

BEFORE THE  
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

UG-\_\_  
GENERAL RATE APPLICATION  
OF  
NORTHWEST NATURAL GAS COMPANY

December 18, 2020

**Direct Exhibit of Wayne K. Pipes**

**FACILITIES**

**Exh. WKP-4**

**HQ LEASE FINANCIAL SUMMARY TABLE**

Line	ASSUMPTIONS	OPS	Block 38	Oregon Square	250 Taylor
1	<u>CAPITAL ASSUMPTIONS</u>				
2	Build Out \$ / Sq. Ft.	\$100.00	\$100.00	\$100.00	\$100.00
3	Build Out Landlord Allowance \$ / Sq. Ft.	(\$75.00)	(\$75.00)	(\$65.00)	(\$70.00)
4	Furniture, Fixtures & Equip. (F, F & E) \$ / Sq. Ft.	\$31.94	\$35.00	\$35.00	\$35.00
5	Future Add'l Refurbishment Allowance \$ / Sq. Ft.:				
6	Year 5	---	(\$5.00)	---	---
7	Year 10	(\$5.00)	(\$5.00)	---	---
8	<u>O&amp;M ASSUMPTIONS (YR1 \$ / SQ. FT.)</u>				
9	Office Lease Expense	\$36.03	\$39.74	\$35.75	\$35.00
10	Storage Lease Expense	\$18.00	---	\$15.00	\$18.00
11	Tax & Operating Expenses	---	\$11.00	\$11.00	\$11.00
12	Annual Lease Rate Increase	3.0%	3.0%	3.0%	2.5%
13	<u>RENTABLE SQ. FT. ASSUMPTIONS<sup>1</sup></u>				
14	Total Office Sq. Ft.	179,400	171,000	167,000	172,911
15	Storage Sq. Ft. (Print Room, Mail Room, or Storage)	8,000	---	4,000	834
16	Total Rentable Sq. Ft.	187,400	171,000	171,000	173,745
17	Utility Sq. Ft. Usage <sup>5</sup>	185,684	168,644	168,144	171,765
18	Gas Storage Sq. Ft. Usage	1,716	2,356	2,856	1,980
19	Sublease Sq. Ft. Usage <sup>3</sup>	-	-	-	-
20	Total Sq. Ft Usage	187,400	171,000	171,000	173,745
	<u>FINANCIAL RESULTS</u>				
21	<u>15 YR. NWN CAPITAL COSTS</u>				
22	Initial Build Out <sup>4</sup>	\$17,940,000	\$17,100,000	\$17,100,000	\$17,374,500
23	Less: Build Out Landlord Allowance	(\$13,455,000)	(\$12,825,000)	(\$11,115,000)	(\$12,162,150)
24	Less: Future Add'l Refurbishment Allowance	(\$937,000)	(\$1,710,000)	-	-
25	F, F & E	\$5,985,000	\$5,985,000	\$5,985,000	\$6,081,075
26	Seismic & Other Capital	\$12,205,800	-	-	-
27	TOTAL NWN CAPITAL COSTS	\$21,738,800	\$8,550,000	\$11,970,000	\$11,293,425
28	<u>15 YR. NWN O&amp;M EXPENSE</u>				
29	Lease Expense	\$122,897,568	\$126,389,663	\$112,156,100	\$108,521,958
30	Tax & Operating Expense	\$7,735,506	\$34,984,557	\$34,166,205	\$35,375,525
31	TOTAL O&M EXPENSE	\$130,633,074	\$161,374,220	\$146,322,305	\$143,897,483
32	<u>PRESENT VALUE REV. REQUIREMENT (PVRR=COST TO CUSTOMERS)</u>				
33	15 YR. PVRR of Total Building <sup>5</sup>	\$98,862,305	\$108,024,888	\$101,883,488	\$98,681,330
34	Less: Gas Storage Allocation	(\$778,334)	(\$1,488,343)	(\$1,725,382)	(\$1,143,528)
35	Less: Sublease Allocation <sup>3</sup>	-	-	-	-
36	15 YR. PVRR Utility Building Lease Space	\$98,083,971	\$106,536,545	\$100,158,106	\$97,537,802
37	Add: Company Vehicle Parking Expense	-	\$1,773,568	\$902,907	\$1,709,075
38	Add: Truck Lot Proceeds <sup>6</sup>	-	(\$8,500,000)	(\$8,500,000)	(\$8,500,000)
39	15 YR. PVRR Utility Lease Space w/ Parking	\$98,083,971	\$99,810,113	\$92,561,013	\$90,746,877
40	15 YR. PVRR delta from least cost option	\$7,337,095	\$9,063,237	\$1,814,137	\$0
41	15 YR. PVRR Ranking	3	4	2	1

GLOBAL ASSUMPTIONS

- 42 -All scenarios unless specifically noted otherwise are 15 year leases beginning 6/1/2020.
- 43 -Discount rate for PVRR and Rate of Return assumes the capital structure approved in the last General Oregon Rate Case (50% LTD and 50% equity) with a 6.06% LTD rate and a 9.5% return on equity. The Rate of Return (WACC) is therefore assumed at 7.78% before-tax or 6.59% after-tax.

FOOTNOTE

- <sup>1</sup>All options include sq. footage for both Gas Storage and future data center.
- <sup>2</sup>Difference in utility sq. ft. needed in the two 250 Taylor options reflect new assumptions which assumes NWN rents entire building (+11k), reduced RSF from 15 year proposal (-4k), and allowed for better floor optimization allow potential to sublease entire floor (-18k)
- <sup>3</sup>Assumes subleasing potential 18,026 sq. ft. of space.
- <sup>4</sup>Data Center capital expense not included in any scenario.
- <sup>5</sup>PVRR for OPS includes benefit of 12 mo. free rent; 250 Taylor options include benefit of 4 mo. free rent at OPS monthly lease amount.
- <sup>6</sup>Assumes Sale of Truck Lot in \$8M-\$9M range, all of which assumed to be net of book value.