

Rates and Regulatory Affairs
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August 31, 2009

NWN Advice No. WUTC 09-9

VIA ELECTRONIC FILING

Dave Danner, Secretary and Executive Director
WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION
1300 S. Evergreen Park Drive, S.W.
Post Office Box 47250
Olympia, Washington 98504-7250

Re: Annual Purchased Gas Cost Adjustment and Deferred Gas Cost Amortization Adjustments

Northwest Natural Gas Company, dba NW Natural (NWN or the "Company") files revisions to its Tariff WN U-6, as listed in the attached Table of Tariff Sheet Revisions. The proposed tariff sheets are stated to become effective with service on and after November 1, 2009

I. Introduction and Summary

The purposes of this filing are to revise rates for the effects of changes in purchased gas costs, and for the further effects of applying and removing temporary rate adjustments to amortize balances in deferred accounts. The Company revises rates for both of these purposes annually; the last such filing was effective on November 1, 2008.

The combined effect of the proposed rate changes is to decrease the average monthly bills in the primary rate schedules as follows: Residential bills will decrease by 21.5% and commercial bills will decrease 22.3%. If the effects of the temporary rate adjustments were permanent, the combined result of all components of the rate changes would be a decrease in the Company's revenues from its Washington operations of about \$23,528,671.

II. Purchased Gas Cost Adjustment

This portion of the filing will (1) pass through changes in the cost of gas purchased by the company from its natural gas suppliers; and (2) pass through changes in the cost of pipeline and storage capacity under contract with the company's pipeline transporters.

The proposed Annual Sales Weighted Average Cost of Gas (WACOG) is \$0.59968 per therm. The proposed Winter Sales Weighted Average Cost of Gas is \$0.58123. The proposed firm service pipeline capacity cost is \$0.12238 per therm, and the proposed interruptible service pipeline capacity cost is \$0.04275. The net effect of the combined purchased gas adjustments in this filing is a decrease of \$0.25850 per therm for firm sales rate schedules and a decrease of \$0.26270 per therm for interruptible sales rate schedules.

Should there be a subsequent change in the pipeline's rates or other gas supply costs from levels used to determine the adjustments the company proposes in this filing, then the company will reflect such changes to Washington gas customers in a manner approved by the Commission.

III. Temporary Rate Adjustments

This portion of the filing is to make periodic technical adjustments to rates under the terms of the company's tariffs in order to amortize credit or debit balances in its deferred gas cost accounts (Account 191). These adjustments are shown in the Supporting Materials as the removal of current temporary rate adjustments and the application of new temporary rate adjustments.

Collections and refunds under the temporary rate adjustments do not affect the company's earnings because the accruals to these accounts already have been reflected in recorded results.

The new temporary adjustments include the following:

1. A 12-month amortization of refund balances in accounts 191.420 and 191.421. The balance in 191.420 relates to commodity gas costs incurred during the current PGA period that began on November 1, 2008. The refund balance in account 191.421 is the remaining unamortized amount from a consolidation of commodity-related amortization accounts.

2. A 12-month amortization of refund balances in accounts 191.430, 191.431 and 186.302. The refund balance in 191.430 represents the amount the company collected from its Washington customers during the past

year that exceeded the amount incurred by the company for demand charges. Account 191.431 is the remaining unamortized amount from a consolidation of demand-related deferred accounts. Account 186.302 relates to the deferral of storage-related off system sales.

3. A 12-month amortization of collection balances in account 186.311. The balance in 186.311 relates to furnace program costs (Schedule F) beginning November 2008. Account 186.316 is the remaining unamortized amount from a consolidation of DSM-related deferred accounts.

4. A 12-month amortization of collection balances in account 186.234. The balance in 186.234 relates to the Schedule J "Gas Residential Energy Assistance Tariff (GREAT), which is the Company's low-income bill payment assistance program that went into effect on May 1, 2009.

5. A 12-month amortization of collection balances in account 186.365. The refund balance in 186.365 is the remaining unamortized amount from the Washington share of the proceeds from the gain on the sale of the Albany, Oregon property.

The removal of the temporary adjustments that were placed into rates effective November 1, 2008 is also reflected in this portion of the filing.

IV. Base Rate Adjustment

This portion of the filing permanently adjusts customer rates for the Washington share of the permanent effects of the recall of 100,000 therms per day of Mist reservoir capacity and 50,000 therms per day of compression capacity from upstream market activities for use by the Company's core customers.

