

<u>Line No.</u>	<u>Test Year Results</u>	<u>Adjustments</u>	<u>Test Year Adjusted</u>
	(a)	(b)	(c)
<u>Operating Revenues</u>			
1	\$59,617,286	\$4,948,133	\$64,565,420
2	2,213,346	0	2,213,346
3	-1,453,133	11,697	-1,441,436
4	60,377,499	4,959,831	65,337,329
			39,971,265
Operating Revenue Deductions			
5	\$22,846,768	\$2,519,296	\$25,366,064
6	131,989	-28,339	103,650
7	14,479,950	-590,693	13,889,257
8	37,458,707	1,900,264	39,358,972
9	2,617,783	1,000,326	3,618,109
10	1,124,279	0	1,124,279
11	3,237,098	200,972	3,438,071
12	7,854,198	0	7,854,198
13	\$52,292,065	\$3,101,563	\$55,393,628
14	\$8,085,433	\$1,858,268	\$9,943,701
<u>Average Rate Base</u>			
15	\$286,517,599	\$18,556	\$286,536,154
16	-120,565,209	0	-120,565,209
17	165,952,390	18,556	165,970,945
18	10,681,979	0	10,681,979
19	1,317,483	0	1,317,483
20	-483,929	0	-483,929
21	58,898	0	58,898
22	-38,599,892	0	-38,599,892
23	\$138,926,929	\$18,556	\$138,945,485
24	5.82%		7.16%
25	6.41%		9.26%

NW Natural
State Allocation Factors
Updated for year ended 2016 data

	System	Washington	Oregon
Customers			
Total Customers			
December 2016	725,146	79,263	645,883
December 2015	714,428	77,026	637,402
Average	719,787	78,145	641,643
% of System		10.86%	89.14%
Residential Customers			
December 2016	656,855	72,566	584,289
December 2015	646,841	70,592	576,249
Average	651,848	71,579	580,269
% of System		10.98%	89.02%
Commercial Customers			
December 2016	67,278	6,621	60,657
December 2015	66,421	6,342	60,079
Average	66,850	6,482	60,368
% of System		9.70%	90.30%
Industrial Customers			
December 2016	1,013	76	937
December 2015	1,166	92	1,074
Average	1,090	84	1,006
% of System		7.71%	92.29%
The Dalles			
December 2016	7,930	2,000	5,930
December 2015	7,815	1,992	5,823
Average	7,873	1,996	5,877
% of System		25.35%	74.65%
Portland / Vancouver			
December 2016	516,011	77,263	438,748
December 2015	508,149	75,034	433,115
Average	512,080	76,149	435,932
% of System		14.87%	85.13%
Portland / Vancouver Commercial			
December 2016	44,041	6,406	37,635
December 2015	43,356	6,128	37,228
Average	43,699	6,267	37,432
% of System		14.34%	85.66%

NW Natural
Washington Annual Commission Basis Report
Test Year Based on Twelve Months Ended December 31, 2016
Rate Base

