

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UG 435

In the Matter of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL

Request for a General Rate Revision  
(UG 435),

Advice 20-19, Schedule 198 Renewable  
Natural Gas Recovery Mechanism  
(ADV 1215) (UG 411).

ERRATA ORDER

DISPOSITION: ORDER NO. 22-388 CORRECTED

On October 24, 2022, we entered Order No. 22-388, which adopted stipulations between the parties, resolving all issues in this docket. Upon review, we find three non-substantive errors in the decision.

Multiple times the order refers to the second stipulation attached as Appendix B or the third stipulation attached as Appendix C. We have corrected the footers. The corrected appendices are attached to this order as Appendix A, Appendix B, and Appendix C.

On page 7 where the order references the Budget for District Regulators it states: “The parties agreed to a reduction to rate base of \$2.740 million, resulting in a \$218,000 reduction to the revenue requirement.”

Numbers have been transposed and should instead be \$2.470 million.

Finally, the fourth ordering paragraph reads: “Advice No. 21-21 filed on December 17, 2022, is permanently suspended.” This paragraph should reference 2021, not 2022.

Although these errors do not affect the amounts agreed to by the parties and adopted in the stipulations and by our order, they should be corrected.

**ORDER**

IT IS ORDERED that the appendices to this order are corrected as stated above, and

The language in Order No. 22-388 on page 7, referring to district regulators is corrected to read “The parties agreed to a reduction to rate base of \$2.470 million, resulting in a \$218,000 reduction to the revenue requirement.”

The language in Order No. 22-388 on page 87 in ordering paragraph 4 is corrected to read “Advice No. 21-21 filed on December 17, 2021, is permanently suspended.”

The remainder of the order remains unchanged.

Made, entered, and effective Nov 03 2022.



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**Megan W. Decker**  
Chair



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**Letha Tawney**  
Commissioner



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**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 435 AND UG 411**

In the Matter of

NW NATURAL GAS COMPANY D/B/A  
NW NATURAL

Request for a General Rate Revision  
(UG 435), and

Advice 20-19, Schedule 198 Renewable  
Natural Gas Recovery Mechanism  
(ADV 1215) (UG 411).

**MULTI-PARTY STIPULATION  
REGARDING REVENUE  
REQUIREMENT, RATE SPREAD AND  
CERTAIN OTHER ISSUES**

**I. INTRODUCTION**

1           The purpose of this Stipulation is to resolve certain issues including revenue  
2 requirement and rate spread among Northwest Natural Gas Company d/b/a NW Natural  
3 (“NW Natural” or the “Company”), Staff of the Public Utility Commission of Oregon  
4 (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), the Alliance of Western Energy  
5 Consumers (“AWEC”), and the Small Business Utility Advocates (“SBUA”) (collectively,  
6 the “Stipulating Parties”) in consolidated Dockets UG 435 and UG 411. The Stipulating  
7 Parties expect that this Multi-Party Stipulation Regarding Revenue Requirement, Rate  
8 Spread and Certain Other Issues (“Stipulation”) will address all issues among the  
9 Stipulating Parties, except for those that are listed in Paragraph 14 of this Stipulation that  
10 will continue to be litigated in these consolidated cases or, pending additional settlement  
11 discussions, may be incorporated into a separate stipulated agreement entered into at a  
12 later date. The “Coalition,” consisting of the Coalition of Communities of Color, Climate  
13 Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community

1 Energy Project, and Sierra Club, is also a party to these consolidated proceedings, but  
2 does not join this Stipulation.

## II. BACKGROUND

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

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

17 On January 21, 2022, the parties held a settlement conference regarding cost of  
18 capital, and on February 4, 2022, the parties held a workshop addressing TSA Security  
19 Directive 2. Staff and intervenors filed their Opening Testimony on April 22, and  
20 thereafter, the parties participated in settlement conferences on May 4, 2022, May 11,

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<sup>1</sup> Initial Filing, NW Natural’s Executive Summary at 1.

1 2022, May 17, 2022, and May 20, 2022. As a result of the settlement discussions, the  
2 Stipulating Parties reached a partial settlement of the issues in these consolidated cases,  
3 resolving all issues among the Stipulating Parties except for those issues that are  
4 specifically excluded per Paragraph 14 of this Stipulation. Additionally, the Stipulating  
5 Parties understand that the Coalition intends to litigate certain issues included in this  
6 Stipulation. This Stipulation memorializes the Stipulating Parties' agreements.

### III. TERMS OF AGREEMENT

7 The Stipulating Parties agree to resolve all issues raised in these consolidated  
8 cases as follows:

9 1. Revenue Requirement. The Stipulating Parties agree that the total increase  
10 to NW Natural's annual Oregon revenue requirement amount is \$62.654 million, as  
11 summarized in the table in Appendix A to this Stipulation, subject to certain potential  
12 adjustments specifically identified below. The \$62.654 million annual revenue  
13 requirement increase in these consolidated proceedings is based on the Stipulating  
14 Parties' agreement that the Company's requested Oregon-allocated increase to annual  
15 revenue requirement shall be reduced by a total of \$15.366 million from the February  
16 28, 2022, Errata Filing amount of \$78.020 million, based on the following adjustments  
17 to NW Natural's Initial Filing and Errata Filing:

18 a. U.S. All-Urban CPI Escalation. An increase to expense of \$67 thousand.  
19 This adjustment results in an increase to revenue requirement of \$69  
20 thousand.

21 b. Oregon Corporate Activity Tax. A reduction to revenue requirement of \$299  
22 thousand.

