

UG-110768-SI

Rates and Regulatory Affairs  
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 <b>NW Natural</b>	220 NW 2ND AVENUE PORTLAND, OR 97209
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April 29, 2011

David Danner, Executive Director & Secretary  
Washington Utilities & Transportation Commission  
1300 S. Evergreen Park Drive, S.W.  
P.O. Box 47250  
Olympia, Washington 98504-7250

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 STATE OF WASH.  
 UTIL. AND TRANSP.  
 COMMISSION

Re: **ANNUAL COMMISSION BASIS REPORT FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2010 WITH WORKPAPERS**

Dear Mr. Danner:

Enclosed are an original and three copies of the Company's Annual Commission Basis Report with workpapers for the 12 months ended December 31, 2010. This Report is submitted under *WAC 480-90-257*.

Please feel free to call me if you have any questions.

Sincerely,



Natasha Siores  
Senior Rates Analyst

NCS/kcm  
Enclosures



REPORT:

ANNUAL COMMISSION BASIS REPORT  
WITH WORKPAPERS  
(for the 12 months ended December 31, 2010)

NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010

<u>Line No.</u>	<u>Test Year Results</u>	<u>Adjustments</u>	<u>Test Year Adjusted</u>
	(a)	(b)	(c)
<b>Operating Revenues</b>			
1	\$74,486,940	\$3,880,354	\$78,367,294
2	1,204,486	151,484	1,355,971
3	(136,479)	7,203	(129,276)
4	<b>Total Operating Revenues</b>		
	75,554,948	4,039,041	79,593,989
<b>Operating Revenue Deductions</b>			
5	39,902,592	3,482,722	43,385,314
6	169,450	109,197	278,647
7	10,917,299	(496,753)	10,420,546
8	<b>Total Operating &amp; Maintenance Expense</b>		
	50,989,341	3,095,166	54,084,507
9	3,257,489	174,173	3,431,662
10	1,359,669	0	1,359,669
11	3,788,605	163,662	3,952,266
12	6,632,717	0	6,632,717
13	<b>Total Operating Revenue Deductions</b>		
	66,027,821	3,433,001	69,460,822
14	<b>Net Operating Revenues</b>		
	\$9,527,127	\$606,040	\$10,133,167
15	<b>Total Rate Base</b>		
	\$116,953,918	\$8,662,723	\$125,616,640
16	<b>Rate of Return</b>	8.15%	8.07%
17	<b>Return on Common Equity</b>	10.94%	10.76%

# NW Natural

## 12 Month NWN Income Statement

For the twelve months ended December 31, 2010

	CURRENT 12-MONTH	PRIOR 12-MONTHS	COMPARISON	VARIANCE %
	\$	\$	\$	%
<b>OPERATING REVENUES</b>				
GAS SALES RESIDENTIAL	455,792,024	588,178,179	(132,386,155)	(23)%
GAS SALES -RESIDENTIAL-WARM ADJUST	6,100,470	(12,203,704)	18,304,173	150%
GAS SALES - COMMERCIAL FIRM	228,567,880	305,362,813	(76,794,933)	(25)%
GAS SALES - COMMERCIAL FIRM - WARM ADJUST	2,036,631	(3,974,859)	6,011,490	151%
GAS SALES - INDUSTRIAL FIRM	31,045,629	42,800,128	(11,754,499)	(27)%
GAS SALES - INCENTIVE				
GAS SALES - INDUSTRIAL INTERRUPTIBLE	36,163,852	62,116,086	(25,952,235)	(42)%
>>>TOTAL GAS SALES REVENUE	<b>759,706,485</b>	<b>982,278,644</b>	<b>(222,572,159)</b>	<b>(23)%</b>
<b>UNBILLED REVENUE</b>				
UNBILLED REVENUES CURRENT MONTH	389,225,813	531,673,729	(142,447,916)	(27)%
UNBILLED REVENUES PREVIOUS MONTH	(404,120,603)	(562,967,301)	158,846,698	28%
>>>NET UNBILLED REVENUE - BILLING RATES	<b>(14,894,790)</b>	<b>(31,293,573)</b>	<b>16,398,782</b>	<b>52%</b>
UNBILLED REVS-WARM CURRENT MONTH	6,822,750	(8,184,287)	15,007,037	183%
UNBILLED REVS-WARM REVENUES PREV MONTH	(877,588)	9,112,317	(9,989,905)	(110)%
>>>NET UNBILLED REVENUE - WARM ADJUSTMEN	<b>5,945,162</b>	<b>928,030</b>	<b>5,017,133</b>	<b>541%</b>
>>>TOTAL UNBILLED REVENUE	<b>(8,949,628)</b>	<b>(30,365,543)</b>	<b>21,415,915</b>	<b>71%</b>
<b>TRANSPORTATION REVENUE</b>				
<b>TRANSP AGENCY FEES</b>				
TRANSP BALANCING CHG/OVERRUN	(25)	4,993	(5,018)	(101)%
TRANSP REVENUE-COMMERCIAL	404,668	151,249	253,418	168%
TRANSP REVENUE-IND FIRM	5,702,369	5,670,794	31,575	1%
TRANSP REVENUE-IND INTERR	8,130,947	7,963,772	167,175	2%
TRANSP REVENUE-INCENTIVE				
>>>TOTAL TRANSPORTATION REV	<b>14,237,958</b>	<b>13,790,808</b>	<b>447,150</b>	<b>3%</b>
<b>RATE ADJUSTMENTS</b>				
DSM - AMORTIZATION	(260,444)	(183,717)	(76,727)	(42)%
<b>LOST MARGIN - FURNACE</b>				
<b>MIST EXPANSION</b>				
SB 408 REFUND	25,739	(6,325,274)	6,351,013	100%
<b>BARE STEEL PROGRAM RETURN</b>				
INTERSTATE STORAGE CREDIT	11,336,195	7,353,450	3,982,746	54%
COOS BAY RATE ADJUSTMENT	(550,000)		(550,000)	0
COOS BAY AMORT				
DECOUPLING DEFERRAL	15,498,896	11,628,008	3,870,887	33%
DECOUPLING AMORTIZATION	(11,855,856)	(118,220)	(11,737,636)	(9,929)%
WARM DEFERRALS	108,160	(364,288)	472,448	130%
INTERVENER FUND AMORT	(78,579)	(84,442)	5,863	7%
SMPE DEFERRAL/MOLALLA	0		0	0
SMPE AMORTIZATION				
<b>PIPELINE INTEGRITY REFUND</b>				
<b>FISH/GARDEN BLOCK REFUNDS</b>				
<b>NNGFC CREDIT AMORTIZATION</b>				
OR TAX KICKER DEFERRAL				
OR AMORTIZATION	(799,936)	(226,280)	(573,656)	(254)%
<b>STORAGE RECALL DEFERRAL</b>				
<b>VANC PROP GAIN OR AMORTIZATION</b>				

	CURRENT	12-MONTH	PRIOR 12-MONTHS	COMPARISON	VARIANCE %
ALBANY PROP GAIN AMORT	6,271		370,731	(364,460)	(98)%
WA GREAT	(236,720)		(33,536)	(203,184)	(606)%
RATE INCREASES	65,407		2,457,205	(2,391,797)	(97)%
>>>TOTAL RATE ADJUSTMENTS	<b>13,259,134</b>		<b>14,473,638</b>	<b>(1,214,504)</b>	<b>(8)%</b>
MISCELLANEOUS REVENUES					
LATE PAYMENT CHARGE	2,629,298		3,200,846	(571,548)	(18)%
RETURNED CHECK CHARGE	124,948		147,103	(22,155)	(15)%
RECONN CHG-CR-DURING OFFICE HRS	245,884		272,284	(26,400)	(10)%
FIELD COLLECTION CHARGES	325,540		330,470	(4,930)	(1)%
RECONN CHG-CR-AFTER OFFICE HRS	410,575		415,500	(4,925)	(1)%
RECONN CHG-SEAS-DURING OFFICE HRS	18,590		20,150	(1,560)	(8)%
RECONN CHG-SEAS-AFTER OFFICE HRS	6,575		9,025	(2,450)	(27)%
AUTOMATED PAYMENT CHARGE	139,407		147,750	(8,343)	(6)%
ENHANCED SERVICE					
SUMMARY BILL SVCS	9,835		9,126	709	8%
EARLY TERMINATION FEE			0	0	0
RENT - UTILITY PROPERTY	420,248		253,164	167,084	66%
MEAS 5 PROP TAX ADJ					
METER RENTALS	201,177		213,332	(12,155)	(6)%
OTHER GAS REV - MISC	117,841		1,492,494	(1,374,653)	(92)%
MULT CO TAX RECOVER					
MULTIPLE CALL OUT FEE	2,616		2,958	(342)	(12)%
PRIORITY SCHEDULING FEE	3,200		8,000	(4,800)	(60)%
CURTAILMENT UNAUTH TAKE CHRG	2,410		164,860	(162,450)	(99)%
SSP - LEAD FEE					
TRANSPORTATION CUSTOMER SETTLEMENT					
WTR HTR PROG-REVENUES	(226)		(51)	(175)	(340)%
WTR HTR PROG - INTEREST	8		(24)	33	135%
>>>TOTAL MISCELLANEOUS REVENUES	<b>4,657,927</b>		<b>6,686,986</b>	<b>(2,029,059)</b>	<b>(30)%</b>
>>>TOTAL OPERATING REVENUES	<b>782,911,876</b>		<b>986,864,533</b>	<b>(203,952,658)</b>	<b>(21)%</b>
COST OF GAS					
LPG COST - COOS BAY MATERIAL					
FLD LINE PUR - MIST	7,845,951		6,435,931	1,410,019	22%
DEC-NOV DEMAND CHG EQUALIZ	413,000		27,000	386,000	1,430%
DEMAND CHG EQUALIZE	0		0	0	0
SYS SUP - DEMAND CHG	91,383,586		84,593,267	6,790,319	8%
SYS SUP-L.T. CONTR	356,761,224		474,991,805	(118,230,581)	(25)%
SYS SUP - IMBAL PURCH ACCRUED	611,561		2,164,211	(1,552,650)	(72)%
DEM CHG EQ - NPC TRACK	0		0	0	0
DEMAND CAPACITY RELE	(4,159,258)		(4,159,238)	(20)	(0)%
GAS FOR RESALE COST					
GAS FOR RESALE - CR					
WACOG EQUALIZATION	(525,000)		848,000	(1,373,000)	(162)%
RESERVATION FEES					
TEMP CAP DEM CHG					
COOS BAY CNG EXPENSES					
AMORT GAS COSTS - OR	(30,162,568)		(43,544,454)	13,381,885	31%
AMORT GAS COSTS - WA	(4,550,908)		(4,870,494)	319,586	7%
OR STORAGE PGA					
OR WACOG DEF	14,026,521		67,413,050	(53,386,529)	(79)%
OR DEMAND DEF COST	(4,187,978)		2,425,901	(6,613,879)	(273)%

