

Rates and Regulatory Affairs
Facsimile: 503.721.2532



September 12, 2007

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 1030(8): Application for Reauthorization of Deferred Accounting of Geo-Hazard Risk Mitigation Program**

Northwest Natural Gas Company, dba NW Natural (NW Natural or the "Company"), files herewith the above-referenced Application. The application is filed in order to reauthorize deferrals relative to the company's Geo-Hazard Risk Mitigation Program.

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.

Please call me at 1-503-721-2487 if you have any questions or require any further information.

Sincerely,

/s/ Inara Scott

Inara K. Scott, Manager
Rates & Regulatory Affairs

IKS/cmt
enclosures

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1030(8)

NW Natural Application for Reauthorization)
For Deferred Accounting of Geo-Hazard)
Risk Mitigation Program)

In accordance with ORS 757.259 and ORS 757.262, and OAR 860-030-0035, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “the company”), hereby applies for reauthorization to defer costs relating to the company’s Geo-Hazard Risk Mitigation Program.

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
NW Natural
220 NW Second Avenues
Portland, OR 97209-3991
Telephone: (503) 721-2476
Facsimile (503) 721-2532
E-mail: iks@nwnatural.com

and

Rates & Regulatory Affairs
NW Natural
220 NW Second Avenues
Portland, OR 97209-3991
Telephone: (503) 226-4211
Facsimile (503) 721-2532
E-mail: efiling@nwnatural.com

4. Basis for Application.

This request is filed pursuant to the Stipulation, filed by NW Natural on August 24, 2007, which seeks an extension of the deferred accounting period, subject to the previously agreed upon \$2.5 million cap on cost recovery, in order to complete the Company's Salmon River Project. See, Exhibit A. The Commission last approved reauthorization of this deferral on September 26, 2006, in its Order No. 06-555, for the period beginning October 1, 2006 through September 30, 2007. This Application requests an extension of that period, from September 30, 2007 through December 31, 2007. The Geo-Hazard Risk and Mitigation Program was originally part of a Safety

Program deferred accounting application in 2001 that was approved by the Commission in Order No. 01-843.

5. Amounts Subject to Deferral.

The 2007 to-date accumulation of Geo-Hazard Risk Mitigation Program costs in account 186 is zero. All costs to date have been capital costs, rather than O&M costs, such that cost recovery is provided through rate adjustments reflecting the cost of service of the investment.

The Company's 2007 Purchased Gas Adjustment (PGA) filing included an adjustment of approximately \$254,000, which includes actual costs related to the Highway 18 Salmon River Project and a true-up of costs from estimates included in the 2006 PGA.

6. Continuation of deferred accounting treatment.

Continuation of deferred accounting treatment for Geo-Hazard Risk Mitigation Program costs is justified on the same grounds as identified in the original filing and as reiterated below in response to OAR 860-027-0300(3)(b).

In addition, as outlined in the attached Stipulation, the Company requires additional time to complete the Highway 18 Salmon River Project, due to environmental concerns and limitations.

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7. Description of utility expense or revenue for which deferred accounting is requested.

As was outlined in the original filing, the company continues to be exposed to incremental O&M costs related to geo-hazard risk mitigation during the term of the stipulation.

8. Reason for continuation of deferred accounting.

Continued deferral of these costs may be authorized under ORS 757.259(d), as the Company's Geo-Hazard Risk Mitigation Program costs are utility expenses, the recovery of which should be deferred in order to minimize the frequency of rate changes and to match appropriately the costs borne by and benefits received by ratepayers.

9. Account proposed for the recording of the amounts to be deferred and account which would be used for recording the amounts in the absence of approval of deferred accounting.

The proposed deferrals would be recorded in a subaccount of account 186 Miscellaneous Deferred Debits. In the absence of deferral approval, the company would record the amounts in the subaccounts of either account 401 Utility Operation Expense, or account 402 Utility Maintenance Expenses, as appropriate.

10. Estimate of amounts to be recorded in the period subsequent to the application.

The estimated cost for program development in the remainder of 2007 is \$2.2 million, the remaining balance under the previously agreed upon \$2.5 million total cost

cap. All estimated costs are capital costs, rather than O&M costs, such that cost recovery would be provided through rate adjustments reflecting the cost of service of the investment. The costs subject to the agreement during the initial period of the agreement were all capital costs, such that deferred accounting was not required.

