

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

WASHINGTON UTILITIES AND)	DOCKET UG-080546
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	ORDER 04
)	
v.)	
)	FINAL ORDER APPROVING AND
NORTHWEST NATURAL GAS)	ADOPTING SETTLEMENT
COMPANY,)	STIPULATIONS; AUTHORIZING
)	AND REQUIRING COMPLIANCE
)	FILING
Respondent.)	
.....)	

1 *Synopsis: The Commission approves and adopts a Full Settlement Stipulation filed by the parties to this general rate case that, among other things, establishes the rates customers will pay on a prospective basis beginning January 1, 2009, for natural gas service provided by NW Natural to its customers in Washington. The Commission finds reasonable the parties' agreed \$2.72 million (2.98 percent) increase in the Company's natural gas revenue requirement.*

SUMMARY

2 **PROCEEDINGS:** On March 28, 2008, Northwest Natural Gas Company (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) a revision to its currently effective Tariff WN U-6. NW Natural proposed to increase rates and charges for natural gas service by \$4,342,062, or approximately 4.75 percent. The Commission suspended the filing on April 3, 2008, NW Natural having waived its right to have the matter considered at the Commission's regular open public meeting.¹ The matter was set for hearing.

3 The Commission convened a prehearing conference at Olympia, Washington, on April 24, 2008, before Administrative Law Judge Adam E. Torem. The procedural schedule established at the conference required response cases from Staff, Public Counsel and the intervenors by October 24, 2008. However, on October 21, 2008, all of the parties in the proceeding filed a Full Settlement Stipulation (Stipulation) that

¹ See Order 01, Complaint and Order Suspending Tariff Revisions.

they propose the Commission adopt in resolution of all issues. The Commission, at the parties' request, suspended the procedural schedule and gave notice it would conduct a settlement hearing on November 12, 2008. The parties filed joint testimony in support of their Stipulation on October 31, 2008, along with a minor revision to the Stipulation that included a new Attachment B regarding depreciation expenses.

4 **PARTY REPRESENTATIVES:** James Van Nostrand, Perkins Coie LLP, Portland, Oregon, Donna Barnett, Perkins Coie LLP, Bellevue, Washington, and Inara K. Scott, NW Natural, Portland, Oregon, represent NW Natural. Chad M. Stokes, Cable Huston Benedict Haagensen & Lloyd LLP, Portland, Oregon, represents Northwest Industrial Gas Users (NWIGU). Ronald L. Roseman, Attorney, Seattle, Washington, represents The Energy Project. Steven Weiss, Senior Policy Associate, Salem, Oregon, represents the NW Energy Coalition. Sarah Shifley and Simon ffitch, Assistant Attorneys General, Seattle, Washington, represent the Public Counsel Section of the Washington Office of Attorney General (Public Counsel). Sally Brown, Senior Assistant Attorney General, Greg Trautman, Assistant Attorney General, and Jennifer Cameron-Rulkowski, Assistant Attorney General, Olympia, Washington, represent the Commission's regulatory staff (Commission Staff or Staff).²

5 **COMMISSION DETERMINATION:** The Commission finds on the basis of the evidence presented that NW Natural requires rate relief, and determines that the Stipulation results in rates that are fair, just, reasonable and sufficient. The Commission accordingly approves and adopts the Stipulation in full resolution of the issues in this proceeding.

MEMORANDUM

I. Background and Procedural History

6 On March 28, 2008, NW Natural filed revisions to its current tariffs designed to increase revenue by \$4,342,062 (approximately 4.75 percent). The filing was based on a twelve-month test year ending September 30, 2007, with adjustments for known

² In formal proceedings, such as this, the Commission's regulatory staff functions as an independent party with the same rights, privileges, and responsibilities as other parties to the proceeding. There is an "ex parte wall" separating the Commissioners, the presiding Administrative Law Judge, and the Commissioners' policy and accounting advisors from all parties, including regulatory Staff. *RCW 34.05.455*.

and measurable changes through September 30, 2008.³ The Company's as-filed request included:

- An overall rate of return of 8.68 percent.
- A rate of return on common equity of 10.65 percent.
- A capital structure consisting of 50.74 percent equity, 44.23 percent long-term debt and 5.03 percent short-term debt.
- Distribution of revenue requirement among schedules to move closer to uniform returns and increases to the monthly customer charges for its residential schedule (from \$5.00 to \$12.00) and small commercial rate schedule (from \$2.00 to \$8.00).
- A partial decoupling mechanism known as the Weather Adjusted Rate Mechanism (WARM), currently in use in the Company's Oregon service territory, to be implemented in Washington in conjunction with new conservation initiatives.