- 1 c. Property Taxes. A reduction to revenue requirement of \$61 thousand.
- 2 d. OPUC Fee. This adjustment results in an increase to revenue requirement  
3 of \$420 thousand, and reflects the higher OPUC fee rate established in  
4 2022.
- 5 e. Federal Income Tax – ARAM EDIT. A reduction to revenue requirement of  
6 \$141 thousand.
- 7 f. Materials and Supplies. A reduction to rate base of \$1.140 million. This  
8 adjustment results in a reduction to revenue requirement of \$101 thousand.
- 9 g. Land & Structure Adjustment. An increase to expense of \$501 thousand  
10 and an increase in rate base of \$2.755 million. These adjustments result in  
11 an increase to revenue requirement of \$759 thousand.
- 12 h. Reduced Budget for District Regulators. A reduction to rate base of \$2.470  
13 million. This adjustment results in a reduction to revenue requirement of  
14 \$218 thousand.
- 15 i. Director and Officer Insurance Premiums and Meals & Entertainment  
16 Expense. A reduction to expense of \$632 thousand. This adjustment  
17 results in a reduction to revenue requirement of \$650 thousand.
- 18 j. Memberships & Dues. A reduction to expense of \$443 thousand. This  
19 adjustment results in a reduction to revenue requirement of \$456 thousand.
- 20 k. Operations and Maintenance Expense and Administrative and General  
21 Expense. A reduction to expense of \$972 thousand. This adjustment  
22 results in a reduction to revenue requirement of \$1.0 million.



1 service until after November 1, 2022, except that the Stipulating Parties  
2 have agreed to include for the Test Year a portion of the capital additions  
3 related to customer acquisitions. These adjustments result in a \$4.845  
4 million reduction to revenue requirement.

5 In recognition of the capital associated with customer acquisitions  
6 the Stipulating Parties agree to also include an addition of \$24.649 million  
7 to rate base and \$676 thousand to expense to reflect the capital additions  
8 associated with new customers added during the Test Year, which  
9 increases revenue requirement by \$2.871 million. The Stipulating Parties  
10 agree that the revenue requirement associated with:

- 11 i. Test Year capital additions related to customer acquisitions, and
- 12 ii. Revenues associated with new customers added in the Test Year  
13 may be further increased or decreased as a result of ongoing settlement  
14 discussions or litigation related to the Company's line extension allowance.

15 This clause does not create any presumptions about reasonableness of  
16 costs recovery for line extensions or customer growth.

- 17 r. Cost of Capital. The Stipulating Parties agree to a Rate of Return of 6.836  
18 percent, which is based on a 50.0 percent common equity and 50.0 percent  
19 long-term debt capital structure, with a Return on Equity ("ROE") of 9.40  
20 percent and a cost of long-term debt of 4.271 percent. This Cost of Capital  
21 results in a reduction to revenue requirement of \$1.212 million.



1

**Agreed Upon Cost of Capital**

<b>Component</b>	<b>Capital Structure</b>	<b>Component Cost</b>	<b>Weighted Cost</b>
Cost of Long-Term (LT) Debt	50%	4.271%	2.136%
Return on Common Equity (ROE)	50%	9.40%	4.700%
<b>Rate of Return</b>			<b>6.836%</b>

2           2.    Rate Spread and Rate Design. The agreed upon rate spread for the  
3 revenue requirement is in Appendix B to this Stipulation.

4           3.    Attestation for Capital Projects.

5           a.    Attached to this Stipulation is an Appendix C, which contains an agreed-  
6 upon list of capital projects that are not completed as of the date this  
7 Stipulation is executed, but which the Company anticipates will be  
8 completed and in service by October 31, 2022. For any of the projects listed  
9 in Appendix C that are complete and in service by October 5, the Company  
10 agrees to file an attestation of a Company officer (“Officer Attestation”) by  
11 October 5, 2022, attesting these projects are complete and in-service. The  
12 Company will identify in the Officer Attestation which if any of the remaining  
13 projects in Appendix C the Company does not anticipate will be on-line by  
14 October 31, 2022. The Company will file a separate Officer Attestation by  
15 October 24, 2022, listing which of the remaining projects in Appendix C are  
16 completed as of that date and attesting that these projects are complete  
17 and in-service. The Company will also identify in the Officer Attestation the

1 projects in Appendix C that are not complete as of October 24, 2022, but  
2 which the Company anticipates will be complete and in-service by October  
3 31, 2022, and which projects the Company anticipates will not be complete  
4 and in-service October 31, 2022.

5 b. To facilitate the review of capital projects identified, Appendix C will list each  
6 project as well as the forecasted final cost of each project. For the projects  
7 related to TSA Security Directive 2, on or before June 15, 2022, NW Natural  
8 will prepare a separate list of each project (“TSA Project List”) as well as the  
9 forecasted final cost of each project that will be shared with parties that are  
10 qualified to view the materials pursuant to the Modified Protective Order in  
11 this docket, Order No. 21-465.

12 c. In the Officer Attestations filed October 5, 2022, and October 24, 2022, the  
13 Company will specify the actual costs for each project in Appendix C  
14 complete and in-service by that date. For the projects related to TSA  
15 Security Directive 2, NW Natural will include with the attestation a list of  
16 each project as the actual cost for each project complete and in-service by  
17 that date.

18 d. The amounts added to rate base for each project in this rate case will be  
19 the lower of the final actual cost in the Attestation or the forecasted amount  
20 included in Appendix C to this Stipulation or the TSA Project List, as  
21 applicable.

22 e. Cost of projects included in Appendix C that are not completed by October  
23 31, 2022 (“Excluded Projects”), will be completely removed from rate base

1 for purposes of calculating the rates pursuant to this Stipulation, and rates  
2 adjusted accordingly. In the event that an Excluded Project is included in  
3 rates but is not placed in service by October 31, 2022, the Company will file  
4 a supplemental compliance tariff on November 1, 2022, that reverses any  
5 charges to ratepayers for the cost of service associated with the Excluded  
6 Projects.

7 f. Revenue requirement reductions to rate base related for plant not in service  
8 by the Rate Effective Date will be allocated to all rate schedules on an equal  
9 percent of margin basis.

