

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1030(4)

In the Matter of)	
)	ORDER
NORTHWEST NATURAL GAS COMPANY)	
)	
Requests reauthorization for deferral of Bare)	
Steel Replacement and Geo-Hazard Risk)	
Mitigation Program Costs.)	

DISPOSITION: APPLICATION APPROVED

On August 15, 2005, Northwest Natural Gas Company (NW Natural) filed an application with the Public Utility Commission of Oregon (Commission) requesting reauthorization for deferral of costs related to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs. The Commission originally authorized deferral of costs related to these programs pursuant to ORS 757.259 in Order No. 01-843, for the 12-month period beginning October 1, 2001. The Commission last approved a reauthorization of the deferral in Order No. 04-565, for the 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 September 13, 2005, the Commission adopted Staff's Recommendations and approved NW Natural's current request.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application for reauthorization to defer costs relating to the company's Bare Steel Replacement and Geohazard Risk Mitigation programs, for a 12-month period beginning October 1, 2005, is approved.

Made, entered and effective SEP 26 2005.

BY THE COMMISSION:



Becky L. Beier
Becky 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: September 13, 2005**

REGULAR CONSENT EFFECTIVE DATE October 1, 2005

DATE: September 6, 2005

TO: Public Utility Commission

FROM: Ed Durrenberger 

THROUGH: ^W Lee Sparling, ^{EB} Ed Busch, ^{JJ} Judy Johnson and ^{BT} Bonnie Tatom

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1030 (4)) Requests reauthorization for deferral of Bare Steel Replacement and Geo-Hazard Risk Mitigation Program Costs.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for reauthorization, under ORS 757.259, to defer costs relating to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs, for a 12-month period beginning October 1, 2005.

DISCUSSION:

On August 15, 2005, Northwest Natural (NW Natural) requested reauthorization for deferral of costs related to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs. The Commission originally authorized deferral of costs related to these programs for twelve months beginning October 1, 2001, under ORS 757.259. The original deferral was authorized in Order No. 01-843 (Docket UM 1030). The Commission last approved reauthorization of this deferral on September 28, 2004, in its Order No. 04-565, for the twelve months beginning October 1, 2004.

The company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs were developed following extensive negotiations by all parties and a signed Stipulation, which was accepted by the Commission in its regular public meeting on September 25, 2001. In the Stipulation, the company was authorized to spend an average of \$3 million per year up to a maximum of \$6 million per year in what was called "Accelerated Bare Steel Replacement" over and above a base investment of \$3 million per year in bare steel replacement, through September 30, 2021. It was agreed

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that any amounts spent in excess of \$6 million per year, for Accelerated Bare Steel Replacement, would not be eligible for this program unless parties agree otherwise.

The company reported that they invested \$6.55 million in Accelerated Bare Steel Replacement for the twelve month period beginning October 1, 2004. This is in addition to the \$3 million base investment and is \$550,000 over the Accelerated Bare Steel Replacement annual limit. Parties to the Bare Steel Replacement stipulation have met to discuss Accelerated Bare Steel Replacement spending levels. Although the treatment of the amount that the company spent over the \$6 million limit is not a matter to be dealt with here, the company will limit annual program costs to the \$3 million target in the future and estimates that for the year starting October 1, 2005, it will spend approximately \$3.0 million for Accelerated Bare Steel Replacement.

NW Natural shows that it spent \$206,000 in Geo-hazard Mitigation for the year starting October 1, 2004. For this year starting October 1, 2005, the company will spend an undetermined amount for geo-hazard risk mitigation and repair. The geo-hazard risk mitigation program is scheduled to continue until 2006.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e) in order to better match the costs borne and benefits received by the ratepayer. NW Natural has met the requirements of OAR 860-027-0300 in its filing.

Proposed Accounting

The proposed continued deferrals would be recorded in a sub account of account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, the company would record the amounts in the subaccounts of FERC account 401 (Utility Operation Expense).

Estimated New Deferrals in Next Authorization Period

The estimated amount to be recorded in the 186 sub account over the 12-month period subsequent to this application is not determined at this time. The majority of costs in these programs are capital costs that do not go into a deferred account; only incremental operating and maintenance expenses are eligible for deferral.

PROPOSED COMMISSION MOTION:

NW Natural's request for reauthorization to defer costs relating to the company's Bare Steel Replacement and Geo-hazard Risk Mitigation programs, for a 12-month period beginning October 1, 2005, be approved.

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APPENDIX ^A
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