

JENNIFER GROSS
Tariff and Regulatory Compliance
Tel: 503.226.4211 ext. 3590
Fax: 503.721.2516
email: jgg@nwnatural.com



August 17, 2011

VIA ELECTRONIC FILING

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

ATTN: Filing Center

Re: **OPUC Docket UM 1027:** Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), hereby files the above-referenced Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin.

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 attached to the enclosed application as Exhibit B.

A Certificate of Service is attached as Exhibit C.

Please call me at (503) 226-4211, extension 3590, if you have any questions.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
Tariff and Regulatory Compliance

enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1027

NW Natural Application for Reauthorization)
For Deferred Accounting of Refunds or)
Collections of Distribution Margin)

In accordance with ORS 757.259 and ORS 757.262, and OAR 860-030-0035, NW Natural (or the “Company”) files this application with the Public Utility Commission of Oregon (the “Commission”) for an order authorizing the Company to record and defer with interest, on an ongoing basis, the amount by which actual distribution margin per residential and commercial customer is different from the margin to be collected from residential and commercial customers based on “normal” consumption, as assumed in the Company’s most recent general rate case.

In support of this Application, NW Natural states:

1. NW Natural

NW Natural is a public utility in the state of Oregon and is subject to the jurisdiction of the Commission with regard to rates, service, and accounting practices. NW Natural also provides retail natural gas service in the states of Oregon and Washington.

2. Statutory Authority

This Application is filed pursuant to ORS 757.259 and ORS 757.262, which empower the Commission to authorize the deferral of expenses or revenues of a public utility for later incorporation in rates.

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3. Communications

Communications regarding this Application should be addressed to:

NW Natural
e-filing for Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211, ext. 3589
Facsimile: (503) 721-2516
E-mail: eFiling@nwnatural.com

and

Jennifer Gross
Tariffs & Regulatory Compliance Consultant
NW Natural
220 NW Second Avenues
Portland, OR 97209-3991
Telephone: (503) 226- 4211, ext. 3590
Facsimile (503) 721-2516
E-mail: jennifer.gross@nwnatural.com

4. Description of Request - OAR 860-027-0300(3)(a)

On September 12, 2002, the Commission issued Order No. 02-634, which approved the partial decoupling mechanism described in the Settlement Agreement in Docket UG 143. On August 25, 2005, the Commission modified the Company's decoupling mechanism by issuing Order No. 05-934, which approved the deferral and amortization of 100% of the distribution margin differential through September 30, 2009. On September 26, 2007, the Commission issued Order No. 07-426 which includes a Stipulation signed by Parties to UG 152 and UG 163, wherein the decoupling mechanism's expiration date was extended from September 30, 2009, to October 31, 2012. Permission to defer 100% of the Company's distribution margin was last granted on November 3, 2010, in Commission Order No. 10-429.

This application for reauthorization requests the deferral of 100% of the Company's distribution margin in accordance with the Commission established terms

and conditions as outlined above. This application is for the 12-month period beginning October 1, 2011 and ending September 30, 2012.

5. Reason for Application for Reauthorization of Deferred Accounting - OAR 860-027-0300(3)(b)

In accordance with the statutory authority provided by ORS 767.259 and ORS 757.262, and the Commission's approval of the Settlement Agreement in Docket UG 163, NW Natural proposes to record and defer, with interest, the amount by which actual distribution margin per residential and commercial customer is different from the margin to be collected from residential and commercial customers based on "normal" consumption, as assumed in the Company's most recent general rate case filing in Docket UG 152 and further adjusted for price elasticity effects since the rate case.

6. Accounting - OAR 860-027-0300(3)(c)

NW Natural proposes to record the amounts described in paragraph (7) below of this Application in a sub-account of Account 186. In the absence of the Commission's approval of this Application, the Company would record under- or over-collected distribution margin as utility operating revenue in FERC Account 400.

7. Estimated Amounts Subject to Deferral – OAR 860-027-0300(3)(d)

NW Natural cannot estimate what amounts will be recorded in the distribution margin normalization "use balancing account" for the upcoming 12-month period because the amount is dependent on volume variance resulting from the actual price elasticity and conservation responses.

8. Entries in Deferred Account To-Date– OAR 860-027-0300(4)(a)

In 2003 and 2004, the Company deferred 90% of its distribution margin in accordance with Commission Order No. Since 2005, the Company has deferred 100% of its distribution margin in accordance with the terms established in Commission Order No. 05-934. Work papers, attached as Exhibit A, demonstrate the distribution margin

differential deferred under this docket (UM 1027) for the last six years. Also, included as Exhibit A are details of costs deferred plus interest for residential and commercial customers in the most current 2009-2010 deferral period.

9. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b)

NW Natural seeks continuation of this deferral account in accordance with Commission Order No. 07-426 which extended the Company's decoupling mechanism until October 31, 2012.

