ORDER NO. 20-364

ENTERED Oct 16, 2020

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 388

In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision	ORDER

DISPOSITION: COMPREHENSIVE STIPULATION ADOPTED

I. INTRODUCTION

In this order, we adopt an uncontested Comprehensive Stipulation that resolves all issues among all of the parties regarding the application for a general rate revision made by Northwest Natural Gas Company, dba NW Natural. The Comprehensive Stipulation incorporates, by reference, a Partial Stipulation on cost of capital issues that was separately filed on March 12, 2020. A copy of the Comprehensive Stipulation is attached to this order, as Appendix A.

As a result of our adoption of the Comprehensive Stipulation, we authorize a 7.37 percent increase to current customer rates, as of the rate effective date of November 1, 2020, increasing NW Natural's annual revenue requirement by $45.8 million. This revenue requirement increase represents a 7.37 percent overall increase over the previously authorized amount. Average monthly bills will increase: for residential customers by $4.18 (8.00 percent); for commercial customers by $18.06 (7.39 percent; and for industrial customers by $75.42 (1.94 percent).

The Comprehensive Stipulation also provides that NW Natural should begin collecting the Corporate Activity Tax (CAT), a new tax on all businesses having a certain level of commercial activity in the state of Oregon, as of the rate effective date of this order. Accordingly, we authorize an additional increase to NW Natural's annual requirement of $3.15 million, having the following total impact on average monthly bills: an additional $0.27 for residential customers, for a total residential customer average bill increase of $4.45 (8.51 percent increase); an additional $1.23 for commercial customers, for a total commercial customer average bill increase of $19.28 (7.77 percent); and an additional increase of $9.67 for a total industrial customer average bill increase of $95.09 (2.45 percent increase).

We very recently authorized a purchased gas adjustment (PGA) rate decrease for NW Natural in Order No. 20-360. Combined, these two orders reduce the overall revenue requirement increase from 7.37 percent to 2.99 percent, resulting in average monthly bills that increase: for residential customers by $2.21 (4.22 percent); for commercial customers by $9.29 (3.74 percent); and for industrial customers by $16.70 (0.433 percent).

We recognize that authorizing any rate increase, regardless of amount, in the midst of the COVID-19 pandemic and its economic effects, will present difficulties for some customers. We initiated an investigation on the impact of COVID-19 on customers in docket UM 2114. This investigation led to a Stipulation with the Energy Utilities that recognizes the economic hardships posed by the pandemic, and includes customer protections to mitigate these hardships. This Stipulation will be presented to the Commission at the Public Meeting on November 3, 2020.

II. PROCEDURAL HISTORY

On December 30, 2019, NW Natural filed a request for a general rate increase and revised tariff sheets to become effective November 1, 2020 (the Initial Filing). NW Natural requested a revision to customer rates that would increase NW Natural's annual Oregon jurisdictional revenues by $71.4 million, and customer rates by approximately 11.5 percent. The Initial Filing was developed using a test year comprised of 12 months ending October 31, 2021 (Test Year) and a historical base year of 12 months ending December 21, 2019 (Base Year).

A prehearing conference was held on January 30, 2020, that led to the adoption of a procedural schedule to review NW Natural's general rate case application. Pursuant to this schedule, a workshop was held on March 3, 2020. Prior to the workshop, Staff notified the parties of an intent to discuss cost of capital issues for settlement purposes. As a result, the first part of the workshop was used as a settlement conference to address cost of capital issues raised by the Initial Filing. An additional workshop took place on April 6, 2020. Additional settlement conferences occurred on April 29, 2020, May 6, 2020, June 8, 2020, and June 9, 2020.

As a result of the settlement discussions, an agreement on all issues raised from the Initial Filing was reached among all parties: NW Natural, Commission Staff, the Oregon

Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) (collectively the Stipulating Parties).[1] The agreement on all issues came in two parts: 1) on March 12, 2020, the Stipulating Parties filed a Partial Stipulation that memorialized an agreement reached at the first workshop on all issues related to cost of capital components. On May 13, 2020, Joint Testimony supporting the Partial Stipulation was filed by NW Natural, Staff, and CUB (collectively the Joint Testifying Parties). On May 13, 2020, AWEC separately filed supporting testimony; and 2) on July 31, 2020, the Stipulating Parties filed a Comprehensive Stipulation that incorporated the Partial Stipulation and memorialized an agreement on all other issues in the case, including: revenue requirement; timing of customer credits under Schedules 185 and 186; curtailment and entitlement revenues; fuel mix communications; Oregon Corporate Activity Tax (CAT); decoupling calculation treatment for the month of April; Excess Deferred Income Taxes (EDIT) true-up credit; historical; and Joint Testimony in Support of the Comprehensive Settlement was also filed on July 31, 2020.

III. THE COMPREHENSIVE STIPULATION

A. OVERVIEW

The Comprehensive Stipulation resolves all issues raised by the Initial Filing. As part of a comprehensive settlement, the Stipulating Parties agree to reduce the Initial Filing's requested Oregon-allocated revenue requirement of $71.4 million by $25.6 million. The Stipulating Parties agree that NW Natural's Oregon-allocated, annual requirement will be $45.8 million, representing a 7.37 percent overall increase (including gas costs for sales customers). The Stipulating Parties agree that NW Natural will make a compliance filing, effective November 1, 2020, with rate schedules reflecting the new revenue requirement, as well as the resolution of the remaining issues in the Comprehensive Stipulation.

1. Revenue Requirements Issues

In the Comprehensive Stipulation, the Stipulating Parties agree to reduce the Initial Filing's requested Oregon-allocated revenue requirement of $71.4 million by $25.6 million to $45.8 million, representing a 7.37 percent overall increase (including gas costs for sales customers). The Stipulating Parties agree that NW Natural will make a compliance filing, effective November 1, 2020, with rate schedules reflecting the new

[1] The Community Action Partnership of Oregon (CAPO) was also granted intervention. The Comprehensive Stipulation states that CAPO withdrew as a party. We take official notice of the statement that CAPO is not a party in these proceedings.

revenue requirement, as well as the resolution of the remaining issues in the Comprehensive Stipulation.

a. Rate Case and Regulatory Expense

NW Natural initially determined Oregon-jurisdictional rate case and regulatory expense by applying a 70 percent allocation factor to the total rate case and regulatory expense calculated for the Test Year. Staff proposed allocating this expense on a state-specific basis. Because responses to data requests were still pending when Staff filed Opening Testimony, Staff did not recommend a specific adjustment using the proposed methodology. Staff recommended a net adjustment of $92,550 for other regulatory expense. In Reply Testimony, NW Natural pointed out that the company has applied the 70/30 allocation factor to regulatory expense for twenty years, and expressed reservations regarding Staff's proposal to change methodologies. NW Natural indicated willingness to apply Staff's methodology in this case with a proposed correction of $177,000 to include one-third of the Company's anticipated rate case expense for this rate case. This approach resulted in an increase to regulatory expense, however, the company proposed adhering to its initial request.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $92,000.

b. Plant Test Year Additions

NW Natural initially sought to recover all capital expenditures that would be placed in service during the Test Year. The company used a 13-month average of monthly averages (AMA) through the Test Year to reflect the portion of the Test Year when a particular asset would be used and useful for the provision of utility service. Staff opposed the inclusion of all Test Year capital additions, except the proposed additions of meters and services. CUB also objected to the inclusion of all capital additions during the Test Year, arguing that capital projects not forecast to be in service by the rate effective date should be excluded.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to rate base of $23,290,000 and a reduction to expense of $1,639,000. These reductions reflect removal of projects that will not go into service until after November 1, 2020, except that the Stipulating Parties agreed to not remove a portion of capital additions related to customer acquisitions. In recognition of the capital associated with the customer acquisitions, the Stipulating Parties agree to an increase to rate base of $22,405,000, and an increase to expense of $637,000.

c. Removal Work in Progress

Removal Work in Progress (RWIP) is a combination of cash disbursement related to the retirements of plant-in-service and the amount of cost of removal reserve credited to the RWIP account. NW Natural initially proposed that RWIP be included in rate base. Staff countered that RWIP should be accounted for in the company's accumulated depreciation reserve when determining depreciation rates. Staff proposed excluding the entire RWIP amount in rate base in this case, decreasing rate base by $37.387 million and increasing accumulated depreciation by the same amount. NW Natural replied that RWIP has not historically been include in the company's depreciation rates because the amounts could not be identified for particular asset classes. Responding to Staff's proposal, NW Natural recommended including RWIP in its next depreciation study and establishing a practice to classify the RWIP balance by account.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $60,000.

d. Gas Storage Operating Expense and Operations and Maintenance Expense

Non-payroll gas storages operations and maintenance (O&M) expenses involve costs associated with operating and maintaining NW Natural's wells, compressors, reservoirs, dehydrators and related equipment. NW Natural initially established its Base Year expenses using actual O&M expenses that were incurred from January through September of 2019, with additional expenses forecast for the remaining three months of 2019, with the total escalated using the West Region Urban Consumer Price Index (CPI). To this cost-category, the company added two incremental expenses, on an Oregon-allocated basis, associated with: 1) four compressors being rebuilt; and 2) a leased compressor agreement that took effect in July of 2019. The company projected an increase for non-payroll expense associated with its gas storage operations from $2.320 million to $3.134 million. Staff recommended using the three-year average value (2017-2019) for gas storage operating expense, reducing NW Natural's requested storage O&M expense by $1.018 million, from $3.1334 million to $2.166 million. NW Natural responded that Staff's proposal would inappropriately flatten trend lines and ignore specific expected Test Year expenses. AWEC proposed removing the pro forma adjustment to storage O&M expenses for the Mist Storage facility in the Test Year, thereby reducing the company's Test Year revenue requirement by $1.244 million. NW Natural responded with additional explanation and support for its expected costs.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $250,000.

e. Property Taxes

NW Natural initially proposed $23.104 million in Test Year property taxes. This amount was calculated using a simple three-year average of the ratio between property taxes paid and the value of net plant, as of the previous year-end, with the resulting ratio being multiplied by the weighted Test Year net plant to derive the property tax amount. Staff recommended an initial adjustment of $30,000, to be trued up to the final level of Test Year accumulated depreciation. Staff calculated the adjustment using a weighted three-year average to generate a ratio between taxes paid and the net plant of the previous year end amount, with this ratio being multiplied by the weighted Test Year net plant to derive a property tax amount.

Settlement discussions resulted in the Stipulating Parties agreeing, in the context of the Comprehensive Stipulation, to a reduction to expense of $30,000.

f. Franchise Fees

NW Natural initially included $14.975 million in franchise fees for the Test Year. This amount was calculated by applying the effective rate of 2.393 percent to gross sales and transportation revenue and miscellaneous revenues to provide a forecast for total franchise fees for both the Base Year and Test Year, based on the latest franchise fee analysis using actual franchise fees from July 1, 2018 through June 30, 2019. Staff proposed the franchise fee rate be calculated based on a three-year average of the last three years of actual data provided as part of the company's annual purchased gas adjustment (PGA), resulting in a franchise fee of 2.388 percent. This percentage would be used in the Test Year conversion factor for the revenue requirement, and Staff would apply this percentage to Staff's adjusted Test Year revenues to calculate the amount of franchise fees in O&M expense. Staff did not include the unbilled franchise fee for 2019-2020, NW Natural indicated in Reply Testimony. This error reduced the amount of the franchise fees recognized on the company's books and generated a lower rate. Fixing the error would result in a Staff adjustment of $24,500.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $24,000.

g. Oregon Department of Energy Fee

NW Natural initially proposed a rate of 0.143 percent and Oregon Department of Energy Fee (ODOE) Test Year fees of $893,093. The company first calculated an average effective rate for the two-year period of 2018 and 2019, and then applied the average effective rate for to total operating revenues. This methodology used the previous two years of actual data and weighted the most recent year by 2/3 and the previous year by 1/3. Staff proposed an adjustment of $37,000, calculated using a three-year average of the last three years of actual data, resulting in a 0.1368 percent fee. NW Natural explained that its more nuanced approach is superior due to the variability in the ODOE budget and the company's revenues.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $37,000.

h. Commission Regulatory Fee

NW Natural initially proposed a Commission regulatory fee at a rate of 0.300 percent multiplied by total revenues for both the Base Year and Test Year. Staff recommended an adjustment increase of $313,899, calculated based on the 0.350 percent rate set in Order No. 20-054, entered after the company's initial filing, multiplied by the Test Year gross revenue. NW Natural agreed with Staff's recommendation.