10 4. Depreciation Rates. The Stipulating Parties agree to adjust the Company's  
11 depreciation rates subject to the resolution of the Company's depreciation study in  
12 Docket UM 2214. The Company will include in its Officer Attestation filed no later than  
13 October 24, 2022, (described in Paragraph 3 of this Stipulation), the change to  
14 depreciation rates and adjust revenue requirement, accordingly. Any change to revenue  
15 requirement will be allocated to all rate schedules on an equal percent of margin basis.

16 5. Horizon 1 Depreciation Rates. The Stipulating Parties recommend  
17 approval of NW Natural's requested accounting order to authorize the Company to  
18 amortize its Horizon 1 cloud-based assets over a ten-year life in Docket UM 2215.  
19 Further, the Stipulating Parties agree that in the event that Horizon 1 is removed from  
20 service prior to the end of the ten-year life, the Company will apply the modified blended  
21 treasury ("MBT") rate to the remaining balance of the asset and defer the difference  
22 between the Company's cost of capital and the MBT rate until such time that general

1 rates are changed in a subsequent rate case or at the end of Horizon's ten-year life,  
2 whichever comes earlier.

3 6. Horizon 1 Start-Up Cost Deferral. The Company will amortize the Horizon  
4 1 Start-Up Cost Deferral over 10 years beginning November 1, 2022, subject to the  
5 terms of the stipulation approved in Order No. 21-246. NW Natural will include in its  
6 Attestation described in Paragraph 3 of this Stipulation a demonstration of compliance  
7 with the terms of the stipulation approved in Order No. 21-246, and include a final  
8 amortization schedule for the deferral.

9 7. TSA Security Directive Deferral. The Stipulating Parties recommend  
10 approval of the TSA Security Directive 2 Deferral (filed by the Company on September  
11 2, 2021, in Docket UM 2192) and agree to amortize the balance of the TSA Security  
12 Directive 2 Deferral over four years at the MBT rate beginning November 1, 2022. NW  
13 Natural will include in its Attestation described in Paragraph 3 of this Stipulation the  
14 balance of the deferral by October 31, 2022. In the event that the amount of the actual  
15 balance of the deferral is less than the amount proposed in the Initial Filing, NW Natural  
16 will remove the excess amount from rates. These are temporary rates not to be included  
17 in base rates.

18 8. Williams Pipeline Outage Deferral. The Company will remove its request in  
19 this rate case to begin amortization of the Williams Pipeline Outage Deferral (Docket  
20 UM 2139).

21 9. Update Billing Determinants for Amortization of Environmental Remediation  
22 (Schedule 183) and Pension Balancing Account (Schedule 197). The Company will  
23 update the billing determinants associated with the amortization of the Site Remediation

1 Recovery Mechanism (also referred to as Environmental Remediation) in Schedule 183  
2 and the Pension Balancing Account in Schedule 197.

3 10. Update to Rule 11 of Tariff. The Company will revise Rule 11 of its Oregon  
4 Tariff to include Commercial RS 3 customers with the same notice as residential  
5 customers in the section titled “Notice of Disconnection of Service.”

6 11. Cost Study Analysis of Rate Schedule 3. The Company will develop a cost  
7 study analysis examining whether to bifurcate Commercial RS 3 and present its findings  
8 to the Stipulating Parties prior to the Company’s next general rate case. The Company  
9 agrees to address whether to bifurcate Commercial RS 3 in its opening testimony in its  
10 next general rate case. The Company will consult with SBUA prior to conducting cost  
11 study.

12 12. Customer Charge for Multi-Family vs. Single-Family Dwellings. The  
13 Company will host a workshop with the Stipulating Parties relating to the difference in  
14 fixed cost for multi-family vs. single-family dwellings. In advance of the workshop, the  
15 Company will confer with the Stipulating Parties regarding the scope of the workshop.

16 13. Tariffs. Subject to the approval of this Stipulation, NW Natural will file  
17 revised rate schedules as a compliance filing in consolidated Dockets UG 435 and 411,  
18 to be effective November 1, 2022, reflecting rates as agreed to in this Stipulation.

19 14. Issues Excluded From This Stipulation. The Stipulating Parties agree that  
20 the following issues raised by the Stipulating Parties are not addressed by this  
21 Stipulation and will continue to be litigated in these consolidated cases or, pending  
22 additional settlement discussions, may be incorporated into a separate stipulated  
23 agreement entered into at a later date.

- 1 a. Residential Customer Deposits (CUB/100);
- 2 b. Line Extension Allowance<sup>2</sup> (CUB/100);
- 3 c. Decoupling (Staff/1300);
- 4 d. RNG Automatic Adjustment Clause (NWN/1500; Staff/1700; AWEC/100;
- 5 CUB/200);
- 6 e. Cost Recovery and Rate Spread of the Lexington RNG Project and
- 7 Deferral (NWN/1100; CUB/200; Staff/1700; AWEC/100).
- 8 f. COVID-19 Deferral Amortization and Rate Spread (Staff/1500; CUB/200 ).
- 9 15. The Stipulating Parties agree that this Stipulation is in the public interest,

10 and will result in rates that are fair, just and reasonable, consistent with the standard in  
11 ORS 756.040.

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

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

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<sup>2</sup> Resolution of issue could affect total rate base in Paragraph 1.q. of this Stipulation, above.

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

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

12           20. The substantive terms of this Stipulation are not enforceable by any  
13 Stipulating Party unless and until adopted by the Commission in a final order. Each  
14 Stipulating Party avers that it is signing this Stipulation in good faith and that it intends  
15 to abide by the terms of this Stipulation unless and until this Stipulation is rejected or  
16 adopted only in part by the Commission. The Stipulating Parties agree that the  
17 Commission has exclusive jurisdiction to enforce or modify this Stipulation. If the  
18 Commission rejects or modifies this Stipulation, the Stipulating Parties reserve the right  
19 to seek reconsideration or rehearing of the Commission order under ORS 756.561 and  
20 OAR 860-001-0720 or to appeal the Commission order under ORS 756.610.

