

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UM 1322

In the Matter of	)	
	)	
NORTHWEST NATURAL GAS COMPANY,	)	ORDER
dba NW NATURAL	)	
	)	
Application for a Deferred Accounting Order	)	
for Certain Integrity Management Program	)	
Revenues.	)	

DISPOSITION: APPLICATION APPROVED

On June 4, 2007, Northwest Natural Gas Company, dba NW Natural (NW Natural), filed a request with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, to defer certain revenues associated with NW Natural's Integrity Management Program beginning June 4, 2007. 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 July 24, 2007, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that NW Natural's Application to defer certain revenues associated with NW Natural's Integrity Management Program, beginning June 4, 2007, is approved.

JUL 27 2007

Made, entered, and effective \_\_\_\_\_.

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. CA3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: July 24, 2007**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE June 4, 2007

DATE: July 18, 2007

TO: Public Utility Commission

FROM: Ed Durrenberger *E*

THROUGH: *lin* Lee Sparling, *EB* Ed Busch and *EB for* Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1322) Application for a Deferred Accounting Order for Certain Integrity Management Program Revenues.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Northwest Natural's (NW Natural or company) application for an order authorizing the company to defer certain revenues associated with NW Natural's Integrity Management Program (IMP) beginning June 4, 2007.

**DISCUSSION:**

On June 4, 2007, NW Natural applied for authorization to defer until the 2007-08 Purchased Gas Adjustment (PGA) filing, certain revenues associated with IMP project costs that were mistakenly included in rates in the 2006-07 PGA.

Commission Order No. 04-390 recognized new incremental inspection and monitoring requirements to operators of transmission pipelines (the IMP) required by US Department of Transportation's Office of Pipeline Safety. The order allowed for the cost of discrete IMP projects to be added to base rates each year in the PGA provided the projects were completed and became used and useful before September 1. In the most recent audit of the IMP project costs, the company discovered that an error had occurred. Rather than only considering for recovery the costs for projects that had been completed in the last gas year, the company included all investment costs for the IMP projects that year, completed or not. This error led to an overstatement of IMP costs for the year of \$6.436 million and an over collection of project costs in rates. The rate impact currently in the PGA is \$1.361 million per year and it should be \$0.391 million per year. This request is seeking a deferred account to collect this overcharge since

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November 1, 2006, and return it, with interest to customers with the upcoming PGA for the 2007-08 year.

Reason for Deferral

NW Natural mistakenly over collected revenue related to incomplete IMP program investments in the 2006-07 PGA filing. ORS 757.259(2)(e) allows deferral of utility revenues where necessary to match appropriately the costs borne by and benefits received by rate payers. This request seeks to align the revenues the company collects from customers with the benefits customers receive by allowing NW Natural to defer for later refund revenues from projects that are not yet "used and useful."

Proposed Accounting

The company has proposed to defer the difference between revenues actually derived from rate increments that went into effect November 1, 2006, for recovery of IMP cost of service and the amount that would have been derived from the corrected increment. NW Natural proposed to record the deferred revenues in account 186 (Miscellaneous Deferred Debits). In accordance with ORS 757.259(3), the unamortized balance will accrue interest at the authorized cost of capital.

Estimate of Amounts

The company has estimated that the amount to be deferred is about \$0.99 million plus related interest.

**PROPOSED COMMISSION MOTION:**

NW Natural's application to defer certain revenues associated with NW Natural's Integrity Management Program beginning June 4, 2007, be approved.

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