The Comprehensive Stipulation incorporates an increase to expense of $313,000 to reflect the updated regulatory fee.

i. Directors and Officers Insurance

NW Natural initially included $503,225 in Test Year Directors and Officers (D&O) insurance premiums on an Oregon-allocated basis. Staff recommended that D&O insurance costs be shared between shareholders and customers, and proposed a fifty percent downwards adjustment of $251,613.

As a result of settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $251,000.

j. Wages, Salaries, and Incentives

NW Natural's initial revenue requirement request included an Oregon-allocated cost of base pay of $43.845 million for bargaining unit employees, $52.85 million in non-bargaining unit employees, $6.450 million in overtime pay, and $11.1 million in pay-at-risk for non-bargaining unit employees and officers. Staff applied a three-year wage and salary model to calculate an adjustment of $998, 648 for bargaining unit employees, $1.335 million for non-bargaining unit employees for base pay, and $1.371 million for overtime. For pay-at-risk, Staff proposed an adjustment of $7.870 million, recommending a 100 percent disallowance of officer pay-at-risk costs, 75 percent of non-bargaining unit pay-at-risk costs tied to the company's financial performance, and 50 percent of non-bargaining unit pay-at-risk costs that are awarded based on merit. CUB observed that pay-at-risk compensation potentially creates an inappropriate benefit to NW Natural's shareholders as they may recover the cost of pay-at-risk compensation without actually distributing all of the anticipated pay-at-risk funds. Staff also proposed disallowing the portion of officer incentives capitalized by the company from 2015-2019 data, resulting in a reduction to rate base of $4.237 million. NW Natural responded that Staff's adjustment for bargaining unit employee base pay and overtime did not account for a 3.5 percent increase in bargaining unit base pay under the collective bargaining agreement that took effect on December 1, 2019. That correction would eliminate the entire bargaining unit wage disallowance proposed by Staff, NW Natural asserted. The company also expressed concerns with Staff's model.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $7.161 million and a reduction to rate base of $4.735 million. The Stipulating Parties also agree that the adjustment for this category includes removal of executive bonuses from the company's proposed revenue requirement in the Test Year.

k. Materials and Supplies

NW Natural initially included $14.5 million in rate base for materials and supplies, derived using trended amounts based on historic balances of actual material and supplies inventory and a 13-month AMA for the Test Year. Staff proposed an adjustment of $1.694 million from the Test Year, holding the materials and supplies account at the Base Year average of $12.8 million. NW Natural responded with an explanation that because materials and supplies are globally impacted, it is reasonable to use a historical trend. The company also showed that the Test Year estimate is below both the three-year historical average and the actual inventory balances between October 2019 and April 2020.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to rate base of $1.694 million from the company's proposed revenue requirement in the Test Year.

l. Demonstration and Selling

NW Natural initially included $740,057 in demonstration and selling expenses for the Test Year, which involve outreach to and education of potential customers, and on-boarding new customers into the company's system, as well as costs associated with the company's Get Ready Emergency Preparedness events and campaign throughout NW Natural's service territory. Staff recommended disallowing demonstration and selling expense on the basis that these costs included expense for promotional activities related to NW Natural's corporate identity. As a data request was pending at the time of Staff's opening testimony, Staff did not propose an adjustment. NW Natural partially agreed with Staff, explaining that rebates were inadvertently included and corrected for this error, adjusting by $17,719.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $400,000.

m. Plant Maintenance

NW Natural initially included $2.87 million for non-payroll plant maintenance expenses in the Test Year. Non-payroll plant maintenance expenses reflect the company's costs to maintain miscellaneous utility plant and properties. The Test Year amount was calculated beginning with the company's Base Year expenses, applying the West Region Urban CPI escalation rate, and adding $818,000 in incremental expenses associated with operating the Company's new operations center. Staff recommended an adjustment of $874,000 calculated by removing $41,600 in 2019 Base Year expense that did not contain a description and escalating the remaining amount by the All-Urban CPI. NW Natural supplemented the record with transaction level detail supporting its plant maintenance request.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $75,000.

n. Employee Benefits

NW Natural initially included $18.1 million of Oregon-allocated medical benefit costs for the Test Year in its requested revenue requirement. Staff recommended an Oregon-allocated adjustment of $347,715 in Test Year medical benefit costs based on a "per FTE" rate of increase between the Base Year and the Test Year calculation as compared to recent historical national trends for costs of health care premiums per family. NW

Natural responded with corrections to Staff's calculation that would reduce the proposed disallowance to $81,709. NW Natural also provided additional support for its proposal.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $8,000.

o. Miscellaneous Revenues

NW Natural used the 12-months ended September 30, 2019 as a proxy for the Base Year, and then examined each component of miscellaneous revenue over the last three years ended in September. If amounts for a particular category were trending upward or downward, the most recent year was used as representative for the forecast, but if no trend was apparent, a simple three-year average was used. Staff recommended an adjustment of $206,125 to miscellaneous revenues in the Test Year to reflect actual 2019 Miscellaneous Operating Revenues. Staff also recommend that on a prospective basis, if annual revenue generated from the Unauthorized Use fee in Schedule C is greater than $250,000, this revenue should be passed through as a credit to firm customers in the company's next PGA. Staff also recommended that the company be required to credit firm customers with the approximately $2.7 million in curtailment fee revenue in the 2020 PGA. NW Natural did not object to Staff's use of calendar year 2019 data, but explained that it should be compared against calendar year ending data over the last three years. Updating the data using the 2019 calendar year as the Base Year and calendar years 2018 and 2017 for trending and averaging would result in an increase to miscellaneous revenues, and a decrease to the revenue requirement of $101,000.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $101,000.

p. Dues and Memberships

The Dues and Memberships expense category includes dues paid for organizational memberships for the company due to professional and educational requirements and opportunities. NW Natural's Test Year expense for this expense category is based on the company's actual expense for 2019, escalated for 2020 and 2021. Recommending that the cost of dues and memberships be shared between shareholders and utility customers, Staff proposed an adjustment of $315,542 for dues and memberships, calculated by escalating actual 2019 expense by 2.5 percent for 12 months, and then by 2.4 percent, and then disallowing twenty-five percent of the total amount for national and regional industry research organizations and one hundred percent of the total amount for technical, commercial, trade, community affairs, and economic development organizations. NW

Natural disagreed with Staff's approach, and noted its miscategorization of one organization which would reduce Staff's adjustment by $57,800.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $316,000.

q. Meals and Entertainment, Miscellaneous, Awards and Gifts

Examples of meals and entertainment expenses include costs for meals during working lunches, and travel for business purposes, while examples of awards include activities and awards associated with the recognition of employees' service and performance. NW Natural's total Oregon-allocated Test Year expense was $1.241 million. Staff recommended an adjustment of $641,281, based on a review of the expenses to evaluate customer benefit, and whether some expenses should more appropriately be shared between customers and shareholders. Staff excluded one hundred percent of expenses deemed to have no benefit to customers, and half of expenses deemed to be benefit both customers and shareholders. Staff then escalated the remaining expenses using the Company's West Region Urban CPI of 2.5 percent and 2.4 percent, respectively.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $641,000.

r. Equity Flotation Costs

Flotation costs are incurred to issue common stock. NW Natural initially proposed that the three-year average of equity flotation costs over the period from 2019 to 2021, totaling $3.430 million, be included in revenue requirement. AWEC proposed to remove $4.833 million from the revenue requirement, arguing that such costs are accounted for in the Return on Equity. NW Natural responded that equity flotation costs should be separately recovered if not captured in the cost of equity.

Stipulating Parties agree to adopt AWEC's proposal, which results in a reduction to expense of $3.430 million, equal to a reduction in the revenue requirement of $4.836 million.

s. Portland LNG Liquefaction Study Project

The Portland Liquid Natural Gas (LNG) Liquefaction Project will provide updated piping and instrumentation drawings for the liquefaction system, identify the repairs and improvements needed and evaluate alternatives to the improvements. The Study Project is currently in the planning phase, and NW Natural expects it to be completed prior to the new rate effective period, but the Portland LNG Liquefaction Project is not planned to be completed until after the Test Year. Staff identified the Study Project as not being used and useful at the rate effective date because the underlying project will not be completed then and removed Study Project costs from rate base. In Reply Testimony, NW Natural agreed, noting that the Study Projects costs were inadvertently included in rate base.

The Comprehensive Stipulation incorporates a reduction to rate base of $842,000, and a reduction to expense of $18,000.

t. Schedule H CNG O&M

In Reply Testimony, NW Natural indicated that $14,778 in Schedule H tariff related operations and maintenance expense had inadvertently been included in the company's initial filing revenue requirement. The Schedule H tariff pertains to high-pressure CNG service, and all costs of service are paid for Schedule H customers.

The Comprehensive Stipulation incorporates a reduction to expense of $15,000.

u. 250 Taylor Property Tax

NW Natural initially included $3.47 million in the Test Year for property tax expense associated with the operations center located at 250 Taylor Street. In Reply Testimony, the company reduced 250 Taylor Street property tax expense to $1.5 million, based on a determination by Multnomah County, resulting in a revenue requirement reduction of $1.11 million.

The Comprehensive Stipulation incorporates a reduction to expense of $1.083 million.

v. Forecasted Administrative Overhead Rate

NW Natural initially calculated the administrative overhead rate base on prior year actuals, consistent with past practice, at 27.5 percent which is the rate reflected in the current Cost Allocation Manual. AWEC observed that the intercompany allocations are based on historical lease costs, which are materially less than new lease costs for 250 Taylor. In Reply Testimony, NW Natural updated the calculation to reflect the new lease, producing a revised forecasted administrative overhead rate of 28.5, which resulted in a reduction to expense of $12,900.

