

ORDER NO. 04-637

ENTERED OCT 27 2004

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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 1171

In the Matter of	)	
	)	
NORTHWEST NATURAL GAS COMPANY	)	ORDER
	)	
Application for Authorization to Defer Certain	)	
Revenues or Revenue Credits for Later	)	
Incorporation in Rates.	)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED**

On September 28, 2004, Northwest Natural Gas Company (Northwest Natural) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, requesting authorization for deferral of the revenue differential associated with the South Mist Pipeline Expansion Project, for a 12-month period beginning October 1, 2004. 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 October 19, 2004, 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 October 1, 2004, 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 request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

**ITEM NO. CA8**

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 19, 2004**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  October 1, 2004

**DATE:** October 6, 2004

**TO:** Lee Sparling through Ed Busch, Judy Johnson and Bonnie Tatom

**FROM:** Ed Durrenberger

**SUBJECT:** NORTHWEST NATURAL: (Docket No. UM 1171) Requests authorization to defer certain revenue or revenue credits associated with the South Mist Pipeline Extension Project for later incorporation into rates.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Northwest Natural's (NW Natural or Company) request for authorization, under ORS 757.259, to defer any positive or negative revenue differentials determined from a prudence review by Staff pursuant to the company's South Mist Pipeline Extension Project.

**DISCUSSION:**

On September 28, 2004, NW Natural requested authorization for deferral of the revenue differential associated with the South Mist Pipeline Expansion Project (SMPE). Upon completion of a Staff review, NW Natural proposes to begin deferring the difference between the revenues actually derived from current rate increments and the revenues that would have been derived from the final audited investment in SMPE.

History

On September 22, 2004, NW Natural completed the South Mist Pipeline Extension Project and placed it in service. This project expanded pipeline capacity from the Mist storage facility and improved volume deliverability to the southern portion of the company's distribution system. On October 1, 2004, as part of the annual Purchased Gas Adjustment filing, the company began to recover the portion allocated to Oregon of the incremental cost of service for the SMPE. However, the cost of service remains subject to a Staff prudence review. Some costs currently included in rates are estimates of final project costs due to the fact that final billings have not been received and verified.

APPENDIX A  
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Deferred accounting treatment for revenue differentials, as of October 1, 2004, will allow for subsequent "true-up" of these costs so that customers will pay no more or less in support of this project than they would have paid had all the costs been known and verified prior to the October 1, 2004, rate change.

Description of Expense or Revenue

NW Natural proposes to defer the difference each month between the revenues actually derived from rate increments beginning October 1, 2004 through September 30, 2005, for the recovery of SMPE cost of service and the revenues that would have been derived from trued-up rate increments, once final project costs are available. The increment will be applied to Oregon monthly gas volumes adjusted for the Decoupling and WARM programs.

Reason for Deferral

Adoption of deferred accounting is authorized pursuant to 757.259(2)(e) under which a deferral mechanism may be authorized in order to match more appropriately the costs borne by, and benefits received by, ratepayers.

Proposed Accounting

The proposed deferrals would be recorded in subaccounts of account 253 (Other Deferred Credits). In the absence of a deferral approval, no provision, positive or negative, would be recorded and account 400 (Utility Revenues) would be overstated, or understated, for the impact of SMPE cost of service.

Estimated Deferrals in Authorization Period

The precise amounts of the revenue differentials cannot be determined at this time. However, the amounts to be deferred (whether positive or negative) in the 12- month period starting October 1, 2004, are not likely to exceed 5 percent of the estimated annual cost of service for the SMPE project, or about \$700,000.

**PROPOSED COMMISSION MOTION:**

NW Natural's request for authorization, under ORS 757.259, to defer costs relating to South Mist Pipeline Extension Project be approved.

NWN UM 1171