

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-__
GENERAL RATE APPLICATION
OF
NORTHWEST NATURAL GAS COMPANY

December 18, 2020

Direct Exhibit of Kyle W. Walker

REVENUE REQUIREMENT

Exh. KTW-4

Line No.	Restating	Restating	Restating	Restating	Restating	Restating	Restating	Restating	Restating	Restating	Restating	Total Year 1 Restating	
	Weather Normalized Gas Sales & Purchases (a)	Misc Revenues Adjustment (b)	Bonus Adjustment (c)	Property Tax Adjustment (d)	Uncollectible Accounts Adjustment (e)	Working Capital Adjustment (f)	Marketing and Cust. Comm. Adjustment (g)	Claims Adjustment (h)	Rate Case Adjustment (i)	Clearing Adjustment (j)	HoldCo Adjustment (k)	Total Restating Adjustments (l)	
Operating Revenues													
1	4,211,998											4,211,998	
2	149,867											149,867	
3		2,363,457										2,363,457	
4	Total Operating Revenues	4,361,865	2,363,457	0	0	0	0	0	0	0	0	6,725,322	
Operating Revenue Deductions													
5	4,403,405											4,403,405	
6	4,574				(26,273)							(21,698)	
7			42,097				(284,213)	4,066	110,000	(30,851)	14,028	(144,872)	
8	Total Operating & Maintenance Expense	4,407,980	0	42,097	0	(26,273)	(284,213)	4,066	110,000	(30,851)	14,028	4,236,834	
9	Federal Income Tax	(46,800)	476,215	(8,565)	10,596	5,517	(17,085)	59,685	(846)	(23,100)	6,863	(2,946)	459,534
10	Property Taxes				(50,455)								(50,455)
11	Other Taxes	176,743	95,767										272,510
12	Depreciation & Amortization												0
13	Total Operating Revenue Deductions	4,537,922	571,982	33,532	(39,859)	(20,756)	(17,085)	(224,528)	3,220	86,900	(23,988)	11,082	4,918,423
14	Net Operating Revenues	(176,057)	1,791,475	(33,532)	39,859	20,756	17,085	224,528	(3,220)	(86,900)	23,988	(11,082)	1,806,899
Average Rate Base													
15	Utility Plant in Service			(56,750)			3,526,472		(1,556)		(79,301)	0	3,388,865
16	Accumulated Depreciation												0
17	Net Utility Plant	0	0	(56,750)	0	0	3,526,472	0	(1,556)	0	(79,301)	0	3,388,865
18	Storage Gas												0
19	Aid in Advance of Construction												0
20	Leasehold Improvements												0
21	Accumulated Deferred Income Taxes												0
22	Total Rate Base	0	0	(56,750)	0	0	3,526,472	0	(1,556)	0	(79,301)	0	3,388,865
23	Interest Coordination	0	0	(1,309)	0	0	81,356	0	(36)	0	(1,829)	0	
24	Estimated Revenue Requirement	232,522	(2,366,036)	39,105	(52,643)	(27,413)	299,407	(296,538)	4,111	114,771	(38,921)	14,636	(2,076,999)

Line No.	Income Tax Calculations	Weather Normalized Gas Sales & Purchases (a)	Misc Revenues Adjustment (b)	Bonus Adjustment (c)	Property Tax Adjustment (d)	Uncollectible Accounts Adjustment (e)	Working Capital Adjustment (f)	Marketing and Cust. Comm. Adjustment (g)	Claims Adjustment (h)	Rate Case Adjustment (i)	Clearing Adjustment (j)	HoldCo Adjustment (k)	Total Restating Adjustments (l)
1	Book Revenues	4,361,865	2,363,457	0	0	0	0	0	0	0	0	0	6,725,322
2	Book Expenses before Deprec. & Interest	4,584,722	95,767	42,097	(50,455)	(26,273)	0	(284,213)	4,066	110,000	(30,851)	14,028	4,458,889
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0	0	0	0
4	Interest Expense (Income)	0	0	(1,309)	0	0	81,356	0	(36)	0	(1,829)	0	78,182
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0	0	0	0
6	Federal Taxable Income	(222,857)	2,267,690	(40,788)	50,455	26,273	(81,356)	284,213	(4,030)	(110,000)	32,680	(14,028)	2,188,251
7	Federal Income Tax [1]	(46,800)	476,215	(8,565)	10,596	5,517	(17,085)	59,685	(846)	(23,100)	6,863	(2,946)	459,533
8	ITC	0	0	0	0	0	0	0	0	0	0	0	0
9	Current Federal Tax	(46,800)	476,215	(8,565)	10,596	5,517	(17,085)	59,685	(846)	(23,100)	6,863	(2,946)	459,533
10	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0	0	0	0	0
11	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0	0	0	0
12	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0	0	0	0
13	Total Federal Tax	(46,800)	476,215	(8,565)	10,596	5,517	(17,085)	59,685	(846)	(23,100)	6,863	(2,946)	459,533

