

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UG 221

4 In the Matter of
5 NORTHWEST NATURAL GAS
6 COMPANY, dba NW NATURAL,
7 Request for a General Rate Revision

STAFF SUPPLEMENTAL BRIEF

8 I. Introduction

9 Consistent with the schedule adopted in this proceeding, the Public Utility Commission
10 of Oregon Staff (Staff) submits this supplemental brief in response to Northwest Natural Gas
11 Company's (NW Natural) response to the Public Utility Commission of Oregon's (Commission)
12 bench request related to past pension contributions. Staff respectfully requests that the
13 Commission consider changes to its pension policy in a future docket.

14 II. Discussion

15 In its testimony and briefs, Staff has made two primary points regarding pension
16 expenses. First, Staff has argued that it is inappropriate to employ single issue ratemaking to
17 include past pension contributions in a future test year. Second, Staff has argued that the
18 Commission should maintain its historic policy of setting pension expenses at the FASB-87
19 calculated level.

20 Based upon the Commission's bench request and NW Natural's response, Staff is
21 interested in pursuing whether or not FASB-87 pension costs is the appropriate pension expense
22 for NW Natural going forward. For example, NW Natural's past cash contributions have
23 lowered the FASB-87 calculated expense in the test year. Since 2010, NW Natural does have a
24 balancing account that in effect accounts for the difference between the FASB-87 pension costs
25
26

1 and actual pension costs.¹ However, NW Natural currently does not receive a return on its past
2 pension contributions.

3 Because of the “smoothing” effects of FASB-87 and the various inputs that are used to
4 calculate the FASB-87 expense, in conjunction with the balancing account approved for NW
5 Natural for pension expenses, it is difficult to determine, based upon the information currently
6 available in this docket, whether or not past pension contributions embed a long-term benefit to
7 ratepayers on a going-forward basis.

8 Although Staff is interested in pursuing alternatives to establishing a pension expense that
9 may depart from the Commission’s past practice of employing FASB-87 pension expense, it
10 would be unfair do so in this docket without a fully developed record on this aspect of the
11 pension expenses and without a process to allow the other parties to fully vet and respond to
12 alternative proposals. Finally, as stated in Staff’s testimony and briefs, a change in pension
13 policy may also have far-reaching impacts for other utilities. For all of these reasons, Staff is
14 open to pursuing alternatives to pension expenses, but believes such alternatives should be
15 carefully weighed and vetted in a future proceeding and not in this rate case.

16 ///

17 ///

18 ///

19 ///

20 ///

21 ///

22 ///

23 ///

24 ///

25 ///

26 _____

¹ See Order No. 11-051.

1 III. Conclusion

2 For the foregoing reasons, Staff respectfully requests that the Commission not allow NW
3 Natural to amortize the return on and of its past pension contributions in future rates and that it
4 consider whether or not to change its past practice of setting pension expense at FASB-87
5 calculated levels in a future proceeding.

6 DATED this 5th day of October 2012.

7
8 Respectfully submitted,
9 ELLEN F. ROSENBLUM
10 Attorney General

11 s/ Jason W. Jones
12 Jason W. Jones, #00059
13 Assistant Attorney General
14 Of Attorneys for the Public Utility Commission
15 of Oregon Staff