

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UG 344  
Phase II

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL,

Request for a General Rate Revision.

ORDER

**DISPOSITION: ALL-PARTY THIRD STIPULATION ADOPTED AND  
PENSION BALANCING ACCOUNT AND TAX CUTS  
AND JOBS ACT CONTESTED ISSUES RESOLVED**

**I. SUMMARY**

In this order, we adopt the all-party third stipulation between Northwest Natural Gas Company (NW Natural or company), the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers (AWEC), and the Staff of the Public Utility Commission of Oregon (Staff) resolving the remaining issues in these proceeding. Under the terms of the stipulation, NW Natural will return to its customers a portion of the company's properly-calculated excess deferred income tax (EDIT) resulting from the passage of the 2017 federal Tax Cuts and Jobs Act (TCJA). The company will apply the remaining portion of the EDIT and the operational tax savings accumulated during the January 1, 2018 through October 31, 2018 interim deferral period to reduce the Pension Balancing Account (PBA) and make other adjustments to amortize the PBA balance over a ten-year period.

As a result, the NW Natural rate base will increase by \$15.38 million to reflect EDIT provided to customers, increasing the revenue requirement by \$1.43 million. Because the application of the remaining portion of the EDIT to the PBA will be insufficient to fully amortize the account balance, beginning April 1, 2019, the company will amortize the remaining PBA balance over a ten-year period by collecting \$7.13 million (\$7.3 million including revenue sensitive effects) per year from customers on an equal percentage of margin basis via a separate tariff rider.

Adoption of the stipulation results in an increase in the average residential customer's monthly bill of \$0.28, or 0.55 percent, an increase in the average commercial customer's monthly bill of, \$0.56 or 0.28 percent, and an increase in the average industrial customer's monthly bill of \$1.58 or 0.18 percent.

## II. BACKGROUND AND PROCEDURAL HISTORY

On December 29, 2017, NW Natural filed revised tariff schedules to go into effect November 1, 2018. CUB and AWEC intervened, and parties and Staff conducted discovery, filed testimony, and engaged in settlement discussions. A majority of the issues, including adjustments to the revenue requirement, rate spread, and rate design, were ultimately resolved by the parties through the execution of a stipulation filed on August 6, 2018. This first stipulation was supported by joint testimony filed September 14, 2018. The parties' attempt to resolve two of the three remaining issues via unanimous agreement were unsuccessful, and a second partial stipulation executed by only NW Natural, CUB and Staff, was filed with the Commission on September 7, 2018, supported by joint testimony filed September 14, 2018.

By Order No. 18-419, entered October 26, 2018, we adopted the first partial stipulation and also resolved the remaining open issue relating to the allocation of costs and benefits associated with the revenues derived from NW Natural's gas storage and optimization activities. We rejected most of the second partial stipulation except for applying the lower federal tax rate on a going-forward basis, freezing the PBA, and authorizing the company to set its FAS 87 expense to be included in rates at \$8.1 million annually.<sup>1</sup>

We rejected elements of the second partial stipulation related to the application of the interim deferral period EDIT resulting from the TCJA and to the appropriate means to address the PBA because we were not convinced that there was a sufficient record to support its approval without a prudence review or earnings test. We therefore directed further proceedings (Phase II) to resolve open questions relating to both the application of TCJA 10-month interim benefits to rates and the conclusion of the PBA.<sup>2</sup>

On February 4, 2019, all of the parties filed a joint Third Stipulation resolving all of the issues the Commission specified in Order No. 18-419 that the parties should address in Phase II of the proceeding. NW Natural, Staff and CUB filed joint supporting testimony and AWEC filed separate supporting testimony on February 14, 2019.

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<sup>1</sup> Order No. 18-419 at 18 (Oct 26, 2018).

<sup>2</sup> *Id.* at 18-19.

### III. THIRD STIPULATION

We outline the terms of the third stipulation, summarize each element of the settlement with respect to the Commission-designated issues, and provide our overall findings and conclusions with respect to the proposed regulatory treatment of the TCJA EDIT and of the PBA, below.

#### A. Tax Cuts and Jobs Act—Excess Deferred Income Tax (TCJA EDIT)

The TCJA lowered the U.S. federal corporate income tax rate to 21 percent from a maximum rate of 35 percent, effective as of January 1, 2018. In adopting the first stipulation in Order No. 18-419, we resolved the application of taxes on a going-forward basis. What remained to be addressed was the remeasurement and regulatory treatment of the company's EDIT and the calculation of the benefits from the TCJA for the interim period between the time the lower tax rate went into effect and the effective date of new utility rates. The third stipulation proposes to address the regulatory treatment of TCJA EDIT with the following recommended findings and actions:

##### 1. *Confirmation of EDIT Remeasurement*

The parties agree that NW Natural properly recorded the system-wide \$158.6 million EDIT resulting from the TCJA. They further agreed that NW Natural properly allocated it as follows:

Plant: \$143.0 million  
 Other Non-Plant: \$4.8 million  
 Non-Plant Gas Reserves: \$10.8 million.