WASHINGTON		2015	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	2016	Dec 15 - Dec 16 12 month average	Dec 15 - Dec 16 12 month average	
		Dec WASHINGTON	Jan WASHINGTON	Feb WASHINGTON	Mar WASHINGTON	Apr WASHINGTON	May WASHINGTON	June WASHINGTON	July WASHINGTON	August WASHINGTON	September WASHINGTON	October WASHINGTON	November WASHINGTON	December WASHINGTON	December WASHINGTON	December WASHINGTON	December WASHINGTON	December WASHINGTON	December WASHINGTON	
Gross Plant																				
Intangible	Software	10,080,838	10,224,703	10,250,075	10,318,012	10,376,643	10,431,187	10,444,946	10,461,042	10,458,099	10,649,341	10,651,983	10,691,507	10,815,521	10,450,477	10,450,477	10,450,477	10,450,477	Total Customers	
	Other	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	Direct
Production		1,015,489	1,015,868	1,015,938	1,016,012	1,021,069	1,021,745	1,021,827	1,024,581	1,035,962	1,051,391	1,052,884	1,053,651	1,054,795	1,030,506	1,030,506	1,030,506	1,030,506	Direct	
Transmission		231,807,252	230,773,092	230,910,143	231,217,506	231,696,661	232,059,591	233,799,373	234,601,135	241,546,881	242,325,299	243,711,181	244,974,856	248,211,544	236,468,760	236,468,760	236,468,760	236,468,760	Direct	
Distribution		11,186,487	14,089,644	14,113,653	14,180,876	14,254,567	14,426,448	14,502,218	14,566,619	14,732,655	14,743,152	14,782,285	15,090,138	14,419,376	14,357,099	14,357,099	14,357,099	14,357,099	3-Factor & Direct	
General																				
Storage and storage transmission		23,813,095	23,560,147	23,560,146	23,589,834	23,766,217	23,766,449	23,792,387	23,805,186	23,805,226	23,999,365	24,001,355	24,241,286	24,250,241	23,826,606	23,826,606	23,826,606	23,826,606	Firm Delivered Volumes	
CNG and LNG		376,802	384,005	384,005	384,005	384,005	384,005	384,005	384,005	384,005	384,005	384,005	384,005	384,005	383,705	383,705	383,705	383,705	3-Factor	
Total Gross Plant (less Encana)		278,280,410	280,047,907	280,234,408	280,706,693	281,499,609	282,089,871	283,945,205	284,843,015	291,963,276	293,153,001	294,584,140	296,435,889	299,135,928	286,517,599	286,517,599	286,517,599	286,517,599		
Accumulated Depreciation																				
Intangible		(6,185,817)	(6,296,070)	(6,319,737)	(6,343,571)	(6,367,633)	(6,391,898)	(6,416,286)	(6,440,721)	(6,465,192)	(6,489,996)	(6,515,147)	(6,539,163)	(6,564,681)	(6,413,389)	(6,413,389)	(6,413,389)	(6,413,389)	Total Customers	
Production		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct
Transmission		(104,629)	(106,364)	(108,099)	(109,835)	(111,575)	(113,320)	(115,065)	(116,813)	(118,567)	(120,356)	(122,154)	(123,953)	(125,753)	(115,108)	(115,108)	(115,108)	(115,108)	Direct	
Distribution		(95,957,411)	(96,400,749)	(96,850,487)	(97,322,049)	(97,770,921)	(98,220,081)	(98,693,386)	(99,121,156)	(99,571,604)	(100,043,881)	(100,553,317)	(101,155,696)	(101,676,710)	(98,710,032)	(98,710,032)	(98,710,032)	(98,710,032)	Direct	
General		(5,452,923)	(5,580,937)	(5,579,194)	(5,639,834)	(5,710,410)	(5,717,611)	(5,789,776)	(5,854,438)	(5,919,300)	(5,909,544)	(5,992,558)	(6,032,696)	(5,278,945)	(5,278,945)	(5,278,945)	(5,278,945)	(5,278,945)	3-Factor	
Storage and storage transmission		(9,196,551)	(9,123,622)	(9,170,471)	(9,217,312)	(9,264,587)	(9,312,175)	(9,359,834)	(9,407,573)	(9,455,305)	(9,490,992)	(9,539,127)	(9,555,166)	(9,603,966)	(9,358,035)	(9,358,035)	(9,358,035)	(9,358,035)	Firm Delivered Volumes	
CNG and LNG		(205,586)	(209,784)	(210,052)	(210,319)	(210,587)	(210,855)	(211,123)	(211,391)	(211,659)	(211,927)	(212,195)	(212,462)	(210,959)	(210,959)	(210,959)	(210,959)	(210,959)	3-Factor	
Total Accumulated Depreciation (less Encana)		(117,102,918)	(117,717,526)	(118,238,039)	(118,842,921)	(119,435,713)	(119,965,940)	(120,585,470)	(121,152,092)	(121,741,628)	(122,266,695)	(122,934,497)	(123,619,136)	(123,462,785)	(120,565,209)	(120,565,209)	(120,565,209)	(120,565,209)		
Storage Gas		1,317,215	1,319,776	1,319,240	1,318,685	1,318,181	1,317,691	1,317,186	1,316,931	1,316,710	1,316,500	1,316,292	1,316,065	1,315,866	1,317,483	1,317,483	1,317,483	1,317,483	Firm Delivered Volumes	
Customer Advances		(421,615)	(426,275)	(440,259)	(717,994)	(467,526)	(466,513)	(456,829)	(459,694)	(467,808)	(466,215)	(483,351)	(491,708)	(504,328)	(483,929)	(483,929)	(483,929)	(483,929)	Direct	
Leasehold Improvements		68,950	68,520	66,417	64,314	62,211	60,107	58,004	55,901	53,876	55,132	52,282	50,168	50,729	58,898	58,898	58,898	58,898	Direct & 3-Factor	
Total Rate Base Excluding ADIT and WC		162,142,042	163,292,401	162,941,767	162,528,777	162,976,762	163,035,216	164,278,097	164,604,061	171,124,426	171,791,723	172,534,865	173,691,278	176,535,410	166,844,842	166,844,842	166,844,842	166,844,842		

