

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1030(8)

In the Matter of)	
)	
NW NATURAL GAS COMPANY, dba NW)	
NATURAL)	ORDER
)	
Request to Extend Risk Mitigation and Repair)	
Program, and to Defer and Cap the Cost to be)	
Recovered for Salmon River Geo-hazard)	
Project.)	

DISPOSITION: APPLICATION APPROVED

On September 12, 2007, Northwest Natural Gas Company, dba NW Natural (NW Natural) filed an application and stipulation, with the Public Utility Commission of Oregon (Commission), to extend the Risk Mitigation and Repair Program (Geo-hazard Program or Program), and to defer and cap the costs associated with the Program. The Program was originally approved by the Commission in Order No. 01-843. The current application (and stipulation), made pursuant to ORS 757.259, would extend the twelve-month deferral due to expire October 1, 2007, to December 31, 2007.

All parties agreed to NW Natural's application, and signed the Stipulation, agreeing to the proposed extension. Full descriptions of the filings and their procedural history are contained in the Staff Report and Stipulation, attached as Appendices A and B, respectively, and are incorporated by reference.

At its Public Meeting on October 9, 2007, the Commission adopted Staff's recommendations and approved NW Natural's current request.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application to extend the Risk Mitigation and Repair Program, and to defer and cap the cost to be recovered for the Salmon River Geo-hazard Project, is approved.

Made, entered and effective OCT 16 2007.

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: October 9, 2007**

REGULAR _____ CONSENT X EFFECTIVE DATE October 1, 2007

DATE: September 12, 2007

TO: Public Utility Commission

FROM: Carla Owings *CO*

THROUGH: *in* Lee Sparling, *EB* Ed Busch and *JA* Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1030(8)) Request to Extend Risk Mitigation and Repair Program, and to Defer and Cap the Cost to be Recovered for Salmon River Geo-hazard Project.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's Stipulation to extend the Risk Mitigation and Repair Program (Geo-hazard program) and to defer and cap the costs associated with that program for a three-month period beginning October 1, 2007, pursuant to ORS 757.259.

DISCUSSION:

On September 12, 2007, Northwest Natural ("NW Natural" or "Company") filed a Stipulation requesting to extend the Geo-hazard program from September 30, 2007 to December 31, 2007.

The Geo-hazard program was originally part of a safety program which was approved by the Commission in Order No. 01-843. The original agreement was that the Geo-hazard program would sunset on December 31, 2006. Beginning in 2002, and in each year since, the company has performed repairs to its system caused by landslide hot spots, erosion and other geo-hazards pursuant to this program. Each year the company has requested approval from the Commission to defer these costs and to recover these investments as part of its annual gas cost tracking and technical adjustment filing.

NWNatural – Defer Geo-hazard
September 13, 2007
Page 2

In its 2006 filing, NW Natural met with Staff, other stakeholders and intervenors. All Parties¹ agreed to a stipulation that extended the program from December 31, 2006 to September 30, 2007. In the current deferral period, ending September 30, 2007, the company has incurred Geo-hazard program expenditures totaling \$256,000 and is requesting authorization to amortize this amount in the Company's current PGA filing. Once again the Company and all Parties have met and have stipulated to extending the sunset date to December 31, 2007, in order for the Company to complete construction of the final project. NW Natural has agreed, in turn, that even with the extended period of time, the final amount to be deferred will not exceed \$2.5 million and will include the \$256,000 reported in the period prior to September 30, 2007.

Staff has reviewed the Company's application and believes that customers benefit by the lower project costs that are eventually paid for in rates. Further Staff believes that the Company benefits by being able to recover costs more quickly under the Geo-hazard program.

PROPOSED COMMISSION MOTION:

The Commission approve Northwest Natural's Stipulation to extend the Risk Mitigation and Repair Program (Geo-hazard program) and to defer and cap the costs associated with that program for a three-month period beginning October 1, 2007, pursuant to ORS 757.259.

NWN – UM 1030(8)

¹ The Parties to the Stipulation filed on August 15, 2007 (Docket No. UM 1030(8)) are Staff, NW Natural, Northwest Industrial Gas Users and the Citizens' Utility Board.