The parties also agreed that the Oregon allocation, grossed up for income taxes, is \$196.2 million.<sup>3</sup>

##### 2. *Regulatory Treatment of Plant EDIT*

NW Natural will return Plant EDIT, subject to the average rate assumption method (ARAM), at \$3.3 million per year (\$3.4 million with revenue sensitive effects). The funds will go to all customers on an equal percentage of margin basis using a separate tariff rider. The parties will be able to propose changes to the ARAM schedule during the next rate case.<sup>4</sup>

<sup>3</sup> NW Natural-Staff-CUB/400, Borgerson, Wilson, Gardner, and Jenks/5, Third Stipulation Exhibit A.

<sup>4</sup> *Id.* at 5-6, Third Stipulation at 3.

**3. *Regulatory Treatment of Non-Plant Gas Reserves EDIT***

The company will return Non-Plant Gas Reserves EDIT at \$2.93 million annually (\$3.0 million including revenue sensitive effects) to sales customers, on an equal cent per therm basis, over five years through a separate tariff rider beginning on the April 1, 2019 rate effective date.<sup>5</sup>

**4. *Regulatory Treatment of Other Non-Plant EDIT***

NW Natural will, as a benefit to customers, apply \$5.44 million of Other Non-Plant EDIT as an offset to the PBA, according to the terms set forth in paragraph ten of the Third Stipulation and as discussed further in the PBA section of this order, *infra*.<sup>6</sup>

**5. *Regulatory Treatment of Interim Period Deferral***

NW Natural will credit to customers \$7.07 million of the TCJA benefits deferred between January 1, 2018 and October 31, 2018 (interim period deferral), inclusive of interest, as an offset to the PBA as described in Paragraph 10 of the Third Stipulation.<sup>7</sup>

**6. *Rate Base and Revenue Requirement Impact***

On the rate effective date, the rate base will increase by \$15.38 million to reflect EDIT being provided to customers. The rate base increase uses a five-year average of amounts related to the ARAM plant and gas reserves EDIT amortizations discussed above.<sup>8</sup> This increase to rate base results in a \$1.43 million increase to the revenue requirement.<sup>9</sup>

**7. *NW Natural to Forego Potential Sharing of Benefits***

The company will forego any sharing of deferred amounts that it might otherwise be allowed to recover under any earnings review the Commission applies before amortization of amounts in the interim period deferral and the EDIT in Docket Nos. UM 1919 and UM 1924.<sup>10</sup> Because the parties believe that the third stipulation

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<sup>5</sup> *Id.* at 6.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> The parties propose that, to the extent the next rate case's effective date is sooner than five years, the company will calculate a true-up amount based on the difference in the identified revenue requirement and apply the differential to rates accordingly. *Id.* at 7-8.

<sup>9</sup> *Id.* at 7 citing Exhibit NW Natural-Staff-CUB/401.

<sup>10</sup> *In the Matter of Northwest Natural Gas Company, dba NW Natural, Application for Authorization to Defer Certain Expenses Associated with the 2018 US Tax Cuts and Jobs Act, Docket No. UM 1919*

fully resolves the regulatory treatment of the impacts of the TCJA in those dockets, they propose that they be resolved in accordance with the terms of the third stipulation.<sup>11</sup>

### **Commission Resolution**

We adopt the third partial stipulation's resolution of the issues relating to the TCJA EDIT.

In Order No. 18-419, we rejected the second stipulation in part because the parties had failed to provide a sufficient record supporting their proposed settlement with respect to the TCJA EDIT without an earnings test or prudence review.

In their joint testimony, the parties have provided detailed descriptions and explanations of the steps the company and intervenors took to remeasure the TCJA EDIT, the reasoning they applied in allocating the benefits to each plant category and to the PBA and the impacts such applications had on the pending TCJA deferral dockets and the company's future rate cases.<sup>12</sup> We find that the joint testimony submitted in support of the third stipulation and its proposed regulatory treatment of the TCJA EDIT satisfies our concerns in this regard.

Having reviewed the foregoing testimony, we find that approving the parties' third stipulation with respect to the treatment of the TCJA EDIT will result in rates that are fair, just and reasonable while providing safe and reliable service.

### **B. Pension Balancing Account**

#### **1. *Background: Docket No. UM 1475, NW Natural's Application to Defer Pension Costs***

In 2010, NW Natural initiated Docket UM 1475 to address under-recovery of its FAS 87 pension expense. The company had expected to fully resolve the issue via fixed contributions to what was to be a self-amortizing pension balancing account and had been joined by other parties in a stipulation accordingly. However, contrary to the original expectations of the parties, the actual expenses turned out to be significantly higher, resulting in a pension balancing account with a significant 2017 year-end balance that

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(Dec 29, 2017); *In the Matter of Public Utility Commission of Oregon Application to Defer Changes in Northwest Natural Gas Company's Federal Tax Obligation Resulting from H.R. 1-Tax Cuts and Jobs Act*, Docket No. UM 1924 (Dec 29, 2017).

<sup>11</sup> NW Natural-Staff-CUB/400, Borgerson, Wilson, Gardner, and Jenks/18.