	CURRENT	12-MONTH	PRIOR 12-MONTHS	COMPARISON	VARIANCE %
WA WACOG DEF	1,663,721		8,919,298	(7,255,577)	(81)%
WA DEMAND DEF	(1,022,885)		(922,646)	(100,239)	(11)%
OREGON DEMAND DEF VOL	(3,898,354)		1,645,200	(5,543,553)	(337)%
WA DEMAND DEF COLLECTIONS			1,275,681	(1,275,681)	(100)%
FAS 133 EFFECTIVENESS					
FAS 133 DEFERRAL					
LNG WDRAWN PORTLAND	676,723		679,110	(2,387)	(0)%
LNG WDRAWN PLYMOUTH	476,250		948,200	(471,950)	(50)%
LNG WDRAWN NEWPORT	1,763,296		1,461,323	301,973	21%
GAS WDRAWN MIST	15,298,292		37,114,876	(21,816,584)	(59)%
GAS WDRAWN JP #2	13,646,955		18,773,553	(5,126,598)	(27)%
GAS WDRAWN ALBERTA					
LNG DELVD PORTLAND	(757,720)		(354,495)	(403,226)	(114)%
LNG DELVD PLYMOUTH	(915,288)		(668,116)	(247,173)	(37)%
LNG DELVD NEWPORT	(526,816)		(2,680,997)	2,154,180	80%
GAS DELVD MIST	(16,047,934)		(26,155,352)	10,107,417	39%
GAS DELVD JP #2	(12,891,861)		(14,724,244)	1,832,384	12%
LNG DELVD PLY - LIQUIF	0		0	(0)	(50)%
CO USE OF GAS - CR EXPENSE	(426,578)		(548,249)	121,671	22%
>>>TOTAL COST OF GAS	<b>424,493,929</b>		<b>611,088,123</b>	<b>(186,594,194)</b>	<b>(31)%</b>
>>>REVENUE LESS COST OF GAS:	<b>358,417,946</b>		<b>375,776,410</b>	<b>(17,358,464)</b>	<b>(5)%</b>
REVENUE TAXES					
TAXES - FRANCHISE	19,991,040		24,656,045	(4,665,005)	(19)%
>>>NET OPERATING REVENUES	<b>338,426,906</b>		<b>351,120,365</b>	<b>(12,693,459)</b>	<b>(4)%</b>
>>>O & M EXPENSES	<b>114,693,441</b>		<b>125,690,380</b>	<b>(10,996,939)</b>	<b>(9)%</b>
GENERAL TAXES					
TAXES - PROPERTY	15,287,619		19,751,345	(4,463,727)	(23)%
TAXES - PAYROLL	5,053,714		5,181,757	(128,043)	(2)%
TAXES - OTHER	321,543		185,394	136,149	73%
TAXES - REG COMM FEE	2,432,537		2,500,251	(67,714)	(3)%
MULT CO BUS TAX	9,985		(4,964)	14,949	301%
>>>TOTAL GENERAL TAXES	<b>23,105,397</b>		<b>27,613,783</b>	<b>(4,508,386)</b>	<b>(16)%</b>
DEPRECIATION - PLANT	62,661,458		61,472,308	1,189,150	2%
>>>TOTAL OPERATING EXPENSES	<b>200,460,296</b>		<b>214,776,470</b>	<b>(14,316,174)</b>	<b>(7)%</b>
>>>INCOME FROM OPERATIONS	<b>137,966,610</b>		<b>136,343,895</b>	<b>1,622,715</b>	<b>1%</b>

NW Natural  
Washington Quarterly Results of Operations Report  
Operations and Maintenance Expense: Allocation of System Amounts  
For the Twelve Months Ended December 31, 2010

Twelve Months Ended

		<u>System</u>	<u>Washington</u>	<u>Oregon</u>
<b>Natural Gas Storage</b>				
<b>Underground Storage Expense</b>				
<b>Operation</b>				
816	Wells Expense	\$217,378	\$20,851	\$196,527
818	Compressor Station Expense	452,544	43,580	408,964
820	Measuring and Regulator Station Expense	1,148,337	110,601	1,037,736
821	Purification Expense	117,304	11,296	106,008
<b>Maintenance</b>				
832	Wells Expense	137,351	13,227	124,124
<b>Total Underground Storage Expense</b>		<u>2,072,915</u>	<u>199,556</u>	<u>1,873,359</u>
<b>Other Storage Expense</b>				
<b>Operation</b>				
840	Supervision and Engineering	83,070	7,992	75,077
<b>Total Other Storage Expense</b>		<u>83,070</u>	<u>7,992</u>	<u>75,077</u>
<b>Liquified Natural Gas Expense</b>				
<b>Operation</b>				
844	Supervision and Engineering	1,751,184	168,634	1,582,551
845	LNG Fuel	(69,093)	(6,654)	(62,440)
<b>Maintenance</b>				
847	Supervision and Engineering	731,826	70,475	661,351
<b>Total Liquified Natural Gas Expense</b>		<u>2,413,917</u>	<u>232,455</u>	<u>2,181,462</u>
<b>Total Natural Gas Storage</b>		<u>4,569,901</u>	<u>440,003</u>	<u>4,129,898</u>
<b>Transmission Expense</b>				
<b>Operation</b>				
856	Mains Expense	423,699	38,817	384,883
<b>Maintenance</b>				
863	Maintenance of Mains	12,765	830	11,935
<b>Total Transmission Expense</b>		<u>436,464</u>	<u>39,647</u>	<u>396,817</u>
<b>Distribution Expense</b>				
<b>Operation</b>				
870	Supervision and Engineering	2,295,365	176,298	2,119,067
874	Mains and Services Expense	8,008,295	523,541	7,484,754
875	Measuring and Regulator Station Expense - General	248,735	21,502	227,233
877	Measuring and Regulator Station Expense - City Gate	397,170	30,444	366,726
878	Meter and House Regulator Expense	4,055,066	407,601	3,647,466
879	Customer Installation Expense	7,970,239	814,818	7,155,420
880	Other Expense	1,433,235	139,325	1,293,911
881	Rents	144,928	14,333	130,594

	<b>System</b>	<b>Washington</b>	<b>Oregon</b>
<b>Maintenance</b>			
885	Supervision and Engineering	4,387,016	4,037,350
887	Mains	2,546,391	2,384,960
889	Measuring and Regulator Station Expense - General	843,280	770,016
891	Measuring and Regulator Station Expense - City Gate	62,629	57,808
892	Services	1,395,827	1,271,748
893	Meters and House Regulators	1,904,370	1,731,972
894	Other Equipment	164,076	148,092
	<b>Total Distribution Expense</b>	<b>35,856,623</b>	<b>32,827,116</b>
<b>Customer Accounts Expense</b>			
<b>Operation</b>			
901	Supervision	1,288,650	1,161,326
902	Meter Reading Expenses	707,395	635,696
903	Customer Records and Collection Expense	16,000,803	14,399,742
904	Uncollectible Accounts	1,716,560	1,547,110
	<b>Total Customer Accounts Expense</b>	<b>19,713,407</b>	<b>17,743,874</b>
<b>Customer Service and Informational</b>			
<b>Operation</b>			
907	Supervision	299,205	267,843
908	Customer Assistance Expense	3,407,170	3,055,293
909	Customer Information Expense	1,484,744	1,329,904
910	Miscellaneous Customer Service Expense	185,295	165,970
	<b>Total Customer Service and Informational</b>	<b>5,376,414</b>	<b>4,819,010</b>
<b>Sales Expense</b>			
<b>Operation</b>			
911	Supervision	319,065	285,972
912	Demonstration and Selling Expense	2,223,388	1,995,036
913	Advertising	612,842	559,936
916	Miscellaneous Sales Expense	152	137
	<b>Total Sales Expense</b>	<b>3,155,446</b>	<b>2,841,080</b>
<b>Administrative and General Expense</b>			
<b>Operation</b>			
921	Office Supplies and Expense	38,353,169	34,345,753
922	Administrative Expenses Transferred - Credit	(15,208,796)	(13,612,863)
924	Property Insurance Premium	2,541,253	2,289,923
925	Injuries and Damages	934,285	842,555
926	Employee Pensions and Benefits	8,708,987	7,765,501
928	Regulatory Commission Expense		
930	Miscellaneous General Expense	2,789,698	2,513,797
931	Rents	4,173,377	3,670,574
<b>Maintenance</b>			
935	Maintenance of General Plant	3,293,213	3,033,656
	<b>Total Administrative and General Expense</b>	<b>45,585,185</b>	<b>40,848,896</b>
	<b>Total Operations and Maintenance Expense</b>	<b>\$114,693,441</b>	<b>\$103,606,692</b>



**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
State Allocation of Other Revenues, Depreciation Expense and Other Taxes**

	<u>Oregon</u>	<u>Washington</u>	<u>System</u>	
<b>Other Operating Revenues</b>				
Reconnect Charges	607,649	73,975	681,624	Direct
Late Payment Charges	2,493,663	135,635	2,629,298	Direct
Automated Payment Charge	120,209	19,198	139,407	Direct
Returned Check	109,858	15,090	124,948	Direct
Field Collection	282,130	43,410	325,540	Direct
Meter Rentals	178,557	22,621	201,177	Direct
Utility Property Rental	386,681	33,568	420,248	Follows Plant Split
Water Heater Program	(217)	0	(217)	Direct
Curtailment Unauthorized Take	(7,670)	10,080	2,410	Direct
Revenue & Technical Adjs	13,750,026	(490,892)	13,259,134	Direct
Miscellaneous	132,654	838	133,492	Direct
<b>Total Other Op Revenues</b>	<b>18,053,539</b>	<b>(136,479)</b>	<b>17,917,061</b>	
<b>Depreciation Expense</b>				
Intangible	4,389,183	501,816	4,890,999	Customers
Transmission	1,043,656	23,655	1,067,311	Direct
Distribution	39,859,289	5,108,353	44,967,642	Direct
General	4,484,186	491,056	4,975,242	3-factor
Storage and storage transmissior	6,252,427	507,837	6,760,264	Firm Sales
Production Plant	0	0	0	Direct
CNG and LNG	0	0	0	3-factor
<b>Total Depreciation Expense</b>	<b>56,028,741</b>	<b>6,632,717</b>	<b>62,661,458</b>	
	89.41%			
<b>Other Taxes</b>				
Property	13,927,950	1,359,669	15,287,619	Direct
Franchise	16,908,246	3,082,794	19,991,040	Direct
Payroll	4,518,020	535,694	5,053,714	Payroll
Regulatory Fee	2,234,034	198,503	2,432,537	Direct
Department of Energy	609,142	0	609,142	Direct
Other	(259,213)	(28,386)	(287,599)	3-factor on non-Oregon
<b>Multnomah County Business</b>	<b>9,985</b>	<b>0</b>	<b>9,985</b>	Direct
<b>Other Taxes</b>	<b>37,948,164</b>	<b>5,148,273</b>	<b>43,096,438</b>	

