

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017

Line No.	Test Year Results (a)	Adjustments (b)	Test Year Adjusted (c)
<u>Operating Revenues</u>			
1	\$73,550,986	-\$4,633,947	\$68,917,038
2	2,363,753	0	2,363,753
3	-2,274,745	180,430	-2,094,315
4	<u>73,639,994</u>	<u>-4,453,517</u>	<u>69,186,477</u>
			41,987,606
Operating Revenue Deductions			
5	\$29,311,994	-\$2,113,124	\$27,198,870
6	93,866	-3,657	90,209
7	16,154,049	-919,415	15,234,634
8	<u>45,559,909</u>	<u>-3,036,196</u>	<u>42,523,713</u>
9	3,826,684	-432,118	3,394,566
10	1,188,669	0	1,188,669
11	3,909,724	-180,457	3,729,268
12	<u>8,671,391</u>	<u>0</u>	<u>8,671,391</u>
13	<u>\$63,156,377</u>	<u>-\$3,648,770</u>	<u>\$59,507,607</u>
14	<u>\$10,483,617</u>	<u>-\$804,747</u>	<u>\$9,678,870</u>
<u>Average Rate Base</u>			
15	\$308,341,295	-\$82,978	\$308,258,317
16	-126,942,403	0	-126,942,403
17	<u>181,398,892</u>	<u>-82,978</u>	<u>181,315,915</u>
18	12,769,745	0	12,769,745
19	1,377,097	0	1,377,097
20	-592,443	0	-592,443
21	41,687	0	41,687
22	<u>-41,305,968</u>	<u>0</u>	<u>-41,305,968</u>
23	<u>\$153,689,010</u>	<u>-\$82,978</u>	<u>\$153,606,032</u>
24	<u>6.82%</u>		<u>6.30%</u>
25	<u>8.37%</u>		<u>7.31%</u>

NW Natural
 State Allocation Factors
 Updated for year ended 2017 data

Allocation Factors - Summary	Washington	Oregon
Customers-all	11.010%	88.990%
Customers-Residential	11.120%	88.880%
Customers-Commercial	10.030%	89.970%
Customers-Industrial	7.990%	92.010%
Customers-The Dalles	25.170%	74.830%
3-factor	11.080%	88.920%
firm volumes	9.610%	90.390%
sales volumes	9.860%	90.140%
sendout volumes	8.290%	91.710%
sales/sendout volumes	9.080%	90.920%
Customers Portland/Vancouver	15.090%	84.910%
Customers Portland/Vancouver 80%	12.072%	87.930%
Customers Portland/Vancouver Commercial	14.830%	85.170%
Payroll	10.498%	89.502%
Admin Transfer	11.417%	88.583%
Employee Cost	10.470%	89.530%
Regulatory	30.000%	70.000%
Telemetry	8.700%	91.300%
Direct-Wa	100.000%	0.000%
Direct-Or	0.000%	100.000%
Gross plant direct assign	11.330%	88.670%
Depreciation	10.880%	89.120%
Rate Base	11.220%	88.780%

NW Natural
Washington Annual Commission Basis Report
Test Year Based on Twelve Months Ended December 31, 2017
Rate Base