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016

Deferred Income Taxes

1	Allocation factor: Accumulated Depreciation			10.41%		
2						
3	2015 December Balances:					
4	<hr/>					
5			SYS	Washington	Oregon	
6		Federal	State	Total	Allocation	
7					Allocation	
8	Accumulated Deferred Income Tax - Depreciation	(330,022,696)	(67,655,227)	(397,677,923)	(36,820,381)	(360,857,542)
9						
10	Accumulated Deferred Income Tax - Encana	(19,285,398)	(7,104,626)	(26,390,024)	0	(26,390,024)
11						
12	Accumulated Deferred Income Tax - Other	(6,503,613)	371,659	(6,131,954)	(663,485)	(5,468,469)
13						
14	2015 Balances	(355,811,707)	(74,388,194)	(430,199,900)	(37,483,866)	(392,716,035)
15						
16						
17	2016 December Balances:					
18	<hr/>					
19			SYS	Washington	Oregon	
20		Federal	State	Total	Allocation	Allocation
21						
22	Accumulated Deferred Income Tax - Depreciation	(346,009,616)	(71,286,235)	(417,295,851)	(38,616,915)	(378,678,936)
23						
24	Accumulated Deferred Income Tax - Encana	(21,470,046)	(6,648,818)	(28,118,864)	0	(28,118,864)
25						
26	Accumulated Deferred Income Tax - Other	(10,387,882)	(483,731)	(10,871,613)	(1,099,003)	(9,772,610)
27						
28	2016 Balances	(377,867,544)	(78,418,784)	(456,286,328)	(39,715,918)	(416,570,410)
29						
30						
31						
32	Simple Average December Balances (use for Rate Base)			(38,599,892)	(404,643,222)	
33						

**NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Tax Adjustment**

<u>Line No.</u>	<u>Amount (a)</u>
1 Utility Income before Interest and Taxes	\$10,703,216
2 Interest on Historic Average Rate Base	<u>3,889,954</u>
3 Pre-Tax Net Income	6,813,262
4 Less: Permanent Differences	678,094
5 Taxable Income	7,491,356
6 Tax Rate	<u>35.00%</u>
7 Federal Income Tax	2,621,975
8 Credits	<u>(4,192)</u>
9 Total Tax	<u><u>\$2,617,783</u></u>

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Proforma Cost of Capital and Input Assumptions

Line No.	13 month average			
	Percent of Total Capital (a)	Average Cost (b)	Weighted Cost (c)	
<u>Cost of Capital</u>				
1	Long Term Debt	45.05%	6.13%	2.76%
2	Short Term Debt	7.85%	0.55%	0.04%
3	Preferred Stock	0.00%	0.00%	0.00%
4	Common Stock	47.10%	10.10%	4.76%
5	Total	<u>100.00%</u>		<u>7.56%</u>
<u>Revenue Sensitive Costs</u>				
6	Gas Sales	98.82%		
7	Transportation	3.39%		
8	Other	<u>-2.21%</u>		
9	Subtotal	100.00%		
10	O & M - Uncollectible	0.137%		
11	Franchise Taxes	0.000%		
12	WA Utility Tax	3.852%		
13	WUTC Fee	<u>0.200%</u>		
14	State Taxable Income	95.81%		
15	State Income Tax	<u>0.00%</u>		
16	Federal Taxable Income	95.81%		
17	Federal Income Tax	<u>33.53%</u>		
18	Total Income Taxes	33.53%		
19	Total Revenue Sensitive Costs	<u>37.72%</u>		
20	Utility Operating Income	<u>62.28%</u>		
21	Net-to-gross factor	1.60573		
22	Interest Coordination Factor	0.028		
23	Federal tax rate	35.00%		
24	State tax rate	0.00%		
25	Uncollectible Accounts	0.14%		

