BEFORE THE

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. NORTHWEST NATURAL GAS COMPANY, Respondent.	DOCKET UG-18___

NORTHWEST NATURAL GAS COMPANY

Direct Testimony of Sean R. Borgerson

FEDERAL INCOME TAX REFORM

Exh. SRB-1T

December 31, 2018

DIRECT TESTIMONY OF SEAN R. BORGERSON

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I. INTRODUCTION AND SUMMARY

Q. Please state your name, address and position.

A. My name is Sean Borgerson. I am currently the Tax Director for NW Natural Gas Company ("NW Natural" or "Company") and my business address is 220 NW Second Avenue, Portland, Oregon 97209.

Q. What are your responsibilities with NW Natural?

A. At NW Natural, I oversee the accounting, compliance, planning, and analysis of direct and indirect taxes, as well as the continued technical and professional development of the internal tax function. Prior to joining NW Natural in 2014, I worked with Deloitte Tax LLP for seventeen years. While with Deloitte, I specialized in corporate and partnership taxation, financial accounting for income taxes, and internal control environments for income tax. I also represented clients before federal and state taxing authorities, was a national tax technical training facilitator, and served as a coach and mentor to other tax professionals.

Q. What is the purpose of your testimony?

A. In this testimony, I discuss the federal Tax Cuts and Jobs Act (the TCJA or alternatively referred to as tax reform) with respect to NW Natural's Washington utility operations. I will first provide background and context regarding the impacts of federal income tax reform, and then describe: (1) the Company's calculation of the benefit from the lower income tax rate for the period January 1, 2018 through November 30, 2019 (the Interim Period), which reflects the Company's estimated results during the Interim Period, as well as the proposed ratemaking treatment for the Interim Period benefit; and (2) the Company's calculation for the remeasurement of NW Natural's cumulative utility deferred income tax balances, recorded upon TCJA enactment in 2017 (Excess Deferred Income Taxes or EDIT), and the proposed regulatory treatment for the EDIT balances.

Q. Please summarize your testimony.

A. I will first provide background and context regarding the impacts of federal income tax reform, and then describe: (1) the Company's calculation of the benefit from the lower income tax rate for the period January 1, 2018 through November 30, 2019 (the Interim Period), which reflects the Company's estimated results during the Interim Period, as well as the proposed ratemaking treatment for the Interim Period benefit; and (2) the Company's calculation for the remeasurement of NW Natural's cumulative utility deferred income tax liability balances, recorded upon TCJA enactment in 2017 (Excess Deferred Income Taxes or EDIT), and the proposed regulatory treatment for the EDIT balances.

II. OVERVIEW OF THE TAX CUTS AND JOBS ACT

Q. Please provide an overview of the TCJA and how it impacts NW Natural's federal income taxes.

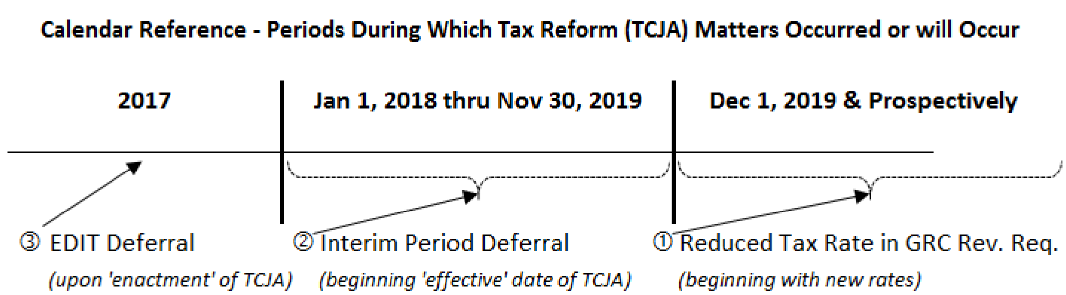
A. On December 22, 2017, comprehensive income tax reform was enacted into law, known as the Tax Cuts and Jobs Act. The TCJA permanently lowered the federal corporate income tax rate from 35 percent to 21 percent, effective as of January 1, 2018.

