

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

NORTHWEST NATURAL GAS
COMPANY,

Respondent.

DOCKET UG-_____

NORTHWEST NATURAL GAS COMPANY

Direct Testimony of David H. Anderson

POLICY

Exh. DHA-1T

December 18, 2020

DIRECT TESTIMONY OF DAVID H. ANDERSON

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I. INTRODUCTION AND SUMMARY

Q. Please state your name and position with Northwest Natural Gas Company (“NW Natural” or “the Company”).

A. My name is David H. Anderson. I am the President and Chief Executive Officer of NW Natural.

Q. Please summarize your educational background and business experience.

A. I received my Bachelor’s degree in Accounting from Texas Tech University. I am a Certified Public Accountant (retired). I have spent over 30 years in the energy and utility industries. I joined NW Natural in 2004, and became Chief Executive Officer in 2016. Prior to being CEO, I held positions including President and Chief Operating Officer, Executive Vice President and Chief Operating Officer, Executive Vice President of Operations and Regulation, and Senior Vice President and Chief Financial Officer. Prior to joining NW Natural, I worked for TXU Corporation (formerly Texas Utilities Corporation) for 17 years, where I held various management and executive positions including Vice President of Investor Relations and Shareholder Services, Senior Vice President and Chief Accounting Officer for the parent company, and Senior Vice President and CFO of TXU’s gas distribution company – TXU Gas.

I also serve on the board of directors of the American Gas Association (“AGA”), and the American Gas Foundation. Effective January 1, 2021, I will be Chair of AGA and chair the AGA Compensation Committee. I am past co-chair of the Carbon Policy Task Force and past Audit Committee chair. I am also a member of the Finance Committee and the Safety Resilience/Reliability, and Security Task Force, and a board trustee of the American Gas Foundation.

1 I am a member of the Oregon Business Council and a member of SOLVE's
2 Founders' Circle, as well as a member of the Oregon Global Warming Commission. I
3 am a past board member of Portland State University Foundation (Investment
4 Committee Chair), Northwest Gas Association, Portland Business Alliance, Greater
5 Portland Inc., a past president of Oregon Partnership (Lines for Life), past chair of
6 Associated Oregon Industries (AOI) Fiscal Policy Committee and a past advisory board
7 member for PSU School of Business and Oregon Department of Education Business
8 Advisory Team.

9 **Q. What is the purpose of your testimony?**

10 A. In my testimony, I describe NW Natural's overall operating environment, and explain
11 why it is necessary for the Company to file a rate case during the challenging times
12 brought about by COVID-19. I will describe some of the long-planned investments in
13 distribution system and operations that are critical to our ability to continue providing
14 safe and reliable energy to our customers. Finally, I will also provide a high-level
15 overview of the Company's application for a general rate revision.

16 Before addressing the specifics of our request, I want to acknowledge the
17 backdrop against which this filing is being made. The COVID-19 pandemic has
18 upended our daily lives, and it has caused significant personal and professional
19 hardships for many Washingtonians. In these uncertain times, our utility service has
20 an increased importance to our customers, especially as many of our customers work
21 from home and have children attending school from home. Throughout these
22 challenging times, NW Natural's commitment to providing safe and reliable energy
23 service has been unwavering. We have safely responded to customer calls, service

1 issues, and continued to make the necessary investments in our distribution system,
2 while strictly following Governor Jay Inslee’s executive orders and industry best
3 practices.

4 As I will discuss more below, this rate case is driven by long-planned
5 investments in our distribution system, underground storage facility, operations
6 facilities, and updates to our information technology and services (“IT&S”) systems.
7 The Company’s need to increase its base revenues is a result of these investments that
8 are made for the benefit of our customers. By recovering these costs, we can maintain
9 our strong financial health and stable credit ratings, thereby securing access to capital
10 markets, and ultimately provide low-cost utility service to our customers.

