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Electronic Filing and Service

March 2, 2023

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
P.O. Box 47250
Olympia, WA 98504-7250

RE: *UTC v. Northwest Natural Gas d/b/a NW Natural*
Dockets UG-200994, UG-200995, UG-200996, and UG-210085 (*Consolidated*)

Dear Ms. Maxwell:

On October 21, 2021, the Washington Utilities and Transportation Commission (Commission) entered Order 05 in Dockets UG-200994, UG-200995, UG-200996 and UG-210085 (*Consolidated*), Final Order Approving and Adopting Settlement Agreement.

On December 2, 2022, in compliance with Order 05, Northwest Natural Gas d/b/a NW Natural (NW Natural or Company) filed supporting documentation regarding its Year Two Pro Forma plant amounts. The filing includes a review of the eight capital projects listed in Order 05: justification for the project, actual in-service dates, actual final costs and explanation for significant costs variances, changes to the projects, evidence of cost overruns being prudent, and updated information on offsetting factors presented in this case.

Commission staff (Staff) has reviewed the Company's compliance filing. The Company's workpapers demonstrated that the revenue requirement associated with the additional plant and allowed expenses went above the approved \$3 million cap. These rates went into effect November 1, 2022, subject to refund. As a result of this filing, there is no change in customer rates. Staff believes that the filing and supporting documentation comply with Order 05, entered October 21, 2021.

ATTORNEY GENERAL OF WASHINGTON

Amanda Maxwell
March 2, 2023
Page 2

Sincerely,

/s/ Nash Callaghan, WSBA No. 49682
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NIC/jlr
Attachment

cc: Parties w/enc.

