

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(7)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL

Application for Reauthorization of
Deferred Accounting of Refunds or
Collections of Distribution Margin.

ORDER

**DISPOSITION: APPLICATION FOR REAUTHORIZATION OF
DEFERRED ACCOUNTING APPROVED**

On August 14, 2009, Northwest Natural Gas Company, dba NW Natural (NW Natural) filed an application, with the Public Utility Commission of Oregon (Commission), requesting reauthorization for a deferral of costs related to refunds or collections of distribution margin effective October 1, 2009, through September 30, 2010. 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. 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 20, 2009, the Commission adopted staff's recommendation and approved NW Natural's application.

ORDER

IT IS ORDERED that Northwest Natural Gas Company's application requesting reauthorization, pursuant to ORS 757.259, to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2009, is approved.

Made, entered and effective OCT 26 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.

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2009**

REGULAR CONSENT EFFECTIVE DATE October 1, 2009

DATE: October 7, 2009

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 1027(7)) Reauthorizes deferred accounting of Refunds or Collections of Distribution Margin.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's request for reauthorization, pursuant to ORS 757.259, to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2009 through September 30, 2010.

DISCUSSION:

Background:

On August 14, 2009, Northwest Natural (NW Natural or the Company) 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 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 through a decoupling mechanism; and
- (2) to provide funding for public purposes to be administered by the Energy Trust of Oregon.

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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 which allowed the Company to defer margins and recover 90 percent of the differentials between the weather-normalized usage and the baseline usage.

On August 25, 2005, the Commission issued Order No. 05-394, which modified the Company's decoupling mechanism by allowing 100 percent recovery of the differentials through September 30, 2009. On September 26, 2007, the Commission adopted a Stipulation signed by the Parties to UG 152 and UG 163, wherein the decoupling mechanism was extended from September 30, 2009 to October 31, 2012.

Description of Request:

Docket UM 1027(7) requests reauthorization to defer costs associated with the Company's implementation of its decoupling mechanism.

For the period beginning October 1, 2009, 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 its annual PGA filings.

On May 22, 2008, the Commission issued Order No. 08-263 requiring utility companies to apply a rate of interest to deferral accounts at their Authorized Rate of Return and a rate of interest commensurate with the Treasury Rate to accounts being amortized. For NW Natural, the Company proposes to apply 8.61 percent to the deferral account and 2.05 percent to its amortization account associated with the distribution margin differentials. Staff has reviewed the application of interest to both the deferral account and the amortization account associated with the distribution margin differentials and agrees with the Company's interest calculations.

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 by statute in ORS 757.262, supports recovery of a utility's revenues that are affected by the conservation activity of customers. NW Natural has also met the requirements of Oregon Administrative Rule (OAR) 860-027-0300 in its filing.

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Proposed Accounting:

The proposed continued deferrals would be recorded in a subaccount 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 Amounts:

For the deferral period between October 1, 2009 and September 30, 2010, the booking of differentials is related to customers' consumption patterns, and therefore, no deferred amount has been estimated for recovery or refund for the 2010 PGA.

For the 2009 PGA period, NW Natural estimates the deferred balance of approximately \$11.6 million¹ of differentials in distribution margin attributable to residential customer usage. In this year's PGA application, NW Natural proposes to amortize approximately \$11.6 million² in collections less a small residual refund balance from last year's amortization of approximately \$13,000 beginning November 1, 2009.

NW Natural has deferred approximately \$520,000³ in differentials for commercial customer usage. In this year's PGA application, NW Natural proposes to amortize approximately \$520,000 in collections plus a small residual balance of approximately \$23,000 in collections for a total of approximately \$540,000 in the 2009 PGA period beginning November 1, 2009.

¹ Differentials of approximately \$10.8 million plus interest of approximately \$780,000.

² These estimates are provided as of June 30, 2009 and will be updated in September 2009.

³ Differentials of approximately \$484,000 and interest of approximately \$27,000.

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PROPOSED COMMISSION MOTION:

Northwest Natural's request for reauthorization, pursuant to ORS 757.259, to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2009, be approved.

NWN UM1027(7) Decoupling