

Rates and Regulatory Affairs  
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**VIA ELECTRONIC FILING**

August 15, 2006

Public Utility Commission of Oregon  
550 Capitol St. N.E., Suite 215  
P. O. Box 2148  
Salem, Oregon 97308-2148

Attn: Vikie Bailey-Goggins, Administrator  
Regulatory Operations Division

Re: **OPUC DOCKET UM 1030:** Application for Reauthorization to  
Defer Bare Steel Replacement Program Costs

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “the company”), hereby applies for reauthorization to defer costs relating to the company’s Bare Steel Replacement program. Because the company’s Geo-hazard Risk Mitigation program terminates December 31, 2006 (see, OPUC Order No. 01-843, Appendix A, p. 10, ¶ 5.5, dated September 28, 2001), reauthorization of deferred accounting treatment is not included in this application. Consistent with the original August 28, 2001 application, this request is also filed pursuant to the Stipulation and Agreement, first approved September 28, 2001 in Docket UM 1030, Order No. 01-843, and more recently approved on May 29, 2002. The Commission approved reauthorization of this deferral on September 26, 2005, in its Order No. 05-1040, for the 12-month period beginning October 1, 2005.

**OPUC 860-027-0300(4)(a): A description and explanation of the entries in the deferred account to the date of the application for reauthorization:**

The 2006 to-date accumulation of Bare Steel Replacement and 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.

**OAR 860-027-0300(4)(b): The reason(s) for continuation of deferred accounting:**

Continuation of deferred accounting treatment for Bare Steel Replacement 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).

**OAR 860-027-0300(3)(a): A description of the 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 bare steel replacement during the term of the stipulation.

**OAR 860-027-0300(3)(b): The reason for continuation of deferred accounting:**

Continued deferral of these costs may be authorized under ORS 757.259(d), as the company's Bare Steel Replacement 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.

**OAR 860-027-0300(3)(c): The account proposed for the recording of the amounts to be deferred and the 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.

**OAR 860-027-0300(3)(d): An estimate of the amounts to be recorded in the period subsequent to the application:**

The estimated total amount to be recorded in the 186 subaccount for program development in the remainder of 2006 and 2007 is indeterminate. The costs subject to the agreement during the initial 12-month period of the agreement were all capital costs, such that deferred accounting was not required.

**OAR 860-027-0300(3)(e): A 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, and is attached to this Application as Exhibit A.

Sincerely,

NW NATURAL

/s/ C. Alex Miller  
C. Alex Miller, Director  
Regulatory Affairs & Forecasting  
220 N.W. Second Avenue  
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attachments



August 15, 2006

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO  
DEFER BARE STEEL REPLACEMENT 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 bare steel replacement 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 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  
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1625 N. 7<sup>th</sup> Street  
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790 Goodpasture Island Road  
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1405 S. W. Highway 101  
Lincoln City, Oregon 97367  
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309 E. 2<sup>nd</sup> Street  
The Dalles, Oregon 97058  
Telephone: (541) 296-2229

3123 Broadway N.E.  
Salem, Oregon 97303  
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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER BARE STEEL REPLACEMENT 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**

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DATED this 15<sup>th</sup> day of August, 2006.

Respectfully submitted,

NW NATURAL

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