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Sent: Thursday, September 15, 2016 4:26 PM
To: Planning and Sustainability Commission <psc@portlandoregon.gov>
Subject: NW Natural's Regulatory Construct

Members of the Planning & Sustainability Commission,

During my testimony, you asked a few specific questions regarding our integrated resource planning and rate-making for which I promised more thorough answers. I've tried to address your questions below.

- Our IRP is publicly available on our website [here](#). I want to highlight a few pertinent points:
 - Assumptions for customer growth and demand were developed over many months and reviewed during an 8 hour technical working group meeting held on January 13, 2016.
 - The meeting was attended by staff from Oregon and Washington utility regulator offices, customer advocacy groups, members of industry, and energy efficiency advocates. They added their input and expertise that informed our growth projections.
 - These assumptions are at the very foundation of our IRP. Therefore, it is crucial they be robust and unassailable.
 - Appendix 10A.1 contains the sign-in sheet for participants at the January 13th meeting.
 - Chapter 2 contains our Gas Requirements Forecast. Table 2.3 (page 56) summarizes a Base, High and Low customer growth forecast, looking out to 2035.
 - I've included a screenshot of that page below for your convenience.
 - You'll see there is modest growth even in the low growth scenario. Even with this modest growth, there is no need to expand capacity at the LNG facility in Portland, nor are there any plans to do so at this time.
- Any investments made to the Company's distribution system facilities that are used to provide regulated utility service must meet a used-and-useful requirement in order to be recovered in a rate case. That is, in the case of our LNG facility, there must be sufficient demand to warrant investment in expansion; otherwise, the company will not be able to recover its investment.
 - This requirement can be found in [Chapter 757](#) of the Oregon Revised Statutes. It says:
 - *"757.355 Costs of property not presently providing utility service excluded from rate base; exception. (1) Except as provided in subsection (2) of this section, a public utility may not, directly or indirectly, by any device, charge, demand, collect or receive from any customer rates that include the costs of construction, building, installation or real or personal property not presently used for providing utility service to the customer."*

My hope is that this existing regulatory construct and transparent stakeholder involvement will give the PSC sufficient reason to exclude NW Natural's LNG facility from being designated a non-conforming use. Indeed, the Portland community already participates in our regulatory processes, expanding the LNG tank would only be based on proven regional demand, and the designation would create problems for seismic upgrades.

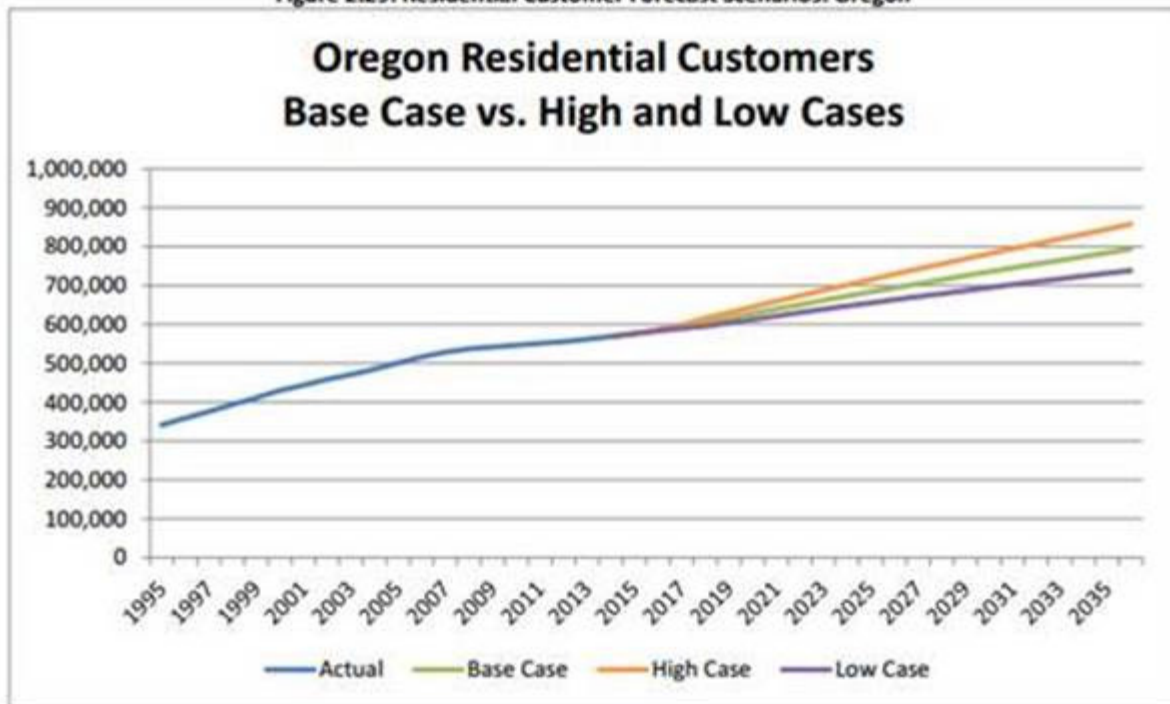
Of course, do not hesitate to contact me with any additional comments or concerns.

Best,
Shanna

Table 2.3: Average Annual Rates of Residential and Commercial Customer Growth 2016 – 2035

	Base Case	High Growth	Low Growth
Residential			
Oregon	1.6%	1.9%	1.2%
Washington	2.6%	3.4%	2.0%
System	1.7%	2.1%	1.3%
Commercial			
Oregon	0.9%	1.5%	0.2%
Washington	1.8%	2.8%	0.7%
System	1.0%	1.7%	0.3%
Residential plus Commercial			
Oregon	1.5%	1.9%	1.1%
Washington	2.6%	3.3%	1.9%
System	1.6%	2.1%	1.2%

Figure 2.29: Residential Customer Forecast Scenarios: Oregon



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