

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1184

In the Matter of)	
)	
NORTHWEST NATURAL)	ORDER
)	
Requests authorization to defer unrecovered)	
expenses associated with the Molalla Gate)	
Station of the South Mist Pipeline Extension)	
Project.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On December 20, 2004, Northwest Natural Gas Company (NW Natural) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, requesting authorization to record and defer unrecovered expenses associated with the operation of the Molalla Gate Station portion of the South Mist Pipeline Expansion Project. 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 January 25, 2005, the Commission adopted Staff's Recommendation and approved NW Natural's current request.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application requesting authorization to defer unrecovered expenses associated with the Molalla Gate Station 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. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 25, 2005**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** December 20, 2004

DATE: January 10, 2005

TO: Commissioners Lee Beyer, Ray Baum, and John Savage

FROM: Ed Durrenberger

THROUGH: Lee Sparling, Ed Busch, Judy Johnson and Bonnie Tatom

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1184) Requests authorization to defer unrecovered expenses associated with the Molalla Gate Station of the South Mist Pipeline Extension Project.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's (NW Natural or Company) request for authorization, under ORS 757.259, to defer unrecovered expenses associated with the Company's completion of the Molalla Gate Station portion of the South Mist Pipeline Extension Project (SMPE or Project).

DISCUSSION:

On December 20, 2004, NW Natural requested authorization to record and defer unrecovered expenses associated with the operation of the Molalla Gate Station, a portion of the SMPE.

History

On September 22, 2004, NW Natural completed the SMPE 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. The Company began recovering the incremental cost of service for SMPE, subject to true up, as part of its Purchased Gas Adjustment (PGA) on October 1, 2004.

On December 13, 2004, NW Natural completed construction on the Molalla Gate Station portion of the Project and placed it into service. This increased the injection capacity from the interstate pipeline into the Mist Storage through the SMPE.

Description of Expense or Revenue

NW Natural proposes to defer the unrecovered expenses incurred by the Company due to operation of the Molalla Gate Station, and consider their proper ratemaking treatment in a future rate case or 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 deferral 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 Molalla Gate Station expenses.

Estimated Deferrals in Authorization Period

The precise amounts of the revenue differentials cannot be determined at this time. However, NW Natural estimates that the Molalla Gate Station costs for the next twelve-month period will be approximately \$500,000.

PROPOSED COMMISSION MOTION:

NW Natural's request for authorization, under ORS 757.259, to defer unrecovered expenses associated with the Molalla Gate Station be approved.