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

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

DATED this 31st day of May 2022

NW NATURAL COMPANY D/B/A NW NATURAL

STAFF OF PUBLIC UTILITY COMMISSION OF OREGON

By: /s/Zachary Kravitz

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

Date: May 31, 2022

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

OREGON CITIZENS' UTILITY BOARD

ALLIANCE OF WESTERN ENERGY CONSUMERS

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

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

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

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

SMALL BUSINESS UTILITY ADVOCATES

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

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



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

DATED this 31st day of May 2022

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

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

By: /s/Stephanie Andrus

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

Date: May 31, 2022

OREGON CITIZENS' UTILITY  
BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

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

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

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

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

SMALL BUSINESS UTILITY  
ADVOCATES

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

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

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

DATED this \_\_\_ day of May 2022

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: 5/31/22 \_\_\_\_\_

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

SMALL BUSINESS UTILITY  
ADVOCATES

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

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

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

DATED this \_\_\_ day of May 2022

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: 05/31/2022

SMALL BUSINESS UTILITY ADVOCATES

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

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

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

DATED this \_\_\_ day of May 2022

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: \_\_\_\_\_

SMALL BUSINESS UTILITY  
ADVOCATES

By: Diane Henkels

Date: 5/31/22

NW Natural  
UG 435  
Twelve Months Ended October 31, 2023  
(000)

	2021 Results Per Company Filing at Present Rates	2021 - Errata Results Per Company Filing at Present Rates (1)	(2)	2023 Results Per Company Filing (3)	Company Filed Required Change for Reasonable Return (4)	Company Filed 2023 Results at Reasonable Return (5)	Adjustments to Company 2023 Results (6)	Adjusted 2023 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	Staff Net Change to 2023 Results at Reasonable Return (9) - (5) (10)
<b>SUMMARY SHEET</b>													
<b>Operating Revenues</b>													
General Business	691,764	691,764	30,251	722,015	77,682	799,697	-	722,015	62,316	784,331	338	784,669	(15,366)
Transportation	16,953	16,953	57	17,010	-	17,010	-	17,010	-	17,010	-	17,010	-
Decoupling	(527)	(527)	527	-	-	-	-	-	-	-	-	-	-
WARM	6,165	6,165	(6,165)	-	-	-	-	-	-	-	-	-	-
Miscellaneous Revenues	3,648	3,648	(248)	3,400	-	3,400	-	3,400	-	3,400	-	3,400	-
<b>Total Operating Revenues</b>	<b>718,003</b>	<b>718,003</b>	<b>24,422</b>	<b>742,425</b>	<b>77,682</b>	<b>820,107</b>	<b>-</b>	<b>742,425</b>	<b>62,316</b>	<b>804,741</b>	<b>338</b>	<b>805,079</b>	<b>(15,366)</b>
<b>Operating Expenses</b>													
Gas Purchased	282,260	282,260	13,515	295,775	-	295,775	-	295,775	-	295,775	-	295,775	-
Transmission & Storage	9,951	9,951	290	10,241	-	10,241	-	10,241	-	10,241	-	10,241	-