**NW Natural**  
**State Allocation Factors**  
**Updated for year ended 2009 data**

<b>Allocation Factors - Summary</b>	<b>Washington</b>	<b>Oregon</b>
<b>Customers-all</b>	10.260%	89.740%
<b>Customers-Residential</b>	10.430%	89.570%
<b>Customers-Commercial</b>	8.600%	91.400%
<b>Customers-Industrial</b>	6.950%	93.050%
<b>Customers-The Dalles</b>	25.510%	74.490%
<b>3-factor</b>	9.870%	90.130%
<b>firm volumes</b>	9.870%	90.130%
<b>sales volumes</b>	9.650%	90.350%
<b>sendout volumes</b>	7.670%	92.330%
<b>sales/sendout volumes</b>	8.660%	91.340%
<b>Customers Portland/Vancouver</b>	14.090%	85.910%
<b>Customers Portland/Vancouver 80%</b>	11.272%	88.728%
<b>Customers Portland/Vancouver Commercial</b>	12.760%	87.240%
<b>Payroll</b>	10.600%	89.400%
<b>Admin Transfer</b>	10.330%	89.670%
<b>Employee Cost</b>	10.850%	89.150%
<b>Regulatory</b>	30.000%	70.000%
<b>Telemetrying</b>	10.770%	89.230%
<b>Direct-Wa</b>	100.000%	0.000%
<b>Direct-Or</b>	0.000%	100.000%
<b>Gross plant direct assign</b>	10.760%	89.240%
<b>Depreciation</b>	10.585%	89.415%
<b>Rate Base</b>	11.771%	

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		2009	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	Dec 09 - Dec 10			
		2009	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010		
		Dec	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December	12 month average		WASHINGTON		WASHINGTON				
		WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	WASHINGTON	
<b>Gross Plant</b>																							
<b>Intangible</b>	<b>Software</b>	10,501,633	10,502,755	10,535,514	10,609,893	10,643,435	10,649,372	10,721,858	10,758,569	10,760,735	10,263,430	10,286,956	10,302,284	10,331,925	10,537,632	10,537,632	10,537,632	10,537,632	10,537,632	10,537,632	10,537,632	Total Customers	
	<b>Other</b>	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	447	Direct	
<b>Production</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct	
<b>Transmission</b>		723,441	648,144	670,059	875,064	965,886	1,104,855	1,331,947	1,350,815	1,418,722	1,437,708	1,437,538	1,438,526	754,903	1,118,620	1,118,620	1,118,620	1,118,620	1,118,620	1,118,620	1,118,620	Direct	
<b>Distribution</b>		183,680,956	184,786,916	185,023,815	185,289,945	185,642,556	185,771,832	185,922,842	186,111,650	186,394,447	186,563,920	186,744,082	186,872,221	186,923,269	185,923,269	185,923,269	185,923,269	185,923,269	185,923,269	185,923,269	185,923,269	Direct	
<b>General</b>		8,748,743	8,750,076	8,744,709	8,781,236	8,748,125	8,712,010	8,632,103	8,689,277	8,733,214	8,454,320	8,487,122	8,550,668	8,680,998	8,666,478	8,666,478	8,666,478	8,666,478	8,666,478	8,666,478	8,666,478	3-Factor & Direct	
<b>Storage and storage transmission</b>		23,904,333	23,925,273	23,927,532	23,939,067	23,939,165	23,939,166	23,939,167	23,940,965	23,981,106	23,990,308	23,990,308	23,990,308	23,989,669	23,954,114	23,954,114	23,954,114	23,954,114	23,954,114	23,954,114	23,954,114	Firm Delivered Volun	
<b>CNG and LNG</b>		253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	253,425	3-Factor	
<b>Total Gross Plant</b>		227,812,978	228,867,034	229,155,501	229,749,077	230,193,039	230,431,106	230,801,790	231,105,149	231,542,097	230,963,558	231,199,878	231,407,878	232,250,419	230,453,984	230,453,984	230,453,984	230,453,984	230,453,984	230,453,984	230,453,984	230,453,984	
<b>Accumulated Depreciation</b>																							
<b>Intangible</b>		(7,027,293)	(7,085,101)	(7,136,686)	(7,188,528)	(7,240,500)	(7,292,500)	(7,344,877)	(7,397,390)	(7,449,161)	(6,983,623)	(7,033,678)	(7,083,803)	(7,134,651)	(7,193,068)	(7,193,068)	(7,193,068)	(7,193,068)	(7,193,068)	(7,193,068)	(7,193,068)	Total Customers	
<b>Production</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct	
<b>Transmission</b>		(7,207)	(9,043)	(10,191)	(11,672)	(13,300)	(15,150)	(17,360)	(19,600)	(21,628)	(24,067)	(26,523)	(28,980)	(11,852)	(17,254)	(17,254)	(17,254)	(17,254)	(17,254)	(17,254)	(17,254)	Direct	
<b>Distribution</b>		(67,152,488)	(67,845,849)	(68,264,229)	(68,681,936)	(69,094,993)	(69,513,350)	(69,938,404)	(70,365,839)	(70,793,827)	(71,013,478)	(71,013,478)	(71,013,478)	(71,013,478)	(69,867,063)	(69,867,063)	(69,867,063)	(69,867,063)	(69,867,063)	(69,867,063)	(69,867,063)	Direct	
<b>General</b>		(6,000,015)	(6,089,116)	(6,101,814)	(6,148,480)	(6,167,586)	(6,098,861)	(6,023,165)	(6,040,258)	(6,101,090)	(5,814,323)	(5,857,465)	(5,885,250)	(5,941,141)	(6,024,832)	(6,024,832)	(6,024,832)	(6,024,832)	(6,024,832)	(6,024,832)	(6,024,832)	3-Factor	
<b>Storage and storage transmission</b>		(6,176,556)	(6,156,364)	(6,198,699)	(6,240,963)	(6,283,257)	(6,325,521)	(6,367,815)	(6,410,082)	(6,452,374)	(6,494,767)	(6,537,145)	(6,579,554)	(6,621,931)	(6,370,482)	(6,370,482)	(6,370,482)	(6,370,482)	(6,370,482)	(6,370,482)	(6,370,482)	Firm Delivered Volun	
<b>CNG and LNG</b>		(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	(253,425)	3-Factor	
<b>Total Accumulated Depreciation</b>		(86,616,985)	(87,438,898)	(87,965,045)	(88,525,004)	(89,053,061)	(89,498,808)	(89,945,047)	(90,486,593)	(90,951,505)	(90,583,684)	(91,141,528)	(91,685,566)	(92,260,518)	(89,726,124)	(89,726,124)	(89,726,124)	(89,726,124)	(89,726,124)	(89,726,124)	(89,726,124)		
<b>Storage Gas</b>		1,395,037	1,394,262	1,393,397	1,392,581	1,391,651	1,390,571	1,389,510	1,388,585	1,387,977	1,387,203	1,386,223	1,385,243	1,384,484	1,389,747	1,389,747	1,389,747	1,389,747	1,389,747	1,389,747	1,389,747	Firm Delivered Volun	
<b>Customer Advances</b>		(197,179)	(151,344)	(151,186)	(163,240)	(157,105)	(156,749)	(159,267)	(157,945)	(155,584)	(155,707)	(156,313)	(159,662)	(169,155)	(160,606)	(160,606)	(160,606)	(160,606)	(160,606)	(160,606)	(160,606)	Direct	
<b>Water Heater Program</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct	
<b>Leasehold Improvements</b>		199,238	197,360	195,483	193,605	191,727	189,850	187,972	186,094	184,216	182,339	180,461	178,583	176,706	187,972	187,972	187,972	187,972	187,972	187,972	187,972	Direct & 3-Factor	
<b>Deferred Taxes</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct	
<b>State</b>		(22,097,016)	(22,747,787)	(23,331,341)	(22,708,487)	(22,585,950)	(22,589,980)	(22,718,299)	(22,662,808)	(22,611,966)	(22,907,649)	(23,681,866)	(24,038,327)	(25,191,055)	(23,019,041)	(23,019,041)	(23,019,041)	(23,019,041)	(23,019,041)	(23,019,041)	(23,019,041)	gross plant split	
<b>Federal</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
<b>Total Rate Base</b>		120,496,074	120,120,629	119,296,809	119,938,533	119,980,303	119,765,990	119,536,659	119,372,482	119,395,235	118,886,060	117,786,855	117,068,149	116,190,880	119,125,932	119,125,932	119,125,932	119,125,932	119,125,932	119,125,932	119,125,932		
<b>Average Rate Base</b>																				119,125,932			
<b>Average Deferred Taxes</b>																				23,019,041			
<b>Ending Deferred Taxes</b>																				(25,191,055)			
<b>Rate Base Used</b>																				<u>116,953,918</u>			

<b>Rate Base Average Allocation Factors</b>			
	OR	WA	SYSTEM
<b>Gross Plant Average Factor</b>	1,973,028,726 89.54%	230,453,984 10.46%	2,203,482,710
<b>Accumulated Deprec Average Factor</b>	(867,949,160) 90.63%	(89,726,124) 9.37%	(957,675,285)
<b>Leasehold Improvement Average Factor</b>	1,716,505 90.13%	187,972 9.87%	1,904,477
<b>Customer Advance Average Factor</b>	(1,974,559) 92.48%	(160,606) 7.52%	(2,135,164)
<b>Gross Plant Growth Factor</b>	55,443,294 92.59%	4,437,441 7.41%	59,880,735
<b>Average Total Rate Base</b>	892,936,007 88.23%	119,125,932 11.77%	1,012,061,938