The Comprehensive Stipulation incorporates a reduction to expense of $13,000.

w. Mist FERC Allocations

NW Natural initially classified the company's investment in Mist Storage in two FERC accounts: 60 percent in FERC account 363.11 (Liquefaction 16 Equipment-LINN); and 40 percent in FERC account 376.11 (Mains <4"). AWEC recommended that all Mist Storage investments be classified in FERC account 363.11, and that a retrospective analysis be conducted to determine classification of historical investments in Mist Storage. In Reply Testimony, NW Natural indicated that the company had determined a misclassification of forecasted Mist Storage capital projects, with the correct classification being: 8 percent to FERC account 354 (Compressor Station Equipment); 45 percent to FERC account 355 (Measuring/Regulating Equipment); and 3 percent to FERC account 367 (Mains). The reclassification resulted in a reduction to the company's revenue requirement of $135,006. NW Natural did not agree with the need for a retrospective analysis as the company had not previously applied a 60/40 allocation to actual recorded costs, and classification of forecasted costs is a discrete function.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to rate base of $1.769 million and an increase to expense of $31,000.

x. Removal of Lease Expense for 250 Taylor Lease Associated with 3 Full Time Equivalents (FTE)

NW Natural initially did not allocate operations center expenses to affiliate employees because the company did not plan to locate any affiliate employees at the 250 Taylor property. AWEC recommended an adjustment of $164,750 to account for the fact that three affiliate employees were identified for location at the operations center. NW Natural agreed, but pointed out a calculation error for which correction would result in a reduction to Oregon-allocated O&M expenses for lease expense, operate expenses and tenant improvements of $8,943, and a reduction in rate base of $4,816, with an overall reduction in revenue requirement of $9,576.

NW Natural Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to rate base of $4,000 and a reduction to expense of $9,000.

y. Mist Compressor Study and Replacement Project

NW Natural initially included the Mist Compressor Study and Replacement Project. Staff identified it as a project that would not be used and useful by the rate effective date, because the study pertains to future projects, having a primary purpose to gather information to present projects for an upcoming Integrated Resource Plan. Staff recommended an adjustment of $615,727, which NW Natural accepted.

The Comprehensive Stipulation incorporates a reduction to rate base of $630,000 and a reduction to expense of $12,000.

z. Category A Advertising

Category A advertising expenses are defined as: "[e]nergy efficiency or conservation advertising expenses that do not relate to a Commission-approved program, utility service advertising expenses, and utility information advertising expenses."[2] Through discovery, NW Natural identified the inadvertent inclusion of costs for the Vancouver, Washington Retrofit Project in the Test Year.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to expense of $350,000.

aa. Vancouver Retrofit

Through discovery, NW Natural identified the inadvertent inclusion of costs for the Vancouver, Washington Retrofit Project in the Test Year. NW Natural initially included $1.750 million in Category A expenses for the Test Year, or approximately $2.54 per customer. Staff deemed the expenses reasonable, but CUB recommended an adjustment of $995,505 to reduce the recoverable expenses to 0.125 percent of gross operating revenue, or approximately $1.14 per customer. CUB argued that NW Natural had not met its burden of proof to demonstrate that Category A expenses in excess of this amount as just and reasonable. CUB expressed concerns that portions of the company's "Less We Can" campaign were be used to promote RNG not yet on the system, and the company's general corporate image.

The Comprehensive Stipulation incorporates a reduction to rate base of $10.5 million and a reduction to expense of $15,000 to reflect that removal of the Vancouver, WA Retrofit Project because it does not relate to service provided in Oregon.

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[2] *See* OAR 860-026-0022(2)(a).

2. Cost of Capital Issues

The Comprehensive Stipulation incorporates, by reference, a Stipulation on cost of capital issues that was separately filed on March 12, 2020. The Comprehensive Stipulation's agreement on Cost of Capital components is summarized in the table, below:

AGREED-UPON COST OF CAPITAL			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	4.59%	2.265%
Common Equity	50%	9.40%	4.700%
Total	100%		6.965%

The Joint Testimony supporting the cost of capital stipulation acknowledged that since the agreement on cost of capital components was filed on March 3, 2020, significant changes in the equity and debt markets occurred due to the COVID-19 pandemic, including: 1) Sharp decline of equity markets including utility stocks; 2) Extreme market volatility; 3) Sharp decline of government bond yields. Despite the changes, it was asserted that the agreed to cost of capital components remained reasonable, providing needed stability for both customers and the utility. The individual cost of capital components are discussed below.

a. Capital Structure

Pursuant to this incorporated Stipulation on cost of capital issues, the Stipulating Parties agree to recommend that NW Natural's authorized Capital Structure be maintained at the currently authorized composition of fifty percent equity and fifty percent debt. The 50/50 capital structure for NW Natural in 2012,[3] and reauthorized it in 2018.[4] Joint Testimony supporting the cost of capital stipulation explained that balancing equity and debt reduces the overall cost of capital, but still demonstrates commitment to a strong and stable balance sheet, which helps maintain the company's credit ratings and facilitates financing and liquidity, the Stipulating Parties observe. A balanced capital structure is appropriate now, it was further explained, because it provides NW Natural with sufficient equity to withstand the current adverse economic conditions, but also a lower cost of debt, which is

[3] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision,* Docket No. UG 221, Order No. 12-437 at 3 (Nov 16, 2012).
[4] *In the Matter of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision,* Docket No. UG 344, Order No. 18-419 at 4 (Oct 26, 2018).

important due to currently increasing spread in yield between utility bonds and government bonds.

b. Return on Equity

The Stipulating Parties agree to recommend the company's ROE be maintained at the currently authorized 9.4 percent, rather than increasing it to the requested 10.0 percent.[5] We adopted a 9.4 percent ROE for NW Natural in 2018,[6] a reduction from the 9.5 percent ROE authorized in 2012.[7] The Joint Testimony supporting the cost of capital stipulation indicated that the 9.4 percent ROE represents a compromise, landing in the top of Staff's recommended range and the bottom of the company's recommended range. Maintaining the ROE provides stability and certainty, the testimony asserted, without an increase for customers, while assuring NW Natural that it has the opportunity for sufficient revenue.

c. Long-Term Debt

Considering NW Natural's outstanding debt and anticipated debt issuances, the Stipulating Parties agree to recommend a compromise Cost of Long-Term Debt of 4.529 percent, approximately 75 basis points lower than NW Natural's initial request. Since the agreement was reached, the federal government lowered interest rates and the yield on government bonds decreased, but the Joint Testimony supporting the cost of capital stipulation pointed out that the Cost of Long-Term Debt is primarily based on the company's embedded debt rather than forecasts for future issuances, so that future debt cost decreases will likely have a relatively small impact on NW Natural's overall Cost of Long-Term Debt. The testimony also observed that the lower rates reflect the rates that NW Natural will be able to obtain since the spread between the yield on utility bonds and government bonds has actually increase.

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[5] A 9.4 percent ROE was adopted for NW Natural in 2018,[5] a reduction from the 9.5 percent ROE authorized in 2012.[5] The 9.4 percent ROE agreed to in the Stipulation represents a compromise, landing in the top of Staff's recommended range and the bottom of the company's recommended range. Although none of the parties' opening testimony takes current economic conditions into account when making these recommendations, the Joint Testifying Parties don't advocate running the financial models again because the current volatility will likely make any new projections unhelpful. Maintaining the ROE provides stability and certainty, the Joint Testifying Parties assert, without an increase for customers, while assuring NW Natural that it has the opportunity for sufficient revenue.

[6]*NW Natural*, Docket No. UG 344, Order No. 18-419 at 4. *NW Natural*, Docket UG 221, Order No. 12-437 at 3.

[7] *NW Natural*, Docket UG 221, Order No. 12-437 at 4.

d. Overall Rate of Return

The Stipulating Parties agree to recommend an overall rate of return of 6.965 percent, which is less than the currently authorized rate of return of 7.317 percent. The Joint Testimony supporting the cost of capital stipulation represented that the reduction benefits NW Natural's customers, while keeping the level of return sufficient to assure confidence in the financial soundness of NW Natural.

3. Other Issues

a. Schedule 185/186 Credits

Under a regulatory sharing mechanism, NW Natural provides credits to customers for revenues received from Mist operations and the upstream optimization of pipeline assets. NW Natural has historically applied these credits to customers' June bills under Schedules 185 and 186. The Comprehensive Stipulation agrees to change this timing, moving the credits to February each year, starting in 2021. The change provides the credits during a winter month when demand for natural gas is typically highest. For the February 2021 credit, NW Natural will calculate the amount of the credit based on a time period from January 1, 2020 through October 31, 2020. For the February 2022 credit and thereafter, NW Natural will calculate the annual credit based on a one-year period ending on October 31 of each preceding year.

b. Curtailment and Entitlement Revenues

NW Natural receives curtailment revenues when an interruptible customer does not follow an order by the company to curtail service. Historically, NW Natural has removed curtailment revenues from the Test Year estimate due to their rarity and inability to rely on them in a forward estimate. This practice results in NW Natural retaining all curtailment received. CUB proposed that curtailment revenue be prospectively tracked in the company's PGA for credit to firm customers on the basis that interruptible customers that do not follow a curtailment order use capacity paid for by first customers. Staff also recommended prospective credits of curtailment revenue, but only for amounts over $250,000. Staff additionally proposed that NW Natural credit back curtailment revenues received in 2019. NW Natural acknowledged that curtailment revenues can exceed the incremental cost of implementing curtailment, and supported crediting firm customers with net curtailment revenues without application of a dollar threshold using a new tariff and a deferral mechanism. NW Natural objected to Staff's proposal that 2019 curtailment revenues be credited back as retroactive ratemaking.

The Stipulating Parties agree that, beginning in 2021, NW Natural will credit net curtailment and entitlement revenues to firm sales customers—i.e., credited revenues offset by identifiable incremental costs—through the company's PGA on an equal percent of margin basis. NW Natural will file a new tariff schedule with the compliance filing for this docket, consistent with Exhibit NW Natural/2402.

c. Fuel Mix Communications

CUB proposed that NW Natural be directed to disclose the company's fuel mix to customers, identifying percentages of renewable and non-renewable gas, through bill inserts and on the company's webpage. NW Natural supported the recommendation. The Comprehensive Stipulation reflects agreement by the Stipulating Parties that information about fuel percentages will be provided in annual customer communications beginning the first year that NW Natural has renewable natural gas in its fuel mix.

d. Oregon Corporate Activity Tax

The Corporate Activity Tax (CAT) is a new tax on businesses with commercial activity in the state of Oregon, and applies to all business entity types. Businesses having taxable commercial activity in excess of $1 million are required to pay CAT, which is $250 plus 0.57 percent of taxable commercial activity greater than $1 million after subtractions (e.g., 35 percent of the greater of labor costs or the cost of goods sold related to Oregon gross receipts.) The law passing CAT became effective on September 29, 2019, with the tax applying to calendar years beginning January 1, 2020.

In December of 2019, NW Natural filed an application with the Commission to defer the CAT expense for calendar year 2020, estimated at the time to be approximately $2.5 million. NW Natural did not include Oregon's new CAT in proposed rates. CUB indicated no objection to the company filing the deferral for the CAT, but stated a preference that CAT expense be included in base margin rates on a prospective basis to avoid ongoing deferred accounting. Staff also stated a strong preference for the inclusion of the CAT in base rates. Both CUB and Staff recommended including NW Natural's $2.5 million estimate from the deferral application in margin rates. In Reply Testimony, NW Natural agreed to include CAT in base rates on a prospective basis, but the company expressed a preference to include an amount in rates for the CAT that is based on the final revenue requirement determined in this case rather than the deferral estimate of $2.5 million. NW Natural also indicated: 1) willingness to review the CAT calculation at a later date when the Oregon Department of Revenue rulemaking process is more complete; 2) an intention to include a CAT adjustment in the company's annual PGA filing to reflect changes in gross revenue and cost of goods sold per the PGA; and 3) a proposal to include CAT deferred from January through June of 2020 in the compliance filing of this rate case for amortization over one year, and then include additional CAT deferred from July of 2020 through the effective date of this rate case in the November 2021 PGA for amortization over one year.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, that NW Natural should begin recovering the CAT as of the rate effective date in this proceeding by increasing the annual revenue requirement reflected in Paragraph 1 of the Comprehensive Stipulation by $3.15 million, allocated on an equal percent of revenue basis after all other adjustments have made and revenue has been established based on the revenue requirement increase. The Stipulating Parties also agreed: 1) that the annual PGA adjustment should include a CAT component reflecting changes in gross revenue and cost of goods sold that occur as a result of the PGA; 2) for purposes of calculating the CAT liability, the agreed-upon revenue requirement in this proceeding includes amounts for the recovery of fees payable under ORS 756.310, right-of-way fees, franchise fees, privilege taxes, federal taxes and local taxes of $61.9 million; and 3) CAT deferred from January 2020 through June 2020 should be included in the compliance filing of this rate case for amortization over one year, and additional CAT deferred from July 2020 through the effective date of this rate case will be included in the November 2021 PGA for amortization over one year.

e. Decoupling Calculation Treatment for the Month of April

NW Natural initially proposed to adjust the company's decoupling mechanism by using the Weather Adjusted Rate Mechanism's (WARM) calculated therms as the weather adjustment in the month of April. The change would alleviate a "decoupling gap" causing certain usage in April to not be billed until after May 15. A similar gap previously existed for November and May but was corrected in 2006 and 2012, respectively, using the same approach as proposed here. Staff agreed with NW Natural's proposed adjustment.

