

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 20, 2012**

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2012

DATE: November 1, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *ME* *M*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(11)) Reauthorizes deferred accounting for Refunds or Collections of Distribution Margin.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning November 1, 2012 through October 31, 2013.

DISCUSSION:

On September 7, 2012, Northwest Natural (NW Natural or the Company) requested reauthorization for deferral of costs related to refunds or collections of distribution margin. In accordance with ORS 757.259 and ORS 757.262, and OAR 860-0300-0035, NW Natural filed this application 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 last general rate case, UG 221.

Background:

In June of 2001, NW Natural made its original request docketed as UG 143, the purpose of which was two-fold:

- (1) to make the Company indifferent to the consumption patterns and energy efficiency activities of its residential and commercial customers through a decoupling mechanism; and
- (2) to provide funding for public purposes to be administered by the Energy Trust of Oregon.

On September 12, 2002, the Commission issued Order No. 02-634, adopting a Stipulation introduced by NW Natural, Staff, and the Community Action Directors of Oregon which allowed the Company to defer margins and recover 90 percent of the differentials between the weather-normalized usage and the baseline usage.

On August 25, 2005, the Commission issued Order No. 05-394, which modified the Company's decoupling mechanism by allowing 100 percent recovery of the differentials through September 30, 2009.

On September 26, 2007, the Commission adopted a Stipulation signed by the Parties to UG 152 and UG 163, wherein the decoupling mechanism was extended from September 30, 2009 to October 31, 2012.

Permission to defer 100 percent of NW Natural's distribution margin was last granted February 14, 2012 in Commission Order No. 12-084. Since this last authorization, the Company has filed a rate case docketed as UG 221. Parties in this docket have agreed in the First Partial Stipulation to the continuation of the Company's decoupling mechanism. The First Partial Stipulation was accepted by the Commission in Order No. 12-408.

On September 7, 2012, the Company filed an application requesting reauthorization to use deferred accounting for the month of October 2012, and is now filing this request so that ongoing deferral periods for distribution margin entries will align with the Purchased Gas Adjustment (PGA) year as agreed in UG 221 settlements.

Reason for Deferral:

In accordance with the statutory authority provided by ORS 757.259 and ORS 757.262, and the agreement reached by parties in UG 221 to allow the Company to continue its decoupling mechanism with minor but no substantive changes. 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 UG 221.

Proposed Accounting:

The proposed continued deferrals would be recorded in a sub account of FERC account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, the Company would record the amounts in the subaccounts of FERC account 400 (Utility Operating Revenue).

Estimated Amounts:

NW Natural cannot estimate what amounts will be recorded in the distribution margin normalization deferral for the upcoming twelve-month period because the amount is dependent on volume variance resulting from the actual price and conservation responses of its customers.

Staff Analysis:

Staff supports NW Natural's request to defer and to amortize the differentials associated with its decoupling mechanism.

PROPOSED COMMISSION MOTION:

Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning November 1, 2012 through October 31, 2013 be approved.