

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-5

Line No.	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Pro Forma	Total Yr1 Pro Forma	
	Payroll Adjustment (m)	Payroll Overhead Adjustment (n)	250 Taylor Lease Exp Adjustment (o)	Post Test Year 1 Capital Adjustment (p)	EDIT Rate Base Adjustment (q)	EOP Depreciation Exp. Adjustment (r)	EOP Rate Base Adjustment (s)	EDIT Amort Adjustment (t)	Total Pro Forma Adjustments (u)	
Operating Revenues										
1	Sale of Gas								0	
2	Transportation								0	
3	Miscellaneous Revenues								0	
4	Total Operating Revenues	0	0	0	0	0	0	0	0	
Operating Revenue Deductions										
5	Gas Purchased								0	
6	Uncollectible Accrual								0	
7	Other Operating & Maintenance Expenses	404,585	129,449	307,157					841,191	
8	Total Operating & Maintenance Expense	404,585	129,449	307,157	0	0	0	0	841,191	
9	Federal Income Tax	(84,963)	(33,684)	(64,503)	(295,577)	(2,725)	(132,223)	(26,709)	25,000	(615,384)
10	Property Taxes									0
11	Other Taxes		30,951							30,951
12	Depreciation & Amortization				906,066	0	629,635			1,535,701
13	Total Operating Revenue Deductions	319,622	126,716	242,654	610,489	(2,725)	497,412	(26,709)	25,000	1,792,458
14	Net Operating Revenues	(319,622)	(126,716)	(242,654)	(610,489)	2,725	(497,412)	26,709	(25,000)	(1,792,458)
Average Rate Base										
15	Utility Plant in Service				21,735,766			9,938,907		31,674,673
16	Accumulated Depreciation							(4,418,353)		(4,418,353)
17	Net Utility Plant	0	0	0	21,735,766	0	0	5,520,554	0	27,256,320
18	Storage Gas							(1,145)		(1,145)
19	Aid in Advance of Construction							(125,152)		(125,152)
20	Leasehold Improvements							383,390		383,390
21	Accumulated Deferred Income Taxes					562,500	0	(264,594)		297,906
22	Total Rate Base	0	0	0	21,735,766	562,500	0	5,513,053	0	27,811,319
23	Interest Coordination	0	0	0	501,444	12,977	0	127,186	0	641,607
24	Estimated Revenue Requirement	422,131	167,356	320,478	2,790,790	47,758	656,942	468,074	33,018	4,906,547

Line No.	Income Tax Calculations	Payroll Adjustment	Payroll Overhead Adjustment	250 Taylor Lease Exp Adjustment	Post Test Year Capital Adjustment	EDIT Rate Base Adjustment	EOP Depreciation Exp. Adjustment	EOP Rate Base Adjustment	EDIT Amortization Adjustment	Total Pro Forma Adjustments
		(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)
1	Book Revenues	0	0	0	0	0	0	0	0	0
2	Book Expenses before Deprec. & Interest	404,585	160,400	307,157	0	0	0	0	0	872,141
3	State Tax Depreciation	0	0	0	906,066	0	629,635	0	0	1,535,701
4	Interest Expense (Income)	0	0	0	501,444	12,977	0	127,186	0	641,607
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0
6	Federal Taxable Income	(404,585)	(160,400)	(307,157)	(1,407,510)	(12,977)	(629,635)	(127,186)	0	(3,049,449)
7	Federal Income Tax [1]	(84,963)	(33,684)	(64,503)	(295,577)	(2,725)	(132,223)	(26,709)	25,000	(640,384)
8	ITC	0	0	0	0	0	0	0	0	0
9	Current Federal Tax	(84,963)	(33,684)	(64,503)	(295,577)	(2,725)	(132,223)	(26,709)	0	(640,384)
10	Deferred Income Tax - Federal	0	0	0	0	0	0	0	25,000	0
11	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0
12	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0
13	Total Federal Tax	(84,963)	(33,684)	(64,503)	(295,577)	(2,725)	(132,223)	(26,709)	25,000	(640,384)