<sup>12</sup> *See Id.* at 8-18.

would only increase further. There was agreement between all of the parties that it would be necessary to find a means to amortize the PBA.<sup>13</sup>

In Order No. 18-419, we did not oppose the concept proposed by the parties in the second stipulation of using interim period savings to reduce the increase in customer rates caused by amortizing the PBA. However, we could not find any justification in the record indicating that the prior stipulation adopted in Order No. 11-051 implied an agreement to full recovery of any PBA balance in customer rates without a prudence review or earnings test. Neither did that prior stipulation take into account or address the fact that the PBA might not fully amortize. We therefore concluded:

The stipulating parties, however, also have a responsibility to anticipate reasonable issues and provide adequate grounds for us to conclude that full recovery without an earnings test is in the public interest. In the absence of further support, we are unable to determine whether ratepayers are being treated fairly in the settlement.<sup>14</sup>

**2. *The Third Stipulation Explanation of the PBA's Failure to Amortize as Expected Proposed Resolution of the PBA***

All parties signed on to the third stipulation. Both the NW Natural-CUB-Staff joint testimony and the AWEC testimony addressed the PBA. The joint testimony attributes the increase in part to uncontrollable exogenous factors which the company, by earlier stipulation, was unable to significantly ameliorate. The joint parties note that NW Natural originally requested to defer its excess FAS 87 expense in 2010, amortizing deferred amounts in the 2011 rate case and resetting the amounts going forward. Staff and intervening parties objected to the deferral and, the PBA was established in the UM 1475 PBA stipulation accordingly, earning interest at NW Natural's authorized rate of return. All parties expected the balance to zero out in the coming years. However, the following unforeseen events raised the PBA balance higher than anticipated:

- a. Unexpected declines in the discount rate;
- b. Decline in the expected return on asset during the life of the PBA;
- c. Revised mortality tables; and
- d. The 2012 Changes to the legal requirement for pension funding occurring after the creation of the PBA: the Moving Ahead for Progress Act for the 21<sup>st</sup> Century (MAP-

<sup>13</sup> See Order No. 18-419 at 14-15 for a more detailed background discussion of this issue.

<sup>14</sup> *Id.* at 18.

21), which required a higher interest rate in the short term, improving a plan's funded status and thus decreasing the amount of contributions required.<sup>15</sup>

NW Natural described the MAP-21 funding relief in its August, 2012 testimony in the UG 221 general rate case.<sup>16</sup> In September 2014, testimony in UM 1633, the company explained that the PBA was expected to grow through 2021 due to MAP-21 related legislation.

In the fall of 2017, the company contacted the parties to update them on the impact of those changes and suggested revisions to the PBA stipulation. The terms of the stipulation were such that no party could propose increasing the FAS 87 expense. No party proposed a comprehensive solution. The joint parties' testimony asserts that this information satisfies the Commission's request for further support and adequate grounds to be included in the record to demonstrate that any proposed resolution will treat ratepayers fairly.<sup>17</sup>

### **3. *The Third Stipulation Proposed Resolution of the PBA***

The parties proposed the following means to resolve all of the open issues with respect to the reduction and eventual elimination of the PBA:

- a. The company will reduce the PBA balance by (1) applying \$7.07 million of amounts deferred in the Interim Period Deferral, including interest, as an offset to the balance in the PBA; (2) applying \$5.44 million of the Other Non-Plant EDIT and an offset to the PBA balance; and (3) further reducing the PGA balance by \$10.5 million, all effective as of October 31, 2018.
- b. The company will reduce the PBA interest rate from its authorized rate of return of 7.317 percent to 4.3 percent, effective October 31, 2018.
- c. Beginning April 1, 2019, NW Natural will amortize the PBA balance over a 10-year period by collecting \$7.13 million per year (\$7.3 million including revenue sensitive effects) from all customers on an equal percentage of margin basis via a separate tariff rider.

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<sup>15</sup> NW Natural-Staff-CUB/400, Borgerson, Wilson, Gardner, and Jenks/19-21.

<sup>16</sup> *In the Matter of Northwest Natural Gas Co., dba NW Natural, Request for a General Rate Revision*, Docket No. UG 221, NWN/3100,Feltz/15, August 9, 2012.

<sup>17</sup> NW Natural-Staff-CUB/400, Borgerson, Wilson, Gardner, and Jenks/18-22.

The parties further agreed that the past additions to the PBA were appropriate and should not be subject to an earnings review.

In explaining the reasons why it joined in the third stipulation, AWEC noted that reducing the balance in the PBA by \$10.5 million, along with the exclusion of incremental interest following Order No. 18-419, was a significant reason for its participation. AWEC also concluded that using the risk-free rate +100 basis points resulted in a reasonable return on the PBA of 4.3 percent. Finally, AWEC asserts that the explanation for the increase in the PBA provided by the joint parties acknowledges to some degree the acceptance by NW Natural of its inactions as a contributory factor.<sup>18</sup>

### **Commission Resolution**

We adopt the third stipulation's resolution of the issues relating to the pension balancing account. The terms of the stipulation are fully supported by a robust record. We therefore find that the parties have demonstrated that no need exists for an earnings test or prudence review to address the pension balancing account.