		2016	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Dec 16 - Dec 17	
		Dec	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December	12 month average	
<u>SYSTEM</u>		System	System	System	System	System	System	System	System	System	System	System	System	System	System	Allocation Method
Gross Plant																
Intangible	Software	99,590,429	100,389,064	101,591,919	101,608,015	101,626,899	101,621,923	101,646,111	101,643,836	101,713,441	102,343,776	102,795,439	103,900,996	105,175,574	101,938,702	Total Customers
	Other	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	Direct
Production		675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	Direct
Transmission		163,396,889	163,576,895	163,866,679	163,883,241	164,394,939	164,494,359	164,523,028	164,754,098	165,023,380	165,102,348	165,326,950	165,348,542	166,587,143	164,607,206	Direct
Distribution		2,078,201,641	2,083,153,338	2,086,518,571	2,094,207,113	2,100,504,089	2,103,991,742	2,110,055,412	2,115,879,982	2,126,680,760	2,132,874,662	2,140,000,757	2,148,386,972	2,161,775,493	2,113,520,164	Direct
General		188,971,283	189,888,987	193,124,451	194,162,687	196,156,443	196,000,212	196,852,237	200,343,295	201,568,288	201,710,779	198,212,122	201,757,405	203,449,576	197,165,611	3-Factor & Direct
Storage and storage transmission		293,475,195	293,497,583	293,770,417	293,777,783	301,051,419	301,250,486	309,065,442	312,313,607	312,605,292	312,776,312	316,309,651	316,695,313	314,220,159	305,580,082	Firm Delivered Volumes
CNG and LNG		3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3,790,768	3-Factor
Encana		187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	Direct
Total Gross Plant (less Encana)		2,828,186,199	2,835,056,628	2,843,422,798	2,852,189,601	2,868,284,549	2,871,909,484	2,886,692,992	2,899,485,579	2,912,141,922	2,919,358,638	2,927,195,682	2,940,639,990	2,955,758,707	2,887,362,526	
Accumulated Depreciation																
Intangible		(60,448,256)	(60,686,739)	(60,928,816)	(61,173,082)	(61,417,411)	(61,661,765)	(61,906,153)	(62,150,581)	(62,395,130)	(62,524,338)	(62,759,202)	(62,996,864)	(63,238,775)	(61,870,300)	Total Customers
Production		(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	Direct
Transmission		(31,497,222)	(31,906,124)	(32,316,885)	(32,726,776)	(33,137,744)	(33,549,085)	(33,961,012)	(34,372,831)	(34,785,279)	(35,198,591)	(35,611,864)	(36,025,882)	(36,441,032)	(33,963,433)	Direct
Distribution		(958,244,108)	(961,751,548)	(965,529,153)	(968,562,909)	(972,136,684)	(975,600,817)	(979,317,630)	(982,994,616)	(986,632,490)	(990,378,350)	(994,028,245)	(997,877,669)	(1,001,460,546)	(979,555,203)	Direct
General		(59,083,510)	(59,800,130)	(59,846,682)	(60,642,706)	(61,408,738)	(61,835,353)	(62,634,131)	(63,510,202)	(64,404,014)	(64,966,112)	(61,732,421)	(62,598,195)	(63,488,973)	(62,055,411)	3-Factor
Storage and storage transmission		(130,835,036)	(131,439,061)	(132,044,676)	(132,649,416)	(133,263,749)	(133,887,098)	(134,518,398)	(135,158,395)	(135,800,647)	(136,434,080)	(137,060,613)	(137,688,204)	(135,042,844)	(134,406,940)	Firm Delivered Volumes
CNG and LNG		(2,100,004)	(2,102,648)	(2,105,293)	(2,107,937)	(2,110,582)	(2,113,226)	(2,115,871)	(2,118,515)	(2,121,159)	(2,123,804)	(2,126,448)	(2,129,093)	(2,131,737)	(2,115,870)	3-Factor
Encana		(71,426,542)	(72,880,456)	(74,146,530)	(75,528,661)	(76,828,825)	(78,169,645)	(79,444,202)	(80,779,012)	(82,094,166)	(83,442,012)	(84,831,974)	(86,318,096)	(87,779,706)	(79,505,558)	Direct
Total Accumulated Depreciation (less Encana)		(1,242,899,171)	(1,248,377,286)	(1,253,462,540)	(1,258,553,863)	(1,264,165,943)	(1,269,338,381)	(1,275,144,231)	(1,280,996,176)	(1,286,829,756)	(1,292,316,311)	(1,294,009,829)	(1,300,006,941)	(1,302,494,942)	(1,274,658,193)	
Storage Gas		14,133,895	14,161,020	14,159,408	14,158,125	14,155,351	14,152,417	14,149,590	14,146,981	14,144,375	14,141,902	14,139,824	14,137,732	18,488,587	14,329,830	Firm Delivered Volumes
Customer Advances		(3,740,828)	(3,280,653)	(3,447,908)	(3,496,037)	(3,566,303)	(3,443,749)	(3,466,542)	(3,439,074)	(3,541,636)	(3,431,840)	(3,458,338)	(3,244,182)	(3,296,312)	(3,444,569)	Direct
Leasehold Improvements		500,783	482,395	461,741	441,117	420,486	399,865	377,644	355,433	332,912	311,030	289,990	273,289	279,959	378,023	Direct & 3-Factor
Total Rate Base Excluding ADIT and WC		1,596,180,879	1,598,042,104	1,601,133,499	1,604,738,943	1,615,128,141	1,613,679,636	1,622,609,454	1,629,552,742	1,636,247,818	1,638,063,419	1,644,157,330	1,651,799,888	1,668,735,999	1,623,967,618	

NW Natural
Washington Annual Commission Basis Report
Test Year Based on Twelve Months Ended December 31, 2017
Rate Base

