

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 527, UG 528

In the Matters of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for an Alternative Rate
Mechanism, New Schedule 123 (UG 527);

and

Schedule 160, Cancellation of Charges for
Coos County Pipeline (UG 528).

ORDER

DISPOSITION: PARTIAL MULTI-PARTY STIPULATION ADOPTED;
APPLICATION FOR AN ALTERNATIVE RATE MECHANISM
APPROVED AS REVISED.

I. SUMMARY

In this order, we adopt the Stipulation Regarding All Issues Except for Rate Spread of Two Coos County Pipeline Projects (Stipulation) that resolves all but one of the contested issues and authorizes implementation of Schedule 123 to recover certain capital investments. We additionally address the remaining contested issue, which is the rate spread for revenue associated with two landslide mitigation projects to be recovered through Schedule 123. As a result of these proceedings, residential rates will increase 1.5 percent on October 31, 2026. Commercial and industrial ratepayers will see rate increases ranging from 0.3 percent to 1.2 percent, effective November 1, 2026.

II. PROCEDURAL HISTORY AND BACKGROUND

On November 25, 2025, Northwest Natural Gas Company, dba NW Natural, filed Advice No. 25-25, requesting Commission approval of the newly proposed Schedule 123 to be effective October 31, 2026. The company requested Schedule 123 to implement an alternative rate mechanism for recovery of a limited subset of capital additions scheduled

to be in service no later than October 31, 2026. Approval of Schedule 123 as proposed would increase NW Natural's annual revenues by approximately \$15.5 million, or 1.4 percent. NW Natural initially proposed to apply the rate spread agreed to by parties in docket UG 520. This rate spread framework applied a three-step approach and is founded on the company's most recent Long-Run Incremental Cost study. NW Natural estimated that approval of Schedule 123 as initially proposed would increase the average residential bill under Schedule 02R by \$1.39 per month, the average commercial bill under Schedule 3 by \$5.33 per month, the average industrial bill under Schedule 31 by \$25.78 per month, and the average bill for industrial firm sales under Schedule 32 by \$71.13 per month. In surrebuttal testimony, NW Natural updated the proposed revenue requirement to \$14.5 million. The company also modified its rate spread proposal to an equal-percent-of-margin calculation.

On September 26, 2025, NW Natural filed Advice No. 25-23, requesting cancellation of Schedule 160, known as the Coos County Charge, and termination of its Transportation Services Agreement (TSA) with Coos County. Cancelling Schedule 160 would reduce rates for Coos County sales service customers by the current \$0.02 per therm and terminating the TSA would reduce rates for transportation customers by \$0.01271 per therm. NW Natural explained that cancelling the Coos County Charge is part of its plan to acquire the Coos County Pipeline (Pipeline) and complete landslide prevention work to ensure safe and reliable gas service to the company's customers in the Coos County region. The Pipeline is a 60-mile natural gas transmission pipeline connecting the Coos County region with the Williams pipeline near Roseburg. Owned by Coos County, it was intended to provide reliable natural gas supply to increase economic development in the south coast area. In its filing, NW Natural requested Commission approval to acquire the Pipeline.

On February 25, 2026, the Commission suspended Advice No. 25-23 for up to ten months from December 21, 2025, for further investigation.¹ On February 19, 2026, dockets UG 527 and UG 528 were consolidated.² NW Natural, Staff of the Oregon Public Utility Commission (Staff), the Alliance of Western Energy Consumers (AWEC), and the Oregon Citizens' Utility Board (CUB) filed testimony in the consolidated docket.

On June 29, 2026, NW Natural, Staff and AWEC (together Stipulating Parties) filed the Stipulation along with supporting testimony. CUB filed an objection to the Stipulation on July 14, 2026.

¹ Order No. 26-060 (Feb. 25, 2026).

² ALJ Ruling (Feb. 19, 2026).

On August 13, 2026, all parties filed opening briefs. Staff, CUB and AWEC filed reply briefs on August 20, 2026, and NW Natural filed its reply brief on August 27, 2026. The Commission held oral arguments on September 3, 2026.

On October 2, 2026, NW Natural filed the Officer Attestation of Zachary D. Kravitz (Attestation), as required by the Stipulation. The Attestation provided notice that the Mile 98 Relocation Project, discussed below, would not be in service by the October 31, 2026 rate effective date. Accordingly, and pursuant to the terms of the Stipulation, NW Natural removed the \$4,042,500 in requested capital costs for the Mile 98 Relocation Project from the final revenue requirement.

III. STIPULATION

A. Standard of Review

Under OAR 860-001-0350, the Commission may adopt, reject, or propose to modify a stipulation. If the Commission proposes to modify a stipulation, the Commission must explain the decision and provide the parties sufficient opportunity on the record to present evidence and argument to support the stipulation.

We review settlements to determine whether, on a holistic basis, they serve the public interest and result in just and reasonable rates. A party may challenge a settlement by presenting evidence that the overall settlement results in something that is not compatible with a just and reasonable outcome. Where a party opposes a settlement, we will review the issues pursued by that party and consider whether the information and argument submitted by the party suggest the settlement is not in the public interest, will not produce rates that are just and reasonable, or otherwise is not in accordance with the law. To support adoption of a settlement, the stipulating parties must present evidence the stipulation is in accord with the public interest, and results in just and reasonable rates.

