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October 25, 2021

Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
Lacey, Washington 98503

Re: UG-210729—NW Natural Response to Notice of Opportunity to File Written Comments

Dear Ms. Maxwell:

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), submits to the following comments in response to the Washington Utilities and Transportation Commission's ("Commission") September 21, 2021 Notice of Opportunity to File Written Comments ("Notice") in docket UG-210729.

As background, NW Natural does not use the Perpetual Net Present Value (PNPV) approach to calculate its residential line extension construction allowance. NW Natural's Schedule E (Distribution Facilities Extensions for Applicant–Requested Services and Mains) customer construction allowance calculation methodology sets the Company's Washington territory residential line extension construction allowance equal to "five times the delivery margin for the applicable rate schedule, times the annual estimated therm usage attributable to the Applicant's particular installation."[1] The five times delivery margin calculation is a mathematical rule-of-thumb that established—at the time the methodology was adopted—the breakeven point where revenues associated with a residential applicant's service produces a present value of revenue requirement (PVRR) based on the allowed investment cost that is equal to zero. A zero PVRR is the point that an applicant is neither subsidizing nor being subsidized by other utility customers. A positive PVRR would indicate that a customer contribution is required to offset construction costs such that the PVRR is brought to zero.

While NW Natural does not have comments specifically related to the PNPV methodology, NW Natural supports innovative regulatory policy and approaches that support equitable and economical line extension policies that allows a heating fuel choice for customers. To that end, the Company's existing Schedule E tariff is designed to determine the fair cost of providing fuel choice while economically eliminating cross-subsidization between existing ratepayers and new customers.

[1] See: Docket No. UG-970932; NNG Advice No. WUTC 97-1: Settlement Agreement, Article VI.

NW Natural appreciates the opportunity to provide comments on this topic. If you have any questions about these comments, please contact Rob Wyman at (503) 610-7256 or me at (503) 610-7617.

Please address correspondence on this matter to me with copies to the following:

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Sincerely,

/s/ Zachary Kravitz

Zachary Kravitz
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