11. Copy of the notice of application for deferred accounting and list of persons served with the notice.

A notice of this Application has been served on all parties who participated in the company's most recent general rate case, UG 152. See, Exhibit B.

WHEREFORE, NW Natural respectfully requests that in accordance with ORS 757.259, the Commission authorize the Company to record and defer, on an ongoing basis and commencing as of September 30, 2007, its Geo-Hazard Risk Mitigation Program costs.

DATED this 12th day of September, 2007.

Respectfully submitted,

NW NATURAL

/s/ Inara Scott

Inara K. Scott, Manager
Regulatory Affairs
NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209
Phone: (503) 721-2476
Facsimile: 503-721-2532
Email: iks@nwnatural.com

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1030

In the Matter of

NORTHWEST NATURAL

Extend Risk Mitigation and Repair Program and
Cap the Cost to be Recovered for Salmon River
GeoHazard Project.

STIPULATION

STIPULATION

This stipulation is entered into to extend Northwest Natural Gas Company's Risk Mitigation and Repair Program to December 31, 2007, and to maintain the current cost cap to be recovered for the Salmon River GeoHazard Project at \$2.5 million.

PARTIES

1. The parties to this Stipulation are Northwest Natural Gas Company ("NW Natural" or "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), Citizens' Utility Board of Oregon ("CUB"), and Northwest Industrial Gas Users ("NWIGU").

BACKGROUND

2. In 2001, NW Natural asked the Commission to approve the Company's deferred accounting application for its safety program costs that included, among other things, the Company's GeoHazard Risk Mitigation and Repair Program ("Program"). See Schedule 177. Geohazards are risks to distribution infrastructure from such things as landslide, washout, and earthquake. The Commission approved the application in Order No. 01-843.

3. In 2002, 2003, 2004, and 2005, the Commission permitted the Company to recover its investment in the Program as a part of its annual gas tracking cost and technical adjustment filing. Effective October 1, 2002, 2003, 2004, and 2005, the Commission approved the Company's applications for reauthorization to defer costs relating to the Program.

4. As a part of the Program, the Company is undertaking the Salmon River GeoHazard Project ("Project"). This Project entails the installation of approximately 8,500 lineal feet of 12", 600 PSI rated transmission pipeline along Highway 18 in the Van Duzer Corridor. The pipeline will replace pipe that is either exposed or too shallow due to river and stream erosion.

5. In September 2006, the Commission permitted an extension of the Program until September 30, 2007, in order for the Company to complete the Project in a more cost effective manner. See Order No. 06-554. Along with the extension, the Company agreed to cap costs for the Project at \$2.5 million.

6. As the Company progressed in the Project, it discovered certain environmental restrictions on working in the Van Duzer Corridor, including restrictions related to the presence of protected species in the area. As a result, the Company is not permitted to commence construction and enter the restricted corridor until after September 15, 2007. In addition, as the Company negotiated a workable timeline with ODOT and the paving contractors, it found it needed to redesign the project along a different alignment.

7. Because the Company will be unable to complete the Project before the current deferral expires, and because the Company intends to maintain the \$2.5 million cost cap, the parties have agreed to support an extension of the Program and stipulate to the same.

Therefore, it is agreed:

8. The parties agree the GeoHazard Risk Mitigation and Repair Program should be extended through December 31, 2007 in order to complete the Project.

9. The Company agrees it will not recover through the geohazard cost tracking mechanism an amount exceeding \$2.5 million for the Salmon River GeoHazard Project.

10. The parties agree the Company's current deferred cost tracking mechanism for this Project only should be reauthorized and extended from September 30, 2007 to December 31, 2007.

11. 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.

12. 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.

13. 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

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: C.A. + Miller
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: 8/22/07

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By: _____
Bob Jenks
Executive Director

Date: _____

Date: _____

”

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: EQ Busch
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: _____

Date: 8-20-07

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By: _____
Bob Jenks
Executive Director

Date: _____

Date: _____

»

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

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

By: _____
Bob Jenks
Executive Director

Date: 8/20/07

Date: _____

W

NORTHWEST NATURAL GAS COMPANY

**STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON**

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By:  _____
Bob Jenks
Executive Director

Date: _____

Date: _____

“



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing STIPULATION upon all parties of record in Docket UM 1030 by electronically mailing a copy thereof to the parties or attorneys of parties on the following service list:

UM 1030 Service List

JASON W JONES ASST ATTY GEN
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096
jason.w.jones@state.or.us

DATED this 24th day of August, 2007.