V. Schedule 19 Cancellation

This filing will also cancel Schedule 19, the Company's Gas Light Service rate schedule, which has been Frozen and only available to customers that were served under this rate schedule prior to March 4, 1974. As of this filing, all Schedule 19 accounts have been closed leaving zero customers taking service under this rate schedule. Because this rate schedule is not available to new customers, the Company is cancelling the schedule in its entirety.

In accordance with WAC 480-90-198, the company declares that notice to customers is made in accordance with WAC 480-90-194(5). A copy of this notice is included with this filing.

This rate change affects all of NW Natural's Washington customers. NW Natural currently serves approximately 62,287 residential customers and 5,355 business and industrial customers in the Company's Washington service territory.

The Company respectfully requests that the tariff sheets filed herewith be approved to become effective with service on and after November 1, 2009.

As required by WAC 480-80-103(4)(a), I certify that I have authority to issue tariff revisions on behalf of NW Natural.

Copies of this letter and the attached filing are available in the company's main office in Portland, Oregon, and on its website at www.nwnatural.com.

Please address correspondence on this matter to me at ork@nwnatural.com, with copies to the following:

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Sincerely,

NW NATURAL

/s/ Onita R. King

Onita R. King
Rates & Regulatory Affairs

enclosures

Natural gas price update: Expect a drop in natural gas rates this winter.



Because natural gas prices have fallen substantially, NW Natural has been able to buy gas at lower prices and can pass these reductions on to you. As a result, on Aug. 31, we filed for a rate decrease with the Washington Utilities and Transportation Commission.

If approved as filed, the average Washington residential customer will see a 21.5 percent rate decrease – that's about \$19.50 a month for the average home using 60 therms per month. The average Washington commercial customer rate decrease will be 22.3 percent.

This rate decrease will be in addition to the \$4.3 million in gas cost savings that was provided as a bill credit to customers in June.

We will file a final request for the rate reduction in early October, reflecting the most recent gas purchases. Once approved, the rate decrease will take effect Nov. 1.



Help is available

In a tough economy paying your energy bill creates difficult choices for many customers. If you need help, call us toll free **800.422.4012** to talk with a customer representative about one of our flexible payment plans or bill payment assistance.



Safety Service Tip

To ensure your natural gas appliances are operating safely, it's good to have them serviced annually by a qualified contractor. To connect with a NW Natural-certified contractor visit nwnatural.com or call toll free **877.243.5855**.



High-efficiency furnace and tankless water heater special offer

Get up to \$1,900 in savings

Now through December 31, 2009 if you install a 95% high-efficiency natural gas furnace with e-rated ECM in combination with a super-efficient tankless water heater, you'll **receive up to \$1,900** back through special incentives and tax credits, including a **\$100 free natural gas credit** on your bill and your **first annual tune-up** courtesy of the NW Natural-certified contractor who installed your new equipment.

The Federal Stimulus package responsible for most of these amazing incentives expires in 2010. So take advantage now to save money and energy with high-efficiency heating and water heating equipment.