Revenues	Actual			Normalized			Adjustment
	Therm Deliveries	Average Class Price Per Therm	Revenues and Margin	Therm Deliveries	Average Class Price Per Therm	Revenues and Margin	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Sales Volumes and Revenues							
1 Residential	53,611,257	0.94424	\$50,621,695	55,168,220	0.96599	\$53,291,889	
2 Commercial	22,613,504	0.83617	\$18,908,829	22,843,758	0.86908	\$19,853,121	
3 Industrial Firm	3,040,033	0.61964	\$1,883,715	3,138,418	0.68291	\$2,143,268	
4 Interruptible	1,228,480	0.44952	\$552,226	1,260,153	0.47808	\$602,460	
5 Total Sales of Gas Revenues	80,493,274		\$71,966,465	82,410,549		\$75,890,738	\$3,924,273
6 Unbilled amounts	(514,488)		(\$287,725)				\$287,725
7 Unaccounted For Gas							
Transportation Volumes and Revenues							
8 Firm	9,451,637		\$1,298,713	9,693,126	0.14177	\$1,374,242	
9 Interruptible	7,636,298		\$751,954	8,033,267	0.10276	\$825,480	
10 Special Contracts - Firm	2,865,982		\$242,182	2,895,114	0.08393	\$242,995	
11 Total Transportation	19,953,917		\$2,292,849	20,621,507		\$2,442,716	\$149,867
12 Total Deliveries and Revenues	99,932,703		\$73,971,589	103,032,056		\$78,333,455	
Gas Costs							
13 Demand Charges (Net of Deferral)			\$8,418,946			\$7,929,784	
14 Commodity Charges (Net of Deferral)			15,913,725			20,798,768	
15 Commodity and Demand Amortizations			(7,524)			0	
16 Total Cost of Gas			\$24,325,147			\$28,728,552	\$4,403,405
17 Total Margin			\$49,646,443			\$49,604,903	

NW Natural
Washington Rate Case
Test Year Based on Twelve Months Ended September 30, 2020
Adjustments to Miscellaneous Revenues

Line No.		Actual (a)	Normalized (b)	Adjustment (c)
	Revenue & Technical Adjustments			
1	DSM - Amortization	(\$1,970,405)	\$0	\$1,970,405
2	WA GREAT, WA-LIEE	(\$282,009)	\$0	\$282,009
3	Subtotal	(\$2,252,414)	\$0	\$2,252,414
	Other Miscellaneous Revenues			
4	LATE PAYMENT CHARGE	\$51,073	\$93,124	\$42,051
5	AUTOMATED PAYMENT CHARGE	\$3,660	\$5,130	\$1,470
6	FIELD COLLECTION CHARGES	\$13,640	\$29,010	\$15,370
7	MISC SERVICE REVENUES-EARLY TERMINATION	\$2,357	\$1,218	(\$1,138)
8	RECONN CHG-CR-AFTER OFFICE H	\$18,475	\$37,017	\$18,542
9	RECONN CHG-CR-DURING OFFICE	\$6,750	\$13,695	\$6,945
10	RECONN CHG-SEAS-AFTER OFFICE	\$1,350	\$1,517	\$167
11	RECONN CHG-SEAS-DURING OFFIC	\$585	\$708	\$123
12	DELINQ RECONNECT FEE	\$700	\$1,433	\$733
13	RETURNED CHECK CHARGE	\$12,104	\$14,128	\$2,024
14	METER RENTALS	\$18,060	\$18,614	\$554
15	OTHER GAS REV - MISC	\$1,000	\$2,008	\$1,008
16	Non-AMR Read Charge	\$319	\$319	\$0
17	MULTIPLE CALL OUT FEE	\$15,436	\$6,739	(\$8,697)
18	SEAS RECONNECTION FEE	\$0	\$150	\$150
19	SUMMARY BILLS SVCS	\$0	\$0	\$0
20	NON-AMR Install/Remove Charge	\$0	\$172	\$172
21	CURTAILMENT UNAUTH TA	\$0	\$0	\$0
22	Subtotal	\$145,509	\$224,982	\$79,473
23	RENT FROM GAS PROPERTY-RENT - UTILITY PR	\$10,876	\$42,446	\$31,570
24	Total	(\$2,096,029)	\$267,428	\$2,363,457

