

# **ATTACHMENT A**

NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007

Line No.	Washington Allocated Results					
	Test Year Results	Adjustments	Test Year Adjusted	Proposed Rate Increase	Test Year at 10.10% Equity Return	
	(a)	(b)	(c)	(d)	(e)	
<b>Operating Revenues</b>						
1	Sale of Gas	\$93,509,688	(\$3,247,876)	\$90,261,812	\$2,724,959	\$92,986,770
2	Transportation	897,029	8,099	905,128	0	905,128
3	Miscellaneous Revenues	218,624	98,282	316,906	0	316,906
4	<b>Total Operating Revenues</b>	94,625,341	(3,141,495)	91,483,846	2,724,959	94,208,805
<b>Operating Revenue Deductions</b>						
5	Gas Purchased	59,716,331	(2,326,804)	57,389,527	0	57,389,527
6	Uncollectible Accrual for Gas Sales	271,925	40,206	312,131	8,708	320,839
7	Other Operating & Maintenance Expenses	11,609,850	(1,141,040)	10,468,810	0	10,468,810
8	<b>Total Operating &amp; Maintenance Expense</b>	71,598,105	(3,427,638)	68,170,468	8,708	68,179,176
9	Federal Income Tax	2,244,421	522,435	2,766,855	912,042	3,678,898
10	Property Taxes	974,950	77,060	1,052,010	0	1,052,010
11	Other Taxes	4,372,665	(118,599)	4,254,065	110,415	4,364,481
12	Depreciation & Amortization	6,962,865	(757,380)	6,205,486	0	6,205,486
13	<b>Total Operating Revenue Deductions</b>	86,153,007	(3,704,123)	82,448,884	1,031,166	83,480,050
14	<b>Net Operating Revenues</b>	\$8,472,335	\$562,628	\$9,034,962	\$1,693,793	\$10,728,755
15	<b>Total Rate Base</b>	\$118,753,441	\$9,015,480	\$127,768,921	\$0	\$127,768,921
16	<b>Rate of Return</b>	<u>7.13%</u>		<u>7.07%</u>		<u>8.40%</u>
17	<b>Return on Common Equity</b>	<u>7.61%</u>		<u>7.49%</u>		<u>10.10%</u>

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Cost of Capital and Revenue Sensitive Calculations

Line No.	Percent of Total Capital	Average Cost	Weighted Cost
	(a)	(b)	(c)
<b><u>Cost of Capital</u></b>			
1	Long Term Debt	44.23%	6.796%
2	Short Term Debt	5.03%	5.280%
3	Preferred Stock	0.00%	0.000%
4	Common Stock	<u>50.74%</u>	<u>10.100%</u>
5	<b>Total</b>	<u><u>100.00%</u></u>	<u><u>8.40%</u></u>
<b><u>Revenue Sensitive Costs</u></b>			
6	Gas Sales	98.66%	
7	Transportation	0.99%	
8	Other	<u>0.35%</u>	
9	<b>Subtotal</b>	100.00%	
10	O & M - Uncollectible	0.32%	
11	Franchise Taxes	0.00%	
12	WA Utility Tax	3.85%	
13	WUTC Fee	<u>0.20%</u>	
14	State Taxable Income	95.63%	
15	State Income Tax	<u>0.00%</u>	
16	Federal Taxable Income	95.63%	
17	Federal Income Tax	<u>33.47%</u>	
18	<b>Total Income Taxes</b>	33.47%	
19	<b>Total Revenue Sensitive Costs</b>	<u>37.84%</u>	
20	<b>Utility Operating Income</b>	<u><u>62.16%</u></u>	
21	Net-to-gross factor	1.60879	
22	Interest Coordination Factor	0.03272	
23	Federal tax rate	35.00%	
24	Uncollectible Accounts	0.32%	