6	State Taxable Income	2,221,560	11,223	(13,497)	35,118	0	627,312	(23,641)	0	2,858,075
7	State Excise Tax [1]	0	0	0	0	0	0	0	0	0
8	State Tax Credit	0	0	0	0	0	0	0	0	0
9	Net State Income Tax	0	0	0	0	0	0	0	0	0
10	Excess Book(Tax) Deprec.	0	0	0	0	0	0	0	0	0
11	Other Sched. M Differences	0	0	0	0	0	0	0	0	0
12	Federal Taxable Income	2,221,560	11,223	(13,497)	35,118	0	627,312	(23,641)	0	2,858,075
13	Federal Income Tax [2]	777,546	3,928	(4,724)	12,291	0	219,559	(8,274)	0	1,000,326
14	ITC	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	777,546	3,928	(4,724)	12,291	0	219,559	(8,274)	0	1,000,326
16	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0	0
17	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0
18	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0
19	Total Federal Tax	777,546	3,928	(4,724)	12,291	0	219,559	(8,274)	0	1,000,326
20	Total State Tax	0	0	0	0	0	0	0	0	0

[1] Statutory State Excise Tax Rate: 0.00% 0.00%
[2] Statutory Federal Income Tax Rate: 35.00% 35.00%

[1] Statutory State Excise Tax Rate: 0.00% 0.00%
[2] Statutory Federal Income Tax Rate: 35.00% 35.00%

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Weather Normalized Gas Sales and Purchases Adjustment

Worksheet a

1	Revenues						
2							
3							
4		Test Period		Normalized		Normalized	Net
5		Sales in	Test Period	Sales in	Normalized	Normalized	Normalizing
6		Therms	Revenue	Therms	Revenues	Rate	Effect
7		(a)	(b)	(c)	(d)	(e)	(f)
8	Sales						
9	Residential	42,693,483	\$40,198,408	46,677,143	\$43,514,685	\$0.83247	\$3,316,278
10	Commercial	18,548,400	\$15,709,011	22,450,194	\$18,714,270	\$0.77023	\$3,005,259
11	Industrial Firm	2,728,984	\$1,816,753	2,728,984	\$1,816,753	\$0.66573	\$0
12	Interruptible	1,270,536	\$519,711	1,270,536	\$519,711	\$0.40905	\$0
13							
14							
15	Total Sales	65,241,403	58,243,883	73,126,857	64,565,420		6,321,537
16							
17	Unbilled amounts	1,852,513	\$1,373,404				(\$1,373,404)
18							
19	Unaccounted For Gas						
20							
21	Total Sales Sendout	67,093,916	59,617,286	73,126,857	64,565,420		4,948,133
22							
23							
24	Transportation						
25	Firm Transportation	9,066,783	\$1,312,600	9,066,783	\$1,312,600	\$0.14477	\$0
26	Interruptible Transportation	10,338,739	\$900,746	10,338,739	\$900,746	\$0.08712	\$0
27	Special Contracts	0	\$0	0	\$0		\$0
28	Other Charges	0	\$0	0	\$0		\$0
29	Total Transportation	19,405,522	\$2,213,346	19,405,522	\$2,213,346		\$0
30							
31	Total Deliveries / Revenues	86,499,438	\$61,830,632	92,532,379	\$66,778,766		\$4,948,133
32							
33							
34							
35	Cost of Gas						
36							
37		Actual	Actual	Normalized	Normalized	Normalized	Normalizing
38		Therms	Costs	Therms	Costs	Rate	Effect
39							
40	Demand Incurred & Deferred	65,823,380	\$7,714,862	71,856,321	\$8,461,740	0.1238	\$746,878
41							
42	Commodity Incurred & Deferred	67,093,916	\$20,107,901	73,126,857	\$21,880,319	0.29379	\$1,772,418
43							
44	Commodity and Demand Amortizations		(\$4,975,994)		(\$4,975,994)		\$0
45							
46	Total Cost of Gas		\$22,846,768		\$25,366,064		\$2,519,296

