

**Rates and Regulatory Affairs**  
Facsimile: 503.721.2532



August 28, 2007

***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: **DOCKET NOS. UG 163/UG 152**  
Extending the Term of Weather-Adjusted Rate Mechanism  
(WARM) and Distribution Margin Normalization (DMN)

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), hereby files a Stipulation extending the term of weather-adjusted rate mechanism (WARM) and distribution margin normalization (DMN) mechanism, and establishing an annual reporting requirement on WARM.

The Company is required to file for an extension by September 28, 2007 before the program expires on September 30, 2008. The Company respectfully requests that the Stipulation be placed on the Commission's September 20, 2007 public meeting.

Please call if you have questions.

Sincerely,

/s/ Inara K. Scott

Inara K. Scott  
Manager, Regulatory Affairs

enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UG 163/UG 152**

In the Matter of

NORTHWEST NATURAL

Extending the Term of Weather-Adjusted Rate Mechanism (WARM) and Distribution Margin Normalization (DMN).

STIPULATION

This Stipulation is entered into for the purpose of extending the terms of Northwest Natural Gas Company's ("NW Natural") weather-adjusted rate mechanism ("WARM") and distribution margin normalization ("DMN") mechanism, and establishing an annual reporting requirement on WARM.

**PARTIES**

1. The parties to this Stipulation are NW Natural, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, the Northwest Industrial Gas Users, the Northwest Energy Coalition, the Community Action Partnership of Oregon, the Oregon Energy Coordinators Association, and the Oregon Department of Energy (collectively, the "Parties").

**BACKGROUND**

2. Per the WARM Stipulation adopted in Order 03-507, NW Natural's WARM program will expire September 30, 2008.

3. Per the DMN Stipulation adopted in Order No. 05-934, the DMN tariff will expire on September 30, 2009.

4. According to Order 05-934, the Parties' intent in staggering the expiration dates of these two programs was to ensure that "any delay in analyzing and potentially extending WARM [did] not impact DMN." Order 03-934 at 2.

5. Despite the staggered expiration dates, the Parties now believe it is efficient to consider WARM and DMN concurrently. Because the mechanisms interact, and the issues that may be discussed with regard to each are likely to overlap, concurrent examination of the two mechanisms would be a more efficient use of the Parties' time.

6. In addition, the Parties agree that it would be helpful to have several years of annual data on the functioning of WARM, so it can be more fully considered in the future.

## AGREEMENT

### 7. WARM

a. The Parties agree that NW Natural will continue to implement WARM as currently described in Schedule 195 and further described in the WARM Stipulation, except as provided in this Stipulation.

b. **Extension of Term:** The Parties agree to extend the term of WARM through October 31, 2012.

c. **Reports:** Beginning November 30, 2007, and annually thereafter until November 2011, NW Natural will provide the Parties with a factual report on the functioning of WARM. The report will include the following data for the prior WARM year (*i.e.*, for the November 30, 2007 report, data from December 1, 2006 to May 15, 2007): actual Heating Degree Day differences experienced; charges or credits actually charged by month and total across heating seasons or years in which the mechanism was in place; what percent of bills they were and actual amounts outside the limits that were deferred; and other factors related to WARM, such as number of opt-outs, customer calls, at-fault complaints, and billing issues by heating season or year; total charge or credit recorded by month for each heating season and year of the program; and financial impact, for example in earnings per share or return on equity. NW Natural agrees to respond to Parties' data requests regarding the report and underlying data within a reasonable time.

### 8. DMN

a. The Parties agree that NW Natural will continue to implement DMN as currently described in Schedule 190 and further described in the DMN Stipulation, except as provided in this Stipulation.

b. **Extension of Term:** The Parties agree to extend the term of DMN through October 31, 2012.

### 9. Rate Case Moratorium

NW Natural agrees not to file a general rate case prior to September 1, 2011, subject to the following exceptions:

a. **Integrity Management Program (IMP):** NW Natural intends to request that IMP costs continue to be treated as capital expenditures to be recovered on an annual basis after the program expires in 2009. If the Parties do not support NW Natural's request and the Parties cannot agree on an alternative form of recovery, or the Commission does not approve recovery of prudent costs pursuant to NW Natural's request, NW Natural may file a general rate case.

b. **Advanced Meter Reading:** If Portland General Electric (PGE) receives Commission approval of its automated metering infrastructure tariff (Docket UE 189) or otherwise notifies NW Natural that it is terminating the agreement governing the PGE &

NW Natural joint meter reading territory (JMR), NW Natural intends to implement automated meter reading (“AMR”) in the territory currently covered by the JMR agreement. If the Parties do not support a request by NW Natural for the opportunity to recover the capital costs for its AMR project on an annual basis and the Parties cannot agree on an alternative form of recovery, or the Commission does not approve recovery of prudent costs pursuant to NW Natural’s request, NW Natural may file a general rate case.

c. **Extraordinary Events:** The Parties and NW Natural understand and agree that there may be an extraordinary event or series of events that would lead NW Natural and the Parties to determine that a general rate case may be filed prior to September 1, 2011. Extraordinary events in this stipulation are items that do not lend themselves to other regulatory mechanisms, such as a deferral, and are expected to have significant negative impact on NW Natural’s on-going, normalized regulated earnings.

