

Exhibit T-__ (____-1T)
Docket No. UG-031885
Witnesses: Dr. Francis Ferguson
Kevin S. McVay
James M. Russell
Joelle Steward
Matt Steuerwalt
Donald Schoenbeck
Charles Eberdt

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**NORTHWEST NATURAL GAS
COMPANY,**

Respondent.

DOCKET NO. UG-031885

**JOINT TESTIMONY OF DR. FRANCIS P. FERGUSON, KEVIN S. MCVAY,
JAMES M. RUSSELL, JOELLE STEWARD, MATT STEUERWALT,
DONALD SCHOENBECK, AND CHARLES EBERDT
IN SUPPORT OF STIPULATION**

MAY 13, 2004

1 **QUALIFICATIONS OF DR. FRANCIS P. FERGUSON**

2 **Q: HAVE YOU PROVIDED TESTIMONY IN THIS PROCEEDING ON BEHALF**
3 **OF NORTHWEST NATURAL GAS COMPANY ("NWN" OR "THE**
4 **COMPANY")?**

5 **A:** Yes. A statement of my qualifications is found in prefiled Exhibit (FPF-1).

6 **QUALIFICATIONS OF KEVIN S. MCVAY**

7 **Q: HAVE YOU PROVIDED TESTIMONY IN THIS PROCEEDING ON BEHALF**
8 **OF NWN?**

9 **A:** Yes. A statement of my qualifications is found in prefiled Exhibit (KSM-1).

10 **QUALIFICATIONS OF JAMES M. RUSSELL**

11 **Q. WOULD YOU STATE YOUR NAME, EMPLOYER, AND BUSINESS**
12 **ADDRESS?**

13 **A.** My name is James M. Russell. I am employed by the Washington Utilities and
14 Transportation Commission as a Regulatory Analyst. My business address is
15 1300 S. Evergreen Park Dr. S.W., P.O. Box 47250, Olympia, Washington 98504-
16 7250.

1 **Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?**

2 A. I graduated from Washington State University in 1983 receiving a Bachelor of
3 Arts in Business Administration with a major in accounting.

4 My work at the Commission generally includes financial, accounting, cost
5 studies, and other analyses of general rate case and tariff filings, incentive
6 proposals, special contracts, least cost plans, and rulemaking proceedings
7 involving investor owned electric and natural gas utilities regulated by the
8 Commission. Over my career at the Commission I have provided testimony in
9 approximately 10 formal general rate case proceedings and have been involved
10 in numerous negotiated electric and natural gas general rate case settlements. I
11 have also presented Staff recommendations in many Commission open public
12 meetings.

13 **QUALIFICATIONS OF JOELLE STEWARD**

14 **Q. WOULD YOU STATE YOUR NAME, EMPLOYER, AND BUSINESS**
15 **ADDRESS?**

16 A. My name is Joelle Steward. I am employed by the Washington Utilities and
17 Transportation Commission as a Regulatory Analyst. My business address is
18 1300 S. Evergreen Park Dr. S.W., P.O. Box 47250, Olympia, Washington 98504-
19 7250.

1 **Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?**

2 A. I have a Bachelor of Arts degree in political science from the University of
3 Oregon and a Masters in Public Affairs, with a concentration in energy policy,
4 from the Humphrey Institute of Public Policy at the University of Minnesota.
5 My work at the Commission has covered demand-side management programs,
6 low-income issues, service quality, reliability, resource planning, rate design, and
7 other analyses of general rate case and tariff filings involving investor-owned
8 electric and natural gas utilities regulated by the Commission.

9 **QUALIFICATIONS OF MATT STEUERWALT**

10 **Q. WOULD YOU STATE YOUR NAME, EMPLOYER, AND BUSINESS**
11 **ADDRESS?**

12 A. My name is Matt Steuerwalt. I am employed by the Washington State Attorney
13 General. My business address is 900 Fourth Avenue, Suite 2000, Seattle,
14 Washington, 98164.

