

Rates and Regulatory Affairs
Facsimile: 503.721.2532



January 26, 2006

Public Utility Commission of Oregon
550 Capitol Street, Northeast, Suite 215
Post Office Box 2148
Salem, Oregon 97308-2148

ATTN: Filing Center

Re: **OPUC Docket UM ____**: Application for Authorization of Deferred Accounting of Oregon "Tax Kicker" Income Tax Reduction

In accordance with ORS 757.125, 757. 259(2)(e), and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (NW Natural or company), files herewith the above-referenced Application for Authorization of Deferred Accounting of Oregon's "Tax Kicker" Income Tax Reduction.

A notice concerning this application will be sent to all parties who participated in the company's most recent general rate case, UG 152. A copy of the notice is part of the enclosed application.

Please call me at 1-503-721-2452 if you have any questions or require any further information.

Sincerely,

/s/ Onita R. King

Onita R. King, Manager
Tariffs & Regulatory Compliance

ORK/cmt
enclosures

cc: UG 152 Service List

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3
4 OREGON

5
6
7 UM _____

8
9 In the Matter of the Application)
10 by NORTHWEST NATURAL GAS COMPANY,)
11 dba NW NATURAL, for Deferred)
12 Accounting of 2005 Oregon "Tax Kicker")

13
14
15 APPLICATION FOR AUTHORIZATION
16 TO DEFER CERTAIN EXPENSES OR REVENUES

17
18 Pursuant to O.R.S. 757.259 and OAR 860-030-0035, Northwest Natural
19 Gas Company, dba NW Natural, hereby submits this application for deferred
20 accounting treatment of monetary benefits to the company associated with the Oregon
21 "Tax Kicker" income tax reduction.

22
23 **1. Background**

24 In 1996, NW Natural and other parties entered into a Memorandum of
25 Understanding Regarding ORS 291.349 Oregon "Tax Kicker" Savings. See the
26 attached copy of the Memorandum. The intention of the Memorandum was to pass
27 through to ratepayers benefits received by the Company pursuant to ORS 291.349.
28 The provisions of the memorandum included a calculation to determine whether the
29 Kicker amount was significant enough to warrant the pass-through, and also the
30 methodology to reflect federal tax effects in the amount to be refunded.

1 NW Natural hereby applies to the Oregon Public Utility Commission for an
2 order authorizing the company to defer for later inclusion in rates the amount of the Tax
3 Kicker applicable to utility operations in Oregon in 2005, as follows.

4 **a. Description of the expense for which deferred accounting is**
5 **requested.** NW Natural requests deferred accounting plus interest for the amount by
6 which the Oregon "Tax Kicker" reduces Oregon income tax for utility operations in
7 Oregon. Attached to this application is a worksheet showing how 2005 refunds have
8 been determined using the methodology incorporated in the Memorandum.

9 **b. The reasons deferred accounting is being requested.** NW Natural
10 seeks deferred accounting treatment for the amount of the Oregon "Tax Kicker"
11 described in paragraph (a) above under the authority of O.R.S. 757.259(e). Oregon
12 income taxes are utility expenses that are allowed to be recovered, but a reduction in
13 the expense should be refunded to customers in order to match appropriately the costs
14 borne by and benefits received by ratepayers.

15 **c. The account proposed for recording of the amounts to be deferred**
16 **and the account, which would be used for recording the amounts in the absence**
17 **of approval of deferred accounting.** NW Natural proposes to record the amounts
18 described in paragraph (a) above of this Application in a sub-account of Account 186.
19 In the absence of deferred accounting, the company would record decreases in Oregon
20 income tax in the appropriate sub-account of FERC Account 409.

1 **d. An estimate of the amounts to be recorded in the deferred account**
2 **for a 12-month period.** NW Natural estimates that amounts to be recorded in the
3 deferred accounts for the upcoming 12-month period will be about \$1 million.

4 **e. A copy of a notice of this application is attached.** Notice has been
5 sent to persons listed on the service list of the company’s last general rate case, UG
6 152, as described in the attached notice.

7 **2. Request**

8 For all the reasons stated in this application, NW Natural requests
9 deferred accounting treatment for decreased income taxes resulting from the Oregon
10 “Tax Kicker.”

11 **3. Communications**

12 Communications regarding this Application should be addressed to:

13
14 C. Alex Miller, Director
15 Regulatory Affairs & Forecasting
16 NW Natural
17 220 NW Second Avenue
18 Portland, OR 97209-3991
19 Telephone: (503) 721-3580
20 Facsimile: (503) 721-2532
21 E-mail: alex.miller@nwnatural.com

22 and

23
24 Onita R. King, Manager
25 Tariffs & Regulatory Compliance
26 NW Natural
27 220 NW Second Avenue
28 Portland, OR 97209-3991
29 Telephone: (503) 721-2452
30 Facsimile: 503-721-2532
31 E-mail: ork@nwnatural.com

32
33 ///

1 DATED this 26th day of January, 2006.

2 Respectfully submitted,

3 NW NATURAL

4

5 _____
6 Onita R. King, Manager

7 Tariffs & Regulatory Compliance

8 NW Natural

9 220 NW Second Avenue

10 Portland, Oregon 97209

11 Phone: (503) 721-2452

12 Email: ork@nwnatural.com



January 26, 2006

**NOTICE OF APPLICATION FOR AUTHORIZATION TO
DEFER ACCOUNTING OF OREGON "TAX KICKER" INCOME TAX REDUCTION**

To All Parties Who Participated in UG 152:

Please be advised that today Northwest Natural Gas Company, dba NW Natural (NW Natural or company), applied for authorization to defer certain expenses and revenues relative to accounting treatment of monetary benefits to the company associated with the Oregon "Tax Kicker" income tax reduction, pursuant to the provisions of ORS 757.259(2)(e). Copies of the company's application are available for inspection at its main and district offices.