In the case of such an event, NW Natural will work in good faith with the Parties before taking any action before the Commission. If NW Natural and the other Parties agree that the event constitutes an extraordinary event as defined in this stipulation, NW Natural may file a general rate case. If consensus cannot be reached, NW Natural may request that the Commission make a determination as to whether the event constitutes an extraordinary event as defined in this Stipulation. In such filing, NW Natural will have the burden of showing that it faces an extraordinary event as defined in this stipulation.

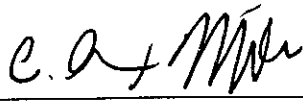
10. The parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission’s Order.

11. By entering into this Stipulation, no party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other party in arriving at the terms of this Stipulation. No party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

12. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each party on the date entered below such party’s signature.

NORTHWEST NATURAL GAS  
COMPANY

By   
C. Alex Miller  
Director, Regulatory Affairs and  
Forecasting

Date: 8/22/07

CITIZENS' UTILITY BOARD  
OF OREGON

By \_\_\_\_\_  
Robert Jenks  
Executive Director

Date: \_\_\_\_\_

OREGON DEPARTMENT OF ENERGY

By \_\_\_\_\_  
Philip H. Carver

Date: \_\_\_\_\_

NW ENERGY COALITION

By \_\_\_\_\_  
Steven Weiss  
Sr. Policy Associate

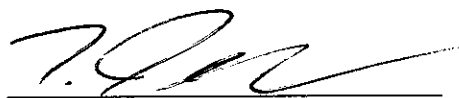
Date: \_\_\_\_\_

NATURAL RESOURCES DEFENSE  
COUNCIL

By \_\_\_\_\_  
Steven Weiss

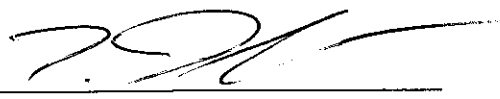
Date: \_\_\_\_\_

COMMUNITY ACTION PARTNERSHIP  
OF OREGON

By   
Jim Abrahamson  
Community Action Partnership  
of Oregon

Date: 8/23/07

OREGON ENERGY COORDINATORS  
ASSOCIATION

By   
Jim Abrahamson  
Oregon Energy Coordinators  
Association

Date: 8/23/07

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By: \_\_\_\_\_  
Jason Jones  
Attorney for Staff  
Oregon Department of Justice

Date: \_\_\_\_\_



NORTHWEST NATURAL GAS COMPANY

CITIZENS' UTILITY BOARD OF OREGON

By \_\_\_\_\_  
C. Alex Miller  
Director, Regulatory Affairs and Forecasting

By Robert Jenks  
Robert Jenks  
Executive Director

Date: \_\_\_\_\_

Date: 8-24-07

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By \_\_\_\_\_  
Philip H. Carver

By \_\_\_\_\_  
Steven Weiss  
Sr. Policy Associate

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NATURAL RESOURCES DEFENSE COUNCIL

COMMUNITY ACTION PARTNERSHIP OF OREGON

By \_\_\_\_\_  
Steven Weiss

By \_\_\_\_\_  
Jim Abrahamson  
Community Action Partnership of Oregon

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON ENERGY COORDINATORS ASSOCIATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By \_\_\_\_\_  
Jim Abrahamson  
Oregon Energy Coordinators Association

By: \_\_\_\_\_  
Jason Jones  
Attorney for Staff  
Oregon Department of Justice

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST NATURAL GAS  
COMPANY

CITIZENS' UTILITY BOARD  
OF OREGON

By \_\_\_\_\_  
C. Alex Miller  
Director, Regulatory Affairs and  
Forecasting

By \_\_\_\_\_  
Robert Jenks  
Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By   
Philip H. Carver

By \_\_\_\_\_  
Steven Weiss  
Sr. Policy Associate

Date: Aug. 24, 2007

Date: \_\_\_\_\_

NATURAL RESOURCES DEFENSE  
COUNCIL

COMMUNITY ACTION PARTNERSHIP  
OF OREGON

By \_\_\_\_\_  
Steven Weiss

By \_\_\_\_\_  
Jim Abrahamson  
Community Action Partnership  
of Oregon

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON ENERGY COORDINATORS  
ASSOCIATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By \_\_\_\_\_  
Jim Abrahamson  
Oregon Energy Coordinators  
Association