B. Partial Multi-Party Stipulation

The Stipulation provides for a total increase to NW Natural's annual Oregon revenue requirement of \$13,007,731. This amount is a reduction from the approximately \$14,519,000 presented in NW Natural's surrebuttal testimony³ due to removal of the Mist Power Feed Project; removal of an unspecified landslide mitigation project; the transfer of revenue associated with the GC 600 Mist Compressor to a regulatory asset for recovery outside of the currently proposed mechanism; application of \$1.4 million from

³ See NW Natural/1000, Wyman/26.

Coos County to reduce the revenue requirement from the two remaining landslide mitigation projects; and a \$1.0 million black box adjustment.

The Stipulation also provides a recommendation of prudence for the two remaining named landslide mitigation projects: the Mile 98 Relocation Project and the Coquille River Project (together Projects). The Stipulation further states NW Natural will file officer-level attestations on or before October 2, 2026, and October 20, 2026, addressing any discrete capital project included in the ARM with forecast costs of at least \$1,000,000 that will not be placed in service by October 31, 2026. The Stipulating Parties also propose to limit recovery for any projects covered by the ARM to the lesser of the actual cost or the amount NW Natural initially requested in Advice No. 25-25. As noted above, NW Natural removed \$4,042,500 associated with the Mile 98 Relocation Project from the revenue requirement because the project will not be in service by the October 31, 2026 rate effective date.

The Stipulation states the estimated net book value of the GC 600 Mist Compressor, agreed to be \$6.3 million, will be placed in a regulatory asset and recovered over a period of eight years through a separate rate schedule to be filed with the company's compliance filing in these proceedings. The Stipulating Parties propose the rate spread of this amortization be on an equal-percent-of-margin, identical to the recovery framework for all other non-Coos County Pipeline revenues addressed in these proceedings. The Stipulation provides for a 4.67 percent interest rate for this regulatory asset, and the Stipulating Parties propose an annual amortization amount of \$961,786, through a separate rate schedule.

The Stipulation provides NW Natural will be subject to an earnings test for the period November 1, 2026, through October 31, 2027. The Stipulating Parties propose this test be set at the company's currently authorized 9.4 percent return on equity. The Stipulation provides the company will email the results of the earnings test to parties no later than January 31, 2028. The Stipulation states any over-earnings will be credited to residential customers on October 31, 2028, and non-residential customers on November 1, 2028.

The Stipulation further states NW Natural will record investments in the Pipeline in a dedicated FERC sub-account, and that in its next depreciation study filing, NW Natural will propose the same depreciation rate for all the assets in the specific sub-account. The Stipulation also provides that no later than August 31, 2027, the company will file a Coos County Pipeline Study (Pipeline Study) in this docket. The Pipeline Study will focus on: the long-term expected O&M costs and investment needs of the Pipeline; a cost-benefit analysis addressing the potential of decommissioning the Pipeline; and detail as to what the decommissioning of the Pipeline would entail.

The Stipulating Parties propose to maintain Schedule 160 at its current value - \$0.02 per therm for sales customers and \$0.01271 per therm for transportation customers, and propose a Schedule 160 sunset date of October 31, 2031, for residential customers and November 1, 2031, for all other customer classes. Finally, the Stipulation provides for an equal-percent-of-margin rate spread for all revenues, with two exceptions. First, the Stipulating Parties propose that Schedule 27 be set at an identical rate to Schedule 022. Second, the Stipulation does not resolve the rate spread for Pipeline Project revenues.

C. Positions of Parties

1. Stipulating Parties

The Stipulating Parties recommend the Commission find the Pipeline Projects prudent and approve the associated revenue requirement for cost recovery. The Stipulating Parties agree the record demonstrates the Pipeline Projects are urgently needed to mitigate ongoing landslide risks and to maintain safe and reliable energy supply to the Coos County region. Further, the Stipulating Parties contend the record demonstrates NW Natural's appropriate consideration of alternatives to acquiring the Pipeline and completing the mitigation efforts. The Stipulating Parties further contend the record supports the cost estimates of the Pipeline Projects and the company's management of the scope, timing and expected maintenance costs for the Pipeline. The Stipulating Parties argue the application of the \$2 million received from Coos County as a reduction of the Pipeline revenue requirement is the most effective way to recover costs and reduce rate base associated with the landslide mitigation efforts, maintains the current regulatory paradigm for Coos County, repays the company for its investment in the Coos County distribution system, and helps ensure Coos County ratepayers are treated like all others on NW Natural's system.

The Stipulating Parties assert transferring the revenue requirement for the GC 600 Mist Compressor to a regulatory asset is a reasonable resolution of the parties' differing interpretations of Commission policy and prior orders regarding cost recovery for retired assets. The Stipulating Parties explain removal of the compressor's \$6.3 million net book value from rate base addresses concerns from Staff and CUB, and that recovery of the value through a separate mechanism allows the company a recovery on its investment within a reasonable amount of time.

