

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 7, 2005**

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE  November 8, 2005

DATE: November 4, 2005

TO: Public Utility Commission

FROM: Deborah Garcia

THROUGH: Lee Sparling, Ed Busch, & Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UG 169/Advice No. 05-14)  
Revisions to Rate Schedule 32: Large Volume Non-Residential Sales and  
Transportation Service

**STAFF RECOMMENDATION:**

I recommend the following:

1. Approve Northwest Natural's Application for Less than Statutory Notice;
2. Allow the "Agreement between Northwest Natural Gas Company and [Customer] Regarding Gas Supply Costs for Sales Service During Interim Period," submitted in Advice No. 05-14 and docketed as UG 169, to go into effect as Schedule 32A, on November 8, 2005; and
3. Direct Northwest Natural to work with Staff to design the necessary accounting processes and spreadsheets, to fulfill the recordkeeping requirement included in Section 7.d. of the agreement to facilitate any necessary future audit, by PUC Staff or a customer, of the costs associated with the agreement.

**DISCUSSION:**

Background

Under the provisions of Northwest Natural's (NWN or Company) Schedule T, a customer taking Transportation Service under Schedules 3, 31, 32 and 33 or a special contract may elect to take sales service under Rate Schedule 32: Large Volume Non-Residential Sales and Transportation Service ("Rate Schedule 32"). As described by NWN in prior filings, a large number of transportation service customers whose gas usage represents a significant load gave notice to the Company to take Sales Service under Rate Schedule 32 commencing either October 1, 2005 or November 1, 2005. The requirements in Schedule T "Service Election" state that (1) NWN must be assured that

adequate supply and capacity exist to accommodate a transfer request, and (2) the customer must pay NWN for any incremental gas supply costs incurred to accommodate the customer's change in service.

On October 25, 2005, the Commission authorized NWN to amend the "Service Election" section of Schedule T to permit a limited exception to the Schedule T requirement that an election to Sales Service requires a one year commitment. By submitting a Withdrawal of Election form by either October 27, 2005 or November 8, 2005, a customer would be allowed to withdraw its election and return to Transportation Service. The exception only applied to Transportation Service customers that submitted a Sales Service Election form between August 1, 2005 and October 26, 2005.

#### This Filing

There is a controversy between the Company and the former transportation service customers who elected Sales Service during the above period and who have not yet withdrawn their election regarding the meaning of "incremental gas supply cost" as that term is used in the "Service Election" provisions of NWN Schedule T. NWN expects to file a petition under ORS 756.450 to seek a declaratory order to determine the meaning of "incremental gas supply cost." The Company will request that the Commission adopt a schedule in that proceeding which allows for a final order to be issued by the Commission no later than March 31, 2006.

NWN is seeking approval of the template included in this filing entitled, "Agreement between Northwest Natural Gas Company and [Customer] Regarding Gas Supply Costs for Sales Service During Interim Period" (Agreement or Rate Schedule 32A) as an interim billing rate solution for the customers described above (Schedule 32A Customers). The terms of the proposed Schedule 32A tariff are set forth in the attached Agreement and reflect a negotiated settlement between the Company, the Staff, Northwest Industrial Gas Users (NWIGU) and the Rate Schedule 32A Customers that participated in the negotiations.

Generally the Schedule 32A terms include the following:

1. The Schedule will not be in effect beyond March 31, 2006. The Schedule could be discontinued earlier if the Commission issues an order in response to the above-mentioned petition for a declaratory ruling, or if the issue is resolved in another proceeding;
2. Customers must be creditworthy and execute the agreement to participate;
3. On or before November 30, 2005, NWN will file proposed revisions to its

Schedule T which would permit a customer to withdraw their Sales Service election and return to transportation service effective March 31, 2006 upon 15 days written notice;

4. During the period these interim rates will be in effect the Company will bill for natural gas supplies provided to the Schedule 32A Customer at the rates set forth in the Agreement;

5. NWN will calculate the actual gas supply costs it incurs, up to the cap set forth in the agreement, to provide service to the Schedule 32A customer during this interim period. NWN will create a customer-specific balancing account which tracks the difference between the Interim Billing Rate and the actual gas cost for each customer; and

6. NWN will calculate a final rate once the Commission issues an order regarding the incremental cost determination.

After confirming with NWN and NWIGU, it is Staff's understanding that the prices for the 5,000 decatherms per day of gas that NWN acquired for the Schedule 32A Customers that are quoted in Section 4.c.i. of the Agreement, are delivered prices. As such, the prices include the transportation charges to the city gate.

**PROPOSED COMMISSION MOTION:**

NWN's Application for Less than Statutory Notice be granted; the Agreement submitted in Advice No. 05-14 and docketed as UG 169 be allowed to go into effect on November 8, 2005 as Schedule 32A; and NWN is directed to work with Staff to design the necessary accounting processes and spreadsheets to fulfill the recordkeeping requirement included in Section 7.d. of the Agreement.