

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 152/UG 163

In the Matters of)	
)	
NORTHWEST NATURAL GAS)	
COMPANY)	
)	ORDER
Application for a General Rate Revision)	
Advice No. 02-19, (UG 152))	
)	
and)	
)	
Petition to Commence Investigation.)	
(UG 163))	

**DISPOSITION: STIPULATION APPROVED; PROGRAMS
EXTENDED AND MODIFIED**

Background. In its Order No. 03-507, entered August 22, 2003, in docket UG 152 (Order), the Public Utility Commission of Oregon (Commission) adopted a stipulation entered into by Northwest Natural Gas Company (NWN or Company), Commission staff (Staff), the Citizens’ Utility Board of Oregon (CUB), the Northwest Industrial Gas Users (NWIGU) and the Northwest Energy Coalition (NWEC) relative to the Company’s Weather-Adjusted Rate Mechanism (WARM).¹ Pursuant to the terms of that stipulation, unless extended, the WARM program will expire on September 30, 2008.

The Parties also entered into a stipulation regarding Distribution Margin Normalization (DMN), which was adopted by the Commission in Order No. 05-934, entered August 25, 2005, in docket UG 163. Pursuant to the terms of that stipulation, the DMN tariff will expire on September 30, 2009. In the Order, the Commission noted that it was the intent of the Parties, in staggering the expiration dates of these two programs, to ensure that “any delay in analyzing and potentially extending WARM will not affect DMN.” (Order, p. 2.)

¹ “We believe that the Company’s WARM plan, with the agreed-upon conditions contained in the WARM Stipulation, reduces the weather-related financial risks for customers and Company alike. We therefore approve the WARM Stipulation as being in the public interest.” Order, p. 7.

The NWN Petition and Stipulation. On September 4, 2007, the Company filed a letter enclosing a Stipulation, affixed to this Order as Appendix A, extending the terms of the WARM and the DMN and establishing an annual reporting requirement for the WARM. NWN also requested that the Stipulation be placed on the Commission's September 20, 2007, public meeting agenda, so that it might be considered prior to the September 28, 2007, extension filing date. In addition to the Company, the Stipulation was signed by CUB, NWECA, NWIGU, the Natural Resources Defense Council, the Oregon Department of Energy, the Oregon Energy Coordinators Association, the Community Action Partnership of Oregon and Commission Staff (collectively, the Parties). Although no operational changes were made to either the WARM or the DMN, the Parties agreed to certain provisions, which may be briefly summarized as follows:

1. NWN will continue to implement WARM through October 31, 2012, as per Schedule 195, except as provided by the Stipulation. Beginning November 30, 2007, for each year covered by the Stipulation, NWN will provide the Parties with a report on the previous WARM year, giving the following data:
 - a. Actual Heating Degree Day differences experienced;
 - b. Charges or credits by month and total across heating seasons or years;
 - c. WARM as a percent of bills and actual amounts outside the limits that were deferred;
 - d. Other factors related to WARM, such as number of opt-outs, customer calls, at-fault complaints and billing issues by heating season or year;
 - e. Total charge or credit, recorded by month, for each heating season and year of the program; and
 - f. The financial impact on the Company, as expressed, for example, in earnings per share or return on equity.

NWN also agreed to respond to data requests from the Parties regarding the report and underlying data within a reasonable period of time.

2. NWN will continue to implement DMN through October 31, 2012, as per Schedule 190, except as provided by the Stipulation.
3. NWN will not file a general rate case prior to September 1, 2011, except:
 - a. If it requests that its Integrity Management Program (IMP) costs continue to be treated as capital expenditures recovered on an annual basis after the program expires in 2009;

- b. If there are any changes to the joint meter reading arrangements with Portland General Electric Company, requiring NWN to implement its own automated meter reading and NWN's request to recover its capital costs on an annual basis is not supported by the Parties and an alternative mechanism is not established or NWN does not obtain Commission approval; or
 - c. If some extraordinary event or events occur that cannot be satisfactorily dealt with through other regulatory mechanisms.
4. With respect to each of the provisions, the Stipulation also includes agreed language as to how the Parties will address these matters in the event there is disagreement with NWN's proposals or actions with respect to excepted rate case filings.