7 The Company's direct testimony accompanied its filing, as required by law. On October 21, 2008, the Company, Staff, Public Counsel, NWIGU, The Energy Project and the NW Energy Coalition filed a Full Settlement Stipulation, and requested that the Commission approve and adopt it in full resolution of the issues in this proceeding. On October 31, 2008, the parties filed joint testimony in support of their Stipulation.

II. Settlement Stipulation

8 We summarize in this section the parties' Stipulation, which is attached to, and made a part of, this Order by reference (Appendix A). If any inconsistency between our summary here and the Stipulation is perceived, the express terms of the Stipulation control.

A. Revenue Requirement

9 The parties propose an increase in revenues from Washington customers of \$2.72 million (2.98 percent), effective January 1, 2009.⁴ This proposed rate increase,

³ Anderson, Exh. DHA-1T, at 4:18-22.

⁴ Stipulation, ¶¶ 1, 8 and 22.

approximately \$1.6 million less than the Company's original proposal, incorporates the following agreed adjustments:

- 10 *Cost of Capital.* The parties agree to a return on equity of 10.10 percent and an overall rate of return of 8.40 percent.⁵ The parties further agree to retain the capital structure and debt rates as described in the Company's original proposal.⁶
- 11 *Bonuses.* The parties propose that all executive bonuses be excluded from rates and that fifty percent (50 percent) of bonuses for the non-bargaining unit (NBU) employees also be excluded from rates. Shareholders would be fully responsible for these excluded bonuses.⁷
- 12 *Investor Supplied Working Capital.* The parties propose that the calculation of working capital should reflect an increase in rate base of approximately \$6.3 million.⁸
- 13 *Marketing and Communication.* The parties propose that no costs related to the Company's Smart Energy program will be recovered through rates. They also agree that future advertising costs for approved energy efficiency programs may be recovered through the established deferral mechanism.⁹
- 14 *Automated Meter Reading (AMR).* The parties propose approval of the Company's accounting treatment regarding AMR costs, noting that no Oregon costs or "lingering" meter reader-related costs or related overhead are to be included in Washington rates.¹⁰
- 15 *Depreciation.* The parties propose to decrease the expense amount by \$1,019,967.¹¹
- 16 *Pre-1981 Tax Adjustment and Gains on Property Sales.* The parties propose a pre-1981 tax adjustment as suggested by the Company and Commission Staff.¹² In

⁵ *Id.*, ¶ 9.

⁶ *Id.*; *see also* Miller, Exh. CAM-1T, at 3:1-4 (Table 1) and 7:9-20.

⁷ Stipulation, ¶ 10.

⁸ *Id.*, ¶ 11.

⁹ *Id.*, ¶ 12. We note that the parties' agreement with regard to the mechanism for recovery of future advertising costs does not obligate the Commission to approve any such future submissions. We also note that the Company's current Smart Energy tariff and accounting petition in consolidated Dockets UG-080519 and UG-080530 is pending before us on a petition for administrative review of the initial order rejecting the tariff and accounting petition.

¹⁰ Stipulation, ¶ 13; *see also* McVay/Siores, Exh. KSM/NCS-4, at 15 (worksheet j).