		2016	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Dec 16 - Dec 17	
		2016	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	Dec 16 - Dec 17	
		Dec	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December	OREGON	OREGON	OREGON	OREGON	12 month average	
		OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	OREGON	
OREGON																				
Gross Plant																				
Intangible	Software	88,774,909	89,486,812	90,559,037	90,573,385	90,590,217	90,585,782	90,607,343	90,605,315	90,667,361	91,229,242	91,631,854	92,617,348	93,753,506	90,868,159	Total Customers				
	Other	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	84,348	Direct				
Production		675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	Direct				
Transmission		162,342,094	162,518,136	162,800,391	162,811,932	163,321,896	163,438,054	163,438,760	163,663,395	163,917,673	163,987,674	164,212,277	164,233,868	165,472,470	163,519,278	Direct				
Distribution		1,829,990,097	1,834,514,224	1,837,315,510	1,844,200,902	1,848,712,908	1,851,976,130	1,857,267,465	1,862,290,960	1,867,061,511	1,872,543,945	1,878,221,890	1,883,873,494	1,894,090,110	1,858,334,920	Direct				
General		174,551,906	175,376,785	178,288,967	179,227,276	181,019,491	180,881,776	181,647,623	184,785,188	185,891,778	186,019,988	186,729,133	186,063,030	187,604,643	181,929,688	3-Factor & Direct				
Storage and storage transmission CNG and LNG		269,224,955	269,245,258	269,492,691	269,499,371	276,095,832	276,276,366	283,363,750	286,309,510	286,574,039	286,729,137	289,933,523	290,283,280	288,038,562	280,202,876	Firm Delivered Volumes				
		3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3,406,764	3-Factor				
Encana		187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	187,536,465	Direct				
Total Gross Plant (less Encana)		2,529,050,271	2,535,307,524	2,542,622,906	2,550,479,176	2,563,906,654	2,567,304,418	2,580,491,252	2,591,820,678	2,598,278,672	2,604,676,296	2,611,041,934	2,621,237,330	2,633,125,601	2,579,021,231					
Accumulated Depreciation																				
Intangible		(53,883,576)	(54,096,159)	(54,311,947)	(54,529,685)	(54,747,480)	(54,965,297)	(55,183,145)	(55,401,028)	(55,619,019)	(55,734,195)	(55,943,553)	(56,155,404)	(56,371,044)	(55,151,185)	Total Customers				
Production		(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	(691,036)	Direct				
Transmission		(31,371,468)	(31,778,566)	(32,187,511)	(32,595,576)	(33,004,712)	(33,414,218)	(33,824,299)	(34,234,260)	(34,644,832)	(35,056,248)	(35,467,616)	(35,879,730)	(36,292,976)	(33,826,649)	Direct				
Distribution		(856,567,367)	(859,765,091)	(863,008,454)	(865,580,292)	(868,701,320)	(871,703,696)	(874,914,705)	(878,074,919)	(881,199,246)	(884,423,308)	(887,653,884)	(891,009,404)	(894,057,390)	(875,112,225)	Direct				
General		(53,804,565)	(54,455,703)	(54,504,654)	(55,227,164)	(55,922,724)	(56,313,254)	(57,038,249)	(57,832,706)	(58,643,113)	(59,155,413)	(59,256,437)	(57,041,652)	(57,849,356)	(56,518,169)	3-Factor				
Storage and storage transmission CNG and LNG		(121,231,070)	(121,786,281)	(122,342,950)	(122,898,810)	(123,463,375)	(124,036,112)	(124,616,064)	(125,203,899)	(125,793,778)	(126,375,665)	(126,951,288)	(127,527,876)	(125,136,221)	(124,514,979)	Firm Delivered Volumes				
		(1,887,273)	(1,889,650)	(1,892,027)	(1,894,403)	(1,896,780)	(1,899,156)	(1,901,533)	(1,903,909)	(1,906,286)	(1,908,663)	(1,911,039)	(1,913,416)	(1,915,792)	(1,901,533)	3-Factor				
Encana		(71,426,542)	(72,880,456)	(74,146,530)	(75,528,661)	(76,828,825)	(78,169,645)	(79,444,202)	(80,779,012)	(82,094,166)	(83,442,012)	(84,831,974)	(86,318,096)	(87,779,706)	(79,505,558)	Direct				
Total Accumulated Depreciation (less Encana)		(1,119,436,354)	(1,124,462,485)	(1,128,938,577)	(1,133,416,967)	(1,138,427,427)	(1,143,022,769)	(1,148,169,031)	(1,153,341,757)	(1,158,497,310)	(1,163,344,527)	(1,164,874,854)	(1,170,218,518)	(1,172,313,814)	(1,147,715,776)					
Storage Gas		12,775,628	12,800,146	12,798,689	12,797,529	12,795,022	12,792,369	12,789,814	12,787,456	12,785,101	12,782,866	12,780,987	12,779,096	16,711,834	12,952,734	Firm Delivered Volumes				
Customer Advances		(3,236,500)	(2,771,393)	(2,927,383)	(2,964,217)	(2,999,874)	(2,853,284)	(2,859,333)	(2,820,069)	(2,896,136)	(2,810,504)	(2,804,865)	(2,586,467)	(2,627,476)	(2,852,126)	Direct				
Leasehold Improvements		450,054	428,945	410,580	392,241	373,896	355,560	335,801	316,051	296,025	276,568	257,859	243,008	248,939	336,336	Direct & 3-Factor				
Total Rate Base Excluding ADIT and WC		1,419,603,099	1,421,302,737	1,423,966,214	1,427,287,762	1,435,648,270	1,434,576,293	1,442,588,503	1,448,762,358	1,449,966,352	1,451,580,699	1,456,401,062	1,461,454,449	1,475,145,084	1,441,742,399					