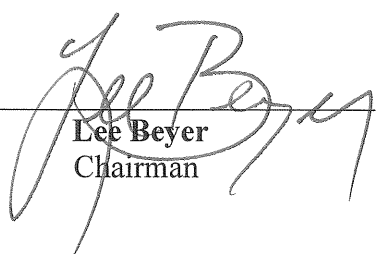
Discussion. According to the Staff Report dated September 12, 2007, the Stipulation "will allow parties to create their own recommendations regarding both DMN and WARM because of a reporting requirement that requires that NW Natural provide the Parties with a factual report on the functioning of WARM." We believe that extension of the Company's WARM plan, with the agreed-upon conditions contained in the Stipulation is in the public interest. The Stipulation produces a just and reasonable result and should be adopted in its entirety.

ORDER

1. The Stipulation extending the term of the Weather-Adjusted Rate Mechanism and the Distribution Margin Normalization mechanism executed by Northwest Natural Gas Company, the Citizens' Utility Board of Oregon, the Northwest Energy Coalition, the Natural Resources Defense Council, the Northwest Industrial Gas Users, the Oregon Department of Energy, the Oregon Energy Coordinators Association, the Community Action Partnership of Oregon and the Commission Staff is hereby APPROVED, and the resolution of issues set forth therein are hereby ADOPTED.
2. On November 30, 2007, and on the anniversary date for each year thereafter that the WARM mechanism is in effect, Northwest Natural Gas Company shall file with the Commission a report for the preceding 12-month period setting forth the information described in paragraph 7.c. of the Stipulation.

3. The Weather-Adjusted Rate Mechanism as set forth in Northwest Natural Gas Company Schedule 195, as modified by the Stipulation, is EXTENDED until October 31, 2012.
4. The Distribution Margin Normalization mechanism as set forth in Northwest Natural Gas Company Schedule 190, as modified by the Stipulation, is EXTENDED until October 31, 2012.

Made, entered, and effective SEP 26 2007.



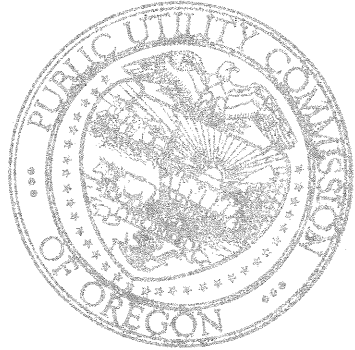
Lee Beyer
Chairman



Ray Baum
Commissioner



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

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 163/UG 152

In the Matter of

NORTHWEST NATURAL

Extending the Term of Weather-Adjusted Rate Mechanism (WARM) and Distribution Margin Normalization (DMN).

STIPULATION

This Stipulation is entered into for the purpose of extending the terms of Northwest Natural Gas Company's ("NW Natural") weather-adjusted rate mechanism ("WARM") and distribution margin normalization ("DMN") mechanism, and establishing an annual reporting requirement on WARM.

PARTIES

1. The parties to this Stipulation are NW Natural, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, the Northwest Industrial Gas Users, the Northwest Energy Coalition, the Community Action Partnership of Oregon, the Oregon Energy Coordinators Association, and the Oregon Department of Energy (collectively, the "Parties").

BACKGROUND

2. Per the WARM Stipulation adopted in Order 03-507, NW Natural's WARM program will expire September 30, 2008.

3. Per the DMN Stipulation adopted in Order No. 05-934, the DMN tariff will expire on September 30, 2009.

4. According to Order 05-934, the Parties' intent in staggering the expiration dates of these two programs was to ensure that "any delay in analyzing and potentially extending WARM [did] not impact DMN." Order 03-934 at 2.

5. Despite the staggered expiration dates, the Parties now believe it is efficient to consider WARM and DMN concurrently. Because the mechanisms interact, and the issues that may be discussed with regard to each are likely to overlap, concurrent examination of the two mechanisms would be a more efficient use of the Parties' time.

6. In addition, the Parties agree that it would be helpful to have several years of annual data on the functioning of WARM, so it can be more fully considered in the future.

