

Rates and Regulatory Affairs
Facsimile: 503.721.2532



May 16, 2005

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 1101**; Application for Reauthorization for Deferred Accounting of Intervenor Funding Grants

Northwest Natural Gas Company, dba NW Natural (NW Natural or company), files electronically the above-referenced Application for an Accounting Order regarding Intervenor Funding Grants. The requisite original will follow in today's U.S. mail.

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 part of the enclosed application.

Please call me at 1-503-721-2487 if you have any questions or require any further information.

Sincerely,

/s/ C. Alex Miller

C. Alex Miller, Director
Regulatory Affairs & Forecasting

enclosures

cc: Onita King
File

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

DOCKET UM 1101

In the Matter of the Application of
NORTHWEST NATURAL GAS COMPANY,
dba NW NATURAL, for reauthorization to
defer expenses for Intervenor Funding
Grants.

**APPLICATION OF
NW NATURAL**

In accordance with ORS 757.259 and OAR 860-027-0300, NW Natural (or the “Company”) files this application with the Public Utility Commission of Oregon (the “Commission”) for an order re-authorizing the Company to record and defer, on an ongoing basis, the cost of intervenor funding grants provided to qualifying organizations pursuant to the provisions of ORS 757.259(3), as amended by Or Laws 2003, ch 234 (“Intervenor Funding Grants”). 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, which empowers 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:

C. Alex Miller
Director, Regulatory Affairs & Forecasting
NW Natural
220 NW Second Avenue
Portland, OR 97209-3991
Telephone: (503) 721-2487
Facsimile: (503) 721-2532
E-mail: c2m@nwnatural.com

and

Onita R. King
Manager, Tariffs & Regulatory Compliance
NW Natural
220 NW Second Avenue
Portland, OR 97209-3991
Telephone: (503) 721-2452
Facsimile: (503) 721-2532
E-mail: ork@nwnatural.com

4. Basis for Application

Statutory Authority

On June 6, 2003, the Governor signed Or Laws 2003, ch 234 (formerly known as Senate Bill 205, the "Intervenor Funding Act") into law. Section 2 of the Intervenor Funding Act authorizes the Commission to approve written agreements for intervenor funding grants between electric and natural gas utilities and qualifying organizations representing broad customer interests. Such grants would be used by these qualifying organizations when participating in certain types of regulatory proceedings before the Commission. Section 2 of the Intervenor Funding Act also authorizes the Commission to establish rules with respect to funding agreements for determining which organizations are eligible for financial assistance, the amount of assistance that may be provided, the manner in which assistance will be distributed, and other necessary administrative matters.

Moreover, Section 2 of the Intervenor Funding Act provides:

“The commission shall allow a public utility that provides financial assistance under this section to recover the amounts so provided in rates. The commission shall allow a public utility to defer inclusion of those amounts in rates as provided in ORS 757.259 if the public utility so elects.”

ORS 757.259(3), as amended by section 3 of the Intervenor Funding Act, provides:

“Upon request of the public utility, the commission by order shall allow deferral of amounts provided as financial assistance under an agreement entered into under section 2 of this 2003 Act for later incorporation in rates.”

Additionally, the Company notes that deferred amounts under ORS 757.259(3) are not subject to the percentage of gross revenues limitation on amortization or other provisions of subsections (5), (6), (7), and (8) of the amended section.

Commission Approval of the Intervenor Funding Agreement

On July 2, 2003, pursuant to Section 2 of the Intervenor Funding Act, the Commission issued Order No. 03-388, which, among other things, approved the Intervenor Funding Agreement among PacifiCorp, Portland General Electric Company, Northwest Natural Gas Company, Northwest Industrial Gas Users, Citizens’ Utility Board of Oregon (“CUB”), and Industrial Customers of Northwest Utilities, dated February 5, 2003 (the “Intervenor Funding Agreement”). The Intervenor Funding Agreement sets forth the amount of funding to be contributed by each utility and the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. In its subsequent Order No. 03-405, the Commission directed the utilities to pay to CUB the amounts made available for the CUB Fund Grants as defined and provided for in the Intervenor Funding Agreement (\$50,000 for each of the participating public utilities, including NW Natural). Express Commission approval for payment was necessitated by Section 7.1 of the Intervenor Funding Agreement, which provides that “upon request by CUB, the Commission will direct the Participating Public Utilities to pay the amounts made available for CUB Fund Grants * *

*.”