The Stipulating Parties further contend the agreed-upon officer attestations regarding certain capital projects with forecasted costs of \$1,000,000 or greater will ensure that only projects completed by the October 31, 2026 rate effective date will be included in

rates. The Stipulating Parties also assert the revenue recovery cap, set at the amount initially requested by NW Natural in docket UG 527, and the agreed-upon earnings test, set at the company's approved return on equity, will ensure that rates resulting from the Stipulation are just and reasonable.

Additionally, the Stipulating Parties agree the Pipeline Study and the agreement to isolate depreciation associated with the Pipeline Projects' investment will help ensure future depreciation cost recovery and future operational expenses are fully informed by contemporaneous studies, resulting in just and reasonable rates. Further, the Stipulating Parties argue the Pipeline Study is responsive to concerns raised by CUB in these proceedings and will help the company, stakeholders and the Commission when making future decisions regarding the Pipeline.

The Stipulating Parties contend the limited continuance of Schedule 160 represents a reasonable and fair resolution of parties' positions on these charges and is in the public interest. Specifically, the Stipulating Parties note the additional Schedule 160 revenue from Coos County customers contributes to covering the costs specific to serving them, while the time-limited extension ensures that Coos County customers will eventually pay the same rates as all similarly situated customers.

Finally, the Stipulating Parties argue an equal-percent-of-margin rate spread for all revenues other than the Pipeline Project revenues represents a reasonable compromise between the Stipulating Parties' disparate positions. The Stipulating Parties contend the proposed rate spread allocation maintains the current level of rate parity in statewide rates relative to overall cost causation.

2. CUB

CUB contends the record is insufficient to sustain a recommendation of prudence regarding the Pipeline Projects. Specifically, CUB argues the record presents conflicting timelines for NW Natural's decision-making regarding various landslide mitigation efforts leading to the Pipeline Projects. CUB asserts NW Natural's design for, and planning of, the Pipeline Projects was incomplete throughout the pendency of these proceedings and thus the record does not contain the details of NW Natural's decision upon which a prudence determination could be made. CUB further argues the alternatives analysis presented by NW Natural as support for the Pipeline Projects post-dates the company's application, which undermines the Stipulating Parties' reliance upon it as support for a recommendation of prudence. Additionally, CUB contends the alternatives analysis fails to include key costs associated with the company's full ownership of the Pipeline and fails to present the full impact on customers and rates resulting from future

cost pressures. Finally, CUB asserts the Pipeline Study proposed within the Stipulation is the type of information necessary for review and analysis to allow stakeholders to make an informed recommendation regarding the prudence of the Pipeline Projects.

CUB recommends the Commission limit NW Natural's cost recovery on the Pipeline Projects to the modified blended treasury rate rather than the company's authorized rate of return, unless and until the Commission is presented with sufficient information to conduct a fulsome prudence review. CUB contends the Commission has employed this cost recovery solution in prior proceedings where the record was found insufficient to support a prudence determination.

3. *NW Natural*

NW Natural disagrees with CUB's characterization of the record and asserts that CUB has presented an inaccurate and misleading timeline of the company's decision process regarding the Pipeline Projects. NW Natural contends landslide remediation efforts other than the Pipeline Projects were not feasible, as reasonable alternative mitigation efforts had been previously attempted by both the company and Coos County, and all had failed to sufficiently alleviate the identified landslide risk. NW Natural contends its documented remediation efforts, as well as those of Coos County, demonstrate intermediate remediation efforts were not viable. Further, the company asserts it elected to assume ownership of the Pipeline and conduct the Pipeline Projects only after Coos County had exhausted all options to successfully remediate the risk on its own. The company argues it has presented evidence of internal efforts, as well as those from Coos County, short of company ownership. NW Natural also responds it has addressed its decision-making processes and analyses to address known, high-risk threats to safe and reliable service to Coos County customers. The company further argues it provided its evaluation of the possibility of non-pipe alternatives to the Pipeline Projects, including electrification of the Coos County region, and that this analysis demonstrated the lack of feasibility of these alternatives. NW Natural further argues the Stipulation's treatment of the depreciation of the Pipeline Project investment mitigates CUB's concerns regarding stranded asset costs. Finally, NW Natural argues the acquisition cost of the Pipeline for the sum of one dollar, and the \$2 million contribution from Coos County, eliminates CUB's argument regarding the potential for stranded costs from the Pipeline and mitigates the overall cost impact of the remediation projects.

4. *AWEC*

AWEC asserts the record demonstrates that NW Natural acted prudently to address the immediate safety issues and landslide risks posed to the Pipeline. AWEC contends

CUB's argument against the Stipulation's recommendation of prudence misrepresents the Commission's prudence standard and is unsupported by the record. AWEC asserts the Pipeline Study may inform the long-term operations and costs of the Pipeline but has no bearing on the prudence of the company's decisions presently before the Commission.

5. Staff

Staff asserts NW Natural established a record to support its decision to proceed with repairs to the Pipeline to address immediate safety concerns that threatened service to Coos County customers. Staff contends the record satisfies the Commission's standard for prudence, noting NW Natural's consideration of decommissioning the Pipeline, and the company's evaluation of the potential costs of electrifying Coos County customers.