Distribution	52,500	52,500	6,347	58,847	-	58,847	-	58,847	-	58,847	-	58,847	-
Customer Accounts	19,021	19,021	1,421	20,442	-	20,442	-	20,442	-	20,442	-	20,442	-
Customer Service	5,990	5,990	(67)	5,923	-	5,923	-	5,923	-	5,923	-	5,923	-
Sales	2,429	2,429	(318)	2,111	-	2,111	-	2,111	-	2,111	-	2,111	-
OPUC Fees	2,671	2,671	113	2,784	291.31	3,075	408	3,192	268	3,460	1	3,461	385
Franchise Fees	16,463	16,463	694	17,157	1,795	18,952	-	17,157	1,440	18,597	8	18,605	(355)
Uncollectibles	702	702	10	712	76	788	-	712	61	773	0	773	(15)
General Operations & Maintenance	5,069	5,069	350	5,419	-	5,419	(6,094)	(675)	-	(675)	-	-	(6,094)
Admin & General Expenses	79,733	79,733	11,488	91,221	-	91,221	(5,029)	86,192	-	86,192	-	-	(5,029)
Environmental Rider	5,000	5,000	-	5,000	-	5,000	-	5,000	-	5,000	-	-	-
Total Operation & Maintenance	481,788	481,789	33,843	515,632	2,162	517,794	(10,715)	504,917	1,769	506,686	10	506,696	(11,108)
Depreciation & Amortization	93,084	93,084	18,576	111,660	-	111,660	(1,800)	109,860	-	109,860	-	109,860	(1,800)
Taxes Other than Income	31,120	31,120	3,768	34,888	-	34,888	(47)	34,841	-	34,841	328	35,169	(47)
Equity Floatation	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	22,402	22,117	(9,383)	12,734	20,393	33,128	3,122	15,856	16,350	32,206	-	32,206	(921)
<b>Total Operating Expenses</b>	<b>628,394</b>	<b>628,111</b>	<b>46,804</b>	<b>674,914</b>	<b>22,556</b>	<b>697,470</b>	<b>(9,440)</b>	<b>665,475</b>	<b>18,119</b>	<b>683,593</b>	<b>338</b>	<b>683,931</b>	<b>(13,876)</b>
<b>Net Operating Revenues</b>	<b>89,609</b>	<b>89,892</b>	<b>(22,382)</b>	<b>67,511</b>	<b>55,126</b>	<b>122,637</b>	<b>9,440</b>	<b>76,950</b>	<b>44,197</b>	<b>121,147</b>	<b>-</b>	<b>121,147</b>	<b>(1,490)</b>
<b>Average Rate Base</b>													
Utility Plant in Service	3,120,353	3,182,569	450,702	3,633,272	-	3,633,272	(49,809)	3,583,463	-	3,583,463	-	3,583,463	(49,809)
Accumulated Depreciation & Amortization	(1,334,884)	(1,351,426)	(151,156)	(1,502,582)	-	(1,502,582)	42,182	(1,460,400)	-	(1,460,400)	-	(1,460,400)	42,182
Accumulated Deferred Income Taxes	(412,539)	(412,539)	(9,669)	(422,208)	-	(422,208)	-	(422,208)	-	(422,208)	-	(422,208)	-
Accumulated Deferred Inv. Tax Credit	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Utility Plant</b>	<b>1,372,930</b>	<b>1,418,604</b>	<b>289,877</b>	<b>1,708,481</b>	<b>-</b>	<b>1,708,481</b>	<b>(7,627)</b>	<b>1,700,854</b>	<b>-</b>	<b>1,700,854</b>	<b>-</b>	<b>1,700,854</b>	<b>(7,627)</b>
Plant Held for Future Use	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Other Rate Base</b>													
Aid in Advance of Construction	(5,629)	(5,629)	(1,639)	(7,268)	-	(7,268)	-	(7,268)	-	(7,268)	-	(7,268)	-
Customer Deposits	(1,084)	(1,084)	792	(292)	-	(292)	-	(292)	-	(292)	-	(292)	-
Gas Inventory	41,722	41,722	(3,524)	38,198	-	38,198	-	38,198	-	38,198	-	38,198	-
Materials & Supplies	14,170	14,170	2,366	16,536	-	16,536	(1,140)	15,396	-	15,396	-	15,396	(1,140)
Weatherization Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepayments	-	-	-	-	-	-	-	-	-	-	-	-	-
Misc. Deferred Debits & Credits	-	-	-	-	-	-	-	-	-	-	-	-	-
Misc. Rate Base Additions/(Deductions)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>EDIT: Leasehold Improv.</b>	<b>31,442</b>	<b>31,442</b>	<b>(6,135)</b>	<b>25,307</b>	<b>-</b>	<b>25,307</b>	<b>-</b>	<b>25,307</b>	<b>-</b>	<b>25,307</b>	<b>-</b>	<b>25,307</b>	<b>-</b>
<b>Total Average Rate Base</b>	<b>1,453,551</b>	<b>1,499,225</b>	<b>281,737</b>	<b>1,780,962</b>	<b>-</b>	<b>1,780,962</b>	<b>(8,767)</b>	<b>1,772,195</b>	<b>-</b>	<b>1,772,195</b>	<b>-</b>	<b>1,772,195</b>	<b>(8,767)</b>
<b>Rate of Return</b>	<b>6.165%</b>	<b>5.996%</b>		<b>3.791%</b>		<b>6.886%</b>		<b>4.342%</b>		<b>6.836%</b>		<b>6.836%</b>	<b>-0.0500%</b>
<b>Implied Return on Equity</b>	<b>7.74%</b>	<b>7.40%</b>		<b>3.31%</b>		<b>9.500%</b>		<b>4.412%</b>		<b>9.400%</b>		<b>9.400%</b>	<b>-0.100%</b>

