

ONITA R. KING
Tariffs and Regulatory Compliance
Tel: 503.721.2452
Fax: 503.721.2516
email: ork@nwnatural.com



September 1, 2011

NWN Advice No. WUTC 11-5

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, 2011.

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, 2010.

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 1.7% and commercial bills will decrease 1.6%. 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 \$1,307,877.

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 \$0.51322 per therm. The proposed Winter Sales Weighted Average Cost of Gas is \$0.52252. The proposed firm service pipeline capacity cost is \$0.13592 per therm, and the proposed interruptible service pipeline capacity cost is \$0.04748. The net effect of the combined purchased gas adjustments in this filing is a decrease of \$0.01328 per therm for firm sales rate schedules and a decrease of \$0.01793 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, 2010. 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 and 186.312. The balances relate to general energy efficiency programs (Schedule G) for the calendar year 2010. 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. Account 186.235 is the remaining unamortized amount from a consolidation of low-income assistance deferred accounts.

The removal of the temporary adjustments that were placed into rates effective November 1, 2010 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.

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 100,000 therms per day of compression capacity from upstream market activities for use by the Company's core customers.

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 64,177 residential customers and 5,474 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, 2011.

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:

Kelley C. Miller, Rates Specialist
Rates & Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
kelley.miller@nwnatural.com
and
eFiling@nwnatural.com

Natasha Siores, Sr. Rate Analyst
Rates and Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211 x3588
ncs@nwnatural.com

Sincerely,

NW NATURAL

/s/ Onita R. King

Onita R. King
Rates & Regulatory Affairs

enclosures



Natural Gas **PRICES REMAIN LOW**



This heating season, customers will pay about the same amount for gas as they did in 2004.

With gas costs remaining low, NW Natural expects little change in its rates over the next year.

On Aug. 31, NW Natural filed initial requests with the Public Utility Commission of Oregon and the Washington Utilities and Transportation Commission for rate adjustments. These adjustments reflect gas purchases for the year beginning Nov. 1 as well as other small year-to-year changes.

If the request is approved as filed, Oregon residential rates would decrease by 0.9 percent. A residential customer using 55 therms a month would see an average monthly bill decrease of \$0.61. A commercial customer using 235 therms a month would see an average monthly bill decrease of \$4.64. Washington residential rates would decrease by 1.7 percent, and the average customer who uses 58 therms a month would pay \$1.13. The average commercial customer in Washington using 257 therms a month would see a decrease of \$4.67.

So why are rates relatively flat? Because of consistently low natural gas prices.

Each year, NW Natural and other local gas companies adjust their rates to reflect changes in wholesale natural gas prices. These costs have fallen in the last few years. Part of the reason

is lower demand for gas caused by a weak economy; the other is the surge of new gas supplies throughout the United States.

NW Natural will submit a final filing to the OPUC and WTUC in mid-October. As we lock in additional supplies for the upcoming heating season, the final numbers may change slightly from the current filing.



Earthquake **PREPAREDNESS**

September is National Preparedness Month. Take a few minutes to review the following information to help prepare you and your family in the event of an earthquake.



Be Prepared

Learn how to manually turn off your home's natural gas service line. Should a situation arise where your gas needs to be shut off immediately, follow this simple procedure:

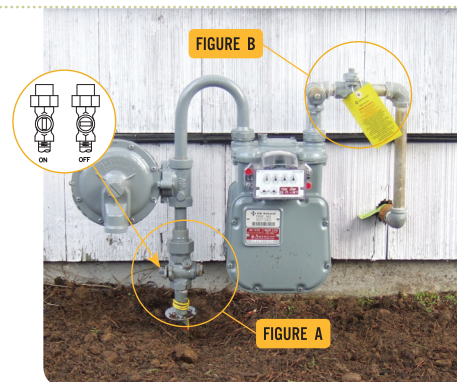
- Locate the shutoff valve on the riser pipe from the ground to the meter (Figure A) or on newer meters the service line going from your meter into the house (Figure B).
- When the valve head is parallel to the pipe, it is in the OPEN position. Use an adjustable pipe or crescent-type wrench to turn the valve a

quarter turn in either direction. At that point the gas will be turned off.

- There are also natural gas shutoff valves on the lines to individual pieces of equipment.

After an Earthquake

- Be sure that no flammable items have fallen or spilled near natural gas appliances.
- If you see or hear gas blowing after an earthquake, or smell a strong gas odor, shut off your gas service at the meter.
- Once the gas is off, leave it off and contact NW Natural to have your service restored.
- Be aware that in the event of a major emergency, increased work volumes may cause service delays.



It could be days before a service technician can be scheduled to restore service at your home.

- If you had an earthquake shutoff valve installed, you need to contact a contractor to reset the valve and relight your natural gas appliances.

For additional safety information, visit:

nwnatural.com

Where is your home **WASTING ENERGY?**

Find out with a free Home Energy Review consultation, brought to you by NW Natural and Energy Trust of Oregon. It's your best first step to saving energy and money and making your home more comfortable year-round.



Three consultation options – online, phone or a home visit with an energy advisor – make it easy. You'll get a prioritized list of recommended cost-saving improvements that are customized to your home, and can be made at your own pace. And free energy-saving products help you start saving immediately.

As an Oregon or Washington NW Natural customer, you can also get cash incentives from Energy Trust when you make qualifying improvements, such as adding insulation or upgrading to high-efficiency equipment.

