

Agenda Date: September 28, 2005  
Item Number: A3

**Docket:** UG-051393  
Company: Northwest Natural Gas Company

Staff: Joanna Huang, Regulatory Analyst  
Yohannes Mariam, Regulatory Analyst

**Recommendation:**

Grant NW Natural's request for less than statutory notice to allow the filing to become effective on October 1, 2005.

**Background:**

On August 29, 2005, Northwest Natural Gas Company (NW Natural or Company) originally filed its Purchased Gas Adjustment (PGA) and Deferred Gas Cost Amortization (Deferral) with an effective date of October 1, 2005, in Docket UG-051292. The original filing was withdrawn to reflect a correction to the company's projections, which resulted in higher commodity cost. On September 15, 2005, NW Natural refiled its PGA and Deferral filing in Docket UG-051393 and requested the tariff sheets be allowed to become effective October 1, 2005, as originally proposed, on Less than Statutory Notice. The Company filing proposes a net annual revenue increase of approximately \$10 million (12.3%).

NW Natural serves approximately 54,365 residential customers and 4,757 business and industrial customers in Vancouver and surrounding areas of southwest Washington.

**Purchased Gas Adjustment (PGA):**

The Purchased Gas Adjustment (PGA) reflects changes in the prospective gas cost for the coming year. The Company is proposing an increase of approximately \$11.3 million (13%) in annual revenue for this portion of the filing. This increase is due to the higher gas supply costs. Currently the embedded Weighted Average Cost of Gas (WACOG) is \$0.64107 per therm (\$0.52355 commodity and \$0.11752 firm demand). The proposed WACOG is \$0.79198 per therm (\$0.71063 commodity and \$0.08135 firm demand). Northwest Natural has hedged approximately 90 percent of its gas supply costs for the coming year. Attached is a graph of NW Natural's WACOG versus historical actual monthly index prices.

### **Deferred Gas Cost Amortization (DGCA):**

The deferred gas cost portion amortizes balances in deferred gas cost accounts resulting from the difference between actual gas costs and gas costs embedded in tariff rates. The deferral balances cover the twelve-month period from October 2004 to September 2005, including estimates for July, August, and September, 2005. The deferral portion of this filing will result in a net decrease of approximately \$1.2 million in annual revenue (1%).

The Company also proposes to include \$97,551 for its deferred DSM program costs. These costs consist of two parts: Furnace Program costs and Weatherization Program costs. The deferral amounts are for all incremental administrative and direct costs associated with these approved DSM programs.

The Company has also included the customer portion of Mist storage revenue sharing from its upstream revenue enabled by investments in its Mist storage field as prescribed in Docket UG-011090. The Company is proposing to adopt in Washington the same sharing methodology as approved in Oregon.

### Summary:

The impact of the PGA and Deferral to an average residential customer will be a net increase of about \$9.2 per month from \$76.47 to \$85.67 (based on 66 therms). The combined effects of the PGA and deferral amortization on the Company's rates (\$/therm) and annual Washington revenues are as follows:

	<u>PGA</u> <u>Change</u>	<u>Deferral</u> <u>Change</u>	<u>Revenue</u> <u>Impact</u>	<u>Percent</u> <u>Change</u>
Residential	0.15809	-0.01912	\$6,000,000	12.0 %
Commercial	0.15809	-0.01907	2,600,000	12.1 %
Industrial	0.15809	-0.01983	400,000	14.4 %
Interruptible	0.18271	-0.01978	<u>1,000,000</u>	<u>19.6 %</u>
Total			\$10,000,000	12.3 %

Docket UG-051393  
September 28, 2005  
Page 3

Conclusion:

Staff has reviewed the Company's prospective gas costs and deferral accounts and recommends the Commission grant NW Natural's request for less than statutory notice to allow the filing in Docket UG-051393 to become effective October 1, 2005, as filed.

Attachment