15 **Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?**

16 A. I have been employed by the Attorney General's Office since 1997 as an analyst.
17 I have testified before this Commission on numerous occasions as part of panels
18 like this one, on both energy and telecommunications matters including the
19 Scottish Power - PacifiCorp merger, the Bell Atlantic – GTE merger, the Qwest -

1 US West merger, the Puget Sound Energy 2001 Interim Rate Case, among others.

2 I currently divide my time between the Attorney General's Public Counsel
3 section, representing consumers of regulated utilities, and other responsibilities
4 pertaining to the ongoing U.S. v. Washington litigation.

5 **QUALIFICATIONS OF DONALD SCHOENBECK**

6 **Q. WOULD YOU STATE YOUR NAME, EMPLOYER, AND BUSINESS**
7 **ADDRESS?**

8 A. Donald W. Schoenbeck, 900 Washington Street, Suite 1000, Vancouver,
9 Washington 98660.

10 **Q. PLEASE STATE YOUR OCCUPATION.**

11 A. I am a consultant in the field of public utility regulation and I am a member of
12 Regulatory & Cogeneration Services, Inc. ("RCS").

13 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
14 **EXPERIENCE.**

15 A. I have a Bachelor of Science Degree in Electrical Engineering from the University
16 of Kansas and a Master of Science Degree in Engineering Management from the
17 University of Missouri.

18 From June of 1972 until June of 1980, I was employed by Union Electric
19 Company in the Transmission and Distribution, Rates, and Corporate Planning

1 functions. In the Transmission and Distribution function, I had various areas of
2 responsibility, including load management, budget proposals, and special
3 studies. While in the Rates function, I worked on rate design studies, filings, and
4 exhibits for several regulatory jurisdictions. In Corporate Planning, I was
5 responsible for the development and maintenance of computer models used to
6 simulate the Company's financial and economic operations.

7 In June of 1980, I joined the national consulting firm of Drazen-Brubaker &
8 Associates, Inc. Since that time, I have participated in the analysis of various
9 utilities for power cost forecasts, avoided cost pricing, contract negotiations for
10 gas and electric services, siting and licensing proceedings, and rate case purposes
11 including revenue requirement determination, class cost-of-service, and rate
12 design.

13 In April 1988, I formed RCS. RCS provides consulting services in the field
14 of public utility regulation to many clients, including large industrial and
15 institutional customers. We also assist in the negotiation of contracts for utility
16 services for large users. In general, we are engaged in regulatory consulting, rate
17 work, feasibility, economic and cost-of-service studies, design of rates for utility
18 service, and contract negotiations.

1 **Q. IN WHICH JURISDICTIONS HAVE YOU TESTIFIED AS AN EXPERT**
2 **WITNESS REGARDING UTILITY COST AND RATE MATTERS?**

3 A. I have testified as an expert witness in rate proceedings before commissions in
4 the states of Alaska, Arizona, California, Delaware, Idaho, Illinois, Montana,
5 Nevada, North Carolina, Ohio, Oregon, Washington, Wisconsin, and Wyoming.
6 In addition, I have presented testimony before the Bonneville Power
7 Administration, the National Energy Board of Canada, the Federal Energy
8 Regulatory Commission, publicly-owned utility boards, and in court
9 proceedings in the states of Washington, Oregon, and California. I have testified
10 in numerous proceedings before this Commission during my career.

11 **QUALIFICATIONS OF CHARLES EBERDT**

12 **Q. WOULD YOU STATE YOUR NAME, EMPLOYER, AND BUSINESS**
13 **ADDRESS?**

14 A. My name is Charles Eberdt. I am employed at the Opportunity Council, 1701
15 Ellis St. Bellingham, WA 98225.

16 **Q. WHAT ARE YOUR PROFESSIONAL QUALIFICATIONS?**

17 A. Since March of 1993 I have been the Director of the Energy Project, a joint effort
18 between the Department of Community Trade and Economic Development and
19 the state's community action agencies to maintain access to affordable energy

1 services for Washington's low-income households. Prior to that I worked for the
2 State Energy Office where I developed programs to educate builders, code
3 officials, and homeowners about energy efficiency in housing. All told I have
4 more than twenty-five years experience in the area of residential energy
5 efficiency.

6 I have a B.S. in Education from the University of Wisconsin and a Masters
7 of Arts in Teaching from Harvard University.