This is not a rate case. The purpose of this Notice is to inform parties that participated in the company's most recent general rate case, UG 152, that the Application was filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the company or the Public Utility Commission of Oregon as follows:

NW Natural
Attn: Onita R. King
220 N.W. Second Ave.
Portland, Oregon 97209-3991
Telephone: (503) 721-2452

Public Utility Commission of Oregon
Attn: Filing Center
550 Capitol St., N.E., Ste. 215
P. O. Box 2148
Salem, Oregon 97308-2148
Telephone: 503-373-0886

Any person may submit to the Commission written comments on this matter no sooner than 25 days from the date of this Application. The granting of this application will not authorize a change in rates, but will permit the company to defer amounts in rates to a subsequent proceeding.

The company's district offices in Oregon are located at:

7150 Supra Drive
Albany, Oregon 97321
Telephone: (541) 926-4253

176 W. Marine Drive
Astoria, Oregon 97103
Telephone: (503) 325-1632

1625 N. 7th Street
Coos Bay, Oregon 97420
Telephone: (541) 267-5655

790 Goodpasture Island Road
Eugene, Oregon 97401
Telephone: (541) 342-3662

1405 S. W. Highway 101
Lincoln City, Oregon 97367
Telephone: (541) 994-2111

309 E. 2nd Street
The Dalles, Oregon 97058
Telephone: (541) 296-2229

3123 Broadway N.E.
Salem, Oregon 97303
Telephone: (503) 585-6611

* * * * *



UM ____ -Application for Authorization to Defer Certain Revenues and Expenses
CERTIFICATE OF SERVICE

I hereby certify that on the 26th day of January, 2006, I served the foregoing APPLICATION FOR AUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES RELATIVE TO OREGON'S "TAX KICKER" upon each party listed below by electronically mailing a copy to each party's email address of record, as listed on the Public Utility Commission of Oregon's official service list for NW Natural's last general rate case, UG 152.

UG 152 SERVICE LIST

JASON EISDORFER
CITIZENS UTILITY BOARD OF OREGON
610 SW BROADWAY STE 308
PORTLAND OR 97205
jason@oregoncub.org

MICHAEL T WEIRICH
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTON
1162 COURT ST NE
SALEM OR 97310-4096
michael.weirich@state.or.us

KATHERINE A MCDOWELL
STOEL RIVES LLP
900 SW FIFTH AVE STE 1600
PORTLAND OR 97204-1268
kamcdowell@stoel.com

TED LEHMANN
DIREXX ENERGY
917 SW OAK ST #424
PORTLAND OR 97205
ted@direxx.com

JOHN A CAMERON
DAVIS WRIGHT TREMAINE LLP
1300 SW FIFTH AVE STE 2300
PORTLAND OR 97201
johncameron@dwt.com

DANIEL W MEEK
DANIEL W MEEK ATTORNEY AT LAW
10949 SW FOURTH AVE
PORTLAND OR 97219
dan@meek.net

JAY T WALDRON
SCHWABE WILLIAMSON & WYATT
1211 SW 5TH AVE STE 1600-1900
PORTLAND OR 97204-3795
jwaldron@schwabe.com

STEVE WEISS
NORTHWEST ENERGY COALITION
4422 OREGON TRAIL CT NE
SALEM OR 97305
steve@nwenergy.org

DONALD W SCHOENBECK
REGULATORY & COGENERATION SERVICES INC
900 WASHINGTON ST STE 780
VANCOUVER WA 98660-3455
dws@r-c-s-inc.com

JAMES F FELL
STOEL RIVES LLP
900 SW FIFTH AVE STE 2600
PORTLAND OR 97204-1268
jfell@stoel.com

JUDY JOHNSON
PUBLIC UTILITY COMMISSION
550 CAPITOL ST NE STE 215
P O BOX 2148
SALEM OR 97308-2148
judy.johnson@state.or.us

PAULA PYRON
NWIU
4113 WOLF BERRY CT
LAKE OSWEGO OR 97035-1827
ppyron@nwigu.org

EDWARD A FINKLEA
CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP
1001 SW FIFTH AVE STE 2000
PORTLAND OR 97204
efinklea@chbh.com

PATRICK G HAGER
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204
patrick.hager@pgn.com

GORDON SMITH
JOHN & HENGERER
1200 17TH ST NW STE 600
WASHINGTON DC 20036
gsmith@jhenergy.com

MELANIE GILLETTE
DUKE ENERGY NORTH AMERICA
980 9TH ST STE 1540
SACRAMENTO CA 95814
mlgillette@duke-energy.com

STEVEN LOUNSBURY
COOS COUNTY OFFICE OF LEGAL COUNSEL
250 N BAXTER
COQUILLE OR 97423
cooscc@co.coos.or.us

JIM ABRAHAMSON
COMMUNITY ACTION DIRECTORS OF OREGON
4035 12TH ST CUTOFF SE STE 110
SALEM OR 97302
jim@cado-oregon.org

DATED at Portland, Oregon, this 26th day of January, 2006.

Chérie M. Taylor, Administrative Rate Specialist
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
1.503.226.4211, extension 3590
cherie.taylor@nwnatural.com