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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1030(2)

In the Matter of)	
)	ORDER
NORTHWEST NATURAL GAS COMPANY,)	
dba NW NATURAL)	
)	
Application for Reauthorization to Defer Bare)	
Steel Replacement and Geo-Hazard Risk)	
Mitigation Program Costs.)	

DISPOSITION: APPLICATION APPROVED

On August 15, 2003, Northwest Natural Gas Company, doing business as Northwest Natural (NW Natural), filed an application with the Public Utility Commission of Oregon (Commission) requesting reauthorization for deferral of costs related to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on September 23, 2003, the Commission adopted Staff's Recommendations and approved NW Natural's current request.

ORDER

IT IS ORDERED THAT Northwest Natural's application for reauthorization to defer costs relating to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs, for a 12-month period beginning October 1, 2003, is approved.

Made, entered and effective _____.

BY THE COMMISSION:

Becky Beier
Commission Secretary

ORDER NO.

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: September 23, 2003**

REGULAR _____ CONSENT X EFFECTIVE DATE October 1, 2003

DATE: August 26, 2003

TO: Lee Sparling through Ed Busch

FROM: Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1030 (2)) Requests reauthorization for deferral of Bare Steel Replacement and Geo-Hazard Risk Mitigation Program Costs.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for reauthorization, under ORS 757.259, to defer costs relating to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs, for a 12-month period beginning October 1, 2003.

DISCUSSION:

On August 15, 2003, Northwest Natural (NW Natural) requested reauthorization for deferral of costs related to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs. The Commission originally authorized deferral of costs related to these programs for twelve months beginning October 1, 2001 under ORS 757.259. The original deferral was authorized in Order No. 01-843 (Docket UM 1030). The Commission approved reauthorization of this deferral on October 8, 2002, in its Order No. 02-687, for the twelve months beginning October 1, 2002.

The company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs were developed following extensive negotiations by all parties and a signed stipulation, which was accepted by the Commission in its regular public meeting on September 25, 2001. NW Natural expected to invest as much as \$3.0 million in its Bare Steel Replacement Program in the twelve-month period beginning October 1, 2002. The company met its goal, investing \$3.5 million. NW Natural had no estimate of the amount it might spend on its Geo-hazard Risk Mitigation Program when it requested

deferred accounting treatment reauthorization. The company shows, in its 2003 PGA filing, that it spent \$0.6 million for this program.

NW Natural estimates that through September 30, 2021, the company will spend approximately \$3.0 million per year in program costs for accelerated bare steel replacement and an undetermined amount for geo-hazard risk mitigation and repair. The geo-hazard risk mitigation program is scheduled to continue until 2006.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e) in order to better match the costs borne and benefits received by the ratepayer. NW Natural has 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 401 (Utility Operation Expense).

Estimated New Deferrals in Next Authorization Period

The estimated amount to be recorded in the 186 subaccount over the 12-month period subsequent to this application is not determined at this time. The majority of costs in these programs are capital costs that do not go into a deferred account.

PROPOSED COMMISSION MOTION:

NW Natural's request for reauthorization to defer costs relating to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs, for a 12-month period beginning October 1, 2003 be approved.