Northwest Natural Gas Company
 Test Year Based on Twelve Months Ended September 30, 2020
 Bonus Adjustment

Line No.	2017 paid in 2018	2018 paid in 2019	2019 paid in 2020	Three Year Average	Test Year Accrual	Adjustment	
	a	b	c	d=(a+b+c)/3	e	f=d-e	
<u>Officers/Exempt</u>							
1	Performance Bonus - O & M	\$6,107,412	\$6,248,053	\$6,790,399	\$6,381,955	\$5,850,927	\$531,028
2	Performance Bonus - Construction	2,952,686	2,907,513	3,267,796	3,042,665	3,418,797	(376,133)
<u>Clerical/Hourly</u>							
3	Key Goals Bonus - O & M [1]	n/a	n/a	n/a	n/a	147,938	(147,938)
4	Key Goals Bonus - Construction [1]	n/a	n/a	n/a	n/a	97,966	(97,966)
5	Total	9,060,098	9,155,566	10,058,194	9,424,619	9,515,628	(91,009)
6	Total Adjusted O & M (line 3 + line 9)						\$383,090
7	Washington Allocation Factor				Employee Cost		10.99%
8	Adjustment to Washington - O&M						<u>\$42,097</u>
9	Total Adjusted Construction (line 6 + line 12)						(\$474,099)
10	Washington Allocation Factor				Gross Plant		11.97%
11	Adjustment to Washington - Rate Base						<u>(\$56,750)</u>

Adjustment takes expense from test period accrual to 3 year paid average

[1] Per the current Collective Bargaining Agreement, the Key Goals program does not continue past 2019

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Property Tax Adjustment

<u>Line No.</u>	<u>Expense (a)</u>
1 Property Taxes - Test Period Expense	\$1,671,587
2 Property Taxes - Paid During 2020	1,584,665
3 Property Taxes - Capitalized	<u>(36,467)</u>
4 Adjustment	<u><u>(\$50,455)</u></u>

Line No.		12 Months Ended February 28 [1]			
		2018-2020	2020	2019	2018
		Total	Actual	Actual	Actual
		(a)	(b)	(c)	(d)
Gas Revenues					
1	Residential	\$1,290,516,017	\$439,710,433	\$422,767,445	\$428,038,139
2	Commercial	636,582,282	\$214,967,993	\$210,023,077	\$211,591,213
3	Industrial	63,876,082	\$20,955,145	\$20,816,425	\$22,104,512
4	Interruptible	57,629,241	\$17,053,782	\$18,993,257	\$21,582,203
5	Total	2,048,603,622	692,687,352	672,600,204	683,316,066
Net Write-Offs					
6	Residential	1,745,734	535,511	478,159	732,064
7	Commercial	338,788	109,012	130,972	98,804
8	Industrial	43,857	15,964	1,302	26,592
9	Interruptible	20,000	20,000	0	0
10	Total	2,148,379	680,487	610,433	857,460
Write-Off % - 3-Year Average					
11	Residential	0.135%	0.122%	0.113%	0.171%
12	Commercial	0.053%	0.051%	0.062%	0.047%
13	Industrial	0.069%	0.076%	0.006%	0.120%
14	Interruptible	0.035%	0.117%	0.000%	0.000%
15	Weighted Total [2]	0.105%	0.098%	0.091%	0.125%
Normalized Uncollectible					
16	Residential	\$594,814			
17	Commercial	114,406			
18	Industrial	14,388			
19	Interruptible	5,918			
20	Total	\$729,526			
21	Allocation Factor (Customers - All)	11.53%			
22	Washington Normalized Amount	\$84,114			
23	Washington Allocation of Accrued Amount	\$110,387			
24	Adjustment (Normalized less Accrued)	(\$26,273)			