11 As we approached this rate case, we were also resolved to mitigate the impact
12 of the case on our customers given the economic and health effects of COVID-19. As
13 part of our request, we are requesting to suspend the amortization of a deferral balance
14 in the year rates go into effect and credit customers the benefit of a property sale in that
15 year. Additionally, the Company is requesting to maintain its current return on equity
16 of 9.4 percent rather than seeking an increase. Lastly, we are requesting a two-year
17 rate plan to capture eight long-planned, discrete projects that will go into service prior
18 to the second-year rates going into effect. With this request, NW Natural will commit
19 to not changing rates until a full year after the second-year rates become effective.

20 Finally, by filing this rate case at the end of 2020, the new rates will not be
21 implemented until late 2021. I am optimistic that the roll-out of the recently announced
22 vaccines for COVID-19, beginning as early as December 2020 for first-responders, will

1 put us on a path toward economic and public health recovery by the time of our rate
2 change.

3 **II. NW NATURAL'S CURRENT OPERATING ENVIRONMENT**

4 **Q. Please describe the business of Northwest Natural.**

5 A. NW Natural provides natural gas service to approximately two million people in more
6 than 140 communities in Oregon and Southwest Washington with one of the most
7 modern pipeline systems in the nation. In Washington specifically, we provide service
8 in 15 cities and neighboring communities in three counties. We have approximately
9 90,000 customer accounts in Washington, which accounts for about 11.5 percent of our
10 total customer base.

11 **Q. As Chief Executive Officer, can you please describe NW Natural's goals as a
12 company?**

13 A. Our absolute priority is to provide safe, reliable and cost-effective gas service to our
14 customers. To effectively provide this service, we must maintain more than 14,000
15 miles of transmission and distribution pipelines, over 20 billion cubic feet of natural
16 gas storage, strong customer satisfaction, reasonable rates for customers, and strong
17 financial health. These goals have never been more centered in our daily operations
18 than during the COVID-19 pandemic.

19 **Q. Please describe the impact of COVID-19 on NW Natural.**

20 A. The COVID-19 pandemic has resulted in widespread global, national, and local effects,
21 and it has impacted all of our daily lives. On March 23, 2020, the Governor of
22 Washington issued stay-at-home executive orders. These and subsequent executive
23 orders required the closure of "non-essential" businesses and permitted the

1 continuation of “essential services.” All of the services provided by NW Natural are
2 considered “essential services” under the Washington executive orders, and we have
3 taken steps to prioritize safety and reliability in providing these services.

4 Throughout the pandemic, safety remains our top priority at NW Natural. From
5 the outset, we have put the safety of our employees and customers first so that we can
6 continue to provide essential services to the communities across the Pacific Northwest.
7 While these have been difficult times on personal and professional levels, I am
8 immensely proud of how our Company and our employees have responded to this
9 unprecedented event. I want to pay special recognition to our field personnel for all
10 they are doing to keep our gas distribution system safe and reliable, so that we can
11 continue to deliver natural gas to our customers as well as be prepared to respond to
12 any immediate customer needs. For our employees whose role requires them to work
13 in the field, we are following CDC, OSHA, and state specific guidance to ensure their
14 protection, and the protection of the customers we serve.

15 As a critical infrastructure energy company that provides an essential service to
16 our customers, NW Natural has well-defined emergency response command structures
17 and protocols. We implemented our incident command and business continuity plans
18 across the Company in early March, and we continue to operate under these structures
19 and protocols, with a focus on the safety of our nearly 1,200 employees and the 2.5
20 million people, business partners and communities we serve. While no one can be fully
21 prepared for an event like this, we had an existing business continuity framework in
22 place to respond to large scale disruptions, and to ensure that our operations can
23 continue without diminished quality or service. The incident command team has

1 marshalled our Company's response and provided communications to our employees,
2 customers, and stakeholders to keep them informed as we navigate this fluid situation.