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017

Deferred Income Taxes

1	Allocation factor: Accumulated Depreciation			10.62%		
2						
3	2016 December Balances:					
4						
5			SYS	Washington	Oregon	
6			Total	Allocation	Allocation	
7						
8	Accumulated Deferred Income Tax - Depreciation	(346,009,616)	(71,286,235)	(417,295,851)	(39,395,931)	(377,899,920)
9	Accumulated Deferred Income Tax - Encana	(21,470,046)	(6,648,818)	(28,118,864)	0	(28,118,864)
10	Accumulated Deferred Income Tax - Other	(10,387,882)	(483,731)	(10,871,613)	(1,121,173)	(9,750,440)
11						
12						
13						
14	2016 Balances	(377,867,544)	(78,418,784)	(456,286,328)	(40,517,104)	(415,769,224)
15						
16						
17	2017 December Balances:					
18						
19			SYS	Washington	Oregon	
20			Total	Allocation	Allocation	
21						
22	Accumulated Deferred Income Tax - Depreciation	(356,970,635)	(73,842,204)	(430,812,839)	(40,654,996)	(390,157,843)
23	Accumulated Deferred Income Tax - Encana	(28,042,242)	(5,874,791)	(33,917,033)	0	(33,917,033)
24	Accumulated Deferred Income Tax - Other	(13,102,128)	(1,301,866)	(14,403,994)	(1,439,836)	(12,964,158)
25						
26	2017 Balances	(398,115,005)	(81,018,861)	(479,133,866)	(42,094,833)	(437,039,033)
27						
28						
29						
30	Simple Average December Balances (use for Rate Base)			(41,305,968)	(426,404,129)	
31						

NW Natural
State Allocation Factors
Updated for year ended 2017 data
Volumes - 12 Months Ended 12/31/16

Firm Delivered	944,407,495	90,781,405	853,626,090
% of System		9.61%	90.39%
Sales Volumes	831,773,110	81,972,186	749,800,924
% of System		9.86%	90.14%
Sendout Volumes	1,240,944,848	102,897,356	1,138,047,492
% of System		8.29%	91.71%

3-factor formula (simple average)

Gross Plant Directly Assigned		11.33%	88.67%
Number of Employees Directly Assigned		10.90%	89.10%
Number of Customers		11.01%	88.99%
Average		11.08%	88.92%

Derivation of factor for 3-factor - Gross Plant Directly Assigned

December 31, 2016	System	Washington	Oregon
Intangible - Other	84,795	447	84,348
Production	675,198		675,198
Transmission	166,587,143	1,114,674	165,472,470
Distribution	2,161,775,493	267,685,383	1,894,090,110
December 31, 2015	System	Washington	Oregon
Intangible	84,795	447	84,348
Production	675,198		675,198
Transmission	163,396,889	1,054,795	162,342,094
Distribution	2,078,201,641	248,211,544	1,829,990,097
Average	System	Washington	Oregon
Intangible - Other	84,795	447	84,348
Production	675,198	0	675,198
Transmission	164,992,016	1,084,734	163,907,282
Distribution	2,119,988,567	257,948,464	1,862,040,103
Gross Plant Directly Assigned	2,285,740,577	259,033,645	2,026,706,931
% of System		11.33%	88.67%

NW Natural
State Allocation Factors
Updated for year ended 2017 data

	<u>System</u>	<u>Washington</u>	<u>Oregon</u>
Customers			
Total Customers			
December 2017	737,873	81,842	656,031
December 2016	725,146	79,263	645,883
Average	731,510	80,553	650,957
% of System		11.01%	88.99%
Residential Customers			
December 2017	668,803	74,805	593,998
December 2016	656,855	72,566	584,289
Average	662,829	73,686	589,144
% of System		11.12%	88.88%
Commercial Customers			
December 2017	67,881	6,937	60,944
December 2016	67,278	6,621	60,657
Average	67,580	6,779	60,801
% of System		10.03%	89.97%
Industrial Customers			
December 2017	1,189	100	1,089
December 2016	1,013	76	937
Average	1,101	88	1,013
% of System		7.99%	92.01%
The Dalles			
December 2017	8,119	2,040	6,079
December 2016	7,930	2,000	5,930
Average	8,025	2,020	6,005
% of System		25.17%	74.83%
Portland / Vancouver			
December 2017	524,992	79,802	445,190
December 2016	516,011	77,263	438,748
Average	520,502	78,533	441,969
% of System		15.09%	84.91%
Portland / Vancouver Commercial			
December 2017	44,470	6,724	37,746
December 2016	44,041	6,406	37,635
Average	44,256	6,565	37,691
% of System		14.83%	85.17%

