

Rates and Regulatory Affairs
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September 2, 2010

NWN Advice No. WUTC 10-8

VIA ELECTRONIC FILING

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

Re: Annual Purchased Gas Cost Adjustment; Deferred Gas Cost Amortization Adjustments; and other Non-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, 2010.

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, 2009.

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 0.8% and commercial bills will decrease 1.0%. 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 \$799,166.

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 \$0.55192 per therm. The proposed Winter Sales Weighted Average Cost of Gas is \$0.56299. The proposed firm service pipeline capacity cost is \$0.12753 per therm, and the proposed interruptible service pipeline capacity cost is \$0.04455. The net effect of the combined purchased gas adjustments in this filing is a decrease of \$0.03947 per therm for firm sales rate schedules and a decrease of \$0.04282 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) and other non-gas cost accounts (Account 186). 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, 2009. 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 186.310. The balance in 186.310 relates to general energy efficiency programs (Schedule G) beginning November 2009. 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. Account 186.235 is the remaining unamortized amount from a consolidation of low-income assistance deferred accounts.

5. A 12-month amortization of collection balances in account 186.314. The balance in 186.314 relates to the Schedule I "Washington Low-Income Energy Efficiency (WA-LIEE) program, which is the Company's low-income energy efficiency program that went into effect on October 1, 2009.

The removal of the temporary adjustments that were placed into rates effective November 1, 2009 is also reflected in this portion of the filing.

In addition to the supporting materials submitted as part of this filing, the Company will separately submit work papers in electronic format, all of which are incorporated herein by reference.

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 63,398 residential customers and 5,328 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, 2010.

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



RATE DECREASE FILED

Lower gas prices hold steady

On Sept. 2, NW Natural filed its initial request with the Washington Utilities and Transportation Commission for a rate decrease to reflect gas purchases for the upcoming year, beginning Nov. 1.

If the initial request is approved as filed, rates would decrease by 0.8 percent for residential customers and 1 percent for commercial customers.

The average homeowner using 59 therms would see an average decrease of about 53 cents a month. The average commercial customer would see a reduction of about \$3.01 a month.

As part of the regulatory process, the company will file a final rate change request in early October to reflect the most recent gas purchases.

“Barring any extreme events, we expect prices to stay low as we continue to buy supplies for the upcoming heating season, which should reduce the numbers even more for our final filing,” said

Did you know?

While electric rates are on the rise in many Northwest communities, NW Natural customers are paying about the same rates today as they were in 2004.

Interested in other ways to

MANAGE YOUR NATURAL GAS BILLS?

Visit nwnatural.com

Randy Friedman, Director of Gas Supply.

Once the final filing is approved by regulators, the rate adjustment will take effect Nov. 1, 2010.

Each year, gas utilities file adjusted rates with state regulators, based primarily on the cost of buying natural gas for customers. Gas prices fell substantially in 2009, allowing NW Natural to lower rates by 21.5 percent in Washington last year.

YOUR WINDOW of OPPORTUNITY is CLOSING FAST

Act now or lose up to \$1,500

The **\$1,500** federal energy tax credit is set to expire on Dec. 31, 2010, so there has never been more urgency than now to upgrade to a 95% high-efficiency natural gas furnace and/or tankless water heater. Install both before the end of the year and you can get up to **\$2,300 back** in rebates, tax and gas credits. Wait for January and **\$1,500** of that will fly out the window when the federal tax credit expires.



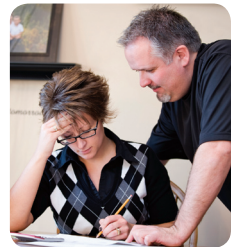
Don't let your window of opportunity close. Visit nwnaturaloffers.com for details.

GET READY for colder weather ahead

We can help

Heating bills can put a strain on household budgets, so the fall is a good time to plan for the winter. NW Natural offers you a variety of ways to manage your bills.

