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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1027(1)

In the Matter of)	
NORTHWEST NATURAL GAS COMPANY,)	ORDER
dba NW NATURAL)	
Application for Reauthorization of Deferred)	
Accounting of Refunds or Collections of)	
Distribution Margin.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On October 8, 2003, Northwest Natural filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, for an order requesting reauthorization for deferral of costs related to refunds or collections of distribution margin for a 12-month period beginning October 8, 2003. The Commission originally authorized deferral of costs related to this program beginning October 1, 2002, in Order No. 02-800 (Docket UM 1027). 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 November 13, 2003, the Commission adopted Staff's Recommendation, and approved Northwest Natural's current request.

ORDER

IT IS ORDERED THAT Northwest Natural's application for an accounting order regarding authorization to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 8, 2003, is approved. This approval is for accounting purposes only, and does not constitute approval for ratemaking purposes.

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 13, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ October 8, 2003

DATE: October 21, 2003

TO: Lee Sparling through Ed Busch

FROM: Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(1)) Requests reauthorization for deferral of refunds or collections of distribution margin under Northwest Natural's Partial Decoupling Mechanism

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for reauthorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 8, 2003.

DISCUSSION:

On October 8, 2003, Northwest Natural (NW Natural) requested reauthorization for deferral of costs related to refunds or collections of distribution margin. The Commission originally authorized deferral of costs related to this program beginning October 1, 2002 under ORS 757.259 in Order No. 02-800 (Docket UM 1027).

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 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 per-therm distribution margins approved for residential and commercial customers by the Commission in any general rate case...shall be substituted for the UG 132 margins...effective with the effective date of a final order in that general rate filing).

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

For the 12-month period beginning October 8, 2003, NW Natural proposes to record and defer, with interest, the amount by which actual distribution margin per residential and commercial customer is different from the margin to be collected from residential and commercial customers based on "normal" consumption, as assumed in the company's most recent general rate case filing in Docket UG 152 and further adjusted for price elasticity effects in Docket UG 156.

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.

¹ Order No. 02-634 at 3 and 4

PROPOSED COMMISSION MOTION:

NW Natural's request for reauthorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning October 8, 2003, be approved.