[1] February 2020 was a leap year, ending February 29

[2] Weighted uncollectible rate of 0.105% is used on page 1, column (b)

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Working Capital Adjustments

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1	Current Working Capital Assets	175,419,635
2	Current Working Capital Liabilities	<u>(140,739,150)</u>
3	Net Working Capital	34,680,484
4		
5	WA Allocation	10.17%
6		
7	Total Working Capital Adjustment	<u><u>\$3,526,472</u></u>

NW Natural
 Test Year Based on Twelve Months Ended September 30, 2020
 Marketing and Customer Communications Adjustment

Line No.	Marketing	Washington Allocated Amount (a)	Disallowance Percent (b)	Disallowed Amount (c)
1	Marketing Expenses - Account 912	<u>\$227,069</u>	100%	<u>(\$227,069)</u>
	Advertising	System Expensed Amount (a)	Allocation Factor (Residential Customers) (b)	Disallowed Washington Allocated Amount (c)
2	Expenses not qualifying under WAC 480-90-223 (913)	<u>\$490,927</u>	11.64%	<u>(\$57,144)</u>
	Total Marketing and Advertising			
3	Total Adjustment for Marketing & Communications			<u><u>(\$284,213)</u></u>

<u>Line No.</u>	<u>O&M Expense</u>	<u>Construction</u>
	(a)	(b)
1 Expensed during Test period	\$123,746	\$79,360
Normalized Expenses		
2 Actual Claims - Ordinary (Paid)	148,746	66,360
3 3-Year Average Claims - Extraordinary 1/	12,101	0
4 Subtotal	<u>160,848</u>	<u>66,360</u>
5 Adjustment - System (line 4 - line 1)	37,101	(13,000)
6 Allocation to Washington (O&M on 3-factor, const on gross plant)	<u>10.96%</u>	<u>11.97%</u>
7 Adjustment	<u><u>\$4,066</u></u>	<u><u>(\$1,556)</u></u>

1/ Extraordinary Claims	<u>TME September</u>
TME 9/30/18	21,304
TME 9/30/19	(35,000)
TME 9/30/20	<u>50,000</u>
3-Year Average	12,101

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Rate Case Expense Adjustment

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<u>Line No.</u>	<u>O&M Expense (a)</u>
1 Outside Services - Washington Rate Case	<u>\$330,000</u>
2 3-Year Average for rate case frequency	<u>\$110,000</u>
Return on Equity Consultant	\$130,000
Outside Legal	<u>\$200,000</u>
Total	\$330,000

**NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Elimination of Clearing Account Balances**

**Exh. KTW-4
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<u>Line No.</u>	<u>Amount</u>
1 Adjustment to O&M	(\$30,851)
2 Adjustment to Construction	(\$79,301)

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Holdco Adjustment

<u>Line No.</u>		<u>O&M Expense (a)</u>
1	Allocated out of NWN Utility Amount Actual	(456,715)
2	Allocated into NWN Utility Amount Actual	<u>158,071</u>
3	Net Actual	(298,644)
4		
5	Allocated out of NWN Utility Amount Proposed	(260,980)
6	Allocated into NWN Utility Amount Proposed	<u>90,326</u>
7	Net Proposed	(170,654)
8		
9	Net Adjustment - System	127,990
10		
11	WA Allocation - 3-factor	10.96%
12		
13	Total Adjustment - WA	<u><u>14,028</u></u>