NW Natural  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30, 2007

Line No.	Restating Weather Normalized Gas Sales & Purchases (a)	Restating Misc Revenues Adjustment (b)	Restating Bonus Adjustment (c)	Restating Severance Adjustment (d)	Restating Property Tax Adjustment (e)	Restating Uncollectible Accounts Adjustment (f)	Restating Working Capital Adjustment (g)	Restating Marketing and Cust. Comm. Adjustment (h)	Restating Claims Adjustment (i)	Restating AMR Adjustment (j)
<b>Operating Revenues</b>										
1	Sale of Gas	(3,247,876)								
2	Transportation	8,099								
3	Miscellaneous Revenues		98,282							
4	<b>Total Operating Revenues</b>	<b>(3,239,777)</b>	<b>98,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Revenue Deductions</b>										
5	Gas Purchased	(2,326,804)								
6	Uncollectible Accrual	(10,354)				50,560				
7	Other Operating & Maintenance Expenses			(378,259)	(153,073)			(352,984)	(37,959)	(216,801)
8	<b>Total Operating &amp; Maintenance Expense</b>	<b>(2,337,158)</b>	<b>0</b>	<b>(378,259)</b>	<b>(153,073)</b>	<b>50,560</b>	<b>0</b>	<b>(352,984)</b>	<b>(37,959)</b>	<b>(216,801)</b>
9	Federal Income Tax	(269,970)	33,005	133,969	53,575	(26,971)	(72,438)	123,544	13,078	(3,864)
10	Property Taxes					77,060				
11	Other Taxes	(131,276)	3,982							
12	Depreciation & Amortization					0				152,782
13	<b>Total Operating Revenue Deductions</b>	<b>(2,738,404)</b>	<b>36,987</b>	<b>(244,290)</b>	<b>(99,498)</b>	<b>50,089</b>	<b>32,864</b>	<b>(72,438)</b>	<b>(229,440)</b>	<b>(67,883)</b>
14	<b>Net Operating Revenues</b>	<b>(501,374)</b>	<b>61,295</b>	<b>244,290</b>	<b>99,498</b>	<b>(50,089)</b>	<b>32,864</b>	<b>72,438</b>	<b>24,881</b>	<b>67,883</b>
<b>Average Rate Base</b>										
15	Utility Plant in Service			(137,830)		0	6,325,365		18,119	2,294,017
16	Accumulated Depreciation									
17	<b>Net Utility Plant</b>	<b>0</b>	<b>0</b>	<b>(137,830)</b>	<b>0</b>	<b>0</b>	<b>6,325,365</b>	<b>0</b>	<b>18,119</b>	<b>2,294,017</b>
18	Storage Gas									
19	Aid in Advance of Construction									
20	Water Heater Program									
21	Leasehold Improvements									
22	Accumulated Deferred Income Taxes									
23	<b>Total Rate Base</b>	<b>0</b>	<b>0</b>	<b>(137,830)</b>	<b>0</b>	<b>0</b>	<b>6,325,365</b>	<b>0</b>	<b>18,119</b>	<b>2,294,017</b>
24	Interest Coordination	0	0	(4,510)	0	0	206,966	0	593	75,060

NW Natural  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30,

Line No.	Restating		Total Restating Adjustments (m)	Pro Forma					Total Pro Forma Adjustments (s)	Total Adjustments (t)
	Rate Case Adjustment (k)	Clearing Adjustment (l)		Payroll Adjustment (n)	Payroll Overhead Adjustment (o)	Depreciation Adjustment (p)	Pre 81 Taxes Adjustment (q)	SAP Adjustment (r)		
<b>Operating Revenues</b>										
1			(3,247,876)						0	(3,247,876)
2			8,099						0	8,099
3			98,282						0	98,282
4		0	(3,141,495)	0	0	0	0	0	0	(3,141,495)
<b>Operating Revenue Deductions</b>										
5			(2,326,804)						0	(2,326,804)
6			40,206						0	40,206
7	26,667	21,908	(1,090,502)	127,241	(121,186)	(56,593)			(50,538)	(1,141,040)
8	26,667	21,908	(3,377,100)	127,241	(121,186)	(56,593)	0	0	(50,538)	(3,427,638)
9	(9,333)	(7,963)	(51,064)	(44,534)	39,372	356,989	245,909	(24,237)	573,499	522,435
10			77,060						0	77,060
11			(127,293)		8,694				8,694	(118,599)
12			152,782			(963,374)		53,213	(910,161)	(757,380)
13	17,334	13,945	(3,325,616)	82,707	(73,121)	(662,978)	245,909	28,976	(378,507)	(3,704,123)
14	(17,334)	(13,945)	184,121	(82,707)	73,121	662,978	(245,909)	(28,976)	378,507	562,628
<b>Average Rate Base</b>										
15		25,774	8,525,445					490,035	490,035	9,015,480
16			0						0	0
17	0	25,774	8,525,445	0	0	0	0	490,035	490,035	9,015,480
18			0						0	0
19			0						0	0
20			0						0	0
21			0						0	0
22			0						0	0
23	0	25,774	8,525,445	0	0	0	0	490,035	490,035	9,015,480
24	0	843	278,953	0	0	0	0	16,034	16,034	203,049