- Low-income customers may be eligible for **grants** to help pay their energy bills. You may also be eligible for **weatherization help**, which can help you save energy and lower your bills.
- **Flexible payment plans** can help customers having trouble paying their bills.
- **Equal pay** helps you manage your bills by spreading payments over a year, eliminating high bills during the coldest months.



If you need help with your bills or are interested in any of these programs, visit nwnatural.com or call **800-422-4012**.

Enter the BRINGIN' THE HEAT SWEEPSTAKES



The Civil War is unquestionably the most exciting college sporting event in Oregon and you and three friends could be there if you win our Bringin' the Heat Civil War Sweepstakes. Visit our special offers site and enter for your chance to **win four Club-level**

seats to the Civil War or **\$1,000 off** a high-efficiency natural gas furnace, fireplace or tankless water heater. No purchase necessary to enter or win.



For contest rules and to enter, visit nwnaturaloffers.com.

TABLE OF TARIFF SHEET REVISIONS
PROPOSED TO BECOME EFFECTIVE NOVEMBER 1, 2010

PROPOSED REVISION	CANCELS REVISION	SCHEDULE TITLE
Tenth Revision of Sheet vi	Ninth Revision of Sheet vi	Tariff Index (continued)
Thirteenth Revision of Sheet vii	Twelfth Revision of Sheet vii	Tariff Index (continued)
Effective November 1, 2010	Effective November 1, 2009	Summary of Monthly Sales Service Billing Rates
Effective November 1, 2010	Effective November 1, 2009	Summary of Monthly Transportation Service Billing Rates
Eighteenth Revision of Sheet 101.1	Seventeenth Revision of Sheet 101.1	Schedule 1 "General Sales Service"
Eighteenth Revision of Sheet 102.1	Seventeenth Revision of Sheet 102.1	Schedule 2 "Residential Sales Service"
Seventh Revision of Sheet 103.3	Sixth Revision of Sheet 103.3	Schedule 3 "Basic Firm Sales Service – Non-Residential (continued)"
Nineteenth Revision of Sheet 127.1	Eighteenth Revision of Sheet 127.1	Schedule 27 "Residential Heating Dry-Out Service"
Fifth Revision of Sheet 141.9	Fourth Revision of Sheet 141.9	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Original Sheet 141.10	N/A	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Sixth Revision of Sheet 142.10	Fifth Revision of Sheet 142.10	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Original Sheet 142.10.1	N/A	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Fifth Revision of Sheet 142.11	Fourth Revision of Sheet 142.11	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Fifth Revision of Sheet 143.6	Fourth Revision of Sheet 143.6	Schedule 43 "High-Volume Non-Residential Firm and Interruptible Transportation Service (continued)"
Sixteenth Revision of Sheet 201.1	Fifteenth Revision of Sheet 201.1	Schedule 201 "Temporary (Technical) Adjustments to Rates"
Seventh Revision of Sheet 201.2	Sixth Revision of Sheet 201.2	Schedule 201 "Temporary (Technical) Adjustments to Rates (continued)"

Eighteenth Revision of Sheet 203.1	Seventeenth Revision of Sheet 203.1	Schedule 203 "Purchased Gas Cost Adjustments to Rates"
Second Revision of Sheet 210.1	First Revision of Sheet 210.1	Schedule 210 "Adjustment to Rates for Property Sales"
Tenth Revision of Sheet 215.1	Ninth Revision of Sheet 215.1	Schedule 215 "Adjustment to Rates Energy Conservation Programs"
Fifth Revision of Sheet 220.1	Fourth Revision of Sheet 220.1	Schedule 220 "Special Rate Adjustment"
Second Revision of Sheet 230.1	First Revision of Sheet 230.1	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"
Original Sheet 230.2	N/A	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"
Second Revision of Sheet I.1	First Revision of Sheet I.1	Schedule I "Washington Low-Income Energy Efficiency (WA-LIEE) Programs"