

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UG 163

In the Matter of)
)
NORTHWEST NATURAL GAS) ORDER
COMPANY)
)
Investigation Regarding Possible)
Continuation of Distribution Margin)
Normalization Tariff.)

DISPOSITION: STIPULATION ADOPTED

On September 12, 2002, the Public Utility Commission of Oregon (Commission) entered Order No. 02-634 in Docket No. UG 143, adopting a stipulation that authorized Northwest Natural Gas Company (NWN) to implement a Distribution Margin Normalization (DMN) tariff (also known as a “partial decoupling mechanism”). Under the terms of the stipulation, the partial decoupling mechanism terminates on September 30, 2005, unless extended by the Commission. The stipulation further provided that by March 31, 2005, NWN would submit the results of an independent study regarding the partial decoupling mechanism’s effectiveness, and would ask the Commission to open an investigation to consider whether the partial decoupling mechanism should be continued.

On March 31, 2005, NWN filed a petition asking the Commission to investigate whether the DMN tariff should continue. As part of the petition, NWN attached the results of the independent study. Prehearing conferences were held May 9 and May 17, 2005. Parties to the proceeding are Citizens’ Utility Board of Oregon (CUB), Oregon Department of Energy (ODOE), Avista Corporation (Avista), Northwest Energy Coalition (NW Energy Coalition), Cascade Natural Gas Corporation (Cascade), Community Action Directors of Oregon (CADO), Oregon Energy Coordinators Association (OECA), Northwest Industrial Gas Users (NWIGU), Natural Resources Defense Council (NRDC), NWN and Staff.

On August 5, 2005, NWN filed a stipulation and joint testimony. On August 12, 2005, NWN filed a revised Schedule 190. The stipulation was signed by all of the parties except for Avista and Cascade.¹ Parties were given until August 19, 2005 to object to the stipulation and revised Schedule 190. No objections were received.

¹ The parties’ testimony indicated that neither Avista nor Cascade objected to the stipulation, even though they did not sign the stipulation.

Stipulation

The stipulation, attached as Appendix A and incorporated herein, extends the DMN tariff (Schedule 190) for four years with the following modifications. First, the parties agree that NWN should defer and amortize 100 percent of the distribution margin differential rather than 90 percent, which is the figure currently used in Schedule 190. Second, the parties agree that as long as Schedule 190 remains in effect, none of the parties will seek termination of NWN Schedule 301 (Public Purposes Funding Surcharge), Schedule 310 (Oregon Low-Income Gas Assistance, also known as OLGA), and Schedule 320 (Oregon Low-Income Energy Efficiency Program). Third, industrial customers served on Schedules 3, 31, and 32, along with industrial customers under special contracts, will not be charged or eligible for any of the programs under Schedules 301, 310 and 320. Fourth, NWN will work with representatives from CADO, OECA and other interested persons to establish an OLGA advisory group. This group, which will meet quarterly, will facilitate communications and provide advice about the administration of the OLGA program. The parties assert that the stipulation is in the public interest, and results in a fair, just and reasonable resolution of all matters at issue.

Discussion

NWN currently has a weather-adjusted rate mechanism (WARM) in effect until September 30, 2008. The parties recommend extending the DMN tariff for four years, so that it could be evaluated alongside WARM. Further, the parties state that having the DMN tariff in effect one year longer than WARM will “ensure that any delay in analyzing and potentially extending WARM will not affect DMN.” Joint Testimony at 4.

Under the current Schedule 190, NWN defers and subsequently amortizes 90 percent of the margin differentials for the residential and commercial customer groups. The proposed Schedule 190 provides for 100 percent deferral and amortization of the margin differentials. This change eliminates the non-weather related margin variability related to distribution fixed costs. As before, the deferral will be a credit (accruing a refund to customers) if the differential is positive, or a debit (accruing a recovery by NWN) if the differential is negative.

Currently, industrial customers served on Schedules 3, 31 and 32, along with industrial customers under special contracts are not charged for any of the gas-related programs outlined in Schedules 301, 310 and 320. The current stipulation makes clear that these same industrial customers will not be eligible for Energy Trust Funding for natural gas related conservation and efficiency programs. We agree that if the industrial customers are not contributing money, they should not participate.

Finally, the parties agree to establish an advisory group for the OLGA program. The first meeting will occur no later than October 1, 2005, with subsequent meetings to be held every quarter. While the advisory group will provide advice to NWN

about the administration of OLGA, it will also be a group to facilitate communication among the participants regarding OLGA.

After reviewing the stipulation and supporting testimony, the Commission concludes that the stipulation is an appropriate resolution of all issues, and adoption of the stipulation is in the public interest. The parties attached a copy of the new Schedule 190 to the stipulation. We want a revised tariff to be filed which includes a reference to this order in the Purpose section. The new language is in italics below.