Respectfully submitted,

NW NATURAL

/s/ Kelley C. Miller

Kelley C. Miller, Staff Assistant
Rates & Regulatory Affairs
220 N.W. Second Avenue
Portland, OR 97209-3991
(503) 226-4211, ext. 3589



September 12, 2007

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER GEO-HAZARD RISK MITIGATION PROGRAM COSTS**

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 the company's geo-hazard risk mitigation program costs, 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: Judy Johnson
550 Capitol St., N.E., Ste. 215
P. O. Box 2148
Salem, Oregon 97308-2148
Telephone: (503) 378-6636

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.

The company's main office in Oregon is located at:

NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991
Local: 503-226-4211, ext. 3590
Toll-Free: 1-800-422-4021, ext. 3590

* * * * *



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER GEO-HAZARD RISK MITIGATION PROGRAM COSTS upon all parties of record in the UG 152 proceeding, which is the company's most recent general rate case, by electronically mailing a copy thereof to the parties or attorneys of parties on the following service list:

UG 152 Service List

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

EDWARD A FINKLEA ESQ
CABLE HUSTON ET AL
1001 SW 5TH - STE 2000
PORTLAND OR 97204
efinklea@chbh.com

JIM ABRAHAMSON COORDINATOR
COMMUNITY ACTION DIRECTORS OF OREGON
PO BOX 7964
SALEM OR 97303-0208
jim@cado-oregon.org

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2400 NE 15TH AVE
PORTLAND OR 97212
ted@direxx.com

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MCDOWELL & RACKNER PC
520 SW SIXTH AVE - SUITE 830
PORTLAND OR 97204
katherine@mcd-law.com

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10949 SW 4TH 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

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SR POLICY ASSOCIATE
NORTHWEST ENERGY COALITION
4422 OREGON TRAIL CT NE
SALEM OR 97305
steve@nwenergy.org

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

JAMES F FELL ESQ
STOEL RIVES LLP
900 SW 5TH AVE STE 2600
PORTLAND OR 97204-1268
jfell@stoel.com

JUDY JOHNSON
PUBLIC UTILITY COMMISSION OF OREGON
PO BOX 2148
SALEM OR 97308-2148
judy.johnson@state.or.us

PAULA E PYRON EXECUTIVE DIRECTOR
NORTHWEST INDUSTRIAL GAS USERS
4113 WOLF BERRY COURT
LAKE OSWEGO OR 97035-1827
ppyron@nwiqo.org

MICHAEL T WEIRICH ASSISTANT ATTORNEY GENERAL
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096
michael.weirich@doj.state.or.us

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PORTLAND GENERAL ELECTRIC
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GORDON J SMITH
JOHN & HENGERER
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WASHINGTON DC 20036
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MELANIE L GILLETTE
MGR OF REGULATORY AFFAIRS
IGI RESOURCES INC
980 NINTH 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

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

DATED this 12th day of September, 2007.

Respectfully submitted,

NW NATURAL

/s/ Kelley C. Miller
Kelley C. Miller, Staff Assistant
Rates & Regulatory Affairs
220 N.W. Second Avenue
Portland, OR 97209-3991
(503) 226-4211, ext. 3589
kelly.miller@nwnatural.com



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER GEO-HAZARD RISK MITIGATION PROGRAM COSTS upon all parties of record in Docket UM 1030 by electronically mailing a copy thereof to the parties or attorneys of parties on the following service list:

UM 1030 Service List

JASON W JONES ASST ATTY GEN
REGULATED UTILITY & BUSINESS SECTION
1162 COURT ST NE
SALEM OR 97301-4096
jason.w.jones@state.or.us

DATED this 12th day of September, 2007.

Respectfully submitted,

NW NATURAL

/s/ Kelley C. Miller
Kelley C. Miller, Staff Assistant
Rates & Regulatory Affairs
220 N.W. Second Avenue
Portland, OR 97209-3991
(503) 226-4211, ext. 3589