By: \_\_\_\_\_  
Jason Jones  
Attorney for Staff  
Oregon Department of Justice

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST NATURAL GAS  
COMPANY

By \_\_\_\_\_  
C. Alex Miller  
Director, Regulatory Affairs and  
Forecasting

Date: \_\_\_\_\_

CITIZENS' UTILITY BOARD  
OF OREGON

By \_\_\_\_\_  
Robert Jenks  
Executive Director

Date: \_\_\_\_\_

OREGON DEPARTMENT OF ENERGY

By \_\_\_\_\_  
Philip H. Carver

Date: \_\_\_\_\_

NW ENERGY COALITION

By Steven Weiss  
Steven Weiss  
Sr. Policy Associate

Date: 8/22/07

NATURAL RESOURCES DEFENSE  
COUNCIL

By Steven Weiss  
Steven Weiss

Date: 8/22/07

COMMUNITY ACTION PARTNERSHIP  
OF OREGON

By \_\_\_\_\_  
Jim Abrahamson  
Community Action Partnership  
of Oregon

Date: \_\_\_\_\_

OREGON ENERGY COORDINATORS  
ASSOCIATION

By \_\_\_\_\_  
Jim Abrahamson  
Oregon Energy Coordinators  
Association

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By \_\_\_\_\_  
Jason Jones  
Attorney for Staff  
Oregon Department of Justice

Date: \_\_\_\_\_



NORTHWEST NATURAL GAS  
COMPANY

CITIZENS' UTILITY BOARD  
OF OREGON

By \_\_\_\_\_  
C. Alex Miller  
Director, Regulatory Affairs and  
Forecasting

By \_\_\_\_\_  
Robert Jenks  
Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By \_\_\_\_\_  
Philip H. Carver

By \_\_\_\_\_  
Steven Weiss  
Sr. Policy Associate

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NATURAL RESOURCES DEFENSE  
COUNCIL

COMMUNITY ACTION PARTNERSHIP  
OF OREGON

By \_\_\_\_\_  
Steven Weiss

By \_\_\_\_\_  
Jim Abrahamson  
Community Action Partnership  
of Oregon


Date: \_\_\_\_\_

Date: \_\_\_\_\_

OREGON ENERGY COORDINATORS  
ASSOCIATION

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

By \_\_\_\_\_  
Jim Abrahamson  
Oregon Energy Coordinators  
Association

By  \_\_\_\_\_  
Jason Jones  
Attorney for Staff  
Oregon Department of Justice

Date: \_\_\_\_\_

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

By: Paula E. Pyron  
Paula E. Pyron  
Executive Director

Date: 8/24/07



CERTIFICATE OF SERVICE

I hereby certify that on the 28th day of August, 2007, I served the foregoing NORTHWEST NATURAL'S STIPULATION in OPUC Docket Nos. UG 163/UG 152 upon all parties on the service lists in these dockets by mailing a copy properly addressed with first class postage prepaid.

/s/ Kelley C. Miller  
Kelley C. Miller, Staff Assistant  
Rates & Regulatory Affairs  
NW NATURAL  
220 NW Second Avenue  
Portland, Oregon 97209-3991  
1.503.226.4211, extension 3589

Official Service List  
**UG 163**

DAVID J MEYER AVISTA CORPORATION PO BOX 3727 SPOKANE WA 99220-3727 david.meyer@avistacorp.com	BRIAN HIRSCHKORN AVISTA UTILITIES PO BOX 3727 SPOKANE WA 99220-3727 brian.hirschkorn@avistacorp.com
EDWARD A FINKLEA CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP 1001 SW 5TH, SUITE 2000 PORTLAND OR 97204 efinklea@chbh.com	KATHERINE BARNARD CASCADE NATURAL GAS PO BOX 24464 SEATTLE WA 98124 kbarnard@cngc.com
JON T STOLTZ CASCADE NATURAL GAS PO BOX 24464 SEATTLE WA 98124 jstoltz@cngc.com	JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org
ROBERT JENKS CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 bob@oregoncub.org	JIM ABRAHAMSON COMMUNITY ACTION DIRECTORS OF OREGON PO BOX 7964 SALEM OR 97301 jim@cado-oregon.org
MICHAEL FIELDMAN PRESIDENT COMMUNITY ACTION DIRECTORS OF OREGON 2448 W HARVARD BLVD ROSEBURG OR 97470	JANET L PREWITT DEPARTMENT OF JUSTICE 1162 COURT ST NE SALEM OR 97301-4096 janet.prewitt@doj.state.or.us
MICHAEL T WEIRICH DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@doj.state.or.us	RALPH CAVANAGH NATURAL RESOURCES DEFENSE COUNCIL 111 SUTTER ST FL 20 SAN FRANCISCO CA 94104 rcavanagh@nrdc.org