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Adjustment to Miscellaneous Revenue

Worksheet b

<u>Line No.</u>	<u>Washington Actual</u> (a)	<u>Normalized</u> (b)	<u>Adjustment</u> (c)	
1	<u>Other Miscellaneous Revenues</u>			
2	\$45,450	\$57,740	\$12,290	[1]
3	80,891	80,891	0	
4	5,800	7,809	2,009	[1]
5	9,540	10,385	845	[1]
6	28,645	35,150	6,505	[1]
7	19,855	19,909	53	[1]
8	27,455	21,981	(5,475)	[1]
9	0	2,870	2,870	[1]
10	(1,689,426)	(1,689,426)	0	
11	18,655	11,255	(7,401)	[1]
12				
13	(\$1,453,133)	(\$1,441,436)	\$11,697	
14				
15				
16				
17				
18	<u>Notes:</u>			
19	[1] Normalized to 3-year average			

NW Natural
 Washington Annual Commission Basis Report
 Twelve Months Ended December 31, 2016
 Bonus Adjustment

Worksheet c

Line No.	(a)	2013 paid in 2014 (b)	2014 paid in 2015 (c)	2015 paid in 2016 (d)	Three Year Average (e)	2016 Accrual (f)	Adjustment (g)=(e)-(f)	
Performance Bonus - O & M								
1	Officers/Exempt	\$4,330,699	\$2,986,058	\$6,213,593	\$4,510,117	\$5,375,687	(\$865,570)	
2	Clerical/Hourly	0	375	0	125	0	125	
3	Total	4,330,699	2,986,433	6,213,593	4,510,242	5,375,687	(865,445)	
Performance Bonus - Construction								
4	Officers/Exempt	2,187,716	1,502,230	2,580,181	2,090,042	2,347,372	(257,330)	
5	Clerical/Hourly	0	189	0	63	0	63	
6	Total	2,187,716	1,502,419	2,580,181	2,090,105	2,347,372	(257,267)	
Key Goals Bonus - O & M								
7	Officers/Exempt	3,026,361	1,796,182	0	1,607,514	0		
8	Clerical/Hourly	0	69,258	0	23,086	635,464		
9	Total	3,026,361	1,865,440	0	1,630,600	635,464	995,136	
Key Goals Bonus - Construction								
10	Officers/Exempt	1,522,521	903,626	0	808,716	0		
11	Clerical/Hourly	0	34,842	0	11,614	365,123		
12	Total	1,522,521	938,468	0	820,330	365,123	455,207	
13	Total Adjusted O & M (line 3 + line 9)							\$129,691
14	Washington Allocation Factor						Employee Cost	9.940%
15	Adjustment to Washington - O&M							<u>\$12,891</u>
16	Total Adjusted Construction (line 6 + line 12)							\$197,940
17	Washington Allocation Factor						Gross Plant	10.940%
18	Adjustment to Washington - Rate Base							<u>\$21,655</u>

Adjustment takes expense from test period accrual to 3 year paid average

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Uncollectible Accounts Adjustments
(\$000's, except Washington amounts at lines 22-24)

