

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Complainant,

v.

NORTHWEST NATURAL GAS COMPANY,

Respondent.

**DOCKET NO. UG-031885**

**STIPULATION**

This Stipulation is entered into by all parties in Docket No. UG-031885 for the purpose of resolving all issues in this Docket, a general rate filing by Northwest Natural Gas Company (“NW Natural” or the “Company”).

1. The parties to this Stipulation are NW Natural, the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Public Counsel Section of the Washington State Attorney General’s Office (“Public Counsel”), the Northwest Industrial Gas Users (“NWIGU”), and the Citizens’ Utility Alliance of Washington (“CUA”) (each, a “Party”; collectively, the “Parties”).

2. On November 19, 2003, NW Natural filed revised tariff schedules to effect an overall average 15 percent rate increase for Washington natural gas customers, representing a total revenue requirement request of \$7,894,383. The Company based its filing on the 12-month test period ending June 30, 2003. The filing was suspended by the Commission at its December 10, 2003 public meeting.

3. Following extensive discovery by the Parties with respect to the Company’s direct case, the Parties held settlement conferences in this Docket on April 15 and April 22, 2004. As a result of the settlement conferences, the Parties have agreed to a resolution of all issues in this Docket, including NW Natural’s overall revenue requirement, rate spread, rate design, and ratemaking issues associated with a low-income weatherization program, the South Mist Pipeline Extension (“SMPE”), Interstate Storage Services, the Company’s new Vancouver Service Center, and the Company’s decoupling proposal.

4. The Parties therefore adopt the following Stipulation, which the Parties have entered into voluntarily to resolve matters in dispute among them and to expedite the orderly disposition of this proceeding. The Parties submit this Stipulation to the Commission and request that the Commission approve the settlement as presented.

## **AGREEMENT**

### **1. Revenue Requirement**

The Parties agree to an overall revenue requirement increase for the Company's Washington operations of \$3.5 million. The Parties have negotiated this revenue requirement increase without regard to any specified adjustments to revenue, expense, rate base items, cost of capital components, or the Company's capital structure, except as provided in paragraph 5 (SMPE) and paragraph 6 (the Vancouver Service Center).

### **2. Rate Spread**

The Parties agree to the following methodology to allocate the Company's total \$3.5 million revenue requirement increase in this proceeding. First, the revenue requirement increase will be spread on an equal percent of margin basis to all rate schedules in NW Natural's current tariff. Second, following the consolidation of particular rate schedules, as set forth in paragraph 3 below, rates will be reallocated to the schedules resulting from the Company's new rate design. This agreed-upon methodology is presented in tabular format on **Attachment A** to this Stipulation.

### **3. Rate Design**

The Parties agree that the Company's rates will be redesigned to consolidate schedules and to implement other rate design changes, as described in **Attachment A**. The Parties acknowledge that the rates reflected in the new rate schedules (as set forth in **Attachment A**) may increase as a result of the rate increase associated with the inclusion of the SMPE investment in NW Natural's permanent rates, as provided in paragraph 5 below. The Parties further acknowledge that margin adjustments in the future arising from factors not addressed in this Docket may affect the rates listed in the new rate schedules set forth in **Attachment A**.

### **4. Low-Income Weatherization Program**

The Parties agree that the Company will implement a low-income weatherization program under the terms set forth in **Attachment B** to this Stipulation. The Company may defer and seek recovery of costs associated with the low-income weatherization program in a manner consistent with the recovery of cost-effective conservation costs, as allowed in the Order Granting Accounting Petition in Dockets UG-011230 and UG-011231. Consistent with current cost-recovery methodology, such costs will be allocated to gas sales rate schedules.

### **5. South Mist Pipeline Extension**

The revenue requirement impacts associated with SMPE will be removed from this Docket. The Parties agree that the revenue requirement impacts (including costs and benefits) associated with the SMPE investment shall be reflected in permanent rates, and Interstate Storage Services benefits shall be recovered coincidentally through the Purchased Gas Adjustment, on the SMPE Rate Effective Date (defined below); provided, however, that the

Company's construction and associated costs will be subject to audit by the Commission to ensure that only actual, prudently incurred costs are included in rates. In the event such audit is not completed by the SMPE Rate Effective Date, the portion of the rate change reflecting the revenue requirement impact of SMPE shall be placed into effect subject to refund, pending the outcome of such audit.

For purposes of this paragraph 5, "SMPE Rate Effective Date" means either October 1, 2004, or November 1, 2004, or December 1, 2004, as determined in accordance with the following provisions.