For details visit nwnatural.com

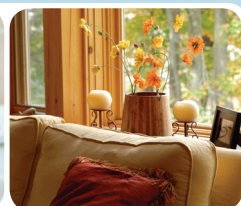


TABLE OF TARIFF SHEET REVISIONS
PROPOSED TO BECOME EFFECTIVE NOVEMBER 1, 2009

PROPOSED REVISION	CANCELS REVISION	SCHEDULE TITLE
Eighth Revision of Sheet vi	Seventh Revision of Sheet vi	Tariff Index (continued)
Eleventh Revision of Sheet vii	Tenth Revision of Sheet vii	Tariff Index (continued)
Effective November 1, 2009	Effective November 1, 2008	Summary of Monthly Sales Service Billing Rates
Effective November 1, 2009	Effective November 1, 2008	Summary of Monthly Transportation Service Billing Rates
Seventeenth Revision of Sheet 101.1	Sixteenth Revision of Sheet 101.1	Schedule 1 "General Sales Service"
Seventeenth Revision of Sheet 102.1	Sixteenth Revision of Sheet 102.1	Schedule 2 "Residential Sales Service"
Sixth Revision of Sheet 103.3	Fifth Revision of Sheet 103.3	Schedule 3 "Basic Firm Sales Service – Non-Residential (continued)"
Seventeenth Revision of Sheet 119.1	Sixteenth Revision of Sheet 119.1	Schedule 19 "Gas Light Service" CANCELLED
Eighteenth Revision of Sheet 127.1	Seventeenth Revision of Sheet 127.1	Schedule 27 "Residential Heating Dry-Out Service"
Fourth Revision of Sheet 141.9	Third Revision of Sheet 141.9	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Fifth Revision of Sheet 142.10	Fourth Revision of Sheet 142.10	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Fourth Revision of Sheet 142.11	Third Revision of Sheet 142.11	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Fourth Revision of Sheet 143.6	Third Revision of Sheet 143.6	Schedule 43 "High-Volume Non-Residential Firm and Interruptible Transportation Service (continued)"
Fifth Revision of Sheet 200.1	Fourth Revision of Sheet 200.1	Schedule 200 "Summary of Adjustments"
Second Revision of Sheet 200.2	First Revision of Sheet 200.2	Schedule 200 "Summary of Adjustments (continued)"
Fifteenth Revision of Sheet 201.1	Fourteenth Revision of Sheet 201.1	Schedule 201 "Temporary (Technical) Adjustments to Rates"

Sixth Revision of Sheet 201.2	Fifth Revision of Sheet 201.2	Schedule 201 "Temporary (Technical) Adjustments to Rates (continued)"
Seventeenth Revision of Sheet 203.1	Sixteenth Revision of Sheet 203.1	Schedule 203 "Purchased Gas Cost Adjustments to Rates"
First Revision of Sheet 210.1	Original Sheet 210.1	Schedule 210 "Adjustment to Rates for Property Sales"
Ninth Revision of Sheet 215.1	Eighth Revision of Sheet 215.1	Schedule 215 "Adjustment to Rates Energy Conservation Programs"
Fourth Revision of Sheet 220.1	Third Revision of Sheet 220.1	Schedule 220 "Special Rate Adjustment"
First Revision of Sheet 230.1	Original Sheet 230.1	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"

WASHINGTON

SUMMARY OF MONTHLY SALES SERVICE BILLING RATES

EFFECTIVE:
November 1, 2009

<p>SCHEDULE 1 GENERAL SALES SERVICE</p>	<p>SCHEDULE 2 RESIDENTIAL SALES SERVICE</p>	<p>SCHEDULE 3 BASIC FIRM SALES SERVICE</p>	<p>SCHEDULE 10 SPECIAL METERING EQUIPMENT</p>	<p>OTHER CHARGES:</p>	
<p>SCHEDULE 27 RESIDENTIAL HEATING DRY-OUT SERVICE</p> <p>Usage Charge: Customer Charge \$6.00 Per therm, all therms \$0.91102 Minimum Monthly Bill: \$6.00</p>	<p>SCHEDULE 41 NON-RESIDENTIAL SALES SERVICE</p> <p>Customer Charge: \$250.00 Volumetric Charges: Firm Service: 1st 2,000 therms: \$0.83604 Next 20,000 therms: \$0.64072 All additional therms: \$0.80017 <u>Plus</u> Pipeline Capacity Charges*: Firm (MDDV): \$1.82 Firm (per therm): \$0.12238 Interruptible Service: 1st 2,000 therms: \$0.85315 All additional therms: \$0.81738 <u>Plus</u> Pipeline Capacity Charge (per therm): \$0.04275 Minimum Monthly Bill: Customer Charge, plus Volumetric Charges, plus applicable Pipeline Capacity Charge.</p>	<p>SCHEDULE 42 LARGE VOLUME NON-RESIDENTIAL FIRM SALES SERVICE</p> <p>Customer Charge: \$1,300.00 Commercial Volumetric Charges: 1st 10,000 therms: \$0.65318 Next 20,000 therms: \$0.64072 Next 20,000 therms: \$0.61590 Next 100,000 therms: \$0.59958 Next 600,000 therms: \$0.57781 All additional therms: \$0.55059 Industrial Volumetric Charges: 1st 10,000 therms: \$0.65329 Next 20,000 therms: \$0.64081 Next 20,000 therms: \$0.61597 Next 100,000 therms: \$0.59963 Next 600,000 therms: \$0.57786 All additional therms: \$0.55060 <u>Plus</u> Storage Charge (per MDDV) \$0.20415 Distribution Capacity Chg. (MDDV) \$0.15748 Firm Pipeline Capacity Charges*: Per MDDV: \$1.82 Per therm: \$0.12238 Minimum Monthly Bill: Customer Charge, plus Volumetric Charges, plus applicable Pipeline Capacity Charge, plus the Storage and Distribution Charges.</p>	<p>SCHEDULE 42 LARGE VOLUME NON-RESIDENTIAL INTERRUPTIBLE SALES SERVICE</p> <p>Customer Charge: \$1,300.00 Volumetric Charges: 1st 10,000 therms: \$0.67106 Next 20,000 therms: \$0.65860 Next 20,000 therms: \$0.63384 Next 100,000 therms: \$0.61755 Next 600,000 therms: \$0.59583 All additional therms: \$0.56867 <u>Plus</u> Pipeline Capacity Chg. per therm: \$0.04275 <u>Plus</u> Storage Charge per MDDV: \$0.10208 Minimum Monthly Bill: Customer Charge, plus Volumetric Charges, plus Pipeline Capacity Charge, plus Storage Charge.</p>	<p>Telemetry Charge (per month) \$127.00 Standard Unauthorized Use: \$ 2.00/th Unauthorized Use - Violation of Curtailment Order \$10.00/th</p>	