Worksheet d

Line No.	2014 - 2016 Total (a)	2016 Actual (b)	2015 Actual (c)	2014 Actual (d)
Gas Revenues				
1 Residential	\$1,255,462	\$400,895	\$413,979	\$440,588
2 Commercial	638,069	197,732	214,247	226,090
3 Industrial	70,634	21,048	24,271	25,315
4 Interruptible	81,101	19,289	29,781	32,031
5 Total	2,045,266	638,964	682,278	724,024
Net Write-Offs				
6 Residential	2,392	583	702	1,107
7 Commercial	289	92	74	123
8 Industrial	127	124	3	-
9 Interruptible	-	-	-	-
10 Total	2,808	799	779	1,230
Write-Off % - 3-Year Average				
11 Residential	0.191%	0.145%	0.170%	0.251%
12 Commercial	0.045%	0.047%	0.035%	0.054%
13 Industrial	0.180%	0.589%	0.012%	0.000%
14 Interruptible	0.000%	0.000%	0.000%	0.000%
15 Weighted Total [1]	0.137%	0.125%	0.114%	0.170%
Normalized Uncollectible				
16 Residential	\$764			
17 Commercial	90			
18 Industrial	38			
19 Interruptible	0			
20 Total	\$892			
21 Allocation Factor	10.860%	Customers - All		
22 Washington Normalized Amount (X 1000)	\$96,871			
23 Washington Allocation of Accrued Amount	\$131,989			
24 Adjustment (Normalized less Accrued)	(\$35,118)			

[1] Weighted uncollectible rate of

0.137% is used on page 1, column (b)

NW Natural
Washington Annual Commission Basis Report
Investor Supplied Working Capital
Twelve Months Ended December 31, 2016

Worksheet e

<u>Line No.</u>		<u>Average Balance</u>
	<u>Average Invested Capital</u>	
1	Common Equity	\$ 788,633,956
2	Preferred Stock	\$ -
3	Miscellaneous Debt	\$ 774,548,247
4	Deferred ITC	\$ 23,483
5	Deferred Liabilities	\$ -
6	Total Invested Capital	\$ 1,563,205,687
	<u>Average Investments</u>	
	Utility Operating Investments	
7	Plant in Service	\$ 2,773,328,597
8	Accumulated Depreciation	\$ (1,249,984,782)
9	Deferred Income Taxes	\$ (313,916,108)
10	Gas Stored Underground - Cushion Gas	\$ 14,151,268
11	Property Held for Future Use	\$ 923,155
12	Customer Advances	\$ (5,350,272)
13	Contributions in Aid of Construction	\$ (3,559,387)
14	Investment in Gas Reserves	\$ 135,759,563
15	Total Operating Investments	\$ 1,351,352,034
	<u>Other Investments</u>	
16	Construction Work In Process	\$ 82,476,190
17	Non-Utility Property	\$ 62,655,971
18	Accumulated Depreciation - non utility	\$ (16,737,216)
19	Deferred Income Tax - non-utility & Oregon	\$ (148,143,997)
20	Investments in Subsidiary Companies	\$ 163,353,095
21	Temporary Cash Investments	\$ 1,937,584
22	Deferred Gas Costs	\$ (9,748,548)
23	Other Deferred Debits	\$ 31,278,121
24	Total Other Investments	\$ 167,071,200
25	Total Average Investments (In 15 + In 24)	\$ 1,518,423,234
26	Less CWIP (In 16)	\$ (82,476,190)
27	Less Deferred Gas Costs (In 22)	\$ 9,748,548
28	Total Base Investment - System	\$ 1,445,695,593
29	Investor Supplied Working Capital (In 6 - In 28)	\$ 117,510,094
30	Less Working Gas Inventory	\$ 58,717,288
31	Allowable Working Capital - System	\$ 58,792,806
32	Working Capital Percentage Allowable (In 31 / In 28)	4.07%
33	Washington Rate Base - ROO (excludes WC)	\$ 128,244,950
34	Allowable Investor Supplied Working Capital (In 33 X In 32)	\$ 5,215,400
35	Working Gas Inventory	\$ 58,717,288
36	Inventory allocation % - firm delivered	9.31%
37	Washington Gas Inventory (In 35 X In 36)	\$5,466,579
38	Total Working Capital Allowance (In 37 + In 34)	\$ 10,681,979

NW Natural
 Washington Annual Commission Basis Report
 Twelve Months Ended December 31, 2016
 Sales & Marketing and Customer Communication Adjustment