3 Recognizing the hardship that many of our customers have faced as a result of
4 COVID-19, on March 13, 2020, NW Natural voluntarily suspended all disconnections
5 and late fees for all of our customers. Since that time, we offered flexible arrangements
6 for payment plans to prevent customer arrearages from building large balances, which
7 is a concern that we continue to monitor and regularly report to the Washington Utilities
8 and Transportation Commission ("Commission"). We have also worked with our
9 stakeholders and the Commission to develop a term sheet of customer protections in
10 response to COVID-19, which NW Natural supported. The term sheet provides
11 ongoing customer protections and payment options to provide stability to our
12 customers through the next Winter heating season and beyond. It is one of the strongest
13 term sheets of its kind approved by a utility commission across the country.
14 Specifically, the term sheet extends NW Natural's disconnect moratorium until April
15 30, 2021, waives late fees and deposit requirements for 180 days after the resumption
16 date for disconnects, establishes a COVID-19 assistance program funded at 1 percent
17 of our retail revenues, extends time payment arrangements to provide more flexible
18 payment options, and requires regular reporting of relevant data to the Commission and
19 stakeholders, among other important terms. We plan to work with the Commission and
20 our stakeholders through 2021 to provide efficient and readily available assistance to
21 our customers who need it.

22 Finally, as a Company, we strive to give back to the communities we serve. We
23 accelerated our philanthropic support this year so that the \$1 million of shareholder

1 funded philanthropy reached our community partners when they needed it most. Our
2 employees sponsored a giving campaign, with a Company match, that increased our
3 giving by \$100 thousand, which included contributions to the Community Foundation
4 of SW Washington. NW Natural also continued regional recovery funds created to
5 support nonprofits and small businesses throughout our service territory.

6 **Q. Has the pandemic impacted NW Natural's ability to provide safe and reliable**
7 **service?**

8 A. No, it has not. As part of our 162-year history responsibly investing and maintaining
9 our distribution and storage system, we have the critical infrastructure and resources to
10 continue to provide service during the pandemic. Likewise, the broader natural gas
11 network continues to prove to be a reliable and essential component of the energy
12 economy in the Pacific Northwest. With respect to our supply chains, we have not
13 experienced material disruptions for most of our goods and services, but we continue
14 to actively monitor those supply lines. Like many other industries, we have
15 experienced some constraints on our ability to obtain personal protective equipment
16 (PPE) and disinfecting supplies, but currently have sufficient supplies on hand, and we
17 are actively working to procure additional supplies. Additionally, the critical
18 investments in our system are continuing to move forward as planned, and the recent
19 technology investments have allowed us to adapt to our current "work from home"
20 environment. Given the evolving nature of the pandemic, we are continually
21 monitoring our business operations and the larger trends and developments to take
22 additional measures we believe are warranted to continue to provide safe and reliable
23 service to our customers and communities.

1 Even through such a stressful year, our customers have recognized NW
2 Natural's commitment to customer service. Our employees' devotion to our customers
3 that is exhibited every day is a huge source of pride for me. Service is one of our core
4 values at NW Natural, so we are very appreciative when our customers recognize our
5 efforts. For 17 years NW Natural has scored in the top two utilities in the West in the
6 annual J.D. Power Gas Utility Residential Customer Satisfaction Study. We've also
7 scored in the top 10 in the nation among large gas utilities for the past 18 years. The
8 study measures residential customer satisfaction with natural gas utilities across six
9 factors: safety and reliability, billing and payment, price, corporate citizenship,
10 communications and customer service.

11 **III. NW NATURAL'S APPLICATION FOR GENERAL RATE REVISION**

12 **Q. Can you please summarize the Company's requested rate increase?**

13 A. NW Natural is requesting a two-year rate plan that will increase revenues from base
14 rates by \$6.3 million in the first year of the rate plan (November 1, 2021 through
15 October 31, 2022, "Year One"), and \$3.2 million in the second year of the rate plan
16 (November 1, 2022 through October 31, 2023, "Year Two"). The rate increase
17 requested in our application would result in approximately an 8.0 percent increase to
18 revenues collected from customers' base rates in Year One and 3.7 percent in Year
19 Two.

