ORDER NO. 04-702

ENTERED DEC 03 2004

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 1179

In the Matter of)	
NORTHWEST NATURAL)	ORDER
)	ondelin
Application for authorization to record and)	
defer unrecovered expenses associated with)	
the Company's Coos County Distribution)	
System Investment)	

DISPOSITION: AUTHORIZATION FOR DEFERRAL APPROVED

On November 1, 2004, 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 appropriate revenue requirements associated with the construction of the Coos County Distribution System. 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 23, 2004, the Commission adopted Staff's recommendation and approved Northwest Natural's current request.

ORDER NO. 04-702

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application requesting authorization to record and defer appropriate revenue requirements associated with the construction of the Coos County Distribution System 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.

ORDER NO. 04-702

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON STAFF REPORT PUBLIC MEETING DATE: November 23, 2004

REGULAR	CONSENT	X	EFFECTIVE DATE	November 1, 2004	
DATE:	November 15, 200)4			
TO:	Lee Sparling through Ed Busch, Judy Johnson and Bonnie Tatom				
FROM:	Ed Durrenberger				
SUBJECT:	<u>NORTHWEST NATURAL</u> : (Docket No. UM 1179) Requests authorization to defer the unrecovered revenue requirement associated with the Coos County Distribution System.				

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural Gas Company's request for authorization, under ORS 757.259, to defer the unrecovered revenue requirement associated with the Coos County Distribution System.

DISCUSSION:

On November 1, 2004, NW Natural (NW Natural or Company) requested authorization to record and defer appropriate revenue requirements associated with the construction of the Coos County Distribution System (CCDS). The Company further proposes to request actual ratemaking treatment of these capital costs in a future general rate case or purchased gas adjustment (PGA) filing after the expenses are finalized.

History

On April 22, 2003, the Commission adopted Order 03-236 that stipulated the terms and conditions of NW Natural's investment in the CCDS and its subsequent rate treatment. Among the issues stipulated to were a limit of the initial investment by the Company to \$12 million, and a customer credit adjustment of \$100,000 per year for four years. NW Natural has completed construction on the infrastructure of the distribution system and, on October 29, 2004, placed it into service for customers in Coos County.

Description of Expense or Revenue

NW Natural proposes to defer the unrecovered revenue requirement associated with the CCDS investment, less the agreed upon rate credit, and true up the investment balance in

a future PGA or general rate case. In the recent PGA, the Commission approved true up of expenses at the time of the October 2005 PGA filing.

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 minimize the frequency of rate changes or fluctuation of rate levels.

Proposed Accounting

The proposed deferrals would be recorded in subaccounts of account 186 (Miscellaneous Deferred Debits). In the absence of a deferral approval, no provision would be recorded and FERC account 400 (Utility Revenues) would be understated for the impact of the CCDS cost of service.

Estimated Deferrals in Authorization Period

The precise amounts of the revenue differentials cannot be determined at this time. However, the net amounts to be deferred in the 12-month period subsequent to this application are estimated to be \$1.2 million.

PROPOSED COMMISSION MOTION:

NW Natural's request for authorization, under ORS 757.259, to defer unrecovered expenses associated with the Coos County Distribution System investment be approved.

NWN UM 1179