D. Resolution

We have reviewed the Stipulation, supporting testimony and briefing by the parties, and the record in these proceedings. We find the terms of the Stipulation are supported by sufficient evidence, appropriately resolve issues in these proceedings, and will result in fair, just and reasonable rates. We determine the terms of the Stipulation represent a reasonable resolution of the identified issues and contribute to an overall settlement in the public interest.

No party disputes the landslide risk to the Pipeline is both urgent and substantial, with significant implications to NW Natural's ability to provide safe and reliable service in Coos County.⁴ The Pipeline is a vital source of natural gas service to more than 2,300 retail customers, as well as three transportation customers. Specifically, the Pipeline provides critical service to nearly 1,800 residential customers, and commercial and industrial customers in the forest products industry, agricultural and food production operations, and health care services, among others. Indeed, numerous stakeholders from these customer groups expressed support for the Pipeline Projects and voiced concern regarding the consequences of a Pipeline failure.⁵ An unanticipated interruption of natural gas service to the region would have significant negative effects on Coos County, an Environmental Justice community.⁶

⁴ See e.g. CUB/300, Jenks-Dougan/26:6; NW Natural-Staff-AWEC/100, Kravitz-Walker-Wheeler-Finklea/11:14-16.

⁵ See NW Natural/600, Wyman/12-14; NW Natural/601, Wyman.

⁶ See CUB/300, Jenks-Dougan/27:20-21; NW Natural-Staff-AWEC/100, Kravitz-Walker-Wheeler-Finklea/11:14-16.

NW Natural provided evidence of the recent efforts of Coos County, supported by NW Natural, to address the threats to the Pipeline's integrity and the company's ability to provide safe and reliable service to Coos County customers through less intensive measures. Specifically, NW Natural demonstrated the company and Coos County engaged in extensive monitoring and localized remediation efforts, short of the Pipeline Projects at issue here, to support safe and reliable service on the Pipeline.⁷ NW Natural demonstrated these intermediary efforts proved unsuccessful in mitigating the ongoing landslide threats. NW Natural explained the company acquired the Pipeline after determining that these intermediate mitigation efforts were unsuccessful and Coos County was unable to finance more complex mitigation efforts.

The record shows NW Natural evaluated alternatives to the Pipeline Projects, including over-land transportation, LNG facility construction, and other non-pipe alternatives.⁸ NW Natural's evaluation of these alternatives demonstrated they were not cost-effective methods to deliver reliable, safe service to Coos County customers.⁹ Additionally, the record shows the company's evaluation of non-pipes alternatives demonstrated these options would not provide a viable alternative for service to Coos County in a timely manner when faced with the existing Pipeline integrity threats.¹⁰

We disagree with CUB that the prudence of these projects is unsupported by the record. The record shows NW Natural's decision processes leading up to, and including, the decision to assume ownership of the Pipeline and complete the landslide remediation work. We find a long-term economic analysis and decommissioning study were not necessary to demonstrate prudence of these particular projects, due to the unique circumstances and undisputed urgency of mitigation actions to ensure that Coos County customers continue to receive safe and reliable service. However, as discussed below, we emphasize the importance of NW Natural continuing to provide meaningful alternative analysis in our planning processes.

The Stipulation provides for the Pipeline Study, including analysis focused on the long-term expected O&M cost and investment needs of the Pipeline; a cost-benefit analysis addressing the economic potential of decommissioning the Pipeline; and a discussion of what Pipeline decommissioning would entail, including cost drivers, field execution, environmental compliance and site restoration, and the cost of potential replacement infrastructure or alternatives and the effects on customer rates.¹¹ We agree

⁷ See NW Natural/402, Kizer-Karney-Pipes/2.

⁸ See NW Natural/405, Kiser-Karney-Pipes/102-105.

⁹ See NW Natural/600, Wyman/16-23.

¹⁰ See NW Natural/405, Kiser-Karney-Pipes/102-105.

¹¹ See NW Natural-Staff-AWEC/100, Kravitz-Walker-Wheeler-Finklea/29.

with the Stipulating Parties that the Pipeline Study will help inform future decisions regarding the Pipeline. The bulk of the Pipeline's capacity supports a very small number of customers and this creates an inherent risk, particularly as those large industrial customers consider their approach to Oregon's requirements to decarbonize in the future. We further reiterate our expectation that future Integrated Resource Plans (IRP) should include a robust analysis of expanded decarbonization as a resource for compliance with Oregon's Climate Protection Program.¹² As we noted in Order No. 23-281, NW Natural has made progress in its modeling of decarbonization options in its long-range resource modeling.¹³ We continue to anticipate significant advances by NW Natural toward a robust and fulsome evaluation of non-pipe alternatives and decarbonization within the company's next IRP cycle.

IV. Coos County Pipeline Mitigation Project Rate Spread

The parties dispute the rate spread for the Pipeline Projects discussed above. The parties disagree about the proper method to allocate the revenues for these projects between the customer classes.