The proposed allocations provide a reasonable and prudent method to address the use of the interim period benefits resulting from the TCJA for the benefit of customers while also providing a reasonable means to eliminate the PBA over time. Having reviewed all the testimony, we find that approving the parties' third stipulation with respect to the treatment of the pension balancing account will result in rates that are fair, just, and reasonable while providing safe and reliable service.

## **IV. ORDER**

IT IS ORDERED that:

1. The third stipulation between Northwest Natural Gas Company; Staff of the Public Utility Commission of Oregon; Oregon Citizens' Utility Board; and the Alliance of Western Energy Consumers, attached as Appendix A, is adopted.

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<sup>18</sup> AWEC/900, Mullins/7.



2. Northwest Natural Gas Company shall file new tariff riders consistent with this order, to be effective April 1, 2019.
3. This docket is closed.

Made, entered, and effective Mar 25 2019.



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**Megan W. Decker**  
Chair



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**Stephen M. Bloom**  
Commissioner



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**Letha Tawney**  
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 344 – PHASE II**

In the Matter of

NW NATURAL GAS COMPANY D/B/A NW  
NATURAL

Request for a General Rate Revision.

**THIRD STIPULATION**

**I. INTRODUCTION**

1           The purpose of this Stipulation is to resolve all remaining 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), the Oregon Citizens' Utility Board (CUB), and the Alliance of  
4 Western Energy Consumers (AWEC) (collectively, the Stipulating Parties) in Phase II of  
5 Docket No. UG 344, NW Natural's Request for a General Rate Revision. The Stipulating  
6 Parties are the only parties to this proceeding, and accordingly, the Stipulating Parties expect  
7 this Stipulation to fully resolve the issues in this docket.

**II. BACKGROUND**

8           In Phase I of this proceeding, the Stipulating Parties filed a Stipulation on August 6,  
9 2018 (First Partial Stipulation) resolving all but three issues in the docket. NW Natural, Staff  
10 and CUB filed a second stipulation (Second Partial Stipulation) on September 7, 2018, which  
11 addressed the Pension Balancing Account (PBA) and the unresolved impacts of the 2017  
12 federal Tax Cuts and Jobs Act (TCJA). AWEC opposed the Second Partial Stipulation. In its  
13 Order No. 18-419 in Phase I, the Commission adopted the First Partial Stipulation, and  
14 adopted several terms from the Second Partial Stipulation, and rejected the remainder.<sup>1</sup>

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<sup>1</sup> *In the Matter of Nw. Natural Gas Co., dba NW Natural, Request for a Rate Revision, Docket No. UG 344, Order No. 18-419 (Oct. 26, 2018).*

1 Specifically, the Commission ordered the freezing of the PBA, and authorized, on a going-  
2 forward basis, the recovery of the Company's current FAS 87 pension expense in rates.<sup>2</sup>  
3 However, the Commission rejected the portions of the Second Partial Stipulation that would  
4 have allowed the Company to (a) apply certain deferred TCJA benefits to the PBA; (b)  
5 amortize the balance in the PBA over a ten-year period, with a lowered interest rate; and (c)  
6 amortize the remaining deferred TCJA benefits for the benefit of customers.<sup>3</sup> The  
7 Commission stated that while it commended the efforts of NW Natural, Staff, and CUB to  
8 reach a settlement, and encouraged further work to reach a practical solution, the Commission  
9 was concerned that there was not sufficient evidence in the record to support the Second  
10 Partial Stipulation's result.<sup>4</sup> Therefore, the Commission ordered further proceedings in Phase  
11 II of this docket to allow the parties to address these issues.<sup>5</sup>

12 Following the Commission's Order No. 18-419 directing further proceedings in this  
13 docket, Administrative Law Judge Allan Arlow convened a Prehearing Conference to establish  
14 a procedural schedule for Phase II. In accordance with Judge Arlow's November 13, 2018  
15 Prehearing Conference Memorandum, NW Natural filed Opening Testimony on November  
16 21, 2018. NW Natural also filed Supplemental Testimony on November 29, 2018. Staff, CUB,  
17 and AWEC filed Rebuttal Testimony on December 12, 2018. During Phase II of the  
18 proceeding, the Parties reengaged in discovery, and NW Natural received and answered an  
19 additional 38 Data Requests. The parties convened an initial settlement conference on  
20 December 17, 2018, but did not achieve a settlement on that date. On January 4, 2019, NW  
21 Natural filed its Reply Testimony and Staff, CUB, and AWEC filed Cross-Answering  
22 Testimony. The parties convened a second settlement conference on January 9, 2019, as

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<sup>2</sup> Order No. 18-419 at 18.

<sup>3</sup> Order No. 18-419 at 18.

<sup>4</sup> Order No. 18-419 at 18.

<sup>5</sup> Order No. 18-419 at 19.

1 well as a follow up settlement conference on January 14, 2019. As a result of those  
2 discussions, the Stipulating Parties reached a settlement of all remaining issues in this  
3 proceeding. This Stipulation (Third Stipulation) memorializes the Stipulating Parties'  
4 agreements reached at the settlement conferences held on January 9 and 14, 2019.

