

Rates & Regulatory Affairs
Integrated Resource Planning
Facsimile: 503.721.2532



July 30, 2001

UG-011090
(P)

Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive, S.W.
P. O. Box 47250
Olympia, WA 98504-7250

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RECEIVED
REGULATORY AFFAIRS

ATTN: Carole J. Washburn, Secretary

Re: **WUTC Docket UG-___**; Petition of Northwest Natural Gas Company for an Accounting Order (Interstate Gas Storage)

Northwest Natural Gas Company, dba NW Natural (NW Natural or company), files herewith an original and 19 copies of the above-referenced Petition for an Accounting Order (interstate gas storage).

A notice concerning this application will be sent to all parties and interested persons who participated in the company's most recent general rate case, UG-000073. Copies of the notice and service certificate are part of the enclosed application.

Please call me at 1-503-721-2452 if you have any questions or require any further information.

Sincerely,

Susan K. Ackerman, Manager
Regulatory Affairs & Associate Counsel

SKA/cmt
enclosures

cc: Merton Lott, Gas Industry Coordinator

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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In Re:)
Northwest Natural Gas Company) Docket No. UG-00 _____

**PETITION OF NORTHWEST NATURAL GAS COMPANY
FOR AN ACCOUNTING ORDER**

Pursuant to Washington Administrative Code 480-90-031(4), Northwest Natural Gas Company, d.b.a. NW Natural, hereby petitions the Commission for an accounting order necessary to implement an agreement between NW Natural and WUTC Staff regarding the sharing between company and customers of revenues from a proposed interstate storage service to be offered by NW Natural.

1. Background

In March, 2000, NW Natural made a filing with the Federal Energy Regulatory Commission (FERC) seeking a Limited Jurisdiction Blanket Certificate under 18 C.F.R. 284.224 to provide firm and interruptible storage and related transportation service in the interstate market. The company's filing sought market-based rates for the service. On May 17, 2001, the FERC issued a limited-jurisdiction blanket certificate of public convenience and necessity pursuant to part 284.224 authorizing NW Natural to provide up to 2.5 Bcf of working gas capacity and up to 175 MMcf/d of deliverability for FERC jurisdictional firm and interruptible storage service. 95 FERC para. 61,242. In

this order, the FERC also rejected market-based rates and ordered NW Natural to file cost-based rates for this service. NW Natural made this filing on July 18, 2001. The company expects that the FERC will approve interstate storage service at the cost-based rates.

The Part 224 interstate storage service that NW Natural will offer will use Mist storage capacity (primarily Miller Station capacity and some distribution system capacity, the North Coast Feeder, allocated to Oregon customers) that is temporarily excess to the company's firm core customer needs. The interstate storage service, however, could not be offered without additional investment to expand storage capacity. The company made this initial incremental investment at shareholder expense in the 2000. The new investment consisted of (1) a fourth reservoir, the Reichhold pool, at a cost of about \$4.9 million, and (2) upgrades to Miller station, including dehydration facilities, station metering, and valve controls, at a cost of about \$3.2 million. NW Natural's Washington rates currently include the cost of the first three phases of Mist expansion (1989, 1998, and 1999) but do not include the cost of the year 2000 investments which were made by NW Natural explicitly to provide interstate storage service. In addition, the company has committed to a further expansion of Mist this year in order to provide additional interstate storage service for this coming winter. The cost of this expansion is \$11.1 million, consisting of \$9.7 million for additional compression at Miller Station and \$1.4 for a third well at Reichhold Pool.

In NW Natural's opinion, the new facilities that will enable interstate storage service are not being supported by Washington customers in rates. Washington customers are receiving the full benefit of the facilities they are currently paying for in rates. However, it is also true that the interstate storage service would not be possible without the initial investment in Miller Station. Because of this, NW Natural has proposed to share revenue from the interstate storage service with Washington customers. NW Natural and WUTC Staff have agreed upon a sharing mechanism, as described below.

2. Sharing Agreement

WUTC Staff has proposed, and NW Natural has agreed to, a sharing of revenue from the Part 224 interstate storage services with Washington customers in 2001 and 2001 as follows. In 2001, NW Natural will not share with Washington customers any revenue received from the interstate storage services from \$0.0 to \$0.9 million; NW Natural will share with Washington customers Washington's portion of 20% of the interstate storage service revenues between \$0.9 million and \$2.2 million; and will share with Washington customers Washington's portion of 50% of interstate storage service revenues that exceed \$2.2 million.