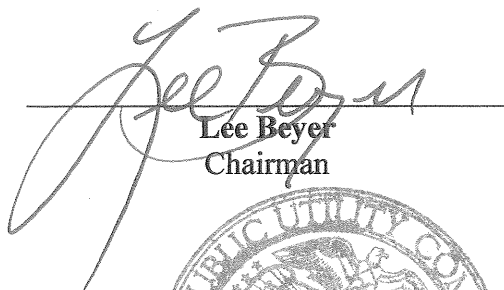
To (a) describe the partial decoupling mechanism established in accordance with a Stipulation and Agreement adopted by the Oregon Public Utility Commission (OPUC) in Docket UG 143, Order No. 02-634 dated September 12, 2002 and Docket UG 163, Order No. 05-934 dated August 25, 2005; and . . .

ORDER

IT IS ORDERED that:

1. The stipulation, attached as Appendix A, is adopted except for the attached Schedule 190.
2. NWN is to file a new Schedule 190 in compliance with our order.
3. Schedule 190 will become effective with service on and after October 1, 2005.

Made, entered, and effective AUG 25 2005 .



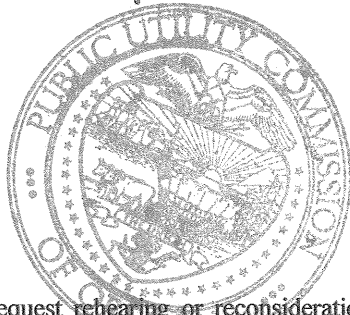
Lee Beyer
 Chairman



John Savage
 Commissioner



Ray Baum
 Commissioner



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.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 163

In the Matter of

NORTHWEST NATURAL

Investigation Regarding Possible Continuation of
Distribution Margin Normalization Tariff

STIPULATION

This Stipulation is entered into for the purpose of resolving all the contested issues in this proceeding.

PARTIES

1. The parties to this Stipulation are NW Natural Gas Company ("NW Natural" or "the Company"), Citizens' Utility Board, NW Energy Coalition, Natural Resources Defense Council, Community Action Directors of Oregon ("CADO"), Oregon Energy Coordinators Association ("OECA"), Staff of the Public Utility Commission of Oregon, Northwest Industrial Gas Users and Oregon Department of Energy (each, a "Party"; collectively, the "Parties").

BACKGROUND

2. On September 12, 2002, the Public Utility Commission of Oregon ("Commission") in Docket UG 143 authorized NW Natural to implement a Distribution Margin Normalization ("DMN") Tariff (also referred to as a "partial decoupling mechanism"). The Commission's Order in that proceeding (Order No. 02-634) approved a Settlement Agreement which contained the following provision:

1.9 The partial decoupling mechanism . . . shall terminate on September 30, 2005, unless otherwise extended by agreement of the Specified Parties or by approval of the Commission as further described in this Paragraph 1.9.

1.9.1 Prior to the September 30, 2005 termination date, NW Natural will arrange for a study by an independent entity regarding the effectiveness of the partial decoupling mechanism, according to the criteria and standards developed in Paragraph 1.9.2 of this Agreement. No later than March 31, 2005, NW Natural will submit the results of the independent study to the parties to this Docket and the Commission. Also no later than March 31, 2005, NW Natural will request by petition that the Commission open an investigation on the issue of whether to continue the partial decoupling mechanism, with modifications or not, subsequent to September 30, 2005.

3. On March 31, 2005, NW Natural commenced this proceeding with its Petition to Commence Investigation ("Petition") on the issue of whether to continue the DMN Tariff subsequent to September 30, 2005. NW Natural included with its Petition the results of the independent study performed by Laurits R. Christensen Associates, Inc. ("Christensen Associates")

4. Pursuant to Administrative Law Judge Katherine A. Logan's Prehearing Conference Report of May 9, 2005, a settlement conference was held on May 17. The settlement conference was open to all parties in this Docket. At the settlement conference, all parties to this proceeding agreed or did not oppose the following:

To enable the Commission to complete its investigation in this docket under the above schedule, NW Natural's Schedule 190, Partial Decoupling Mechanism, shall be extended beyond its scheduled September 30, 2005 termination date, subject to the following:

- a. For deferrals accrued by NW Natural in the Partial Decoupling Deferral Account for usage after September 30, 2005, such amounts shall not automatically be amortized in accordance with Schedule 190. Rather, treatment of such deferrals shall be addressed by the parties and determined by the Commission's order in this proceeding.
- b. Any changes to the price elasticity adjustment pursuant to an order in this proceeding will be made only on a prospective basis (*i.e.*, in the event the tariff terminates at the conclusion of this proceeding, NW Natural will not be required to make refunds to customers).