8 **JOINT TESTIMONY OF THE PARTIES**

9 **Q. What is the purpose of this joint testimony?**

10 A. The purpose of our joint testimony is to describe and support the Stipulation (the
11 “Stipulation”) by and among NWN, Commission Staff, Public Counsel, NWIGU,
12 and CUA (together, the “Parties”).

13 **Q: WHAT TOPICS WILL THE PARTIES BE COVERING IN THIS JOINT**
14 **TESTIMONY?**

15 A: This testimony describes the processes prior to settlement and the Stipulation on
16 the issues of revenue requirement, rate spread, rate design, low-income
17 weatherization, South Mist Pipeline Extension, Vancouver District Office, and
18 decoupling.

19 **I. PROCESS**

1 **Q. PLEASE DESCRIBE THE PROCESSING OF NWN'S GENERAL RATE CASE**
2 **SINCE IT WAS FILED.**

3 A. On November 19, 2003, NW Natural ("NWN") filed a general rate case seeking
4 to increase natural gas rates by \$7,894,000 (15.1% increase). The case was
5 suspended on December 10, 2003 and set for hearing. On January 14, 2004, the
6 Commission issued its Order outlining the procedural schedule.

7 Thereafter, the Parties conducted extensive discovery with respect to the
8 Company's direct case. Included as part of that process, the Company
9 responded to 195 data requests issued by Staff, 54 data requests issued by Public
10 Counsel, 4 data requests issued by NWIGU, and 2 data requests issued by CUA.
11 In addition, all Parties received copies of all responses prepared by the
12 Company.

13 As part of the procedural schedule adopted by Administrative Law Judge
14 Karen Caillé in this proceeding, two days were scheduled for settlement
15 conferences. The Parties conducted the necessary discovery on the Company's
16 direct case to enable the Parties to develop informed positions for purposes of
17 settlement discussions. Formal settlement conferences were conducted on April
18 15 and April 22, 2004 at the Commission's offices in Olympia.

19 **Q. WHAT PROCESS DID STAFF FOLLOW IN REVIEWING THE CASE?**

1 A. Shortly after the Commission suspended NWN's filing, Staff scoped out the case,
2 made assignments, and began its formal analysis with the intent to be prepared
3 to discuss revenue requirement and other issues by the optional settlement
4 conference dates. Staff proceeded with a complete audit and analysis of NWN's
5 case with approximately three full-time employee equivalents working full time.
6 The 195 formal data requests submitted by Staff related to financial results,
7 revenue requirement and all associated adjustments, cost of service, rate spread,
8 rate design, rate of return, and decoupling. In addition, Staff reviewed NWN's
9 response to 60 requests by the other parties to the case. Staff also made seven
10 field visits to NWN to gather additional data and interview Company employees
11 in the rates, budget, financial accounting, pension, engineering, gas supply,
12 personnel, least cost planning, and tax departments.

13 Staff completed much of its audit and analysis on test period financial
14 results and revenue requirement issues at the end of March and met with NWN
15 on April 1 to update the Company on its findings and issues. More information
16 was informally requested and received during this meeting and through
17 subsequent conversations. This meeting and the subsequent discussions and
18 analysis paved the way for fruitful discussions during the April settlement
19 conferences.

1 **II. REVENUE REQUIREMENT**

2 **Q. DO THE PARTIES BELIEVE THAT THE STIPULATED REVENUE**
3 **REQUIREMENT INCREASE OF \$3,500,000 WILL RESULT IN RATES THAT**
4 **ARE FAIR, JUST, REASONABLE, AND SUFFICIENT?**

5 A. Yes.

6 **Q. PLEASE EXPLAIN.**

7 A. During the discussions, all revenue requirement adjustments and rate of return
8 issues were thoroughly discussed. The parties ultimately agreed upon a revenue
9 requirement increase of \$3,500,000 (6.7 percent increase). The \$3.5 million
10 stipulated amount represents a reduction of \$4.4 million from NWN’s original
11 filed request of \$7.9 million. The following table is a reconciliation of NWN’s
12 filed case versus the stipulated amount:

