

ORDER NO. 02-800

ENTERED NOV 14 2002

This is an electronic copy. Format and font may vary from the official version. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1027

In the Matter of)	
)	
NORTHWEST NATURAL)	
)	
Application for Deferred Accounting)	ORDER
Refunds or Collections of Distribution ()	

DISPOSITION: APPLICATION GRANTED

On June 29, 2001, Northwest Natural (NW Natural) requested authorization for deferral of costs related to refunds or collections of distribution margin generated by the company's implementation of a decoupling mechanism proposed in docket UG 143. A description of the request and the Commission's decision in UG 143 is contained in the Staff Report attached as Appendix A and incorporated by reference.

NW Natural has met the requirements of OAR 860-027-0300 in its filing. ORS 757.259(2) (d) and ORS 757.262 authorize adoption of the deferred account. In addition, as noted in Order No. 92-1673, the Commission supports recovery of a utility's revenues that are affected by the conservation activity of customers.

At its public meeting on November 5, 2002, the Commission adopted Staff's recommendation and approved NW Natural's request for authorization to defer costs relating to refunds or collections of distribution margin.

ORDER NO. 02-800

ORDER

IT IS ORDERED that Northwest Natural's request for authorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 1, 2002, is approved.

Made, entered and effective _____.

BY THE COMMISSION:

BECKY L. BEIER
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561.
A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 5, 2002**

REGULAR CONSENT EFFECTIVE DATE October 1, 2002

DATE: October 16, 2002

TO: John Savage through Lee Sparling and Ed Busch

FROM: Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket Nos. UM 1027 and UG 143)
Requests authorization for deferral of refunds or collections of distribution margin

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for authorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 1, 2002.

DISCUSSION:

On June 29, 2001, Northwest Natural (NW Natural) requested authorization for deferral of costs related to refunds or collections of distribution margin. The filing was docketed as UM 1027. Prior to this filing, on June 1, 2001, NW Natural made a filing, docketed as UG 143, the purpose of which was two-fold: (1) to make the company indifferent to the consumption patterns and energy efficiency activities of its residential and commercial customers; and (2) to provide funding for public purposes to be administered by an independent entity. On September 12, 2002, the Commission issued Order No. 02-634 adopting a Stipulation introduced by NW Natural, Staff, and the Community Action Directors of Oregon. Docket UM 1027 requests deferral of costs generated by the company's implementation of Order No. 02-634 in Docket UG 143, as stated below:

"Also on October 1, 2002, NW Natural will implement a partial decoupling mechanism, under which it will defer and subsequently amortize 90 percent of the margin differentials in the residential and commercial customer groups. Marginal differentials are the margins associated with the difference between each group's weather-normalized usage and usage baseline. The deferral for each monthly period would be a credit (refund) if the calculation is positive or a debit (charge) if the calculation is negative.

The per-therm distribution margin for each customer group for initial use under the stipulation will be the margins developed in docket UG 132. For residential customers, this margin is \$0.34055 per therm. For commercial customers, this margin is \$0.21692 per therm. The per-therm distribution margins would be replaced by new margins adopted by the Commission in NW Natural's rate case described below.

The stipulating parties emphasize that the decoupling mechanism will be applied to weather-normalized usage. When the company calculates variations from baseline volumes each month, it will adjust actual volumes to account for abnormal weather using the approach to weather normalization adopted in UG 132.

The decoupling adjustments would be determined based on a monthly comparison of weather-normalized usage to baseline volumes resulting from actual customer counts. NW Natural will defer and amortize 90 percent of margin differentials due to each month's decoupling adjustments, with interest."¹

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(d) and (e), as well as ORS 757.262. The Commission, in Order No. 92-1673 and in statute ORS 757.262, supports recovery of a utility's revenues that are affected by the conservation activity of customers. NW Natural has also met the requirements of OAR 860-027-0300 in its filing.

Proposed Accounting

The proposed continued 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 FERC account 400 (Utility Operating Revenue).

Estimated New Deferrals in Next Authorization Period

This deferral is related to customers' consumption patterns and therefore no deferred amount has been estimated.

PROPOSED COMMISSION MOTION:

NW Natural's request for authorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 1, 2002, be approved.

NWN UM 1027 and UG 143

APPENDIX A
PAGE 2 OF 2

¹ Order No. 02-634 at 3 and 4