

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 27, 2001**

**REGULAR**   X   **CONSENT**        **EFFECTIVE DATE**       October 1, 2001      

**DATE:** September 13, 2001

**TO:** Phil Nyegaard through Lee Sparling and Bonnie Tatom

**FROM:** Reed Harris

**SUBJECT:** NW Natural's Advice No. 01-19 and 01-19A, Monthly Revision of Schedule 55 Sales and Transportation Rates

**SUMMARY RECOMMENDATION:**

I recommend the Commission approve NW Natural's application for Less Than Statutory Notice and allow Schedule 55, Sheet Nos. 55-1 and 55-2 in Advice No. 01-19A to go into effect on October 1, 2001.

**DISCUSSION:**

On August 21, 2001, NW Natural filed Advice No. 01-19. The purpose of that filing was to state the rates that would apply in October 2001 under the company's rate schedule for interruptible incentive gas service (Schedule 55). On September 14, 2001, NW Natural filed a revision to the original filing as Advice No 01-19A, along with an application to waive statutory notice. Although the actual rates identified in the original Advice 01-19 did not change in the revised filing, the ceiling prices, (which were not reached by the proposed rates and therefore not activated), did change with the identified PGA adjustments to the WACOG in UG-144. Because the ceiling rates are identified in the tariffs, it became necessary to re-file the tariffs consistent with the revisions to the WACOG in UG-144.

The complete terms and conditions for service to qualifying customers are set forth in Schedule 55. Among these terms are the pricing formula and the definitions of a floor price and a ceiling price.

Schedule 55 provides an incentive to large industrial customers to use natural gas rather than switch to heavy oils, by tying the price of the natural gas to the cost of heavy fuel oil. These prices change every month and are predicated upon the weekly cost of heavy fuel oil delivered to Portland, Oregon.

The transportation block prices in Schedule 55 change every month pursuant to the pricing formula which determined these rates from weekly heavy fuel oil quotations in Bunkerfuels Report. The sales rates under Schedule 55 are derived by adding the transportation block rates to the Northwest Pipeline TI-1 volumetric rate and the NWN monthly producer WACOG from schedule 169.

NWN's filing contains copies of the source documents from which the Portland heavy fuel oil prices are taken, as well as work sheets showing the method used to convert oil prices (expressed in dollars per metric ton) to comparable gas sales and transportation rates (expressed in cents per therm).

Staff review of the filing confirms that the calculated rate levels are acceptable.

**STAFF RECOMMENDATIONS:**

I recommend the Commission allow the NW Natural tariff sheets filed in advice No. 01-19A to become effective.

I also recommend that the Commission approve NW Natural's application for Less Than Statutory notice and allow the tariffs in Advice No. 01-19A to become effective with service on and after October 1, 2001.