20 The Company has also included several proposals designed to reduce the Year
21 One rate impact in light of the fact that some of our customers may still be experiencing
22 hardships at the time of our next rate change. First, we are proposing to suspend the
23 amortization of a regulatory asset associated with our energy efficiency programs

1 during Year One, which results in a \$1.4 million, or approximately two percent,
2 reduction to overall rates in Year One. Second, we propose to apply proceeds received
3 from our sale of a property in Portland, Oregon known as “Block 24” as a credit to
4 customers in Year One, which results in an \$839 thousand, or approximately one
5 percent, reduction to overall rates in Year One. Together, these result in a \$2.2 million,
6 or three percent, offset to rates in Year One.

7 The net impact of the increase to base rates and the proposed offsetting
8 measures is an overall increase to rates of \$3.9 million, or 5.0 percent, in Year One.

9 **Q. What are the significant drivers for this rate case?**

10 A. The first year of the rate plan reflects changes to the Company’s revenue requirement
11 driven by continued investments in the safety and reliability of our distribution system,
12 the vast majority of which have been placed into service at the time of filing this rate
13 case. The second year of the rate plan is limiting the incremental revenues associated
14 with eight discrete, identified capital projects that will go into service before the start
15 of Year Two. I will describe the major drivers for each year of the rate plan below.
16 The Direct Testimony of Zachary Kravitz (Exh. ZDK-1T), NW Natural’s Director of
17 Rates and Regulatory Affairs, describes the Company’s reasoning and approach to the
18 two-year rate plan.

19 **Q. Please describe the drivers for Year One of the rate plan.**

20 A. The main driver is that we have continued to make substantial investments in our utility
21 operations. As contemplated in our 2016 integrated resource plan, we replaced the
22 large dehydration system at our Mist underground storage facility in October 2020.
23 The dehydrator at Mist originally went into service in 1998. Over the last few years,

1 we have studied the operations of the dehydrator, which removes liquids from the
2 natural gas we withdraw from Mist so that the gas is safe to put on our distribution
3 system. Those studies concluded that the dehydrator was reaching its end of life, and
4 that we must replace it to support the operations at Mist. Without this replacement,
5 Mist cannot operate as needed under the winter conditions when we need it the most.
6 Without our operations at Mist, we cannot meet the needs of our customers during cold
7 weather events. Simply put, Mist is a critical resource on our distribution system. Joe
8 Karney, Senior Director of Engineering, will describe this and other projects in greater
9 detail in his Direct Testimony (Exh. JSK-1T).

10 **Q. Are there other reasons why Mist is important to providing reliable service to**
11 **your customers?**

12 A. Yes. A recent disruption on the upstream pipeline system in Canada highlights why
13 Mist is so important to our distribution system and the energy needs of our region.
14 Specifically, in 2018, there was an incident that caused the pipeline in Canada to
15 rupture. This greatly reduced supplies flowing into our region, because there is only
16 one major interstate pipeline that delivers natural gas into our service territory, and the
17 bulk of that gas is fed from a single pipeline in Canada. On the days following that
18 rupture, Mist provided the resiliency needed to sustain service to our customers, which
19 in turn, supported the broader energy network by reducing the demand on supply
20 coming from Canada.

21 **Q. Are there other factors that led the Company to file a rate case?**

22 A. Yes, in March 2020, NW Natural moved into our new operations center, located at 250
23 Taylor St. in Portland, Oregon (“250 Taylor”). We have been planning and preparing

1 for this move since 2014, when we embarked on a multi-year, multi-phased process to
2 thoughtfully consider options for our new headquarters. After reviewing several
3 alternatives, including renewing our then-existing lease, we ultimately decided that
4 moving to our new location at 250 Taylor Street in downtown Portland was the best
5 long-term solution to meet the needs of our Company and customers. In addition to
6 the operational needs of the Company, the new facility meets our selection criteria for
7 seismic resiliency, safety and security, proximity to transit, and parking for employee
8 and company vehicles. As a result, we took advantage of low interest rates and our
9 strong financial position and entered into a 20-year lease for the 10-floor office space
10 in downtown Portland. While the move to the new location will cause rates to increase
11 slightly, the new location was the least-cost, least-risk option, and our deliberate
12 process and thoughtful management of the project has resulted in an on-time and on-
13 budget move.