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		2009 Dec	2010 Jan	2010 Feb	2010 Mar	2010 Apr	2010 May	2010 June	2010 July	2010 August	2010 September	2010 October	2010 November	2010 December	Dec 09 - Dec 10 12 month average	Allocation Method
<b>SYSTEM</b>		<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	<b>System</b>	
<b>Gross Plant</b>																
<b>Intangible</b>	<b>Software</b>	86,087,640	86,098,574	86,417,868	87,142,806	87,469,728	87,527,589	88,234,079	88,591,888	88,613,005	83,765,974	83,995,270	84,144,663	84,433,570	86,438,504	Total Customers
	<b>Other</b>	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
<b>Production</b>		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
<b>Transmission</b>		29,410,425	31,310,276	31,729,059	36,447,895	36,538,839	36,578,507	37,073,762	37,245,494	38,079,052	38,101,074	48,712,737	48,839,105	41,671,188	38,024,717	Direct
<b>Distribution</b>		1,675,016,919	1,679,293,188	1,681,421,796	1,683,768,435	1,689,085,123	1,690,916,530	1,699,545,340	1,697,723,838	1,700,627,742	1,703,430,559	1,709,246,737	1,722,620,950	1,722,620,950	1,654,043,791	Direct
<b>General</b>		104,879,931	105,579,948	105,733,989	106,104,074	105,851,247	105,750,715	105,729,038	106,363,077	106,443,320	103,351,433	103,683,775	104,348,887	105,686,249	105,351,883	3-Factor & Direct
<b>Storage and storage transmission</b>		275,191,826	275,403,978	275,426,867	275,543,737	275,544,728	275,544,728	275,544,751	275,562,973	275,069,664	275,062,899	275,062,899	275,062,899	275,062,899	275,066,188	Firm Delivered Volun
<b>CNG and LNG</b>		2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	2,567,634	3-Factor
<b>Total Gross Plant</b>		2,173,914,368	2,181,013,591	2,184,057,206	2,192,334,575	2,197,817,292	2,199,745,679	2,204,454,597	2,208,814,898	2,213,050,410	2,208,039,566	2,222,630,055	2,225,969,918	2,233,795,103	2,203,482,710	
<b>Accumulated Depreciation</b>																
<b>Intangible</b>		(57,716,180)	(58,185,262)	(58,593,691)	(59,004,616)	(59,416,820)	(59,829,290)	(60,245,438)	(60,662,901)	(61,073,146)	(56,441,390)	(56,834,902)	(57,229,095)	(57,630,338)	(58,765,818)	Total Customers
<b>Production</b>		(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
<b>Transmission</b>		(10,054,918)	(10,088,298)	(10,160,651)	(10,244,089)	(10,327,745)	(10,411,536)	(10,496,368)	(10,581,509)	(10,662,531)	(10,750,440)	(10,851,444)	(10,966,777)	(10,726,720)	(10,494,351)	Direct
<b>Distribution</b>		(720,917,968)	(730,605,807)	(733,929,181)	(737,251,733)	(740,536,467)	(743,700,520)	(746,837,443)	(749,859,828)	(749,166,096)	(752,193,705)	(755,742,820)	(758,895,459)	(762,498,917)	(745,035,625)	Direct
<b>General</b>		(54,358,222)	(55,212,031)	(55,495,425)	(55,916,824)	(56,059,000)	(55,916,824)	(56,390,087)	(56,955,769)	(56,623,042)	(53,669,692)	(54,058,686)	(54,292,085)	(54,812,129)	(55,317,805)	3-Factor
<b>Storage and storage transmission</b>		(82,221,501)	(81,952,707)	(82,516,259)	(83,076,874)	(83,641,888)	(84,204,506)	(84,767,518)	(85,330,163)	(85,893,152)	(86,457,481)	(87,021,616)	(87,586,151)	(88,150,277)	(84,803,017)	Firm Delivered Volun
<b>CNG and LNG</b>		(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	(2,567,634)	3-Factor
<b>Total Accumulated Depreciation</b>		(928,527,460)	(939,302,774)	(943,953,878)	(948,754,806)	(953,240,590)	(957,320,363)	(961,535,524)	(965,748,939)	(966,676,637)	(962,771,378)	(967,768,137)	(972,228,237)	(977,077,051)	(957,675,285)	
<b>Storage Gas</b>		14,134,115	14,126,265	14,117,493	14,109,230	14,099,812	14,088,870	14,078,116	14,066,739	14,062,579	14,054,742	14,044,814	14,034,883	14,027,191	14,080,516	Firm Delivered Volun
<b>Customer Advances</b>		(2,527,308)	(2,145,516)	(2,126,319)	(2,182,693)	(2,119,050)	(2,100,620)	(2,075,276)	(2,064,004)	(2,054,048)	(2,086,358)	(2,179,369)	(2,142,274)	(2,135,164)	(2,179,369)	Direct
<b>Water Heater Program</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct
<b>Leasehold Improvements</b>		2,018,624	1,999,599	1,980,575	1,961,550	1,942,526	1,923,501	1,904,477	1,885,452	1,866,428	1,847,403	1,828,378	1,809,354	1,790,329	1,904,477	Direct & 3-Factor
<b>Deferred Taxes</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>State</b>		(40,912,851)	(42,190,299)	(43,335,802)	(42,108,093)	(41,867,556)	(41,875,468)	(42,127,354)	(42,018,427)	(41,918,626)	(42,596,675)	(42,625,629)	(42,890,887)	(44,396,004)	(42,350,770)	Direct
<b>Federal</b>		(196,933,043)	(202,707,456)	(207,985,439)	(202,360,510)	(201,273,216)	(201,308,980)	(202,447,575)	(201,955,195)	(201,504,064)	(204,093,542)	(211,485,103)	(214,800,114)	(225,293,666)	(205,244,546)	gross plant split
<b>Total Rate Base</b>		1,021,166,446	1,010,793,411	1,002,853,836	1,012,999,255	1,015,359,219	1,013,152,620	1,012,251,460	1,012,982,624	1,016,836,042	1,012,393,758	1,014,445,010	1,009,751,989	1,000,681,628	1,012,061,938	
<b>OREGON</b>		<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	<b>OREGON</b>	
<b>Gross Plant</b>																
<b>Intangible</b>	<b>Software</b>	75,586,007	75,595,819	75,882,354	76,532,913	76,826,292	76,876,217	77,512,222	77,833,320	77,852,270	73,502,544	73,708,314	73,842,380	74,101,645	75,900,873	Total Customers
	<b>Other</b>	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
<b>Production</b>		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
<b>Transmission</b>		28,586,985	30,662,132	31,059,000	35,572,832	35,572,953	35,573,653	35,741,815	35,894,679	36,660,329	36,663,366	47,275,199	47,400,580	40,906,285	36,906,098	Direct
<b>Distribution</b>		1,491,335,963	1,494,506,272	1,496,397,981	1,498,478,490	1,503,442,567	1,505,144,668	1,508,822,498	1,511,612,187	1,514,233,295	1,516,866,639	1,520,103,665	1,522,374,516	1,534,390,998	1,508,720,522	Direct
<b>General</b>		96,131,188	96,829,872	96,989,280	97,322,837	97,103,121	97,038,706	97,673,801	97,673,801	97,710,106	94,897,114	95,196,654	95,798,219	97,005,251	96,685,405	3-Factor & Direct
<b>Storage and storage transmission</b>		251,287,493	251,478,705	251,499,335	251,604,671	251,605,564	251,605,574	251,605,584	251,622,008	251,988,558	252,072,590	252,072,590	252,072,590	252,066,750	251,742,074	Firm Delivered Volun
<b>CNG and LNG</b>		2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	2,314,209	3-Factor
<b>Total Gross Plant</b>		1,946,101,389	1,952,146,556	1,954,901,705	1,962,585,497	1,967,624,252	1,969,314,573	1,973,652,807	1,977,709,749	1,981,518,313	1,977,076,008	1,991,430,177	1,994,562,040	2,001,544,684	1,973,028,726	
<b>Accumulated Depreciation</b>																
<b>Intangible</b>		(50,688,887)	(51,100,161)	(51,457,005)	(51,816,088)	(52,176,320)	(52,536,790)	(52,900,560)	(53,265,511)	(53,623,985)	(49,457,756)	(49,801,224)	(50,145,292)	(50,495,667)	(51,572,749)	Total Customers
<b>Production</b>		(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
<b>Transmission</b>		(10,047,711)	(10,079,255)	(10,150,460)	(10,232,417)	(10,314,445)	(10,396,386)	(10,479,008)	(10,561,909)	(10,640,904)	(10,726,372)	(10,812,920)	(10,937,797)	(10,714,868)	(10,477,097)	Direct
<b>Distribution</b>		(653,765,480)	(662,759,959)	(665,664,952)	(668,569,796)	(671,441,474)	(674,187,170)	(676,899,040)	(679,493,989)	(678,492,269)	(681,180,228)	(684,309,529)	(687,040,905)	(690,201,399)	(675,168,533)	Direct
<b>General</b>		(48,358,207)	(49,122,915)	(49,393,611)	(49,768,344)	(49,891,414)	(49,816,981)	(49,906,922)	(50,015,511)	(50,521,951)	(47,855,369)	(48,201,220)	(48,406,835)	(48,870,988)	(48,292,973)	3-Factor
<b>Storage and storage transmission</b>		(76,044,945)	(75,796,343)	(76,317,561)	(76,837,911)	(77,358,631)	(77,878,985)	(78,399,703)	(78,920,081)	(79,440,778)	(79,962,715)	(80,484,471)	(81,006,598)	(81,528,346)	(78,432,535)	Firm Delivered Volun
<b>CNG and LNG</b>		(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	(2,314,209)	3-Factor
<b>Total Accumulated Depreciation</b>		(841,910,475)	(851,863,876)	(855,988,833)	(860,229,801)	(864,187,555)	(867,821,555)	(871,590,477)	(875,262,246)	(875,725,132)	(872,187,694)	(876,626,609)	(880,542,671)	(884,816,533)	(867,949,160)	
<b>Storage Gas</b>		12,739,078	12,723,003	12,724,096	12,716,649	12,708,161	12,698,298	12,688,606	12,680,154	12,674,603	12,667,539	12,658,591	12,649,640	12,642,707	12,690,769	Firm Delivered Volun
<b>Customer Advances</b>		(2,330,130)	(1,994,172)	(1,975,133)	(2,019,453)	(1,961,945)	(1,943,871)	(1,916,009)	(1,906,059)	(1,898,464)	(1,930,651)	(2,023,056)	(1,963,266)	(1,995,119)	(1,974,559)	Direct
<b>Water Heater Program</b>		0	0	0	0	0	0	0	0	0	0	0	0	0	0	Direct
<b>Leasehold Improvements</b>		1,819,386	1,802,239	1,785,092	1,767,945	1,750,798	1,733,652	1,716,505	1,699,358	1,682,211	1,665,064					

**NW Natural  
State Allocation Factors  
Updated for year ended 2009 data**

	<b>System</b>	<b>Washington</b>	<b>Oregon</b>
<b>Customers</b>			
<b>Total Customers</b>			
December 20010	673,997	69,378	604,619
December 2009	667,794	68,270	599,524
Average	670,896	68,824	602,072
% of System		10.26%	89.74%
<b>Residential Customers</b>			
December 20010	610,598	63,899	546,699
December 2009	604,692	62,897	541,795
Average	607,645	63,398	544,247
% of System		10.43%	89.57%
<b>Commercial Customers</b>			
December 20010	62,476	5,414	57,062
December 2009	62,169	5,309	56,860
Average	62,323	5,362	56,961
% of System		8.60%	91.40%
<b>Industrial Customers</b>			
December 20010	923	65	858
December 2009	933	64	869
Average	928	65	864
% of System		6.95%	93.05%
<b>The Dalles</b>			
December 20010	7,291	1,863	5,428
December 2009	7,223	1,840	5,383
Average	7,257	1,852	5,406
% of System		25.51%	74.49%
<b>Portland / Vancouver</b>			
December 20010	477,468	67,515	409,953
December 2009	472,888	66,430	406,458
Average	475,178	66,973	408,206
% of System		14.09%	85.91%
<b>Portland / Vancouver Commercial</b>			
December 20010	40,562	5,210	35,352
December 2009	40,294	5,108	35,186
Average	40,428	5,159	35,269
% of System		12.76%	87.24%

**NW Natural  
State Allocation Factors  
Updated for year ended 2009 data  
Volumes - 12 Months Ended 12/31/10**

<b>Firm Delivered % of System</b>	678,325,103	66,970,440 9.87%	611,354,663 90.13%
<b>Sales Volumes % of System</b>	702,624,253	67,834,995 9.65%	634,789,258 90.35%
<b>Sendout Volumes % of System</b>	1,061,970,485	81,401,596 7.67%	980,568,889 92.33%