### III. TERMS OF AGREEMENT

5 The Stipulation resolves the issues addressed below:

6 1. Impacts of Tax Reform. The Stipulating parties agree that NW Natural properly  
7 recorded the remeasurement of regulated utility excess deferred income taxes (EDIT) as a  
8 result of the TCJA. Specifically NW Natural recorded a remeasurement of regulated utility  
9 deferred income taxes of \$158.6 million on a system-wide basis. The figure is comprised of  
10 balances related to Plant, Other Non-Plant, and Non-Plant Gas Reserves in the amounts of  
11 \$143.0 million, \$4.8 million, and \$10.8 million, respectively. The sum of these figures on an  
12 Oregon allocated basis and grossed up for income taxes, equals \$196.2 million. These  
13 amounts are included in Exhibit A to this Third Stipulation.

14 2. NW Natural will return to customers EDIT (Plant) subject to the average rate  
15 assumption method (ARAM) in the amount of \$3.3 million per year (\$3.4 million including  
16 revenue sensitive effects), returned to all customers on an equal percentage of margin  
17 basis, through a separate tariff rider beginning on the effective date for the rate change  
18 resulting from this Third Stipulation (the "rate effective date"). Parties are not prohibited  
19 from proposing adjustments to the ARAM amortization schedule in NW Natural's next rate  
20 case, including a potential catch-up for ARAM amortizations over the period January 1, 2018  
21 through the effective date of the Third Stipulation.

22 3. NW Natural will return to sales customers annually \$2.93 million (\$3.0 million  
23 including revenue sensitive effects) of EDIT (Non-Plant Gas Reserves), on an equal cent

1 per term basis, over five years through a separate tariff rider beginning on the rate effective  
2 date.

3 4. NW Natural will provide a benefit to customers by applying \$5.44 million of  
4 EDIT (Other Non-Plant) as an offset to the PBA as described in Paragraph 10 of this Third  
5 Stipulation.

6 5. NW Natural will credit to customers \$7.07 million of the TCJA benefits deferred  
7 between January 1, 2018 and October 31, 2018 (Interim Period Deferral), inclusive of  
8 interest, as an offset to the PBA as described in Paragraph 10 of this Third Stipulation.

9 6. On the rate effective date, rate base will be increased by \$15.38 million to  
10 reflect the EDIT being provided to customers as part of the Third Stipulation. This increase  
11 to rate base results in a \$1.43 million increase to revenue requirement.

12 7. The rate base addition identified in Paragraph 6 uses a 5-year average of  
13 amounts related to ARAM EDIT amortizations and gas reserves EDIT amortizations. At the  
14 time of the next rate case, to the extent that less than 5 years would have elapsed from the  
15 rate effective date through the effective date of rates in the next rate case, the Company will  
16 calculate a true-up amount based on the difference between the revenue requirement  
17 identified in Paragraph 6 and what the revenue requirement would have been had the actual  
18 period been used. The difference in revenue requirement will be multiplied by the number  
19 of years that rates resulting from this stipulation will have been in effect.

20 8. NW Natural agrees to forgo any sharing of deferred amounts that it may  
21 otherwise be allowed to recover under any earnings review the Commission applies before  
22 amortization of amounts in the Interim Period Deferral and the EDIT in Docket Nos. UM  
23 1919 and 1924 (the TCJA Deferral Dockets).

24 9. The Stipulating Parties agree that all issues related to NW Natural's and Staff's  
25 deferrals associated with the impacts of the TCJA in the TCJA Deferral Dockets are resolved

1 by the Third Stipulation. After approval of the Third Stipulation, the Stipulating Parties will  
2 jointly request to the Commission that the TCJA Deferral Dockets be resolved in accordance  
3 with the terms of this Third Stipulation. The Stipulating Parties will also jointly request that  
4 any amounts deferred in TCJA Deferral Dockets be amortized in accordance with the terms  
5 of the Third Stipulation.

6 10. Pension Balancing Account. NW Natural will reduce the balance in the PBA  
7 by:

8 a. Applying \$7.07 million of amounts deferred in the Interim Period  
9 Deferral, including interest, as an offset to the balance in the PBA;

10 b. Applying the \$5.44 million of EDIT (Other Non-Plant) as an offset to the  
11 balance in the PBA; and

12 c. Further reducing the PBA balance by \$10.5 million.

13 11. NW Natural will reduce the interest rate on the PBA from the Company's  
14 authorized rate of return, 7.317 percent, to 4.3 percent.

15 12. The reductions identified in paragraphs 10 and 11 will be made effective as of  
16 October 31, 2018.

17 13. Beginning on April 1, 2019, NW Natural will amortize the balance of the PBA  
18 over a ten year period by collecting \$7.13 million per year (\$7.3 million including revenue  
19 sensitive effects) from all customers on an equal percentage of margin basis through a  
20 separate tariff rider.

21 14. The effects on the average customer bill by rate schedule from this Third  
22 Stipulation is included in Exhibit B.

23 15. The Stipulating Parties agree that past additions to the PBA were appropriately  
24 recorded and should not be subject to an earnings review.

1           16. The Stipulating Parties request that the Commission find that this Third  
2 Stipulation supersedes the PBA Stipulation ordered in Docket UM 1475, Order No 11-051.