¹¹ Stipulation, ¶ 14; *see also* Attachment B to Revised Stipulation.

addition, the parties propose that the Company pass through to customers, with interest, certain deferred gains on property located in Vancouver, Washington, that it transferred in 2001, and in Albany, Oregon, as referenced in Docket UG-081317.¹³

17 The parties testify that the proposed revenue increase results in rates that are fair, just, reasonable and sufficient.¹⁴

B. Cost of Service and Rate Spread

18 The parties propose that the Commission accept the Company's cost of service study (COSS).¹⁵ The COSS relied on a peak and average day factor to allocate costs for the Company's primary and secondary gas mains, but relied on the Company's "design day" rather than its actual peak day to allocate demand.¹⁶

19 The rate spread for the proposed \$2.72 million increase in base rates is shown on the first page of Exhibit Joint-2.¹⁷ The proposed rate spread, which moves all classes toward parity, can be summarized as follows:¹⁸

- 150 percent of the overall system average percentage increase is assigned to general sales (Schedule 1).
- 125 percent of the overall system average percentage increase is assigned to residential sales service (Schedule 2).
- 54.5 percent of the overall system percentage increase is assigned to basic firm sales (Schedule 3).
- 47.7 percent of the overall system average percentage increase is assigned to non-residential sales and transport (Schedule 41) and large volume non-residential firm and interruptible (Schedule 42).

¹² *Id.*, ¶ 15.

¹³ *Id.*, ¶ 16.

¹⁴ Joint Testimony, Exh. JT-1T, at 13:11-15 (NW Natural), 14:3-7 (Commission Staff), 15:4-12 (Public Counsel), and 17:17 to 18:2 and 18:13-16 (NWIGU).

¹⁵ Stipulation, ¶ 17.

¹⁶ *See* Heintz, Exh. DAH-1T, at 8:1 to 10:19; *see also* Exhs. DAH-2 and DAH-3.

¹⁷ Exh. JT-1T, at 11:6-9. The Company's original rate spread proposal is in Exh. DAH-4.

¹⁸ *See* Exh. JT-2, page 1, and Heintz, DAH-1T, at 17:1-16 (which refers to Exh. DAH-4).

20 The parties state that the rate spread is supported by the cost to serve each class and other factors that the Commission has considered in making rate spread decisions, such as gradualism, rate stability and perceptions of equity.¹⁹

C. Customer Charge and Rate Design

21 The parties propose a rate design as shown in Exhibit Joint-2²⁰ that includes the elimination of Schedule 21 (high load factor firm sales). The existing 173 customers served by Schedule 21 would migrate to either Schedule 3 or Schedule 41.²¹

22 The proposed rate design can be summarized as follows:

- The general sales (Schedule 1) basic charge will increase from \$2.00 to \$3.47 instead of the Company's originally proposed increase to \$8.00.²²
- The residential (Schedule 2) basic charge will increase from \$5.00 to \$7.00 instead of the Company's originally proposed increase to \$12.00.²³
- The basic firm sales (Schedule 3) basic charge will increase from \$10.50 to \$15.00 instead of the Company's originally proposed increase to \$21.00.²⁴
- The non-residential firm sales and transportation (Schedule 41) basic charge will increase from \$195.16 to \$250.00 instead of the Company's originally proposed increase to \$275.00.²⁵
- In addition, a new basic charge will be implemented for residential heating dry-out customers (Schedule 27) at \$6.00 instead of the Company's original proposal of \$8.00.²⁶

¹⁹ Joint Testimony, Exh. JT-1T, at 13:11-15 (NW Natural), 14:5-7 (Commission Staff), 16:4-6 (Public Counsel), and 18:3-11 (NWIGU).

²⁰ Exh. JT-2, pages 2-4. The Company's original rate design proposal is in Exh. RJA-2.

²¹ Heintz, Exh. DAH-1T, at 13:1-22 and 14:6-9.

²² Amen, Exh. RJA-1T, at 9:1 to 10:7; *see also* Joint Testimony, Exh. JT-1T at 11:1-9.

²³ *Id.*

²⁴ *Id.*, at 9:1-7 and 10:8-10.

²⁵ *Id.*, at 9:1-7 and 10:10-12.

²⁶ *Id.*, at 9:1-7.