**3-factor formula (simple average)**

<b>Gross Plant Directly Assigned</b>		10.76%	89.24%
<b>Number of Employees Directly Assigned</b>		8.60%	91.40%
<b>Number of Customers</b>		10.26%	89.74%
<b>Average</b>		9.87%	90.13%

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

**December 31, 2009**

	<b>System</b>	<b>Washington</b>	<b>Oregon</b>
<b>Intangible - Other</b>	84,795	447	84,348
<b>Production</b>	675,198	0	675,198
<b>Transmission</b>	29,410,425	723,441	28,686,985
<b>Distribution</b>	1,675,016,919	183,680,956	1,491,335,963

**December 31, 2010**

	<b>System</b>	<b>Washington</b>	<b>Oregon</b>
<b>Intangible</b>	84,795	447	84,348
<b>Production</b>	675,198	0	675,198
<b>Transmission</b>	41,671,188	764,903	40,906,285
<b>Distribution</b>	1,722,620,050	188,229,052	1,534,390,998

**Average**

	<b>System</b>	<b>Washington</b>	<b>Oregon</b>
<b>Intangible - Other</b>	84,795	447	84,348
<b>Production</b>	675,198	0	675,198
<b>Transmission</b>	35,540,806	744,172	34,796,635
<b>Distribution</b>	1,698,818,484	185,955,004	1,512,863,480

<b>Gross Plant Directly Assigned % of System</b>	1,735,119,284	186,699,623 10.76%	1,548,419,661 89.24%
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**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
Tax Adjustment**

<u>Line No.</u>	<u>Amount (a)</u>
1 Utility Income before Interest and Taxes	\$12,784,616
2 Interest on Historic Average Rate Base	<u>3,815,037</u>
3 Pre-Tax Net Income	8,969,580
4 Less: Permanent Differences	496,383
5 Taxable Income	9,465,963
6 Tax Rate	<u>35.00%</u>
7 Federal Income Tax	3,313,087
8 Credits	<u>(55,598)</u>
9 Total Tax	<u><u>\$3,257,489</u></u>

**NW Natural**  
**Washington Annual Commission Basis Report**  
**Twelve Months Ended December 31, 2010**  
**Proforma Cost of Capital and Input Assumptions**

Line No.	13 month average			
	Percent of Total Capital (a)	Average Cost (b)	Weighted Cost (c)	
<b>Cost of Capital</b>				
1	Long Term Debt	48.68%	6.643%	3.234%
2	Short Term Debt	6.64%	0.416%	0.028%
3	Preferred Stock	0.00%	0.00%	0.000%
4	Common Stock	44.68%		
5	<b>Total</b>	<u>100.00%</u>		
<b>Revenue Sensitive Costs</b>				
6	Gas Sales	98.46%		
7	Transportation	1.70%		
8	Other	<u>-0.16%</u>		
9	<b>Subtotal</b>	100.00%		
10	O & M - Uncollectible	0.333%		
11	Franchise Taxes	0.000%		
12	WA Utility Tax	3.852%		
13	WUTC Fee	<u>0.200%</u>		
14	State Taxable Income	95.62%		
15	State Income Tax	<u>0.00%</u>		
16	Federal Taxable Income	95.62%		
17	Federal Income Tax	<u>33.47%</u>		
18	<b>Total Income Taxes</b>	33.47%		
19	<b>Total Revenue Sensitive Costs</b>	<u>37.85%</u>		
20	<b>Utility Operating Income</b>	<u>62.15%</u>		
21	<b>Net-to-gross factor</b>	1.60902		
22	<b>Interest Coordination Factor</b>	0.03262		
23	<b>Federal tax rate</b>	35.00%		
24	<b>State tax rate</b>	0.00%		
25	<b>Uncollectible Accounts</b>	0.33%		







## Rates & Regulatory Affairs

### ANNUAL COMMISSION BASIS REPORT For the Twelve Months Ended December 31, 2010

#### Description of Adjustments

- a. Weather Normalization and Gas Costs** - This adjustment approximates the volumetric effects of weather on sales and gas costs and reprices all volumes at end of period rates.
- b. Miscellaneous Revenue Adjustment** - This adjustment reflects the normalization of other tariffed utility fees and revenues to a historical three-year average.
- c. Bonuses Adjustment** - This adjustment removes the Company's recorded expenses reflects a three-year average of actual payments..
- d. Uncollectible Accounts Adjustment** - This adjustment normalizes the test year accrual for Uncollectible expense to a three-year average of actual net bad debt write-offs.
- e. Working Capital Adjustment** - This adjustment develops a return on investments in storage gas inventory and other critical assets necessary to perform the utility function
- f. Advertising & Promotional Adjustment** – This adjustment removes certain advertising, sales and customer communications expenses consistent with the settlement in the Company's last rate case in docket UG-080546.
- g. Claims Adjustment** – This adjustment replaces accrued expenses with actual claims paid and adjusts extraordinary claims to a historical three-year average.

**NW Natural  
Washington Annual Commission Basis Report  
Adjustments to Test Period  
Twelve Months Ended December 31, 2010  
(\$000)**

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	74,486,940	3,880,354							3,880,354	78,367,294
2	Transportation	1,204,486	151,484							151,484	1,355,971
3	Miscellaneous Revenues	(136,479)		7,203						7,203	(129,276)
4	Total Operating Revenues	75,554,948	4,031,838	7,203	0	0	0	0	0	4,039,041	79,593,989
Operating Revenue Deductions											
5	Gas Purchased	39,902,592	3,482,722							3,482,722	43,385,314
6	Uncollectible Accrual	169,450	13,426	0	95,771					109,197	278,647
7	Other Operating & Maintenance Expenses	10,917,299			(147,839)		(368,665)	19,751	0	(496,753)	10,420,546
8	Total Operating & Maintenance Expense	50,989,341	3,496,148	0	(147,839)	95,771	(368,665)	19,751	0	3,095,166	54,084,507
9	Federal Income Tax	3,257,489	130,312	2,419	52,075	(33,520)	(99,200)	129,033	(6,946)	174,173	3,431,662
10	Property Taxes	1,359,669								0	1,359,669
11	Other Taxes	3,788,605	163,370	292						163,662	3,952,266
12	Depreciation & Amortization	6,632,717								0	6,632,717
13	Total Operating Revenue Deductions	66,027,821	3,789,830	2,711	(95,764)	62,251	(239,632)	12,805	0	3,433,001	69,460,822
14	Net Operating Revenues	9,527,127	242,008	4,492	95,764	(62,251)	99,200	239,632	(12,805)	606,040	10,133,167
Average Rate Base											
15	Utility Plant in Service	230,453,984			(29,001)		8,688,819	2,905	0	8,662,723	239,116,707
16	Accumulated Depreciation	(89,726,124)								0	(89,726,124)
17	Net Utility Plant	140,727,860	0	0	(29,001)	0	8,688,819	0	2,905	8,662,723	149,390,582
18	Storage Gas	1,389,747								0	1,389,747
19	Aid in Advance of Construction	(160,606)								0	(160,606)
20	Water Heater Program	0								0	0
21	Leasehold Improvements	187,972								0	187,972
22	Accumulated Deferred Income Taxes	(23,019,041)								0	(23,019,041)
23	Total Rate Base	119,125,932	0	0	(29,001)	0	8,688,819	0	2,905	8,662,723	127,788,654
24	Interest Coordination		0	0	(946)	0	283,429	0	95	0	282,578

**Northwest Natural Gas Company**  
**Adjustments to Test Period**  
**Twelve Months Ended December 31, 2010**  
**(\$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	4,031,838	7,203	0	0	0	0	0	0	4,039,041
2	Book Expenses before Deprec. & Interest	3,659,518	292	(147,839)	95,771	0	(368,665)	19,751	0	3,258,828
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0
4	Interest Expense (Income)	0	0	(946)	0	283,429	0	95	0	282,578
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0
6	State Taxable Income	372,320	6,911	148,785	(95,771)	(283,429)	368,665	(19,846)	0	497,635
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	372,320	6,911	148,785	(95,771)	(283,429)	368,665	(19,846)	0	497,635
13	Federal Income Tax [2]	130,312	2,419	52,075	(33,520)	(99,200)	129,033	(6,946)	0	174,173
14	ITC	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	130,312	2,419	52,075	(33,520)	(99,200)	129,033	(6,946)	0	174,173
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	130,312	2,419	52,075	(33,520)	(99,200)	129,033	(6,946)	0	174,173
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%

NW Natural  
Washington Commission Basis Report  
Twelve Months Ended December 31, 2010  
Weather Normalized Gas Sales and Purchases Adjustment

Worksheet a

<b>Revenues</b>						
	Test Period Sales in Therms (a)	Test Period Revenue (b)	Normalized Sales in Therms (c)	Normalized Revenues (d)	Normalized Rate (e)	Net Normalizing Effect (f)
<b>Sales</b>						
Residential	41,719,398	\$49,531,694	42,446,074	\$50,985,031	\$1.20117	\$1,453,337
Commercial	18,772,932	\$20,648,438	19,269,967	\$21,410,528	\$1.11108	\$762,090
Industrial Firm	2,802,888	\$2,632,862	2,842,287	\$2,715,988	\$0.95556	\$83,126
Interruptible	4,539,781	\$3,243,991	4,500,380	\$3,255,747	\$0.72344	\$11,756
<b>Total Sales</b>	67,834,999	\$76,056,985	69,058,708	\$78,367,294		\$2,310,309
<b>Unbilled amounts</b>	(1,115,248)	(\$1,570,045)				\$1,570,045
<b>Unaccounted For Gas</b>	378,138		189,221			
<b>Total Sales Sendout</b>	67,097,889	\$74,486,940	69,247,929	\$78,367,294		\$3,880,354
<b>Transportation</b>						
Firm Transportation	3,530,357	\$407,058	3,174,676	\$410,002	\$0.12915	\$2,944
Interruptible Transportation	7,265,708	\$521,516	7,621,389	\$670,056	\$0.08792	\$148,540
Special Contracts	3,885,784	\$275,912	3,885,784	\$275,912	\$0.07101	\$0
Other Charges	0	\$0	0	\$0	\$0.00000	\$0
<b>Total Transportation</b>	14,681,849	\$1,204,486	14,681,849	\$1,355,971	\$0.09236	\$151,484
<b>Total Deliveries</b>	81,779,738	\$75,691,427	83,929,778	\$79,723,265	\$0.94988	\$4,031,838
<b>Cost of Gas</b>						
	Actual Therms	Actual Costs	Normalized Therms	Normalized Costs	Normalized Rate	Normalizing Effect
Demand Incurred & Deferred		\$7,501,052		\$8,143,274		\$642,222
Demand Amortizations		(\$1,175,963)		\$0		\$1,175,963
<b>Total Demand</b>		\$6,325,089		\$8,143,274		\$1,818,185
Commodity Incurred & Deferred		\$36,952,448		\$35,242,040		(\$1,710,408)
Commodity Amortizations		(\$3,374,946)		\$0		\$3,374,946
<b>Total Commodity Charges</b>	67,834,999	\$33,577,503	69,058,708	\$35,242,040	\$0.51032	\$1,664,537
<b>Total Cost of Gas</b>		\$39,902,592	69,058,708	\$43,385,314	\$0.62824	\$3,482,722