The reduction in the federal corporate income tax rate raises three different matters for regulatory consideration:

1. The need to reflect the lower federal income tax rate in NW Natural's Washington utility rates effective December 1, 2019 (rate effective date);
2. The calculation and appropriate regulatory treatment of the Interim Period benefit, which NW Natural is deferring (Interim Period Deferral); and
3. The remeasurement and appropriate regulatory treatment for the benefit from the net decrease in NW Natural's cumulative utility deferred income tax liability balances, recorded upon enactment in 2017, which NW Natural is currently deferring (EDIT Deferral).

These three regulatory matters are all a result of the TCJA, but they are separate and distinct issues occurring during different calendar periods. Please see the timeline included as Figure 1 below for reference.

Figure 1



Q. Is the lower federal income tax rate of 21 percent reflected in NW Natural's Washington revenue requirement as filed in this proceeding?

A. Yes. The reduction to income tax expense as a result of the TCJA income tax rate reduction from 35 percent to 21 percent has been fully reflected in this general rate case ("GRC") as currently filed and no further action is necessary. The GRC revenue requirement in the filing by NW Natural, dated December 31, 2018, reflects the lower federal income tax rate made available by the TCJA. Mr. Kevin McVay's testimony (Exh. KSM-1T) indicates that the reduced federal income tax rate resulting from the TCJA was used to calculate the income taxes for the test year.

III. INTERIM PERIOD DEFERRAL

Background and Context Regarding Interim Period Deferral

Q. Please describe the Interim Period and the Company's Interim Period Deferral.

A. For the period January 1, 2018 through November 30, 2019, NW Natural's regulated Washington utility income tax expense is reduced as a result of the decrease in the federal income tax rate. NW Natural anticipated that the lower income tax rate would result in a benefit during the Interim Period and filed a TCJA-related deferral application with the Washington Utilities and Transportation Commission (WUTC or Commission) on December 29, 2017, which was docketed as UG-171224.[1] The purpose of the deferral application was to permit the Company to "defer all costs and benefits resulting from tax reform, so that an appropriate net adjustment can be made

[1] *In the Matter of Northwest Natural Gas Co., dba NW Natural, Application for Authorization to Defer Certain Expenses or Revenues Associated with the 2018 U.S. Tax Cuts and Jobs Act,* Docket No. UG-171224, Application (Dec. 29, 2017).

to customers' rates in the manner approved by the Commission in the future" — which would allow the Company to benefit customers with an appropriate amount of the anticipated net savings from the TCJA.

The Interim Period Deferral began on January 1, 2018, the effective date of the TCJA tax rate reduction, and will continue through November 30, 2019 which is the day before the planned rate effective date from this proceeding. Each month during the Interim Period, NW Natural records a reduction to revenue for the estimated net benefit, which includes a gross up for income taxes, and records the offsetting balance to a regulatory liability account.

Calculation of the Interim Period Deferral

Q. How did the Company calculate the Interim Period Deferral amount?

A. To calculate the net reduction to income tax expense from the TCJA, NW Natural is utilizing a 2018 Washington Annual Commission Basis Report (CBR) format to perform a "with" and "without" TCJA calculation. Using 2018 actual results is consistent with Commission policy as recently clarified in Order No. 07 in Cascade Natural Gas' recent Docket UG-170929.[2] It is necessary to consider the actual Interim Period income tax benefit so that customers are not over or under-refunded.

Q. What is a "with" and "without" calculation?

[2] Wash. Utils. & Transp. Comm'n Cascade Natural Gas Corp., Docket UG-170929, Order 07

A. The “with” and “without” TCJA calculation prepared by NW Natural is calculating the Washington regulated gas utility after tax earnings, for the 2018 calendar year, using a 21 percent federal income tax rate (i.e., “with” TCJA) and comparing that to the after tax earnings that would have occurred using a 35 percent federal income tax rate (i.e., “without” TCJA). This comparison is a straight-forward and reliable way to identify the additional earnings that occurred during 2018 as a result of the lower federal tax rate in the period in which the lower rate was in effect. An additional with and without calculation following the same approach will be performed for 2019 for the period from January 1, 2019 through November 30, 2019 (the day before the rate effective date in this proceeding). Together, the 2018 and 2019 schedules will cover the full Interim Period.