The Parties anticipate that the SMPE will be in service and the Commission's audit will be complete prior to the next available Purchased Gas Adjustment filing, to be effective as of October 1, 2004. So long as the SMPE facilities are placed into service as of such date, the associated costs and benefits shall be reflected in rates as well. The revenue requirement impact associated with inclusion of SMPE shall be spread on an equal percent of margin basis to all firm and interruptible sales rate schedules in NW Natural's then-existing Washington tariff. Within each such rate schedule, the per-therm charge for that schedule will be developed on an equal cents per therm basis using settled volumes grossed up for the future SMPE in-service rate year.

In the event the SMPE facilities are not placed into service as of October 1, 2004, the effective date of such Purchased Gas Adjustment Filing may be delayed to no later than December 1, 2004. In the event the SMPE facilities are not placed into service by December 1, 2004, the associated costs shall not be included in permanent rates pursuant to this Stipulation. Nothing in this Stipulation will prevent the Company from seeking inclusion of such costs in a subsequent general rate filing, in response to which all Parties are free to take whatever position they choose.

## **6. Vancouver Service Center**

The revenue requirement impacts associated with the Company's proposed new Vancouver Service Center and the treatment of gain on sale of the old facility will be removed from this Docket. The Parties acknowledge that nothing in this Stipulation affects or limits NW Natural's ability to request, in a subsequent general rate filing, that the revenue requirement associated with the Vancouver Service Center be included in rates at that time. All Parties are free to take whatever position they choose in response to a subsequent general rate filing.

## **7. Decoupling**

The Company withdraws its decoupling proposal in this proceeding. The Parties acknowledge that nothing in this Stipulation affects or limits NW Natural's ability to submit a decoupling proposal in any subsequent filing. All Parties are free to take whatever position they choose in response to a subsequent filing.

## **8. Rate Effective Date**

The Parties agree that the Company's new rates under the terms of this Stipulation will take effect on July 1, 2004, except as provided in paragraph 5 (South Mist Pipeline Extension).

## **9. General Provisions**

(a) The Parties acknowledge and intend that this Stipulation represents a complete settlement of issues in this Docket. The Parties recommend that the Commission resolve all issues in this Docket as set forth in this Stipulation. The Parties agree to support the resolution of issues set forth in this Stipulation.

(b) The Parties agree that this Stipulation is in the public interest and, if implemented, will result in rates that are fair, just, reasonable, and sufficient.

(c) The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other party in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, and no Party shall be deemed to have agreed that this Stipulation as a whole is of any precedential value.

(d) The Parties shall cooperate in submitting this Stipulation to the Commission for acceptance. Each Party agrees to (i) support this Stipulation throughout this proceeding and any appeal, (ii) provide a witness to sponsor this Stipulation at a Commission hearing, and (iii) recommend that the Commission issue an order adopting the settlements contained herein.

(e) In the event the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, each Party reserves the right, upon written notice to the Commission and all parties to this proceeding within 15 days of the Commission's order, to withdraw from this Stipulation. In such event, the Parties agree to cooperate in setting a revised procedural schedule in this Docket that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in preparing testimony, participating in hearings, and preparing briefs.

(f) The Parties have negotiated this Stipulation as an integrated document. Accordingly, the Parties recommend that the Commission adopt this Stipulation in its entirety.

(g) This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: May 13, 2004.

NORTHWEST NATURAL  
GAS COMPANY

CHRISTINE O. GREGOIRE ,  
WASHINGTON ATTORNEY GENERAL

By: \_\_\_\_\_  
C. Alex Miller  
General Manager,  
Rates & Regulatory Affairs

By: \_\_\_\_\_  
Gregory J. Trautman  
Assistant Attorney General  
Counsel for WUTC Staff

Date: \_\_\_\_\_

Date: \_\_\_\_\_

CHRISTINE O. GREGOIRE ,  
WASHINGTON ATTORNEY GENERAL

NORTHWEST INDUSTRIAL  
GAS USERS

By: \_\_\_\_\_  
Robert W. Cromwell, Jr.  
Assistant Attorney General  
Public Counsel Section  
WSBA #24142

By: \_\_\_\_\_  
Edward A. Finklea  
Attorney for Northwest  
Industrial Gas Users

Date: \_\_\_\_\_

Date: \_\_\_\_\_

CITIZENS' UTILITY ALLIANCE

By: \_\_\_\_\_  
Ronald L. Roseman  
Attorney for Citizens' Utility Alliance

Date: \_\_\_\_\_