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Tax Adjustment

<u>Line No.</u>	<u>Amount (a)</u>
1 Utility Income before Interest and Taxes	\$14,310,300
2 Interest on Historic Average Rate Base	<u>4,149,603</u>
3 Pre-Tax Net Income	10,160,697
4 Less: Permanent Differences	773,908
5 Taxable Income	10,934,606
6 Tax Rate	<u>35.00%</u>
7 Federal Income Tax	3,827,112
8 Credits	<u>(428)</u>
9 Total Tax	<u><u>\$3,826,684</u></u>

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Proforma Cost of Capital and Input Assumptions

Line No.	13 month average				
	Percent of Total Capital (a)	Average Cost (b)	Weighted Cost (c)		
Cost of Capital				13 month average	
1	Long Term Debt	49.67%	5.41%	2.69%	711,700,000
2	Short Term Debt	1.08%	0.79%	0.01%	15,526,647
3	Preferred Stock	0.00%	0.00%	0.00%	
4	Common Stock	49.24%	10.10%	4.97%	<u>705,513,906</u>
5	Total	<u>100.00%</u>		<u>7.67%</u>	<u>1,432,740,553</u>
Revenue Sensitive Costs					
6	Gas Sales	99.61%			
7	Transportation	3.42%			
8	Other	<u>-3.03%</u>			
9	Subtotal	100.00%			
10	O & M - Uncollectible	0.118%			
11	Franchise Taxes	0.000%			
12	WA Utility Tax	3.852%			
13	WUTC Fee	<u>0.200%</u>			
14	State Taxable Income	95.83%			
15	State Income Tax	<u>0.00%</u>			
16	Federal Taxable Income	95.83%			
17	Federal Income Tax	<u>33.54%</u>			
18	Total Income Taxes	33.54%			
19	Total Revenue Sensitive Costs	<u>37.71%</u>			
20	Utility Operating Income	<u>62.29%</u>			
21	Net-to-gross factor	1.60541			
22	Interest Coordination Factor	0.027			
23	Federal tax rate	35.00%			
24	State tax rate	0.00%			
25	Uncollectible Accounts	0.12%			

NW Natural
Washington Annual Commission Basis Report
Adjustments to Test Period
Twelve Months Ended December 31, 2017

Line No.	Column A Page 1	Weather Normalized Gas Sales & Purchases (a)	Miscellaneous Revenues Adjustment (b)	Bonus Adjustment (c)	Uncollect. Accounts Adjustment (d)	Working Capital Adjustment (e)	Sales, Marketing & Customer Communications Adjustment (f)	Claims Adjustment (g)	Clearing Adjustment (h)	Total Adjustments (i)	Column C Page 1
Operating Revenues											
1	Sale of Gas	73,550,986	(4,633,947)							(4,633,947)	68,917,038
2	Transportation	2,363,753	0							0	2,363,753
3	Miscellaneous Revenues	(2,274,745)		180,430						180,430	(2,094,315)
4	Total Operating Revenues	73,639,994	(4,633,947)	180,430	0	0	0	0	0	(4,453,517)	69,186,477
Operating Revenue Deductions											
5	Gas Purchased	29,311,994	(2,113,124)							(2,113,124)	27,198,870
6	Uncollectible Accrual	93,866	(5,468)	0	1,811					(3,657)	90,209
7	Other Operating & Maintenance Expenses	16,154,049			(131,619)		(845,370)	57,574	0	(919,415)	15,234,634
8	Total Operating & Maintenance Expense	45,559,909	(2,118,592)	0	(131,619)	1,811	(845,370)	57,574	0	(3,036,196)	42,523,713
9	Federal Income Tax	3,826,684	(814,656)	60,592	46,849	(634)	0	295,880	(20,149)	(432,118)	3,394,566
10	Property Taxes	1,188,669								0	1,188,669
11	Other Taxes	3,909,724	(187,768)	7,311						(180,457)	3,729,268
12	Depreciation & Amortization	8,671,391								0	8,671,391
13	Total Operating Revenue Deductions	63,156,377	(3,121,015)	67,903	(84,770)	1,177	0	(549,490)	37,425	(3,648,770)	59,507,607
14	Net Operating Revenues	10,483,617	(1,512,932)	112,527	84,770	(1,177)	0	549,490	(37,425)	(804,747)	9,678,870
Average Rate Base											
15	Utility Plant in Service	308,341,295			(82,795)				(183)	(82,978)	308,258,317
16	Accumulated Depreciation	(126,942,403)								0	(126,942,403)
17	Net Utility Plant	181,398,892	0	0	(82,795)	0	0	0	(183)	(82,978)	181,315,915
18	Working Capital	12,769,745								0	12,769,745
19	Storage Gas	1,377,097								0	1,377,097
20	Customer Advances	(592,443)								0	(592,443)
21	Leasehold Improvements	41,687								0	41,687
22	Accumulated Deferred Income Taxes	(41,305,968)								0	(41,305,968)
23	Total Rate Base	153,689,010	0	0	(82,795)	0	0	0	(183)	(82,978)	153,606,032
24	Interest Coordination		0	0	(2,235)	0	0	0	(5)	(2,240)	(2,240)

