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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1119

In the Matter of)	
)	
NORTHWEST NATURAL GAS COMPANY)	ORDER
)	
Application for an accounting order for)	
authorization to record and defer unrecovered)	
expenses associated with the South Mist)	
Pipeline Expansion.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On November 12, 2003, Northwest Natural Gas Company (Northwest Natural) filed an application with the Public Utility Commission of Oregon, pursuant to ORS 757.259, requesting authorization to record and defer costs associated with the South Mist Pipeline Expansion Project, for a 12-month period beginning November 12, 2003. 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 December 18, 2003, the Commission adopted Staff's Recommendation and approved Northwest Natural's current request.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application requesting authorization to defer costs relating to the South Mist Pipeline Expansion, for a 12-month period beginning November 12, 2003, is approved.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

ORDER NO. 03-761

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: December 18, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** November 12, 2003

DATE: November 21, 2003

TO: Lee Sparling through Ed Busch

FROM: Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1119) Requests authorization to defer costs associated with the South Mist Pipeline Expansion.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for authorization, under ORS 757.259, to defer costs relating to the South Mist Pipeline Expansion, for a 12-month period beginning November 12, 2003.

DISCUSSION:

On November 12, 2003, Northwest Natural (NW Natural) requested authorization to defer unrecovered costs associated with the South Mist Pipeline Expansion Project.

NW Natural completed construction and testing of the 11.7 mile South Segment from Molalla, Oregon to Aurora, Oregon and began operation on November 12, 2003. An Operations Certificate attesting that the line is in use has been filed with this application.

The South Segment reinforces the company's system providing pressure support during peak load conditions to those areas closest to Aurora, but also provides some pressure support to communities such as Hillsboro and Forest Grove, Oregon.

The requested deferral complies with the provisions of the Commission acceptance of the Partial Stipulation regarding Revenue Requirement in UG 152 (Order No. 03-507). In that general rate case order, the Commission noted:

"The parties agreed not to oppose the Company in the event it applied for deferred accounting treatment to recover the revenue requirement associated with the SMPE [South Mist Pipeline Extension] and CCDS [Coos County Distribution System] investments and that they would be

placed in permanent rates when those facilities are used and useful, or at the next available filing." Order No. 03-507, p. 10.

The company plans to combine the effects of the deferral with the impact of the company's Coos County Distribution System construction project after the magnitude of expenses are finalized. Proper ratemaking treatment for the deferral will be considered in a future rate proceeding, probably at a general rate case or Purchased Gas Adjustment filing. Staff will audit the costs at the time the expenditures are completed.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e) in order to minimize the frequency of rate changes or fluctuation of rate levels. NW Natural has met the requirements of OAR 860-027-0300 in its filing.

Proposed Accounting

The proposed deferrals would be recorded in separate subaccount of account 186 (Miscellaneous Deferred Debits).

Estimated Deferrals in Authorization Period

South segment expenses will be ongoing with the commencement of commercial operation. NW Natural estimates the South segment costs for the next twelve-month period will be approximately \$2.8 million.

PROPOSED COMMISSION MOTION:

NW Natural's request for authorization to defer costs relating to the South Mist Pipeline Expansion, for a 12-month period beginning November 12, 2003, be approved.

NWN UM 1119