

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1030(5)

In the Matter of	)	
	)	
NORTHWEST NATURAL GAS COMPANY,	)	ORDER
dba NW NATURAL	)	
	)	
Application for reauthorization of the deferral	)	
of Bare Steel Replacement Program Costs.	)	

**DISPOSITION: APPLICATION APPROVED**

On August 15, 2006, Northwest Natural Gas Company, dba NW Natural (NW Natural or company) 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 program. 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. 05-1040, for the 12-month period beginning October 1, 2005. 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 Recommendations and approved NW Natural's current request.

**ORDER**

IT IS ORDERED that Northwest Natural Gas Company, dba NW Natural's application for reauthorization to defer costs relating to the company's Bare Steel Replacement program, for a 12-month period beginning October 1, 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.

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

REGULAR  CONSENT  EFFECTIVE DATE October 1, 2006

DATE: September 6, 2006

TO: Public Utility Commission

FROM: Ed Durrenberger *ED*

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

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1030(5)) Requests reauthorization for deferral of Bare Steel Replacement 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 program, for a 12-month period beginning October 1, 2006.

**DISCUSSION:**

On August 15, 2006, Northwest Natural (NW Natural or company) requested reauthorization for deferral of costs related to the company's Bare Steel Replacement program. The Commission originally authorized deferral of costs related to this program 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 26, 2005, in its Order No. 05-1040, for the twelve months beginning October 1, 2005.

The company's Bare Steel Replacement, along with a Geo-hazard Risk Mitigation program, 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. The company's Geo-hazard Risk Mitigation program, which in the past was included with the Bare Steel Replacement reauthorization request, is scheduled to terminate as of December 31, 2006, and is not included in this request. In the part of the Stipulation pertaining to Bare Steel Replacement, 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

NWN UM 1030(5)  
September 6, 2006  
Page 2

investment of \$3 million per year in bare steel replacement, through September 30, 2021. It was agreed 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 it invested \$2.5 million in Accelerated Bare Steel Replacement for the 12-month period beginning October 1, 2005. In the upcoming year starting October 1, 2006, NW Natural estimates it will spend approximately \$3 million in Accelerated Bare Steel Replacement.

As stated earlier, Geo-hazard Mitigation is scheduled to terminate December 31, 2006. For the year starting October 1, 2005, NW Natural shows that it spent \$2.9 million for the Geo-hazard Mitigation Program.

#### Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(d). The program's costs are utility expenses, the recovery of which should be deferred in order to minimize the frequency of rate changes, and to match appropriately the cost borne by, and benefits received by, ratepayers. NW Natural has met the requirements of OAR 860-027-0300 in its filing.

#### Proposed Accounting

The proposed continued deferral will 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 sub-account 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 this program 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 program, for a 12-month period beginning October 1, 2006, be approved.

NWN UM 1030(5)