Northwest Natural Gas Company  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30, 2007  
(\$000)

Line No.	Income Tax Calculations	Weather Normalized Gas Sales & Purchases	Misc Revenues Adjustment	Bonus Adjustment	Severance Adjustment	Property Tax Adjustment	Uncollectible Accounts Adjustment	Working Capital Adjustment	Marketing and Cust. Comm. Adjustment	Claims Adjustment	AMR Adjustment
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1	Book Revenues	(3,239,777)	98,282	0	0	0	0	0	0	0	0
2	Book Expenses before Deprec. & Interest	(2,468,434)	3,982	(378,259)	(153,073)	77,060	50,560	0	(352,984)	(37,959)	(216,801)
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0	152,782
4	Interest Expense (Income)	0	0	(4,510)	0	0	0	206,966	0	593	75,060
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0	0
6	State Taxable Income	(771,344)	94,300	382,769	153,073	(77,060)	(50,560)	(206,966)	352,984	37,366	(11,041)
7	State Excise Tax [1]	0	0	0	0	0	0	0	0	0	0
8	State Tax Credit	0	0	0	0	0	0	0	0	0	0
9	Net State Income Tax	0	0	0	0	0	0	0	0	0	0
10	Excess Book(Tax) Deprec.	0	0	0	0	0	0	0	0	0	0
11	Other Sched. M Differences	0	0	0	0	0	0	0	0	0	0
12	Federal Taxable Income	(771,344)	94,300	382,769	153,073	(77,060)	(50,560)	(206,966)	352,984	37,366	(11,041)
13	Federal Income Tax [2]	(269,970)	33,005	133,969	53,575	(26,971)	(17,696)	(72,438)	123,544	13,078	(3,864)
14	ITC	0	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	(269,970)	33,005	133,969	53,575	(26,971)	(17,696)	(72,438)	123,544	13,078	(3,864)
16	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0	0	0
17	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0	0
18	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0	0
19	Total Federal Tax	(269,970)	33,005	133,969	53,575	(26,971)	(17,696)	(72,438)	123,544	13,078	(3,864)
20	Total State Tax	0	0	0	0	0	0	0	0	0	0

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

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

Northwest Natural Gas Company  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30,  
(\$000)