**NW Natural**  
**Oregon Jurisdictional Rate Case**  
**Test Year Twelve Months Ended October 31, 2023**  
**Incremental Revenue Requirement Allocation by Rate Schedule - Combined Effects**  
**Appendix B to UG 435 and UG 411 Multi-Party Stipulation Regarding Revenue Requirement, Rate Spread and Certain Other Issues**

**UG 435 and UG 411 Multi-Party Stipulation Revenue Requirement Impacts**  
*Combined Impacts of UG 435 Revenue Requirement Items (including Plant EDIT Amortization Credit), including: Williams Pipeline Outage, TSA Security Directive 2 Deferral, and Horizon 1 O&M Deferral*

Line No.	Rate Schedule	Impact to -->		Revenue Requirement			EDIT Amortization Credit		Total: Rev. Req. Items		Williams Pipeline		TSA Security Directive 2		Horizon 1 O&M		Margin Revenue at Proposed Rates	Total Revenue at Proposed Rates	Combined Effects			
		Margin Revenue at Present Rates	Total Revenue at Present Rates	Margin Increase (\$)	Margin Increase (%)	Revenue Increase (%)	Margin Increase (\$)	Margin decrease (%)	Margin Increase (\$)	Margin Increase (%)	Revenue Increase (\$)	Revenue Increase (%)	Margin Increase (\$)	Margin Increase (%)	Margin Increase (\$)	Margin Increase (%)			Revenue Requirement Increase (\$)	Margin Revenue Increase (%)	Total Revenue Increase (%)	Average Bill Increase (%)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)			(16)	(17)	(18)	(19)
A	B	C	D	E	F	G	H = F+I	I	J	K	L	M	N	O	P = A+H+S	Q = B+H+J+L+N	R	S	T	U		
1	02R	\$ 302,743,546	\$ 468,913,370	\$ 46,600,997	15.4%	9.9%	\$ (2,942,709)	-1.0%	\$ 43,658,288	14.4%	\$ 0	0.00%	\$ 1,187,622	0.34%	\$ 770,130	0.22%	\$ 347,171,965	\$ 514,529,411	\$ 45,616,040	14.7%	9.7%	9.40%
2	03C	\$ 92,803,627	\$ 162,351,317	\$ 16,134,942	17.4%	9.9%	\$ (1,019,567)	-1.1%	\$ 15,115,375	16.3%	\$ 0	0.00%	\$ 410,541	0.38%	\$ 268,039	0.25%	\$ 108,187,042	\$ 178,145,273	\$ 15,793,955	16.6%	9.7%	9.20%
3	03I	\$ 2,141,772	\$ 4,226,612	\$ 257,579	12.0%	6.1%	\$ (16,273)	-0.8%	\$ 241,305	11.3%	\$ 0	0.00%	\$ 6,560	0.28%	\$ 4,272	0.18%	\$ 2,387,349	\$ 4,478,749	\$ 252,137	11.5%	6.0%	5.50%
4	27R	\$ 471,508	\$ 796,163	\$ 83,516	17.7%	10.5%	\$ (5,274)	-1.1%	\$ 78,242	16.6%	\$ 0	0.00%	\$ 2,130	0.39%	\$ 1,386	0.25%	\$ 551,136	\$ 877,921	\$ 81,758	16.9%	10.3%	9.80%
5	31CSF	\$ 8,261,800	\$ 17,117,489	\$ 993,567	12.0%	5.8%	\$ (62,724)	-0.8%	\$ 930,843	11.3%	\$ 0	0.00%	\$ 25,291	0.28%	\$ 16,389	0.18%	\$ 9,209,033	\$ 18,090,012	\$ 972,523	11.5%	5.7%	6.20%
6	31CTF	\$ 981,292	\$ 981,292	\$ 118,019	12.0%	12.0%	\$ (7,450)	-0.8%	\$ 110,569	11.3%	\$ 0	0.00%	\$ 3,013	0.28%	\$ 1,953	0.18%	\$ 1,093,814	\$ 1,096,827	\$ 115,535	11.5%	11.8%	11.90%
7	31ISF	\$ 3,237,130	\$ 8,236,625	\$ 389,371	12.0%	4.7%	\$ (24,600)	-0.8%	\$ 364,771	11.3%	\$ 0	0.00%	\$ 9,946	0.28%	\$ 6,454	0.18%	\$ 3,608,355	\$ 8,617,796	\$ 381,171	11.5%	4.6%	4.90%
8	31ITF	\$ 143,836	\$ 143,836	\$ 17,300	12.0%	12.0%	\$ (1,093)	-0.8%	\$ 16,207	11.3%	\$ 0	0.00%	\$ 442	0.28%	\$ 286	0.18%	\$ 160,329	\$ 160,771	\$ 16,935	11.5%	11.8%	11.80%
9	32CSF	\$ 11,882,484	\$ 30,465,691	\$ 1,429,055	12.0%	4.7%	\$ (90,315)	-0.8%	\$ 1,338,741	11.3%	\$ 0	0.00%	\$ 36,593	0.28%	\$ 23,619	0.18%	\$ 13,244,844	\$ 31,864,644	\$ 1,398,953	11.5%	4.6%	5.30%
10	32ISF	\$ 2,462,192	\$ 8,156,582	\$ 72,402	2.9%	0.9%	\$ (4,574)	-0.2%	\$ 67,828	2.8%	\$ 0	0.00%	\$ 1,833	0.07%	\$ 1,183	0.05%	\$ 2,531,202	\$ 8,227,425	\$ 70,843	2.8%	0.9%	1.00%
11	32CTF	\$ 1,024,698	\$ 1,024,698	\$ 30,143	2.9%	2.9%	\$ (1,909)	-0.2%	\$ 28,235	2.8%	\$ 0	0.00%	\$ 781	0.07%	\$ 504	0.05%	\$ 1,053,436	\$ 1,054,217	\$ 29,519	2.8%	2.9%	3.30%
12	32ITF	\$ 6,584,741	\$ 6,584,741	\$ 193,831	2.9%	2.9%	\$ (12,272)	-0.2%	\$ 181,559	2.8%	\$ 0	0.00%	\$ 5,043	0.07%	\$ 3,322	0.05%	\$ 6,769,621	\$ 6,774,664	\$ 189,924	2.8%	2.9%	3.40%
13	32CSI	\$ 2,232,839	\$ 10,222,297	\$ 268,568	12.0%	2.6%	\$ (16,986)	-0.8%	\$ 251,581	11.3%	\$ 0	0.00%	\$ 6,833	0.28%	\$ 4,398	0.18%	\$ 2,488,818	\$ 10,485,109	\$ 262,812	11.5%	2.6%	2.90%
14	32ISI	\$ 3,307,718	\$ 14,833,805	\$ 97,263	2.9%	0.7%	\$ (6,141)	-0.2%	\$ 91,122	2.8%	\$ 0	0.00%	\$ 2,472	0.07%	\$ 1,646	0.05%	\$ 3,400,486	\$ 14,929,045	\$ 95,240	2.8%	0.6%	0.80%
15	32CTI	\$ 525,889	\$ 525,889	\$ 15,477	2.9%	2.9%	\$ (993)	-0.2%	\$ 14,483	2.8%	\$ 0	0.00%	\$ 373	0.07%	\$ 251	0.05%	\$ 540,623	\$ 540,996	\$ 15,107	2.8%	2.9%	2.90%
15	32ITI	\$ 6,064,679	\$ 6,064,679	\$ 178,677	2.9%	2.9%	\$ (11,741)	-0.2%	\$ 166,936	2.8%	\$ 0	0.00%	\$ 4,646	0.07%	\$ 3,150	0.05%	\$ 6,234,765	\$ 6,239,410	\$ 174,731	2.8%	2.9%	3.10%
16	33T	\$ 0	\$ 0	\$ 0	0.0%	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.00%	\$ 0	0.00%	\$ 0	0.00%	\$ 0	\$ 0	\$ 0	0.0%	0.0%	0.00%
<b>Total</b>		<b>\$ 444,869,752</b>	<b>\$ 740,645,087</b>	<b>\$ 66,880,707</b>	<b>15.0%</b>	<b>9.0%</b>	<b>\$ (4,224,621)</b>	<b>-0.9%</b>	<b>\$ 62,656,086</b>	<b>14.1%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ 1,704,120</b>	<b>0.34%</b>	<b>\$ 1,106,980</b>	<b>0.22%</b>	<b>\$ 508,632,817</b>	<b>\$ 806,112,272</b>	<b>\$ 65,467,185</b>	<b>14.33%</b>	<b>8.84%</b>	<b>(5)</b>