Q. Did the Company prepare an exhibit supporting the Interim Period Deferral amount?

A. Yes. The Exh. SRB-2 presents the details of the Interim Period Deferral. The exhibit presents the full calendar year 2018 forecasted Interim Period tax benefit calculated using actual data through October of 2018 and estimated data for November and December of 2018. The Interim Period tax benefit is $901 thousand which results in an Interim Period Deferral of $1.14 million with the addition of an income tax gross up adjustment. For comparison purposes, it also shows the Company’s internal forecast of the full calendar year 2018 Interim Period benefit prepared in January 2018 using all estimates. NW Natural’s calculation of the Interim Period benefit has been consistently applied since the petition for deferral was filed at the end of December 2017.

Proposed Treatment of Interim Period Deferral

Q. What options are available to return the benefit of the Interim Period Deferral to customers?

A. There are a number of ways that customers could receive the benefit of the Interim Period Deferral. These options are not mutually exclusive and they could be used in combination. The methods include: customer billing credits, application to an outstanding regulatory asset, or application to new or existing capital projects.

Q. Does the Company have a proposal to address the Interim Period Deferral?

A. Yes. NW Natural proposes that the Interim Period Deferral balance be reflected as a reduction in customer rates through a separate tariff rider over a twenty-three month period beginning on December 1, 2019 which is the anticipated effective date of new rates from this proceeding. The twenty-three month period is equal to the length of the Interim Period Deferral period which began on January 1, 2018 and will end on November 30, 2019 (the day before the rate effective date from this proceeding).

Q. What is the initial Interim Period Deferral amortization amount that the Company is proposing?

We propose that the amount to begin amortizing over this twenty-three month period is $2.1 million. This figure includes the $1.14 million deferred for calendar year 2018 plus an additional $960 thousand as an estimate of the deferral for the period beginning January 1, 2019 and ending November 30, 2019. The $960 thousand figure is arrived at by multiplying the full calendar year 2018 deferral figure of $1.14 million by 84 percent which is the approximate percent of the Company's Washington sales volumes[3] that occur from January through November.

Q. How does the Company propose to address any difference between the initial Interim Period Deferral amortization of $2.1 million and the actual Interim Period Deferral benefit once it is known?

A. The Company proposes to update the Interim Period Deferral calculation for the twenty-three month period ending November 30, 2019 concurrently with the filing of the Company's 2019 annual Commission Basis Report on or before May 1, 2020. If there is any difference between the Interim Period Deferral amount using actual results, and the initial amortization of $2.1 million, the Company would propose to amortize this difference coincident with the annual purchased gas adjustment beginning November 1, 2020. This ensures that the full and actual amount of the Interim Period Deferral benefits customers.

IV. EXCESS DEFERRED INCOME TAXES DEFERRAL

Background and Context for EDIT

Q. Please describe what deferred taxes are, and how they come about.

A. Accumulated deferred income tax assets and liabilities (ADIT) generally represent the cumulative difference between total income tax expense included in utility

[3] Wash. Utils. & Transp. Comm'n Cascade Natural Gas Corp., Docket UG-170929, Order 06, paragraph 43. Commission adopted Staff's proposal to use volumetric data to determine the pro-rata interim period deferral for a period which was less than a full year.

ratemaking vs. income taxes actually paid to the government by the utility (total income tax expense = current income taxes + deferred income taxes). ADIT primarily arises when accelerated and/or bonus tax depreciation on utility plant provides for a temporary delay of a portion of income taxes payable until later in a new asset's operating life.