Line No.	Income Tax Calculations	Rate Case Adjustment (k)	Clearing Adjustment (l)	Total Restating Adjustments (m)	Payroll Adjustment (n)	Payroll Overhead Adjustment (o)	Depreciation Adjustment (p)	Pre 81 Taxes Adjustment (q)	SAP Adjustment (r)	Total Pro Forma Adjustments (s)	Total Adjustments (t)
1	Book Revenues	0	0		0	0	0	0	0		(3,141,495)
2	Book Expenses before Deprec. & Interest	26,667	21,908		127,241	(112,493)	(56,593)	0	0		(3,427,333)
3	State Tax Depreciation	0	0		0	0	(963,374)	0	53,213		152,782
4	Interest Expense (Income)	0	843		0	0	0	0	16,034		278,952
5	Book/Tax Differences (Sched. M)	0	0		0	0	0	0	0		0
6	State Taxable Income	(26,667)	(22,751)		(127,241)	112,493	1,019,967	0	(69,247)		(145,895)
7	State Excise Tax [1]	0	0		0	0	0	0	0		0
8	State Tax Credit	0	0		0	0	0	0	0		0
9	Net State Income Tax	0	0		0	0	0	0	0		0
10	Excess Book(Tax) Deprec.	0	0		0	0	0	0	0		0
11	Other Sched. M Differences	0	0		0	0	0	0	0		0
12	Federal Taxable Income	(26,667)	(22,751)		(127,241)	112,493	1,019,967	0	(69,247)		(145,895)
13	Federal Income Tax [2]	(9,333)	(7,963)		(44,534)	39,372	356,989	0	(24,237)		(51,064)
14	ITC	0	0		0	0	0	0	0		0
15	Current Federal Tax	(9,333)	(7,963)		(44,534)	39,372	356,989	0	(24,237)		(51,064)
16	Deferred Income Tax - Federal	0	0		0	0	0	0	0		0
17	Deferred Income Tax - State	0	0		0	0	0	0	0		0
18	ITC Restored (Deferred)	0	0		0	0	0	0	0		0
19	Total Federal Tax	(9,333)	(7,963)		(44,534)	39,372	356,989	0	(24,237)		(51,064)
20	Total State Tax	0	0		0	0	0	0	0		0

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

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

	A 3/28/2008 Results per NWNG	B 10/15/2008 SETTLEMENT	C Difference (B - A)
<b>N.O.I.</b>	<b>\$8,445,077</b>	<b>\$9,034,962</b>	
<b>Net Rate Base</b>	<b>\$128,446,731</b>	<b>\$127,768,921</b>	
<b>Rev. Req. Impact</b>	<b>\$4,342,200</b>	<b>\$2,724,959</b>	<b>(\$1,617,241)</b>
<b>Percent Increase</b>	<b>4.75%</b>	<b>2.98%</b>	
<hr/>			
Rate of Return	8.68%	8.40%	<b>(\$545,753)</b>
Return on Equity	10.65%	10.10%	
Bonuses Adjustment			
Expense	<b>(\$194,976)</b>	<b>(\$378,259)</b>	
Rate Base	<b>(\$74,244)</b>	<b>(\$137,829)</b>	
F.I.T.	\$69,092	\$133,969	
N.O.I.	\$125,884	\$244,290	
Rev. Req.	<b>(\$212,900)</b>	<b>(\$411,631)</b>	<b>(\$198,731)</b>
Depreciation Adjustment			
Expense	<b>(\$591,980)</b>	<b>(\$1,019,967)</b>	
Rate Base	\$0	\$0	
F.I.T.	\$207,193	\$356,989	
N.O.I.	\$384,787	\$662,978	
Rev. Req.	<b>(\$619,000)</b>	<b>(\$1,066,593)</b>	<b>(\$447,593)</b>
Pre-1981 FITs			
Expense	\$0	\$0	
Rate Base	\$0	\$0	
F.I.T.	\$245,909	\$245,909	
N.O.I.	<b>(\$245,909)</b>	<b>(\$245,909)</b>	
Rev. Req.	\$395,615	\$395,615	<b>\$0</b>
AMR			
Expense	<b>(\$64,019)</b>	<b>(\$64,019)</b>	
Rate Base	\$2,294,017	\$2,294,017	
F.I.T.	<b>(\$3,864)</b>	<b>(\$3,864)</b>	
N.O.I.	\$67,883	\$67,883	
Rev. Req.	\$200,689	\$200,689	<b>\$0</b>
Working Capital			
Expense	\$0	\$0	
Rate Base	\$6,939,589	\$6,325,365	
F.I.T.	<b>(\$79,472)</b>	<b>(\$72,438)</b>	
N.O.I.	\$79,472	\$72,438	
Rev. Req.	\$840,800	\$737,957	<b>(\$102,843)</b>
Marketing and Advertising			
Expense	<b>(\$44,797)</b>	<b>(\$352,984)</b>	
Rate Base	\$0	\$0	
F.I.T.	\$15,679	\$123,544	
N.O.I.	\$29,118	\$229,440	
Rev. Req.	<b>(\$46,800)</b>	<b>(\$369,121)</b>	<b>(\$322,321)</b>