

# McDowell Rackner & Gibson PC



VIMLA MATHI  
Direct (503) 595-3922  
vimla@mcd-law.com

April 10, 2013

## VIA ELECTRONIC FILING AND FIRST CLASS MAIL

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

Re: Docket UM 1635 – Northwest Natural Gas Company's Mechanism for Recovery of Environmental Remediation Costs

Attention Filing Center:

Enclosed for filing in the above-captioned docket are an original and five copies of NW Natural's Rate Spread Stipulation. The parties will file an explanatory brief or testimony supporting the stipulation at a later date.

A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed Certificate of Service.

Please contact this office with any questions.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Vimla Mathi". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Vimla Mathi  
Legal Assistant

Enclosure

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1635**

In the Matter of  
NORTHWEST NATURAL GAS COMPANY  
Application for a General Rate Revision.

**RATE SPREAD  
STIPULATION**

This Rate Spread Stipulation (“Stipulation”) is entered into for the purpose of resolving the issues among the parties to this Stipulation related to the spread of rates resulting from Northwest Natural Gas Company’s (“NW Natural” or “the Company”) Site Remediation Recovery Mechanism.

**PARTIES**

1. The parties to this Stipulation are NW Natural, Commission Staff (“Staff”), the Citizens’ Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users (NWIGU) (collectively, “Parties”).<sup>1</sup>

**BACKGROUND**

2. On November 16, 2012, the Public Utility Commission of Oregon (Commission) issued Order No. 12-437 in Docket UG 221, the final order in the Company’s most recent general rate case. In that order, the Commission adopted a mechanism for recovery of the Company’s environmental remediation deferrals known as the Site Remediation Recovery Mechanism (SRRM).<sup>2</sup> The Commission found that “[a]n earnings test with a deadband will be applied” to the SRRM recoveries, but left the determination of the appropriate deadband and application of the earnings test to a new proceeding.<sup>3</sup> The Commission also ordered that a

---

<sup>1</sup> Portland General Electric Company is a party to this docket but did not participate in the rate spread settlement discussions.

<sup>2</sup> See *NW Natural Gas Co. Request for a General Rate Revision*, Docket UG 221, Order No. 12-437 at 31 (Nov. 16, 2012).

<sup>3</sup> *Id.*

prudence review of the expenses NW Natural deferred would take place in the new proceeding. This docket was opened to address these issues.

3. Administrative Law Judge (ALJ) Hardie issued a Notice of Prehearing Conference and Memorandum on December 10, 2012 that outlined the issues to be addressed in this docket as follows: (1) the prudence of NW Natural's environmental remediation costs; (2) the appropriate deadband to be applied to recovery of environmental remediation costs; (3) the appropriate application of the earnings test ordered in Docket UG 221; and (4) the appropriate rate spread to apply to recoverable costs.<sup>4</sup>

4. Pursuant to ALJ Pines' Prehearing Conference Memorandum of February 7, 2013, the parties to this docket convened a workshop on rate spread issues on February 11, 2013. NW Natural, Staff, CUB, and NWIGU participated in the workshop. At the workshop the parties discussed potential settlement of rate spread.

5. As a result of those discussions, the Parties have reached a settlement in this case resolving all issues related to rate spread of any amount included in the SRRM that the Commission approves for rate recovery.

#### **AGREEMENT**

6. The Parties agree that the rate allocation of the SRRM will be based on an equal percentage of margin basis, reflecting the final rate allocation in Docket UG 221. An illustration of the rate calculation is reflected in Attachment A to this Stipulation.

7. The Parties agree that the basis for calculating the rate spread will not change from an equal percent of margin basis during the period over which costs are collected through the SRRM, although they recognize that the actual percentages billed may vary from those reflected in Attachment A due to variances in usage, numbers of customers, or other such factors, and due to updates to margin that will occur through future rate proceedings.

---

<sup>4</sup> *Re NW Natural Gas Co. Mechanism for Recovery of Environmental Remediation Costs*, Docket UM 1635, Notice of Prehearing Conference and Memorandum (Dec. 10, 2012).

8. The Parties also agree that to the extent amounts are refunded to customers based on the receipt of insurance proceeds, or other recoveries from third parties that cover NW Natural's environmental expenditures, the same basis will be used in allocating such refunds. To the extent insurance proceeds or other recoveries from third parties reduce the amounts charged to customers through the operation of the SRRM, those receipts will reduce costs to each customer class based on the same equal percentage of margin basis as well.

9. This Stipulation will be offered into the record as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, if needed, and recommend that the Commission issue an order adopting the Stipulation.

10. If this Stipulation is challenged by any other party to this proceeding, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Parties reserve the right to cross-examine witnesses and put in such evidence as they deem appropriate to respond fully to such issues presented including the right to raise issues that are incorporated in the settlements embodied in this Stipulation.

11. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party shall have the right to withdraw from the Stipulation, along with any other rights provided in OAR 860-001-0350(9), including the right to present evidence and argument on the record in support of the Stipulation, and shall be entitled to seek reconsideration pursuant to OAR 860-001-0720.

12. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than as specifically identified in the body of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Stipulation.

13. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

SIGNATURE PAGE TO FOLLOW

NW NATURAL

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

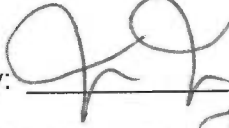
CUB

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By:  \_\_\_\_\_

Printed Name: Jason Jones

Date: 4/3/13

NWIGU

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

NW NATURAL

By: *C. Alex Miller*

Printed Name: C. Alex Miller

Date: 3/29/13

STAFF

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

NWIGU

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

NW NATURAL

STAFF

By: \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

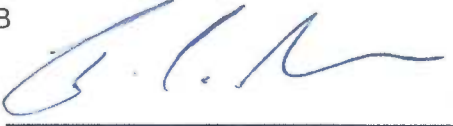
Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

NWIGU

By:  \_\_\_\_\_

By: \_\_\_\_\_

Printed Name: G. Cathryn McClraden

Printed Name: \_\_\_\_\_

Date: 4-9-13

Date: \_\_\_\_\_



NW NATURAL

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Date: \_\_\_\_\_

NWIGU

By:  \_\_\_\_\_

Printed Name: Chad Stokes

Date: 3/29/12

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1635 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

Chad M. Stokes  
Cable Huston Benedict Haagensen & Lloyd  
cstokes@cablehuston.com

Tommy A. Brooks  
Cable Huston Benedict Haagensen & Lloyd  
tbrooks@cablehuston.com

G. Catriona McCracken  
Citizens' Utility Board of Oregon  
catriona@oregoncub.org

OPUC Dockets  
Citizens' Utility Board Of Oregon  
dockets@oregoncub.org

Bob Jenks  
Citizens' Utility Board of Oregon  
bob@oregoncub.org

Edward Finklea  
Northwest Industrial Gas Users  
efinklea@nwigu.org

Randy Dahlgren  
Portland General Electric  
Pge.opuc.filings@pgn.com

Richard George  
Portland General Electric  
Richard.george@pgn.com

Judy Johnson  
Public Utility Commission of Oregon  
Judy.johnsoni@state.or.us

Jason W. Jones  
PUC Staff – Department of Justice  
Jason.w.jones@state.or.us

DATED: April 10, 2013



Vimla Mathi  
Legal Assistant