

Rates and Regulatory Affairs  
Facsimile: 503.721.2532



May 27, 2005

NWN Advice No. OPUC 05-8

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
550 Capitol Street, N.E., Suite 215  
P.O. Box 2148  
Salem, Oregon 97308-2148

Attn: Filing Center

Re: UG 163 Compliance Filing  
Schedule 190 "Partial Decoupling Mechanism"

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith, the following tariff sheets stated to become effective with service on and after October 1, 2005:

Fifth Revision of Sheet 190-1,  
Schedule 190,  
"Partial Decoupling Mechanism";

Second Revision of Sheet 190-2,  
Schedule 190,  
"Partial Decoupling Mechanism (continued)"; and

First Revision of Sheet 190-3,  
Schedule 190,  
"Partial Decoupling Mechanism (continued)".

This filing is in compliance with the Prehearing Conference Report issued May 20, 2005 in Docket UG 163.

The company respectfully requests that the tariff sheets filed herein be approved to become effective with service on and after October 1, 2005.

Although the requested effective date of this tariff filing is October 1, 2005, the company respectfully requests that this filing be placed on the

Commission's public meeting agenda at the earliest possible date from the date of this filing.

Copies of this letter and the filing made herewith are available in the company's main and district offices in Oregon.

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

Kelley Miller  
Administrative Assistant  
Rates & Regulatory Affairs  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2532  
Telephone: (503) 226-4211, ext. 3589  
E-mail: [kelley.miller@nwnatural.com](mailto:kelley.miller@nwnatural.com)

C. Alex Miller  
General Manager  
Rates & Regulatory Affairs  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2532  
Telephone: (503) 721-2487  
E-mail: [c2m@nwnatural.com](mailto:c2m@nwnatural.com)

Please call if you have questions.

Sincerely,

/s/ Onita King

Onita R. King, Manager  
Tariffs & Regulatory Compliance

enclosures

# NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

Fifth Revision of Sheet 190-1  
Cancels Fourth Revision of Sheet 190-1

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## SCHEDULE 190

### PARTIAL DECOUPLING MECHANISM

#### **PURPOSE:**

To (a) describe the partial decoupling mechanism established in accordance with a Stipulation and Agreement adopted by the Public Utility Commission of Oregon (OPUC) in Docket UG 143, Order No. 02-634 dated September 12, 2002; and (b) identify the adjustment applicable to rates under the Rate Schedules listed below.

(D)

#### **APPLICABLE:**

To Residential and Commercial Customers served on the following Rate Schedules of this Tariff:

<b><u>Residential</u></b>	<b><u>Commercial</u></b>
<b>Schedule 1</b>	Schedule 1
<b>Schedule 2</b>	Schedule 3(FS)
	Schedule 3(FT)
	Schedule 31(FS)
	Schedule 31(IS)
	Schedule 31(FT)

#### **ADJUSTMENT TO RATE SCHEDULES:**      **Effective: October 1, 2004**

The Temporary Adjustments for Residential and Commercial Customers taking service on the above-listed Rate Schedules includes the following adjustment:

Residential Rate Schedules:	\$0.00347 per therm
Commercial Rate Schedules:	\$0.00441 per therm

#### **PARTIAL DECOUPLING DEFERRAL ACCOUNT:**

1. Each month, the company will calculate the difference between weather-normalized usage and the calculated baseline usage for each Residential and Commercial Customer group. The resulting usage differential shall be multiplied by the per therm distribution margin for the applicable customer group.

The Company shall defer and amortize, with interest, 90% of the distribution margin differential in a sub-account of Account 186. The deferral will be a credit (accruing a refund to customers) if the differential is positive, or a debit (accruing a recovery by the company) if the differential is negative.

(continue to Sheet 190-2)

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**SCHEDULE 190****PARTIAL DECOUPLING MECHANISM**  
(continued)**PARTIAL DECOUPLING DEFERRAL ACCOUNT (continued):**

- The baseline usage shall be determined from actual weather normalized usage for the 12-months ended September 30.

The following is an example baseline usage calculation for the Residential Group:

September 30 weather-normalized volume, divided by September 30 Residential Customers, equal	<u>330,164,716</u> 450,709
Normalized use per therm per customer	733
October 1 price decrease	-10%
Volume increase due to price elasticity (-10% x -0.172)	1.72%
Estimated volume increase due to price elasticity (Sept. 30 volumes x % of volume increase)	5,678,833
Total New Baseline Volumes: (Sept. 30 normalized volumes plus estimated volume increase), divided by September 30 customers, equal	<u>335,843,549</u> 450,709
Reset baseline usage per therm per customer	745

- Weather-normalized usage is calculated using the approach to weather normalization adopted in the Company's last general rate case, Docket UG 152.
- The baseline volumes will be adjusted to reflect the actual customers billed each month.
- The per therm distribution margins to be used in the deferral calculation effective October 1, 2004 is \$0.43205 per therm for Residential customers and \$0.29485 per therm for Commercial customers.

(continue to Sheet 190-3)

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**SCHEDULE 190**

**PARTIAL DECOUPLING MECHANISM**  
(continued)

**PARTIAL DECOUPLING DEFERRAL ACCOUNT (continued):**

- 6. Coincident with the Company's annual Purchased Gas Cost and Technical Rate Adjustment filing commencing with the filing effective October 1, 2003, and each year thereafter during the term of this Schedule, the Company shall apply an adjustment to Residential and Commercial rates to amortize over the following 12 months, the balance in the balancing account as of July 31.
- 7. This Schedule is an "automatic adjustment clause" as defined in ORS 757.210, and is subject to review by the Commission at least once every two (2) years. The Company shall not be required to apply for annual reauthorization for deferrals under ORS 757.259.

**SPECIAL CONDITIONS:**

- 1. No later than April 30, 2005, the company will submit to the OPUC, the results of an independent study regarding the effectiveness of partial decoupling mechanism.
- 2. Prior to September 30, 2005, the Company will make every effort to obtain a determination from the OPUC as to whether or not this Partial Decoupling Mechanism described herein will continue beyond the September 30, 2005 Term.
- 3. The existence of this Partial Decoupling Mechanism will not affect the Company's service line and main extension policies.
- 4. Other terms and conditions as specified in the Stipulation and Agreement.
- 5. Pending the conclusion of the OPUC investigation in Docket UG163 regarding continuation of this Schedule, and in accordance with the Prehearing Conference Report issued May 20, 2005 in UG 163, deferrals accrued in the Partial Decoupling Deferral Account for usage after September 30, 2005 shall not automatically be amortized as described in this Schedule. Treatment of such deferrals shall be addressed by the parties to Docket UG 163, and determined by the Commission's order in that proceeding. (N)

**GENERAL TERMS:**

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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