The Comprehensive Stipulation reflects agreement by the Stipulating Parties that NW Natural will use the decoupling calculation treatment already authorized for the months of November and May in April too.

f. Excess Deferred Income Taxes (EDIT) True-Up Credit

The EDIT true-up represents the amount of revenue requirement over-collected by NW Natural due to filing a rate case prior to the five-year amortization assumption of EDIT. NW Natural initially proposed a $1.039 million credit related to the EDIT true-up from docket UG 344. NW Natural also proposed amortizing the true-up credit in the 2020-01 PGA filing, which would be made in mid-September of 2020 prior to the expected final order in this rate case. Staff recommended increasing the true-up credit from $1.039 million to $1.261 million dollars due to an understanding that the company twice made the adjustment to escalate the over-collection of revenue requirement from the standard 12-months to 19-months. The adjustment was not made twice, but the calculation requires a two-step process, NW Natural explained in reply testimony. The company also revised proposed timing for the true-up credit to customers, recommending amortization with the same effective as the 2020-2021 PGA, but filed within the compliance filing of this case.

The Stipulating Parties agree that NW Natural will include the EDIT true-up credit of $1.039 million in the temporary rate in the compliance filing in this case and will amortize that amount with the effective date of the 2020-2021 PGA. The credit will have two components: 1) Unprotected and protected EDIT representing 65 percent, or $675,433, of the total credit to be allocated on an equal percent of margin basis; and 2) Gas reserves EDIT representing the remaining 35 percent, or $363,776, of the total credit to be allocated on an equal cent per therm basis to sales customers.

g. Historical Gas Reserves EDIT to Be Included in the PGA

Gas reserves provide a hedge to gas supplies, and hedging costs are incorporated into the company's weighted average cost of gas (WACOG) each year, and are addressed in NW Natural's PGA. NW Natural initially proposed to include all historical amortization of EDIT that was related to gas reserves in the gas reserves model used to calculate the PGA cost of service and gas reserves rates. The company's proposal would effectively transfer all historical EDIT amortization to the gas reserves model, with the impact to rate base flowing through the gas reserves rate in WACOG.

The Comprehensive Stipulation reflects agreement by the Stipulating Parties that NW Natural will include all historical amortization of EDIT related to gas reserves in the gas reserves model used to calculate the cost of service and gas reserves rates used in the PGA.

h. Prospective Gas Reserves EDIT Amortization to Be Included in Temporary Rates

NW Natural expressed interest in moving prospective EDIT amortization from base rates to temporary rates, and the Stipulating Parties agreed.

The Comprehensive Stipulation provides that NW Natural will move prospective EDIT amortization from base rates to temporary rates to reflect the full amortization of the remaining balance.

i. Rate spread and Rate Design

NW Natural initially proposed spreading incremental revenue requirement to more closely aligned costs to the indicated Long-Run Incremental Cost (LRIC) study results across all rate classes, in a manner designed to generally move rate classes closer to parity based on their indicated cost causation, and without causing rate shock. To accomplish this goal, NW Natural proposed a three-step process for spreading the $71.4 million incremental revenue requirement:

1. The Company proposed to calculate the revenue spread on an equal percent of margin basis for all rate schedules, retaining this revenue allocation for the Rate Schedule (RS) Residential, RS 3 Commercial, and RS 27 Dry-Out rate schedules.

2. The Company proposed to add an additional $3.6 million in revenue spread to the RS 3 Commercial rate schedule amount calculated in Step 1. (This $3.6 million represents the amount of revenue generated by increasing the RS 3 Commercial base charge $5.00, from $15.00 per month to $20.00 per month.)

3. The Company proposed to reduce the revenue spread allocated to the RS 3 Industrial rate schedule and the RS 31 and RS 32 rate classes in Step 1 by $3.6 million on an equal percent of margin basis.

In Opening Testimony, Staff made several recommendations. Staff proposed a non-zero rate increase for large RS 31 and 32 commercial and industrial schedules, as well as RS 3 Industrial, only on condition that the Company is awarded an overall margin increase that exceeds 12 percent. Staff recommended that any margin increase for these schedules be capped at 8.2 percent. Staff also recommended a rate increase for RS 2 Residential that is 0.5 percent greater than equal percent of margin based on the Company's proposed incremental revenue requirement, a rate increase of greater than equal percent of margin for RS 3 Commercial, and a less than equal percent of margin increase for RS 27 DryOut. Staff additionally suggested changes to the company's proposed base charges: reduce the proposed $5.00 increase of the RS 3 Commercial base charge to $3.00; and increase the RS 27 Dry-Out base charge by $2.00 from $6.00 to $8.00, making it the same as NW Natural's residential customer charge.

In Opening Testimony, AWEC proposed that a customer impact offset (CIO) adjustment standard be applied to spread rates. AWEC proposed using the CIO adjustment based on the Company's initial LRIC study, with: a margin increase cap allowing no schedule to receive a percent margin increase greater than 1.5 times the overall percent margin increase; and a floor set at zero percent applied to any schedule overpaying its cost of service as indicated by the Company's LRIC study. AWEC's proposal would result in no rate increase for large RS 31 and 32 commercial and industrial schedules, as well as RS 3 Industrial. RS 2 Residential and RS 3 Commercial would both receive a greater than equal percent of margin rate increase, and RS 27 Dry-Out would receive a less than equal percent of margin increase.

In Reply Testimony, NW Natural agreed with Staff that it would be appropriate to increase the base charge on RS 27 Dry-Out from $6.00 to $8.00 to align fixed cost recovery with that of RS 2 Residential. The Company also proposed to shift its proposed $5.00 base charge increase fully to the volumetric rate such that customers in this schedule can choose to realize cost savings by reducing usage.

Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to the rate spread and rate design shown in the table below:

Revenue Requirement Including Corporate Activity Tax (CAT)

	Revenue % Increase	Dollars ($000's)/Yr. Increase	Average Bill Increase
Residential	8.52%	$33,273	$ 4.45
Commercial and Industrial	7.01%	$15,031	$ 19.50
Transport	4.44%	$ 690	$200.25
Overall	7.89%	$48,994	

j. Attestation

Staff, CUB, and AWEC expressed concerns about the incomplete capital projects with scheduled completion dates prior to the November 1, 2020 effective date for new rates. To address the uncertainty, CUB and AWEC requested that NW Natural file an officer attestation for projects forecast to cost over $1 million that are scheduled be completed by October 31, 2020. Staff acknowledged that parties have agreed to a similar approach in prior dockets, and NW Natural confirmed that the company has previously agreed to file officer attestations confirming that capital projects were used and useful. NW Natural indicated willingness to do so again.

The Comprehensive Stipulation reflects the Stipulating Parties' agreement that NW Natural will file an attestation of a Company officer by October 5, 2020, attesting to whether any projects forecast to cost over $1 million and to be completed by October 31, 2020 will not be complete by this time. In the event that there are such projects, the Stipulating Parties agreed that those projects will be removed from rate base for purposes of calculating the rates pursuant to the Comprehensive Stipulation, and rates adjusted accordingly.

On October 5, 2020, NW Natural filed a letter of attestation by Kimberly A. Heiting, Senior Vice President, Operations & Chief Marketing Officer. Ms. Heiting's Attestation identifies the four projects included in the rate case, identified in the below table, that will not be completed by October 31, 2020:

Project	Gross Capital Amount of Investment Included in Rate Case
Toledo Regional Station	$1.194 million
Mist Electrical System Updates	$2.495 million
Mist Corrosion Abatement 4	$1.748 million
E08 Springfield Trans 8 in. ILI	$1.676 million

The total gross capital cost of these projects included in the rate case is $7.1 million. As agreed by the Stipulating Parties, this amount will be removed from rate base for purposes of calculating rates. The company's compliance filing will show the revenue requirements effect of this change to rate base and the resulting rates for customers.

IV. RESOLUTION

We have reviewed the pertinent case record together with the terms of the Partial Stipulation and supporting testimony. We understand that the Comprehensive Stipulation was freely entered into by the Stipulating Parties, and we find that its terms are reasonable. We approve the proposed settlements on revenue requirements, capital structure, cost of debt, and cost of capital issues, and all of the other issues. Based on the evidence presented, we find the Stipulating Parties' proposed resolutions to be reasonableness for the characteristics and circumstances of NW Natural.

V. ORDER

IT IS ORDERED that:

1. Northwest Natural Gas Company's Advice No. 19-21 is permanently suspended.

2. The Comprehensive Stipulation between Northwest Natural Gas Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, and the Alliance of Western Utility Customers, attached as Appendix A, is adopted.

3. Northwest Natural Gas Company must file new tariffs by October 26, 2020, consistent with this order to be effective on November 1, 2020.

Made, entered, and effective Oct 16 2020.

Megan W. Decker
Chair

Letha Tawney
Commissioner

Mark R. Thompson
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 Court of Appeals in compliance with ORS 183.480 through 183.484.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 388

In the Matter of NW NATURAL GAS COMPANY D/B/A NW NATURAL Application for a General Rate Revision.	**COMPREHENSIVE STIPULATION**

INTRODUCTION

The purpose of this Stipulation is to resolve all issues among NW Natural Gas Company d/b/a NW Natural (NW Natural or the Company), Staff of the Public Utility Commission of Oregon (Staff), Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) (collectively, the Stipulating Parties) in Docket UG 388, NW Natural's Application for a General Rate Revision. The Stipulating Parties are the only parties to this proceeding,[1] and expect that this Stipulation (Comprehensive Stipulation), together with the stipulation addressing cost of capital issues filed on March 12, 2020 (Cost of Capital Stipulation), will fully resolve the issues in this docket.

BACKGROUND

On December 30, 2019, NW Natural filed a request for a general rate increase (the Initial Filing) to become effective November 1, 2020 (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 $71.4 million which would have resulted in an approximate 11.5 percent increase to current customer rates, or an 18.9 percent increase to margin.[2]

[1] The Community Action Partnership of Oregon also intervened in this proceeding, but subsequently withdrew its intervention on June 5, 2020.
[2] Initial Filing at 1.

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Administrative Law Judge Traci Kirkpatrick convened a prehearing conference on January 30, 2020.

