

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(3)

In the Matter of)	
)	
NORTHWEST NATURAL GAS COMPANY,)	
dba NW NATURAL)	ORDER
)	
Application for Reauthorization of Deferred)	
Accounting of Refunds or Collections of)	
Distribution Margin.)	

**DISPOSITION: APPLICATION FOR REAUTHORIZATION OF
DEFERRED ACCOUNTING APPROVED**

On August 17, 2006, Northwest Natural Gas Company, dba NW Natural (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 17, 2006. 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 19, 2006, the Commission adopted Staff's Recommendation and approved NW Natural's current request.

ORDER

IT IS ORDERED that Northwest Natural Gas Company, dba NW Natural's application requesting reauthorization to defer costs relating to refunds or collections of distribution margin for a 12-month period beginning August 17, 2006, is approved.

Made, entered and effective SEP 26 2006.

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 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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA6

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 19, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE August 17, 2006

DATE: September 7, 2006

TO: Public Utility Commission

FROM: Ed Durrenberger

THROUGH: ^{li} Lee Sparling, ^{eb} Ed Busch and ^{gg} Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(3)) Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's (NW Natural or company) request for reauthorization, under Oregon Revised Statute (ORS) 757.259, to defer costs relating to refunds or collections of distribution margin, for a 12-month period beginning August 17, 2006.

DISCUSSION:

On August 17, 2006, Northwest Natural 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

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weather-normalized usage and baseline usage. In Order No. 05-934, Docket UG 163, the 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 17, 2006, 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 ORS 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 Oregon Administrative Rule (OAR) 860-027-0300 in its filing.

Proposed Accounting

The proposed continued deferrals would be recorded in a sub-account of FERC account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, the company would record the amounts in the sub-accounts 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 17, 2006, be approved.

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