

# McDowell Rackner & Gibson PC



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April 5, 2013

## VIA ELECTRONIC MAIL AND U.S. MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

Attn: ALJ Grant

Re UM 1633 – Review Prehearing Conference Memo Language

Dear Judge Grant:

NW Natural Gas Company (“NW Natural” or the “Company”) is writing in response to the ALJ Notice of Prehearing Conference dated March 27, 2013. In that Notice, you stated that, at the conference, you intended to propose that the investigation be divided into two phases as follows:

*The first phase would address how the Commission should treat pension costs when setting rates on a going-forward basis. The second phase would address how the Commission should resolve requests by the utilities to recover pension costs incurred in the past.*

The “Phase Two” proposal has caused some consternation, as we do not understand what issues would be included in that phase. To be clear, NW Natural’s proposal (and we believe the proposals of other utilities) is entirely related to how the Commission should treat pension costs on a going-forward basis. Specifically, NW Natural will be asking to recover on a prospective basis (a) **future** pension expense through FAS 87; and (b) **future** costs to finance the Company’s prepaid pension asset. Given that this request comprises the core of NW Natural’s proposal, the Company would, by necessity, make this proposal in “Phase One.”

NW Natural is aware that some parties have argued (in Docket UG 221 as well as at the workshop in this case) that the utilities’ proposals constitute retroactive ratemaking, because they somehow relate to past pension expense, or seek to adjust past rates. NW Natural anticipates that these parties will have the opportunity to make these arguments and that the Commission will ultimately decide this issue after full consideration of the parties’ positions.

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However, we anticipate that they would need to raise these arguments in Phase One of the proceeding, in response to the utilities' proposals.

If your proposal to bifurcate the issues in this case would put the parties' retroactive ratemaking arguments off until a second phase of the proceeding, we believe that doing so would be problematic, as it would not allow the Commission or the parties to develop a full record on the arguments relating to the prospective treatment of pension costs. The proposal is also problematic because it could (a) imply that the ALJ has already decided that the utilities' proposals relate to *past* costs; and (b) deny the utilities an opportunity to present their proposals for recovery based on the prepaid pension asset.

NW Natural believes that your proposal to bifurcate the case was intended as a matter of procedure as opposed to substance. Unfortunately, that procedural step, if taken, could entirely prejudice the utilities' and parties' ability to present their cases, and the Commission's ability to truly ascertain the nature of the issues in this case. We believe that this approach of bifurcation therefore should not be adopted.

We appreciate your attention to this matter and look forward to further discussion at the time of the Prehearing Conference.

Sincerely,

A handwritten signature in blue ink that reads "Lisa Rackner for". The signature is written in a cursive, flowing style.

Lisa Rackner  
Attorney for NW Natural

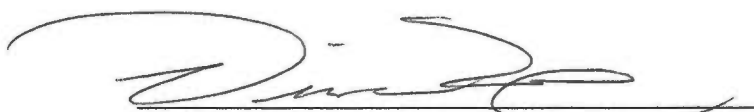
cc: Service List

**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1633 on the following named person(s) on the date indicated below by U.S. First Class and/or email addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: April 5, 2013

  
 Vimla Mathi, Legal Assistant