

ORDER NO. 01-1007

ENTERED NOV 29 2001

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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 1043

In the Matter of the Petition of NORTHWEST	)	
NATURAL to Extend the Term of the Mist	)	ORDER
Expansion Schedules and Application for Deferred	)	
Accounting of Project Differentials.	)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED**

On November 1, 2001, Northwest Natural (NW Natural) filed a petition and application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259, for an accounting order requesting authorization to defer revenue related to Mist IIIb incremental costs for the twelve-month period beginning November 1, 2001. 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 20, 2001, the Commission adopted Staff's Recommendations and approved NW Natural's current request.

**ORDER**

IT IS ORDERED THAT Northwest Natural's application for an accounting order regarding authorization to defer revenue relating to Mist Expansion project differentials, as described in Appendix A, is granted. This approval is for accounting purposes only.

Made, entered and effective \_\_\_\_\_.

BY THE COMMISSION:

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**Rick Willis**  
Executive Director

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A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA8

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 20, 2001**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** \_\_\_\_\_ November 1, 2001

**DATE:** November 8, 2001

**TO:** Phil Nyegaard through Lee Sparling and Ed Busch

**FROM:** Judy Johnson

**SUBJECT:** NORTHWEST NATURAL: (Docket No. UM 1043) Requests an order authorizing deferred accounting treatment.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Northwest Natural's request for authorization, under ORS 757.259, to defer revenue relating to Mist IIIb incremental costs for the twelve-month period beginning November 1, 2001.

**DISCUSSION:**

On November 1, 2001, Northwest Natural (NW Natural) requested authorization for deferrals related to Mist IIIb incremental costs. Staff and NW Natural agreed to defer revenues related to true-up final project costs of Mist IIIb, which are subject to a future Staff audit. That audit is scheduled to take place during December 2001. Upon completion of the audit NW Natural may begin deferring the difference between the revenues actually derived from current rate increments and the revenues that would have been derived from the final audited investment in Mist IIIb.

History

On December 1, 1999, the Commission approved NW Natural's Advice No. 99-10A, which was a rate increase to customers for the purpose of recovering the portion allocated to Oregon of the company's incremental cost of service relating to the expansion of Mist Storage Facilities (Mist III). On December 1, 2000, the Commission approved NW Natural's Advice No. 00-18, which reflected updated Mist III costs and included new rate increments for current investments in storage, Mist IIIb.

The Mist IIIb portion of the project included dehydration facilities, station metering facilities and automated valve controls at Mist's Miller Station. These additions increased Miller Station's capacity by 40 MMBtu/day to match the increased take-away capacity of 190 MMBtu/day of Mist III. This

amount of take-away capacity is identified in the *2000 Integrated Least Cost Plan* as a resource available for the 2000/2001 heating season.

Deferral

Deferral of Mist IIIb revenue differentials will ensure that the company's customers will pay no more or less in support of Mist IIIb than they would have paid had all costs been known with certainty and incorporated in rates as of November 1, 2001. NW Natural states that deferral may be authorized under ORS 757.259(2)(e) because the incremental investment is: "Utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes....or to match appropriately the costs borne by and the benefits received by ratepayers."

The proposed deferral is consistent with the calculation of rate adjustments under Schedules 176 and 1B, "Mist Expansion Schedule: Revision of Charges for Collection of Costs of Service Relating to Mist Storage Expansion Project." As described in Schedule 176:

4. NW Natural will defer for subsequent amortization any difference between the actual revenues collected under this Schedule 176 and the revenues that would have been collected had the adjustment been calculated using final Project costs.

Staff believes it is appropriate to use deferred accounting for the revenue differential caused by true-up incremental investment in Mist IIIb. NW Natural has met the requirements of OAR 860-027-0300 in its filing. The company estimates the 12-month incremental increase to be deferred is approximately \$160,000 (including interest).

The proposed deferrals would be recorded in a subaccount of account 253 (Other Deferred Credits). In the absence of deferral approval, the company would not recover revenue determined from using final investment costs.

**PROPOSED COMMISSION MOTION:**

NW Natural's request for authorization to defer revenue relating to Mist IIIb incremental costs for the twelve-month period beginning November 1, 2001, be approved.