

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1030(9)

In the Matter of	)	
	)	
NORTHWEST NATURAL GAS, dba NW	)	
NATURAL	)	ORDER
	)	
Application for Reauthorization to Defer Bare	)	
Steel Replacement Program Costs.	)	

**DISPOSITION: APPLICATION APPROVED**

On August 15, 2008, Northwest Natural Gas Company, dba NW Natural (NW Natural), filed an application with the Public Utility Commission of Oregon (Commission), for reauthorization to defer Bare Steel Replacement Program costs. The Program was originally approved by the Commission in Order No. 01-843. The current application, made pursuant to ORS 757.259, would extend the deferral for twelve months beginning October 1, 2008. A full description of the filing and its procedural history is contained in the Staff Report attached as Appendix A and is incorporated by reference.

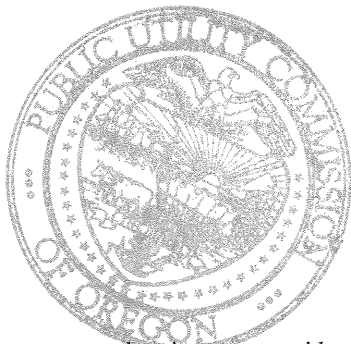
At its Public Meeting on November 4, 2008, the Commission adopted Staff's recommendation and approved NW Natural's current request.

**ORDER**

IT IS ORDERED that Northwest Natural Gas Company's application for reauthorization to defer Bare Steel Replacement Program costs is approved.

Made, entered and effective NOV 06 2008.

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. CA7

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 4, 2008**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  October 1, 2008

DATE: October 15, 2008

TO: Public Utility Commission

FROM: Carla Owings *CO*

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

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1030(9)) Reauthorizes deferred accounting of Bare Steel Replacement Program.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural's request for reauthorization to defer costs relating to its Bare Steel Replacement program pursuant to ORS 757.259, for a twelve-month period beginning October 1, 2008.

**DISCUSSION:**

On August 15, 2008, Northwest Natural (NWN or Company) requested reauthorization for deferral of costs related to its Bare Steel Replacement program pursuant to ORS 757.259. The Commission originally authorized the deferral of similar costs in 2001 in Commission Order No. 01-843 (Docket UM 1030). Last year, in its October 15, 2007, Public Meeting, the Commission approved reauthorization to defer costs related to this program for the twelve months beginning October 1, 2007, in Commission Order No. 07-449.

The Bare Steel Replacement Program was borne out of a need for NWN to replace corrosion-subject steel in a timely manner due to concerns by PUC Safety Staff and the Company's concern about reliability. Following extensive negotiations by all parties, a signed Stipulation allowing the Company to accelerate the replacement of its bare steel was accepted by the Commission in its regular public meeting on September 25, 2001, resulting in Commission Order No. 01-843.

Pursuant to the terms of the 2001 Stipulation, the Company is authorized to spend approximately \$3 million per year, up to a maximum of \$6 million per year, through

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September 30, 2021, in what has been referred to as, "The Accelerated Bare Steel Replacement Program." The parties to the Stipulation 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 were to come to a new agreement.

For 2008, NWN has reported that they invested approximately \$6.8 million in Accelerated Bare Steel Replacement and Leakage for the twelve-month period beginning October 1, 2007. NW Natural estimates it will spend approximately \$6 million in Accelerated Bare Steel Replacement beginning October 1, 2008.

NWN, Staff, the Citizens' Utility Board and the Northwest Industrial Gas Users (collectively the "Parties") have met to discuss consolidating and renewing existing safety programs, such as bare steel, into a single System Integrity Program (SIP). The Parties have reached consensus on the issues and are in the process of drawing a stipulated agreement to propose to the Commission. Should the Commission adopt the Stipulation, bare steel will become a part of SIP under the terms and conditions of the new agreement.

#### Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e). The costs of the program 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).

Staff has reviewed the Company's application and recommends the Commission approve NWN's request to reauthorize the deferral of its Accumulated Bare Steel Replacement Program costs.

#### **PROPOSED COMMISSION MOTION:**

The Commission approve Northwest Natural's request for reauthorization to defer costs relating to its Bare Steel Replacement Program pursuant to ORS 757.259, for a twelve-month period beginning October 1, 2008.