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM 1030

In the Matter of

NORTHWEST NATURAL

Extend Risk Mitigation and Repair Program and Cap the Cost to be Recovered for Salmon River GeoHazard Project.

STIPULATION

STIPULATION

This stipulation is entered into to extend Northwest Natural Gas Company's Risk Mitigation and Repair Program to December 31, 2007, and to maintain the current cost cap to be recovered for the Salmon River GeoHazard Project at \$2.5 million.

PARTIES

1. The parties to this Stipulation are Northwest Natural Gas Company ("NW Natural" or "Company"), Staff of the Public Utility Commission of Oregon ("Staff"), Citizens' Utility Board of Oregon ("CUB"), and Northwest Industrial Gas Users ("NWIGU").

BACKGROUND

2. In 2001, NW Natural asked the Commission to approve the Company's deferred accounting application for its safety program costs that included, among other things, the Company's GeoHazard Risk Mitigation and Repair Program ("Program"). See Schedule 177. Geohazards are risks to distribution infrastructure from such things as landslide, washout, and earthquake. The Commission approved the application in Order No. 01-843.

3. In 2002, 2003, 2004, and 2005, the Commission permitted the Company to recover its investment in the Program as a part of its annual gas tracking cost and technical adjustment filing. Effective October 1, 2002, 2003, 2004, and 2005, the Commission approved the Company's applications for reauthorization to defer costs relating to the Program.

4. As a part of the Program, the Company is undertaking the Salmon River GeoHazard Project ("Project"). This Project entails the installation of approximately 8,500 lineal feet of 12", 600 PSI rated transmission pipeline along Highway 18 in the Van Duzer Corridor. The pipeline will replace pipe that is either exposed or too shallow due to river and stream erosion.

5. In September 2006, the Commission permitted an extension of the Program until September 30, 2007, in order for the Company to complete the Project in a more cost effective manner. See Order No. 06-554. Along with the extension, the Company agreed to cap costs for the Project at \$2.5 million.

6. As the Company progressed in the Project, it discovered certain environmental restrictions on working in the Van Duzer Corridor, including restrictions related to the presence of protected species in the area. As a result, the Company is not permitted to commence construction and enter the restricted corridor until after September 15, 2007. In addition, as the Company negotiated a workable timeline with ODOT and the paving contractors, it found it needed to redesign the project along a different alignment.

7. Because the Company will be unable to complete the Project before the current deferral expires, and because the Company intends to maintain the \$2.5 million cost cap, the parties have agreed to support an extension of the Program and stipulate to the same.

Therefore, it is agreed:

8. The parties agree the GeoHazard Risk Mitigation and Repair Program should be extended through December 31, 2007 in order to complete the Project.

9. The Company agrees it will not recover through the geohazard cost tracking mechanism an amount exceeding \$2.5 million for the Salmon River GeoHazard Project.

10. The parties agree the Company's current deferred cost tracking mechanism for this Project only should be reauthorized and extended from September 30, 2007 to December 31, 2007.

11. 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.

12. 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.

13. 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

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: C.A. Miller
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: 8/22/07

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By: _____
Bob Jenks
Executive Director

Date: _____

Date: _____

W

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: EQ Busch
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: _____

Date: 8-20-07

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By: _____
Bob Jenks
Executive Director

Date: _____

Date: _____

W

ORDER NO. 07-444

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

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

By: _____
Bob Jenks
Executive Director

Date: 8/20/07

Date: _____

"

ORDER NO. 07-444

NORTHWEST NATURAL GAS COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____
C. Alex Miller
Director, Regulatory Affairs & Forecasting

By: _____
Ed Busch
Administrator, Electric & Natural Gas
Division

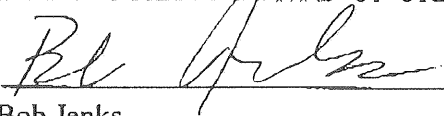
Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD OF OREGON

By: _____
Paula E. Pyron
Executive Director

By:  _____
Bob Jenks
Executive Director

Date: _____

Date: _____

"