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July 24, 2024

VIA E-MAIL TO

Public Utility Commission of Oregon
Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

**Re: Docket No. UG 490 – In the Matter of Northwest Natural Gas Company, dba
NW Natural, Request for a General Rate Revision.**

Attention Filing Center:

Attached for filing in the above-referenced docket, please find the Second Partial Stipulation filed on behalf of Northwest Natural Gas Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, the Alliance of Western Energy Consumers, the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club.

Please contact this office with any questions.

Sincerely,

Cole Albee
Paralegal
McDowell Rackner Gibson PC

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 490

In the Matter of
NORTHWEST NATURAL GAS
COMPANY, dba NW Natural

Application for a General Rate Revision

SECOND PARTIAL STIPULATION

I. INTRODUCTION

The purpose of this Second Partial Stipulation (“Second Stipulation”) is to resolve certain issues 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”), the Alliance of Western Energy Consumers (“AWEC”), and the Coalition of Communities of Color, Climate Solutions, Verde, Columbia Riverkeeper, Oregon Environmental Council, Community Energy Project, and Sierra Club (“Coalition”) (collectively, the “Stipulating Parties”) in Docket UG 490. The Stipulating Parties support all terms in this Second Stipulation, with the limited exceptions stated in Paragraphs 4 and 7, which Staff does not join but does not oppose.

The Stipulating Parties expect that this Second Stipulation will address all remaining issues among the Stipulating Parties, except for those that are listed in Paragraphs 8, 9 and 10 of this Second Stipulation that will continue to be litigated in this docket or, pending additional settlement discussions, may be incorporated into a separate stipulated agreement entered into at a later date.

II. BACKGROUND

On December 29, 2023, NW Natural filed its request for a general rate increase (the “Initial Filing”) to become effective November 1, 2024 (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 \$154.9 million, which would have resulted in an approximately 16.62 percent increase to current customer rates, or a margin rate increase of 29.3 percent.¹ Administrative Law Judge (“ALJ”) Sarah Spruce convened a prehearing conference on January 29, 2024.

On February 5, 2024, ALJ Spruce issued a memorandum establishing the procedural schedule. Thereafter, on February 12, 2024, the parties held their first settlement conference. As a result of the settlement discussions, NW Natural, Staff, CUB, and AWEC reached a partial settlement on the cost of long-term debt and filed the First Partial Multi-Party Stipulation (“First Stipulation”) contemporaneously with the Joint Testimony in Support of the First Partial Multi-Party Stipulation on February 26, 2024. The Coalition did not join but did not oppose the First Stipulation.

On February 23, 2024, the Company filed Supplemental Testimony relating to the recently invalidated Climate Protection Plan (“CPP”) and its effect on the Company’s rate request. On March 6, 2024, ALJ Spruce issued an additional memorandum clarifying the procedural schedule and setting a date for a public comment hearing to be held at the Commission. On April 16, 2024, the Commission conducted the public

¹ Initial Filing, Executive Summary at 1.

comment hearing and received a number of comments from community members and associations interested in the outcome of NW Natural's rate request.²

On April 18, 2024, Staff, CUB, AWEC, and the Coalition filed their Opening Testimony. Staff filed Supplemental and Corrected Testimony on May 17, 2024. Staff additionally conducted a public energy justice workshop on April 25, 2024 to provide a forum for the public, and environmental justice communities in particular, to weigh in on and improve procedural equity in NW Natural's rate case.

The parties held additional settlement conferences on May 3, 2024 and June 17, 2024; however, these discussions did not result in any additional settlement, leading parties to file additional rounds of testimony. NW Natural filed its Reply Testimony on June 4, 2024, updating its revenue requirement request to \$152.3 million.³ Staff and intervenors filed Rebuttal Testimony on July 2, 2024.

All parties participated in another settlement conference on July 10, 2024, and engaged in ongoing settlement discussions thereafter. As a result of the settlement discussions, the Stipulating Parties reached a partial settlement of the issues presented in this docket, resolving all issues among the Stipulating Parties except for those issues that are specifically excluded per Paragraphs 8, 9 and 10 of this Second Stipulation. This Second Stipulation memorializes the Stipulating Parties' agreements from their most recent settlement conferences.

² Staff incorporated comments presented at the public hearing into the record in Staff's Supplemental Opening Testimony, Staff/2200, Nottingham.

³ NW Natural/2200, Kravitz/4.