Northwest Natural Gas Company
Adjustments to Test Period
Twelve Months Ended December 31, 2017
(\$000)

Line No.	Income Tax Calculations	Weather Normalized Gas Sales & Purchases (a)	Miscellaneous Revenues Adjustment (b)	Bonus Adjustment (c)	Uncollect. Accounts Adjustment (d)	Working Capital Adjustment (e)	Marketing and Advertising Adjustment (f)	Claims Adjustment (g)	Clearing Adjustment (h)	Total Adjustments (i)
1	Book Revenues	(4,633,947)	180,430	0	0	0	0	0	0	(4,453,517)
2	Book Expenses before Deprec. & Interest	(2,306,359)	7,311	(131,619)	1,811	0	(845,370)	57,574	0	(3,216,652)
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0
4	Interest Expense (Income)	0	0	(2,235)	0	0	0	(5)	0	(2,240)
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0
6	State Taxable Income	(2,327,588)	173,119	133,854	(1,811)	0	845,370	(57,569)	0	(1,234,625)
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	(2,327,588)	173,119	133,854	(1,811)	0	845,370	(57,569)	0	(1,234,625)
13	Federal Income Tax [2]	(814,656)	60,592	46,849	(634)	0	295,880	(20,149)	0	(432,118)
14	ITC	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	(814,656)	60,592	46,849	(634)	0	295,880	(20,149)	0	(432,118)
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	(814,656)	60,592	46,849	(634)	0	295,880	(20,149)	0	(432,118)
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, 2017
Weather Normalized Gas Sales and Purchases Adjustment

Worksheet a

1	Revenues						
2							
3							
4		Test Period		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	54,321,791	\$51,148,494	48,072,006	\$46,108,042	\$0.80650	(\$5,040,452)
10	Commercial	23,082,579	\$19,735,075	23,571,599	\$20,102,852	\$0.75207	\$367,777
11	Industrial Firm	3,169,879	\$2,086,226	3,169,879	\$2,086,226	\$0.65814	\$0
12	Interruptible	1,397,938	\$619,918	1,397,938	\$619,918	\$0.44345	\$0
13							
14							
15	Total Sales	81,972,187	73,589,713	76,211,422	68,917,038		(4,672,675)
16							
17	Unbilled amounts	117,158	(\$38,727)				\$38,727
18							
19	Unaccounted For Gas						
20							
21	Total Sales Sendout	82,089,345	73,550,986	76,211,422	68,917,038		(4,633,947)
22							
23							
24	Transportation						
25	Firm Transportation	10,207,157	\$1,441,124	10,207,157	\$1,441,124	\$0.14119	\$0
26	Interruptible Transportation	10,718,014	\$922,629	10,718,014	\$922,629	\$0.08608	\$0
27	Special Contracts	0	\$0	0	\$0		\$0
28	Other Charges	0	\$0	0	\$0		\$0
29	Total Transportation	20,925,171	\$2,363,753	20,925,171	\$2,363,753		\$0
30							
31	Total Deliveries / Revenues	103,014,516	\$75,914,739	97,136,593	\$71,280,792		(\$4,633,947)
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	80,691,407	\$9,555,309	74,813,484	\$8,840,672	0.12158	(\$714,638)
41							
42	Commodity Incurred & Deferred	82,089,345	\$22,576,238	76,211,422	\$20,986,965	0.27038	(\$1,589,273)
43							
44	Commodity and Demand Amortizations		(\$2,819,553)		(\$2,628,766)		\$190,787
45							
46	Total Cost of Gas		\$29,311,994		\$27,198,870		(\$2,113,124)

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Adjustment to Miscellaneous Revenue

