

Rates and Regulatory Affairs
Facsimile: 503.721.2532



October 1, 2008

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, N.E., 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 – Replacement**

On August 15, 2008, Northwest Natural Gas Company, dba NW Natural (NW Natural or the “Company”), filed the above-referenced Application. The Company’ now replaces the initial filing with the enclosed Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin. This application is revised to include more information as requested by Staff.

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 A.

Please call me at 1-503-721-2476 if you have any questions or require any further information.

Sincerely,

/s/ Inara K. Scott

Inara K. Scott, Manager
Regulatory Affairs

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.

3. Communications

Communications regarding this Application should be addressed to:

Inara K. Scott, Manager
Regulatory Affairs
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220 NW Second Avenues
Portland, OR 97209-3991
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and

Onita R. King, Manager
Tariffs & Regulatory Compliance
NW Natural
220 NW Second Avenues
Portland, OR 97209-3991
Telephone: (503) 721-2452
Facsimile (503) 721-2532
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4. Description of Request - OAR 860-027-0300(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.

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, 2008 and ending September 30, 2009.

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

NW Natural proposes to record the amounts described in paragraph (7) below of this Application in a subaccount 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(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. However, the Company can clarify that, in accordance with the terms established in Order No. 05-934, the Company will defer 100% of its distribution margin, and the Company provides the following table which demonstrates the distribution margin differential deferred for the last five years:

	Balances at September 30				
	2007	2006	2005	2004	2003
Residential Deferral	\$2,510,622	(\$884,723)	\$3,163,106	(\$171,407)	(\$3,093,000)
Commercial Deferral	(\$1,505,966)	(\$1,565,240)	\$1,177,650	\$297,629	(\$1,573,000)
Total Deferral	\$1,004,656	(\$2,449,963)	\$4,340,755	\$126,222	(\$4,666,000)

Notes:
- Balances above exclude interest. These accounts accrue interest at 8.618%.
- Credits denote a refund due customers

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 1st day of October 2008.

Respectfully submitted,

NW NATURAL

/s/ Inara K. Scott

Inara K. Scott, Manager
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cc: Bonnie Tatom, OPUC
Carla Owings, OPUC



October 1, 2008

**NOTICE OF APPLICATION FOR REAUTHORIZATION OF
DEFERRED ACCOUNTING OF
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 reauthorization of deferred accounting of refunds or collections of distribution margin. Copies of the Company's application are available for inspection at its main office.

The purpose of this Notice is to inform parties and other interested persons that participated in the Company's most recent general rate case that the Application was filed. **This is not a rate case.**

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: Bonnie Tatom
550 Capitol St., N.E., Ste. 215
P. O. Box 2148
Salem, Oregon 97308-2148
Telephone: (503) 378-6600**

Any person may submit written comments on this application to the Commission within 25 days of 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 have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER ACCOUNTING OF REFUNDS OR COLLECTIONS OF DISTRIBUTION MARGIN upon all parties or attorneys of parties of record in the UG 152 proceeding, which is the Company's most recent general rate case, by first class mail:

UG 152 Service List

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DATED this 1st day of October 2008.

Respectfully submitted,

NW NATURAL

/s/ Jennifer Gross

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