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 \$95,000,000, which includes the results of the settlement in the Company's depreciation study proceeding, Docket UM 2312. The revenue requirement includes the following elements:

a. Cost of Capital/Capital Structure. The Stipulating Parties agree to a Rate of Return of 7.056 percent, which is based on a 50 percent common equity and 50 percent long-term debt capital structure, with a Return on Equity ("ROE") of 9.40 percent and a cost of long-term debt of 4.712 percent.⁴

Agreed Upon Cost of Capital

Component	Capital Structure	Component Cost	Weighted Cost
Cost of Long-Term (LT) Debt	50%	4.712%	2.356%
Return on Common Equity (ROE)	50%	9.40%	4.70%
Rate of Return			7.056%

b. In testimony, AWEC recommended excluding all Test Year capital additions from rate base, and Staff recommended excluding all Test Year capital additions from rate base with the exception of meters. The Stipulating Parties were not necessarily in agreement on the capital forecast included in the black box revenue requirement, but for purposes of this Stipulation and Paragraph 1(c) below, the

⁴ Cost of Long-Term Debt was resolved in the First Stipulation.

Stipulating Parties agree that the revenue requirement assumes NW Natural will not include capital projects in rates that go into service after October 31, 2024, except for Test Year capital additions related to customer growth, which may be further adjusted depending on the outcome of Paragraph 1(c).

c. The Stipulating Parties agree that any revenue requirement associated with Test Year capital additions related to customer growth, and revenues associated with new customers added in the Test Year, may be further increased or decreased as a result of ongoing settlement discussions or litigation related to the Company's line extension allowance ("LEA") policy. See Paragraph 10(a). For the purpose of implementing this provision, the Stipulating Parties agree to use the Company's forecasted customer counts in the Company's initial general rate case filing. This Second Stipulation does not create any presumptions about prudence or the reasonableness of cost recovery for Test Year capital additions related to line extensions or customer growth.

2. Officer Attestation. The Stipulating Parties agree that NW Natural will file officer attestations on or before October 4, 2024, and October 25, 2024, attesting to whether any projects forecast to cost over \$1,000,000 and to be completed by October 31, 2024, will be completed after that date. In the event there are such projects, those projects will be removed from rates.

3. Rate Spread and Rate Design. The Stipulating Parties agree to rate spread and rate design as set out in Attachment 1 to this Second Stipulation.

4. Residential Bill Discount Program – Discount Levels. The Company, CUB, AWEC, and the Coalition agree that the discount levels for the bill discount program will be revised as follows:

- a. Tier 0 – 85 percent
- b. Tier 1 – 50 percent
- c. Tier 2 – 30 percent

The above discount levels will commence on the rate effective date (i.e., November 1, 2024). Staff does not join this Paragraph but does not oppose it.

5. Ongoing Review of Bill Discount Program. The Stipulating Parties agree that following the completion of the Company's Energy Burden Assessment ("EBA"), the Stipulating Parties will hold one or more workshops, open to stakeholders, to discuss the results of the EBA and potential refinements to NW Natural's energy assistance programs, including the Bill Discount Program. The Stipulating Parties agree that, by the Company, CUB, AWEC, and the Coalition supporting the modification to the Bill Discount Program stated in Paragraph 4 of this Second Stipulation, the Stipulating Parties are not precluded from seeking further modifications to the Bill Discount Program in proceedings before the Commission.

6. Arrearage Management Program ("AMP"). Immediately following the execution and filing of this Second Stipulation, NW Natural will schedule a workshop with the Stipulating Parties, open to stakeholders, to discuss the details of an AMP for Tier 0 customers. NW Natural commits to make best efforts to submit a filing for an AMP for Tier 0 customers by December 31, 2024, for implementation on April 1, 2025.

7. Cost Recovery for Bill Discount Program. The Company, CUB, AWEC and the Coalition agree on the following methodology for cost recovery of the Bill Discount Program, which Staff does not join but does not oppose. Costs will be recovered through Schedule 335 as a monthly charge per bill, with a maximum rate cap of \$94/month for rate schedules 31 and 32 customers (individually, not as a combined class of rate schedule 31 and rate schedule 32). The costs will be allocated to all rate schedules on an equal percent of margin basis. In the event that the costs of the program reach the cap for rate schedule 31, the costs allocated to rate schedule 31 in excess of the cap will be spread on an equal percent of margin basis to all non-capped rate schedules. In the event that the costs of the program reach the cap for rate schedule 32, the costs allocated to rate schedule 32 in excess of the cap will be spread on an equal percent of margin basis to all non-capped rate schedules.

8. Revenue Requirement Issues Not Covered by This Second Stipulation. This Second Stipulation resolves all Stipulating Parties' issues relating to the Company's revenue requirement with the exception of the Company's request related to the following items, which will continue to be addressed in litigation:

- a. Coalition Litigation expense adjustment of (\$720,900)
- b. Coalition Lobbying expense adjustment of (\$1,725,922)

Any amounts identified in Sections (a) and (b) of this Paragraph approved for recovery by the Commission will be additional to the revenue requirement increase identified in Paragraph 1.

9. Rate Base Adjustment for LEAs between 2018-2023. The Coalition and CUB's request to reduce rate base by \$13.7 million for LEAs between 2018-2023 will

continue to be addressed in litigation. If the Commission were to disallow recovery of any amounts of such LEAs, the Company will remove such ordered amounts from rate base.

