

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION
COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	DOCKET NO. UG-000073
)	
Complainant,)	
)	
v.)	SECOND SUPPLEMENTAL ORDER
)	APPROVING AND ADOPTING
NORTHWEST NATURAL GAS)	SETTLEMENT AGREEMENT
COMPANY,)	
)	
Respondent.)	
.....)	

I. SYNOPSIS

1 This Order resolves all issues in the Northwest Natural Gas Company's general rate filing by approving and adopting a Settlement Agreement entered into by all parties: Staff of the Washington Utilities and Transportation Commission, the Public Counsel Section of the Office of the Attorney General, Northwest Industrial Gas Users, SEH America, Inc., Washington Food Industries, Inc., and Northwest Natural Gas Company.

II. PROCEDURAL SUMMARY

2 **Request for increase in rates:** On January 21, 2000, Northwest Natural Gas Company filed certain tariff revisions designed to effect a general increase in its rates for natural gas service. The Company's letter of transmittal indicated that the cumulative effect of the tariff filing would increase total revenue by \$6,204,367 per year. The Commission, by Order entered February 9, 2000, suspended the operation of the tariff revisions pending hearing or hearings concerning such changes and the justness and reasonableness thereof. The Company filed a revised request on March 23, 2000, which reduced the revenue requirement from \$6.2 million in the original case to \$5,626,590 in the revised case.

3 **Partial Stipulation regarding return:** On July 21, 2000, Commission Staff and the Company filed a partial stipulation for the Commission's approval under WAC 480-09-465, Alternative Dispute Resolution. The partial stipulation would settle the cost of capitol issues in this proceeding. By letter dated August 2, 2000, the Commission approved the Partial Stipulation and stated that the approval would be incorporated into its final order.

- 4 **Settlement Agreement:** On September 27, 2000, all parties to this proceeding filed a Settlement Agreement for the Commission's approval under WAC 480-09-465 as a full settlement of the issues raised in this proceeding. The Parties agreed to an overall revenue requirement increase for the Company's Washington operations of \$4.3 million. On September 29, 2000, the Commission convened a hearing to consider the Settlement Agreement before Chairwoman Marilyn Showalter, Commissioner Richard Hemstad, Commissioner William R. Gillis, and Karen Caille, the presiding Administrative Law Judge (ALJ).
- 5 **Public Meeting:** A hearing was conducted on October 12, 2000, before the Commissioners and the presiding ALJ, in Vancouver, Washington, to receive into the record comments from ratepayers and other members of the public who expressed an interest in the outcome of this general rate case.
- 6 **Parties:** Susan K. Ackerman, Gayle Patterson, Mark V. Dodson, and Susan B. Bergles, Portland, Oregon, represent Northwest Natural Gas Company (NW Natural). Robert D. Cedarbaum, Assistant Attorney General, Olympia, Washington, represents Commission Staff (Staff). Simon ffitch and Robert Cromwell, Assistant Attorneys General, Seattle, Washington, represent Public Counsel. Melinda Davison, Duncan, Weinberg, Genzer & Pembroke, P. C., Portland, Oregon, represents Washington Food Industry (WFI). Edward A. Finklea, Energy Advocates, Portland, Oregon, represents Northwest Industrial Gas Users (NWIGU). Brian H. Wolfe and Robert M. Schaefer, Blair Schaefer Hutchison & Wolfe, Vancouver, Washington, represent SEH America, Inc. (SEH).
- 7 **Commission decision:** The Commission approves and adopts the Partial Stipulation Regarding Return and the Settlement Agreement as a full and final resolution of the issues in this rate filing. The Commission adopts the Partial Stipulation and the Settlement Agreement and makes them part of this Order.

III. MEMORANDUM

- 8 **Background and Procedural History:** On January 21, 2000, Northwest Natural Gas Company filed proposed tariff revisions designed to effect a general increase in its rates for natural gas service. The cumulative effect of the tariff filing would be to increase annual revenues by \$6.2 million, according to NW Natural. The Commission, by Order entered February 9, 2000, suspended the operation of the tariff revisions pending hearing or hearings concerning such changes and the justness and reasonableness thereof. The Company filed a revised request on March 23, 2000, which reduced the revenue requirement from \$6.2 million in the original case to \$5.6 million in the revised case. The Commission convened prehearing conferences in this matter in Olympia, Washington, on March 8, 2000, and September 19, 2000, before Administrative Law Judge Karen M. Caillé.