13	Original filed case	\$7,894,000
14	Less: South Mist Pipeline Extension	(826,000)
15	Vancouver District Office	<u>(1,141,000)</u>
16	Sub-Total	\$5,927,000
17	Less: Other Non-Identified Items	<u>(2,427,000)</u>
18	Settled Revenue Requirement	\$3,500,000

19 The South Mist Pipeline Extension and Vancouver District Office issues are
20 discussed later in our testimony.

21 **Q. DO THE PARTIES KNOW WHAT MAKES UP THE LINE ITEM “OTHER**
22 **NON-IDENTIFIED ITEMS” IN THE ABOVE RECONCILIATION?**

1 A. Yes. As discussed above, the negotiation on Revenue Requirement took place on
2 an adjustment-by-adjustment and individual rate-of-return component basis.
3 Although the Parties could not agree to show a complete reconciliation of the
4 \$2,427,000 reduction in the context of this global settlement, the Parties believe
5 that the proposed revenue requirement increase of \$3.5 million will result in rates
6 that are fair, just, reasonable, and sufficient, and urge the Commission to
7 approve it.

8 **III. RATE SPREAD AND RATE DESIGN**

9 **Q. HOW WAS THE REVENUE REQUIREMENT INCREASE SPREAD ACROSS**
10 **THE VARIOUS RATE SCHEDULES?**

11 A. The revenue requirement of \$3.5 million was spread across the Company's pre-
12 existing rate schedules on an equal percent of margin basis. Large and small
13 customer rate schedules were then redesigned to simplify the Company's
14 Washington tariff for customers and to follow a similar redesign in Oregon. The
15 development of the rate spread is shown in Attachment A, Table 1 of the
16 Stipulation. The application of the revenue requirement results in a 16.2 percent
17 increase to customer margins. The increase on total bills, however, will be
18 significantly smaller as the total bill contains demand and commodity
19 components which are, between them, a larger amount than the distribution

1 margin itself. For example, although the Schedule 2 residential rate would
2 increase by 16.1 percent on margin, the average Schedule 2 bill at 56.3 therms
3 would increase by only 4 percent.

4 **Q. WHAT OBJECTIVES WERE ACHIEVED BY THE LARGE CUSTOMER RATE**
5 **REDESIGN?**

6 A. The Company had recently redesigned its rates in Oregon and expressed the
7 objective of maintaining the similarity of rate structures that it has traditionally
8 had between Washington and Oregon rates. In addition, the Company sought to
9 reduce the number of schedules in response to the complex pattern of schedules
10 that has accumulated over the years. Under the proposed rate design, Schedules
11 4, 11, 22, 23, 55, 90, and 91 would be eliminated and replaced with Schedule 31,
12 32, and 33. This would reduce the number of schedules from seven to three.

13 **Q. PLEASE DESCRIBE THE RATE STRUCTURE INCLUDED IN THE**
14 **PROPOSED LARGE CUSTOMER RATE SCHEDULES.**

15 A. Each schedule has a service charge-energy charge structure with no therms
16 offered in the service charge. Schedule 31 has a customer or service charge and
17 two energy blocks, one for 2000 therms and under, the other block for all excess
18 therms. Schedule 32 has a customer or service charge, and 5 blocks reaching out
19 to 750,000 monthly therms and excess.

1 The new schedules will be unbundled, offering a separate distribution
2 charge, distribution capacity charge, a storage charge for sales service, and a
3 commodity charge and a selection of demand charge options. Customers on
4 Schedule 32 can choose firm service, which brings with it a maximum daily
5 delivery volume (“MDDV”) based “Distribution Capacity Charge.” In the event
6 a Schedule 32 customer decides on firm sales service, that customer would also
7 pay the storage charge for firm sales service, which is also MDDV-based. MDDV
8 basing measures the peak day consumption (MDDV) a customer requires during
9 the winter months of November through February. Finally, sales customers will
10 pay either the firm pipeline demand charge in cents per therm (if they opt for
11 firm sales) or the interruptible demand charge paid for interruptible sales service.
12 Firm demand charges can be paid, alternatively, on an MDDV basis wherein the
13 customer pays \$1.85 per therm of MDDV each month.