10. Other Issues Not Covered by This Second Stipulation. This Second Stipulation does not resolve the following issues, and these issues will continue to be addressed in litigation or separate stipulation:

- a. The LEA policy going forward;
- b. NW Natural's proposed monthly fixed rate charge for new residential premises customers connected on or after November 1, 2024;
- c. CUB's Rate Shock proposal;
- d. Contested issues related to Decoupling;
- e. Contested issues related to the Renewable Natural Gas Automatic Adjustment Clause (RNG AAC);
- f. Contested issues related to post-enrollment verification in the Company's bill discount program; and
- g. Contested issues related to the Oregon Low-Income Energy Efficiency (OLIEE) program.

11. The Stipulating Parties agree that this Second 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.

12. This Second Stipulation will be offered into the record as evidence pursuant to OAR 860-001-350(7). The Stipulating Parties agree to support this Second Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor

this Second Stipulation at hearing, and recommend that the Commission issue an order adopting this Second Stipulation. The Stipulating Parties also agree to cooperate in drafting and submitting joint testimony or a brief in support of this Second Stipulation in accordance with OAR 860-001-0350(7).

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

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

15. By entering into this Second 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 Second Stipulation, other than those specifically identified in the body of this Second Stipulation. No Stipulating Party shall be deemed to have agreed that any provision of this Second Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Second Stipulation.


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

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

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

DATED this July 24, 2024.

NW NATURAL COMPANY D/B/A NW
NATURAL

By: 
Date: July 24, 2024

OREGON CITIZENS' UTILITY BOARD

By: /s/ Claire Valentine-Fossum
Date: July 24, 2024

STAFF OF PUBLIC UTILITY
COMMISSION OF OREGON

By: /s/ Stephanie Andrus
Date: July 24, 2024

ALLIANCE OF WESTERN ENERGY
CONSUMERS

By: /s/ Chad Stokes
Date: July 24, 2024

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

By: /s/ Jaimini Parekh

Date: July 24, 2024

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NORTHWEST NATURAL GAS COMPANY

UG 490

SECOND PARTIAL STIPULATION

Attachment 1

Settlement Rate Spread

July 24, 2024

UG 490 Settlement Rate Spread
Second Multi-Party Stipulation - Attachment 1
July 24, 2024

Class	Customers	Filed Revenue	Times Average	Net Increase	Margin % Increase	Total Revenue*	Total Rev. % Increase	Approx. PGA Reduction**	Approx % After PGA**
02R	644,228	360,714,888	1.0041	64,853,719	18.0%	587,008,625	11.05%	-3.2%	11.0%
03C	60,059	113,389,442	1.3000	26,393,930	23.3%	208,409,273	12.66%	-0.5%	12.2%
03I	339	2,405,057	0.4500	193,788	8.1%	5,120,734	3.78%	1.4%	5.2%
27R	1,524	593,328	1.3000	138,110	23.3%	1,055,526	13.08%	-2.2%	10.9%
31CSF	682	10,045,606	0.4500	809,425	8.1%	22,704,926	3.56%	-1.0%	2.6%
31CTF	59	1,140,610	0.4500	91,905	8.1%	1,140,610	8.06%	9.1%	17.2%
31ISF	181	3,467,751	0.4500	279,414	8.1%	9,697,979	2.88%	2.5%	5.4%
31ITF	7	156,930	0.4500	12,645	8.1%	156,930	8.06%	8.8%	16.9%
32CSF	546	14,016,743	0.4000	1,003,911	7.2%	39,930,829	2.51%	2.6%	5.1%
32ISF	83	3,667,040	0.2750	180,566	4.9%	14,892,281	1.21%	3.9%	5.1%
32CTF	26	994,454	0.4000	71,225	7.2%	994,454	7.16%	8.1%	15.3%
32ITF	99	6,714,797	0.2750	330,639	4.9%	6,714,797	4.92%	4.1%	9.0%
32CSI	45	2,566,247	0.4000	183,800	7.2%	13,483,573	1.36%	4.0%	5.4%
32ISI	60	2,990,958	0.2750	147,276	4.9%	16,881,514	0.87%	4.3%	5.2%
32CTI	3	515,000	0.4000	36,885	7.2%	515,000	7.16%	4.9%	12.1%
32ITI	71	5,539,411	0.2750	272,762	4.9%	5,539,411	4.92%	-3.7%	1.2%
Sp. Cont.		\$1,642,981				\$1,642,981			
Total		530,561,242		95,000,000	17.9%	935,889,442	10.15%	-1.81%	8.34%

*includes misc. revs.

**The PGA figures are estimates subject to change. See NW Natural Response to Bench Requests 1-1 and 1-2 (Mar. 21, 2024).