Worksheet b

<u>Line No.</u>	<u>Washington Actual</u>	<u>Normalized</u>	<u>Adjustment</u>	
	(a)	(b)	(c)	
1	<u>Other Miscellaneous Revenues</u>			
2	\$58,115	\$53,995	(\$4,120)	[1]
3	101,454	101,454	0	
4	6,225	6,592	367	[1]
5	11,205	10,440	(765)	[1]
6	34,570	32,877	(1,693)	[1]
7	19,931	19,628	(303)	[1]
8	15,386	21,056	5,670	[1]
9	0	0	0	[1]
10	(2,530,630)	(2,352,785)	177,845	
11	8,997	12,428	3,431	[1]
12				
13	(\$2,274,745)	(\$2,094,315)	\$180,430	
14				
15				
16				
17				
18	<u>Notes:</u>			
19	[1] Normalized to 3-year average			
20				

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Bonus Adjustment

Line No.	(a)	2014 paid in 2015 (b)	2015 paid in 2016 (c)	2016 paid in 2017 (d)	Three Year Average (e)	2017 Accrual (f)	Adjustment (g)=(e)-(f)	
Performance Bonus - O & M								
1	Officers/Exempt	\$2,986,058	\$6,213,593	\$5,597,391	\$4,932,347	\$5,995,447	(\$1,063,100)	
2	Clerical/Hourly	375	0	0	125	0	125	
3	Total	<u>2,986,433</u>	<u>6,213,593</u>	<u>5,597,391</u>	<u>4,932,472</u>	<u>5,995,447</u>	<u>(1,062,975)</u>	
Performance Bonus - Construction								
4	Officers/Exempt	1,502,230	2,580,181	2,594,415	2,225,609	2,778,915	(553,306)	
5	Clerical/Hourly	189	0	0	63	0	63	
6	Total	<u>1,502,419</u>	<u>2,580,181</u>	<u>2,594,415</u>	<u>2,225,672</u>	<u>2,778,915</u>	<u>(553,243)</u>	
Key Goals Bonus - O & M								
7	Officers/Exempt	1,796,182	0	0	598,727	0		
8	Clerical/Hourly	69,258	0	597,200	222,153	1,015,012		
9	Total	<u>1,865,440</u>	<u>0</u>	<u>597,200</u>	<u>820,880</u>	<u>1,015,012</u>	<u>(194,132)</u>	
Key Goals Bonus - Construction								
10	Officers/Exempt	903,626	0	0	301,209	0		
11	Clerical/Hourly	34,842	0	358,883	131,242	609,964		
12	Total	<u>938,468</u>	<u>0</u>	<u>358,883</u>	<u>432,450</u>	<u>609,964</u>	<u>(177,514)</u>	
13	Total Adjusted O & M (line 3 + line 9)							(\$1,257,107)
14	Washington Allocation Factor				Employee Cost		<u>10.470%</u>	
15	Adjustment to Washington - O&M						<u>(\$131,619)</u>	
16	Total Adjusted Construction (line 6 + line 12)						(\$730,757)	
17	Washington Allocation Factor				Gross Plant		<u>11.330%</u>	
18	Adjustment to Washington - Rate Base						<u>(\$82,795)</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, 2017
Uncollectible Accounts Adjustments
(\$000's, except Washington amounts at lines 22-24)

Line No.	2015-2017 Total (a)	2017 Actual (b)	2016 Actual (c)	2015 Actual (d)
Gas Revenues				
1 Residential	\$1,273,637	\$458,763	\$400,895	\$413,979
2 Commercial	641,660	229,681	197,732	214,247
3 Industrial	68,076	22,757	21,048	24,271
4 Interruptible	71,243	22,173	19,289	29,781
5 Total	<u>2,054,616</u>	<u>733,374</u>	<u>638,964</u>	<u>682,278</u>
Net Write-Offs				
6 Residential	2,008	723	583	702
7 Commercial	264	98	92	74
8 Industrial	154	27	124	3
9 Interruptible	-	-	-	-
10 Total	<u>2,426</u>	<u>848</u>	<u>799</u>	<u>779</u>
Write-Off % - 3-Year Average				
11 Residential	0.158%	0.158%	0.145%	0.170%
12 Commercial	0.041%	0.043%	0.047%	0.035%
13 Industrial	0.226%	0.117%	0.589%	0.012%
14 Interruptible	0.000%	0.000%	0.000%	0.000%
15 Weighted Total [1]	<u>0.118%</u>	<u>0.116%</u>	<u>0.125%</u>	<u>0.114%</u>
Normalized Uncollectible				
16 Residential	\$723			
17 Commercial	95			
18 Industrial	51			
19 Interruptible	0			
20 Total	<u>\$869</u>			
21 Allocation Factor	<u>11.010%</u>	Customers - All		
22 Washington Normalized Amount (X 1000)	\$95,677			
23 Washington Allocation of Accrued Amount	<u>\$93,866</u>			
24 Adjustment (Normalized less Accrued)	<u><u>\$1,811</u></u>			

[1] Weighted uncollectible rate of

0.118% is used on page 1, column (b)