- 23 The parties testify that the rate design changes send appropriate volumetric price signals, minimize the range of varying actual customer impact, and are fair, just, and reasonable.²⁷

D. Conservation

- 24 The parties propose that NW Natural be required to convene an Energy Efficiency Advisory Group (EEAG) of all interested persons, including the parties, to consult with the Company as it develops energy efficiency programs. The Stipulation anticipates that NW Natural will rely on the Energy Trust of Oregon (ETO) to deliver the Company's energy efficiency programs in Washington, initially through a one-year pilot program. Public Counsel takes no position on the Company's retention of ETO.²⁸
- 25 With two exceptions, the parties agree that the Company has demonstrated the need for one full-time equivalent (FTE) staff person to administer its energy efficiency programs in Washington and therefore do not oppose the recovery of costs related to such an FTE staff person through the existing deferral mechanism for energy-related expenses. The Energy Project and Public Counsel take no position with respect to the necessity of an FTE staff person.²⁹
- 26 In addition, the Stipulation prohibits NW Natural from seeking approval of a mechanism to recover lost margins associated with reduced usage directly attributable to energy efficiency until at least six (6) months have elapsed after approval of any tariff filings implementing such programs.

E. Decoupling and Weather-Adjusted Rate Mechanisms

- 27 The Company agrees to withdraw its request to implement a Weather Adjusted Rate Mechanism (WARM) in this proceeding.³⁰ The Stipulation bars NW Natural from proposing to implement a decoupling mechanism in Washington prior to the filing of

²⁷ Joint Testimony, Exh. JT-1T, at 13:11-15 (NW Natural), 14:5-7 (Commission Staff), 16:4-8 (Public Counsel), 17:10-11 (NW Energy Coalition), and 18:8-11 (NWIGU).

²⁸ Stipulation, ¶ 18; *see also* Joint Testimony, Exh. JT-1T, at 8:1-3, 8:8-20, 12:14 to 13:2 (NW Natural), 14:9-12 (Commission Staff), 15:13-16 (Public Counsel), 16:14 to 17:2 (NW Energy Coalition), and 19:2-7 (The Energy Project).

²⁹ Stipulation, ¶ 18; *see also* Joint Testimony, Exh. JT-1T, at 9:1-6.

³⁰ Stipulation, ¶ 21; *see also* Joint Testimony, Exh. JT-1T, at 9:7-20.

the evaluation required under Avista Corporation's pilot decoupling program, which is to be submitted to the Commission no later than March 31, 2009.³¹

F. Low-Income Programs

i. Low-Income Bill Assistance

28 The Stipulation requires NW Natural to immediately initiate an investigation into the creation of a low-income bill assistance (LIBA) program for its Washington service territory, and to report its results to the parties within thirty (30) days after the Commission approves the Stipulation. The Company agrees to convene a low-income rate assistance working group to review the results of the investigation and to determine an appropriate design for a LIBA program. This working group will include the parties, low-income advocates, and agencies or organizations that currently operate or oversee low-income energy rate assistance programs in the Company's Washington service territory. The Stipulation requires NW Natural to file a proposed rate assistance program with the Commission no later than April 1, 2009.³²

ii. Low-Income Weatherization

29 The Stipulation requires NW Natural to consult with the Energy Efficiency Advisory Group (EEAG) to review, evaluate and, as necessary, modify the Company's existing low-income weatherization program.³³

G. Next General Rate Case

30 The Company agrees that it will not file a new general rate case prior to January 1, 2010.³⁴

³¹ Stipulation, ¶ 18; *see also* Joint Testimony, Exh. JT-1T, at 8:3-7; *see also* Docket UG-060518, Order 05, ¶¶ 42 and 53.

³² Stipulation, ¶ 19; *see also* Joint Testimony, Exh. JT-1T, at 10:1-18, 13:2-4 (NW Natural), 14:17-20 (Commission Staff), 15:16-19 (Public Counsel), 17:3-4 (NW Energy Coalition), and 19:2-7 (The Energy Project).

³³ Stipulation, ¶ 19; *see also* Joint Testimony, Exh. JT-1T, at 10:20-22.

³⁴ Stipulation, ¶ 23; *see also* Joint Testimony, Exh. JT-1T, at 6:17-20.