Line No.	Total 1/ (a)	Officers 2/ (b)	NBU (c)	BU (d)
1 12 Months Payroll - 9/30/2020	\$114,256,681	\$3,852,994	\$57,593,250	\$52,810,437
2 Payroll - Annualized 3/	114,256,681	3,852,994	57,593,250	52,810,437
3 Annualized 2020 Wage Increases (5 months) NBU	938,001		938,001	
4 Annualized 2021 Wage Increases (12 months) NBU	2,107,125		2,107,125	
5 Annualized 2019 Wage Increases (2 months) BU	422,483			422,483
6 Annualized 2020 Wage Increases (8 months) BU	984,493			984,493
7 Annualized 2021 Wage Increases (12 months) BU				2,331,349
8 Payroll - Normalized	121,040,132	3,852,994	60,638,375	56,548,762
9 O&M Payroll Factor	60.1%	69.0%	62.3%	57.2%
10 O&M Payroll - Normalized	72,782,166	2,658,566	37,777,708	32,345,892
11 O&M Payroll - Actual	68,746,731	2,658,566	35,880,595	30,207,570
12 Adjustment to O & M Payroll - System	4,035,435	0	1,897,113	2,138,322
13 Washington Allocation for O&M Payroll	10.03%			
14 Adjustment to O & M Payroll - Washington	\$404,585			

Notes:

2019 BU Salary Adjustment December 1, 2019	5.00%
2020 BU Salary Adjustment June 1, 2020	2.80%
2021 BU Salary Adjustment June 1, 2021	4.30%
2020 NBU Adjustment March 1, 2020	4.00%
2021 NBU Adjustment March 1, 2021	3.60%

- 1/ Total and Officer columns included to determine company O&M % for some adjustments
 2/ Normalized to test year average pay per executive times TY average 12.5 Officers
 3/ Amounts reflect average salaries

Northwest Natural Gas Company
 Test Year Based on Twelve Months Ended September 30, 2020
 Payroll Adjustment - Excluding Bonuses
 Annualized Wages and Salaries

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<u>Line No.</u>	<u>Officers</u>	<u>NBU</u>	<u>BU</u>
	(a)	(b)	(c)
1 Average Employee Count - Test Period	12.5	530.5	621.5
3 Test Year Payroll (TTM 09/30/20)	\$3,852,994	\$57,593,250	\$52,810,437
4 Average Payroll per Employee (line 3 / line 2)	\$308,240	\$108,568	\$84,975
5 Payroll Based on Average Employees (line 4 * line 1)	<u>\$3,852,994</u>	<u>\$57,593,250</u>	<u>\$52,810,437</u>

Source: Payroll Analysis Report

	<u>Officers</u>	<u>NBU</u>	<u>BU</u>
2019 October	11.0	518.6	633.4
2019 November	11.0	521.6	624.4
2019 December	11.0	528.6	623.4
2020 January	13.0	524.6	631.4
2020 February	13.0	525.6	631.4
2020 March	13.0	531.8	631.4
2020 April	13.0	533.8	625.4
2020 May	13.0	531.8	617.4
2020 June	13.0	533.8	612.4
2020 July	13.0	541.8	607.4
2020 August	13.0	535.8	613.4
2020 September	13.0	538.0	606.4
Average	<u>12.5</u>	<u>530.5</u>	<u>621.5</u>

<u>Line No.</u>	<u>System Adjustment Amount</u> (a)	<u>Washington Allocation Factor 1/</u> (b)	<u>Washington Adjustment Amount</u> (c)
<u>Health and Life Insurance Adjustment</u>			
1	12,362,463		
2	<u>13,077,204</u>		
3	<u>\$714,741</u>	10.03%	<u>71,659</u>

<u>Pension Adjustment - Washington Allocated Costs</u>			
4	1,557,280		
5	<u>1,615,070</u>		
6	<u>\$57,790</u>	100.00%	<u>57,790</u>
7			<u>129,449</u>

