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February 18, 2005

VIA E-MAIL REGULAR MAIL

Ms. Cheryl Walker
Administrative Hearings Division
Public Utility Commission of Oregon
550 Capitol Street, NE Suite 215
PO Box 2148
Salem, OR 97308-2148
puc.filingcenter@state.or.us

Re: In the Matter of the Application of Public Utility Commission of Oregon Staff
Request to Open an Investigation Related to Deferred Accounting
OPUC Docket No. UM 1147

Dear Ms. Walker:

Enclosed for filing in the above-captioned proceeding, please find the original and five copies of the Northwest Industrial Gas Users' Reply Comments. One additional copy is also enclosed to be file-stamped and returned to us for our records.

Thank you for your assistance. Please call if you have any questions.

Very truly yours,



Edward A. Finklea
Of Attorneys for the Northwest Industrial Gas Users

EAF:ls

Enclosures

cc: Parties on official service list (via regular mail and email)

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1147**

In the Matter of)	
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PUBLIC UTILITY COMMISSION OF)	REPLY COMMENTS OF THE
OREGON)	NORTHWEST INDUSTRIAL GAS
)	USERS
Staff Request to open an investigation)	
related to deferred accounting.)	
)	
)	

Pursuant to the procedural schedule adopted by Administrative Law Judge Kirkpatrick, the Northwest Industrial Gas Users (“NWIGU”) hereby submit these Reply Comments in the Oregon Public Utility Commission’s (“OPUC” or “Commission”) investigation into its deferred accounting policies. In its Opening Comments, NWIGU articulated important distinctions that should be recognized between gas and electric utilities in addressing deferred accounting applications. NWIGU has reviewed the Opening Comments submitted by other parties and finds that the parties have thoroughly addressed a variety of issues surrounding deferred accounting applications by Oregon utilities. NWIGU will not address electric issues, but remains concerned that the Commission not adopt policies that inadvertently impact gas deferrals.

NWIGU has additional comments on Issues 3 and 5 as set forth in the Issues List:

Issue 3: Should deferrals be limited to the costs associated with the cost-causing factors identified in the original application for deferred accounting?

As NWIGU stated in its Opening Comments, it concurs with OPUC Staff, the Citizens Utility Board (“CUB”) and the Industrial Customers of Northwest Utilities (“ICNU”) that deferrals should be limited to costs that were identified and included in the original deferral application. In its Opening Comments, ICNU identified a recent example of an electric utility seeking to include in a deferred account costs that went far beyond the scope of the original application. See ICNU Opening Comments at 15-16. NWIGU has parallel concerns with gas company deferrals. Northwest Natural Gas Company (“NW Natural”) has been authorized to establish deferred accounts for its pipeline safety program and for geohazard work. Both are appropriate as established. Deferrals to those accounts, however, must be strictly limited to the scope of the original application.

NWIGU urges the Commission to clarify through this proceeding that only discrete costs that are clearly identified in the utility’s original deferred accounting application may be included in the authorized deferred account. Without explicit authorization from the Commission acting on a specific deferral application, utilities should not be allowed to book to a deferred account any expense item not explicitly authorized in advance by the Commission. If the utility foresees a need to book to the deferred account expense items not clearly identified in the original application, the utility should be required to make a new deferred account filing.

Issue 5: What should be the filing requirements and process for deferred accounting investigations?

In Parties’ Opening Comments, only PGE suggested extensive changes to deferred accounting filing requirements and process. (*See* Opening Comments of Portland General Electric Company, Pages 20-21). PGE’s overreaching, extensive revisions are unnecessary and should be rejected.

The most appropriate action the Commission could take to effectively monitor the use of deferred accounting would be to amend OAR §860-027-0300 to require utilities to provide more precise and detailed information in the deferred accounting application. By requiring more information in the original application, the Commission would enable OPUC Staff and intervenors to determine later if expenses booked to a deferred account are indeed directly related to the cost-causing factors that prompted the request for the deferred account. Additional information that should be required in the initial filing should at least include:

- A. A detailed description of how the particular type of expense was treated in the utility's last general rate case;
- B. For accounts that propose to defer multiple expense or revenue items, information on each factor that will contribute to the amounts the utility seeks to book to a deferred account;
- C. A detailed narrative of how a deferred accounting application made under ORS§757.259(2)(e) will minimize the frequency of rate changes or more appropriately match costs borne by and benefits received by ratepayers; and
- D. All supporting workpapers.

By requiring the above information in each deferred accounting application, the Commission would enhance the ability of the OPUC Staff and intervenors to not only evaluate the application, but determine throughout the life of the deferred account if the account is being used for only its intended purpose. The Commission should require utilities, as part of their

deferred accounting applications, to clearly set forth the cost-causing factors that will be tracked through the proposed deferred account.

Dated: February 18, 2005

Respectfully submitted,



Edward A. Finklea, OSB # 84216

Chad M. Stokes, OSB # 00400

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Of Attorneys for the

Northwest Industrial Gas Users

CERTIFICATE OF SERVICE

I CERTIFY that I have on this day served the foregoing document upon all parties of record in this proceeding by mailing a copy properly addressed with first class postage prepaid and by e-mail.

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Dated in Portland, Oregon, this 18th day of February, 2004.


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Dated in Portland, Oregon, this 18th day of February, 2004.

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