**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
Adjustment to Miscellaneous Revenue**

**Worksheet b**

<u>Line No.</u>	<u>Washington Actual (a)</u>	<u>Normalized (b)</u>	<u>Adjustment (c)</u>	
<b>1</b>	<b><u>Other Miscellaneous Revenues</u></b>			
<b>2</b>	\$73,975	\$81,217	\$7,242	<b>[1]</b>
<b>3</b>	135,635	135,635	0	
<b>4</b>	19,198	20,765	1,568	<b>[1]</b>
<b>5</b>	15,090	18,165	3,075	<b>[1]</b>
<b>6</b>	43,410	43,285	(125)	<b>[1]</b>
<b>7</b>	22,621	21,376	(1,245)	<b>[1]</b>
<b>8</b>	33,568	28,424	(5,144)	<b>[1]</b>
<b>9</b>	0	0	0	<b>[1]</b>
<b>10</b>	10,080	11,623	1,543	<b>[1]</b>
<b>11</b>	(490,892)	(490,892)	0	
<b>12</b>	838	1,127	289	<b>[1]</b>
<b>13</b>				
<b>14</b>	<u>(\$136,479)</u>	<u>(\$129,276)</u>	<u>\$7,203</u>	
<b>15</b>				
<b>16</b>				
<b>17</b>				
<b>18</b>				
<b>19</b>	<b><u>Notes:</u></b>			
<b>20</b>	<b>[1] Normalized to 3-year average</b>			
<b>21</b>				

**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
Bonus Adjustment**

**Worksheet c**

<b>Line No.</b>	<b>(a)</b>	<b>2007 paid in 2008 (b)</b>	<b>2008 paid in 2009 (c)</b>	<b>2009 paid in 2010 (d)</b>	<b>Three Year Average (e)</b>	<b>2010 Accrual (f)</b>	<b>Adjustment (g)=(e)-(f)</b>	
<b>Performance Bonus - O &amp; M</b>								
1	<b>Officers/Exempt</b>	\$3,461,662	\$3,072,947	\$4,638,867	\$3,724,492	\$4,386,282	(\$661,790)	
2	<b>Clerical/Hourly</b>	0	0	0	0	0	0	
3	<b>Total</b>	3,461,662	3,072,947	4,638,867	3,724,492	4,386,282	(661,790)	
<b>Performance Bonus - Construction</b>								
4	<b>Officers/Exempt</b>	1,884,196	1,037,092	1,344,736	1,422,008	1,441,563	(19,555)	
5	<b>Clerical/Hourly</b>	0	0	0	0	0	0	
6	<b>Total</b>	1,884,196	1,037,092	1,344,736	1,422,008	1,441,563	(19,555)	
<b>Key Goals Bonus - O &amp; M</b>								
7	<b>Officers/Exempt</b>	1,104,290	759,550	957,311	940,384			
8	<b>Clerical/Hourly</b>	1,673,060	813,018	1,035,148	1,173,742			
9	<b>Total</b>	2,777,350	1,572,568	1,992,459	2,114,126	2,814,906	(700,780)	
<b>Key Goals Bonus - Construction</b>								
10	<b>Officers/Exempt</b>	602,022	411,306	465,817	493,048			
11	<b>Clerical/Hourly</b>	912,096	440,260	503,693	618,683			
12	<b>Total</b>	1,514,118	851,566	969,510	1,111,731	1,361,701	(249,970)	
13	<b>Total Adjusted O &amp; M (line 3 + line 9)</b>							(\$1,362,570)
14	<b>Washington Allocation Factor</b>						<b>Employee Cost</b>	10.850%
15	<b>Adjustment to Washington - O&amp;M</b>							<u>(\$147,839)</u>
16	<b>Total Adjusted Construction (line 6 + line 12)</b>							(\$269,525)
17	<b>Washington Allocation Factor</b>						<b>Gross Plant</b>	10.760%
18	<b>Adjustment to Washington - Rate Base</b>							<u>(\$29,001)</u>

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

**NW Natural  
Rates & Regulatory Affairs  
2010 Oregon Earnings Review & Washington CBR  
Summary Bonus Workpaper**

**2010 Bonuses - Current Year Expense**

	O&M	Construction
1		
2		
3 Key Goals Bonus	2,814,906	1,361,701
4		
5 Performance/LTIP	4,386,282	1,441,563
6		
7		
8		
9		
10		
11		
12		



NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
Uncollectible Accounts Adjustments  
(\$000's, except Washington amounts at lines 22-24)

Worksheet d

Line No.	2008 - 2010 Total (a)	2010 Actual (b)	2009 Actual (c)	2008 Actual (d)
<b>Gas Revenues</b>				
1 Residential	\$1,590,388	\$461,892	\$575,974	\$552,521
2 Commercial	823,527	230,605	301,428	291,495
3 Industrial	119,748	31,046	42,800	45,902
4 Interruptible	167,258	36,164	62,116	68,978
5 Total	2,700,920	759,706	982,318	958,896
<b>Net Write-Offs</b>				
6 Residential	7,497	1,608	3,216	2,673
7 Commercial	1,128	195	594	340
8 Industrial	356	70	194	92
9 Interruptible	-	-	-	-
10 Total	8,982	1,873	4,004	3,105
<b>Write-Off % - 3-Year Average</b>				
11 Residential	0.471%	0.348%	0.558%	0.484%
12 Commercial	0.137%	0.084%	0.197%	0.117%
13 Industrial	0.297%	0.226%	0.453%	0.200%
14 Interruptible	0.000%	0.000%	0.000%	0.000%
15 Weighted Total [1]	0.333%	0.247%	0.408%	0.324%
<b>Normalized Uncollectible</b>				
16 Residential	\$2,177			
17 Commercial	316			
18 Industrial	92			
19 Interruptible	0			
20 Total	\$2,585			
21 Allocation Factor	10.260%	<b>Customers - All</b>		
22 Washington Normalized Amount (X 1000)	\$265,221			
23 Washington Allocation of Accrued Amount	\$169,450			
24 Adjustment (Normalized less Accrued)	\$95,771			

[1] Weighted uncollectible rate of

0.333% is used on page 1, column (b)

NORTHWEST NATURAL  
UNCOLLECTIBLE ACCOUNTS ANALYSIS  
December-10

	CURRENT MONTH			YEAR-TO-DATE			TWELVE MONTHS		
	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR
<b>GAS REVENUES</b>									
Residential	70,121,983	70,872,438	(750,455)	461,892,493	575,974,474	(114,081,981)	461,892,493	575,974,474	(114,081,981)
Commercial	32,781,842	33,720,200	(938,358)	230,604,510	301,427,515	(70,823,005)	230,604,510	301,427,515	(70,823,005)
Industrial - Firm	3,011,812	3,414,427	(402,615)	31,045,628	42,800,128	(11,754,500)	31,045,628	42,800,128	(11,754,500)
Industrial - Interruptible	3,528,118	3,627,858	(99,740)	36,163,852	62,116,086	(25,952,234)	36,163,852	62,116,086	(25,952,234)
Transportation	1,360,221	1,188,652	171,569	14,237,958	13,790,807	447,151	14,237,958	13,790,807	447,151
Sub-total	110,803,976	112,823,575	(2,019,599)	773,944,441	996,109,010	(222,164,569)	773,944,441	996,109,010	(222,164,569)
Unbilled	6,028,313	23,289,910	(17,261,597)	(8,949,628)	(30,365,542)	21,415,914	(8,949,628)	(30,365,542)	21,415,914
Interstate Storage (3)	2,713,328	2,280,200	433,128	34,533,812	32,495,559	2,038,253	34,533,812	32,495,559	2,038,253
TOTAL	119,545,617	138,393,685	(18,848,068)	799,528,625	998,239,027	(198,710,402)	799,528,625	998,239,027	(198,710,402)
<b>ACCOUNTS RECEIVABLE BALANCE</b>									
Residential	35,580,275	38,024,378	(2,444,103)						
Commercial	18,203,012	18,707,770	(504,758)						
Industrial - Firm & Trans	4,734,455	6,725,466	(1,991,010)						
Industrial - Inter & Trans	1,980,715	2,268,779	(288,064)						
Interstate Storage	3,346,116	2,482,049	864,067						
Miscellaneous (SAP)	555,664								
TOTAL	64,400,238	68,208,442	(4,363,868)						
<b>DELINQUENT ACCOUNTS</b>									
Residential	1,604,838	2,013,469	(408,631)						
Commercial	123,172	145,069	(21,897)						
Industrial - Firm	60,457	869	59,588						
Industrial - Interruptible	0	0	0						
Interstate Storage	0	0	0						
Miscellaneous (SAP)	321,852	0	321,852						
TOTAL	2,110,319	2,159,407	(49,088)						
% of Accounts Receivable	3.28%	3.17%	0.11%						

NORTHWEST NATURAL  
UNCOLLECTIBLE ACCOUNTS ANALYSIS  
December-10

	CURRENT MONTH			YEAR-TO-DATE			TWELVE MONTHS		
	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR	CURRENT YEAR	PREVIOUS YEAR	INCREASE OVER LAST YEAR
<b>UNCOLLECTIBLE ACCRUAL</b>									
Residential	434,888	142,640	292,247	1,435,958	3,361,726	(1,925,768)	1,435,958	3,361,726	(1,925,768)
Commercial	49,099	36,042	13,058	184,454	703,973	(519,520)	184,454	703,973	(519,520)
Industrial - Firm	53,547	29,739	23,808	157,946	184,963	(27,017)	157,946	184,963	(27,017)
Industrial - Interruptible	5,127	3,953	1,174	(17,404)	13,012	(30,417)	(17,404)	13,012	(30,417)
Unbilled revenues	12,618	88,842	(76,224)	(44,042)	(117,602)	73,561	(44,042)	(117,602)	73,561
Interstate Storage	0	0	0	0	0	0	0	0	0
Miscellaneous (SAP)	0	8,000	(8,000)	0	55,373	(55,373)	0	55,373	(55,373)
<b>TOTAL</b>	<b>555,280</b>	<b>309,216</b>	<b>246,063</b>	<b>1,716,912</b>	<b>4,201,445</b>	<b>(2,484,533)</b>	<b>1,716,912</b>	<b>4,201,445</b>	<b>(2,484,533)</b>
% of Gas Revenues (4)	0.46%	0.22%	0.24%	0.21%	0.42%	-0.21%	0.21%	0.42%	-0.21%
<b>NET WRITE OFF</b>									
Residential	(36,504)	(94,851)	58,347	1,608,394	3,215,836	(1,607,442)	1,608,394	3,215,836	(1,607,442)
Commercial	8,026	(6,067)	14,093	194,606	593,804	(399,198)	194,606	593,804	(399,198)
Industrial - Firm	3,068	29,649	(26,581)	70,021	194,011	(123,990)	70,021	194,011	(123,990)
Industrial - Interruptible	0	0	0	0	0	0	0	0	0
Unbilled revenues	0	0	0	(14,116)	0	(14,116)	(14,116)	0	(14,116)
Interstate Storage	0	0	0	0	0	0	0	0	0
Miscellaneous (SAP)	17,812	0	17,812	33,198	0	33,198	33,198	0	33,198
<b>TOTAL</b>	<b>(7,599)</b>	<b>(71,269)</b>	<b>63,670</b>	<b>1,892,103</b>	<b>4,003,651</b>	<b>(2,111,548)</b>	<b>1,892,103</b>	<b>4,003,651</b>	<b>(2,111,548)</b>
% of Gas Revenues (2) (4)	-0.02%	-0.06%	0.04%	0.23%	0.39%	-0.16%	0.23%	0.39%	-0.16%
<b>ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BALANCE</b>									
Residential	1,981,197	2,153,633	(172,436)						
Commercial	228,107	238,260	(10,153)						
Industrial - Firm	148,635	60,709	87,926						
Industrial - Interruptible	136,050	153,454	(17,404)						
Unbilled	240,186	270,112	(29,926)						
Interstate Storage	0	0	0						
Miscellaneous (SAP)	215,788	248,985	(33,197)						
<b>TOTAL</b>	<b>2,949,962</b>	<b>3,125,153</b>	<b>(175,190)</b>						
% of Accounts Receivable (1) (4)	3.87%	3.82%	0.05%						