AGREEMENT

7. WARM

a. The Parties agree that NW Natural will continue to implement WARM as currently described in Schedule 195 and further described in the WARM Stipulation, except as provided in this Stipulation.

b. **Extension of Term:** The Parties agree to extend the term of WARM through October 31, 2012.

c. **Reports:** Beginning November 30, 2007, and annually thereafter until November 2011, NW Natural will provide the Parties with a factual report on the functioning of WARM. The report will include the following data for the prior WARM year (*i.e.*, for the November 30, 2007 report, data from December 1, 2006 to May 15, 2007): actual Heating Degree Day differences experienced; charges or credits actually charged by month and total across heating seasons or years in which the mechanism was in place; what percent of bills they were and actual amounts outside the limits that were deferred; and other factors related to WARM, such as number of opt-outs, customer calls, at-fault complaints, and billing issues by heating season or year; total charge or credit recorded by month for each heating season and year of the program; and financial impact, for example in earnings per share or return on equity. NW Natural agrees to respond to Parties' data requests regarding the report and underlying data within a reasonable time.

8. DMN

a. The Parties agree that NW Natural will continue to implement DMN as currently described in Schedule 190 and further described in the DMN Stipulation, except as provided in this Stipulation.

b. **Extension of Term:** The Parties agree to extend the term of DMN through October 31, 2012.

9. Rate Case Moratorium

NW Natural agrees not to file a general rate case prior to September 1, 2011, subject to the following exceptions:

a. **Integrity Management Program (IMP):** NW Natural intends to request that IMP costs continue to be treated as capital expenditures to be recovered on an annual basis after the program expires in 2009. If the Parties do not support NW Natural's request and the Parties cannot agree on an alternative form of recovery, or the Commission does not approve recovery of prudent costs pursuant to NW Natural's request, NW Natural may file a general rate case.

b. **Advanced Meter Reading:** If Portland General Electric (PGE) receives Commission approval of its automated metering infrastructure tariff (Docket UE 189) or

otherwise notifies NW Natural that it is terminating the agreement governing the PGE & NW Natural joint meter reading territory (JMR), NW Natural intends to implement automated meter reading ("AMR") in the territory currently covered by the JMR agreement. If the Parties do not support a request by NW Natural for the opportunity to recover the capital costs for its AMR project on an annual basis and the Parties cannot agree on an alternative form of recovery, or the Commission does not approve recovery of prudent costs pursuant to NW Natural's request, NW Natural may file a general rate case.

c. **Extraordinary Events:** The Parties and NW Natural understand and agree that there may be an extraordinary event or series of events that would lead NW Natural and the Parties to determine that a general rate case may be filed prior to September 1, 2011. Extraordinary events in this stipulation are items that do not lend themselves to other regulatory mechanisms, such as a deferral, and are expected to have significant negative impact on NW Natural's on-going, normalized regulated earnings.

In the case of such an event, NW Natural will work in good faith with the Parties before taking any action before the Commission. If NW Natural and the other Parties agree that the event constitutes an extraordinary event as defined in this stipulation, NW Natural may file a general rate case. If consensus cannot be reached, NW Natural may request that the Commission make a determination as to whether the event constitutes an extraordinary event as defined in this Stipulation. In such filing, NW Natural will have the burden of showing that it faces an extraordinary event as defined in this stipulation.

10. 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.


11. 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.

12. 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.

NORTHWEST NATURAL GAS
COMPANY

CITIZENS' UTILITY BOARD
OF OREGON

By 
C. Alex Miller
Director, Regulatory Affairs and
Forecasting

By _____
Robert Jenks
Executive Director

Date: 8/22/07

Date: _____

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By _____
Philip H. Carver

By _____
Steven Weiss
Sr. Policy Associate


Date: _____

Date: _____

NATURAL RESOURCES DEFENSE
COUNCIL

COMMUNITY ACTION PARTNERSHIP
OF OREGON

By _____
Steven Weiss


By 
Jim Abrahamson
Community Action Partnership
of Oregon

Date: _____

Date: 8/23/07

OREGON ENERGY COORDINATORS
ASSOCIATION

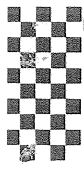
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By 
Jim Abrahamson
Oregon Energy Coordinators
Association