Issued August 31, 2009
NWN Advice No. WUTC 09-9

Effective with service on
and after November 1, 2009

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SUMMARY OF MONTHLY TRANSPORTATION SERVICE BILLING RATES

**EFFECTIVE:
November 1, 2009**

SCHEDULE 41 NON-RESIDENTIAL <u>TRANSPORTATION SERVICE</u>	SCHEDULE 42 LARGE VOLUME NON-RESIDENTIAL <u>FIRM TRANSPORTATION SERVICE</u>	SCHEDULE 43 HIGH-VOLUME NON-RESIDENTIAL <u>TRANSPORTATION SERVICE</u>	<u>OTHER CHARGES:</u>
Customer Charge: \$250.00 Transportation Charge: \$250.00 Volumetric Charges: 1st 2,000 therms: \$0.30077 All additional therms: \$0.26500 Minimum Monthly Bill: \$500.00	Customer Charge: \$1,300.00 Transportation Charge: \$250.00 Volumetric Charges: 1st 10,000 therms: \$0.11809 Next 20,000 therms: \$0.10571 Next 20,000 therms: \$0.08106 Next 100,000 therms: \$0.06485 Next 600,000 therms: \$0.04324 All additional therms: \$0.01621 Firm Distribution Capacity Chg. (MDDV) \$0.15748 Minimum Monthly Bill: \$1,550.00 Plus for Firm Service: Distribution Capacity Charge	Customer Charge: \$38,000.00 Transportation Charge: \$250.00 Volumetric Charges: All therms: \$0.00499 If Firm Service, ADD: Distribution Capacity Chg. (MDDV) \$0.15748 Minimum Monthly Bill: \$38,250.00 Plus for Firm Service: Distribution Capacity Charge	Monthly Telemetry Charge: \$127.00 Standard Unauthorized Use: \$2.00/th Unauthorized Use - Violation of Curtailment Order: \$10.00/th Annual Sales WACOG: \$0.59968 Winter Sales WACOG: \$0.58123
	SCHEDULE 42 LARGE VOLUME NON-RESIDENTIAL <u>INTERRUPTIBLE TRANSPORTATION SERVICE</u>	<u>PENALTY CHARGES:</u>	
	Customer Charge: \$1,300.00 Transportation Charge: \$250.00 Volumetric Charges: 1st 10,000 therms: \$0.11811 Next 20,000 therms: \$0.10572 Next 20,000 therms: \$0.08107 Next 100,000 therms: \$0.06486 Next 600,000 therms: \$0.04324 All additional therms: \$0.01621 Minimum Monthly Bill: \$1,550.00	Balancing Charge (excess over 5%) \$1.00/therm Entitlement Overrun Charges: Excess < threshold + 2% \$0.50/therm Excess > threshold + 2% \$1.00/therm Entitlement Underrun Charges: 5% to 10% \$0.50/therm Over 10% \$1.00/therm Underrun not cleared \$1.00/therm	



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