

Rates and Regulatory Affairs
Facsimile: 503.721.2532



August 17, 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 1027: Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin**

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 refunds or collections of distribution margin.

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

IKS/cmt
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. The Company respectfully requests that the deferral commence as of the date of this filing for later amortization in rates.

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

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
E-mail: ork@nwnatural.com

4. Basis for Application

On September 12, 2002, the Commission issued Order No. 02-634, which among other effects, approved the partial decoupling mechanism described in the Settlement Agreement in Docket UG 143. The Commission's policies, expressed in Order No. 92-1673 and in statute at ORS 757.262, support recovery of utility revenues and earnings that are affected by the conservation activity of its customers.

5. NW Natural Proposal

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 143, 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. Amounts Subject to Deferral

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.

7. Accounting

NW Natural proposes to record the amounts described in paragraph (a) above 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.

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 17th day of August, 2007.

Respectfully submitted,

NW NATURAL

/s/ Inara K. Scott
Inara K. Scott, Manager
Regulatory Affairs
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Email: iks@nwnatural.com

cc: Bonnie Tatom, OPUC
UG 152 Service List



August 17, 2007

**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 and district offices.

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.

The company's district offices in Oregon are located at:

7150 Supra Dr., S.W.
Albany, Oregon 97321
Telephone: (541) 926-4253

176 W. Marine Drive
Astoria, Oregon 97103
Telephone: (503) 325-1632

1625 N. 7th Street
Coos Bay, Oregon 97420
Telephone: (541) 267-5655

790 Goodpasture Island Road
Eugene, Oregon 97401
Telephone: (541) 342-3662

1405 S. W. Highway 101
Lincoln City, Oregon 97367
Telephone: (541) 994-2111

309 E. 2nd Street
The Dalles, Oregon 97058
Telephone: (541) 296-2229

3123 Broadway N.E.
Salem, Oregon 97303
Telephone: (503) 585-6611



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 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

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DATED this 17th day of August, 2007.

Respectfully submitted,

NW NATURAL

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