On March 3, 2020, Staff convened a Workshop, the first portion of which had been set aside to discuss settlement of Cost of Capital issues. At that time, the Stipulating Parties reached agreement on Cost of Capital issues, which was memorialized in the Cost of Capital Stipulation filed on March 12, 2020 and supported by testimony filed by the parties on May 13, 2020.

The Stipulating Parties convened an additional workshop on April 6, 2020, and additional settlement conferences on April 29, 2020, May 6, 2020, June 8, 2020 and June 9, 2020. As a result of the settlement discussions, the Stipulating Parties reached a comprehensive settlement of all issues in this case. This Comprehensive Stipulation memorializes the Stipulating Parties' agreements.

TERMS OF AGREEMENT

The Stipulating Parties agree to resolve all issues raised in this case as follows:

1. Revenue Requirement. The Stipulating Parties agree that the total increase to NW Natural's annual revenue requirement should be \$45.8 million, which would result in an approximate 7.4 percent increase to current customer rates or a 12.11 percent increase to margin, as summarized in Appendix A to this Comprehensive Stipulation. The annual revenue requirement increase in this proceeding is based on the Stipulating Parties' agreement that the Company's requested Oregon-allocated increase to annual revenue requirement shall be reduced by a total of \$25.6 million from the initial filing amount of \$71.4 million, based on the following adjustments to NW Natural's Initial Filing:

(a) Rate Case & Expense and Regulatory Expense. A reduction to expense of \$92,000;

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(b) Plant Test Year Additions. A reduction to rate base of $23,290,000 and a reduction to expense of $1,639,000 to reflect removal of projects that will not go into service until after November 1, 2020, except that the Stipulating Parties have agreed to include for the Test Year a portion of the capital additions related to customer acquisitions. In recognition of the capital associated with customer acquisitions, the Stipulating Parties agree to an increase to rate base of $22,405,000 and an increase to expense of $637,000;

(c) Removal Work in Progress. A reduction to expense of $60,000;

(d) Gas Storage Operating Expense and Operations and Maintenance Expense. A reduction to expense of $250,000;

(e) Property Taxes. A reduction to expense of $30,000;

(f) Franchise Fees. A reduction to expense of $24,000;

(g) Oregon Department of Energy Fee. A reduction to expense of $37,000;

(h) Commission Regulatory Fee. An increase of $313,000 to reflect the updated regulatory fee;

(i) Directors and Officers Insurance. A reduction to expense of $251,000;

(j) Wages, Salaries, and Incentives. A reduction to expense of $7,161,000 and a reduction to rate base of $4,735,000. The Stipulating Parties agree that the adjustment for this category includes removal of executive bonuses from the Company's proposed revenue requirement in the Test Year;

(k) Materials and Supplies. A reduction to rate base of $1,694,000 from the Company's proposed revenue requirement in the Test Year;

(l) Demonstration and Selling. A reduction to expense of $400,000;

(m) Plant Maintenance. A reduction to expense of $75,000;

(n) Employee Benefits. A reduction to expense of $8,000;

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(o) Miscellaneous Revenues. An increase to revenues of $101,000;

(p) Dues and Memberships. A reduction to expense of $316,000;

(q) Meals and Entertainment, Miscellaneous, Awards and Gifts. A reduction to expense of $641,000;

(r) Equity Flotation Costs. A reduction to expense of $3,430,000 (which results in a reduction to revenue requirement of $4,836,000);

(s) Portland LNG Liquefaction Study Project. A reduction to rate base of $842,000, and a reduction to expense of $18,000, to reflect that this project now will not be completed until after the Test Year in this rate case;

(t) Schedule H CNG O&M. A reduction to expense of $15,000, to reflect that such expense is recovered in a separate, cost-of-service rate schedule;

(u) 250 Taylor Property Tax. A reduction to expense of $1,083,000, to reflect a lower assessed value to be applied by Multnomah County;

(v) Forecasted Administrative Overhead Rate. A reduction to expense of $13,000;

(w) Mist FERC Allocations. A reduction to rate base of $1,769,000 and an increase to expense of $31,000 due to a misclassification Mist plant not yet in-service;

(x) Removal of Lease Expense for 250 Taylor Lease Associated with 3 Full Time Equivalents (FTE). A reduction to rate base of $4,000 and a reduction to expense of $9,000;

(y) Mist Compressor Study and Replacement Project. A reduction to rate base of $630,000 and a reduction to expense of $12,000, to reflect that this project now will not be completed until after the Test Year in this rate case;

(z) Category A Advertising. A reduction to expense of $350,000;

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(aa) Vancouver Retrofit. A reduction to rate base of $10.5 million and a reduction to expense of $240,000 to reflect that this project is located outside of, and does not relate to service provided in, Oregon.

2. Cost of Capital. In addition, the Stipulating Parties have agreed to incorporate into this Comprehensive Stipulation the following components of Cost of Capital, which were included in the Cost of Capital Stipulation:

Agreed-upon Cost of Capital			
	Percent of Total Capital	Cost	Component
Long-Term Debt	50.0%	4.529%	2.265%
Common Equity	50.0%	9.40%	4.700%
Total	100.0%		6.965%

3. Schedule 185/186 Credits. The Stipulating Parties agree that NW Natural will change the timing of its issuance of customer credits under Schedules 185 and 186, moving the issuance of credits from June to February of each year. Beginning with the February 2022 credit, NW Natural will calculate credits over a one-year period ending on October 31 of each preceding year and will apply the credits to customers' bills in February. However, for the February 2021 credit, NW Natural will calculate that credit based on the January 1, 2020 through October 31, 2020 period. To effectuate this agreement NW Natural will file a new tariff schedule with its compliance filing in this docket, consistent with Exhibit NW Natural/1301.

4. Curtailment and Entitlement Revenues. The Stipulating Parties agree that, beginning in 2021, NW Natural will credit curtailment and entitlement revenues to firm sales customers through the Purchased Gas Adjustment (PGA) on an equal percent of margin

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basis; however, the amount of revenues to be credited to firm sales customers will be offset by identifiable incremental costs that result from a violation that gives rise to the curtailment or entitlement revenues. To effectuate this agreement NW Natural will file a new tariff schedule with its compliance filing in this docket, consistent with Exhibit NW Natural/2402.

5. Fuel Mix Communications. The Stipulating Parties agree that NW Natural will include information about its fuel mix (conventional natural gas vs. renewable natural gas) in annual customer communications beginning in the first year NW Natural has renewable natural gas on its system.

6. Oregon Corporate Activity Tax. The Stipulating Parties agree that NW Natural will begin to recover the Corporate Activity Tax (CAT) as of the effective date of customer rates in this proceeding by increasing the annual revenue requirement reflected in Paragraph 1 of this Comprehensive Stipulation by $3.15 million, as summarized in Appendix B. The $3.15 million of CAT will be allocated on an equal percent of revenues basis after all other adjustments have been made and margin has been established based on the revenue requirement increase. The Stipulating Parties also agree that:

a. The annual PGA adjustment will include a CAT component to reflect changes in gross revenue and cost of goods sold that occur as a result of the PGA. The CAT component will be allocated on an equal percent of revenues basis. For the 2020-21 gas year, the CAT component will be adjusted in the compliance filing to this rate case. For example, if the annual PGA filing would increase both cost of goods sold and revenue by $10 thousand dollars, the CAT component would reflect an increase in CAT of $57 (0.57 percent of the revenue increase) offset by a CAT reduction of $19.95 (0.57 percent of the increase in cost of goods sold multiplied by 35 percent);

b. For purposes of calculating the CAT liability, the agreed upon revenue requirement in this proceeding includes amounts for the recovery of fees payable under ORS

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756.310, right-of-way fees, franchise fees, privilege taxes, federal taxes and local taxes of $61.7 million (see Appendix B);

c. CAT deferred from January 2020 through June 2020 will be included in the compliance filing of this rate case for amortization over one year, and additional CAT deferred from July 2020 through the effective date of this rate case will be included in the November 2021 PGA for amortization over one year.

d. If the calculation methodology used by NW Natural for annual Oregon State tax compliance filing purposes differs in a fundamental way from the form of the calculation presented in Appendix B, as a result of a prospective change in the underlying CAT legislation, a CAT rulemaking by the Oregon Department of Revenue (ODOR), a judicial proceeding, or an ODOR policy decision, NW Natural will defer a surcharge or credit to reflect the difference in calculation methodology and amortize the surcharge or credit at the time of NW Natural's next purchased gas adjustment. The Stipulating Parties agree that this provision will remain effective through the rate effective date of NW Natural's next general rate case. NW Natural will amend its current deferral application in Docket UM 2068 to reflect this provision.

7. <u>Decoupling Calculation Treatment for the Month of April</u>. The Stipulating Parties agree that NW Natural will use the same decoupling calculation treatment for the month of April that it already is authorized to use for the months of November and May. To effectuate this agreement NW Natural will file a revision to its tariff Schedule 190 (Partial Decoupling Mechanism) with its compliance filing in this docket.

8. <u>Excess Deferred Income Taxes (EDIT) True-up Credit</u>. The Stipulating Parties agree that NW Natural will include the EDIT true-up credit of $1,039,209 in the temporary rate in the compliance filing in this case and will amortize that amount with the effective date of the 2020-2021 PGA. The credit has two components, one attributable to unprotected and

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protected EDIT and the other non-plant gas reserves. Unprotected and protected EDIT represents 65%, or $675,433, of the total credit to be allocated on an equal percent of margin basis. The gas reserves EDIT component represents the remaining 35%, or $363,776, of the total credit to be allocated on an equal cent per therm basis.

9. Historical Gas Reserves EDIT to Be Included in the PGA. The Stipulating Parties agree that NW Natural will include all historical amortization of EDIT related to gas reserves in the gas reserves model that is used to calculate the cost of service and gas reserves rates used in the PGA.[3]

10. Prospective Gas Reserves EDIT Amortization to Be Included in Temporary Rates. The Stipulating Parties agree that NW Natural will move prospective EDIT amortization from base rates to temporary rates to reflect the full amortization of the remaining balance.

11. Rate Spread and Rate Design. The agreed upon rate spread and rate design are shown in Appendix C to this Comprehensive Stipulation, which reflects the approach described in Exhibit NW Natural/2500, Wyman.

12. Attestation. The Company agrees to file an attestation of a Company officer by October 5, 2020, attesting to whether any projects forecast to cost over $1,000,000 and to be completed by October 31, 2020 will not be complete by this time. In the event that there are such projects, those projects will be removed from rate base for purposes of calculating the rates pursuant to this Comprehensive Stipulation, and rates adjusted accordingly.

[3] It is anticipated that the Commission order for UG 388 will likely come after the 2020-21 PGA filing, therefore any adjustments to the gas reserves model will be done in the compliance filing to this proceeding.

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13. Tariffs. Subject to the approval of this Comprehensive Stipulation, NW Natural will file revised rate schedules as a compliance filing in Docket UG 388, to be effective November 1, 2020, reflecting rates as agreed to in this Comprehensive Stipulation.

14. The Stipulating Parties agree that this Comprehensive 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.

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

16. If this Comprehensive Stipulation is challenged, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Comprehensive 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 Comprehensive Stipulation.

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

18. By entering into this Comprehensive Stipulation, no Stipulating Party approves,

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Portland, OR 97205

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

19. The substantive terms of this Comprehensive 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 Comprehensive Stipulation in good faith and that it intends to abide by the terms of this Comprehensive Stipulation unless and until this Comprehensive 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 Comprehensive Stipulation. If the Commission rejects or modifies this Comprehensive 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.