A. Positions of Parties

1. NW Natural

NW Natural argues the agreed-upon equal-percent-of-margin rate spread included in the Stipulation for non-Coos County Pipeline revenue should also apply to the Pipeline Projects. The company contends a single rate spread allocates costs in an equitable manner and is responsive to each class's contribution to cost causation on a statewide basis. NW Natural asserts that this statewide perspective is consistent with how the Commission has established the company's rate spread in the past and ratepayers in the Coos County region should be treated in the same manner as the company's customers in all other areas of the state.

The company argues against the alternative proposals presented by Staff and CUB. NW Natural contends both alternate proposals would allocate costs associated with the Pipeline Projects to customers statewide based on the usage characteristics of Coos County customers only. NW Natural and AWEC argue this cost allocation method is not applied anywhere else in the company's service territory. NW Natural also asserts the Stipulation's retention of the Schedule 160 charge for an additional five years assigns

¹² See *In the Matter of Northwest Natural Gas Company, dba NW Natural, 2022 Integrated Resource Plan*, Docket No. LC 79, Order No. 23-281 at 8-10 (Aug. 2, 2026).

¹³ *Id.* at 10.

costs based upon usage of the Pipeline to customers that benefit from the remediation projects, and thus the alternative proposals' goals of assigning costs according to usage are unnecessary. Finally, the company contends the proposals to single out the Pipeline Projects for separate rate treatment as compared with other company pipeline assets across the state unduly disadvantages industrial customers statewide and is otherwise inconsistent with the company's rate treatment as a whole.

2. *AWEC*

Like NW Natural, AWEC recommends application of an equal-percent-of-margin rate spread for the Coos County Pipeline Project costs. AWEC contends this framework maintains traditional ratemaking principles and is grounded in cost causation. AWEC also maintains that an equal-percent-of-margin rate spread is in the public interest as it maintains the current cost parity status of all rate classes and avoids exacerbating under- or over-collection of revenues from any rate class.

AWEC opposes the rate spread proposals from both Staff and CUB. Similar to NW Natural, AWEC contends both alternate proposals depart from how the company's remaining transmission pipeline assets are treated when establishing rates. AWEC also argues against the alternate proposals' recommendations to allocate costs state-wide based on the usage characteristics of only the Coos County area.

AWEC challenges CUB's reliance on annual throughput as the appropriate measure of transmission cost causation, arguing CUB's premise is not sound rate design and is not applied to other portions of the company's system. AWEC argues CUB's proposal disregards the capacity costs, usage characteristics, and peak day demand variables that are normally considered when determining rate spread. Finally, AWEC argues CUB's throughput-based proposal would exacerbate the existing cost of service misalignment, where large customers are overpaying and residential customers are underpaying their respective costs of service.

AWEC also opposes Staff's peak and average proposal, asserting Staff has failed to present analytical justification. AWEC argues Staff's advocacy is based on the historical characteristics of the Pipeline rather than rate making principles and Staff has failed to justify its proposal to allocate a greater portion of Pipeline Project costs to ratepayers that already pay more than their cost of service.

3. *Staff*

Staff recommends the Commission adopt a Pipeline Project rate spread using its peak and average proposal. Staff contends this proposal fairly allocates the costs of new capital

investment across rate schedules based on how the investment is used. Staff argues its approach is appropriate due to the unique history and usage characteristics of the Pipeline compared with the rest of NW Natural's system. Staff responds to NW Natural and AWEC, arguing that its proposal to spread costs consistently with use is a traditional rate spread principle. Staff notes while its proposal may be novel, the circumstances of the Coos County Pipeline are new and justify departure from the standard rate spread paradigm.

Finally, Staff contends given the relative size of the Coos County revenue requirement, its proposal does not present a burden to industrial customers. Staff notes that the framework advocated by NW Natural and AWEC would allocate over 69 percent of the costs of the Pipeline Projects to residential customers, even though these ratepayers only use 14 percent of the pipeline's throughput on average. Staff avers it is reasonable to allocate a greater share of Pipeline costs to commercial and industrial customers statewide, given the greater use of the resource by these customers in Coos County.

4. CUB

CUB advocates the Commission adopt a rate spread based on usage of the Pipeline. CUB concedes its proposal diverges from the traditional cost allocation method, but CUB contends this proceeding diverges from the traditional manner in which NW Natural makes, or is driven to make, system investments. CUB asserts its proposal strikes a balance that moves toward the central ratemaking principle of cost causation. CUB further argues commercial and industrial customers are the major obstacle to non-pipeline alternatives to the proposed landslide mitigation efforts and the related capital investments. As such, CUB avers industrial customers benefit most from the Pipeline and thus should pay an appropriate share of the Pipeline Project costs based on annual throughput.

Further, CUB argues residential customers already pay significantly higher costs than other classes and have experienced larger than average cost increases in recent years. CUB argues this trend will only continue under an equal-percent-of-margin allocation because the higher rate residential customers already pay is greater than the same percentage of the lower rate that larger customers pay.