NW Natural
Washington Annual Commission Basis Report
Investor Supplied Working Capital
Twelve Months Ended December 31, 2017

Worksheet e

Line No.		<u>Average Balance</u>
	<u>Average Invested Capital</u>	
1	Common Equity	\$ 845,503,801
2	Preferred Stock	\$ -
3	Miscellaneous Debt	\$ 746,794,711
4	Deferred ITC	\$ 1,578
5	Deferred Liabilities	\$ -
6	Total Invested Capital	\$ 1,592,300,090
	<u>Average Investments</u>	
	<u>Utility Operating Investments</u>	
7	Plant in Service	\$ 2,887,364,650
8	Accumulated Depreciation	\$ (1,307,502,440)
9	Deferred Income Taxes	\$ (326,640,097)
10	Gas Stored Underground - Cushion Gas	\$ 14,329,830
11	Property Held for Future Use	\$ 925,110
12	Customer Advances	\$ (5,002,668)
13	Contributions in Aid of Construction	\$ (4,015,999)
14	Investment in Gas Reserves	\$ 124,316,915
15	Total Operating Investments	\$ 1,383,775,301
	<u>Other Investments</u>	
16	Construction Work In Process	\$ 146,367,645
17	Non-Utility Property	\$ 53,466,581
18	Accumulated Depreciation - non utility	\$ (18,056,240)
19	Deferred Income Tax - non-utility & Oregon	\$ (153,213,387)
20	Investments in Subsidiary Companies	\$ 152,861,719
21	Temporary Cash Investments	\$ 13,702,759
22	Deferred Gas Costs	\$ (15,404,249)
23	Other Deferred Debits	\$ 27,274,673
24	Total Other Investments	\$ 206,999,501
25	Total Average Investments (In 15 + In 24)	\$ 1,590,774,802
26	Less CWIP (In 16)	\$ (146,367,645)
27	Less Deferred Gas Costs (In 22)	\$ 15,404,249
28	Total Base Investment - System	\$ 1,459,811,406
29	Investor Supplied Working Capital (In 6 - In 28)	\$ 132,488,684
30	Less Working Gas Inventory	\$ 45,595,406
31	Allowable Working Capital - System	\$ 86,893,278
32	Working Capital Percentage Allowable (In 31 / In 28)	5.95%
33	Washington Rate Base - ROO (excludes WC)	\$ 140,919,264
34	Allowable Investor Supplied Working Capital (In 33 X In 32)	\$ 8,388,027
35	Working Gas Inventory	\$ 45,595,406
36	Inventory allocation % - firm delivered	9.61%
37	Washington Gas Inventory (In 35 X In 36)	\$4,381,719
38	Total Working Capital Allowance (In 37 + In 34)	\$ 12,769,745

NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Sales & Marketing and Customer Communication Adjustment

<u>Line No.</u>	<u>Washington Amount</u>	<u>Disallowance Percent</u>	<u>Disallowed Amount</u>
1 Expenses Coded to Category 2966 and 2666	\$186,134	100.0%	\$186,134
2 Expenses Coded to Account 5075 (excluding Category 2966/2666 & FERC accts 911,912,913)	27,398	100.0%	27,398
3 FERC Account 911 Supervision	20,145	100.0%	20,145
4 FERC Account 912 Demonstration & Selling	462,756	100.0%	462,756
5 FERC Account 913 Advertising	61,524	100.0%	61,524
6 FERC Account 909 Advertising	312,190	28.0%	<u>87,413</u>
7 Total Disallowance - O&M			<u><u>\$845,370</u></u>

**NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Claims Expense Adjustment**

<u>Line No.</u>	<u>O&M Expense</u>	<u>Construction</u>
	(a)	(b)
1 Expensed during Test period	\$371,383	\$116,565
Normalized Expenses		
2 Actual Claims - Ordinary	517,382	114,946
3 3-Year Average Claims - Extraordinary	373,624	0
4 Subtotal	<u>891,006</u>	<u>114,946</u>
5 Adjustment - System (line 4 - line 1)	519,623	(1,619)
6 Allocation to Washington (O&M on 3-factor, const on gross plant)	<u>11.080%</u>	<u>11.330%</u>
7 Adjustment	<u><u>\$57,574</u></u>	<u><u>(\$183)</u></u>

**NW Natural
Washington Annual Commission Basis Report
Twelve Months Ended December 31, 2017
Elimination of Clearing Account Balances**

<u>Line No.</u>		<u>Amount</u>
1	Adjustment to O&M	\$0
2	Allocation to Washington (3-Factor)	11.08%
3	Adjustment	\$0
4	Adjustment to Construction	\$0
5	Allocation to Washington (Gross Plant)	11.33%
6	Adjustment	\$0

Clearing accounts are completely allocated by year end closing.