

NORTHWEST NATURAL GAS CO

Form 8-K

February 05, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported)

February 4, 2019

Commission File Number

1-38681

Registrant, State of Incorporation, Address  
of

Principal Executive Offices, Telephone  
Number, and

IRS Employer Identification No.

Northwest Natural Holding Company  
an Oregon corporation

220 N.W. Second Avenue

Portland, Oregon 97209

Telephone (503) 226-4211

82-4710680

1-15973

Northwest Natural Gas Company  
an Oregon corporation

220 N.W. Second Avenue

Portland, Oregon 97209

Telephone (503) 226-4211

93-0256722

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark

whether the registrant is an

emerging growth company

as defined in Rule 405 of the

Securities Act of 1933

(§230.405 of this chapter) or

Rule 12b-2 of the Securities

Exchange Act of 1934

(§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth ☐

company, indicate by check

mark if the registrant has  
elected not to use the  
extended transition period  
for complying with any new  
or revised financial  
accounting standards  
provided pursuant to Section  
13(a) of the Exchange Act.

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Item 8.01. Other Events.

As previously reported, in December 2017, Northwest Natural Gas Company (NW Natural), a wholly-owned subsidiary of Northwest Natural Holding Company (NW Holdings), filed an Oregon general rate case. On October 26, 2018, the Public Utility Commission of Oregon (OPUC) issued an order in the NW Natural rate case (Order). The Order froze NW Natural's pension balancing account as of October 31, 2018. The Order also directed that, beginning on November 1, 2018, NW Natural is authorized to increase the amount of FAS 87 pension expense included in base rates by \$8.1 million, for a total annual collection of \$11.9 million. The Order also directed NW Natural and the other parties to the rate case to engage in further regulatory proceedings to resolve open issues with respect to the recovery of the pension balancing account, and treatment of the 10-month deferral period benefits associated with the Tax Cuts and Jobs Act (TCJA). NW Natural expected these proceedings to also determine the appropriateness of NW Natural's remeasurement of the regulated utility excess deferred income taxes pursuant to TCJA and the return of these excess deferred income taxes to customers directly or by applying them for the customers' benefit.

On February 4, 2019, NW Natural, OPUC Staff, Oregon Citizen's Utility Board (CUB), and the Alliance of Western Energy Customers (AWEC), which comprise all of the parties to the Rate Case, filed with the OPUC a joint stipulation addressing the remaining items related to the pension balancing account and TCJA benefits in the Rate Case (Settlement). The Settlement is subject to the review and approval of the OPUC. For it to be effective, the OPUC must issue an Order, which may approve, deny, or modify the terms of the Settlement.

Under the Settlement, the stipulating parties agree that NW Natural properly recorded the remeasurement of regulated utility excess deferred income taxes pursuant to the effects of TCJA, and agree that all of NW Natural's TCJA-related dockets will be resolved in accordance with the terms of the Stipulation. Under the Settlement, NW Natural would return excess deferred income taxes pursuant to TCJA as follows: (i) an annual credit to base rates of \$3.4 million; (ii) a credit of \$3.0 million per year for five years to sale customers; (iii) a credit to customers' benefit of \$5.44 million of deferred income taxes, and \$7.07 million of TCJA benefits deferred between January 1, 2018 and October 31, 2018, reflected as a reduction to NW Natural's pension balancing account, described below. As a result of these returns and credits, NW Natural's rate base is expected to increase by approximately \$15.38 million, and the revenue requirement is expected to increase approximately \$1.43 million. If the Company files a general rate case within five years of the date of the Order implementing the Settlement, this revenue requirement may be adjusted as part of that general rate case.

As to the future operation and timing of rate recovery of amounts reflected in NW Natural's pension balancing account, under the Settlement, the stipulating parties agree that, effective October 31, 2018, NW Natural would: (i) reduce the amount of the frozen pension balancing account by \$10.5 million, and apply \$12.51 million of the Company's deferred TCJA benefits, for a total reduction of the pension balancing account of approximately \$23.01 million; and (ii) reduce the interest rate on the pension balancing account from NW Natural's authorized rate of return of 7.317 percent to 4.3 percent. NW Natural would then collect the remainder of the pension balancing account balance over ten years in a customer tariff of \$7.3 million per year beginning on the rate effective date. If the Settlement is approved, NW Natural expects to recognize an after-tax charge to earnings of approximately \$6.7 million in the quarter in which an order is issued, which is expected to be the first quarter of 2019.

### Forward-Looking Statements

This report, and other presentations made by NW Holdings and NW Natural from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the following: plans, objectives, goals, strategies, assumptions, estimates, expectations, expenses, future events, investments, customer growth, customer rates or rate recovery, customer savings, financial results, financial position, revenue requirement, return on equity, rate base, recovery of pension expense and pension balancing account, treatment of historical TCJA amounts, effects of regulatory mechanisms, tax liabilities, including tax reform, expectations and treatment with respect to retirement plans, approval and adequacy of regulatory deferrals, revenues and earnings, performance, timing or outcomes of future regulatory proceedings or future regulatory approvals, and other statements that are other than statements of historical facts.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed by reference to the factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosure about Market Risk” in Northwest Natural Gas Company’s most recent Annual Report on Form 10-K, as updated by subsequent filed reports, and in Part I, Items 2 and 3 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk,” and Part II, Item 1A, “Risk Factors,” in such company’s quarterly reports filed thereafter.

All forward-looking statements made in this report and all subsequent forward-looking statements, whether written or oral and whether made by or on behalf of NW Holdings or NW Natural, are expressly qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized. The signature for each undersigned company shall be deemed to relate only to matters having reference to such company or its subsidiaries.

Northwest Natural Holding Company

Date: February 4, 2019 /s/ Shawn M. Filippi

Name: Shawn M. Filippi

Title: Vice President, Chief Compliance Officer and Corporate Secretary

Northwest Natural Gas Company

Date: February 4, 2019 /s/ Shawn M. Filippi

Name: Shawn M. Filippi

Title: Vice President, Chief Compliance Officer and Corporate Secretary