B. Resolution

We determine the rate spread for the Projects should be based on the equal-percent-of-margin as proposed by NW Natural and AWEC. The company's path to

acquiring the Pipeline is outside of the norm due to unique and urgent circumstances,¹⁴ but we find this does not warrant a departure from the rate spread used to establish the company's current rates. As addressed above, the Pipeline Projects were required for the company to provide safe and reliable service to all customers in the Coos County region, not just industrial customers.¹⁵

The equal-percent-of-margin rate spread proposal advanced by NW Natural and AWEC employs the cost allocation method applied to revenues associated with the company's existing investments, is consistent with ongoing efforts to align customer rates with NW Natural's costs of service, and results in just and reasonable rates.

We understand CUB's and Staff's arguments for use of a separate rate spread based on the history and use characteristics of a small geographic region of the company's service territory and appreciate their efforts to craft rates that are just and reasonable for customers both in Coos County and outside it. However, ratemaking often involves implicit cross-subsidies between areas with a high cost of service areas with a lower cost of service.¹⁶

In this instance, the continuation of Schedule 160 revenue from Coos County customers for a set period will contribute to covering the costs specific to serving them, reducing the implicit cross-subsidy. It is also reasonable that Coos County customers will eventually pay the same rates as all similarly situated customers, as has been the norm in ratemaking. The requirement that rates be just suggests an upper bound to the cross-subsidy inherent in our traditional approach, so it is helpful that in this case the revenue requirement for the Pipeline Projects is very small compared with the company's statewide revenue requirement.¹⁷ Similarly, NW Natural's next marginal cost study will incorporate the cost of serving the Coos County transportation customers and adjust the overall rate spread factors between rate classes, incorporating the unique usage pattern in this area into our standard approach to ratemaking.¹⁸

¹⁴ AWEC Closing Brief at 3 (Aug. 20, 2026); Staff Opening Brief at 5 (Aug. 13, 2026); NW Natural Opening Brief at 33 (Aug. 13, 2026); CUB Opening Brief at 18 (Aug. 13, 2026).

¹⁵ See NW Natural Opening Brief at 35.

¹⁶ See *i.e.* Robin Freeman *Report on House Bill 3065 (2019) Carrier of Last Resort Obligation* at 42-43 (Sept. 15, 2019), <https://www.oregon.gov/puc/forms/Forms%20and%20Reports/COLR-Executive-Summary-PUC.pdf>.

¹⁷ Staff Opening Brief at 6; NW Natural Closing Brief at 33-34 (Aug. 27, 2026). The estimated residential bill impact differential between NW Natural's equal percent of margin proposal and CUB's throughput approach is 0.2 percent, while Staff's peak and average proposal results in an approximately 0.1 percent lower residential bill impact; NW Natural/1000, Wyman/26.

¹⁸ NW Natural Opening Brief at 34.

V. ORDER

IT IS ORDERED that:

1. The Stipulation Regarding All Issues Except for Rate Spread of Two Coos County Pipeline Projects between Northwest Natural Gas Company, dba NW Natural; Staff of the Public Utility Commission; and the Alliance of Western Energy Consumers filed on June 29, 2026, attached as Appendix A, is adopted.
2. Advice No. 25-25, filed November 25, 2025, is permanently suspended.
3. Northwest Natural Gas Company, dba NW Natural, must file new tariffs consistent with this order by 3:00 p.m. on October 21, 2026, with residential rates to be effective October 31, 2026, and non-residential rates to be effective November 1, 2026. To the extent that our decision on the purchased gas adjustment at the October 27, 2026 special public meeting requires changes to the compliance filing, the company must submit a revised compliance filing no later than 5:00 p.m. on October 28, 2026.

Made, entered, and effective Oct 13 2026.



Letha Tawney
Chair



Les Perkins
Commissioner



Karin Power
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.

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UG 527, UG 528

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NORTHWEST NATURAL GAS COMPANY,
dba NW NATURAL,

Application for an Alternative Rate
Mechanism, new Schedule 123 (UG 527);
and

Schedule 160, Cancellation of Charges for
Coos County Pipeline (UG 528).

**PARTIAL MULTI-PARTY STIPULATION
REGARDING ALL ISSUES EXCEPT
FOR RATE SPREAD OF TWO COOS
COUNTY PIPELINE PROJECTS**

I. INTRODUCTION

The purpose of this Partial Stipulation (“Stipulation”) is to resolve all issues, with the one exception noted below, among certain parties in Dockets UG 527 and UG 528, namely Northwest Natural Gas Company d/b/a NW Natural (“NW Natural” or the “Company”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Alliance of Western Energy Consumers (“AWEC”) (collectively, the “Parties” or the “Stipulating Parties”). The Oregon Citizens’ Utility Board (“CUB”) is also a party to these proceedings but does not join this Stipulation. The Stipulating Parties support all terms in this Stipulation.

The Stipulating Parties expect that this Stipulation will address all issues among the Stipulating Parties, except for the rate spread associated with the agreed-upon revenue requirement of the two Coos County Pipeline projects reflected in this Stipulation,¹ which will continue to be litigated in this docket or, pending additional

¹ The two Coos County Pipeline projects that are reflected in this Stipulation are the Mile 98 Relocation Project and the Coquille River Project.

1 settlement discussions, may be incorporated into a separate stipulated agreement
2 entered into at a later date.

