

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 435 AND UG 411

In the Matter of
NW NATURAL GAS COMPANY D/B/A
NW NATURAL

Request for a General Rate Revision
(UG 435), and
Advice 20-19, Schedule 198 Renewable
Natural Gas Recovery Mechanism
(ADV 1215) (UG 411).

THIRD PARTIAL STIPULATION

I. INTRODUCTION

The purpose of this Third Partial Stipulation (“Third Stipulation”) is to resolve certain issues surrounding the Lexington Renewable Natural Gas Project (“Lexington RNG Project”) with the exception of rate spread among Northwest Natural Gas Company d/b/a NW Natural (“NW Natural” or the “Company”), Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), and the Alliance of Western Energy Consumers (“AWEC”). The Stipulating Parties expect that this Third Stipulation will address all remaining issues among the Stipulating Parties, except for those that are listed in Paragraph 2 of this Third Stipulation that will continue to be litigated in these consolidated cases or, pending additional settlement discussions, may be incorporated into a separate stipulated agreement entered into at a later date. The Small Business Utility Advocates (“SBUA”) and the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (collectively “Coalition”) are also parties to these consolidated proceedings. SBUA neither joins nor opposes this Third Stipulation. The Coalition

takes no position on the stipulation and reserves the arguments regarding the Lexington RNG Project raised in its testimony and briefing.

II. BACKGROUND

On December 17, 2021, NW Natural filed a request for a general rate increase (the “Initial Filing”) to become effective November 1, 2022 (the “Rate Effective Date”). The Company’s Initial Filing requested a revision to customer rates that would increase the Company’s annual Oregon jurisdictional revenues by \$73.5 million which would have resulted in an approximate 9.9 percent increase to current customer rates.¹ Administrative Law Judge (“ALJ”) Sarah Spruce convened a prehearing conference on January 19, 2022. On February 28, 2022, NW Natural made an errata filing increasing the revenue requirement to \$78.020 million (the “Errata Filing”).

On January 25, 2022, ALJ Spruce issued a Procedural Conference Memorandum which, in addition to setting forth the schedule of UG 435, consolidated UG 411 with UG 435. On January 26, 2022, ALJ Spruce issued an Amended Procedural Conference Memorandum. On February 18, 2022, the Company filed its Opening Testimony on Schedule 198, Renewable Natural Gas Recovery Mechanism, in compliance with that Amended Procedural Conference Memorandum.

On January 21, 2022, the parties held a settlement conference regarding cost of capital, and on February 4, 2022, the parties held a workshop addressing TSA Security Directive 2. Staff and intervenors filed their Opening Testimony on April 22, and thereafter, the parties participated in settlement conferences on May 4, 2022, May 11, 2022, May 17, 2022, and May 20, 2022. As a result of the settlement discussions, all parties, excluding the Coalition, reached a partial settlement of the issues in these consolidated cases and filed the First Stipulation on May 31, 2022, followed

¹ Initial Filing, NW Natural’s Executive Summary at 1.

by Joint Testimony in Support of the First Stipulation on June 8, 2022. NW Natural filed Reply Testimony on June 6, 2022, and all parties participated in settlement conferences on June 15, 2022 and June 16, 2022. As a result of the settlement discussions, the Stipulating Parties reached a partial settlement of the issues in these consolidated cases, and entered into the Second Stipulation on June 29, 2022. The parties filed Rebuttal Testimony on June 30, 2022, and the Company filed Sur-Rebuttal Testimony on July 20, 2022. The parties filed Opening Briefs on August 10, 2022, and thereafter participated in further settlement discussions on August 16, 2022 and August 17, 2022 that resulted in this Third Stipulation. This Third Stipulation memorializes the Stipulating Parties' agreements from their most recent settlement conferences.

III. TERMS OF AGREEMENT

The Stipulating Parties agree to resolve the remaining issues raised in these consolidated cases as follows:

1. Lexington RNG Project. The Stipulating Parties agree and support that:
 - a. NW Natural will be authorized by the Commission to amortize over a three (3) year period the deferral portion of the Lexington RNG Project surcharge, beginning on November 1, 2023.
 - b. During calendar year 2022, the deferral will accrue interest at the Company's authorized rate of return. The deferral will be subject to an earnings test at the Company's then effective authorized return on equity using the 2022 Results of Operations Report.
 - c. Starting on January 1, 2023, the deferral will accrue interest at the modified blended treasury rate plus 100 basis points. There will be no earnings test for the interest accrual portion.
 - d. AWEC agrees to withdrawal of its proposed tax adjustment and its proposed adjustment based on the ownership interest of BioCross LLC for the life of the Lexington RNG project. This Third Stipulation does not modify the tax condition contained in the Stipulation in Docket UI 451, NW Natural's affiliated interest docket for the Lexington RNG Project.

2. Issues Excluded from this Third Stipulation. The Stipulating Parties agree that the following issues raised by the Stipulating Parties are not addressed by this Third Stipulation and will continue to be litigated in these consolidated proceedings or, pending additional settlement discussions, may be incorporated into a separate stipulated agreement entered into at a later date.

- a. Line Extension Allowance;
- b. RNG Automatic Adjustment Clause; and
- c. Rate Spread of the Lexington RNG Project..

3. The Stipulating Parties agree that this Third Stipulation is in the public interest, and will result in rates that are fair, just and reasonable, consistent with the standard in ORS 756.040.

4. This Third Stipulation will be offered into the record as evidence pursuant to OAR 860-001-350(7). The Stipulating Parties agree to support this Third Stipulation throughout these consolidated proceedings and any appeal, provide witnesses to sponsor this Third Stipulation at hearing, and recommend that the Commission issue an order adopting this Third Stipulation. The Stipulating Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support of this Third Stipulation in accordance with OAR 860-001-0350(7), unless waived by the Commission.

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

6. The Stipulating Parties have negotiated this Third Stipulation as an integrated document. If the Commission rejects all or any material portion of this Third Stipulation or

imposes additional material conditions in approving this Third Stipulation, any of the Stipulating Parties are entitled to withdraw from this Third Stipulation or exercise any other rights provided in OAR 860-001-0350(9).

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

8. The substantive terms of this Third Stipulation are not enforceable by any Stipulating Party unless and until adopted by the Commission in a final order. Each Stipulating Party avers that it is signing this Third Stipulation in good faith and that it intends to abide by the terms of this Third Stipulation unless and until this Third Stipulation is rejected or adopted only in part by the Commission. The Stipulating Parties agree that the Commission has exclusive jurisdiction to enforce or modify this Third Stipulation. If the Commission rejects or modifies this Third Stipulation, the Stipulating Parties reserve the right to seek reconsideration or rehearing of the Commission order under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

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

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

DATED this 19th day of August 2022

NW NATURAL COMPANY D/B/A NW
NATURAL

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: /s/ Zachary Kravitz

By: /s/ Stephanie Andrus

Date: 8/19/22

Date: 8/19/22

OREGON CITIZENS' UTILITY
BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: /s/ Michael P. Goetz

By: /s/ Chad Stokes

Date: 8/19/22

Date: 8/19/22