

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1027(6)

In the Matter of	)	
	)	
NW NATURAL GAS COMPANY, dba NW	)	
NATURAL	)	ORDER
	)	
Application for Reauthorization of Deferred	)	
Accounting of Refunds or Collections of	)	
Distribution Margin.	)	

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

On August 15, 2008, Northwest Natural Gas Company, dba NW Natural (NW Natural) filed an application, with the Public Utility Commission of Oregon (Commission), requesting reauthorization for a yearlong deferral of costs related to refunds or collections of distribution margin effective October 1, 2008, through September 30, 2009. 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 21, 2008, the Commission adopted its staff's recommendation and approved NW Natural's application.

**ORDER**

IT IS ORDERED that Northwest Natural Gas Company's application requesting reauthorization to defer costs relating to refunds or collections of distribution margin beginning October 1, 2008 through September 30, 2009, is approved.

Made, entered and effective OCT 23 2008.

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: October 21, 2008

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE October 1, 2008

DATE: October 15, 2008

TO: Public Utility Commission

FROM: Carla Owings

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1027(6)) Reauthorizes deferred accounting of Refunds or Collections of Distribution Margin.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Northwest Natural's (NW Natural or the Company) request for reauthorization, pursuant to ORS 757.259, to defer refunds or collections of distribution margin for the twelve-month period beginning October 1, 2008 through September 30, 2009.

**DISCUSSION:**

On August 15, 2008, NW Natural requested reauthorization for deferral of costs related to refunds or collections of distribution margin. The Company provided an updated request on October 1, 2008. 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 an independent entity, 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.

Docket UM 1027(6) requests reauthorization to defer costs associated with the Company's implementation of its decoupling mechanism. Originally, the Company was

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to defer and amortize 90 percent of the distribution margin differentials, the difference between the weather-normalized usage and baseline usage. In Order No. 05-934, Docket UG 163, the Commission adopted a new Stipulation extending the distribution margin normalization tariff for four years, through September 30, 2009. Under this Stipulation, NW Natural will defer and amortize 100 percent of the distribution margin differentials rather than 90 percent.

For the period beginning October 1, 2008, 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 8.6 percent to the deferral account and 4.3 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 in statute 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.

#### 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 New Deferrals in Next Authorization Period

As of June of 2008, NW Natural has deferred approximately \$2.7 million of collections in distribution margin attributable to residential customer usage. For commercial usage, NW Natural has deferred approximately \$2.9 million in credits or refunds. This deferral

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is related to customers' consumption patterns, and therefore, no deferred amount has been estimated for the 2009 PGA.

**PROPOSED COMMISSION MOTION:**

NW Natural's request for reauthorization, pursuant to ORS 757.259, to defer costs relating to refunds or collections of distribution margin for the twelve-month period beginning October 1, 2008 through September 30, 2009, be approved.

NW Natural UM 1027(6) Decoupling