Project	In-service date	Original Cost Est.	Actual Cost	Difference	Prudence	Cost Variance Cause	Off-setting Revenues	RR Impact
White Salmon Reinforcement	9/30/2021	\$2,700,000	\$4,500,000	(\$1,800,000)	Fed by single Class B steel pipeline built in 1963. . . Community has grown over the years, pipeline nearing capacity to meet future demand ... In 2018, low pressure issue observed (see DBK-1T, 4:14-17); company considered installation of a new gate station but that would have been developed, built, and operated under the ownership & control by Williams, and NW Natural would have incurred additional recurring expense to Williams for the ongoing maintenance - this project continues to be the least-cost, least-risk option (see DBK-1T, 7:10-12).	Two causes: bids higher than planned due to presence of rock in the trench excavation work zone and the timing of bidding of work; permitting delays for surveying and potholing pushed bidding phase back (see DBT-1T, 6:6-10); actual length was 8,000 ft. vs. 7,800 - longer route selected to eliminate impact to business access (see DBK-1T, 6:22-23).	None	\$479,068
Battleground Gate Station	9/30/2021	\$1,400,000	\$3,000,000	(\$1,600,000)	Obsolescence of equipment at the gate station site & flow regularly exceeding the upstream pipeline's equipment design, this station required an increase in capacity to accommodate customer load requirements. Williams the upstream pipeline owner required transfer of regulation and overpressure protection to NWN which necessitated changes to upstream pipeline components to accommodate that transfer (see, DBK-1T, 9:13-19). Even with cost increase there were no alternatives because the gate station is a single feed to the community it serves and the station was undersized - this project continues to be the least-cost, least-risk option (see DBK-1T, 11:5-9).	Project in preliminary design at initial filing - used general estimate based on similar projects of scope & size. Williams determined it needed to install a new pipeline tap (see DBK-1T, 10:16-21).	None	\$314,452
Ridgefield Gate Station	10/28/2021	\$1,700,000	\$3,100,000	(\$1,400,000)	Obsolescence of equipment at the gate station site & flow regularly exceeding the upstream pipeline's equipment design, this station required an increase in capacity to accommodate customer load requirements. The project required replacement of metering, regulation, controls, installation of a line heater, and stormwater retention facilities and related land acquisition by Williams. Williams, the upstream pipeline owner required transfer of regulation and overpressure protection to NWN which necessitated changes to upstream pipeline components to accommodate that transfer. (see, DBK-1T, 11:17-12:1). Even with cost increase there were no alternatives because the gate station is a single feed to the community it serves and the station was undersized - this project continues to be the least-cost, least-risk option (see, DBK-1T, 13:8-12).	Project in preliminary design at initial filing - used general estimate based on similar projects of scope & size. Williams determined it needed to install a new pipeline tap . . . City of LaCenter also subsequently required Williams to install stormwater retention facilities, which triggered Williams to acquire additional land, all to be paid by the Company (see, DBK-1T, 12:17-13:1).	None	\$320,562
Mist Well Rework	11/30/2021	\$362,000	\$240,000	\$122,000	US DOT "PHMSA" adopted new safety regulations for underground gas storage facilities - with mandated 8-year guidelines. The Mist Rework program involved the rehab of 5 underground storage wells and ensured their functional integrity complies with PHMSA req's (see, DBK-1T, 13:20-14:6); necessary for regulatory compliance and no alternatives to performing the assessment and remediation (see, DBK-1T, 15:7-8).	The initial filing included costs for rehabilitating a non-utility well, the final project cost only includes work on wells that support core utility customers (see, DBK-1T, 14:23-15:3).	None	\$23,538
Mist Corrosion Abatement	10/27/2022	\$344,000	\$366,000	(\$22,000)	Assessment done in 2016 and identified a number of needed improvements for site reliability, which without, Miller Station and Mist storage would likely experience equipment failures, increase O&M, cyber threats, and other risks. Improvement identified internal and external corrosion monitoring program. This project key component of the Mist Reliability Program and provides data and trending for NWN to better evaluate the conditions in the field and respond appropriately. The company utilized In-Line Inspection (ILI) tools to evaluate the existing conditions and validate the integrity of specific pipelines of the Mist gathering systems (see, DBK-1T, 15:16-16:7). ILIs assess an entire pipeline segment, between the pig launcher and pig receiver, and can identify dents or other defects as well as internal defects such as corrosion and bad pipe seams. Investment was necessary to assess the risk and repair any anomalies prior to failure - without, higher risk of pipeline failure (see, DBK-1T, 17:12-20).	N/A	None	\$38,054
Vancouver Retrofit	10/26/2022	\$4,700,000	\$6,300,000	(\$1,600,000)	Vancouver Resource Center is the base for the Company's field operations in Clark County - only facility in Washington, and only one North of the Columbia River - strategically important for the Company's operations, especially to respond to a disaster (Phase 1 completed in 2020), phase 2 included improvements to ensure operational functionality and to support ongoing operations in a safe and efficient manner (see, WKP-6T, 4:5-14). 2 phases to mitigate rate increases to customers (see, WKP-6T, 5:18).	Mostly a result of cost increases in materials and construction from inflationary pressures experienced through the industry. Company used a competitive bidding process to ensure the lowest possible cost resources were being utilized (see, WKP-6T, 5:7-11).	None	\$671,467
Horizon 1	9/29/2022	8,400,000	8,600,000	(200,000)	"... upgraded the outdated system that had managed the Company's key business functions, specifically finance (e.g., performing accounting and reporting), human capital management (e.g., managing payroll and benefits), enterprise asset management (e.g., tracking and managing plant lifecycles and maintenance), supply chain management (e.g., handling procurement and inventory management), and environmental, health, and safety management (e.g., tracking and coordinating responses to safety issues). This system is known as an ERP platform, which functions as the Company's backbone software—managing and integrating all of NW Natural's essential business functions. SAP no longer would have supported the Company's replaced ERP platform (called the SAP ERP Central Component) after 2027." (JRD-3T, 6:21-7:8)	"... delivered one of the biggest business and technology transformations in NW Natural's history on time and within 1.6% of its capital budget stated in the Initial Filing." (JRD-3T, 10:19-21)	1,500,000	\$1,895,801
SE 1st	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Total Year 2 Pro Forma								\$3,742,942
Conservation Potential Assessment								\$108,441
Horizon Start-up O&M Deferral Amortization								\$77,076
Total:								\$3,928,459