

Agenda Date: July 28, 2011  
Item Number: A7

**Docket:** UG-111233  
Company: Northwest Natural Gas Company

Staff: Alan Buckley, Senior Policy Strategist  
Joanna Huang, Regulatory Analyst

### **Recommendation**

Issue a complaint and order suspending the tariff revisions filed by Northwest Natural Gas Company in Docket UG-111233, make available the discovery rules, and set the matter for hearing.

### **Background**

On July 7, 2011, Northwest Natural Gas Company (NW Natural or company), filed revisions to Schedule P that would revise the definition of gas commodity costs to include the costs of gas reserves associated with volumes of natural gas forecasted to be received by the company through its acquisition of gas reserves resulting from certain joint venture agreements as authorized by the commission. NW Natural is requesting that the commission make an express finding that the company's decision to enter into the transaction acquiring natural gas reserves through a joint venture with Encana Oil & Gas is a prudent one and approve the revisions to Schedule P. The tariffs bear an effective date of August 6, 2011. The company requests resolution of its request by October 1 in order to file its annual Purchase Gas Adjustment (PGA) filing.

The company claims the transaction will operate as a longer-term physical and financial hedge, which will build longer-term reliability and stability into the company's portfolio at the same time it provides NW Natural with favorable pricing. It is not the intent of the transaction to increase the total proportion of the company's portfolio that is hedged.

NW Natural serves approximately 63,398 residential customers and 5,427 commercial and industrial customers in Vancouver and surrounding areas of southwest Washington.

### **Discussion**

Staff reviewed the testimony and exhibits in support of this filing. Additional time is needed for staff to thoroughly review the filing in order to make recommendations regarding the proposed Schedule P revision and the prudence of the company's entering into the transaction. Portions of the company's testimony and exhibits have been filed confidential pursuant to WAC 480-07-160. Due to the commercially sensitive nature of some of the information the company is seeking a protective order. Therefore, in order to allow formal discovery to commence, Staff recommends that the commission's suspension order find that these dockets meet the criteria of

Docket UG-111233

July 28, 2011

Page 2

WAC 480-07-400(2)(b)(i) and that discovery will be conducted pursuant to the commission's discovery rules in WAC 480-07-400 – 425.

**Conclusion**

Staff recommends the commission issue a complaint and order suspending the tariff revisions filed by Northwest Natural Gas Company in Docket UG-111233, make available the discovery rules, and set the matter for hearing.