ADIT directly benefits ratepayers and is akin to a utility rate subsidy provided by the government. For example, if NW Natural was able to claim an additional income tax deduction for plant depreciation (in excess of book depreciation on utility plant) of $100 the federal benefit of that accelerated deduction was recorded in the books and records as a deferred tax liability of $35 (a result of a pre-TCJA 35 percent federal income tax rate). This represents $35 of interest free financing and as a result the rate base on which customer rates are determined was also reduced by $35. The reduction to rate base passes the full benefit of the deferred tax liability to customers. Thus, to the extent that the payment of income taxes by the utility is deferred until a later period, the full benefit of that deferral—the ADIT—is subtracted from rate base on which customer rates are based.

NW Natural avails itself of available methods to accelerate tax recovery of plant assets as part of normal income tax planning and managing for lower customer rates. The benefits of ADIT are passed on to customers through a recognition that they provide the utility with interest-free financing for a time, and therefore they warrant an offset to the utility's rate base.

Remeasurement of EDIT

Q. Please explain the remeasurement of deferred taxes that was required as a result of the TCJA.

A. Accounting Standards Codification (ASC) 740, issued by the Financial Accounting Standards Board (FASB), requires remeasurement of deferred tax liabilities and deferred tax assets for the effects of a change in tax laws or rates in the period that includes the enactment date (December 22, 2017) of the TCJA. An entity with a calendar fiscal year-end, like NW Natural, was required to recognize the effects of the federal legislation in December 2017.

Q. Did NW Natural remeasure its deferred tax liabilities and assets to take into account the TCJA?

A. Yes. Federal ADIT was remeasured in December of 2017, the enactment period of the TCJA, using the newly lowered income tax rate. The change in ADIT was determined by measuring the federal temporary differences using a 21 percent federal statutory income tax rate and comparing this result to the federal ADIT balance existing immediately prior to the remeasurement. The change in ADIT, or excess deferred income tax (EDIT) amount, was recorded as a net reduction in ADIT with an offsetting entry to a new regulatory liability account.

The remeasurement of taxes can be illustrated continuing the example from above regarding the benefits of ADIT. The TCJA lowered the federal income tax rate to 21 percent when it was enacted into law in December of 2017. As a result of the reduced tax rate, the $100 accelerated tax depreciation deduction taken in a pre-TCJA year, originally resulting in a $35 deferred tax liability will only require a federal tax payment of $21 when it reverses in a post-TCJA enactment year. To reflect this reduced liability, the Company 'remeasured' its regulatory federal accumulated deferred tax liabilities and assets in December of 2017. Without regulatory deferral accounting, the reduced net deferred tax liability as a result of remeasurement would have resulted in an income tax benefit being recorded in 2017 equal to the full amount of the net deferred tax liability reduction.

Q. Has NW Natural requested deferred accounting treatment for the benefit resulting from the remeasurement of deferred taxes?

A. Yes. The TCJA-related deferral application filed by NW Natural in December 2017 addressed the deferral of the excess deferred income taxes benefit, in addition to the Interim Period Deferral of reduced tax expense. NW Natural anticipated that the lower income tax rate would result in a net benefit from the remeasurement of deferred income tax balances and filed a TCJA-related deferral application with the Commission on December 29, 2017, which was docketed as UG-171224.[4] The purpose of the deferral application was to permit the Company to "defer all costs and benefits resulting from tax reform, so that an appropriate net adjustment can be made to customers' rates in the manner approved by the Commission in the future" — which would allow the Company to benefit customers with an appropriate amount of the anticipated net savings from the TCJA.

[4] *In the Matter of Northwest Natural Gas Co., dba NW Natural, Application for Authorization to Defer Certain Expenses or Revenues Associated with the 2018 U.S. Tax Cuts and Jobs Act,* Docket No. UG-171224, Application (Dec. 29, 2017).