By: _____
Jason Jones
Attorney for Staff
Oregon Department of Justice

Date: 8/23/07

Date: _____



NORTHWEST NATURAL GAS COMPANY

CITIZENS' UTILITY BOARD OF OREGON

By _____
C. Alex Miller
Director, Regulatory Affairs and
Forecasting

By Robert Jenks
Robert Jenks
Executive Director

Date: _____

Date: 8-24-07

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By _____
Philip H. Carver

By _____
Steven Weiss
Sr. Policy Associate

Date: _____

Date: _____

NATURAL RESOURCES DEFENSE COUNCIL

COMMUNITY ACTION PARTNERSHIP OF OREGON

By _____
Steven Weiss

By _____
Jim Abrahamson
Community Action Partnership
of Oregon

Date: _____

Date: _____

OREGON ENERGY COORDINATORS ASSOCIATION

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

By _____
Jim Abrahamson
Oregon Energy Coordinators
Association

By: _____
Jason Jones
Attorney for Staff
Oregon Department of Justice

Date: _____

Date: _____

ORDER NO. 07-426

NORTHWEST NATURAL GAS
COMPANY

CITIZENS' UTILITY BOARD
OF OREGON

By _____
C. Alex Miller
Director, Regulatory Affairs and
Forecasting

By _____
Robert Jenks
Executive Director

Date: _____

Date: _____

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By Philip H. Carver
Philip H. Carver

By _____
Steven Weiss
Sr. Policy Associate

Date: Aug. 24, 2007

Date: _____

NATURAL RESOURCES DEFENSE
COUNCIL

COMMUNITY ACTION PARTNERSHIP
OF OREGON

By _____
Steven Weiss

By _____
Jim Abrahamson
Community Action Partnership
of Oregon

Date: _____

Date: _____

OREGON ENERGY COORDINATORS
ASSOCIATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Jim Abrahamson
Oregon Energy Coordinators
Association

By: _____
Jason Jones
Attorney for Staff
Oregon Department of Justice

Date: _____

Date: _____

NORTHWEST NATURAL GAS
COMPANY

CITIZENS' UTILITY BOARD
OF OREGON

By _____
C. Alex Miller
Director, Regulatory Affairs and
Forecasting

By _____
Robert Jenks
Executive Director

Date: _____

Date: _____

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By _____
Philip H. Carver

By Steven D. Weiss
Steven Weiss
Sr. Policy Associate

Date: _____

Date: 8/22/07

NATURAL RESOURCES DEFENSE
COUNCIL

COMMUNITY ACTION PARTNERSHIP
OF OREGON

By Steven D. Weiss
Steven Weiss

By _____
Jim Abrahamson
Community Action Partnership
of Oregon

Date: 8/22/07

Date: _____

OREGON ENERGY COORDINATORS
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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Jim Abrahamson
Oregon Energy Coordinators
Association

By _____
Jason Jones
Attorney for Staff
Oregon Department of Justice

Date: _____

NORTHWEST NATURAL GAS
COMPANY

CITIZENS' UTILITY BOARD
OF OREGON

By _____
C. Alex Miller
Director, Regulatory Affairs and
Forecasting

By _____
Robert Jenks
Executive Director

Date: _____

Date: _____

OREGON DEPARTMENT OF ENERGY

NW ENERGY COALITION

By _____
Philip H. Carver

By _____
Steven Weiss
Sr. Policy Associate

Date: _____

Date: _____

NATURAL RESOURCES DEFENSE
COUNCIL

COMMUNITY ACTION PARTNERSHIP
OF OREGON

By _____
Steven Weiss

By _____
Jim Abrahamson
Community Action Partnership
of Oregon


Date: _____

Date: _____

OREGON ENERGY COORDINATORS
ASSOCIATION

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By _____
Jim Abrahamson
Oregon Energy Coordinators
Association

By  _____
Jason Jones
Attorney for Staff
Oregon Department of Justice

Date: _____

Date: _____

ORDER NO. 07-426

NORTHWEST INDUSTRIAL GAS USERS

By: Paula E. Pyron
Paula E. Pyron
Executive Director

Date: 8/24/07