3           17. General Terms. The Stipulating Parties recommend and request that the  
4 Commission approve the adjustments and provisions described herein as appropriate and  
5 reasonable resolutions of the identified issues in this docket.

6           18. The Stipulating Parties agree that this Stipulation is in the public interest, and  
7 will result in rates that are fair, just and reasonable, consistent with the standard in ORS  
8 756.040.

9           19. This Stipulation will be offered into the record as evidence pursuant to OAR  
10 860-001-350(7). The Stipulating Parties agree to support this Stipulation throughout this  
11 proceeding and any appeal, provide witnesses to sponsor this Stipulation at hearing, and  
12 recommend that the Commission issue an order adopting the Stipulation. The Stipulating  
13 Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support  
14 of the Stipulation in accordance with OAR 860-001-0350(7).

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

19           21. The Stipulating Parties have negotiated this Stipulation as an integrated  
20 document. If the Commission rejects all or any material portion of this Stipulation or imposes  
21 additional material conditions in approving this Stipulation, any of the Stipulating Parties are  
22 entitled to withdraw from the Stipulation or exercise any other rights provided in OAR 860-  
23 001-0350(9). To withdraw from the Stipulation, a Stipulating Party must provide written  
24 notice to the Commission and other Stipulating Parties within five days of service of the final  
25 order rejecting, modifying or conditioning this Stipulation.

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

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

16           24. This Stipulation may be executed in counterparts and each signed counterpart  
17 shall constitute an original document.

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

DATED this 4th day of February, 2019.

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: /s/ Lisa Rackner

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

Date: 2/4/19

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

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

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

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

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

DATED this 4<sup>th</sup> day of February, 2019.

NW NATURAL COMPANY D/B/A NW  
NATURAL

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

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

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

Date: Feb. 4, 2019 \_\_\_\_\_

OREGON CITIZENS' UTILITY BOARD

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

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

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

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

DATED this 4th day of February, 2019.

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

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

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

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: 

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

Date: 2/4/19

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

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

DATED this 4th day of February, 2019.

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

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

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

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

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

Date: 2/4/2019

BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UG 344 – Phase II**

**Third Stipulation**

**Exhibit A**

TCJA Tax Reform Benefits  
UG 344 - Third Stipulation  
Exhibit A

	A	B	C	D	E	F	G	H	I	J	K	L	M
1	<b>2018 TCJA Benefit</b>		<b>Oregon Interim Benefit</b>	<b>Gross up For Income Taxes</b>	<b>Oregon Interim Benefit, w/ Gross Up</b>	<b>Accrued Interest on Deferral</b>	<b>Immediately to PBA</b>						
2	Interim Benefit		\$ 4,991	x 1.36	= \$6,787.80	+ \$285.70	= \$7,073.50						
3								<b>EDIT Amortization</b>					
4													
5	<b>2017 TCJA Benefit</b>	<b>Final System Wide Deferred Tax Remeasurement</b>	<b>Final Oregon Allocated EDIT Benefit</b>	<b>Adjust Deferred Tax Remeasurement for PBA \$10.5M Reduction</b>	<b>Oregon Allocated EDIT Benefit for Settlement</b>	<b>Gross up For Income Taxes</b>	<b>Oregon EDIT Benefit, w/ Gross Up</b>	<b>Immediately to PBA</b>	<b>Yr 1</b>	<b>Yr 2</b>	<b>Yr 3</b>	<b>Yr 4</b>	<b>Yr 5</b>
6	Plant	\$ 143,044.9	\$ 128,406.8	- \$ -	= \$ 128,406.8	x 1.36	= \$ 174,633.2		\$ 3,262.60	\$ 3,262.60	\$ 3,262.60	\$ 3,262.60	\$ 3,262.60
7	Non-Plant - Other	4,811.2	5,126.8	- 1,128.7	= 3,998	x 1.36	= 5,437.4	\$5,437.40					
8	Non - Plant - Gas Reserves	10,766.8	10,766.8	- -	= 10,767	x 1.36	= 14,642.8		2,928.56	2,928.56	2,928.56	2,928.56	2,928.56
9													
10													
11	<b>TOTAL</b>	<b>\$ 158,622.9</b>	<b>\$ 144,300.4</b>		<b>\$ 143,171.7</b>	<b>1.36</b>	<b>\$ 194,713.4</b>	<b>\$5,437.40</b>	<b>\$6,191.16</b>	<b>\$6,191.16</b>	<b>\$6,191.16</b>	<b>\$6,191.16</b>	<b>\$6,191.16</b>
12													
13													
14										1/2 of 5 year amortization amounts			\$15,477.90
15										Non-Plant Other Applied to PBA			\$5,437.40
16										Total EDIT Amortized			\$20,915.30
										Gross Down Factor			1.36
										<b>Rate Base Increase &gt;&gt;&gt;</b>			<b>\$15,378.90</b>

BEFORE THE  
PUBLIC UTILITY COMMISSION OF OREGON

**UG 344 – Phase II**

**Third Stipulation**

**Revised Exhibit B**

**NW Natural**  
**Rates & Regulatory Affairs**  
**UG 344: Phase II Stipulation**  
**Effects on Average Bill by Rate Schedule [1]**  
**ALL VOLUMES IN THERMS**