5. NW Natural Proposal

In accordance with the statutory authority provided by ORS 757.259(3), as amended, and the Commission’s approval of the Intervenor Funding Agreement, NW Natural proposes to record and defer the amount of its payment to CUB directed by the Commission’s Order No. 03-405. Additionally, the Company proposes to record and defer, on an ongoing basis, any and all Intervenor Funding Grants as defined and provided for in the Intervenor Funding Agreement, for later incorporation in rates. The Company will record and defer these ongoing costs upon payment of the Intervenor Funding Grants following the Commission’s approval of the Intervenor Funding Grant and issuance of an Order directing the Company to make payment, pursuant to the Intervenor Funding Agreement.

At the time of consideration for incorporation into rates, NW Natural will propose an appropriate amortization period for the Intervenor Funding Grants for the Commission’s consideration.

6. Amounts Subject to Deferral

NW Natural anticipates that the maximum amounts to be deferred during the 12-month period subsequent to the Application are:

	<u>Fund</u>
CUB Fund	\$ 50,000
Preauthorized Matching Fund	\$ 50,000
Issue Fund	<u>\$ 50,000</u>
Total	<u>\$150,000</u>

For the 12-month period covered by this Application, NW Natural expects that the amount subject to this deferral will not exceed \$150,000. The Intervenor Funding Agreement permits under certain circumstances for an advance of funds that would otherwise be available in future years for Intervenor Funding Grants from the CUB Fund and the Preauthorized Matching Fund. If an advance is made under the applicable

provision of the Intervenor Funding Agreement, the maximum annual amounts of Intervenor Funding Grants from the CUB Fund or the Preauthorized Grant Fund could exceed the level specified in this paragraph in which case the amount deferred under this Application could exceed \$150,000.

7. Accounting

NW Natural proposes to record payment of Intervenor Funding Grants in a subaccount of Account 186. In the absence of the Commission's approval of this Application, the company would not incur the cost of Intervenor Funding Grants. Were such costs incurred, however, they would be recorded in an appropriate sub-account of FERC Account 401.

WHEREFORE, NW Natural respectfully requests that in accordance with ORS 757.259(3), as amended, the Commission authorize the Company to record and defer, on an ongoing basis and commencing as of the date of this filing, Intervenor Funding Grants incurred by the Company pursuant to the Intervenor Funding Agreement, as described in this Application.

DATED: May 16, 2005.

 /s/ C. Alex Miller
C. Alex Miller, Director
Regulatory Affairs & Forecasting
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Phone: (503) 721-2487
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Email: c2m@nwnatural.com



May 16, 2005

**NOTICE OF APPLICATION FOR A DEFERRED ACCOUNTING ORDER
REGARDING INTERVENOR FUNDING GRANTS**

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 a deferred accounting order regarding Intervenor Funding Grant expenses, as allocated in OPUC Order No. 03-388, dated July 2, 2003, in addition to the disposition of funds (\$50,000) to the Citizens' Utility Board (CUB), as ordered in OPUC Order No. 03-405, dated July 14, 2003. 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: C. Alex Miller
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 to the Commission written comments on the 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:

1970 14th Avenue SE
Albany, Oregon 97322
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 certify that I have this day served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER EXPENSES FOR INTERVENOR FUNDING GRANTS upon all parties of record in this proceeding (UG 152), by e-mailing an electronic copy to the following parties or attorneys of parties:

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DATED at Portland, Oregon, this 16th day of May, 2005.

/s/ Kelley Miller
Kelley Miller, Staff Assistant
Rates & Regulatory Affairs
NW NATURAL
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1.503.226.4211, extension 3589