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March 12, 2020

**VIA ELECTRONIC FILING**

Attention: Filing Center  
Public Utility Commission of Oregon  
P.O. Box 1088  
Salem, Oregon 97308-1088

**Re: UG 388 – NW Natural Request for a Rate Revision.**

Attention Filing Center:

Attached for filing in the above-referenced docket is the parties' Stipulation regarding cost of capital components.

Sincerely,

*/s/ Alisha Till*

Alisha Till  
Paralegal

Attachment

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 388**

In the Matter of

NW NATURAL GAS COMPANY D/B/A  
NW NATURAL

Application for a General Rate Revision.

**STIPULATION**

**INTRODUCTION**

1           The purpose of this Stipulation is to resolve cost of capital issues among NW Natural  
2 Gas Company d/b/a NW Natural (NW Natural or the Company), Staff of the Public Utility  
3 Commission of Oregon (Staff), Oregon Citizens' Utility Board (CUB), and the Alliance of  
4 Western Energy Consumers (AWEC) (collectively, the Stipulating Parties) in Docket No. UG  
5 388, NW Natural's Application for a General Rate Revision. The Stipulating Parties are the  
6 only parties to this proceeding, and they expect this Stipulation will resolve the following cost  
7 of capital components: Return on Equity (ROE), Cost of Long-Term Debt (LTD), Capital  
8 Structure, and in aggregate Rate of Return (ROR).

**BACKGROUND**

9           On December 30, 2019, NW Natural filed a request for a general rate increase and  
10 revised tariff sheets to become effective November 1, 2020 (the Initial Filing). The Company's  
11 Initial Filing requested a revision to customer rates that would increase the Company's annual  
12 Oregon jurisdictional revenues by \$71.4 million, or approximately 11.5 percent over current  
13 customer rates.<sup>1</sup> Administrative Law Judge Allan J. Arlow convened a prehearing conference  
14 on January 30, 2020.

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<sup>1</sup> Initial Filing at 1.

1 On March 3, 2020, the Commission Staff convened a Workshop, the first portion of  
2 which had been set aside to discuss settlement of Cost of Capital issues. At that time, the  
3 parties reached agreement on Cost of Capital issues. This Stipulation memorializes the  
4 Stipulating Parties' agreements reached at that time.

**TERMS OF AGREEMENT**

5 The Stipulation resolves the issues addressed below:

6 1. Cost of Capital. The Stipulating Parties agree to an overall Rate of Return of  
7 6.965%, which is based on a 50.0 percent equity and 50.0 percent long-term debt capital  
8 structure, with a Return on Equity (ROE) of 9.40% and a debt cost of 4.529%.

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	4.529%	2.265%
Common Equity	50.0%	9.40%	4.700%
Total	100.0%		6.965%

9 2. The Stipulating Parties recommend and request that the Commission approve  
10 the Cost of Capital components discussed herein as appropriate and reasonable.

11 3. The Stipulating Parties agree that this Stipulation is in the public interest, and  
12 will result in rates that are fair, just and reasonable, consistent with the standard in ORS  
13 756.040. Further, Stipulating Parties note that this general rate case filing on December 30,  
14 2019 was only thirteen months after rates in the prior general rate case in UG 344 as  
15 authorized by Commission Order No. 18-419 took effect on November 1, 2018.

16 4. This Stipulation will be offered into the record as evidence pursuant to OAR  
17 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this

1 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and  
2 recommend that the Commission issue an order adopting the Stipulation. The Stipulating  
3 Parties also agree to cooperate in drafting and submitting testimony or a brief in support of  
4 the Stipulation in accordance with OAR 860-001-0350(7).

5 5. If this Stipulation is challenged, the Stipulating Parties agree that they will  
6 continue to support the Commission's adoption of the terms of this Stipulation. The  
7 Stipulating Parties agree to cooperate in cross-examination and put on such a case as they  
8 deem appropriate to respond fully to the issues presented, which may include raising issues  
9 that are incorporated in the settlements embodied in this Stipulation.

10 6. The Stipulating Parties have negotiated this Stipulation as an integrated  
11 document. If the Commission rejects all or any material portion of this Stipulation or imposes  
12 additional material conditions in approving this Stipulation, any of the Stipulating Parties are  
13 entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-  
14 001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide written  
15 notice to the Commission and other Stipulating Parties within five days of service of the final  
16 order rejecting, modifying or conditioning this Stipulation.

17 7. Notwithstanding the provisions in paragraph 6, the Stipulating Parties agree  
18 that, if they reach agreement on any additional issues in this case and such additional issues  
19 are reflected in another stipulation, then, unless all parties agree otherwise, the terms of this  
20 Stipulation will be added to the stipulation reflecting a settlement of additional issues, and  
21 the resulting document will be presented as an integrated agreement.

22 8. By entering into this Stipulation, no Stipulating Party approves, admits, or  
23 consents to the facts, principles, methods, or theories employed by any other Stipulating  
24 Party in arriving at the terms of this Stipulation, other than those specifically identified in the  
25 body of this Stipulation. No Stipulating Party shall be deemed to have agreed that any

1 provision of this Stipulation is appropriate for resolving issues in any other proceeding,  
2 except as specifically identified in this Stipulation.

3 9. This Stipulation is not enforceable by any Stipulating Party unless and until  
4 adopted by the Commission in a final order. Each signatory to this Stipulation avers that  
5 they are signing this Stipulation in good faith and that they intend to abide by the terms of  
6 this Stipulation unless and until the Stipulation is rejected or adopted only in part by the  
7 Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction  
8 to enforce or modify the Stipulation. If the Commission rejects or modifies this Stipulation,  
9 the Stipulating Parties reserve the right to seek reconsideration or rehearing of the  
10 Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the  
11 Commission order under ORS 756.610.

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

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

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17 *////*

18 *////*

19 *////*

20 *////*

21 *////*

22 *////*

23 *////*

24 *////*

25 *////*

DATED this 11<sup>th</sup> day of March, 2020

NW NATURAL COMPANY D/B/A NW  
NATURAL

By: 

Date: March 11, 2020

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

OREGON CITIZENS' UTILITY BOARD

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

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

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

DATED this \_\_\_ day of March, 2020

NW NATURAL COMPANY D/B/A NW  
NATURAL

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

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

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: Shy SG

Date: March 12, 2020

OREGON CITIZENS' UTILITY BOARD

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

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

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

DATED this \_\_ day of March, 2020

NW NATURAL COMPANY D/B/A NW  
NATURAL

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

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

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

OREGON CITIZENS' UTILITY BOARD

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

Date: 3/11/20 \_\_\_\_\_

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

DATED this \_\_\_ day of March, 2020

NW NATURAL COMPANY D/B/A NW  
NATURAL

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

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

OREGON CITIZENS' UTILITY BOARD

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

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

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

Date: 3-11-2020