14 **Q. Can you discuss the Company's approach to seismic resiliency of its facilities?**

15 A. Yes. Seismic resiliency and the continuity of our operations has been a priority for our
16 Company for several years. Several of our facilities were constructed prior to the
17 established seismic standards that are in place today, and are currently not equipped to
18 be operational after a seismic event. We have assessed all of our facilities and
19 determined whether each facility can be retrofitted to withstand a seismic event or if a
20 relocation to a new facility is necessary to better serve our customers and reduce
21 operational risk. As will be discussed more in the Direct Testimony of Wayne Pipes
22 (Exh. WKP-1CT), Director of Facilities, Security and Emergency Management, our
23 former headquarters facility was not designed to withstand a large seismic event. It is

1 essential that we can continue to conduct our key functions out of our operational
2 headquarters, such as the resource management center, gas control center, emergency
3 dispatch customer call center, operations and engineering in the immediate hours, days,
4 and weeks following a major event. We ultimately decided that we needed to find a
5 new location, which will be occupiable and fully operational after an earthquake, to put
6 NW Natural in the best position to be able to provide critical service in the event of an
7 emergency.

8 As part of our seismic assessment, we also recently completed the seismic
9 retrofit to our Vancouver Resource Center. The Vancouver Resource Center is the
10 Company's only resource center located in Washington State and is the base of our
11 field operations in Washington. The retrofit of this resource center has been on the
12 Company's facilities roadmap for over 10 years and includes improvements to the
13 office and warehouse, seismic upgrades to meet current building code requirements,
14 and numerous site improvements to ensure operational functionality.

15 Earlier this year, the Company decided to complete this project in two phases.
16 The first phase, which is complete, includes rebuilding the office and warehouse space.
17 We have proposed to include the first phase in Year One of our rate plan. The second
18 phase includes improvements to the resource center yard, including storage, garages,
19 and enhanced on-site security. This phase will be complete in 2022. Mr. Pipes
20 describes the Vancouver Resource Center in detail in his Direct Testimony.

21 **Q. Please describe the drivers for Year Two of the rate plan.**

22 A. The second year of the Company's rate plan is driven by eight discrete capital projects
23 that the Company has planned for several years. As discussed in the Direct Testimony

1 of Mr. Kravitz, our proposal is to include these projects, net of any offsetting costs or
2 savings associated with these projects, in rates on November 1, 2022. By recovering
3 the costs of these investments in rates in Year Two, the Company can obviate the need
4 to file a subsequent rate case following the resolution of this case.

5 **Q. Please provide an overview of the projects included in Year Two.**

6 A. As I previously mentioned, the Company decided to delay the yard improvements to
7 the Vancouver Resource Center to a second phase for completion in 2022, thereby
8 smoothing out the rate impact of this project over two rate changes.

9 In addition, over the last year, the Company has been developing its plans to
10 initiate the first phase of its “Horizon” project, which is a major IT&S initiative to
11 upgrade our technology architecture. The first phase of the program, known as
12 Horizon 1, upgrades NW Natural’s existing enterprise resource planning (“ERP”)
13 software from the current platform that is nearing end-of-life and end-of-support. The
14 ERP platform functions as the Company’s backbone software—managing and
15 integrating all of NW Natural’s essential business functions. We plan to have Horizon
16 1 complete by October 2022. The Horizon project is described in the Direct Testimony
17 of Jim Downing (Exh. JRD-1T), Vice President and Chief Information Officer.

18 There are also four distribution and two storage projects that we expect to be
19 completed in October 2021 that we are requesting recovery of in Year Two of the rate
20 plan. The distribution projects include a system reinforcement in White Salmon, the
21 second phase of a public-works relocation on SE 1st St in Vancouver, and rebuilding
22 the Battle Ground and Ridgefield gate stations to meet customer demand. The storage
23 projects include the annual Mist Well Rework Program in compliance with PHMSA

1 and phases three and four of the Mist Corrosion Abatement Project, which allows for
2 in-line inspection of pipelines at the Mist underground storage facility. The Company
3 chose to include these projects in Year Two, even though they are scheduled to be
4 completed by the rate effective date in Year One, to further mitigate the rate impact of
5 the rate change in Year One. Each of these projects is described in more detail in the
6 Direct Testimony of Mr. Karney.