ASC 980, also issued by the FASB, indicates that if the Company determines that, as a result of a regulatory action, it is probable that the reduction in income tax expense recorded in 2017 as a result of the deferred tax remeasurement will accrue to the benefit of customers, then the income tax benefit should be reversed and a regulatory liability should be recorded. This occurred in December 2017. The regulatory liability for the EDIT was recorded in 2017 as a result of the Company's view of the probable regulatory outcome, which is that customers will receive the benefits of EDIT related to the utility. Federal Energy Regulatory Commission (FERC) guidance in AI93-5-000 mirrors the guidance in ASC 980 on this topic. NW Natural's accounting reflects adherence to both of these guidelines.

Q. Is there any uncertainty with respect to the current amounts deferred for excess deferred income tax remeasurement?

A. NW Natural is not aware of any ongoing uncertainty regarding EDIT balances as determined by the Company. At the time the application for deferral was filed there was some uncertainty since forthcoming TCJA guidance from the U.S. Treasury and final figures from the 2017 federal corporate income tax return could result in changes to the EDIT balances as originally recorded. Treasury guidance regarding the TCJA bonus depreciation rule changes was issued in August of 2018 and the 2017 corporate income tax return was completed and filed in October of 2018. As a result, there were relatively small changes to the original EDIT balances recorded in December of 2017. No further changes are anticipated.

Q. Please describe the EDIT balances.

A. The Company's total Washington EDIT is comprised of the separate EDIT balances for Plant, and Non-Plant categories. The Company has prepared exhibits which provide additional detail to support the Washington EDIT balances:

- Exh. SRB-3– Deferred Tax Remeasurement Plant; and
- Confidential Exh. SRB-4C – Deferred Tax Remeasurement Non-Plant

Together, these documents support the remeasurement liability balances for consideration in this proceeding: Plant $14.592 million, and Non-Plant ($320) thousand.[5]

Additional Context Regarding Different Categories of EDIT

Q. Are there different categories of EDIT?

A. Yes. As explained above, the Company's EDIT is comprised of the total EDIT for Plant, and Non-Plant.

Q. Could you please describe the different types of EDIT in greater detail?

A. All deferred tax balances included in ratemaking were remeasured and deferred in a regulatory liability account that includes an income tax gross up. Plant-related remeasurement balances are generally subject to normalization considerations and non-plant balances are not subject to these considerations. As a result, we have grouped the effects of remeasurement into two categories, plant and non-plant.

Q. Are there any special considerations for the EDIT associated with the Non-Plant category?

[5] Note that the Non-Plant regulatory liability balance is actually negative which indicates that the non-plant deferred tax category was a net asset not a liability. The remeasured non-plant EDIT balance in this case is a recoverable asset rather than a creditable liability.

A. The deferred tax remeasurement deferral for Non-Plant relates to all customer classes so there are no relevant rate design considerations for returning this benefit to customers. In addition, normalization consideration do not apply to non-plant deferred taxes. As previously noted, the non-plant EDIT balance is a recoverable asset rather than a creditable liability.

Q. Are there any special considerations for the EDIT associated with the Plant category?

A. Yes. The amortization of plant EDIT is generally subject to normalization requirements, which set a limit on how quickly plant related EDIT should be returned to customers. NW Natural refers to this as a "speed limit" for return of EDIT. If the Company returns plant related EDIT faster than the "speed limit," the Company could be subject to a normalization violation, which would result in a dollar-for-dollar additional income tax liability of the amounts returned too quickly as well as the inability to use accelerated tax depreciation.

Q. Please explain further.

A. The normalization language in the TCJA indicates that a taxpayer, in this case NW Natural, would commit a normalization violation, "if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method." The language can be broken down into several pieces to be better appreciated:

- "in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account": This indicates that normalization only applies if the benefit of excess deferred taxes is shared with customers. In NW Natural's case, this applies, because the benefit will be shared with customers. The TCJA does not, in and of itself, however, require this result.
- "reduces the excess reserve more rapidly or to a greater extent": This is simply the setting of an upper "speed limit." It is not setting a specific speed requirement. In other words, the language says that to the extent the benefit is shared with customers, it cannot be done faster than the limit provided for in the law, without other tax consequences (i.e., the additional tax liability)
- "would be reduced under the average rate assumption method": The average rate assumption method (ARAM) is a specific formulaic method for creating an amortization schedule. So the ARAM amortization schedule is to be used as a benchmark for the speed limit but it is in no way required to be used as the regulatory prescribed result.

