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June 29, 2022

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Filing Center
P.O. Box 1088
201 High Street SE, Suite 100
Salem, Oregon 97308-1088

Re: Consolidated UG 435 / UG 411 / Application of NW Natural for a General Rate Revision / Schedule 198 Renewable Natural Gas Recovery.

Attention Filing Center:

Attached for filing in the above-referenced docket is the Stipulating Parties' Second Partial Stipulation.

Please contact this office with any questions.

Sincerely,

Alisha Till
Paralegal

Attachment

**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).

SECOND PARTIAL STIPULATION

I. INTRODUCTION

1 The purpose of this Second Partial Stipulation (“Second Stipulation”) is to resolve
2 certain issues including decoupling, residential customer deposits, the Oregon Low
3 Income Energy Efficiency Program (“OLIEE”), and COVID-19 deferral costs among
4 Northwest Natural Gas Company d/b/a NW Natural (“NW Natural” or the “Company”),
5 Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon Citizens’ Utility
6 Board (“CUB”), the Alliance of Western Energy Consumers (“AWEC”), and the Coalition
7 of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon
8 Environmental Council, Community Energy Project, and Sierra Club (“Coalition”)
9 (collectively, the “Stipulating Parties”) in consolidated Dockets UG 435 and UG 411. The
10 Stipulating Parties expect that this Second Stipulation will address all remaining issues
11 among the Stipulating Parties, except for those that are listed in Paragraph 5 of this
12 Second Stipulation that will continue to be litigated in these consolidated cases or,
13 pending additional settlement discussions, may be incorporated into a separate stipulated

1 agreement entered into at a later date. The Small Business Utility Advocates (“SBUA”)
2 is also a party to these consolidated proceedings, but does not join this Second
3 Stipulation.

II. BACKGROUND

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

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

18 On January 21, 2022, the parties held a settlement conference regarding cost of
19 capital, and on February 4, 2022, the parties held a workshop addressing TSA Security
20 Directive 2. Staff and intervenors filed their Opening Testimony on April 22, and

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

1 thereafter, the parties participated in settlement conferences on May 4, 2022, May 11,
2 2022, May 17, 2022, and May 20, 2022. As a result of the settlement discussions, all
3 parties, excluding the Coalition, reached a partial settlement of the issues in these
4 consolidated cases and filed the First Stipulation on May 31, 2022, followed by Joint
5 Testimony in Support of the First Stipulation on June 8, 2022. NW Natural filed Reply
6 Testimony on June 6, 2022, and all parties participated in settlement conferences on June
7 15, 2022 and June 16, 2022. As a result of the settlement discussions, the Stipulating
8 Parties reached a partial settlement of the issues in these consolidated cases, resolving
9 all issues among the Stipulating Parties except for those issues that are specifically
10 excluded per Paragraph 5 of the Second Stipulation. Although SBUA also participated in
11 the settlement conferences, SBUA ultimately did not join the Second Stipulation, and the
12 Stipulating Parties understand that SBUA intends to litigate the COVID-19 Deferral in
13 Paragraph 4 of the Second Stipulation. This Second Stipulation memorializes the
14 Stipulating Parties' agreements from their most recent settlement conferences.

III. TERMS OF AGREEMENT

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

17 1. Decoupling. The Stipulating Parties agree that the Company will include
18 the following information in its next rate case:

19 a. The Company will present use per customer ("UPC") data, which will
20 include:

21 i. The Company's UPC for existing residential customers; and

1 ii. Ten years of data to develop a UPC for customers taking
2 service at new residential premises. By providing ten years
3 of data, the Stipulating Parties have not agreed that ten years
4 is the appropriate time period to develop a UPC for new
5 residential customers.

6 b. The number of new customers forecasted within the rate case filing.

7 c. NW Natural is not obligated to propose a modification to the
8 decoupling program in its next rate case, but will not argue that no
9 modification can be made as a result of this Second Stipulation and
10 will not argue that implementing a two-part (existing customers/new
11 customers) decoupling mechanism is not technically feasible. NW
12 Natural may present evidence and argument regarding the costs to
13 implement any proposed modifications to its decoupling program.

14 2. Residential Customer Deposits. The Stipulating Parties agree that,
15 beginning November 1, 2022, NW Natural will cease collecting customer deposits from:

16 a. New residential customers, and

17 b. Residential customers who are currently enrolled in LIHEAP and/or
18 the Company's energy assistance programs or who self-certify as
19 low-income. The income eligibility for self-certification will be set at
20 60 percent of State Median Income (adjusted for household size);
21 however, if the rulemaking in AR 653 establishes an income eligibility
22 for customer deposits, NW Natural will update its income eligibility

1 for customer deposits to be consistent with the results of the AR 653
2 rulemaking.

3 3. Oregon Low Income Energy Efficiency Program (Tariff Schedule 320). The
4 Stipulating Parties agree to increase the OLIEE funding by \$4,000 per dwelling, subject
5 to additional consultation between with the OLIEE Advisory Group and the Community
6 Action Partner (“CAP”) agencies as to the allocation of this increase among energy
7 efficiency measures, CAP administrative costs, or Health, Safety, and Repair (“HSR”)
8 measures allowance. Of this \$4,000, at least \$1,500 should be reserved for the Health,
9 Safety, and Repair (“HSR”) measures allowance, to the extent there are HSR measures
10 at the dwelling. In addition to the increase in funding per premise, NW Natural will make
11 the following revisions to Schedule 320:

12 a. Clarify that high-efficiency gas furnace installations are subject to a
13 cost-effectiveness test, with an exception for red-tagged furnace
14 replacements, and that the existing exception for furnace
15 replacements under the HSR Allowance in Schedule 320 remains in
16 place as described below in sub-part(c):

17 i. Sheet 320-4 – the second sentence in the paragraph under
18 Energy Efficiency Measures will be revised: “All measures
19 prescribed by the Energy Analyzer Software for the whole
20 house, including (non-HSR) gas furnaces, must meet or
21 exceed a Savings to Investment Ratio (SIR) of 1.0 or better
22 unless identified through number 2 or 3 below.”