NOTE (1): Revenue Requirement spread based on the UG 435 and UG 411 Multi-Party Stipulation Regarding Revenue Requirement, Rate Spread and Certain Other Issues.  
NOTE (2): Plant excess deferred income taxes (EDIT) amortization credit spread to all rate schedules based on the revenue requirement spread noted above. The final credit amount will be updated with the UG 435 Compliance Filing.  
NOTE (3): The TSA Security Directive and Horizon 1 O&M Deferral costs are all spread based on a rate spread methodology agreed to in the Multi-Party Stipulation.  
NOTE (4): The proposed margin and revenue increment increases/decreases 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.  
NOTE (5): 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  
UG 435 - Appendix C

Project Name	Dollars in Millions			Actual Completed Cost
	Expected In-Service Date	Forecasted Cost in GRC	Actual In-Service Date	
Horizon 1	Jul-22	\$ 63.7		
Kuebler Blvd Reinforcement	Oct-22	\$ 21.3		
Lincoln City Resource Center	Nov-22	\$ 14.2		
Astoria/Warrenton Resource Center	May-22	\$ 11.7		
Central Resource Center (Phase 1)	Oct-22	\$ 10.1		
M365 Implementation Program (Cloud Based)	Oct-22	\$ 6.6		
NLNG Pretreatment Regeneration Improvements	Oct-22	\$ 5.1		
Mist 300-400 Upgrade	May-22	\$ 3.5		
Enterprise System Integration Platform Implementation	Oct-22	\$ 3.5		
P31 - McMinnville	Dec-22	\$ 3.4		
Mist Well Rework 2022	Oct-22	\$ 3.3		
Mist Well Rework 2021	Oct-22	\$ 3.1		
IT&S Enterprise Foundations - Data Reporting & Analytics	Oct-22	\$ 2.9		
Tech Refresh - Voice Radio	May-22	\$ 2.9		
EO4 - 6 and 8 inch ILI Conversion	Oct-22	\$ 2.8		
Mist Corrossion Abatement 4	Jul-22	\$ 2.7		
Tualatin Sherwood Rd. Grading	Oct-22	\$ 2.6		
E15 - S. Eugene Trans	Jun-22	\$ 2.2		
Calvin Creek Electric Conductor Replacement	Jun-22	\$ 2.0		
Tech Refresh - Telemetry	Oct-22	\$ 1.7		
NLNG T-1 Foundation Heating	Oct-22	\$ 1.7		
Mist Electrical Systems Updates	Oct-22	\$ 1.7		
Natural Forces Projects	Oct-22	\$ 1.4		
E08 Springfield Trans 8 in. ILI	Oct-22	\$ 1.4		
Newport Switchgear Replacement	Oct-22	\$ 1.3		
Physical Security Enhancements Program	Oct-22	\$ 1.1		
PLNG Boil Off Compressor	Oct-22	\$ 1.1		
300-400 Cooler Replacement	Jul-22	\$ 0.8		
317th and Jackson Measurement	Oct-22	\$ 0.8		
202437 Mist GC 600 Compressor Rebuild	Aug-22	\$ 0.7		
300-400 Header Valve Automation	Aug-22	\$ 0.6		
TBD1845 Fire System Upgrade	Sep-22	\$ 0.6		
202438 Mist GC500 Compressor Rebuild	Jun-22	\$ 0.6		
Miller Station TI	Oct-22	\$ 0.5		
TBD52418 PLNG Glycol Heat Exchanger	Sep-22	\$ 0.5		
202286 Miller Station Level Controller Upgrade	Mar-22	\$ 0.5		
300-400 Heavy Piston Upgrade	Sep-22	\$ 0.4		
300-400 Suction and Recycle Control Valve	Sep-22	\$ 0.4		
GC500&GC600 Separator Dump Valve Upgrade	Oct-22	\$ 0.4		
TBD1843 300-400 Hot Start Rebuild	Sep-22	\$ 0.3		
202440 AIs and Reichfold Becker valves	Dec-22	\$ 0.2		
202407 Delta & Green Acres Dist Reg	May-22	\$ 0.2		
202370 Mist GC 500 HMI and Controls Upgrade	Jul-22	\$ 0.2		

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 435 AND UG 411**

In the Matter of

NW NATURAL GAS COMPANY D/B/A  
NW NATURAL

Request for a General Rate Revision  
(UG 435), and

Advice 20-19, Schedule 198 Renewable  
Natural Gas Recovery Mechanism  
(ADV 1215) (UG 411).

**SECOND PARTIAL STIPULATION**

**I. INTRODUCTION**

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



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

## II. BACKGROUND

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

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

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

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<sup>1</sup> Initial Filing, NW Natural’s Executive Summary at 1.

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

### III. TERMS OF AGREEMENT

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

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

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

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

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

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

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

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

16                a.     New residential customers, and

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

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

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

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

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

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

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

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

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

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

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

- 3 a. Amortize the 2020 and 2021 balances of the Company's COVID-19  
4 Deferral, including interest accrued on those balances, subject to an  
5 adjustment of (\$163) thousand.
- 6 b. The amortization period will be two years.
- 7 c. Certain portions of the COVID-19 deferral as recommended by Staff  
8 will be subject to an earnings test set at the Company's authorized  
9 return on equity.
- 10 d. The Stipulating Parties agree to apply a rate spread allocation  
11 methodology consistent with Appendix B to the First Stipulation.
- 12 e. NW Natural may request a prudency review and amortization of post-  
13 2021 balances in a future proceeding.