## Footnotes to "Uncollectible Accounts Analysis" report:

- 1) Calculation excludes Unbilled Allowance for Uncollectible Accounts Balance.
- 2) Calculation excludes Unbilled Gas Revenues.
- 3) Interstate Storage revenues include optimization and interstate gas storage services.
- 4) Excludes Miscellaneous

**NW Natural  
Washington Annual Commission Basis Report  
Investor Supplied Working Capital  
Twelve Months Ended December 31, 2010**

**Worksheet e**

<u>Line No.</u>		<u>Average Balance</u>
<b><u>Average Invested Capital</u></b>		
1	Common Equity	\$676,961,380
2	Preferred Stock	0
3	Miscellaneous Debt	735,097,866
4	Deferred ITC	1,633,742
5	Deferred Liabilities	0
6	Total Investment	<u>1,413,692,988</u>
<b><u>Average Investments</u></b>		
<b>Utility Operating</b>		
7	Plant in Service	2,203,482,710
8	Accumulated Depreciation	(953,929,625)
9	Deferred Income Taxes	(194,110,420)
10	Gas Stored Underground - Cushion Gas	14,080,516
11	Property Held for Future Use	127,921
12	Customer Advances	(5,954,900)
13	Contributions in Aid of Construction	(2,158,972)
14	Total Operating Investments	<u>1,061,537,229</u>
<b>Other Investments</b>		
15	Construction Work In Process	38,497,778
16	Non-Utility Property	78,261,202
17	Accumulated Depreciation - non utility	(10,845,107)
18	Deferred Income Tax - non-utility & Oregon	(49,835,320)
19	Investments in Subsidiary Companies	143,846,423
20	Temporary Cash Investments	458,395
21	Deferred Gas Costs	(26,166,052)
22	Other Deferred Debits	87,763,585
23	Total Other Investments	<u>261,980,904</u>
24	<b>Total Average Investments (line 14 + line 23)</b>	1,323,518,133
25	<b>Investor Supplied Working Capital (line 6 - line 24)</b>	90,174,855
26	Less Working Gas Inventory	<u>67,925,035</u>
27	Allowable Working Capital - System	22,249,819
28	<b>Total Average Investment (line 24)</b>	1,323,518,133
29	Less CWIP (line 15)	(38,497,778)
30	Less Deferred Gas Costs (line 21)	<u>26,166,052</u>
31	<b>Total Base Investment - System</b>	<u>1,311,186,408</u>
32	<b>Working Capital Percentage Allowable (line 27 / line 31)</b>	1.697%
33	<b>Washington Rate Base - Historical</b>	116,953,918
34	<b>Allowable Investor Supplied Working Capital (line 33 X line 32)</b>	1,984,618
35	Working Gas Inventory	67,925,035
36	Inventory allocation %	9.87%
37	Washington Gas Inventory (line 35 X line 36)	<u>6,704,201</u>
38	<b>Total Working Capital Allowance (line 37 + line 34)</b>	<u>\$8,688,819</u>

**NW Natural**  
**Washington Annual Commission Basis Report**  
**Twelve Months Ended December 31, 2010**  
**Sales & Marketing and Customer Communication Adjustment**

**Worksheet f**

<u>Line No.</u>	<u>Washington Amount</u>	<u>Disallowance Percent</u>	<u>Disallowed Amount</u>
<b>1 Expenses Coded to Category 2966 and 2666</b>	\$9,518	100.0%	\$9,518
<b>2 Expenses Coded to Account 5075</b> (excluding Category 2966/2666 & FERC accts 911,912,913)	2,586	100.0%	2,586
<b>3 FERC Account 911 Supervision</b>	33,093	100.0%	33,093
<b>4 FERC Account 912 Demonstration &amp; Selling</b>	227,207	100.0%	227,207
<b>5 FERC Account 913 Advertising</b>	52,906	100.0%	52,906
<b>6 FERC Account 909 Advertising</b>	154,840	28.0%	<u>43,355</u>
<b>7 Total Disallowance - O&amp;M</b>			<u><u>\$368,665</u></u>

**NW Natural**  
**Rates & Regulatory Affairs**  
**2010 Earnings Test & Commission Basis Report**  
**O&M Extract of Categories 2966 and 2666**  
**Twelve Months Ended December 31, 2010**

Activity	Cost Center	Cost Center Descr	Order	Category	Overall Result	WA	OR
921	11150	GAS ACQ & PIPE SVCE	921-02666	2666	455.00		418.96
921	11200	GAS STORAGE OPS	921-02666	2666	4,357.06	419.58	3,937.48
921	11315	GAS MEASUREMENT	921-02666	2666	2.40	0.19	2.21
921	11330	ARCHITECTURE RELATIO	921-02666	2666	1,099.10	93.42	1,005.68
921	11430	NEW CONSTRUCTION	921-02666	2666	688.30	70.21	618.09
921	11515	MARKETING	921-02666	2666	109.00	11.12	97.88
921	11540	CONSR RELATIONS-EVT	921-02666	2666	437.00	44.57	392.43
921	12011	METER SHOP	921-02666	2666	3,621.60	369.40	3,252.20
921	12012	GENERAL MAINT	921-02666	2666	5,289.70	522.62	4,767.08
921	12013	TRANSPORTATION	921-02666	2666	7,040.13	695.56	6,344.57
921	13100	COMM & NETWORK SVC	921-02666	2666	190.66	18.84	171.82
921	13305	AMR	921-02666	2666	5,245.18	535.01	4,710.17
921	13510	CUST FIELD SERVICES	921-02666	2666	305.63	31.17	274.46
921	13520	RESOURCE MGMT CTR	921-02666	2666	1,828.21	186.48	1,641.73
921	14100	GAS OPS BLACK - OR	921-02666	2666	816.54	0.00	816.54
921	15100	ENGINEERING SVCS OR	921-02666	2666	1,828.00	180.61	1,647.39
921	15493	DIR, RESOURCE MGMT	921-02666	2666	132.55	13.10	119.45
921	15501	DIR, DELIVER GAS	921-02666	2666	510.32	50.42	459.90
921	15506	GAS OPS ORANGE	921-02666	2666	5,062.09	500.13	4,561.96
921	15508	BUSINESS ANALYSIS	921-02666	2666	43.00	4.25	38.75
921	15510	OPS TECHNICAL SVCES	921-02666	2666	50.98	5.04	45.94
921	15520	COMPLIANCE SVCES OR	921-02666	2666	1,129.29	0.00	1,129.29
921	16100	FACILITIES MGMNT	921-02666	2666	8,232.50	813.37	7,419.13
921	16160	EUGENE - FACILITIES	921-02666	2666	134.86	0.00	134.86
921	16190	COOS BAY - FACILITIE	921-02666	2666	16.38	0.00	16.38
921	16200	STORES	921-02666	2666	35.98	3.55	32.43
921	34000	OD & TRAINING	921-02666	2666	59.60	6.34	53.26
921	41040	IS BUSINESS SERVICES	921-02666	2666	188.90	18.66	170.24
921	41050	IS GENERAL ADMIN	921-02666	2666	507.40	50.13	457.27
921	41060	IS CUSTOMER SERVICE	921-02666	2666	43.75	4.32	39.43
921	42030	CASH MANAGEMENT	921-02666	2666	432.90	42.77	390.13
921	45030	PALOMAR PIPELINE	921-02666	2666	0.00	0.00	0.00
921	51050	CORPORATE SECURITY	921-02666	2666	58.30	5.76	52.54
921	52010	PUB POLICY & GVRM AF	921-02666	2666	14.99	0.00	14.99
921	52020	COMM & CIVIC AFFAIRS	921-02666	2666	600.00	59.28	540.72
921	74700	VP, BUS DEVL & EGY S	921-02666	2666	43.41	4.29	39.12
921	79000	GEN ADMIN STAFF	921-02666	2666	0.00	0.00	0.00
908	11325	CUST SEG SRVC	908-02966	2966	75.00	7.65	67.35
912	11330	ARCHITECTURE RELATIO	912-02966	2966	5,748.61	567.96	5,180.65
908	11410	RES CONSUMER SERVICE	908-02966	2966	1,046.87	108.67	938.20
912	11420	CONVERSION	912-02966	2966	3,803.87	387.99	3,415.88
908	11430	NEW CONSTRUCTION	908-02966	2966	300.00	30.60	269.40
912	11430	NEW CONSTRUCTION	912-02966	2966	803.89	82.00	721.89
870	14100	GAS OPS BLACK - OR	870-02966	2966	277.16	0.00	277.16
912	15491	DIR, ACQUIRE CUSTOME	912-02966	2966	1,044.46	103.19	941.27
921	15491	DIR, ACQUIRE CUSTOME	921-02966	2966	80.00	7.90	72.10
885	15506	GAS OPS ORANGE	885-02966	2966	1,880.00	185.74	1,694.26
885	15520	COMPLIANCE SVCES OR	885-02966	2966	510.00	50.39	459.61
921	42010	ACCOUNTING	921-02966	2966	294.80	29.13	265.67
930	45010	STRATEGIC PLANNING	930-02966	2966	(66.00)	(6.52)	(59.48)
930	46010	CORP SECRETARY	930-02966	2966	19,822.79	1,958.49	17,864.30
921	48010	INVESTOR RELATIONS	921-02966	2966	999.41	98.74	900.67
921	72000	CHIEF EXECUTIVE OFFI	921-02966	2966	1,309.90	129.42	1,180.48
921	72700	VP, UTILITY OPERATIO	921-02966	2966	480.94	47.52	433.42
921	73100	VP, UTILITY SERVICE	921-02966	2966	1,431.00	141.38	1,289.62
921	73600	DIR-PROJ DEVELOPMENT	921-02966	2966	150.00	14.82	135.18
921	74000	SR VP FIN & ADMIN	921-02966	2966	1,683.15	166.30	1,516.85
921	74100	VP FINANCE & REGULAT	921-02966	2966	234.04	23.12	210.92
921	74500	TREASURER & CONTR	921-02966	2966	660.00	65.21	594.79
921	74700	VP, BUS DEVL & EGY S	921-02966	2966	1,492.95	147.50	1,345.45
921	77000	VP HUMAN RESOURCE	921-02966	2966	6.98	0.69	6.29
921	79000	GEN ADMIN STAFF	921-02966	2966	3,784.21	373.88	3,410.33
					<b>98,464.74</b>	<b>9,518.00</b>	<b>88,946.74</b>