7 **Q. Can you please comment on the considerations NW Natural undertook before**
8 **filing this general rate revision?**

9 A. As I stated at the outset of my testimony, we recognize that this is a difficult year to
10 request an increase to rates. At its core, this rate case is about recovering the costs of
11 our long-planned investments to continue to support our utility service to our
12 customers. We understand that natural gas plays an essential role in our customers'
13 lives, and we do not take lightly the prospect of increasing our customers' rates.

14 We determined, however, that NW Natural would need to file this application
15 with the Commission seeking to revise its rates to recognize an increased revenue
16 requirement related to its provision of utility service. Without the requested increase
17 in base rates, NW Natural's gas distribution utility would expect the overall rate of
18 return (ROR) to be 4.76 percent, with a corresponding return on equity (ROE) of 5.0
19 percent, well below the proposed ROR and ROE in this case of 6.913 percent and 9.4
20 percent, respectively. The Company, therefore, needs to increase its rates in order to
21 maintain an ability to earn a reasonable return that will allow it to attract the capital that
22 is required to run its utility system for the benefit of our customers.

1 Before we filed a rate case, we endeavored to mitigate the impact to our
2 customers by phasing the completion of the yard project at the Vancouver Resource
3 Center, delaying the inclusion of six storage and distribution projects in rates for one
4 year, crediting customer rates with proceeds from a property sale, suspending the
5 collection of a deferral, and not requesting an increase to our authorized ROE. While
6 these mitigation efforts do not fully offset the base rate increase, we hope that these
7 efforts can provide some relief for our customers.

8 **Q. Can you comment on customers' bills over the past several years, and how this**
9 **rate case may affect them?**

10 A. Over the last decade, customer bills have consistently remained lower than what they
11 were over 15 years ago. This is mainly driven by the costs of natural gas declining
12 during this period, with the exception of the last two years, which saw slight increases
13 due to an event on a Canadian pipeline that disrupted the natural gas market in 2018
14 and 2019, and volatility in the market driven by COVID-19 in 2020. Even taking into
15 account these anomalous events, and our rate case in 2019, average customer bills are
16 still lower than they were prior to 2008. The chart below shows overall bills since 2004
17 using current use-per-customer averages for residential customers. Over this period,
18 customers have been able to take gas service at rates that have dramatically fallen.

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1 **Zachary Kravitz**, Director of Rates and Regulatory Affairs, describes the
2 Company's request for a multi-year rate plan that maintains NW Natural's current
3 ROE. Mr. Kravitz also requests approval for additional rate mitigation proposals that
4 will reduce the overall impact to rates on our customers at the time of the Company's
5 first rate effective date for this rate case.

6 **Brody Wilson**, Vice President, Treasurer, Chief Accounting Officer and
7 Controller, provides testimony about the Company's cost of capital. His testimony
8 provides information about the costs of the Company's short and long-term debt during
9 the Test Year. Mr. Wilson's testimony explains that the Company continues to adhere
10 to its policy of balancing long-term debt and equity financing by targeting a 50/50
11 capital structure. Mr. Wilson explains that in the Test Year, NW Natural's short-term
12 debt balances grew as a direct result of COVID-19 because the Company secured cash
13 on the balance sheet to support stable operations when the capital markets were
14 extremely volatile in March 2020. As the markets settled, we have repaid most of these
15 short-term borrowings. Given the anomalous nature of the event, Mr. Wilson has
16 normalized our short-term debt in the Test Year by removing the borrowing directly
17 related to COVID-19 from the Test Year capital structure. Mr. Wilson requests to
18 maintain our most recently Commission-approved capital structure of 49 percent
19 common equity, 1 percent short-term debt and 50 percent long-term debt, resulting in
20 an overall ROR on rate base of 6.913 percent. Our requested ROR in this general rate
21 case is a reduction from our most recently Commission-approved ROR of 7.161
22 percent.

