

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 283

In the Matter of)	
)	
NORTHWEST NATURAL GAS COMPANY,)	ORDER
dba NW NATURAL)	
)	
Affiliated Master Services Agreement)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On December 17, 2008, Northwest Natural Gas Company, dba Northwest Natural (NW Natural) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495, OAR 860-027-0040 and OAR 860-027-0041, requesting approval of a master services agreement with affiliates. A full description of the filing is contained in the Staff Report, attached as Appendix A and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on February 3, 2008, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that the application of Northwest Natural Gas Company's Application for an Affiliated Master Services Agreement, is approved, subject to the conditions stated in Appendix A.

Made, entered, and effective FEB 06 2009.

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: February 3, 2009

REGULAR _____ CONSENT X EFFECTIVE DATE _____ NA _____

DATE: January 14, 2009

TO: Public Utility Commission

FROM: Marion Anderson *MSA*

THROUGH: *lr* Lee Sparling, *A* Marc Hellman, and *w* Michael Dougherty

SUBJECT: NORTHWEST NATURAL: (Docket No. UI 283) Application for an Affiliated Master Services Agreement.

STAFF RECOMMENDATION:

The Public Utility Commission (the Commission) should approve the application of Northwest Natural Gas Company (NWN or the Company) for a master services agreement with affiliates under the following conditions:

1. The Company shall provide the Commission access to all books of account, as well as all documents, data, and records that pertain to any payments to/from affiliates.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
3. The Company shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein, shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

DISCUSSION:

This application was filed on December 17, 2008, pursuant to ORS 757.015, ORS 757.495, OAR 860-027-0040, and OAR 860-027-0041. It is noted that reverse services/products (provisions by NWN) are only subject to informational Commission reporting.

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The following issues were investigated:

- Scope of the Agreement
- Transfer Pricing
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Agreement

Forward (to NWN) and reverse (from NWN) services/products are covered.

The application includes an addendum listing all of the company's current affiliates, but would be applicable to changes in subsidiaries. This filing supplements the six previous dockets, covering the period from 1991 through 2008, with Commission approval of forward transactions with NNG Financial, Northwest Natural Gas Capacity, Oregon Natural Gas Development, and Palomar Gas Transmission. Northwest Natural Gas Capacity and Oregon Natural Gas Development no longer exist.

Section 15 of the agreement (MSA) states "Any of the terms and conditions of this Agreement may be waived at any time....." Specific notation is made in the section that such waiver does not bind any jurisdictional regulatory agency's regulations, orders, or applicable statutes. While Staff does not routinely take issue with such boilerplate language, emphasis is made that transfer pricing for utilities and affiliates is directed by OAR 860-027-0048. Therefore, a party to the MSA cannot waive the basis of charges without Commission approval.

Transfer Pricing

The costing dictates of the governing administrative rule, OAR 860-027-0048, are adhered to in the agreement. Further, additional billing consideration for a "Blind Exchange Transaction" (an arms-length transaction which is resold to a third party without the original seller's knowledge) is included.

Determination of Public Interest Compliance

This MSA is fair and reasonable and not contrary to the public interest.

Records Availability, Audit Provisions, and Reporting Requirements

Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

Based on the review of this application, Staff concludes the following:

1. The arrangement's scope is reasonable.

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2. The contract will not harm customers and is not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

NW Natural's affiliated master services agreement be approved, subject to the recommended conditions.

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