3 II. BACKGROUND

4 On September 26, 2025, NW Natural filed Advice No. 25-23, requesting authority
5 to cancel Schedule 160, which collects a surcharge for services provided to NW Natural's
6 retail customers in Coos County Oregon, effective December 31, 2025.

7 On November 25, 2025, NW Natural filed Advice No. 25-25 (docket UG 527),
8 requesting recovery of the revenue requirement associated with new Schedule 123,
9 Alternative Rate Mechanism ("ARM"), effective October 31, 2026.

10 On December 23, 2025, Administrative Law Judge ("ALJ") Brent Coleman issued
11 a Memorandum Establishing Procedural Schedule in docket UG 527 (the "Procedural
12 Schedule").

13 On December 30, 2025, the Public Utility Commission of Oregon (the
14 "Commission") issued Order No. 25-541 in docket UG 528, which adopted Staff's
15 recommendation to suspend and investigate Advice No. 25-23.

16 On February 19, 2026, ALJ Coleman issued a Ruling granting Staff's motion to
17 consolidate dockets UG 527 and UG 528, with docket UG 527 being the lead docket. ALJ
18 Coleman found that the Procedural Schedule is appropriate for the consolidated
19 proceedings.

20 On February 25, 2026, the Commission issued Order No. 26-060 in consolidated
21 dockets UG 527 and UG 528, which suspended Advice No. 25-25 for a period of time of
22 up to ten months from the proposed effective date of December 31, 2025.

23 In accordance with the Procedural Schedule, Staff, CUB and AVEC each filed
24 opening testimony on March 18, 2026. CUB filed errata opening testimony on April 6,

2026. Also in accordance with the Procedural Schedule, NW Natural filed reply testimony on April 29, 2026.

On May 12, 2026, ALJ Coleman issued a Ruling in the consolidated dockets granting CUB's motion to amend the Procedural Schedule. In accordance with that Ruling, Staff and intervenors filed rebuttal and cross-answering testimony on May 28, 2026, and NW Natural filed surrebuttal testimony on June 18, 2026. That Ruling retained all of the other existing deadlines.

The parties held a settlement conference on March 31, 2026. The parties held additional settlement conferences on May 7 and 18, 2026, and engaged in subsequent settlement discussions. As a result of the settlement discussions, the Stipulating Parties reached a partial settlement resolving all issues in this proceeding, except for the rate spread associated with the agreed-upon revenue requirement of the two Coos County Pipeline projects, that are reflected in this Stipulation. This Stipulation memorializes the Stipulating Parties' agreements.

III. TERMS OF AGREEMENT

The Stipulating Parties agree to the following:

1. Revenue Requirement. The Stipulating Parties agree that the total increase to NW Natural's annual Oregon revenue requirement is \$13,007,731. The Stipulating Parties agree that this Stipulation represents a comprehensive resolution of issues related to revenue requirement in this proceeding. The revenue requirement includes the following adjustments to NW Natural's filed revenue requirement:

a. Removal of Mist Power Feed Project. A reduction to revenue requirement of \$443,610 to reflect the removal of the Mist Main Power Feed

1 Replacement Project that will not be completed by the rate effective date in this
2 case.

3 b. Coos County Projects. The Stipulating Parties agree that the two
4 named Coos County Pipeline projects, specifically the Mile 98 Relocation Project
5 and the Coquille River Project, are deemed prudent and are reflected in the
6 revenue requirement identified above in Paragraph 1.

7 c. Application of Coos County Funding. A reduction to revenue
8 requirement of \$183,854 to reflect the use of Coos County funds to reduce the rate
9 base of projects in this proceeding, as further described below in Paragraph 6.

10 d. Removal of an Unspecified Project on the Coos County Pipeline. A
11 reduction to revenue requirement of \$441,146 to reflect the removal of an
12 unspecified project on the Coos County Pipeline that will not be completed by the
13 rate effective date in this case.

14 e. Retirement of GC 600 Mist Compressor. A reduction to revenue
15 requirement of \$512,596 as further described below in Paragraph 2.

16 f. Black Box Adjustment. To resolve all contested issues addressed in
17 this Stipulation, the Stipulating Parties agree to a black box reduction to revenue
18 requirement of \$1.0 million.

19 g. Officer Attestation. The Stipulating Parties agree that NW Natural
20 will file officer-level attestations on or before October 2, 2026, and October 20,
21 2026, attesting to whether any discrete capital projects included in the ARM with
22 forecasted costs of \$1,000,000 or greater will not be placed in service by October
23 31, 2026. In the event there are such projects, those projects will be removed from

1 the final ARM revenue requirement. The Stipulating Parties also agree that the
2 Company's attestations will provide updates on the status of the permits necessary
3 for the two Coos County Pipeline projects reflected in this Stipulation. The
4 Stipulating Parties further agree that the amount recovered through the ARM for
5 those projects that are in service by October 31, 2026, will be the lesser of the
6 actual cost or the amount NW Natural initially requested for the project in its Advice
7 No. 25-25 (UG 527), and thereby will not exceed the amount NW Natural initially
8 requested for that project in docket UG 527.