**NW Natural**

**Rates & Regulatory Affairs**

**2010 Washington Commission Basis Report**

2010 O&M Extract: GL Account 5075 excluding FERC 909, 911, 912, 913 and Category 2966 and 2666

Activity	Cost Center	Cost Center Descr	Order	Order Descr	G/L Account descr	G/L Account #	Washington	Oregon	System
908	11325	CUST SEG SRVC	908-04660	CUSTOMER ASSISTANCE EXPENSE-MAJ ENERGY S	CORPORATE IDENTITY	507500	520.61	6,970.13	7,490.74
908	55010	ENV POLICY AND SUSTN	908-02972	CUSTOMER ASSISTANCE EXPENSE-SM	CORPORATE IDENTITY	507500	0.00	3,933.49	3,933.49
921	11540	CONSR RELATIONS-EVT	921-02666	P CARD - NON RECOVERABLE	CORPORATE IDENTITY	507500	32.73	286.27	319.00
921	15491	DIR, ACQUIRE CUSTOME	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	9.77	89.23	99.00
921	41030	WEB DEVELOPMENT	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	15.98	145.93	161.91
921	52020	COMM & CIVIC AFFAIRS	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	296.10	2,703.90	3,000.00
921	52030	PUBLIC RELATIONS	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	42.52	388.23	430.75
921	52040	COMMUNICATION SERV	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	47.87	437.13	485.00
921	55010	ENV POLICY AND SUSTN	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	693.13	6,329.49	7,022.62
921	72700	VP, UTILITY OPERATIO	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	246.75	2,253.25	2,500.00
921	74900	DIRECTOR IS / CIO	921-01505	OFFICE STAFFING & EXPENSE-OFFICE STAFFIN	CORPORATE IDENTITY	507500	246.75	2,253.25	2,500.00
926	31100	EMPLOYMENT	926-01505	EMPLOYEE PENSIONS AND BENEFITS-OFFICE ST	CORPORATE IDENTITY	507500	368.90	3,031.10	3,400.00
930	52030	PUBLIC RELATIONS	930-04295	MISC GENERAL EXPENSE-ANNUAL REPORT	CORPORATE IDENTITY	507500	45.40	414.60	460.00
935	52020	COMM & CIVIC AFFAIRS	935-01505	MAINTENANCE OF GENERAL PLANT-OFFICE STAF	CORPORATE IDENTITY	507500	19.46	177.74	197.20
							<u>2,585.97</u>	<u>29,413.74</u>	<u>31,999.71</u>

**NW Natural**

**Rates & Regulatory Affairs**

**2010 Washington Commission Basis Report**

2010 O&M Extract: FERC 909, 911, 912, 913 excluding Category 2966 and 2666

Activity	Cost Center Descr	Order Descr	Washington	Oregon	System
909	CONSMR INFO-INTNT SR	Customer Information Expense	33,451.87	287,275.57	320,727.44
909	CONSMR INFO-INTNT SR	Customer Information Expense	13,100.76	112,505.74	125,606.50
909	CONSMR INFO-INTNT SR	Customer Information Expense	33,875.24	290,911.32	324,786.56
909	CONSMR INFO-INTNT SR	Customer Information Expense	19,923.39	171,096.61	191,020.00
909	CONSMR INFO-INTNT SR	Customer Information Expense	12,081.47	103,752.33	115,833.80
909	ENGINEERING SVCES OR	Customer Information Expense	346.68	3,158.72	3,505.40
909	CONSMR INFO-INTNT SR	Customer Information Expense	35,967.82	308,881.88	344,849.70
909	CONSMR INFO-INTNT SR	Customer Information Expense	6,092.66	52,322.08	58,414.74
			<u>154,839.89</u>	<u>1,329,904.25</u>	<u>1,484,744.14</u>
911	RES CONSUMER SERVICE	Supervision	14,718.29	126,396.65	141,114.94
911	OPS SYSTEMS ANALYSIS	Supervision	2,154.40	17,701.80	19,856.20
911	CONSR RELATIONS-EVT	Supervision	16,220.43	141,873.42	158,093.85
			<u>33,093.12</u>	<u>285,971.87</u>	<u>319,064.99</u>
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	3,184.76	27,855.76	31,040.52
912	NEW CONSTRUCTION	Demonstration and Selling Expense	10.93	95.57	106.50
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	19,385.13	169,553.77	188,938.90
912	SYSTEM OPS	Demonstration and Selling Expense	64.34	586.19	650.53
912	DIR, ACQUIRE CUSTOME	Demonstration and Selling Expense	5,039.88	45,919.44	50,959.32
912	SEC REPORTING	Demonstration and Selling Expense	5.69	51.85	57.54
912	FIELD SERVICES	Demonstration and Selling Expense	5.54	48.46	54.00
912	CONVERSION	Demonstration and Selling Expense	47,674.83	416,992.09	464,666.92
912	NEW CONSTRUCTION	Demonstration and Selling Expense	14,856.27	129,941.71	144,797.98
912	MARKETING	Demonstration and Selling Expense	24,536.74	214,612.75	239,149.49
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	25.65	224.35	250.00
912	ARCHITECTURE RELATIO	Demonstration and Selling Expense	5,451.36	57,936.58	63,387.94
912	RES CONSUMER SERVICE	Demonstration and Selling Expense	133.33	1,144.99	1,278.32
912	EUGENE CUST ACQ	Demonstration and Selling Expense	0.00	972.00	972.00
912	PUB POLICY & GVRM AF	Demonstration and Selling Expense	0.00	417.00	417.00
912	CUST SEG SRVC	Demonstration and Selling Expense	6.77	90.61	97.38
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	23,349.51	204,228.52	227,578.03
912	BUSINESS ANALYSIS	Demonstration and Selling Expense	2,115.91	18,507.04	20,622.95
912	NEW CONSTRUCTION	Demonstration and Selling Expense	2,953.06	25,829.20	28,782.26
912	CONVERSION	Demonstration and Selling Expense	5.71	49.97	55.68
912	NEW CONSTRUCTION	Demonstration and Selling Expense	13,872.41	121,336.26	135,208.67
912	MARKETING	Demonstration and Selling Expense	24.62	215.38	240.00
912	ARCHITECTURE RELATIO	Demonstration and Selling Expense	619.51	6,584.14	7,203.65
912	GAS OPS BLACK - WA	Demonstration and Selling Expense	1,969.00	0.00	1,969.00
912	RES CONSUMER SERVICE	Demonstration and Selling Expense	3.57	30.69	34.26
912	MARKETING	Demonstration and Selling Expense	2.46	21.54	24.00
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	22.87	200.01	222.88
912	SERVICE SOLUTIONS	Demonstration and Selling Expense	0.00	0.00	0.00
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	1,692.79	14,806.13	16,498.92
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	911.57	7,973.08	8,884.65
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	635.31	5,556.77	6,192.08
912	NEW CONSTRUCTION	Demonstration and Selling Expense	0.82	7.18	8.00
912	MARKETING	Demonstration and Selling Expense	0.83	7.27	8.10
912	COMM & CIVIC AFFAIRS	Demonstration and Selling Expense	52.10	474.71	526.81
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	7,744.28	67,736.06	75,480.34
912	CONVERSION	Demonstration and Selling Expense	0.92	8.08	9.00
912	MARKETING	Demonstration and Selling Expense	24,690.50	215,957.66	240,648.16
912	MARKETING	Demonstration and Selling Expense	16,441.47	143,806.75	160,248.22
912	MARKETING	Demonstration and Selling Expense	9,885.65	86,465.72	96,351.37
912	CONSR RELATIONS-EVT	Demonstration and Selling Expense	2.83	24.78	27.61
912	SERVICE SOLUTIONS	Demonstration and Selling Expense	0.00	14.99	14.99
912	MARKETING	Demonstration and Selling Expense	(172.09)	(1,505.20)	(1,677.29)
			<u>227,206.83</u>	<u>1,984,779.85</u>	<u>2,211,986.68</u>
913	DIR-COMMUNICATIONS	Advertising	14.27	129.98	144.25
913	CONSMR INFO-INTNT SR	Advertising	1,136.74	9,761.98	10,898.72
913	CONSMR INFO-INTNT SR	Advertising	51,754.68	550,043.90	601,798.58
			<u>52,905.69</u>	<u>559,935.86</u>	<u>612,841.55</u>



**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
Claims Expense Adjustment**

**Worksheet g**

<u>Line No.</u>	<u>O&amp;M Expense (a)</u>	<u>Construction (b)</u>
<b>1 Expensed during Test period</b>	(\$116,879)	\$501,011
<b>Normalized Expenses</b>		
<b>2 Actual Claims - Ordinary</b>	(86,358)	528,011
<b>3 3-Year Average Claims - Extraordinary</b>	169,587	0
<b>4 Subtotal</b>	<u>83,229</u>	<u>528,011</u>
<b>5 Adjustment - System (line 4 - line 1)</b>	200,108	27,000
<b>6 Allocation to Washington (O&amp;M on 3-factor, const on gross plant)</b>	<u>9.870%</u>	<u>10.760%</u>
<b>7 Adjustment</b>	<u>\$19,751</u>	<u>\$2,905</u>

**NW Natural**  
**Rates & Regulatory Affairs**  
**2010 Oregon Earnings Test & Washington Commission Basis Report**  
**Claims Analysis**

	200912 Balance[a]	201012 Balance[a]	2010 Expense Accruals	2010 Payments
<b><u>OPERATING (O&amp;M) ACCOUNTS:</u></b>				
262001 OPERATING	189,689	20,000	(72,845)	96,844
261001 AUTOMOTIVE	98,897	95,000	(187,099)	(183,201)
262003 HUMAN RESOURCES	75,000	75,000	0	0
	<hr/>			
SUBTOTAL ORDINARY CLAIMS	363,586	190,000	(259,944)	(86,358)
	<hr/>			
262004 EXTRAORDINARY CLAIMS	0	(240)	143,065	143,305
	<hr/>			
<b>TOTAL O&amp;M ACCOUNTS</b>	<b>363,586</b>	<b>189,760</b>	<b>(116,879)</b>	<b>56,947</b>
	<hr/> <hr/>			
<b><u>CONSTRUCTION:</u></b>				
262002 CONSTRUCTION ACCOUNT	112,000	85,000	501,011	528,011

[a] Balance sheet amounts are balances \* -1

**NW Natural  
Washington Annual Commission Basis Report  
Twelve Months Ended December 31, 2010  
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)	9.87%
3 Adjustment	<u>\$0</u>
4 Adjustment to Construction	\$0
5 Allocation to Washington (Gross Plant)	10.76%
6 Adjustment	<u>\$0</u>

**Clearing accounts are completely allocated by year end closing.**