10. Requirements per Commission Order No. 09-263

Below is the information required per Commission Order No. 09-263, issued in Docket UM-1286, Staff's Investigation into Purchased Gas Adjustment Mechanisms:

a. A completed Summary Sheet, the location in the PGA filing, and an account map that highlights the transfer of dollars from one account to another

Exhibit A includes the Summary Sheet which shows the amounts deferred for residential and commercial customers and demonstrates the transfer of dollars from one account to another. Exhibit A will be included in our 2011 PGA filing as work papers and will be attached to the electronic filing as a file entitled, "Proposed Temps Oregon 2011-12 PGA August filing.xls."

b. The effective date of the deferral

This application is for the 12-month period beginning October 1, 2011 and ending September 30, 2012.

c. Prior year Order Number approving the deferral

Permission to defer 100% of the Company's distribution margin was last granted on November 3, 2010, in Commission Order No. 10-429.

d. The amount deferred last year

See Exhibit A.

e. The amount amortized last year

See Exhibit A.

f. The interest rate that will apply to the accounts

The interest rate for deferral accounts is 8.618%.

g. An estimate of the upcoming PGA-period deferral and / or amortization

NW Natural is unable to estimate the amount to be deferred during the next PGA cycle. The Company's intent is to amortize for collection all that is deferred.

WHEREFORE, NW Natural respectfully requests that in accordance with ORS 757.259, as amended, the Commission authorize the Company to record and defer, on an ongoing basis and commencing as of the date of this filing, the amount by which actual distribution margin per residential and commercial customer is different from the margin assumed in UG 152 to be collected from residential and commercial customers based on "normal" consumption.

DATED this 17th day of August 2011.

Respectfully submitted,

NW NATURAL

/s/ Jennifer Gross

Jennifer Gross
Tariff and Regulatory Compliance Consultant
Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Phone: (503) 226-4211, ext. 3590
Facsimile: (503) 721-2516
E-mail: jennifer.gross@nwnatural.com



August 17, 2011

**NOTICE OF APPLICATION FOR A DEFERRED ACCOUNTING ORDER
FOR REFUNDS OR COLLECTIONS OF DISTRIBUTION MARGIN**

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 a deferred accounting order regarding refunds or collections of distribution margin. Copies of the Company's Application are available for inspection at its main office.

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: Jennifer Gross
220 NW Second Ave
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 x3590**

**Public Utility Commission
of Oregon
Attn: Filing Center
550 Capitol St, NE, 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.

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CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER REFUNDS OR COLLECTIONS OF DISTRIBUTION MARGIN upon all parties who participated in the Company's most recent general rate case (UG 152) by U.S. mail, postage prepaid, or where paper service is waived, by electronic mail.

UG 152

STEVEN LOUNSBURY
COOS COUNTY OFFICE OF LEGAL
COUNSEL
250 N BAXTER
COQUILLE OR 97423

JIM ABRAHAMSON
CASCADE NATURAL GAS CORP
8113 W GRANDRIDGE BLVD
KENNEWICK WA 99336

GORDON FEIGNER **W**
CITIZENS' UTILITY BOARD OF OREGON
gordon@oregoncub.org

ROBERT JENKS **W**
CITIZENS' UTILITY BOARD OF OREGON
bob@oregoncub.org

G. CATRIONA MCCrackEN **W**
CITIZENS' UTILITY BOARD OF OREGON
catriona@oregoncub.org

RAYMOND MYERS **W**
CITIZENS' UTILITY BOARD OF OREGON
ray@oregoncub.org

KEVIN ELLIOTT PARKS **W**
CITIZENS' UTILITY BOARD OF OREGON
kevin@oregoncub.org

DANIEL W MEEK
ATTORNEY AT LAW
10949 SW FOURTH AVE
PORTLAND OR 97219

JOHN A CAMERON
DAVIS WRIGHT TREMAINE LLP
1300 SW FIFTH AVE STE 2300
PORTLAND OR 97201

MICHAEL T WEIRICH
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUS SECTION
1162 COURT ST NE
SALEM OR 97310-4096

TED LEHMANN
DIREXX ENERGY
2737 SE 78TH AVE STE 101
MERCER ISLAND WA 98040

EDWARD A FINKLEA
ENERGY ACTION NORTHWEST
PO BOX 8308
PORTLAND OR 97207

MELANIE L GILLETTE
MGR OF REGULATORY AFFAIRS
IGI RESOURCES INC
980 NINTH ST STE 1540
SACRAMENTO CA 95814

GORDON J SMITH
JOHN & HENGERER
1730 RHODE ISLAND AVE NW STE 600
WASHINGTON DC 20036-3116

KATHERINE A MCDOWELL
MCDOWELL RACKNER & GIBSON PC
419 SW 11TH AVE STE 400
PORTLAND OR 97205

STEVEN WEISS
NORTHWEST ENERGY COALITION
4422 OREGON TRAIL CT NE
SALEM OR 97305

PAULA E PYRON
NORTHWEST INDUSTRIAL GAS USERS
4113 WOLF BERRY CT
LAKE OSWEGO OR 97035-1827

PATRICK G HAGER
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204

JUDY JOHNSON
PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148

DONALD W SCHOENBECK
REGULATORY & COGENERATION
SERVICES INC
900 WASHINGTON ST STE 780
VANCOUVER WA 98660-3455

JAY T WALDRON
SCHWABE WILLIAMSON & WYATT
1211 SW FIFTH AVE STE 1600-1900
PORTLAND OR 97204-3795

DATED at Portland, Oregon, this 17th of August 2011.

/s/ Kelley C. Miller
Kelley C. Miller
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
(503) 226-4211, extension 3589
kelley.miller@nwnatural.com