		PROPOSED Rates						F = A+B+C+D+E	
		11/1/2018	UG 344	UG 344	UG 344	UG 344	Total	Customer	
		Billing	Base Rate	PBA Amort.	Gas Reserves EDIT	Protected EDIT	Billing	Charge	
		Rates	Adjustment	Adjustment	Adjustment	Adjustment	Rates [1]		
Schedule	Block	A	B	C	D	E	F	E	
7	2R	\$0.81780	\$0.00233	\$0.01287	-\$0.00430	-\$0.00589	\$0.82281	\$8.00	
8	3C Firm Sales	\$0.77606	\$0.00186	\$0.00903	-\$0.00430	-\$0.00413	\$0.77852	\$15.00	
9	3I Firm Sales	\$0.75175	\$0.00169	\$0.00770	-\$0.00430	-\$0.00352	\$0.75332	\$15.00	
10	27 Dry Out	\$0.70565	\$0.00196	\$0.00986	-\$0.00430	-\$0.00451	\$0.70866	\$6.00	
11	31C Firm Sales	Block 1 \$0.51544	\$0.00166	\$0.00719	-\$0.00430	-\$0.00329	\$0.51670	\$325.00	
12		Block 2 \$0.49461	\$0.00152	\$0.00657	-\$0.00430	-\$0.00301	\$0.49539		
13	31C Firm Trans	Block 1 \$0.20915	\$0.00090	\$0.00722	\$0.00000	-\$0.00330	\$0.21397	\$75.00	
14		Block 2 \$0.19126	\$0.00082	\$0.00660	\$0.00000	-\$0.00302	\$0.19566		
15	31I Firm Sales	Block 1 \$0.45816	\$0.00142	\$0.00505	-\$0.00430	-\$0.00231	\$0.45802	\$325.00	
16		Block 2 \$0.43995	\$0.00128	\$0.00457	-\$0.00430	-\$0.00209	\$0.43941		
17	31I Firm Trans	Block 1 \$0.18617	\$0.00071	\$0.00574	\$0.00000	-\$0.00263	\$0.18999	\$75.00	
18		Block 2 \$0.16829	\$0.00064	\$0.00519	\$0.00000	-\$0.00238	\$0.17174		
19	32C Firm Sales	Block 1 \$0.38728	\$0.00140	\$0.00424	-\$0.00430	-\$0.00194	\$0.38668	\$675.00	
20		Block 2 \$0.36951	\$0.00119	\$0.00360	-\$0.00430	-\$0.00165	\$0.36835		
21		Block 3 \$0.33997	\$0.00084	\$0.00254	-\$0.00430	-\$0.00116	\$0.33789		
22		Block 4 \$0.31037	\$0.00049	\$0.00148	-\$0.00430	-\$0.00068	\$0.30736		
23		Block 5 \$0.28916	\$0.00000	\$0.00073	-\$0.00430	-\$0.00033	\$0.28526		
24		Block 6 \$0.27893	\$0.00000	\$0.00036	-\$0.00430	-\$0.00017	\$0.27482		
25	32I Firm Sales	Block 1 \$0.38086	\$0.00131	\$0.00307	-\$0.00430	-\$0.00141	\$0.37953	\$675.00	
26		Block 2 \$0.36410	\$0.00111	\$0.00261	-\$0.00430	-\$0.00119	\$0.36233		
27		Block 3 \$0.33615	\$0.00079	\$0.00184	-\$0.00430	-\$0.00084	\$0.33364		
28		Block 4 \$0.30825	\$0.00046	\$0.00108	-\$0.00430	-\$0.00049	\$0.30500		
29		Block 5 \$0.28911	\$0.00000	\$0.00055	-\$0.00430	-\$0.00025	\$0.28511		
30		Block 6 \$0.27897	\$0.00000	\$0.00028	-\$0.00430	-\$0.00013	\$0.27482		
31	32 Firm Trans	Block 1 \$0.10999	\$0.00042	\$0.00302	\$0.00000	-\$0.00138	\$0.11205	\$925.00	
32		Block 2 \$0.09350	\$0.00036	\$0.00256	\$0.00000	-\$0.00117	\$0.09525		
33		Block 3 \$0.06612	\$0.00025	\$0.00181	\$0.00000	-\$0.00083	\$0.06735		
34		Block 4 \$0.03868	\$0.00015	\$0.00106	\$0.00000	-\$0.00048	\$0.03941		
35		Block 5 \$0.02220	\$0.00008	\$0.00060	\$0.00000	-\$0.00028	\$0.02260		
36		Block 6 \$0.01127	\$0.00004	\$0.00030	\$0.00000	-\$0.00014	\$0.01147		
37	32C Interr Sales	Block 1 \$0.38637	\$0.00149	\$0.00285	-\$0.00430	-\$0.00131	\$0.38510	\$675.00	
38		Block 2 \$0.36954	\$0.00127	\$0.00243	-\$0.00430	-\$0.00111	\$0.36783		
39		Block 3 \$0.34147	\$0.00090	\$0.00171	-\$0.00430	-\$0.00078	\$0.33900		
40		Block 4 \$0.31341	\$0.00052	\$0.00100	-\$0.00430	-\$0.00046	\$0.31017		
41		Block 5 \$0.29656	\$0.00030	\$0.00057	-\$0.00430	-\$0.00026	\$0.29287		
42		Block 6 \$0.28423	\$0.00000	\$0.00026	-\$0.00430	-\$0.00012	\$0.28007		
43	32I Interr Sales	Block 1 \$0.38620	\$0.00149	\$0.00285	-\$0.00430	-\$0.00130	\$0.38494	\$675.00	
44		Block 2 \$0.36944	\$0.00127	\$0.00242	-\$0.00430	-\$0.00111	\$0.36772		
45		Block 3 \$0.34145	\$0.00089	\$0.00171	-\$0.00430	-\$0.00078	\$0.33897		
46		Block 4 \$0.31348	\$0.00052	\$0.00100	-\$0.00430	-\$0.00046	\$0.31024		
47		Block 5 \$0.29668	\$0.00030	\$0.00057	-\$0.00430	-\$0.00026	\$0.29299		
48		Block 6 \$0.28441	\$0.00000	\$0.00026	-\$0.00430	-\$0.00012	\$0.28025		
49	32 Interr Trans	Block 1 \$0.10798	\$0.00031	\$0.00250	\$0.00000	-\$0.00114	\$0.10965	\$925.00	
50		Block 2 \$0.09182	\$0.00026	\$0.00212	\$0.00000	-\$0.00097	\$0.09323		
51		Block 3 \$0.06490	\$0.00019	\$0.00150	\$0.00000	-\$0.00069	\$0.06590		
52		Block 4 \$0.03795	\$0.00011	\$0.00087	\$0.00000	-\$0.00040	\$0.03853		
53		Block 5 \$0.02180	\$0.00006	\$0.00050	\$0.00000	-\$0.00023	\$0.02213		
54		Block 6 \$0.01103	\$0.00003	\$0.00025	\$0.00000	-\$0.00011	\$0.01120		
55	33	\$0.00578	\$0.00000	\$0.00015	\$0.00000	-\$0.00007	\$0.00586	\$38,000	

