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**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

May 17, 2024

VIA EMAIL - [puc.filingcenter@puc.oregon.gov](mailto:puc.filingcenter@puc.oregon.gov)

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

Re: UG 490 – Staff Testimony

Dear Filing Center:

Enclosed for filing is Staff Exhibit 2300, Supplemental Corrected Testimony of Laurel Anderson. Ms. Anderson's Supplemental and Corrected Testimony corrects a mistake made in Staff Exhibit 600, Opening Testimony of Laurel Anderson, relating to rate treatment of capital investment during the Test Year, which is the twelve-month period following the rate effective date.

Staff has previously notified NW Natural and parties that it would be filing a correction to its testimony. Staff does not file a motion to admit at this time because admission of testimony into the record is typically determined at or around the time of the hearing.

Thank you for your attention.

Sincerely,

*/s/ Stephanie Andrus*

Stephanie Andrus  
Sr. Assistant Attorney General  
Business Activities Section

SSA:pjr  
Enclosure

CASE: UG 490  
WITNESS: LAUREL ANDERSON

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 2300**

**Supplemental and Corrected Testimony  
Plant in Service**

**May 17, 2024**

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Laurel Anderson. I am a Senior Telecommunications Analyst  
3 employed in the Rates, Safety and Utility Performance Program of the Public  
4 Utility Commission of Oregon (OPUC). My business address is 201 High  
5 Street SE, Suite 100, Salem, Oregon 97301.

6 **Q. Please describe your educational background and work experience.**

7 A. My witness qualifications statement is found in Exhibit Staff/601.

8 **Q. What is the purpose of your testimony?**

9 A. This testimony corrects and supplements my previously filed Opening  
10 Testimony, Staff/600, regarding the new plant NW Natural plans to add to rate  
11 base.

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**ISSUE 1. UTILITY PLANT IN SERVICE**

**Q. What capital investments does the Company plan to add to the rate base in this rate case?**

A. The Company seeks to add to rate base all capital expenditures completed that will be used and useful as of the rate effective date of this case – November 1, 2024, as well as all capital expenditures that will be completed during the Test Year, which is November 1, 2024 through October 31, 2025.<sup>1</sup>

**Q. Please discuss Oregon’s “used and useful” standard.**

A. ORS 757.355 specifies that before costs of utility plant used to serve customers can be included in utility rates, the plant must be in service. Accordingly, property must be in service prior to the effective date of the rates.<sup>2,3</sup> The law applies to all utility plant including plant placed into service before the rate effective date and prior additions to rate base that are no longer used in providing utility service to customers.

**Q. Does the Company’s filing include capital investments that will go into service after the rate effective date?**

A. Yes. As noted above, the Company includes all capital investment in the Test Year, which is the twelve months following the rate effective date.

**Q. Is the Company’s request to include all post-rate effective date capital investment in rate base contrary to the requirements of ORS 757.355.**

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<sup>1</sup> NW Natural/1400, Davilla/22.  
<sup>2</sup> ORS 757.355 prohibits the inclusion of property not presently used for providing utility service to the customer.  
<sup>3</sup> *In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Revision*, UE 210, Order No. 10-022, p. 14 (January 26, 2010),

1 A. Yes, it is. Staff has raised this concern in previous NW Natural rate cases, but  
2 NW Natural has yet to modify its practice of asking that all Test Year capital  
3 investment be included in rates even though it will not be used and useful when  
4 rates go into effect.

5 **Q. In its Opening Testimony in this docket filed on April 18, 2024, Staff**  
6 **recommended including a substantial amount of Test Year capital**  
7 **investment, what Staff described as “non-discrete” investment, in rate**  
8 **base for the purpose of setting rates in this docket. Was that a mistake?**

9 A. Yes.

10 **Q. Please explain.**

11 A. While it may be permissible to cull out a portion of Test Year investment for  
12 inclusion in rate base without running afoul of ORS 757.355 restrictions, Staff’s  
13 recommendation to allow all investment that it described as “non-discrete” did  
14 not do this. Instead, Staff’s recommendation captured a broader swath of  
15 capital investment than what could be included in rate under ORS 757.355.  
16 Accordingly, Staff believes it is necessary to correct its previous testimony.

17 **Q. Please explain what you mean by culling out a portion of Test Year**  
18 **investment and how that is lawful under ORS 757.355.**

19 A. First, let me clarify that I am not a lawyer so further discussion of the  
20 requirements of ORS 757.355 may have to come from legal briefs. But  
21 generally, as already stated, only capital investment that will be used and  
22 useful may be included in rates under ORS 757.355. For most plant additions,  
23 this is plant that will be on-line and operational prior to the rate effective date.

