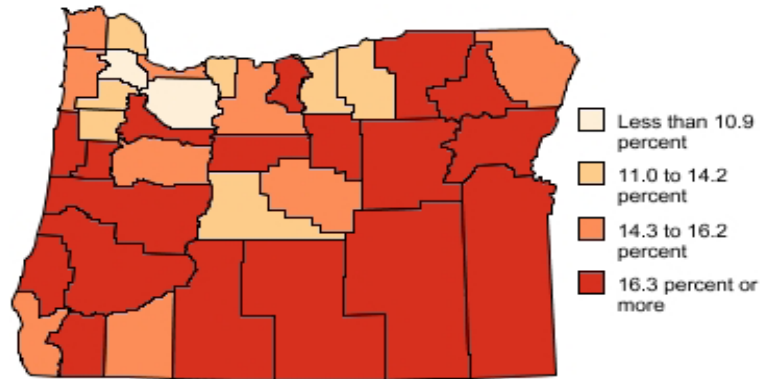
HOME ENERGY ASSISTANCE

FY2012 LIHEAP FUNDING:

The President recommended cutting the LIHEAP program from the authorized \$5.1 billion to \$3 billion in FY 2013.

During tough economic times and with home heating and cooling prices on a steady incline, now is not the time to cut back funding for LIHEAP.

POVERTY STATISTICS BY COUNTY (2010 US Census):



COUNTY	Authorized \$5.1 billion	FY 2012 \$3.47 billion	FY2013 (Request) \$3.02 billion	Poverty Rate	CD
BAKER COUNTY	\$ 571,160.00	\$ 402,508.36	\$ 319,627.41	19.4	2
BENTON COUNTY	\$ 830,777.00	\$ 585,465.87	\$ 464,911.94	18.0	4,5
CLACKAMAS COUNTY	\$ 1,973,096.00	\$ 1,390,481.89	\$ 1,104,166.20	9.4	3,5
CLATSOP COUNTY	\$ 778,854.00	\$ 548,874.65	\$ 435,855.26	15.3	1
COLUMBIA COUNTY	\$ 830,777.00	\$ 585,465.87	\$ 464,911.94	11.9	1
COOS COUNTY	\$ 1,453,859.00	\$ 1,024,564.75	\$ 813,595.47	19.1	4
CROOK COUNTY	\$ 519,237.00	\$ 365,917.14	\$ 290,570.73	16.2	2
CURRY COUNTY	\$ 415,388.00	\$ 292,732.58	\$ 232,455.69	15.5	4
DESCHUTES COUNTY	\$ 1,921,173.00	\$ 1,353,890.67	\$ 1,075,109.52	11.8	2
DOUGLAS COUNTY	\$ 2,232,713.00	\$ 1,573,439.40	\$ 1,249,450.72	16.6	4
GILLIAM COUNTY	\$ 51,923.00	\$ 36,591.22	\$ 29,056.68	13.3	2
GRANT COUNTY	\$ 207,694.00	\$ 146,366.29	\$ 116,227.84	16.9	2
HARNEY COUNTY	\$ 207,694.00	\$ 146,366.29	\$ 116,227.84	18.5	2
HOOD RIVER COUNTY	\$ 415,388.00	\$ 292,732.58	\$ 232,455.69	12.9	2
JACKSON COUNTY	\$ 2,440,407.00	\$ 1,719,805.69	\$ 1,365,678.57	14.9	2
JEFFERSON COUNTY	\$ 467,311.00	\$ 329,323.80	\$ 261,512.37	17.4	2
JOSEPHINE COUNTY	\$ 2,076,941.00	\$ 1,463,663.62	\$ 1,162,279.00	20.4	2,4
KLAMATH COUNTY	\$ 2,803,872.00	\$ 1,975,947.05	\$ 1,569,077.58	20.2	2
LAKE COUNTY	\$ 363,465.00	\$ 256,141.36	\$ 203,399.01	18.5	2
LANE COUNTY	\$ 5,088,511.00	\$ 3,585,979.79	\$ 2,847,586.66	17.2	4
LINCOLN COUNTY	\$ 1,194,242.00	\$ 841,607.23	\$ 668,310.94	16.5	5
LINN COUNTY	\$ 2,336,561.00	\$ 1,646,623.25	\$ 1,307,565.21	14.9	4
MALHEUR COUNTY	\$ 986,548.00	\$ 695,240.94	\$ 552,083.10	23.3	2
MARION COUNTY	\$ 3,426,955.00	\$ 2,415,046.63	\$ 1,917,761.67	16.4	5
MORROW COUNTY	\$ 259,617.00	\$ 182,957.51	\$ 145,284.53	14.2	2
MULTNOMAH COUNTY	\$ 10,332,790.00	\$ 7,281,732.53	\$ 5,782,342.80	15.1	1,3,5
POLK COUNTY	\$ 778,854.00	\$ 548,874.65	\$ 435,855.26	13.2	5
SHERMAN COUNTY	\$ 51,923.00	\$ 36,591.22	\$ 29,056.68	16.7	2
TILLAMOOK COUNTY	\$ 778,854.00	\$ 548,874.65	\$ 435,855.26	15.6	5
UMATILLA COUNTY	\$ 2,128,867.00	\$ 1,500,256.96	\$ 1,191,337.36	16.4	2
UNION COUNTY	\$ 571,160.00	\$ 402,508.36	\$ 319,627.41	16.8	2
WALLOWA COUNTY	\$ 259,617.00	\$ 182,957.51	\$ 145,284.53	15.3	2
WASCO COUNTY	\$ 778,854.00	\$ 548,874.65	\$ 435,855.26	16.2	2
WASHINGTON COUNTY	\$ 1,505,785.00	\$ 1,061,158.08	\$ 842,653.83	10.0	1
WHEELER COUNTY	\$ 51,923.00	\$ 36,591.22	\$ 29,056.68	20.6	2
YAMHILL COUNTY	\$ 830,777.00	\$ 585,465.87	\$ 464,911.94	12.3	1
Total Oregon Funding	\$ 52,029,000.00	\$ 36,665,921.00	\$ 29,116,000.00		
	Authorized	FY 2012	FY2013 (Request)		

Source: U.S. Census Bureau, Governments Division, Federal Programs Branch

UG 221 – CERTIFICATE OF SERVICE

I hereby certify that, on this 20th day of July, 2012, I served the foregoing **REBUTTAL TESTIMONY OF THE CITIZENS' UTILITY BOARD OF OREGON** 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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