14 **Q. HOW WAS THE LARGE CUSTOMER REDESIGN ACCOMPLISHED?**

15 A. Once the general rate case revenue requirement had been applied across all
16 current rate schedules, the new rates were developed to generate the same total
17 revenue as did the current schedules using the same volumes and customer
18 counts. It was assumed, in this process, that all customers would opt for the

1 same quality of service (firm sales customers would remain firm sales customers
2 on the new rates), rather than choosing the very cheapest service option.

3 **Q. DOES SCHEDULE 21 REMAIN IN PLACE UNDER THE RATE PROPOSAL?**

4 A. Yes. Although the Company originally proposed to eliminate Schedule 21 as
5 part of the rate restructuring, it became obvious in attempting to structure rates
6 to accommodate all the affected customers that the Schedule 21 customers would
7 be subject to unacceptably large bill increases upon their move to the newly
8 designed rates. These increases were an unintended consequence of keeping the
9 new rates revenue neutral. As is normal in wholesale rate redesign, some
10 customers find bills on the new rates lower than on the old, and others
11 experience bill increases. When it became apparent that nearly all customers on
12 Schedule 21 would experience significant rate increases on the new schedules,
13 the Company and Staff decided to retain Schedule 21 in order to mitigate the bill
14 impacts, and to begin a transition by which Schedule 21 will eventually be
15 eliminated and replaced by the new schedules 31, 32, and 33. The transition
16 process assigns Schedule 21 a portion of the increase its customers would
17 experience were they to move to the new rate schedules. This portion is an
18 additional \$250,000 of margin. Under the proposal, the Company would
19 contribute the remaining portion of the revenues it would have collected to

1 customers in the form of a reduction in Schedules 31 and 32, an amount the
2 Company estimates at \$154,000.

3 **Q. BESIDES THE CHANGES DESCRIBED ABOVE AND IN THE**
4 **STIPULATION, HAVE ANY OTHER TERMS AND CONDITIONS OF THE**
5 **LARGE CUSTOMER SCHEDULES CHANGED FROM THE COMPANY'S**
6 **INITIAL FILING?**

7 A. No.

8 **Q. HOW WERE THE SMALL CUSTOMER RATES REDESIGNED?**

9 A. In consultation with Staff and Public Counsel, the Company combined its current
10 residential schedules, Schedule 2 and Schedule 24, into one schedule which will
11 be called Schedule 2. The same principal employed in the large customer
12 redesign of generating the same total revenue as the current schedules, using the
13 same volumes and customer counts, was also used here. Where both Schedules 2
14 and 24 had declining block structures, the new Schedule 2 will consist of a
15 customer charge of \$5 and a single energy charge of \$0.93669. The \$5 customer
16 charge, a 75-cent increase, remains similar to other Washington utilities'
17 residential customer charges (\$4.50 for PacifiCorp, \$5.50 for Puget Sound Energy,
18 and \$5 for Avista Utilities).

1 Commercial Schedule 3 was also changed from a declining block rate to a
2 flat rate of \$0.95789 per therm. The service charge remains unchanged at \$10.50.
3 Finally, Schedule 1 was also converted from a blocked rate to flat rate with a
4 service charge.

5 **Q. PLEASE DESCRIBE SOME TYPICAL BILL IMPACTS THAT ILLUSTRATE**
6 **THE APPLICATION OF THE REVENUE REQUIREMENT.**

7 A. As noted, the typical Schedule 2 bill, based on a usage of 56.3 therms, increases
8 from \$55.58 to \$57.75, an increase of \$2.17, or 4 percent. The range of bill impacts
9 for residential customers is reasonably tight, generally between 4 and 8 percent
10 increases, due to the rate redesign described above. Schedule 3 commercial
11 customers using 238.36 therms a month would experience a 2 percent increase,
12 which would add \$4.74 to the current \$234.08 bill, bringing the total to \$238.82.
13 Schedule 3 commercial customers using 700 therms a month would experience a
14 6 percent increase, which would add \$40.70 to the current \$640.32 bill, bringing
15 the total to \$681.02.