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

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

McDowell Rackner Gibson PC
419 SW 11th Ave, Ste. 400
Portland, OR 97205

DATED this 31st day of July 2020

NW NATURAL COMPANY D/B/A NW NATURAL	STAFF OF PUBLIC UTILITY COMMISSION OF OREGON
By: ______________	By: ______________
Date: July, 31 2020	Date: ______________
OREGON CITIZENS' UTILITY BOARD	ALLIANCE OF WESTERN ENERGY CONSUMERS
By: ______________	By: ______________
Date: ______________	Date: ______________

McDowell Rackner Gibson PC
419 SW 11th Ave, Ste. 400
Portland, OR 97205

DATED this 31st day of July 2020

NW NATURAL COMPANY D/B/A NW NATURAL	STAFF OF PUBLIC UTILITY COMMISSION OF OREGON
By: ______________________	By: Stephanie Andrus
Date: ______________________	Date: July 31, 2020
OREGON CITIZENS' UTILITY BOARD	ALLIANCE OF WESTERN ENERGY CONSUMERS
By: ______________________	By: ______________________
Date: ______________________	Date: ______________________

McDowell Rackner Gibson PC
419 SW 11th Ave, Ste. 400
Portland, OR 97205

DATED this 31st day of July 2020

NW NATURAL COMPANY D/B/A NW NATURAL

By: ____________________

Date: ____________________

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: ____________________

Date: ____________________

OREGON CITIZENS' UTILITY BOARD

By: Michael P. Goetz

Date: July 31, 2020

ALLIANCE OF WESTERN ENERGY CONSUMERS

By: ____________________

Date: ____________________

McDowell Rackner Gibson PC
419 SW 11th Ave, Ste. 400
Portland, OR 97205

DATED this 31st day of July 2020

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: 07/31/2020

McDowell Rackner Gibson PC
419 SW 11th Ave, Ste. 400
Portland, OR 97205

APPENDIX A

ORDER NO. 20-364

NW Natural
UG 388
Twelve Months Ended October 31, 2019
(000)

	SUMMARY SHEET	2019 Results Per Company Filing at Present Rates (1)	(2)	2021 Results Per Company Filing (3)	Company Filed Required Change for Reasonable Return (4)	Company Filed 2021 Results at Reasonable Return (5)	Adjustments to Company 2021 Results (6)	Adjusted 2021 Company Results (3) + (6) (7)	Required Change for Reasonable Return (8)	Results at Reasonable Return (7) + (8) (9)	CAT Revenues & Expenses	Results at Reasonable Return w/ CAT
1	**Operating Revenues**											
2	General Business	604,894	248	605,142	71,447	676,589	-	605,142	45,847	650,989	3,147	654,136
3	Transportation	17,715	(430)	17,285	-	17,285	-	17,285	-	17,285	-	17,285
4	Decoupling	(4,998)	4,998	-	-	-	-	-	-	-		-
5	WARM	(4,652)	4,652	-	-	-	-	-	-	-		
6	Miscellaneous Revenues	6,283	(2,911)	3,372	-	3,372	101	3,473	-	3,473	-	3,473
7	Total Operating Revenues	619,242	6,557	625,799	71,447	697,246	101	625,900	45,847	671,747	3,147	674,894
8	**Operating Expenses**											
9	Gas Purchased	237,624	(903)	236,721	-	236,721	-	236,721	-	236,721	-	236,721
10	Transmission & Storage	8,926	1,509	10,435	-	10,435	(250)	10,185	-	10,185	-	10,185
11	Distribution	46,682	7,275	53,957	-	53,957	-	53,957	-	53,957	-	53,957
12	Customer Accounts	17,926	5,407	23,333	-	23,333	-	23,333	-	23,333	-	23,333
13	Customer Service	5,864	737	6,601	-	6,601	-	6,601	-	6,601	-	6,601
14	Sales	2,182	(421)	1,761	-	1,761	-	1,761	-	1,761	-	1,761
15	OPUC Fees	1,887	(10)	1,877	214	2,091	313	2,190	160	2,351	11.01	2,362
16	Franchise Fees	15,049	(74)	14,975	1,710	16,685	(28)	14,947	1,097	16,045	75.31	16,120
17	Uncollectibles	614	(16)	598	70	668	0	598	45	643	3.06	646
18	General Operations & Maintenance	3,848	1,079	4,927	-	4,927	(2,186)	2,741	-	2,741	-	2,741
19	Admin & General Expenses	65,683	13,586	79,269	-	79,269	(8,228)	71,041	-	71,041	-	71,041
20	Environmental Rider	5,000	-	5,000	-	5,000		5,000	-	5,000		5,000
21	Total Operation & Maintenance	411,285	28,169	439,454	1,994	441,448	(10,378)	429,076	1,302	430,378	89	430,467
22	Depreciation & Amortization	76,843	14,427	91,270	-	91,270	(1,290)	89,980	-	89,980	-	89,980
23	Taxes Other than Income	26,942	3,574	30,516	-	30,516	(79)	30,437	-	30,437	3,058	33,495
24	Equity Floatation		3,430	3,430	-	3,430	(3,430)	-	-	-		-
25	Income Taxes	15,510	(11,088)	4,422	18,755	23,177	3,462	7,883	12,029	19,912	-	19,912
26	Total Operating Expenses	530,580	38,512	569,092	20,748	589,840	(11,716)	557,376	13,331	570,707	-	573,854
27	Net Operating Revenues	88,662	(31,955)	56,707	50,697	107,406	11,817	68,524	32,516	101,040	-	101,040
28	**Average Rate Base**											
29	Utility Plant in Service	2,805,289	383,802	3,189,091	-	3,189,091	(19,450)	3,169,641	-	3,169,641	-	3,169,641
30 Less:	Accumulated Depreciation & Amortization	(1,237,623)	(134,409)	(1,372,032)	-	(1,372,032)	130	(1,371,902)	-	(1,371,902)	-	(1,371,902)
31	Accumulated Deferred Income Taxes	(410,685)	689	(409,996)	-	(409,996)	-	(409,996)	-	(409,996)	-	(409,996)
32	Accumulated Deferred Inv. Tax Credit		-		-	-	-	-	-	-	-	-
33	Net Utility Plant	1,156,981	250,082	1,407,063	-	1,407,063	(19,320)	1,387,743	-	1,387,743	-	1,387,743
34	Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-	-
35	**Other Rate Base**											
36	Aid in Advance of Construction	(3,939)	(355)	(4,294)	-	(4,294)	-	(4,294)	-	(4,294)	-	(4,294)
37	Customer Deposits	(2,894)	203	(2,691)	-	(2,691)	-	(2,691)	-	(2,691)	-	(2,691)
38	Gas Inventory	36,104	(6,346)	29,758	-	29,758	-	29,758	-	29,758	-	29,758
39	Materials & Supplies	12,780	1,694	14,474	-	14,474	(1,694)	12,780	-	12,780	-	12,780
40	Weatherization Loans	-	-	-	-	-	-	-	-	-	-	-
41	Prepayments	-	-	-	-	-	-	-	-	-	-	-
42	Misc. Deferred Debits & Credits	-	-	-	-	-	-	-	-	-	-	-
	Misc. Rate Base Additions/(Deductions)											
43	EDIT; Leasehold Improv.	15,379	12,006	27,385	-	27,385	(4)	27,381	-	27,381	-	27,381
44	Total Average Rate Base	1,214,411	257,284	1,471,695	-	1,471,695	(21,018)	1,450,677	-	1,450,677	-	1,450,677
45	**Rate of Return**	7.301%		3.853%		7.298%		4.724%		6.965%		6.965%
46	**Implied Return on Equity**	10.006%		3.110%		10.000%		4.917%		9.400%		9.400%

APPENDIX A

ORDER NO. 20-364

Incremental Revenue Requirement						
		NWN supplemental filing	NW Natural/1002, Walker/1 at 1, col e.		$	71,447
Testimony	**Issue No.**	**Proposed Staff Adjustments**	**Revenue**	**Expense**	**Rate Base**	**Revenue Requirement Effect**
Stipulation	COC - Terms of Agreement per Stipulation					**(6,723)**
Staff 100	a	Rate Case & Expense	-	(92)	-	**(94)**
Staff 200	b	Plant TY additions - Freeze	-	(1,640)	(23,290)	**(3,774)**
Staff 200	b	Plant TY additions (Cat. 1)	-	637	22,405	**2,663**
Staff 200	c	RWIP	-	(60)	-	**(61)**
Staff 300	d	Gas Storage - operating expense	-	(250)	-	**(257)**
Staff 300	e	Property taxes	-	(30)	-	**(31)**
Staff 300	f	Franchise Fees	-	(24)	-	**(24)**
Staff 300	g	ODOE fee	-	(37)	-	**(38)**
Staff 300	h	OPUC regulatory fee	-	313	-	**322**
Staff 300	h	OPUC regulatory fee - revenue sensitive	-	-	-	**33**
Staff 300	I	D&O insurance	-	(251)	-	**(258)**
Staff 400	j	Wages & salaries	-	(7,161)	(4,735)	**(7,795)**
Staff 500	k	Materials & Supplies	-	-	(1,694)	**(152)**
Staff 500	l	Demonstration & Selling	-	(400)	-	**(411)**
Staff 600	m	Plant Maintenance	-	(75)	-	**(77)**
Staff 600	n	Employee Benefits	-	(8)	-	**(8)**
Staff 700	o	Misc revenues	101	-	-	**(101)**
Staff 1200	p	Dues & memberships	-	(316)	-	**(326)**
Staff 1200	q	O&M - M&E,Misc,Awards, Gifts	-	(641)	-	**(660)**
Staff 1300	r	Equity Flotation	-	(3,430)	-	**(4,836)**
NWN 2400	s	Portland LNG Study	-	(18)	(842)	**(94)**
NWN 2400	t	Sch H CNG O&M	-	(15)	-	**(15)**
NWN 2400	u	250 Taylor Property Tax	-	(1,083)	-	**(1,115)**
NWN 2400	v	Forecast OH Admin	-	(13)	-	**(13)**
NWN 2400	w	MIST FERC allocations	-	31	(1,769)	**(126)**
NWN 2400	x	3 FTEs out of 250 Taylor	-	(9)	(4)	**(9)**
CUB	x	Cat A advertising	-	(350)	-	**(360)**
NWN 2400	y	Mist compressor study	-	(12)	(630)	**(69)**
NWN Revision	aa	Vancouver Service Cntr	-	(240)	(10,459)	**(1,183)**
		Subtotal	**101**	**(15,174)**	**(21,018)**	**(25,594)**
		Corporate Activity Tax (CAT)	3,147	3,147		**-**
		Total Proposed Adjustments (Base Rates):	**3,248**	**(12,027)**	**(21,018)**	**(25,594)**
		Rounding Adjustment				**(6)**
		Incremental Revenue Requirements Change (Base Rates):				**45,847**

NW Natural
Oregon Jurisdictional Rate Case
Test Year Twelve Months Ended October 31, 2021
UG 388 - Appendix B, Updated Oregon Corporate Activity Tax ("CAT") for Settlement
($000)