H. Compliance Tracking

31 In anticipation of the Commission’s approval of the Stipulation, the parties submitted a “Compliance Tracking – Action List” for use as a tool to ensure that no post-approval deadlines are overlooked.³⁵

III. Discussion and Decision

32 WAC 480-07-750(1) states in part: “The commission will approve settlements when doing so is lawful, the settlement terms are supported by an appropriate record, and when the result is consistent with the public interest in light of all the information available to the commission.” Thus, the Commission considers the individual components of the Stipulation under a three-part inquiry. We ask:

- Whether any aspect of the proposal is contrary to law.
- Whether any aspect of the proposal offends public policy.
- Whether the evidence supports the proposed elements of the Settlement Agreement as a reasonable resolution of the issue(s) at hand.

33 The Commission must determine one of three possible results:

- Approve the proposed settlement without condition.
- Approve the proposed settlement subject to condition(s).
- Reject the proposed settlement.

34 As discussed below, we find the Stipulation terms proposed by the parties to be consistent with law and policy, and to resolve reasonably the issues in this proceeding. The parties made compromises relative to their respective litigation positions to arrive at end results that are fair, just and supported by the evidence in the record.

35 While we acknowledge the opposition to any rate increase expressed by members of the public through oral and written comments, our decisions must be made in accordance with law, policy and the factual record before us. The Commission’s task

³⁵ Exh. TWZ-2.

is essentially one of determining an appropriate balance between the needs of the public to have safe and reliable natural gas service at reasonable rates and the financial ability of the utility to provide such services. Thus, the results of our orders in proceedings such as this must be to establish rates that are, in the words of our governing statutes, “fair, just, reasonable and sufficient.”³⁶ This means rates that are fair to customers and to the Company’s shareholders; just in the sense of being based solely on the record developed following principles of due process of law; reasonable in light of the range of possible outcomes supported by the evidence and; sufficient to meet the needs of the Company to cover its expenses and to attract necessary capital on reasonable terms.³⁷

- 36 In this context, we discuss the parties’ testimony in greater detail and make our determinations concerning the proposed Stipulation.
- 37 Staff supports this Stipulation as being in the public interest because it produces both reasonable rates for ratepayers and a sufficient revenue requirement for the Company. Staff states that it comprehensively analyzed the Company’s filing, including the Company’s responses to approximately 100 data requests, and made site visits to the Company’s offices to review documents regarding key aspects of this case. Based on its investigation, Staff concludes the proposed 2.98 percent revenue increase is reasonable.³⁸
- 38 Public Counsel believes that this Stipulation is in the interest of NW Natural’s residential and small business customers because it minimizes the rate impact for these classes while allowing the Company a sufficient revenue increase to cover additional costs and also implements smaller increases to fixed customer charges than were originally requested. Public Counsel praises the Stipulation as reflecting “a more proper allocation of expenses related to executive bonuses and promotional advertising to shareholders, rather than ratepayers” and also commends the return of gains, with interest, to ratepayers on the Company’s sale of real property in Vancouver and Albany.³⁹ Public Counsel also testifies to its support of energy efficiency and low-income bill assistance programs in Washington and its belief that

³⁶ RCW 80.28.010(1) and RCW 80.28.020.

³⁷ *Utilities and Transp. Comm’n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-080220, Order 05 (Oct. 8, 2008), ¶ 31.

³⁸ Joint Testimony, Exh. JT-1T, at 13:16 to 14:21.

³⁹ *Id.*, at 15:7-12.

the withdrawal of the Company's partial decoupling and WARM proposals is in the public interest.⁴⁰