BILL IMPACTS									
Rate Case	Rate Case	Average	Average	Average	Change in	Change in	Therms in		
Annual	End of Period	Monthly	Monthly Bill at	Monthly Bill at	Average	Average	Block		
Volumes (therms)	Customers	Use Per Customer	Current Rates [1]	Proposed Rates [1]	Monthly Bill \$'s	Monthly Bill %			
G	H	I	J	K	L	M	N		
385,050,429	606,831	53	\$51.34	\$51.61	\$0.27	0.53%	N/A		
166,461,516	58,617	237	\$198.93	\$199.51	\$0.58	0.29%	N/A		
4,874,416	355	1,144	\$875.00	\$876.80	\$1.80	0.21%	N/A		
1,197,618	1,962	51	\$41.99	\$42.14	\$0.15	0.36%	N/A		
12,784,484	740	2,859	\$1,780.75	\$1,783.94	\$3.19	0.18%	Block 1		
12,605,537							Block 2		
1,523,968	74	3,938	\$1,363.96	\$1,382.13	\$18.17	1.33%	Block 1		
1,972,618							Block 2		
4,299,679	217	5,380	\$2,728.35	\$2,726.25	(\$2.10)	-0.08%	Block 1		
9,710,862							Block 2		
91,578	5	6,059	\$1,630.43	\$1,652.07	\$21.64	1.33%	Block 1		
271,990							Block 2		
28,058,173	433	7,524	\$3,588.89	\$3,584.38	(\$4.51)	-0.13%	Block 1		
9,518,066							Block 2		
1,350,403							Block 3		
166,168							Block 4		
0							Block 5		
0							Block 6		
5,409,612	62	18,579	\$7,607.21	\$7,578.73	(\$28.48)	-0.37%	Block 1		
5,816,515							Block 2		
2,020,748							Block 3		
576,257							Block 4		
0							Block 5		
0							Block 6		
14,881,729	178	43,409	\$4,781.50	\$4,853.60	\$72.10	1.51%	Block 1		
16,126,373							Block 2		
10,000,748							Block 3		
20,036,765							Block 4		
25,892,025							Block 5		
5,784,825							Block 6		
5,114,441	58	33,806	\$13,229.13	\$13,172.83	(\$56.30)	-0.43%	Block 1		
6,268,233							Block 2		
3,312,192							Block 3		
6,448,719							Block 4		
2,385,488							Block 5		
0							Block 6		
6,003,909	68	33,849	\$13,240.04	\$13,183.50	(\$56.54)	-0.43%	Block 1		
7,358,360							Block 2		
3,888,225							Block 3		
7,570,236							Block 4		
2,800,356							Block 5		
0							Block 6		
7,385,146	85	193,105	\$9,873.89	\$10,011.01	\$137.12	1.39%	Block 1		
12,638,632							Block 2		
9,591,680							Block 3		
30,167,941							Block 4		
53,015,711							Block 5		
84,168,292							Block 6		
994,600,661	669,684						N/A		

[1] Due to demand optionality for large customers, demand is not included in the billing rates and average bill for Schedules 31 and 32.