<p>STEVEN WEISS NORTHWEST ENERGY COALITION 4422 OREGON TRAIL CT NE SALEM OR 97305 steve@nwenergy.org</p>	<p>PAULA E PYRON NORTHWEST INDUSTRIAL GAS USERS 4113 WOLF BERRY COURT LAKE OSWEGO OR 97035-1827 ppyron@nwigu.org</p>
<p>NW ENERGY COALITION 219 FIRST ST STE 100 SEATTLE WA 98104</p>	<p>PHIL CARVER OREGON DEPARTMENT OF ENERGY 625 MARION ST NE STE 1 SALEM OR 97301-3742 philip.h.carver@state.or.us</p>
<p>JOAN COTE OREGON ENERGY COORDINATORS ASSOCIATION 2585 STATE ST NE SALEM OR 97301 cotej@mwwcaa.org</p>	<p>JAMES M VAN NOSTRAND PERKINS COIE LLP 1120 NW COUCH ST, 10TH FLR PORTLAND OR 97209-4128 jvannostrand@perkinscoie.com</p>

Official Service List  
**UG 152**

<p>EDWARD A FINKLEA CABLE HUSTON BENEDICT HAAGENSEN &amp; LLOYD LLP 1001 SW 5TH, SUITE 2000 PORTLAND OR 97204 efinklea@chbh.com</p>	<p>JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org</p>
<p>JIM ABRAHAMSON COMMUNITY ACTION DIRECTORS OF OREGON PO BOX 7964 SALEM OR 97301 jim@cado-oregon.org</p>	<p>STEVEN LOUNSBURY COOS COUNTY OFFICE OF LEGAL COUNSEL 250 N BAXTER COQUILLE OR 97423 cooscc@co.coos.or.us</p>
<p>DANIEL W MEEK DANIEL W MEEK ATTORNEY AT LAW 10949 SW 4TH AVE PORTLAND OR 97219 dan@mEEK.net</p>	<p>JOHN A CAMERON DAVIS WRIGHT TREMAINE LLP 1300 SW FIFTH AVENUE STE 2300 PORTLAND OR 97201 johncameron@dwT.com</p>
<p>MICHAEL T WEIRICH DEPARTMENT OF JUSTICE REGULATED UTILITY &amp; BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 michael.weirich@doj.state.or.us</p>	<p>TED LEHMANN DIREXX ENERGY 2400 NE 15TH AVE PORTLAND OR 97212 ted@direxx.com</p>
<p>MELANIE L GILLETTE MGR OF REGULATORY AFFAIRS IGI RESOURCES INC 980 NINTH ST STE 1540 SACRAMENTO CA 95814 mlgillette@duke-energy.com</p>	<p>GORDON J SMITH JOHN &amp; HENGERER 1200 17TH ST NW STE 600 WASHINGTON DC 20036 gsmith@jhenergy.com</p>

<p>KATHERINE A MCDOWELL  MCDOWELL &amp; RACKNER PC  520 SW SIXTH AVE – STE 830  PORTLAND OR 97204  katherine@mcd-law.com</p>	<p>STEVEN WEISS  NORTHWEST ENERGY COALITION  4422 OREGON TRAIL CT NE  SALEM OR 97305  steve@nwenergy.org</p>
<p>PAULA E PYRON  NORTHWEST INDUSTRIAL GAS USERS  4113 WOLF BERRY COURT  LAKE OSWEGO OR 97035-1827  ppyron@nwigu.org</p>	<p>PATRICK G HAGER  PORTLAND GENERAL ELECTRIC  121 SW SALMON ST 1WTC0702  PORTLAND OR 97204  patrick.hager@pgn.com</p>
<p>JUDY JOHNSON  PUBLIC UTILITY COMMISSION  PO BOX 2148  SALEM OR 97308-2148  judy.johnson@state.or.us</p>	<p>DONALD W SCHOENBECK  REGULATORY &amp; COGENERATION SERVICES INC  900 WASHINGTON ST STE 780  VANCOUVER WA 98660-3455  dws@r-c-s-inc.com</p>
<p>JAY T WALDRON  SCHWABE WILLIAMSON &amp; WYATT  1211 SW 5TH AVE STE 1600-1900  PORTLAND OR 97204-3795  jwaldron@schwabe.com</p>	<p>JAMES F FELL  STOEL RIVES LLP  900 SW FIFTH AVE, STE 2600  PORTLAND OR 97204-1268  jffell@stoel.com</p>