

McDowell & Rackner PC



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December 11, 2008

VIA ELECTRONIC FILING AND FIRST CLASS MAIL

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket UM 1406 – Application for an Accounting Order

The Parties in the above-identified docket have identified an error in page 3 of the Stipulation, originally filed on November 25, 2008. Enclosed for filing is an original and five copies of the corrected page, including a redlined and clean version, to which the Parties have agreed. Please replace page 3 of the original Stipulation with the enclosed corrected page. A copy of this filing has been served on the parties indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in black ink, appearing to read "Amie Jamieson".

Amie Jamieson

Enclosure

UM 1406

Page 3 of Stipulation

Clean Version

7. **Cost Tracking.** NW Natural will track SIP costs on a project basis. Project costs would accumulate in capital accounts that would be designated as SIP activities and would be traced by NW Natural on a per job basis. NW Natural would track the SIP investment annually to obtain a total account for each year, with the proposed tracking period running from November 1 to October 31 ("Tracker Year").³

8. **Cost Recovery.** NW Natural will not seek recovery through the proposed annual rate adjustment for: 1) current O&M funding embedded in rates of approximately \$574 thousand per year; 2) additional O&M costs related to DIMP damage prevention; 3) the first \$3 million in combined bare steel and leakage capital costs, and 4) an additional \$250,000 in SIP capital costs.

On an annual basis, the most recent actual SIP costs incurred during the period from November 1 prior to the PGA filing date plus an estimate of activity through October 31 would be used to determine the SIP Cost of Service (as described in Paragraph 9) for the relevant year. The SIP Cost of Service would be included in the NW Natural's PGA subject to an audit by OPUC Staff. Upon Commission approval of the SIP Cost of Service, an adjustment would be made to permanent rates (Schedules 1-3, 31, 32, 33 and 54) effective November 1 during the term of the revenue recovery period, in accordance with the allocation methods described in paragraph 11 below.

9. **Cost of Service.** The SIP Cost of Service would be identified using the same process that was used in the previous UM 1156/TIMP costs and UM 1030/Bare Steel and Geohazard Risk Mitigation Costs. See Order Nos. 04-390, 02-687, 01-843, Schedule 177 and the Stipulation entered into August 3, 2001 between NW Natural and Staff. That is, for each recovery period, NW Natural would develop a cost of service for the SIP investment which would include incremental depreciation, expense, property tax, return, income taxes and other costs customarily relating to utility investment. The capital structure and the cost of long term

³ For the 2008-2009 year, the relevant period would be October 1, 2008 through October 31, 2009.

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Page 3 of Stipulation

Redlined Version

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CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket UM 1406 on the following named persons on the date indicated below by electronic mail and first class mail addressed to said persons at his or her last-known address(es) indicated below:

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Dated December 11, 2008

McDOWELL & RACKNER PC


Amie Jamieson