



Oregon

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December 11, 2013

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
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**RE: Docket No. UM 1654 – In the Matter of
NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL,
Investigation of Interstate Storage and Optimization Sharing.**

Enclosed for electronic filing in the above-captioned docket is the Public Utility Commission Staff erratum to Supplemental Reply Testimony .

The purpose of the changes is to clarify that these particular Q & A in the testimony, and the results shown on the exhibit are related to “Mist Optimization”, a subset of “AMA Optimization”. Deleted language has been struck and new language is underlined.

Staff Exhibit/302: Strike out “AMA” and add “Mist” in five places as shown on the attached exhibit.



UM 1654 Garcia
302 Errata.xlsx...



UM 1654 Garcia
300 Errata exce..

Staff/300, Garcia/4-5. The changes begin on page 4 at line 11 as shown in the attached document and below:

Q. PLEASE PROVIDE AN EXAMPLE OF AN EXTREME WAY IN WHICH THE SHARING PERCENTAGE COULD BE LOWERED IN THE EARNINGS REVIEW.

A. Even if we do not take into account the higher modified ROE that is established in the Earnings Review as the threshold that NWN must exceed before overearnings must be shared with customers, and we assume that the overearnings that must be shared equaled NWN's share of the AMA Optimization income related to Mist Optimization, column E, line 2 in the table in Staff Exhibit/302 illustrates that NWN would still retain approximately 39 percent of the ~~AMA Optimization~~ income related to Mist Optimization.

Q. IS IT LIKELY THAT THE POSSIBILITY OF A REDUCED SHARING PERCENTAGE DUE TO SHARING OF OVERTURNINGS IN THE SPRING EARNINGS REVIEW ACT AS A DISINCENTIVE FOR NWN TO CONTINUE AMA OPTIMIZATION ACTIVITIES?

A. No. In the years that this mechanism has been in place, NWN has successfully earned a significant amount of income. As illustrated in Staff Exhibit/302, the lowest NWN's ~~AMA Optimization~~ percentage related to Mist Optimization could be is 39 percent, which far exceeds the sharing allocation of other sharing mechanisms such as the WACOG Sharing mechanism.

/s/ Kay Barnes
Filing on Behalf of Public Utility Commission Staff
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c: UM 1654 Service List (parties)

1 earnings (after costs) to NWN to account for risk (customers are held
2 harmless), and should flow through to the ROO related to the Earnings Review.

3 **Q. COULD THE INCLUSION OF NWN'S AMA OPTIMIZATION ACTIVITY**
4 **INCOME INTO ITS ROO EFFECTIVELY REDUCE THE SHARING**
5 **PERCENTAGE ALLOCATED TO NWN?**

6 A. Yes. For example, in the Earnings Review, for years in which the Company's
7 earnings exceed the modified authorized ROE, a portion of the overearnings
8 returned to customers could be attributable to the Company's AMA
9 Optimization income and, therefore, indirectly result in an effective lower
10 sharing percentage allocated to the Company.

11 **Q. PLEASE PROVIDE AN EXAMPLE OF AN EXTREME WAY IN WHICH THE**
12 **SHARING PERCENTAGE COULD BE LOWERED IN THE EARNINGS**
13 **REVIEW.**

14 A. Even if we do not take into account the higher modified ROE that is established
15 in the Earnings Review as the threshold that NWN must exceed before
16 overearnings must be shared with customers, and we assume that the
17 overearnings that must be shared equaled NWN's share of the AMA
18 Optimization income related to Mist Optimization, column E, line 2 in the table
19 in Staff Exhibit/302 illustrates that NWN would still retain approximately 39
20 percent of the ~~AMA Optimization~~ income related to Mist Optimization.

21 **Q. IS IT LIKELY THAT THE POSSIBILITY OF A REDUCED SHARING**
22 **PERCENTAGE DUE TO SHARING OF OVEREARNINGS IN THE SPRING**

1 **EARNINGS REVIEW ACT AS A DISINCENTIVE FOR NWN TO CONTINUE**
2 **AMA OPTIMIZATION ACTIVITIES?**

3 A. No. In the years that this mechanism has been in place, NWN has
4 successfully earned a significant amount of income. As illustrated in Staff
5 Exhibit/302, the lowest NWN's ~~AMA Optimization~~ percentage related to Mist
6 Optimization could be is 39 percent, which far exceeds the sharing allocation of
7 other sharing mechanisms such as the WACOG Sharing mechanism.

8 **Q. IS IT LIKELY THAT THE INCLUSION IN THE ROO WOULD CREATE A**
9 **DISINCENTIVE TO CONTINUE AMA OPTIMIZATION BASED UPON THE**
10 **POSSIBLE CHANGE TO AN EARNINGS TEST FOR ANY OTHER**
11 **REASON?**

12 A. No. As stated above, NWN has earned a significant amount of income every
13 year since AMA Optimization has been in place. There is no reason to believe
14 the Company will not continue such a successful program.

15 **Q. NWN DIFFERENTIATES BETWEEN OPTIMIZATION SHARING**
16 **MECHANISMS THAT RELY UPON RATEPAYER-OWNED ASSETS BY**
17 **ASSERTING THAT AMA OPTIMIZATION ACTIVITIES ARE PART OF ITS**
18 **NONUTILITY STORAGE BUSINESS. DO YOU AGREE WITH THIS**
19 **CHARACTERIZATION?**

20 A. No. Although NWN may account for the proceeds of AMA Optimization that
21 rely upon ratepayer-assets under its nonutility business umbrella, the manner
22 in which the utility accounts for revenues is not controlling for regulation. For
23 regulatory purposes, these earned revenues should be included in regulated

	Total Net AMA Mist Optimization income ¹	Allocation of Net AMA Mist Optimization Income						Allocation of Net AMA Mist Optimization Income after Earnings Sharing (overearnings equal to NWN's share of Net AMA Mist Optimization Income)			
		A		B		C		D		E	
		Interstate Storage Share		Ratepayer Share		Total Allocated Income		Amount to be shared per the results of an Earnings Review		Total Retained AMA Mist Optimization Income after Earnings Sharing	
1	\$ 10,000,000	53%	5,300,000	47%	4,700,000	Total Allocated Income		\$5,791,000			
2	NWN Share	80%	4,240,000	33%	1,551,000	\$ 5,791,000	58%	67% ²	3,879,970	\$ 3,879,970	39%
3	Customer Share	20%	1,060,000	67%	3,149,000	\$ 4,209,000	42%	33% ²	1,911,030	\$ 6,120,030	61%

¹For illustrative purposes only

²The earnings sharing allocation percentages related to the Earnings Review are set by the Commission.

UM 1654
SERVICE LIST

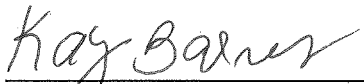
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CERTIFICATE OF SERVICE

UM 1654
Errata Pages to Staff Supplemental
Reply Testimony

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 11th day of December, 2013 at Salem, Oregon



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