

# McDowell Rackner & Gibson PC



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October 31, 2012

## VIA ELECTRONIC FILING AND FIRST CLASS MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

Re: Docket UG 221 – Northwest Natural Gas Company Application for a General Rate Revision

Attention Filing Center:

Enclosed for filing in the above-captioned docket are an original and one copy of NW Natural's Application for Reconsideration or Motion for Clarification.

A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed Certificate of Service.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo  
Office Manager

Enclosure

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UG 221**

In the Matter of  
NORTHWEST NATURAL GAS COMPANY  
Application for a General Rate Revision.

**APPLICATION FOR  
RECONSIDERATION OR  
MOTION FOR CLARIFICATION**

**I. INTRODUCTION**

Pursuant to ORS 756.561, OAR 860-001-0720, and OAR 860-001-0420, NW Natural Gas Company (“NW Natural” or “the Company”) files this Application for Reconsideration or, in the alternative, Motion for Clarification of Order No. 12-408 issued on October 26, 2012 in this proceeding.

Under OAR 860-001-0720(3), the Commission may grant an application for reconsideration if there is “[a]n error of law or fact in the order that is essential to the decision” or “[g]ood cause for further examination of an issue essential to the decision.” As discussed below, the Company believes that the below-referenced provision in Order No. 12-408 is based on an error of fact and that there is good cause for further examination of this issue. If the Commission’s order is not based on an error, the Company requests that the Commission clarify the order consistent with this Application.

**II. DISCUSSION**

The Company believes that the following portion of Order No. 12-408 relating to the interest rates to be applied to the Company’s environmental remediation recovery mechanism is erroneous or incomplete:

The following rates of return will be applied to the deferred amounts:

Deferred costs that have not been reviewed for prudence will accrue interest at the company's rate of return. Amounts that have been moved into an amortization account each year will accrue interest at the modified blended

1 treasury rate. Amounts that have been reviewed for prudence, but have not yet  
2 been moved into an amortization account, will accrue interest at the five-year  
Treasury rate.<sup>1</sup>

3 Based on the record in this case<sup>2</sup> and the Commission's orders in Docket UM 1147,<sup>3</sup> it  
4 appears that the Commission's precedent is to apply interest rates to deferred amounts at a  
5 level intended to reflect the degree of risk related to the recovery of such amounts. Also,  
6 based on the Commission's orders in Docket UM 1147, it can be concluded that the  
7 Commission would find in this case that the Company's risk of recovering the deferred  
8 amounts in this case is higher before they are moved into an amortization account. For these  
9 reasons, the Company believes that the Commission intended to apply a higher interest rate  
10 to amounts that have been reviewed for prudence, but not yet moved into an amortization,  
11 than is applied to amounts already moved into an amortization account. However, the five-  
12 year treasury rate is actually lower than the current MBTR; specifically, the five-year Treasury  
13 rate is 0.72%, while the current MBTR is 1.47%.<sup>4</sup> Thus, the Company believes that the  
14 Commission erroneously applied a lower rate of return to amounts that have been judged  
15 prudent but are not yet in an amortization account.

16 In Order No. 08-263 in Docket UM 1147, the Commission acknowledged that  
17 "Treasury rates are lower than any financing rates that would be available to non-government  
18 entities."<sup>5</sup> To reflect this fact in the calculation of the MBTR, the Commission added 100 basis

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19 <sup>1</sup> *Re NW Natural Gas Co. Request for a General Rate Revision*, Docket UG 221, Order No. 12-  
20 408 at 6 (Oct. 26, 2012).

21 <sup>2</sup> *See, e.g.*, NW Natural's Posthearing Brief at 24-25; Staff Post-Hearing Brief at 39; Citizens'  
Utility Board of Oregon's Opening Brief at 43-44; NWIGU's Initial Post-Hearing Brief at 10.

22 <sup>3</sup> *Re Staff Request to Open an Investigation Related to Deferred Accounting*, Docket UM 1147,  
23 Order No. 06-507 at 4-6 (Sept. 6, 2006); *Re Staff Request to Open an Investigation into Deferred  
Accounting*, Docket UM 1147, Order No. 05-1070 at 13-14 (Oct. 5, 2005).

24 <sup>4</sup> 5-year Treasury close on 10/31/12 from Bloomberg Historical Price Table; MBTR from Docket  
No. UM 1147.

25 <sup>5</sup> *Re Staff Request to Open an Investigation Related to Deferred Accounting*, Docket UM 1147,  
26 Order No. 08-263 at 15 (May 22, 2008).

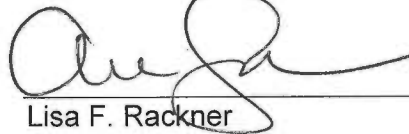
1 points to the blended one-, three- and five-year Treasury rate.<sup>6</sup> Consistent with the  
2 Commission's finding in Docket UM 1147, the Company requests that the Commission  
3 change or clarify the interest rate to be applied to amounts that have been reviewed for  
4 prudence, but not yet moved into an amortization to the five-year Treasury rate plus a  
5 minimum of 100 basis points.

6 **III. CONCLUSION**

7 The Company requests that the Commission reconsider or clarify Order No. 12-408 to  
8 reflect the Commission's finding in Docket UM 1147 that the Company cannot finance  
9 investments at Treasury rates, and apply the five-year Treasury rate plus a minimum of 100  
10 basis points to amounts that have been reviewed for prudence, but not yet moved into an  
11 amortization account.

12 DATED: October 31, 2012.

13 **MCDOWELL RACKNER & GIBSON PC**

14 

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26 <sup>6</sup> *Id.* at 2 and 15.

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UG 221 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

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Dated: October 31, 2012

  
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