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

- 19 a. The Coalition's Objections to the First Stipulation (Coalition's  
20 Objection Testimony to be filed by June 30, 2022);
- 21 b. Line Extension Allowance (CUB/100, Coalition/200, NWN/1800);
- 22 c. RNG Automatic Adjustment Clause (NWN/1500, Staff/1700,  
23 AWEC/100, CUB/200, NWN/1600); and

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

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

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

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

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

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

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

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

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

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



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

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

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

DATED this 29th day of June 2022

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: /s/ Zachary Kravitz

By: /s/ Stephanie Andrus

Date: 6/29/22

Date: 6/29/22

OREGON CITIZENS' UTILITY  
BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: /s/ Michael P. Goetz

By: /s/ Chad Stokes

Date: 6/29/22

Date: 6/29/22

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

By: /s/ Jaimini Parekh

Date: 6/29/22

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 435 AND UG 411**

In the Matter of  
NW NATURAL GAS COMPANY D/B/A  
NW NATURAL

Request for a General Rate Revision  
(UG 435), and  
Advice 20-19, Schedule 198 Renewable  
Natural Gas Recovery Mechanism  
(ADV 1215) (UG 411).

**THIRD PARTIAL STIPULATION**

**I. INTRODUCTION**

The purpose of this Third Partial Stipulation (“Third Stipulation”) is to resolve certain issues surrounding the Lexington Renewable Natural Gas Project (“Lexington RNG Project”) with the exception of rate spread among Northwest Natural Gas Company d/b/a NW Natural (“NW Natural” or the “Company”), Staff of the Public Utility Commission of Oregon (“Staff”), the Oregon Citizens’ Utility Board (“CUB”), and the Alliance of Western Energy Consumers (“AWEC”). The Stipulating Parties expect that this Third Stipulation will address all remaining issues among the Stipulating Parties, except for those that are listed in Paragraph 2 of this Third Stipulation that will continue to be litigated in these consolidated cases or, pending additional settlement discussions, may be incorporated into a separate stipulated agreement entered into at a later date. The Small Business Utility Advocates (“SBUA”) and the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (collectively “Coalition”) are also parties to these consolidated proceedings. SBUA neither joins nor opposes this Third Stipulation. The Coalition

takes no position on the stipulation and reserves the arguments regarding the Lexington RNG Project raised in its testimony and briefing.

## II. BACKGROUND

On December 17, 2021, NW Natural filed a request for a general rate increase (the “Initial Filing”) to become effective November 1, 2022 (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 \$73.5 million which would have resulted in an approximate 9.9 percent increase to current customer rates.<sup>1</sup> Administrative Law Judge (“ALJ”) Sarah Spruce convened a prehearing conference on January 19, 2022. On February 28, 2022, NW Natural made an errata filing increasing the revenue requirement to \$78.020 million (the “Errata Filing”).

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

On January 21, 2022, the parties held a settlement conference regarding cost of capital, and on February 4, 2022, the parties held a workshop addressing TSA Security Directive 2. Staff and intervenors filed their Opening Testimony on April 22, and thereafter, the parties participated in settlement conferences on May 4, 2022, May 11, 2022, May 17, 2022, and May 20, 2022. As a result of the settlement discussions, all parties, excluding the Coalition, reached a partial settlement of the issues in these consolidated cases and filed the First Stipulation on May 31, 2022, followed

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<sup>1</sup> Initial Filing, NW Natural’s Executive Summary at 1.

by Joint Testimony in Support of the First Stipulation on June 8, 2022. NW Natural filed Reply Testimony on June 6, 2022, and all parties participated in settlement conferences on June 15, 2022 and June 16, 2022. As a result of the settlement discussions, the Stipulating Parties reached a partial settlement of the issues in these consolidated cases, and entered into the Second Stipulation on June 29, 2022. The parties filed Rebuttal Testimony on June 30, 2022, and the Company filed Sur-Rebuttal Testimony on July 20, 2022. The parties filed Opening Briefs on August 10, 2022, and thereafter participated in further settlement discussions on August 16, 2022 and August 17, 2022 that resulted in this Third Stipulation. This Third Stipulation memorializes the Stipulating Parties' agreements from their most recent settlement conferences.

### III. TERMS OF AGREEMENT

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

1. Lexington RNG Project. The Stipulating Parties agree and support that:
  - a. NW Natural will be authorized by the Commission to amortize over a three (3) year period the deferral portion of the Lexington RNG Project surcharge, beginning on November 1, 2023.
  - b. During calendar year 2022, the deferral will accrue interest at the Company's authorized rate of return. The deferral will be subject to an earnings test at the Company's then effective authorized return on equity using the 2022 Results of Operations Report.
  - c. Starting on January 1, 2023, the deferral will accrue interest at the modified blended treasury rate plus 100 basis points. There will be no earnings test for the interest accrual portion.
  - d. AWEC agrees to withdrawal of its proposed tax adjustment and its proposed adjustment based on the ownership interest of BioCross LLC for the life of the Lexington RNG project. This Third Stipulation does not modify the tax condition contained in the Stipulation in Docket UI 451, NW Natural's affiliated interest docket for the Lexington RNG Project.

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

- a. Line Extension Allowance;
- b. RNG Automatic Adjustment Clause; and
- c. Rate Spread of the Lexington RNG Project..

3. The Stipulating Parties agree that this Third 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.

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

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

6. The Stipulating Parties have negotiated this Third Stipulation as an integrated document. If the Commission rejects all or any material portion of this Third Stipulation or

imposes additional material conditions in approving this Third Stipulation, any of the Stipulating Parties are entitled to withdraw from this Third Stipulation or exercise any other rights provided in OAR 860-001-0350(9).

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

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

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

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

DATED this 19<sup>th</sup> day of August 2022

NW NATURAL COMPANY D/B/A NW  
NATURAL

STAFF OF PUBLIC UTILITY  
COMMISSION OF OREGON

By: /s/ Zachary Kravitz

By: /s/ Stephanie Andrus

Date: 8/19/22

Date: 8/19/22

OREGON CITIZENS' UTILITY  
BOARD

ALLIANCE OF WESTERN ENERGY  
CONSUMERS

By: /s/ Michael P. Goetz

By: /s/ Chad Stokes

Date: 8/19/22

Date: 8/19/22