Note: Pension administrative costs and Western States not normalized

<u>Payroll Tax Adjustment</u>			
8	72,782,166		
9	<u>68,746,731</u>		
10	4,035,435		
11	<u>7.65%</u>		
12	<u>\$308,711</u>	10.03%	<u>30,951</u>

1/ Payroll Cost Allocation Factor

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
250 Taylor Lease Expense Adjustment

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<u>Line</u> <u>No.</u>	<u>Expense</u> <u>(a)</u>
1 250 Taylor Operations Center Adjustment	<u><u>\$307,157</u></u>

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
Washington Post Test-Year Capital Projects

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<u>Line</u> <u>No.</u>		<u>Year 1</u> <u>Amount</u> (a)
1	Addition to Rate Base (Net Book Value)	\$21,735,766
2	Addition to O&M	\$0
3	Addition to Depreciation Expense	\$906,066

**NW Natural
Excess Deferred Income Tax Amortization Rate Base Adjustment**

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<u>Line No.</u>	<u>Expense (a)</u>
1 Proposed Plant Related Excess Deferred Income Tax Amortization	\$375,000
2 Non-Plant Related Excess Deferred Income Taxes	\$0
3 Total Annual Excess Deferred Income Tax Amortization	<u>\$375,000</u>
4 Reduction of Deferred Taxes - Rate Base (half of three year amortization)	<u>\$562,500</u>

NW Natural
Test Year Based on Twelve Months Ended September 30, 2020
End of Period Depreciation Expense Adjustment

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<u>Line No.</u>	<u>Depreciation Expense</u> (a)
1 Depreciation Expenses (TME 9/30/20)	\$10,935,860
2 Depreciation Expenses (Period Ending 9/30/20) [1]	\$11,565,495
3 Adjustment	<u><u>\$629,635</u></u>

[1] Based on gross plant at September 30, 2020

NW Natural
 Test Year Based on Twelve Months Ended September 30, 2020
 End of Period Rate Base Adjustment

Line No.	Utility Plant in Service	Accumulated Depreciation	Storage Gas	Aid in Advance of Construction	Leasehold Improvements	Accumulated Deferred Income Taxes	
	(a)	(b)	(c)	(d)	(e)	(f)	
1	13 mo. AMA of Test Year	384,133,882	(153,345,015)	2,455,282	(1,031,897)	2,910,412	(40,456,105)
2	End of Period September 30, 2020	394,072,789	(157,763,368)	2,454,137	(1,157,048)	3,293,802	(40,720,700)
3	Adjustment	\$9,938,907	(\$4,418,353)	(\$1,145)	(\$125,152)	\$383,390	(\$264,594)

		Washington Allocated EDIT A	November 2019 - October 2020 C	November 2020 - October 2021 C	November 2021 - October 2022 D	November 2022 - October 2023 D	November 2023 - October 2024 D	Accumulated Amortization
2017 TCJA EDIT Benefit								
Plant EDIT	B	\$ 14,592,172	\$ (400,000)	\$ (400,000)	\$ (375,000)	\$ (375,000)	\$ (375,000)	\$ (1,925,000)

Notes:

- A Washington State Plant EDIT balance of \$14.592 million; Per Washington Utilities and Transportation Commission Order 06, Page 27, Paragraph 72 (Docket UG-181053)
- B Plant EDIT, amortized to the benefit of all Washington customers, subject to the average rate assumption method (ARAM)
- C Initial annual amortization of \$400,000 effective November 1, 2019; Per Washington Utilities and Transportation Commission Order 06, Page 27, Paragraph 72 (Docket UG-181053)
- D Proposed prospective amortization at a rate not to exceed an ARAM normalization speed limit to be effective with new rates in this general rate case. Incorporating annual EDIT amortization in rates of \$375,000 on a prospective basis utilizes nearly all of the available forecasted ARAM amortization as of the end of calendar year 2024.