

ENTERED SEP 26 2005

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(2)

In the Matter of)	
)	ORDER
NORTHWEST NATURAL GAS COMPANY)	
)	
Requests reauthorization for deferral of refunds)	
or collections of distribution margin under)	
Northwest Natural's Partial Decoupling)	
Mechanism.)	

**DISPOSITION: APPLICATION FOR REAUTHORIZATION OF
DEFERRED ACCOUNTING 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 refunds or collections of distribution margin, for a 12-month period beginning August 15, 2005. The Commission originally authorized deferral of costs related to this program beginning October 1, 2002, in Order No. 02-800, pursuant to ORS 757.259. 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 Recommendation, and approved NW Natural's current request.

ORDER

IT IS ORDERED THAT Northwest Natural Gas Company's application requesting reauthorization to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning August 15, 2005, is approved.

Made, entered and effective SEP 26 2005



BY THE COMMISSION:

Becky L. Beier

Becky L. 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.

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 13, 2005**

REGULAR _____ CONSENT X EFFECTIVE DATE August 15, 2005

DATE: September 6, 2005

TO: Public Utility Commission

FROM: Ed Durrenberger *E*

THROUGH: Lee Sparling *LS*, Ed Busch *EB*, Judy Johnson *JJ* and Bonnie Tatom *BT*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(2)) Requests reauthorization for deferral of refunds or collections of distribution margin under Northwest Natural's Partial Decoupling Mechanism.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for reauthorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning August 15, 2005.

DISCUSSION:

On August 15, 2005, Northwest Natural (NW Natural or company) requested reauthorization for deferral of costs related to refunds or collections of distribution margin. The Commission originally authorized deferral of costs related to this program beginning October 1, 2002, under ORS 757.259 in Order No. 02-800 (Docket UM 1027).

On June 1, 2001, NW Natural made a filing, docketed as UG 143, the purpose of which was two-fold: (1) to make the company indifferent to the consumption patterns and energy efficiency activities of its residential and commercial customers; and (2) to provide funding for public purposes to be administered by an independent entity. On September 12, 2002, the Commission issued Order No. 02-634 adopting a Stipulation introduced by NW Natural, Staff, and the Community Action Directors of Oregon.

Docket UM 1027 requests deferral of costs generated by the company's implementation of its decoupling mechanism. Originally the company was to defer and amortize 90 percent of the distribution margin differentials, the difference between the weather-normalized usage and baseline usage. In Order No. 05-934, Docket UG 163, the

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Commission adopted a new Stipulation extending the distribution margin normalization tariff for four years, through September 30, 2009. Under this Stipulation, NW Natural will defer and amortize 100 percent of the distribution margin differentials rather than 90 percent.

For the 12-month period beginning August 15, 2005, NW Natural proposes to record and defer, with interest, the amount by which actual distribution margin per residential and commercial customer is different from the margin to be collected from residential and commercial customers based on "normal" consumption, as assumed in the company's most recent general rate case filing in Docket UG 152, and further adjusted for price elasticity effects in Docket UG 166.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(d) and (e), as well as ORS 757.262. The Commission, in Order No. 92-1673 and in statute ORS 757.262, supports recovery of a utility's revenues that are affected by the conservation activity of customers. NW Natural has also 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 400 (Utility Operating Revenue).

Estimated New Deferrals in Next Authorization Period

This deferral is related to customers' consumption patterns and therefore no deferred amount has been estimated.

PROPOSED COMMISSION MOTION:

NW Natural's request for reauthorization, under ORS 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning August 15, 2005, be approved.

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