In summary, the normalization rule for excess deferred income taxes comes into play when the plant related excess tax reserves are used to benefit customers and the excess tax reserve is reduced more rapidly (or to a greater extent) than the reserve would be reduced under a model amortization schedule, the Average Rate Assumption Method (ARAM). There is nothing in the normalization rule that dictates a specific accounting treatment, a time limit for settlement of the excess tax reserves, or requires that the Commission address excess tax reserves in a particular way.

Q. Please describe further the impacts that the normalization requirements may have on potential amortization of the EDIT Deferral.

A. The federal normalization rules indicate that the ARAM amortization method is the primary method to be used to develop the annual "speed limit" test. However, the TCJA goes on to provide that if the data to prepare the ARAM schedule is not available, then the Reverse South Georgia Method (RSGM) can be used. A more thorough reading of the legislation and history clarifies that the data availability test for ARAM vs. RSGM is a vintage-by-vintage one (i.e., year by year – 2001, 2002, 2003, etc.). In other words, if the data exists to prepare an ARAM schedule for every vintage except one, then RSGM can only be used for the one vintage in which the required data to calculate ARAM is not available.

Q. Please describe the amortization schedules that result from the ARAM method and the RSGM method.

A. The ARAM method results in an amortization schedule that mimics the timing of when the deferred tax reversal would have been payable to the taxing authorities in the absence of a tax rate reduction. The RSGM method results in an amortization schedule that is straight-line over the remaining regulatory life of the property.

Q. Can NW Natural simply elect to use RSGM despite the fact that it has the data available to use ARAM?

A. No. Using RSGM when the data is available to use ARAM would result in the use of an incorrect speed limit to measure against the annual customer benefit from excess deferred income taxes and could result in a normalization violation.

Proposed Treatment of the EDIT Deferral

Q. What options are available to benefit customers with the EDIT Deferral?

A. There are a number of ways that NW Natural could return the benefits of the EDIT Deferral to customers. These options are not mutually exclusive and they could be used in combination. One area of concern is the varying degrees of impact on operating cash flows from the available options.[6] The methods include: customer billing credits, application to an outstanding regulatory asset, or application to new or existing capital projects.

Q. Will customers continue to receive a benefit associated with the EDIT Deferral until the appropriate ratemaking treatment for EDIT is determined and implemented?

A. Yes. Customers will continue to receive a benefit because the calculation of rate base, as included in the rate case revenue requirement model, continues to include a reduction to rate base for the EDIT balance. As a result, customers will continue to benefit from the EDIT in the revenue requirement determination at the authorized rate of return. Amortization of the EDIT to the benefit of customers will result in a

[6] Moody's Investors Service, in January of 2018, issued a credit rating downgrade warning with respect to NW Natural and twenty three other rate regulated utilities. The credit downgrade watch is a direct outcome of federal income tax reform and includes forecasts of more challenging cash flows. Using a combination of options to benefit customers, which considers the relative cash flow impacts of each, would be appropriate in an effort to help reduce downgrade risk and the resulting potential for higher financing costs.

reduction of the EDIT balance and a corresponding increase in rate base. As noted in Mr. Kevin McVay's testimony (Exh. KSM-1T), the Company is proposing to increase rate base in this proceeding by one half of the first three years of EDIT amortization benefit accruing to customers. This is an increase to rate base of approximately $550 thousand dollars and is further supported in Exh. SRB-5.

Q. What is the Company's proposal to address the EDIT Deferral?

A. As discussed earlier regarding the return of the Interim Period Deferral benefit, there are operating cash flow considerations and their associated credit rating risks that are important to consider in conjunction with the TCJA deferrals. NW Natural proposes that for the next five years, the plant related EDIT be amortized in the amount of $400 thousand annually, and the non-plant EDIT be amortized in full over ten years at an annual amount of $32 thousand (recall that non-plant amortization is a collection rather than a return).