16 **IV. LOW-INCOME WEATHERIZATION**

17 **Q. PLEASE DESCRIBE HOW THE LOW-INCOME WEATHERIZATION**
18 **PROGRAM WAS DEVELOPED.**

1 A. During settlement discussions, the Citizens' Utility Alliance sought support from
2 the Parties for a low-income weatherization program. Since low-income
3 assistance from other sources reaches only a fraction of customers eligible each
4 year, a weatherization program would help serve this population while saving
5 energy. Three of the regulated utilities operating in Washington (Puget Sound
6 Energy, Avista Utilities, and PacifiCorp) offer such programs in their
7 Washington service territories, and the Company has a low-income
8 weatherization program in its Oregon service area. The Company prepared an
9 assessment of the potential qualifying homes in the Washington jurisdiction and
10 the expected costs and savings of a program, based upon its experience in
11 Oregon. The Parties agreed to support a program that was demonstrated to be
12 cost-effective using the Utility Cost Test and to recover the cost of the program in
13 a manner consistent with recovery of costs for the Company's other energy
14 efficiency programs. The costs of the Company's energy efficiency programs are
15 recovered through a deferral mechanism that the Commission approved in
16 Dockets UG-011230 and UG-011231.

17 **Q. WHAT ARE THE EXPECTATIONS OF THE PROGRAM?**

18 A. The program will be administered in a manner consistent with the Company's
19 Oregon program and the weatherization programs offered in Washington by the

1 three other utilities identified above. The Company will provide rebates to local
2 community action agencies to install weatherization measures in an expected 64
3 qualifying homes each year, saving approximately 9,984 therms per year. There
4 are an estimated 1,073 qualifying homes in this service area. The rebate amounts
5 will not exceed the utility's avoided cost, thereby ensuring that the program
6 remains cost-effective for ratepayers. The program has an annual budget of
7 \$105,000, which is 0.19% of revenue. This program will help minimize the
8 impact of the current and future rate increases for participating low-income
9 customers. The program should also have the effect of retaining customers who
10 might otherwise leave the system, leaving their fixed costs to be covered by
11 others.

12 **V. SOUTH MIST PIPELINE EXTENSION ("SMPE")**

13 **Q. PLEASE DESCRIBE THE SMPE PROJECT AND INDICATE WHEN IT IS TO**
14 **BE PLACED INTO SERVICE.**

15 A. The South Mist Pipeline Extension is the third and final phase of connecting
16 NWN's transmission pipeline from the Mist Storage Facility to Northwest
17 Pipeline's gate station at Mollala, Oregon. The benefits of this project are that it
18 will allow greater use of Mist Storage, operational flexibility, and long-term cost
19 savings. NWN expects to place SMPE into service just before the next heating

1 season (October/November 2004), barring any unforeseen events. NWN's SMPE
2 project is described in more detail in the direct-filed testimony and exhibits of
3 Company witnesses Charles E. Stinson (CES-1 through -3) and Dr. John A.
4 Hanson (JAH-1 through -2).

5 **Q. PLEASE BRIEFLY DESCRIBE THE PARTIES' INTENT REGARDING THE**
6 **TIMING AND RATE SPREAD IMPACTS OF PLACING SMPE INTO**
7 **SERVICE WITHIN THE ALLOWED IN-SERVICE WINDOW.**

8 A. Under the Stipulation, the rate impacts of SMPE would be implemented
9 coincident with the Company's next Purchased Gas Adjustment, through a
10 separate filing. The Company will provide a full 30-day statutory notice period
11 during which Staff will attempt to complete a full audit of all the costs and
12 benefits of SMPE to verify that all costs were prudently incurred and all benefits
13 properly reflected. If SMPE is not in service by December 1, 2004, the Stipulation
14 provides that the associated costs will not be included in permanent rates.

15 The Parties have agreed through this settlement that the revenue
16 requirement associated with SMPE will be spread to all firm and interruptible
17 sales schedules on an equal percent of margin basis, and through the volumetric
18 rate components on an equal cents per therm basis using "forecasted in-service

1 rate year” volumes (settled test year volumes times annual growth factors of 8.7
2 percent for residential customers and 3.8 percent for commercial customers).