- 39 NWIGU asserts that this Stipulation is in the best interests of NW Natural's customers because it represents a fair compromise of the parties' positions on all revenue requirement issues and because the rate spread agreed upon is based upon the Company's cost-of-service study and moves all schedules toward their relative cost of service. In particular, NWIGU states that "the rate increases within Schedule 42 industrial customers have been applied in a fair and reasonable manner to the rate blocks to minimize the range of varying actual customer impact."⁴¹
- 40 The NW Energy Coalition believes the Stipulation is a fair compromise that satisfies its interests in seeing an expansion of the Company's very limited conservation programs in Washington. It also supports the introduction of a low-income bill assistance program, the proposal to improve the Company's low-income weatherization program, the option for the Company to propose lost margin or decoupling mechanisms in the future after review of the upcoming Avista pilot project evaluation, and the retention of a fixed customer charge at a level that will continue to send a "good marginal volumetric price signal to consumers."⁴²
- 41 The Energy Project supports the Stipulation because the Company agreed to support creation of a low-income bill assistance program as well as a new energy efficiency program for its customers in Washington.⁴³
- 42 Finally, NW Natural asserts the Stipulation "will result in rates, terms, and conditions of service that are fair, just reasonable, and sufficient, and that the Full Settlement is good for the Company, its customers, and its shareholders." The Company notes its agreement to not seek a weather-adjusted rate mechanism in this case as essential to reaching a settlement, but reiterates its ability to propose a decoupling mechanism at some time in the next year. The Company also testifies to its eagerness to begin developing new energy conservation measures in Washington in partnership with the Energy Trust of Oregon and its desire to begin exploring a residential low-income bill assistance program in Washington.⁴⁴

⁴⁰ *Id.*, at 14:22 to 16:11.

⁴¹ *Id.*, at 17:13 to 18:20.

⁴² *Id.*, at 16:12 to 17:12.

⁴³ *Id.*, at 18:21 to 19:11.

⁴⁴ *Id.*, at 12:9 to 13:15.

- 43 The Settlement's provisions to create a low-income bill assistance program, revitalize the low-income weatherization program and create a new energy efficiency program for its customers in Washington are all positive developments that promote important public policies in our state and clearly are in the public interest.
- 44 We commend the parties for awaiting the results of Avista Corporation's ongoing pilot decoupling program and recognizing our policy of requiring case-by-case consideration of each decoupling program proposed for Washington.⁴⁵ Regarding Avista, we concluded that an appropriately designed pilot program with adequate safeguards to protect ratepayers was in the public interest because it would test the hypothetical benefits of decoupling generally and the specifics of Avista's proposed mechanism, as conditioned in our order.⁴⁶ Even with the limitations and safeguards we included to protect ratepayers and minimize risk, we required a rigorous review process. We expect to be able to undertake that evaluation shortly.⁴⁷ The parties' agreement to await the results of that evaluation before further consideration of a decoupling mechanism for NW Natural is in the public interest.
- 45 Further, we note that the Company's agreement to not file a general rate case until after January 1, 2010, precludes the possibility of NW Natural filing its next rate case for a significant period of time after the end of the March 1, 2009, suspension period in the present docket, and a full year after the requested effective date of the rates proposed in the Settlement. The Stipulation's provision delaying any new request to raise rates serves the public interest in having stable and predictable utility rates.
- 46 In sum, all parties to this proceeding support the Stipulation because it produces reasonable rates for the various customer classes while providing the Company sufficient rates to ensure that it will continue to be able to provide reliable service. The evidence supports the Stipulation terms as being reasonable resolutions of the issues. Considering all of the information available in the record, we find and conclude that our approval and adoption of the Stipulation is in the public interest.
- 47 We commend the parties for including a Compliance Tracking – Action List with their joint testimony and exhibits filed in support of the Stipulation. In recognition of

⁴⁵ *In the Matter of the Petition of Avista Corporation for an Order Authorizing Implementation of a Natural Gas Decoupling Mechanism*, Docket UG-060518, Order 04 (Feb 1, 2007).

⁴⁶ *Id.*, at ¶¶ 31, 33 and 41.

⁴⁷ *Id.*

the importance of not losing track of duties and deadlines agreed to in the Stipulation or set in this Order, we include a Summary of Required Actions as Appendix B.

FINDINGS OF FACT

48 Having discussed above in detail the evidence received in this proceeding concerning all material matters the Commission now makes and enters the following summary of those facts, incorporating by reference pertinent portions of the preceding detailed findings:

49 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including natural gas companies.

50 (2) NW Natural is a “public service company” and a “gas company” as those terms are defined in RCW 80.04.010 and as those terms otherwise are used in Title 80 RCW. NW Natural is engaged in Washington State in the business of supplying utility services and commodities to the public for compensation.