Q. Please describe the Plant related EDIT deferral proposal in more detail.

A. NW Natural proposes that for the next five years, the plant related EDIT be amortized in the amount of $400 thousand annually through a separate tariff rider. This proposal 1) provides a fixed per therm amount to be returned to customers annually, 2) provides a timely return of the benefits of tax reform, and 3) is designed to utilize all but a very small portion of the available ARAM 'speed limit' by the end of 2023. This very small portion of remaining ARAM is intended to serve as a cushion to help avoid an inadvertent normalization violation. Exh. SRB-6 demonstrates how this annual amortization amount reflects consideration of the available ARAM amortization ‘speed limit’.

The annual plant related EDIT amortization of $400 thousand would be grossed up for income taxes and be reflected as a reduction in annual rates of $506 thousand. This gross up reflects the new 21 percent federal income tax rate [1 / (1-0.21) = 1.266] and is further demonstrated in Exh. SRB-7.

It is anticipated that annual ARAM amortization amounts will vary, perhaps significantly, from year to year. In order to balance the competing needs of avoiding a normalization violation, yet returning the TCJA benefits to customers on a timely basis, the plant related EDIT amortization should be reviewed on periodic basis. We propose that the annual amortization amount be revisited in the fifth year (i.e., late 2023 or early 2024) in order to arrive at an appropriate amortization amount for next five prospective years while continuing to consider the annual ARAM ‘speed limit’.

Q. Please describe the Non-Plant related EDIT deferral proposal in more detail.

A. NW Natural proposes that the non-plant EDIT be amortized in full over ten years at an annual amount of $32 thousand (recall that non-plant EDIT amortization is a collection rather than a return) through a separate tariff rider. This proposal 1) provides a fixed per therm amount to be collected from customers annually, and 2) spreads out the collection of this amount over ten years.

The annual non-plant related EDIT amortization of $32 thousand would be grossed up for income taxes and be reflected as an increase in annual rates of $40 thousand. This gross up reflects the new 21 percent federal income tax rate [1 / (1-0.21) = 1.266] and is further demonstrated in Exh. SRB-7.

V. SUMMARY OF NW NATURAL'S TCJA NET TAX BENEFIT PROPOSALS

Q. Please summarize NW Natural's proposals to benefit customers with the net benefits from the TCJA.

A. NW Natural proposes to credit customers $2.1 million over twenty-three months to address the Interim Period Deferral benefit. Any difference between the estimate used to arrive at the $2.1 million figure and the actual Interim Period benefit which will be known when calendar year 2019 is complete would be amortized coincident with the Company's purchased gas adjustment beginning November 1, 2020.

NW Natural proposes to credit to customers $506 thousand annually for five years to begin to address the Plant related EDIT balance. This annual amortization amount would be reset in a future filing by the Company in year five (i.e., late 2023 or early 2024) to determine the annual amortization amounts for next five years. Amortization amounts of plant related EDIT will consider the ARAM normalization 'speed limit' requirements.

NW Natural proposes to collect $40 thousand annually from customers for ten years to reflect full recovery of the Non-Plant EDIT balance. This balance is not subject to normalization considerations.

NW Natural proposes that all of these amortization amounts be included as a separate tariff rider (Sheet 305.1). This allows the actual amortization amounts that occur to be tracked and ensures customers receive the full net benefit from the TCJA that NW Natural has deferred for that purpose.

Q. Does this conclude your testimony?

A. Yes. Thank you.

VI. LIST OF EXHIBITS

Exh. SRB-2	Interim Period Benefit Progression
Exh. SRB-3	EDIT Remeasurement Plant
Exh. SRB-4C	EDIT Remeasurement Non-Plant (Confidential and Redacted)
Exh. SRB-5	EDIT Remeasurement Rate Base Increase
Exh. SRB-6	EDIT Remeasurement Plant Relative to ARAM
Exh. SRB-7	EDIT Remeasurement Liability Amortization