In 2002, NW Natural will not share with Washington customers any revenue received from the interstate storage services from \$0.0 to \$1.5 million; NW Natural will share with Washington customers Washington's portion of 20% of the interstate storage service revenues between \$1.5 million and \$4.0 million;

and will share with Washington customers Washington's portion of 50% of interstate storage service revenues that exceed \$4.0 million.

NW Natural will include any shared revenue in rates at the time of its annual Purchased Gas Adjustment filing. NW Natural proposes to record the shared revenue in a subaccount of Account 186.

3. Accounting Treatment

The accounting treatment provided for in this Petition is not consistent with the FERC's Uniform System of Accounts. Therefore, pursuant to WAC 480-90-031(4), NW Natural requests that the Commission issue an order authorizing the following accounting treatment:

a. Authorizing NW Natural to record in a deferred account of Account 186 Washington's portion of the revenue sharing percentages as described above in paragraph 3 of this Petition.

b. Authorizing NW Natural to accumulate interest on the balances in the account referenced in paragraph 3.a. above at the company's short-term interest rate and further authorizing NW Natural to amortize the balances to customers at the time of the effective date of the company's applicable PGA filings.

c. NW Natural requests such other terms and conditions as deemed

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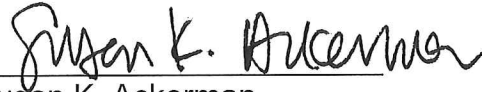
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required by the Commission to implement company's and Staff's agreement.

DATED this 30th day of July, 2001.

Respectfully Submitted,

Handwritten signature of Susan K. Ackerman in black ink, written over a horizontal line.

Susan K. Ackerman
Manager, Regulatory Affairs &
Associate Counsel
NW Natural
220 NW Second Avenue
Portland, OR 97209

Rates & Regulatory Affairs
Integrated Resource Planning
Facsimile: 503.721.2532



July 30, 2001

**NOTICE OF PETITION
BY NORTHWEST NATURAL GAS COMPANY
FOR AN ACCOUNTING ORDER**

Re: Northwest Natural Gas Rate Case
Docket No. UG-000073

TO ALL PARTIES:

PLEASE TAKE NOTICE that today, NW Natural filed a Petition for an Accounting Order with the Washington Utilities and Transportation Commission, said accounting order being necessary to implement an agreement between NW Natural and WUTC Staff regarding the sharing between the company and its customers of revenues from a proposed interstate storage service to be offered by NW Natural. Copies of the company's Petition are available for inspection at its main office.

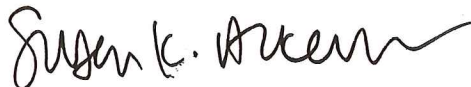
The purpose of this Notice is to inform parties and other interested persons who participated in the company's most recent general rate case that the Application was filed. **This is not a rate case.**

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the company or the Washington Utilities and Transportation Commission as follows:

NW Natural
Attn: Susan Ackerman
220 N.W. Second Ave.
Portland, Oregon 97209-3991
Telephone: (503) 721-2452

Washington Utilities & Transportation Commission
Attn: Records Center
1300 S. Evergreen Park Drive, S.W.
P. O. Box 47250
Olympia, Washington 98504-7250
Telephone: (360) 664-1160

Sincerely,



Susan K. Ackerman, Manager
Regulatory Affairs & Associate Counsel

SKA/cmt



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the attached PETITION FOR AN ACCOUNTING ORDER upon all parties of record on the Washington Utilities & Transportation Commission's master service list for Cause No. UG-000073, by mailing a copy thereof, properly addressed with postage prepaid, to the parties or attorneys of parties listed below as of this date, July 30, 2001:

DATED this 30th day of July, 2001.

Respectfully submitted,

NW Natural


Cherie M. Taylor
Administrative Rate Specialist
Rates & Regulatory Affairs
220 N.W. Second Avenue
Portland, OR 97209-3991
(503) 226-4211, ext. 3590

WUTC DOCKET NO. UG-000073 Master Service List

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