51 (3) The parties propose to resolve the issues in this proceeding via the Commission’s approval and adoption of their Full Settlement Stipulation filed on October 21, 2008, which is attached to, and made a part of, this Order.

52 (4) The existing rates for natural gas service provided in Washington by NW Natural are insufficient to yield reasonable compensation for the services rendered. NW Natural requires prospective relief with respect to the rates it charges for natural gas service provided in Washington.

CONCLUSIONS OF LAW

53 Having discussed above all matters material to this decision, and having stated its findings, the Commission now makes the following summary conclusions of law, incorporating by reference pertinent portions of the preceding detailed conclusions:

54 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings.

- 55 (2) The rates proposed by tariff revisions filed by NW Natural on March 28, 2008, and suspended by prior Commission order, were not shown to be fair, just or reasonable and should be rejected.
- 56 (3) The rates, terms, and conditions of service that result from adoption of the Full Settlement Stipulation are neither unduly preferential nor discriminatory.
- 57 (4) The Full Settlement Stipulation is consistent with the public interest and should be approved.
- 58 (5) The rates resulting from adoption of the Full Settlement Stipulation are fair, just, reasonable, and sufficient rates that shall be in force under NW Natural's tariffs prospectively from an effective date of January 1, 2009, for natural gas service the Company provides to customers in Washington.
- 59 (6) NW Natural should have the opportunity to earn an overall rate of return of 8.40 percent based on the capital structure and costs of capital set forth in the body of this Order, including a return on equity of 10.10 percent on an equity share of 50.74 percent.
- 60 (7) NW Natural should be authorized and required to make a compliance filing to recover its revenue deficiency of \$2,724,959 for natural gas service, consistent with the terms of this Order.
- 61 (8) The Commission Secretary should be authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 62 (9) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order.

ORDER

THE COMMISSION ORDERS THAT:

- 63 (1) The proposed tariff revisions NW Natural Gas Company filed on March 28, 2008, which were suspended by prior Commission order, are rejected.

- 64 (2) The Full Settlement Stipulation attached and incorporated into this Order by prior reference, is approved and adopted.
- 65 (3) NW Natural Gas Company is authorized and required to file tariff sheets following the effective date of this Order that are necessary and sufficient to effectuate its terms. The required tariff sheets must be filed at least three business days prior to their stated effective date, January 1, 2009.
- 66 (4) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 67 (5) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective December 26, 2008.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

MARK H. SIDRAN, chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.

APPENDIX B

SUMMARY OF REQUIRED ACTIONS⁴⁸
DOCKET UG-080546

<u>REQUIREMENT</u>	<u>DEADLINE</u>	<u>ORDER PARAGRAPH(S)</u>
Compliance Filing	December 29, 2008	61, 62, 66 & 67
Report Results of Investigation into Implementation of Residential Low-Income Bill Assistance Program in Washington Service Territory	January 26, 2009	6 & 28 (Stipulation ¶ 19)
Convene Low-Income Rate Assistance Working Group	February 2009 (<i>Approximate</i>)	6 & 28 (Stipulation ¶ 19)
Convene Energy Efficiency Advisory Group	1 st Quarter 2009 (<i>Approximate</i>)	6 & 24 (Stipulation ¶ 18)
File Proposed Low-Income Rate Assistance Program for Washington Service Territory	April 1, 2009	6 & 28 (Stipulation ¶ 19)
File Tariffs to Implement Energy Efficiency Programs in Washington Service Territory	1 st or 2 nd Quarter 2009 (<i>Anticipated</i>)	6 & 24 (Stipulation ¶ 18)

⁴⁸ This Appendix provides a summary of actions the Company must take under Order 04 in Docket UG-080546. This summary is provided for the convenience of the parties and is not intended to replace or modify the requirements of Order 04, the parties' Full Settlement Stipulation, or the parties' own Compliance Tracking – Action List (Exhibit TWZ-2). If this summary inadvertently does not include requirements contained in the order, the parties are not excused from complying with all requirements of the order.