Oregon Revenue Requirement - With and Without Oregon CAT

Line No.			(1) Without CAT	*Change*	With CAT
1	Revenue Requirement	A	668,277	3,147	671,423
2	Misc. Revenues	B	3,473		3,473
3	**Total Operating Revenues**	C	671,749	3,147	674,896
4	Gas Purchased (PGA)	D	236,721		236,721
5	Other O&M and Bad Debt	E	175,238		175,238
6	**Total Operating Expenses**		411,959		411,959
7	Federal Income Tax	F	12,694		12,694
8	State Income/Excise Tax	G	7,214		7,214
9	Property Tax	H	23,074		23,074
10	Federal Payroll Tax	I	4,000		4,000
11	Other Payroll Tax	J	2,303		2,303
12	Franchise Tax	K = 2.388% x C	16,048	75	16,124
13	OPUC Annual Fee	L = 0.35% x C	2,351	11	2,362
14	DOE Fee	M	856		856
15	**Oregon CAT**	N	-	**3,060**	**3,060**
16	Other Tax	O	230		230
17	Depreciation and Amortization	P	89,980		89,980
18	**Total Operating Deductions**		158,751		161,897
19	**Net Revenue (before interest and other)**		101,040	-	101,040
	Check Figure (Revenue solves for this)		*101,040*		*101,040*

Oregon Corporate Activity Tax - Regulatory Calculation:

Line No.					
20	Total Gross Revenue			674,896	
21	Less Excludable Revenue Collected For:				
22	Federal Income Taxes	1.24 x F		15,741	
23	Property Taxes	1.0 x H		23,074	
24	Federal Payroll Taxes	1.0 x I		4,000	
25	Local Franchise Tax	1.025 x K		16,519	(3)
26	OPUC Utility Fee	1.004 x L		2,370	
27	Total Excludable Revenue		9.1%	61,704	(2)
28	Less 35% of Cost of Goods Sold	35% x D x Rev%		75,277	
29	Taxable Commercial Activity for CAT			537,915	
30	Less $1 million Exclusion			(1,000)	
31	Net Taxable Commercial Activity			536,915	
32	CAT Rate			0.57%	
33	**CAT Tax Liability**			3,060	

(1) From UG 388 - Revenue Requirement for Stipulated Settlement

(2) Excludable commercial activity of $61.7 million per Section 50, subsection (KK) of Oregon 2019 House Bill 2164: "Moneys collected or recovered, by entities listed in ORS 756.310, cable operators as defined in 47 U.S.C. 522(5), telecommunications carriers as defined in 47 U.S.C. 153(51) and providers of information services as defined in 47 U.S.C. 153(24), for fees payable under ORS 756.310, right-of-way fees, franchise fees, privilege taxes, federal taxes and local taxes"

(3) Only includes local franchise taxes in base rates (not supplemental itemized amounts not in base rates)
Separate itemized local franchise taxes are expected to be included in 'Total Gross Revenue'
and 'Excludale Revenue' resulting in no change to CAT Tax Liability

NW Natural
Oregon Jurisdictional Rate Case
Test Year Twelve Months Ended October 31, 2021
Proposed Incremental Revenue Requirement Allocation by Rate Schedule Summary - Revenue Requirement Effects
Source: UG 388 - Rate Spread for Comprehensive Stipulation

Impacts of UG 388 Settled Revenue Requirement items, prior to the following adjustments: Gas Reserves EDIT Amortization, Corporate Activities Tax (CAT), and EDIT True-Up Credit.

Line No.	Rate Schedule		Margin Revenue at Present Rates		Total Revenue at Present Rates		Revenue Requirement: Margin Increase ($) (1)		Margin Revenue at Proposed Rates		Total Revenue at Proposed Rates	Revenue Requirement Effects: Margin Revenue Increase (%)	Total Revenue Increase (%)	Average Bill Increase (%)
			A		B		C		D = A+C		E = B+C	F	G	H
1	02	$	254,772,129	$	390,706,141	$	30,615,849	$	285,387,977	$	421,321,990	12.02%	7.84%	7.60%
2	03CSF	$	77,838,498	$	137,288,632	$	12,953,516	$	90,792,014	$	150,242,148	16.64%	9.44%	9.10%
3	03ISF	$	1,940,175	$	3,678,408	$	79,042	$	2,019,217	$	3,757,451	4.07%	2.15%	2.00%
4	27R	$	637,828	$	1,071,122	$	76,647	$	714,475	$	1,147,770	12.02%	7.16%	6.90%
5	31CSF	$	7,852,361	$	15,662,353	$	319,904	$	8,172,265	$	15,982,257	4.07%	2.04%	2.40%
6	31CTF	$	1,031,425	$	1,031,425	$	42,020	$	1,073,445	$	1,073,445	4.07%	4.07%	5.00%
7	31ISF	$	3,031,708	$	7,442,007	$	123,511	$	3,155,220	$	7,565,519	4.07%	1.66%	1.90%
8	31ITF	$	123,711	$	123,711	$	5,040	$	128,751	$	128,751	4.07%	4.07%	4.70%
9	32CSF	$	10,535,052	$	25,906,079	$	429,197	$	10,964,248	$	26,335,276	4.07%	1.66%	2.20%
10	32ISF	$	2,329,451	$	7,784,255	$	94,902	$	2,424,352	$	7,879,156	4.07%	1.22%	1.50%
11	32CTF	$	1,174,671	$	1,174,671	$	47,856	$	1,222,526	$	1,222,526	4.07%	4.07%	5.30%
12	32ITF	$	6,628,135	$	6,628,135	$	270,029	$	6,898,165	$	6,898,165	4.07%	4.07%	5.10%
13	32CSI	$	1,803,595	$	6,808,968	$	73,478	$	1,877,073	$	6,882,446	4.07%	1.08%	1.00%
14	32ISI	$	2,302,847	$	8,793,619	$	93,818	$	2,396,665	$	8,887,436	4.07%	1.07%	1.00%
15	32CTI / 32ITI	$	6,566,209	$	6,566,209	$	267,506	$	6,833,716	$	6,833,716	4.07%	4.07%	4.30%
16	33T	$	-	$	-	$	-	$	-	$	-	0.00%	0.00%	0.00%
	Total	$	378,567,792	$	620,665,735	$	45,492,316 (2)	$	424,060,108	$	666,158,051	12.02%	7.33%	

NOTE **(1)**: Revenue Requirement spread based on Reply Testimony NW Natural 2500/Wyman. This increase *does not* include an adjustment for the amount of gas reserves excess deferred income tax (EDIT) amortization credits included in the revenue requirement. This amount is similarly *not* adjusted for gas reserves associated rate base for future amortization. The full effects of these items are noted in the table labled "Combined Effects."

NOTE **(2)**: The proposed margin revenue increase is based on volumetric billing rates rounded to the fifth decimal as necessitated by the Company's tariff. Therefore, there may be a small discrepancy with the indicated revenue requirement presented in Appendix A and B of this stipulation. As noted in (1), this figure also does not include gas reserves associated effects.

NOTE: The average customer bill percentage impact figure calculation excludes pipeline capacity charges for RS 31 and RS 32 rate classes, and thus the bill rate impacts for these schedules are overstated.

NW Natural
Oregon Jurisdictional Rate Case
Test Year Twelve Months Ended October 31, 2021
Proposed Incremental Revenue Requirement Allocation by Rate Schedule Summary - Combined Effects
Source: UG 388 - Rate Spread for Comprehensive Stipulation

Combined Impacts of UG 388 Settled Revenue Requirement Items (adjusted for Gas Reserves EDIT Amortization, Gas Reserves Rate Base), Corporate Activities Tax (CAT), and EDIT True-Up Credit.

				Revenue Requirement Adj		Corporate Activity Tax (CAT)					Combined Effects		
Line No.	Rate Schedule	Margin Revenue at Present Rates	Total Revenue at Present Rates	Margin Increase ($) (1)	Margin Increase (%)	Margin Increase ($) (2)	Margin Increase (%)	EDIT True-Up Credit (3)	Margin Revenue at Proposed Rates	Total Revenue at Proposed Rates	Margin Revenue Increase (%)	Total Revenue Increase (%)	Average Bill Increase (%)
		A	B	C	D	E	F	G	H = A+C+E	I = B+C+E	J	K	L
1	02	$ 254,772,129	$ 390,706,141	$ 31,265,630	12.27%	$ 2,007,520	0.79%	$ (651,947)	$ 288,045,278	$ 423,327,344	13.06%	8.35%	8.10%
2	03CSF	$ 77,838,498	$ 137,288,632	$ 12,907,173	16.58%	$ 718,031	0.92%	$ (226,015)	$ 91,463,702	$ 150,687,821	17.50%	9.76%	9.40%
3	03ISF	$ 1,940,175	$ 3,678,408	$ 68,371	3.52%	$ 17,843	0.92%	$ (5,998)	$ 2,026,388	$ 3,758,623	4.44%	2.18%	2.00%
4	27R	$ 637,828	$ 1,071,122	$ 77,009	12.07%	$ 5,487	0.86%	$ (1,875)	$ 720,323	$ 1,151,742	12.93%	7.53%	7.20%
5	31CSF	$ 7,852,361	$ 15,662,353	$ 276,690	3.52%	$ 72,038	0.92%	$ (25,395)	$ 8,201,089	$ 15,985,685	4.44%	2.06%	2.50%
6	31CTF	$ 1,031,425	$ 1,031,425	$ 36,352	3.52%	$ 9,473	0.92%	$ (1,830)	$ 1,077,250	$ 1,075,419	4.44%	4.27%	5.20%
7	31ISF	$ 3,031,708	$ 7,442,007	$ 106,789	3.52%	$ 27,869	0.92%	$ (11,903)	$ 3,166,366	$ 7,564,763	4.44%	1.65%	1.90%
8	31ITF	$ 123,711	$ 123,711	$ 4,362	3.53%	$ 1,137	0.92%	$ (223)	$ 129,211	$ 128,988	4.45%	4.27%	4.90%
9	32CSF	$ 10,535,052	$ 25,906,079	$ 370,964	3.52%	$ 96,827	0.92%	$ (41,244)	$ 11,002,843	$ 26,332,626	4.44%	1.65%	2.10%
10	32ISF	$ 2,329,451	$ 7,784,255	$ 82,105	3.52%	$ 21,390	0.92%	$ (12,128)	$ 2,432,946	$ 7,875,622	4.44%	1.17%	1.50%
11	32CTF	$ 1,174,671	$ 1,174,671	$ 41,448	3.53%	$ 10,795	0.92%	$ (2,074)	$ 1,226,913	$ 1,224,839	4.45%	4.27%	5.50%
12	32ITF	$ 6,628,135	$ 6,628,135	$ 233,478	3.52%	$ 60,721	0.92%	$ (12,032)	$ 6,922,334	$ 6,910,302	4.44%	4.26%	5.30%
13	32CSI	$ 1,803,595	$ 6,808,968	$ 63,546	3.52%	$ 16,563	0.92%	$ (13,402)	$ 1,883,703	$ 6,875,675	4.44%	0.98%	0.90%
14	32ISI	$ 2,302,847	$ 8,793,619	$ 81,162	3.52%	$ 21,162	0.92%	$ (17,298)	$ 2,405,171	$ 8,878,646	4.44%	0.97%	0.90%
15	32CTI / 32ITI	$ 6,566,209	$ 6,566,209	$ 231,365	3.52%	$ 60,533	0.92%	$ (11,220)	$ 6,858,107	$ 6,846,887	4.45%	4.27%	4.50%
16	33T	$ -	$ -	$ -	0.00%	$ -	0.00%	$ -	$ -	$ -	0.00%	0.00%	0.00%
	Total	$ 378,567,792	$ 620,665,735	$ 45,846,443 (4)	12.11%	$ 3,147,388 (4)	0.83%	$ (1,034,583)	$ 427,561,623	$ 668,624,983	12.94%	7.73%	

NOTE (1): Revenue Requirement Adjustment spread based on Reply Testimony NW Natural 2500/Wyman. This increase is adjusted for the amount of gas reserves excess deferred income tax (EDIT) amortization credits included in the revenue requirement. This amount is also adjusted for gas reserves associated rate base for future amortization. The EDIT amortization and gas reserves rate base is spread on an equal cent per therm basis to each of three rate classes: (a) residential; (b) small commerical; and (c) large commercial and industrial. For (c), rates are spread intraclass on an equal percent of margin basis.