5. These terms were included in Judge Logan's Prehearing Conference Report of May 20, 2005. Pursuant to that Prehearing Conference Report, NW Natural filed its direct testimony on May 27, 2005.

6. By separate advice filing submitted on May 27, 2005, NW Natural submitted a compliance filing consisting of proposed tariff revisions to extend Schedule 190 beyond September 30, 2005, subject to the terms and conditions agreed upon by the parties and set forth in Judge Logan's May 20, 2005 Prehearing Conference Report.

7. As a result of the settlement conference and additional discussions, the Parties have agreed to proposed terms that would resolve the issues in this proceeding. The Parties submit this Stipulation to the Commission and request that the Commission approve the settlement as presented.

AGREEMENT

8. The Parties agree that the proposed tariff revisions submitted by NW Natural in its May 27, 2005 compliance filing fulfill the terms prescribed in Judge Logan's May 20, 2005 Prehearing Conference Report, and recommend that these tariffs be approved by the Commission and remain in effect until the conclusion of this proceeding.

9. The Parties agree that the DMN tariff, Schedule 190, should be extended for four (4) years, through September 30, 2009. Extending the DMN tariff for this period would allow the tariff to be analyzed alongside the Company's weather-adjusted rate mechanism ("WARM"), which will be in place through September 30, 2008, in accordance with the terms of the Stipulation approved by the Commission in Docket UG 152. (Order No. 03-507, Appendix C) Extending DMN for one additional year beyond the current sunset date for WARM (for a total of four years) ensures that any delays in analyzing and potentially extending WARM do not impact DMN. The Parties further agree that Schedule 190, as so extended, should be modified in accordance with paragraph 10 below.

10. The Parties agree that the DMN tariff, Schedule 190, to be extended pursuant to paragraph 9 above should be modified to revise to 100% the 90% factor that is currently applied to deferral adjustments.

11. The Parties agree that the proposed Schedule 190 included as NWN Exhibit 101 implements paragraphs 9 and 10 of this Stipulation, and should be approved by the Commission to become effective at the conclusion of this proceeding. This proposed tariff is included as Attachment 1 to this Stipulation.

12. The Parties agree that so long as the Company's DMN tariff, Schedule 190, remains in effect, the Parties will not seek termination of the Company's Schedule 301 (Public Purposes Funding Surcharge), Schedule 310 (Oregon Low-Income Gas Assistance, or "OLGA"), and Schedule 320 (Oregon Low-Income Energy Efficiency Program). Nothing in this paragraph shall preclude the Company from making tariff revisions directed by the Commission or making routine tariff revisions to Schedules 301, 310, and 320 after consultation with the Parties, prior to September 30, 2009.

13. Industrial customers served on Schedules 3, 31 and 32 and industrial customers under special contracts will not be charged for any of the gas-related programs listed in paragraph #12. Correspondingly, these customers will not be eligible for Energy Trust Funding for natural gas related conservation and efficiency programs. The parties agree to work in good faith to monitor and police this provision.

14. The Company will work with representatives from CADO, OECA and other interested parties to establish an advisory group for the Oregon Low-Income Gas Assistance ("OLGA") program. This advisory group shall meet on a quarterly basis for the purpose of facilitating communications and providing advice regarding the administration of the OLGA program. The first meeting of this advisory group shall occur no later than October 1, 2005.

15. The Parties agree that this Stipulation is in the public interest and results in an overall fair, just, and reasonable outcome of the matters at issue in this proceeding.

16. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

17. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at the hearing, if such hearing is held, and recommend that the Commission issue an order adopting the settlements contained herein.

18. If this Stipulation is challenged by any other party to this proceeding, the Parties to this Stipulation reserve the right to cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will support the Commission's adoption of the terms of this Stipulation.

19. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

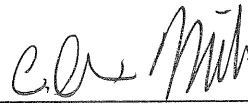
20. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other party in arriving at the terms of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

21. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

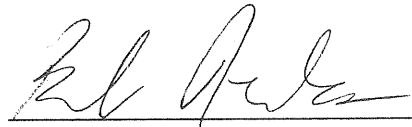
This Stipulation is entered into by each Party on the date entered below such Party's signature.

DATED: August 5, 2005.

NORTHWEST NATURAL GAS
COMPANY

By 
C. Alex Miller
Director, Regulatory Affairs and
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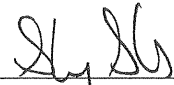
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~~Jason W. Jones~~ Stephanie S. Andrews
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