

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(4)

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, 2007, Northwest Natural Gas Company, dba NW Natural (NW Natural) filed an application with the Public Utility Commission of Oregon (Commission) requesting reauthorization for a 12-month deferral of costs related to refunds or collections of distribution margin beginning August 17, 2007. 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. In the past two years, the Commission has renewed the deferral for a 12-month period beginning in August; the Commission Staff, however, has determined that a more 12-month period is October through September.

The recommended partial deferral from August 17, 2007, through September 30, 2007, modifies the yearlong period NW Natural requested in its application. This interim deferral allows NW Natural to file a new application for a yearlong deferral to begin October 1, 2007. A full 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 October 9, 2007, the Commission adopted Staff's recommendation and approved NW Natural's current request, in part.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application requesting reauthorization to defer costs relating to refunds or collections of distribution margin is approved, in part; the deferral period shall be August 17, 2007, through September 30, 2007.

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.

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 9, 2007**

REGULAR _____ CONSENT X EFFECTIVE DATE August 17, 2007

DATE: September 25, 2007

TO: Public Utility Commission

FROM: Carla Owings *CO*

THROUGH: *LS* Lee Sparling, *EB* Ed Busch, *BBT* Bonnie Tatom and *JD* Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(4)) Application for Reauthorization of Deferred Accounting of Refunds or Collections of Distribution Margin.

STAFF RECOMMENDATION:

Staff recommends the Commission approve, in part, Northwest Natural's (NW Natural or the Company) request for reauthorization, pursuant to ORS 757.259, to defer costs relating to refunds or collections of distribution margin. Staff recommends the Commission approve the deferral for a period to begin August 17, 2007, to September 30, 2007, rather than the twelve month period requested by NW Natural in its application.

DISCUSSION:

On August 17, 2007, NW 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, pursuant to ORS 757.259 in Order No. 02-800 (Docket UM 1027).

In its application and in the previous two annual requests for reauthorization, the Company did not include a request for an effective date. As a result, the effective date of the request of the deferral was granted as of the date of the Company's application for reauthorization of the deferral. The period of costs being tracked pursuant to this account should be October 1, of each year through the following September 30, of the next year. Staff believes that the estimate of amounts being tracked in this deferral

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account should revert back to the October 1 tracking date since the resulting balance of this deferral account will be amortized on an annual basis with the Company's PGA filing. Staff recommends that the Company should continue to make its request for reauthorization to defer these balances in August; however, the Company should request a twelve month period to begin October 1 of each year.

In order to prevent a gap of time for authorization to defer, Staff believes that this filing should be approved for the time period between August 17, 2007 (the date that the 2006 reauthorization expires) and September 30, 2007, allowing the Company time to submit a new application for the twelve month period to begin October 1, 2007.

In June of 2001, NW Natural made its original request 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, the Energy Trust of Oregon. 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(4) 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 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 period beginning August 17, 2007, 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

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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 subaccounts of FERC account 400 (Utility Operating Revenue).

Estimated New Deferrals in Next Authorization Period

As of June of 2007, NW Natural has deferred approximately \$3.7 million in distribution margin attributable to residential customer usage. For commercial usage, NW Natural has deferred approximately \$1.0 million in credits or refunds. This deferral is related to customers' consumption patterns, and therefore, no deferred amount has been estimated for the 2008 PGA.

PROPOSED COMMISSION MOTION:

The Commission approve, in part, NW Natural's request for reauthorization, pursuant to ORS 757.259, to defer costs relating to refunds or collections of distribution margin. Staff recommends the Commission approve the deferral for a period to begin August 17, 2007, to September 30, 2007, rather than the twelve month period requested by NW Natural in its application.

NWNatural UM 1027(4) partial deferral period