9 h. Rate Effective Date. The Stipulating Parties agree that the rate
10 effective date for residential customers will be October 31, 2026, and that the rate
11 effective date for non-residential customers will be November 1, 2026.

12 2. Retirement of GC 600 Mist Compressor – Regulatory Asset. The
13 Stipulating Parties agree that \$6.3 million, representing the estimated net book value of
14 the GC 600 Mist Compressor, will be removed from the Company's FERC Account 354
15 and 355, resulting in a reduction to revenue requirement of \$512,596 (as identified above
16 in Paragraph 1.e.). The estimated net book value of the GC 600 will be placed in a
17 regulatory asset and recovered over a period of eight years, in a manner consistent with
18 the rate spread as set forth in Paragraph 8 below, through a separate base tariff schedule
19 to be filed with the Company's compliance filing in docket UG 527. The Stipulating Parties
20 agree to use a 4.67 percent interest rate for the regulatory asset. The amortization of the
21 regulatory asset is \$961,786 per year (prior to revenue gross ups) through a separate
22 rate schedule.

3. Earnings Test. The Stipulating Parties agree that the Company will be subject to an earnings test for the period November 1, 2026, through October 31, 2027, set at the Company's authorized ROE, which is 9.5 percent.² The Company will email the results of the earnings test to the parties by January 31, 2028. Any over-earnings will be credited back to customers on October 31, 2028 (residential), or November 1, 2028 (non-residential).

4. Coos County Pipeline Depreciation. The Stipulating Parties agree that the Company's investments in the Coos County Pipeline will be recorded in a dedicated FERC sub-account(s) for Coos County Pipeline investments. As part of its next depreciation study filing, NW Natural will propose the same depreciation rate for all of the assets in the Coos County Pipeline sub-account(s), subject to final determination by the Commission in the Company's next depreciation study docket.

5. Coos County Pipeline Study. By August 31, 2027, NW Natural will file a Coos County Pipeline study in this docket that:

- Discusses the long-term expected O&M cost and investment needs of the Coos County Pipeline;
- Contains Benefit-Cost Analysis that analyzes whether it becomes more economic to decommission the Coos County Pipeline instead of continuing to invest in or operate it; and
- Discusses what decommissioning the Coos County Pipeline would entail, including the significant cost drivers—engineering and planning, field execution, environmental compliance, and site restoration. A central component of the study will be customer impacts, including what is required to serve these customers because the Company has an obligation to serve them, the cost of any replacement infrastructure or alternatives, and the resulting effect on customer rates. The study will provide order of magnitude estimates and key assumptions rather than detailed engineering design.

² Docket No. UG 520, Order No. 25-420 at 4.

1 6. Coos County Grant Funds. As part of its acquisition of the Coos County
2 Pipeline, NW Natural will apply approximately \$2 million from Coos County to offset the
3 costs. This amount is the sum of i) the anticipated balance of the Coos County Pipeline
4 Fund that Coos County used to maintain the Coos County Pipeline and ii) \$1.45 million
5 of funds to be contributed by Coos County. The Stipulating Parties agree that NW Natural
6 will apply \$1.6 million of this amount to eliminate Coos County customers' repayment
7 obligation associated with the construction of the Company's Coos County distribution
8 system by reducing the final rate base of Coos County Pipeline investments by an equal
9 amount. Any remaining funds will be used to further reduce the rate base of the Coos
10 County Pipeline investments in this proceeding (as reflected above in Paragraph 1.c.),
11 subject to final true-up in compliance filing of the Coos County Pipeline Fund balance at
12 the time the Company purchases the pipeline.

13 7. Coos County Charge. The Stipulating Parties agree that the current Coos
14 County Charge (two cents per therm for Coos County sales customers and \$0.01271 per
15 therm for Coos County transportation customers) will continue until October 31, 2031 for
16 residential customers and until November 1, 2031 for all other customer classes. The
17 Coos County Charge will be eliminated for all service provided on and after October 31,
18 2031 for residential customers and November 1, 2031 for all other customer classes. All
19 revenue collected through the Coos County Charge will be deferred and used to offset
20 the Coos County Pipeline O&M deferral established in docket UM 2419 ("UM 2419
21 Deferral").

1 8. Rate Spread. The Stipulating Parties agree to an equal-percent-of-margin
2 rate spread, except that Schedule 27 will be set at an identical rate to Schedule 02R,
3 except as set forth in Paragraph 9 below.

4 9. Remaining Issue Not Covered by Stipulation. This Stipulation resolves all
5 issues in this proceeding except for the rate spread of the two Coos County Pipeline
6 projects reflected in this Stipulation (i.e., the Mile 98 Project and Coquille River Project).
7 This issue will continue to be addressed in litigation or by separate stipulation.

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

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

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

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

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

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

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

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

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

23 Respectfully submitted this 29th day of June 2026.

NORTHWEST NATURAL COMPANY, dba NW NATURAL By:  Date: <u>June 29, 2026</u>	STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON By: <u>/s/ Stephanie Andrus</u> Date: <u>June 29, 2026</u>
	ALLIANCE OF WESTERN ENERGY CONSUMERS By: <u>/s/ Chad Stokes</u> Date: <u>June 29, 2026</u>