NOTE (2): The Corporate Activities Tax (CAT) is spread on an equal percent of revenue basis, after the revenue requirement increase at (1) has been applied. For rate class (c), rates are spread intraclass on an equal percent of margin basis.

NOTE (3): The non-revenue requirement gas reserves EDIT True-Up Credit is spread in two ways. (a) 65% of the total credit will be allocated on an equal percent of margin basis to all customers (this represents the percentage of non-protected and protected rate base amounts from UG 344); and (b) 35% of the total credit will be allocated on an equal cent per therm basis to sales customers only (this represents the percentage of non-plant gas reserves rate base amount from UG 344).

NOTE (4): The proposed margin revenue and CAT increments are based on volumetric billing rates rounded to the fifth decimal as necessitated by the Company's tariff. Therefore, there may be a small discrepancy with the indicated revenue requirement presented in Appendix A and B of this stipulation.

NOTE: The average customer bill percentage impact figure calculation excludes pipeline capacity charges for RS 31 and RS 32 rate classes, and thus the bill rate impacts for these schedules are overstated.

APPENDIX C

ORDER NO. 20-364

NW Natural
Oregon Jurisdictional Rate Case
Test Year Twelve Months Ended October 31, 2021
Proposed Base and Total Billing Rates by Rate Schedule and Block - Combined Effects
Source: UG 388 – Rate Spread for Comprehensive Stipulation

Line No.	Schedule	Block	Block Volumes	Test Year Volumes	Test Year Customers	Current Monthly Base Charge	UG 388 Proposed Monthly Base Charge	Current Rates: Base Rate	Rev Req Proposed Increase: Base Rates	CAT Proposed Increase: Base Rates	UG 388 Proposed Base Rates	EDIT Amort Proposed Increase: Temporary Rate [1]	EDIT True-Up Proposed Increase: Temporary Rate	UG 388 Proposed Billing Rates
1	2R		N/A	397,528,668	623,209	$ 8.00	$ 8.00	$0.49039	$0.08381	$0.00505	$0.57925	($0.00516)	($0.00164)	$0.94770
2	3C Firm Sales		N/A	173,857,392	59,995	$ 15.00	$ 15.00	$0.38560	$0.07940	$0.00413	$0.46913	($0.00516)	($0.00130)	$0.83602
3	3I Firm Sales		N/A	5,083,337	350	$ 15.00	$ 15.00	$0.36928	$0.01993	$0.00351	$0.39271	($0.00648)	($0.00118)	$0.78377
4	27 Dry Out		N/A	1,267,136	2,299	$ 6.00	$ 8.00	$0.37273	$0.02239	$0.00433	$0.39945	($0.00516)	($0.00148)	$0.76871
5	31C Firm Sales	Block 1	2,000	12,134,053	676	$ 325.00	$ 325.00	$0.23815	$0.01872	$0.00329	$0.26016	($0.00609)	($0.00114)	$0.53384
6		Block 2	all additional	10,705,676				$0.21729	$0.01709	$0.00300	$0.23738	($0.00556)	($0.00108)	$0.51136
7	31C Firm Transpt	Block 1	2,000	1,237,478	59	$ 575.00	$ 575.00	$0.20857	$0.01800	$0.00317	$0.22973	($0.00585)	($0.00061)	$0.22640
8		Block 2	all additional	1,920,419				$0.19070	$0.01645	$0.00289	$0.21004	($0.00535)	($0.00056)	$0.20700
9	31I Firm Sales	Block 1	2,000	4,148,074	206	$ 325.00	$ 325.00	$0.18515	$0.01315	$0.00231	$0.20062	($0.00428)	($0.00095)	$0.48385
10		Block 2	all additional	8,749,504				$0.16690	$0.01186	$0.00209	$0.18085	($0.00386)	($0.00091)	$0.46431
11	31I Firm Transpt	Block 1	2,000	118,697	5	$ 575.00	$ 575.00	$0.18577	$0.01345	$0.00237	$0.20159	($0.00437)	($0.00046)	$0.19973
12		Block 2	all additional	400,006				$0.16790	$0.01216	$0.00214	$0.18220	($0.00395)	($0.00042)	$0.18057
13	32C Firm Sales	Block 1	10,000	33,364,119	526	$ 675.00	$ 675.00	$0.11429	$0.01288	$0.00227	$0.12944	($0.00419)	($0.00094)	$0.41230
14		Block 2	20,000	9,992,148				$0.09648	$0.01088	$0.00191	$0.10928	($0.00354)	($0.00087)	$0.39250
15		Block 3	20,000	1,397,941				$0.06688	$0.00755	$0.00133	$0.07575	($0.00245)	($0.00076)	$0.35959
16		Block 4	100,000	197,195				$0.03721	$0.00419	$0.00074	$0.04214	($0.00136)	($0.00064)	$0.32661
17		Block 5	600,000	-				$0.01588	$0.00179	$0.00032	$0.01798	($0.00058)	($0.00056)	$0.30274
18		Block 6	all additional	-				$0.00577	$0.00065	$0.00011	$0.00653	($0.00021)	($0.00052)	$0.29151
19	32I Firm Sales	Block 1	10,000	6,000,723	66	$ 675.00	$ 675.00	$0.10799	$0.00937	$0.00165	$0.11901	($0.00305)	($0.00082)	$0.40282
20		Block 2	20,000	6,072,266				$0.09116	$0.00792	$0.00139	$0.10047	($0.00257)	($0.00077)	$0.38458
21		Block 3	20,000	2,271,665				$0.06307	$0.00547	$0.00096	$0.06951	($0.00178)	($0.00069)	$0.35408
22		Block 4	100,000	1,607,504				$0.03503	$0.00305	$0.00054	$0.03861	($0.00099)	($0.00060)	$0.32369
23		Block 5	600,000	-				$0.01550	$0.00134	$0.00024	$0.01708	($0.00044)	($0.00055)	$0.30247
24		Block 6	all additional	-				$0.00565	$0.00050	$0.00009	$0.00623	($0.00016)	($0.00052)	$0.29168
25	32C Firm Transpt	Block 1	10,000	3,279,561	33	$ 925.00	$ 925.00	$0.10964	$0.00943	$0.00166	$0.12072	($0.00306)	($0.00032)	$0.11909
26		Block 2	20,000	2,720,836				$0.09317	$0.00801	$0.00141	$0.10259	($0.00260)	($0.00027)	$0.10128
27		Block 3	20,000	1,048,244				$0.06579	$0.00566	$0.00099	$0.07244	($0.00184)	($0.00019)	$0.07164
28		Block 4	100,000	814,825				$0.03839	$0.00330	$0.00058	$0.04227	($0.00107)	($0.00011)	$0.04201
29		Block 5	600,000	12,377				$0.02191	$0.00188	$0.00033	$0.02412	($0.00061)	($0.00006)	$0.02418
30		Block 6	all additional	-				$0.01099	$0.00095	$0.00017	$0.01211	($0.00031)	($0.00003)	$0.01238
31	32I Firm Transpt	Block 1	10,000	10,055,646	106	$ 925.00	$ 925.00	$0.10964	$0.00809	$0.00142	$0.11916	($0.00263)	($0.00028)	$0.11800
32		Block 2	20,000	15,265,458				$0.09317	$0.00688	$0.00121	$0.10126	($0.00224)	($0.00023)	$0.10035
33		Block 3	20,000	10,449,168				$0.06579	$0.00485	$0.00085	$0.07150	($0.00158)	($0.00017)	$0.07098
34		Block 4	100,000	22,599,870				$0.03839	$0.00283	$0.00050	$0.04172	($0.00092)	($0.00010)	$0.04162
35		Block 5	600,000	24,971,483				$0.02191	$0.00162	$0.00028	$0.02382	($0.00053)	($0.00006)	$0.02396
36		Block 6	all additional	5,694,567				$0.01099	$0.00082	$0.00014	$0.01195	($0.00026)	($0.00003)	$0.01226
37	32C Interr Sales	Block 1	10,000	4,466,990	49	$ 675.00	$ 675.00	$0.10896	$0.00730	$0.00128	$0.11754	($0.00237)	($0.00075)	$0.40188
38		Block 2	20,000	5,267,214				$0.09199	$0.00616	$0.00108	$0.09924	($0.00200)	($0.00071)	$0.38378
39		Block 3	20,000	3,055,988				$0.06367	$0.00426	$0.00075	$0.06868	($0.00139)	($0.00065)	$0.35355
40		Block 4	100,000	6,002,700				$0.03535	$0.00236	$0.00042	$0.03813	($0.00077)	($0.00058)	$0.32333
41		Block 5	600,000	1,562,403				$0.01835	$0.00123	$0.00022	$0.01979	($0.00040)	($0.00054)	$0.30521
42		Block 6	all additional	-				$0.00593	$0.00039	$0.00007	$0.00639	($0.00013)	($0.00051)	$0.29182
43	32I Interr Sales	Block 1	10,000	5,945,061	59	$ 675.00	$ 675.00	$0.10860	$0.00715	$0.00126	$0.11701	($0.00233)	($0.00074)	$0.40165
44		Block 2	20,000	7,316,869				$0.09168	$0.00604	$0.00106	$0.09878	($0.00196)	($0.00071)	$0.38363
45		Block 3	20,000	3,444,126				$0.06345	$0.00418	$0.00074	$0.06837	($0.00136)	($0.00064)	$0.35358
46		Block 4	100,000	6,661,250				$0.03522	$0.00232	$0.00041	$0.03795	($0.00075)	($0.00058)	$0.32352
47		Block 5	600,000	3,028,643				$0.01828	$0.00121	$0.00021	$0.01970	($0.00039)	($0.00054)	$0.30549
48		Block 6	all additional	-				$0.00589	$0.00039	$0.00007	$0.00635	($0.00013)	($0.00051)	$0.29223
49	32C Interr Transpt	Block 1	10,000	7,321,550	84	$ 925.00	$ 925.00	$0.10762	$0.00655	$0.00115	$0.11532	($0.00213)	($0.00022)	$0.11457
50	32I Interr Transpt	Block 2	20,000	12,197,978				$0.09148	$0.00556	$0.00098	$0.09802	($0.00181)	($0.00019)	$0.09745
51		Block 3	20,000	8,859,459				$0.06459	$0.00393	$0.00069	$0.06921	($0.00128)	($0.00013)	$0.06896
52		Block 4	100,000	27,792,967				$0.03767	$0.00229	$0.00040	$0.04037	($0.00075)	($0.00008)	$0.04040
53		Block 5	600,000	57,196,530				$0.02154	$0.00131	$0.00023	$0.02308	($0.00043)	($0.00004)	$0.02332
54		Block 6	all additional	81,444,481				$0.01079	$0.00066	$0.00012	$0.01157	($0.00021)	($0.00002)	$0.01192
55	33		N/A	-	-	$ 38,000.00	$ 38,000.00	$0.00574	$0.00000	$0.00000	$0.00574	$0.00000	$0.00000	$0.00580

[1] Gas reserves EDIT amortization credit.