

Rates and Regulatory Affairs  
Facsimile: 503.721.2532



August 28, 2006

**VIA ELECTRONIC FILING**

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

Attn: Filing Center

Re: **DOCKET NO. UG \_\_\_; Stipulation**  
Extend Risk Mitigation and Repair Program and Cap the  
Cost to be Recovered for Salmon River GeoHazard Project

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), hereby files a Stipulation extending the Risk Mitigation and Repair Program for the sole purpose of recovering the costs of the Salmon River GeoHazard Project and capping the cost recovery for that project at \$2.5 million.

Please call if you have questions.

Sincerely,



C. Alex Miller  
Director, Regulatory Affairs & Forecasting

enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

UG \_\_\_\_

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 September 30, 2007, and to cap the cost 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. The Company commenced the Program in 2002 and since that time has been repairing and mitigating landslide hot spots, erosion, and other geohazards pursuant to the Program.

4. 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.

5. The Program is currently set to expire on December 31, 2006.

6. 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. The total internal estimate for the project has been approximately \$2 million. The contractor bids,

however, were significantly higher, bringing the total project cost up to about \$3.5 million. The higher cost is due to a number of factors, including: (a) uncertainties on rock and ODOT paving requirements; (b) ODOT permit conditions such as night work hours and temporary paving each night; and (c) higher demand in the market at this time for contract construction work generally.

7. While the Company could proceed to award a contract at this time, it would result in a total project cost of \$3.5 million, and under the cost recovery mechanism, this increased cost would be passed on to customers. The parties do not believe that it would be prudent to award the contract at this time under these circumstances.

8. The Company has proposed to re-engineer the project and to seek a solution that reduces the cost by a significant amount, perhaps by an amount exceeding \$1 million. In order to do this re-engineering and to complete the work, the Company would be required to spend a major portion of the project expenses in 2007, after the Program would otherwise have expired. The Company is willing to cap the amount it will recover for the Project. The other parties agree it is prudent to re-engineer the project, the result of which will mean a lower cost being passed on to customers, and they are willing to stipulate to an extension of the program.

Therefore, it is agreed:

9. The parties agree the GeoHazard Risk Mitigation and Repair Program should be extended through September 30, 2007 in order to complete the Project.

10. 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.

11. The parties agree the Company's current deferred cost tracking mechanism for this Project only should be reauthorized and extended from October 1, 2006, through September 30, 2007.

12. 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.

13. 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.

14. 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.

DATED: August 28, 2006

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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

By: \_\_\_\_\_  
Ed Busch  
Administrator, Electric & Natural Gas  
Division

Date: 8-28-06

Date: \_\_\_\_\_

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

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

By: \_\_\_\_\_  
Bob Jenks  
Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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

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

Date: \_\_\_\_\_

Date: 8-10-06

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

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

By: \_\_\_\_\_  
Bob Jenks  
Executive Director

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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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: August 11, 2006

Date: \_\_\_\_\_

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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

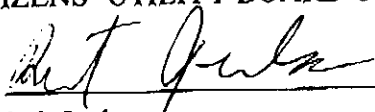
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NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

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

By:  \_\_\_\_\_  
Bob Jenks  
Executive Director

Date: \_\_\_\_\_

Date: 8-9-06

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