Get started now. Visit Energy Trust of Oregon at energytrust.org/startNWN or call **1.866.368.7878**.



TANK or **TANKLESS?**

High-efficiency **FURNACE** or **FIREPLACE?**

Two great offers to keep you warm and cozy this fall

Visit nwnaturaloffers.com and check out the deals available for two ways to heat your home and your water.



Install a 95 percent high-efficiency furnace and tankless water heater from a NW Natural Certified Contractor and you could get up to **\$1,590 back**.

Or, if you prefer, you can install a .67 high-efficiency tank water heater and a direct vent natural gas fireplace, insert, or freestanding stove. Receive up to **\$700 back**.



Both offers provide efficient warmth and plenty of cost-effective hot water. If you have questions on either offer, call **800.WARM.123**.



NW Natural
CERTIFIED

What motivates you, **FOOTBALL** or **CASH?**

Visit our website to enter the Civil War Sweepstakes where you could **win four reserved seats** to the **2011 Civil War game** or **\$1,000 off** your choice of a Lennox high-efficiency natural gas furnace, Heat & Glo fireplace, Navien tankless water heater or a tank water heater from Fast Water Heater Company. No purchase necessary to enter.



Eugene Hilton & Conference Center **TEAMS UP WITH SMART ENERGY**



Sustainability isn't about quick fixes. It's a measured, long-term journey and the Eugene Hilton & Conference Center has taken meaningful

steps toward reducing its energy consumption and waste.

The facility's multipronged approach includes energy efficiency, recycling and carbon offsets. Custom software allows the management team to track the facility's energy and water usage, and find trends and areas to improve.

HVAC sensors and timers in guest rooms and the conference center prevent vacant spaces from being cooled and heated, said Jody Hall,

General Manager. Also, about 80 percent of the facility's lighting has been converted to high-efficiency lighting, and sensors are used in ballrooms and the garage to ensure lights are not on unless needed.

Recycling is another keystone in the hotel's sustainability strategy. Guests have access to recycling in their rooms and all of the hotel's departments recycle. When possible, the kitchen sends vegetable scraps to local pig farms.

After taking so many steps to reduce energy consumption and recycle, the Eugene Hilton & Conference Center decided to take its sustainability efforts to the next level – offsetting their natural gas carbon emissions through Smart Energy from NW Natural.

"It was a tool that gave us a chance to reduce our footprint," Hall said.

In fact, the Eugene Hilton & Conference Center offsets 100 percent of its natural gas emissions through the volunteer program. Smart Energy funds are invested in regional biodigester projects that capture methane and produce renewable biogas. We applaud the Hilton's commitment and continued efforts to tread lightly on the earth.

For more information about Smart Energy and to enroll visit nwnatural.com/smart.

SMART ENERGY.
Use less. Offset the rest.

Hilton
Eugene & Conference Center



TABLE OF TARIFF SHEET REVISIONS
PROPOSED TO BECOME EFFECTIVE NOVEMBER 1, 2011

PROPOSED REVISION	CANCELS REVISION	SCHEDULE TITLE
Effective November 1, 2011	Effective November 1, 2010	Summary of Monthly Sales Service Billing Rates
Effective November 1, 2011	Effective November 1, 2010	Summary of Monthly Transportation Service Billing Rates
Twentieth Revision of Sheet 101.1	Nineteenth Revision of Sheet 101.1	Schedule 1 "General Sales Service"
Twentieth Revision of Sheet 102.1	Nineteenth Revision of Sheet 102.1	Schedule 2 "Residential Sales Service"
Eighth Revision of Sheet 103.3	Seventh Revision of Sheet 103.3	Schedule 3 "Basic Firm Sales Service – Non-Residential (continued)"
Twentieth Revision of Sheet 127.1	Nineteenth Revision of Sheet 127.1	Schedule 27 "Residential Heating Dry-Out Service"
Sixth Revision of Sheet 141.9	Fifth Revision of Sheet 141.9	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
First Revision of Sheet 141.10	Original Sheet 141.10	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Seventh Revision of Sheet 142.10	Sixth Revision of Sheet 142.10	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Second Revision of Sheet 142.10.1	First Revision of Sheet 142.10.1	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Sixth Revision of Sheet 142.11	Fifth Revision of Sheet 142.11	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Sixth Revision of Sheet 143.6	Fifth Revision of Sheet 143.6	Schedule 43 "High-Volume Non-Residential Firm and Interruptible Transportation Service (continued)"
Seventeenth Revision of Sheet 201.1	Sixteenth Revision of Sheet 201.1	Schedule 201 "Temporary (Technical) Adjustments to Rates"
Eighth Revision of Sheet 201.2	Seventh Revision of Sheet 201.2	Schedule 201 "Temporary (Technical) Adjustments to Rates (continued)"
Nineteenth Revision of Sheet 203.1	Eighteenth Revision of Sheet 203.1	Schedule 203 "Purchased Gas Cost Adjustments to Rates"

Twelfth Revision of Sheet 215.1	Eleventh Revision of Sheet 215.1	Schedule 215 "Adjustment to Rates Energy Conservation Programs"
Sixth Revision of Sheet 220.1	Fifth Revision of Sheet 220.1	Schedule 220 "Special Rate Adjustment"
Third Revision of Sheet 230.1	Second Revision of Sheet 230.1	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"
First Revision of Sheet 230.2	Original Sheet 230.2	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"