3 **Q. HOW WILL THE BENEFITS ASSOCIATED WITH SMPE BE REFLECTED IN**
4 **CUSTOMER RATES?**

5 A. The benefits will generally be captured through Purchased Gas Adjustment
6 (“PGA”) filings. NWN will be releasing some pipeline capacity as a result of
7 SMPE coming on line, the savings of which will flow through the PGA.
8 Utilization of more storage capability will also result in purchased gas cost
9 savings from both the ability to buy gas during low-priced periods for use
10 during higher-priced periods and to contract for supplies at higher load factors.
11 A sharing of the benefits from NWN’s ability to provide interstate storage service
12 will also flow through the PGA. SMPE will allow more operational flexibility,
13 which should result in other cost savings.

14 **VI. VANCOUVER DISTRICT OFFICE**

15 **Q. WHAT DOES THE STIPULATION PROVIDE WITH RESPECT TO NWN’S**
16 **PROPOSED ADJUSTMENT ASSOCIATED WITH ITS NEW VANCOUVER**
17 **DISTRICT OFFICE?**

18 A. The parties have agreed to remove the revenue requirement impact associated
19 with the proposed new Vancouver District Office from this case since the in-

1 service date of any new such building is unknown. In fact, NWN is continuing
2 to look at options other than a new District Office, including continuing to lease
3 the current facility. Any associated revenue requirement associated with a new
4 Vancouver District facility will be addressed in a subsequent general rate case.

5 **VII. DECOUPLING**

6 **Q. HOW HAS NWN'S DECOUPLING PROPOSAL BEEN RESOLVED IN THE**
7 **STIPULATION?**

8 A. For purposes of settling this case, NWN has agreed to withdraw its decoupling
9 proposal. The Company may submit a decoupling proposal in any subsequent
10 filing.

11 **VIII. OTHER PROVISIONS**

12 **Q. WHAT OTHER TERMS DOES THE STIPULATION INCLUDE?**

13 A. The Stipulation represents a negotiated compromise among the Parties. Thus,
14 the Parties have agreed that no Party shall be deemed to have approved the facts,
15 principles, methods, or theories employed by any other in arriving at the
16 Stipulation, and that the terms incorporated in the Stipulation should not be
17 viewed as precedent in subsequent proceedings. In addition, the Parties have the
18 right to withdraw from the Stipulation if any material part is rejected by the
19 Commission.

1 **Q. WHAT TESTIMONY IS OFFERED IN SUPPORT OF THE STIPULATION?**

2 A. In addition to this testimony and the accompanying exhibits, the Parties propose
3 that the prefiled testimony and exhibits comprising the Company’s direct case be
4 admitted into the record. The Parties respectfully submit that this record would
5 provide a sufficient basis upon which the Commission could approve the
6 Stipulation.

7 **IX. CONCLUSION**

8 **Q. WHAT DO THE PARTIES RECOMMEND REGARDING THE**
9 **STIPULATION?**

10 A. We recommend that the Commission admit the Stipulation into the record in this
11 proceeding and adopt the Stipulation in its entirety. WAC 480-07-700 states,
12 “The commission supports parties’ informal efforts to resolve disputes without
13 the need for contested hearings when doing so is lawful and consistent with the
14 public interest, and subject to approval by commission order.” The Stipulation
15 meets this standard, and results in rates for the Company that are fair, just,
16 reasonable, and sufficient. In addition, the Commission should note that this is a
17 full, global settlement entered into by all the parties to the proceeding. All
18 interests are represented here, including the Company, business customers
19 (through NWIGU), consumers (through Public Counsel), low-income users

1 (through the Citizens' Utility Alliance), and Commission Staff (all customer
2 classes). Moreover, all issues raised by NWN's rate case are addressed in the
3 Parties' comprehensive Stipulation, in a manner that weighs and balances the
4 Parties' interests while arriving at a settlement that is consistent with the public
5 interest. For these reasons, the Parties recommend that the Commission approve
6 the Stipulation.

7 **Q. Does this conclude the Parties' Joint Testimony?**

8 A. Yes.