1           However, there is some plant that utilities can be expected to install and  
2           deploy on a consistent basis throughout a year. For such plant, it would be  
3           lawful to allow the Company to recover a portion of such plant each month.  
4           Meaning, if the Company will consistently install \$10,000 of plant in each  
5           month of the year, it would be permissible for rates collected from ratepayers  
6           each month to include such an amount without violating ORS 757.355.

7           Arriving at an amount of plant that a utility can reasonably be expected to  
8           place in service on a monthly basis (monthly because customers are billed on  
9           a monthly basis) and that is reasonably included in rates is not an easy task. It  
10          is important that the amounts collected from customers each month for new  
11          plant not exceed the value of plant that is placed in service. Because it is not  
12          an easy or exact task to isolate such investment, allowing any plant into rates  
13          when it is not on-line prior to the rate effective date poses risk of violating ORS  
14          757.355.

15          In light of this risk, Staff considers what policies may support culling out a  
16          portion of planned new plant for inclusion in rates. In the past, Staff has  
17          recognized that allowing recovery of new investment for customer acquisitions  
18          may be appropriate because the revenue requirement used to set rates  
19          includes expected revenues from customer growth.

20          **Q. Given Staff's previous positions on Test Year capital investment, why did**  
21          **Staff change its recommendation in this case and recommend allowing**  
22          **such a large portion of Test Year investment into rate base?**

1 A. The Staff member, John Fox, that has analyzed capital additions to rate base  
2 for the past several NW Natural rate cases has retired. The issue was initially  
3 assigned to another Staff member, Rawleigh White, to review in this rate case,  
4 but he left the Commission before completing his analysis. I assumed  
5 responsibility for this issue late in the process and did not fully understand what  
6 Staff witness John Fox had recommended in previous cases. After further  
7 evaluation and consultation with Staff counsel, I am correcting my testimony to  
8 comply with requirements of Oregon statute.

9 **Q. Is Staff's correction to testimony consistent with its position in previous**  
10 **cases?**

11 A. Yes. Staff has consistently testified that only capital investment that is used  
12 and useful may be included in rates. In NWN's most recent rate case, Staff  
13 recommended in its Opening Testimony that all Test Year capital additions be  
14 removed from rate base and the proposed revenue requirement.<sup>4</sup> Staff noted  
15 that in the two preceding rate cases for NW Natural, Staff had agreed to  
16 include in Test Year rate base customer-acquisition related investment but that  
17 this was not a universal practice. Staff explained that Test Year capital  
18 investment had been removed from rate base in the two most recent cases  
19 considered by the Commission, one for Portland General Electric Company  
20 and one for PacifiCorp.<sup>5</sup> Ultimately, however, Staff stipulated in UG 435 to

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<sup>4</sup> UG 435 Staff/300, Fox/30-31.

<sup>5</sup> UG 435 Staff/300, Fox/31.

1 include a portion of capital investment in rate base as it has in the previous two  
2 NW Natural GRCs.

3 **Q. Why did Staff recommend in its Opening Testimony removing all post-**  
4 **rate-effective-date plant from rate base in NW Natural's most recent rate**  
5 **case, UG 435?**

6 A. I believe it was due to Staff's concern about violating ORS 757.355 and  
7 frustration with NW Natural's failure to recognize the requirements of ORS  
8 757.355 in its Opening Testimony. In each rate case, NW Natural appears to  
9 proceed with the goal of convincing the Commission to place all Test Year  
10 plant in service. To Staff's knowledge, no other utility takes this position. In  
11 UG 435, Staff's initial position was to eliminate risk of violating ORS 757.355 by  
12 recommending all Test Year capital investment be excluded from rate base.

13 **Q. What is Staff's corrected adjustment regarding Test Year plant**  
14 **acquisitions in this case?**

15 A. Staff recommends removing \$125.5 million of Test Year rate base additions  
16 because NW Natural has not established the additions will be used and useful  
17 before their costs are collected in rates.

18 **Q. Do you have any other corrections to your testimony filed on April 18,**  
19 **2024?**

20 A. Yes. In my Opening Testimony, I recommend removing \$6.4 million of capital  
21 investment the Company's planned North Coast Feeder Project Section B from  
22 rate base because it was not going to be in service prior to the rate effective  
23 date. I have been informed that NW Natural did not include costs for Section B



1 of the North Coast Feeder Project in its rate case proposal. Accordingly, my  
2 adjustment was unnecessary. When this correction is netted against my  
3 recommended (\$125.5 million) adjustment above, my total plant adjustment for  
4 NW Natural's rate case is (\$119.4 million).

5 **Q. Does this conclude your testimony?**

6 A. Yes.