Worksheet f

<u>Line No.</u>	<u>Washington Amount</u>	<u>Disallowance Percent</u>	<u>Disallowed Amount</u>
1 Expenses Coded to Category 2966 and 2666	\$77,591	100.0%	\$77,591
2 Expenses Coded to Account 5075 (excluding Category 2966/2666 & FERC accts 911,912,913)	5,263	100.0%	5,263
3 FERC Account 911 Supervision	18,187	100.0%	18,187
4 FERC Account 912 Demonstration & Selling	384,533	100.0%	384,533
5 FERC Account 913 Advertising	78,888	100.0%	78,888
6 FERC Account 909 Advertising	224,465	28.0%	<u>62,850</u>
7 Total Disallowance - O&M			<u><u>\$627,312</u></u>

NW Natural
 Washington Annual Commission Basis Report
 Twelve Months Ended December 31, 2016
 Claims Expense Adjustment

Worksheet g

<u>Line</u> <u>No.</u>	<u>O&M Expense</u> <u>(a)</u>	<u>Construction</u> <u>(b)</u>
1 Expensed during Test period	\$570,418	\$136,587
Normalized Expenses		
2 Actual Claims - Ordinary	603,491	108,256
3 3-Year Average Claims - Extraordinary	201,164	0
4 Subtotal	<u>804,655</u>	<u>108,256</u>
5 Adjustment - System (line 4 - line 1)	234,237	(28,331)
6 Allocation to Washington (O&M on 3-factor, const on gross plant)	<u>10.130%</u>	<u>10.940%</u>
7 Adjustment	<u><u>\$23,728</u></u>	<u><u>(\$3,099)</u></u>

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
Elimination of Clearing Account Balances

Worksheet h

<u>Line No.</u>		<u>Amount</u>
1	Adjustment to O&M	\$0
2	Allocation to Washington (3-Factor)	10.13%
3	Adjustment	<u>\$0</u>
4	Adjustment to Construction	\$0
5	Allocation to Washington (Gross Plant)	10.94%
6	Adjustment	<u>\$0</u>

Clearing accounts are completely allocated by year end closing.

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2016
State Allocation of Other Revenues, Depreciation Expense and Other Taxes

	<u>Oregon</u>	<u>Washington</u>	<u>System</u>	
Other Operating Revenues				
Reconnect Charges	531,530	45,450	576,980	Direct
Late Payment Charges	1,919,134	80,891	2,000,025	Direct
Automated Payment Charge	40,613	5,800	46,413	Direct
Returned Check	93,960	9,540	103,500	Direct
Field Collection	326,690	28,645	355,335	Direct
Meter Rentals	183,670	19,855	203,525	Direct
Utility Property Rental	358,376	27,455	385,832	Follows Plant Split
Curtailment Unauthorized Take	0	0	0	Direct
Revenue & Technical Adjs	(463,659)	(1,689,426)	(2,153,084)	Direct
Miscellaneous	106,585	18,655	125,241	Direct
Total Other Op Revenues	3,096,900	(1,453,133)	1,643,767	
Depreciation Expense				
Intangible	2,408,573	293,439	2,702,012	Customers
Transmission	4,744,245	21,125	4,765,370	Direct
Distribution	48,010,912	6,286,861	54,297,773	Direct
General	6,602,790	744,256	7,347,046	3-factor
Storage and storage transmissior	6,667,982	508,518	7,176,499	Firm Sales
Production Plant	0	0	0	Direct
CNG and LNG	0	0	0	3-factor
Total Depreciation Expense	68,434,501	7,854,198	76,288,699	
	89.70%			
Other Taxes				
Property	19,638,291	1,124,279	20,762,570	Direct
Franchise	14,666,633	2,443,587	17,110,220	Direct
Payroll	5,173,713	573,005	5,746,718	Payroll
Regulatory Fee	1,633,358	133,752	1,767,110	Direct
Department of Energy	752,878	0	752,878	Direct
Other	(550,432)	86,754	(463,678)	3-factor on non-Oregon
Other Taxes	41,314,441	4,361,377	45,675,818	
Reconnect Charges / Field Coll	858,220	74,095	932,315	
Miscellaneous	106,585	18,655	125,241	