1 **Dr. Bente Villadsen**, Principal of the Brattle Group, an outside expert on utility
2 finance and required rates of return for regulated companies, provides testimony about
3 the Company's cost of equity, or in other words, the return that investors in NW Natural
4 should reasonably expect to have the opportunity to earn. Dr. Villadsen's testimony
5 provides an analysis of NW Natural's cost of equity, and a range of return on equity
6 that NW Natural should be given the opportunity to earn in order to attract capital. Her
7 testimony supports a reasonable range for the Company's cost of equity between 9.4
8 percent and 10.25 percent, and Dr. Villadsen recommends that NW Natural be allowed
9 to earn 9.9 percent return on equity in the revenue requirement authorized in this
10 proceeding. While we agree with the recommendations in Dr. Villadsen's testimony,
11 in light of the significant impact that COVID-19 has had on our customers this year,
12 NW Natural is not seeking to increase its cost of equity in this case. Rather, we are
13 seeking to maintain our most recently Commission-approved ROE of 9.4 percent.

14 I also note that Dr. Villadsen provides additional testimony on the topic of the
15 risk presented to the local distribution company industry, and NW Natural specifically,
16 by climate change policies. Dr. Villadsen has not included these risks in her calculation
17 of her proposed ROE, but I raise these risks because I believe it is important for the
18 Commission and our stakeholders to understand the changing business environment
19 within which NW Natural operates.

20 **Joe Karney**, Senior Director of Engineering and Chief Engineer, provides
21 testimony about some of the major improvements to our distribution system and storage
22 facilities that the Company has undertaken in order to keep our system safe, reliable,
23 and economical.

1 **Wayne Pipes**, Director of Facilities, Security and Emergency Management,
2 describes the Company’s decision-making process and move to its new seismically
3 resilient operations center. Mr. Pipes also describes our seismically resilient resource
4 center building that serves Southwest Washington, and our plans to complete an update
5 to the operations yard on the same site in 2022.

6 **Jim Downing**, Vice President and Chief Information Officer, describes the
7 Company’s recent IT&S initiatives, including the Company’s new digital portal
8 project, which is a newly redesigned website and customer portal that will provide our
9 customers with enhanced accessibility to their customer information and a platform for
10 mobile users. Mr. Downing’s testimony discusses our recent data migration from our
11 old headquarters in downtown Portland to a seismically resilient location east of the
12 Cascades, near Bend, Oregon. Additionally, as I previously discussed, Mr. Downing
13 also describes the Company’s “Horizon” Project, the first phase of which will be
14 complete in advance of our requested Year Two rate change.

15 **Melinda Rogers**, Vice President and Chief Human Resources and Diversity
16 Officer, provides testimony on our labor costs, and describes the Company’s practices
17 related to compensation, which ensure that all employees receive compensation at
18 market-median rates. Additionally, Ms. Rogers describes our overall employee count.
19 Finally, Ms. Rogers sets forth the Company’s request to include these costs in the
20 Company’s revenue requirement.

21 **Tobin Davilla**, Manager of Budget and Financial Analysis, provides testimony
22 about the operations and maintenance expense levels that the Company has incurred in

1 the Test Year and certain known and measurable expenses that it expects to incur in
2 2021, for which it requests recovery in this application.

3 **Kyle Walker**, Rates & Regulatory Manager, provides the calculation of the
4 Company's revenue requirement, which represents the annual dollars needed to recover
5 prudently incurred costs of operating the utility business.

6 **Robert Wyman**, Rates & Regulatory Analyst, provides the Company's use-
7 per-customer forecast, cost of service study, and provides the proposed spread across
8 rates of the revenue requirement increase requested.

9 As described by these witnesses in greater detail, NW Natural is requesting to
10 revise the rates we charge to reflect continued investment in our distribution system
11 and increasing costs. While we recognize that rate increases can be difficult for our
12 customers, the recovery of the critical investments in our system will ultimately benefit
13 our customers because it supports NW Natural's ability to operate a financially sound
14 natural gas utility that will continue to provide safe and reliable service.

15 **Q. Does this conclude your testimony?**

16 **A.** Yes, it does.