

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1496(1)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Request to reauthorize deferral of costs
related to demand, commodity and capacity
costs for purchased gas cost mechanism.

ORDER

DISPOSITION: APPLICATION APPROVED

On August 31, 2011, Northwest Natural Gas Company, dba NW Natural, filed an application requesting reauthorization to defer costs related to demand, commodity and capacity for the Purchased Gas Adjustment (PGA) under ORS 757.210, ORS 757.259, and OAR 860-027-0300, for the 12-month period beginning November 1, 2011, through October 31, 2012. A 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 November 1, 2011, the Commission adopted Staff's recommendation.

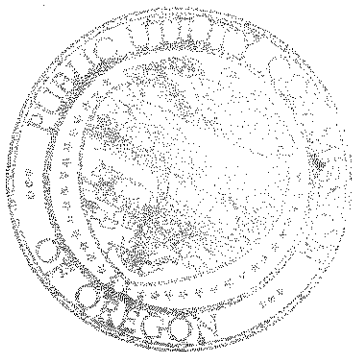
ORDER

IT IS ORDERED that:

1. Northwest Natural Gas Company's application for reauthorization to defer gas costs associated with the Purchased Gas Adjustment mechanism is approved.
2. Approval is for accounting purposes only for the 12-month period beginning November 1, 2011.

Made, entered, and effective NOV 08 2011.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 1, 2011**

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2011

DATE: October 11, 2011

TO: Public Utility Commission

FROM: Carla Bird 

THROUGH: Lee Sparling, Maury Galbraith  and Judy Johnson 

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1496(1)) Request to reauthorize deferral of costs related to demand, commodity and capacity costs for purchased gas cost mechanism.

STAFF RECOMMENDATION:

Staff recommends that Northwest Natural's request for reauthorization to defer costs related to demand, commodity and capacity for the purchased gas cost mechanism be approved for the 12-month period beginning November 1, 2011.

DISCUSSION:

On August 31, 2011, Northwest Natural (NWN or the Company) filed a request for reauthorization to defer costs related to demand, commodity and capacity for the Purchased Gas Adjustment (PGA) pursuant to ORS 757.259(2)(d).

PGA Deferral Mechanism

Reason for Deferral

The PGA mechanism was originally established by the Commission in Order No. 89-1046. Commission Order No. 09-263, Docket No. UM 1286, established the purpose of an annual mechanism which allows the company to accrue the differences between what is forecast into rates and actual costs for annual demand and commodity related gas costs. Accruing these differences minimizes the frequency of rate changes and matches appropriately the costs borne by and benefits received by ratepayers pursuant to ORS 757.259(2)(d).

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Description of Expense

NWN proposes to track actual demand costs and other fixed gas costs as well as commodity gas cost variations to a deferral account.

Proposed Accounting

NWN will defer to FERC Account 191 for distribution to or collection from customers at a later date consistent with the PGA methodology. Gas cost differences will be segregated between demand-related and commodity-related cost differences. Absent deferred accounting the charges incurred for gas costs pursuant to PGA activity and other incurred gas costs would be recorded as increases/decreases in the appropriate FERC Account 401 gas expense subaccounts.

Estimated Deferrals in Authorization Period

The goal of the PGA mechanism is to match gas costs incurred by the Company with gas costs in customer rates. Any differences are the result of unexpected weather or volatility in gas costs, thereby making an accurate estimation of the deferred amount unlikely.

Staff Analysis

NWN's application for reauthorization of deferred accounting for the PGA gas costs meets the requirements related to the establishment of the PGA mechanism, as well as the requirements of ORS 757.259 and 860-027-0300, and should be approved.

PROPOSED COMMISSION MOTION:

NWN's application for reauthorization to defer gas costs associated with the PGA mechanism should be approved for accounting purposes only for the 12-month period beginning November 1, 2011.

NWN UM 1496(1) PGA Gas Costs Deferral Reauthorization