

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2001**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2002

DATE: December 11, 2001

TO: Phil Nyegaard through Lee Sparling and Bonnie Tatom

FROM: Reed Harris

SUBJECT: NORTHWEST NATURAL: (Advice No. 01-26) Requests to update the monthly rate levels for long-term interruptible incentive gas service for Schedule 55.

STAFF RECOMMENDATION:

I recommend the Commission allow Northwest Natural Gas Company's Schedule 55, Sheet Nos. 55-1 and 55-2 in Advice No. 01-26 to go into effect on January 1, 2002.

DISCUSSION:

The purpose of this filing is to state the rates that will apply in January 2002 under the company's rate schedule for interruptible incentive gas service. 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.

Northwest Natural files every month under ORS 757.210 to change the transportation block prices in Schedule 55 pursuant to the pricing formula which determines these rates from weekly heavy fuel oil quotations in Bunkerfuels Report. Northwest Natural'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 transportation rates (expressed in cents per therm). The sales rates under Schedule 55 are then derived by adding the transportation block rates to the Northwest Pipeline TI-1 volumetric rate and Northwest Natural's Monthly Producer Weighted Average Cost Of Gas (WACOG) from Schedule 169.

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Staff review of the filing confirms that the calculated rate levels are acceptable. The calculations for the January rates are based upon a five-week average of oil prices, from October 16, 2001 to November 13, 2001.

PROPOSED COMMISSION MOTION:

Northwest Natural tariff sheets 55-1 and 55-2 filed in Advice No. 01-22 become effective with service on January 1, 2002.

NWN Advice 01-26 Sch. 55