- 9 On July 21, 2000, Commission Staff and the Company filed a Partial Stipulation for the Commission's approval under WAC 480-09-465, Alternative Dispute Resolution. *Exhibit No. 198 (Partial Stipulation)*. The Partial Stipulation would settle the cost of capitol issues in this proceeding. By letter dated August 2, 2000, the Commission approved the Partial Stipulation and stated that the approval would be incorporated into its final order.
- 10 On September 27, 2000, all parties to this proceeding filed a Settlement Agreement for the Commission's approval under WAC 480-09-465 as a full settlement of the issues raised in this proceeding. *Exhibit No. 200 (Settlement Agreement)*. The Parties agreed to an overall revenue requirement increase for the Company's Washington operations of \$4.3 million.
- 11 On September 29, 2000, a hearing to consider the Settlement Agreement was held before Chairwoman Marilyn Showalter, Commissioner Richard Hemstad, Commissioner William R. Gillis, and Administrative Law Judge Karen M. Caillé. The Commission received into evidence the testimony and exhibits previously filed in this docket by the Parties and previously marked for identification, except for Exhibits 55, 67, 68, 69, 89 and 90. A panel of witnesses representing Commission Staff, Public Counsel, Northwest Industrial Gas Users/SEH, and NW Natural sponsored the Settlement Agreement and responded to inquiry from the Bench.
- 12 NW Natural requested a waiver of the 30 days notice for its compliance filings in order to meet the effective date of November 1, 2000, set forth in the Settlement Agreement.
- 13 Finally, a hearing was conducted on October 12, 2000, before the Commissioners and Administrative Law Judge Karen M. Caillé, in Vancouver, Washington, to receive into the record comments from ratepayers and other members of the public who expressed an interest in the outcome of this general rate case.
- 14 **Governing Statutes and Rules:** Appendix C provides statutory provisions and rules which establish standards that govern the Commission's determinations in this general rate proceeding.
- 15 **Commission Discussion and Decision:** The Commission has considered the Partial Stipulation (Appendix A to this Order) and the Settlement Agreement (Appendix B to this Order) against the statutory standards outlined in Appendix C. Based on the record developed in this proceeding, we find the issues pending in the NW Natural general rate case are adequately addressed and resolved by the terms of the Partial Stipulation and the Settlement Agreement. The parties' diligent work to resolve the issues presented by this rate case produced a Settlement Agreement that satisfied all parties in this proceeding. Under the circumstances we are satisfied that the Partial Stipulation and the Settlement

Agreement are consistent with the public interest, and should be approved and adopted as a full and final resolution of all issues pending in Docket UG-000073. Waiver of statutory notice is not necessary because a compliance filing is not subject to the same standards as an original tariff filing. The Commission determines that it is appropriate that NW Natural be authorized to file compliance tariffs by noon on October 27, 2000, to be effective on November 1, 2000.

IV. FINDINGS OF FACT

- 16 Having discussed above all matters material to our decision, and having stated our findings and conclusions, the Commission now makes the following summary findings of fact. Those portions of the preceding discussion that include findings pertaining to the ultimate decisions of the Commission are incorporated by this reference.
- 17 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.
- 18 Northwest Natural Gas Company d/b/a NW Natural serves 38,000 natural gas customers in three Washington counties: Clark, Skamania and Klickitat.
- 19 On January 21, 2000, NW Natural filed certain tariff revisions designed to effect a general increase in its rates for natural gas service.
- 20 NW Natural's currently effective rates are insufficient to yield reasonable compensation to NW Natural for the services rendered.
- 21 The rates proposed by NW Natural's tariff revisions that are the subject of the Commission's complaint and inquiry in this proceeding, if implemented, would not be just and reasonable.
- 22 The rates that result from the application of the Partial Stipulation and the Settlement Agreement together are just, reasonable, and compensatory.
- 23 The rates that result from the application of the Partial Stipulation and the Settlement Agreement together are neither unduly preferential nor discriminatory.

V. CONCLUSIONS OF LAW

- 24 Having discussed above in detail all matters material to our decision, and having stated general findings and conclusions, the Commission now makes the following summary

conclusions of law. Those portions of the preceding detailed discussion that state conclusions pertaining to the ultimate decisions of the Commission are incorporated by this reference.

- 25 The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and all parties to, these proceedings. Title 80 RCW.
- 26 Northwest Natural Gas Company d/b/a NW Natural in Washington State is a public service company as defined in RCW 80.04.010.
- 27 The Partial Stipulation (Appendix A to this Order) and the Settlement Agreement (Appendix B to this Order), considered together, fully and fairly resolve the issues pending in this proceeding, and are consistent with the public interest. RCW 80.01.040.
- 28 The Partial Stipulation (Appendix A to this Order) and the Settlement Agreement (Appendix B to this Order), considered together, result in rates for prospective application that are just reasonable, and compensatory; and that are neither unjustly discriminatory nor unduly preferential. RCW 80.28.010, .020, .090, .100.
- 29 The Commission should retain jurisdiction over the subject matter of and the parties to this proceeding to effectuate the provisions of this Order.

VI. ORDER

THE COMMISSION ORDERS That:

- 30 The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of and the parties to these proceedings;
- 31 The proposed tariff revisions filed by NW Natural on January 21, 2000, and suspended by prior Commission order, are rejected;
- 32 The Partial Stipulation (Appendix A to this Order) and the Settlement Agreement (Appendix B to this Order) are approved, adopted, and made part of this Order;
- 33 Northwest Natural Gas Company d/b/a NW Natural is authorized to make appropriate compliance filings no later than noon, October 27, 2000, to effectuate the terms of the Partial Stipulation, the Settlement Agreement, and this Order;

34 THE COMMISSION ORDERS FURTHER That it retains jurisdiction over the subject matter and the Parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this _____ day of October, 2000.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner

NOTICE TO PARTIES: This is a final Order of the Commission. 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 480-09-810, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-09-820(1).