

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 21, 2001**

REGULAR AGENDA___ **CONSENT AGENDA** X **EFFECTIVE DATE** August 22, 2001

DATE: August 13, 2001

TO: Phil Nyegaard through Lee Sparling and Bonnie Tatom

FROM: Ray Nuñez

SUBJECT: Northwest Natural Gas Company (NW Natural), Tariff Revisions to Schedule 169 Purchased Gas Cost Adjustments (PGA) and Weighted Average Cost of Gas, Advice No. OPUC 01-16

SUMMARY RECOMMENDATION:

Staff recommends the Commission allow Schedule 169, Sheet Nos. 169-1, 169-2, 169-3, 169-4 and 169-5, to go into effect on August 22, 2001.

DISCUSSION:

This filing changes the effective date for the annual PGA reviews. It also allows uniform treatment of Canadian pipeline demand charges.

I. PGA Effective Date Change

Staff supports moving forward the effective date for the annual PGA reviews from December 1 to October 1. By moving forward the effective date two months, NWN files its PGA with updated gas costs by mid-August. This timing allows the Commission to set the new PGA rates before gas demand increases with the beginning of the heating season. This fosters improved gas price information to customers and helps them to manage and plan their gas demand with price information that is current and timely. In addition, there may be gas-purchasing efficiencies related to better managing storage gas costs.

II. Canadian Pipeline Demand Charge Change

Staff supports this change because it will uniformly treat Canadian demand charges and properly classify these demand charges for purposes of PGA accounting. Under the PGA, demand costs are recovered 100%. This is appropriate because demand costs reflect use of the pipeline to move gas from Canada to Oregon. This change corrects a prior practice of treating a demand charge as a commodity charge so that RS-23 interruptible customers contribute to their share of Canadian demand charges. In a future rate case, the rate structure for RS-23 will be reviewed to assess the appropriate contribution towards their use of Canadian capacity, along with other rate design objectives.

STAFF RECOMMENDATIONS:

Staff recommends the Commission allow NW Natural's tariff sheets filed in Advice No. 01-16 to become effective as filed.