

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1027(8)

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 30, 2010, 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, 2010 through September 30, 2011. 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 27, 2010, 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, 2010, is approved.

Made, entered and effective NOV 03 2010

BY THE COMMISSION:



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. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 27, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE October 1, 2010

DATE: October 8, 2010

TO: Public Utility Commission

FROM: Carla Bird *CB*

THROUGH: Lee Sparling, Maury Galbraith and Judy Johnson *MG* *JA*

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(8)) Reauthorizes deferred accounting of Refunds or Collections of Distribution Margin.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2010 through September 30, 2011.

DISCUSSION:

On August 30, 2010, 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.

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.

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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.

NWN's current deferral was granted on October 26, 2009, in Commission Order No. 09-426.

Description of Request:

For the period beginning October 1, 2010, 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 Purchased Gas Adjustment (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. NW Natural proposes to apply its currently authorized cost of capital to the deferral account and the updated blended treasury rate 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. Commission Order No. 92-1673 and statute in ORS 757.262, allows for 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 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 Amounts:

For the 2009-2010 PGA period, NW Natural booked approximately \$12.8¹ million in margin shortfall for both residential and commercial customers that was amortized into rates beginning November 1, 2009.

In this year's PGA application (2010-2011), NW Natural has deferred approximately \$12.7 million in margin shortfalls related to residential customer usage as of August of 2010. Interest accrual for residential customers for this period is approximately \$0.9 million plus a forecast of \$0.9 million of residual amortization not collected in the prior period making a balance of approximately \$14.8 million owed by residential customers for distribution margin shortfall. NWN requests amortization of this amount for the PGA implementation November 1, 2010.

For commercial usage, NW Natural has deferred approximately \$2.4 million in margin shortfalls. Interest accrual for commercial customers for this period is approximately \$0.2 million plus a forecast of approximately \$0.1million of residual amortization not collected in the prior period making a balance of approximately \$2.7 million owed by commercial customers for distribution margin shortfall. NWN requests amortization of this amount for the PGA implementation November 1, 2010.

Staff Analysis:

Staff has reviewed NW Natural's estimated balances attributed to both residential and commercial balances associated with the differences between weather-normalized usage and the baseline usage, as well as the appropriate interest calculations related to the deferral and the amortization balances. Staff supports NW Natural's request to defer and to amortize the differentials associated with its decoupling mechanism.

¹ Approximately \$11.8 million for residential and \$0.5 million for commercial.

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PROPOSED COMMISSION MOTION:

Northwest Natural's request for reauthorization to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2010, be approved.

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