1 b. Clarify that smart thermostats, attic insulation and wall insulation
2 need not be subject to the cost effectiveness test.

3 i. Sheet 320-4 – the last sentence in the paragraph under
4 Energy Efficiency Measures will be revised: “...,3) Measures,
5 including smart thermostats, attic insulation and wall
6 insulation, identified as cost effective by third party
7 organizations (Regional Technical Forum, Energy Trust of
8 Oregon, etc.).

9 c. Sheet 320-4 - Amend the following language from the Health, Safety
10 and Repair (“HSR”) allowance section as follows:

11 i. “Standard efficiency furnace replacements may qualify for
12 HSR funds if the existing furnace is broken, is found to
13 produce an unsafe level of CO emissions, is back-drafting, or
14 has a cracked heat exchanger and a ~~high efficiency furnace~~
15 ~~is not cost effective~~ or it is physically impossible to install a
16 high-efficiency furnace. When a furnace is replaced with a
17 standard efficiency furnace, the agency must ~~specify the~~
18 ~~reasons for the replacement in the reimbursement request.~~
19 **demonstrate why the furnace required replacement, and**
20 **why a high efficiency furnace could not be installed.”**

21 4. COVID-19 Deferral. The Stipulating Parties agree to the following treatment
22 of the Company’s deferral of costs and savings associated with the COVID-19 public

1 health emergency as provided in Docket No. UM 2068, Order No. 20-380, subject to the
2 following terms:

3 a. Amortize the 2020 and 2021 balances of the Company's COVID-19
4 Deferral, including interest accrued on those balances, subject to an
5 adjustment of (\$163) thousand.

6 b. The amortization period will be two years.

7 c. Certain portions of the COVID-19 deferral as recommended by Staff
8 will be subject to an earnings test set at the Company's authorized
9 return on equity.

10 d. The Stipulating Parties agree to apply a rate spread allocation
11 methodology consistent with Appendix B to the First Stipulation.

12 e. NW Natural may request a prudency review and amortization of post-
13 2021 balances in a future proceeding.

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

19 a. The Coalition's Objections to the First Stipulation (Coalition's
20 Objection Testimony to be filed by June 30, 2022);

21 b. Line Extension Allowance (CUB/100, Coalition/200, NWN/1800);

22 c. RNG Automatic Adjustment Clause (NWN/1500, Staff/1700,
23 AWEC/100, CUB/200, NWN/1600); and

1 d. Cost Recovery and Rate Spread of the Lexington RNG Project and
2 Deferral (NWN/1100, CUB/200, Staff/1700, AWEC/100,
3 Coalition/100, NWN/2100, NWN/2300).

4 e. Ensuring that differential rates for low-income customers are in place
5 on or before the rate effective date for these consolidated
6 proceedings, November 1, 2022.

7 6. The Coalition takes no position on Paragraphs 1 and 4 of the Second
8 Stipulation. The Coalition does not oppose Paragraphs 1 and 4 of the Second Stipulation.

9 7. The Stipulating Parties agree that this Second Stipulation is in the public
10 interest, and will result in rates that are fair, just and reasonable, consistent with the
11 standard in ORS 756.040.

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

19 9. If this Second Stipulation is challenged, the Stipulating Parties agree that
20 they will continue to support the Commission's adoption of the terms of this Second
21 Stipulation. The Stipulating Parties agree to cooperate in cross-examination and put on
22 such a case as they deem appropriate to respond fully to the issues presented, which

1 may include raising issues that are incorporated in the settlements embodied in this
2 Second Stipulation.

3 10. The Stipulating Parties have negotiated this Second Stipulation as an
4 integrated document. If the Commission rejects all or any material portion of this Second
5 Stipulation or imposes additional material conditions in approving this Second Stipulation,
6 any of the Stipulating Parties are entitled to withdraw from this Second Stipulation or
7 exercise any other rights provided in OAR 860-001-0350(9).

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

15 12. The substantive terms of this Second Stipulation are not enforceable by any
16 Stipulating Party unless and until adopted by the Commission in a final order. Each
17 Stipulating Party avers that it is signing this Second Stipulation in good faith and that it
18 intends to abide by the terms of this Second Stipulation unless and until this Second
19 Stipulation is rejected or adopted only in part by the Commission. The Stipulating Parties
20 agree that the Commission has exclusive jurisdiction to enforce or modify this Second
21 Stipulation. If the Commission rejects or modifies this Second Stipulation, the Stipulating
22 Parties reserve the right to seek reconsideration or rehearing of the Commission order

1 under ORS 756.561 and OAR 860-001-0720 or to appeal the Commission order under
2 ORS 756.610.

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

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

DATED this 29th day of June 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: 6/29/22

Date: 6/29/22

OREGON CITIZENS' UTILITY
BOARD

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: /s/ Michael P. Goetz

By: /s/ Chad Stokes

Date: 6/29/22

Date: 6/29/22

COALITION OF COMMUNITIES OF
COLOR, CLIMATE SOLUTIONS,
VERDE, COLUMBIA RIVERKEEPER,
OREGON ENVIRONMENTAL
COUNCIL, COMMUNITY ENERGY
PROJECT, AND SIERRA CLUB

By: /s/ Jaimini Parekh

Date: 6/29/22