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August 31, 2012

NWN Advice No. WUTC 12-7

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, 2012.

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, 2011.

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 8.9% and commercial bills will decrease 9.5%. 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 \$7,365,140.

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.

Including revenue sensitive effects, the proposed Annual Sales Weighted Average Cost of Gas (WACOG), is \$0.38566 per therm; the proposed Winter Sales Weighted Average Cost of Gas is \$0.37868; the proposed firm service pipeline capacity cost is \$0.13815

per therm, and the proposed interruptible service pipeline capacity cost is \$0.04826. The net effect of the combined purchased gas adjustments in this filing is a decrease of \$0.10776 per therm for firm sales rate schedules and a decrease of \$0.10904 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, 2011. 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 balances in accounts 191.430, 191.431 and 254.302. 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 254.302 relates to the deferral of storage-related off system sales.
3. 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 this schedule from prior year.

The removal of the temporary adjustments that were placed into rates effective November 1, 2011 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 150,000 therms per day of Mist reservoir capacity and 150,000 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 65,135 residential customers and 5,611 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, 2012.

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



Falling Natural Gas Prices Mean **LOWER RATES AGAIN THIS WINTER**



For the fourth consecutive year, NW Natural will lower Washington customers' rates. On Aug. 31, NW Natural filed an initial request with the Washington Utilities and Transportation

Commission for about a **9 percent reduction** in residential customer rates and a **9.5 percent reduction** in commercial customer rates. These adjustments reflect gas purchases for the year beginning Nov. 1 as well as other small year-to-year changes.

How our gas pricing works

Every year, we estimate how much

we will pay for natural gas for the 12 months starting Nov. 1. With regulatory approval, we raise or lower our rates accordingly.

During the last four years, natural gas costs have dropped almost continuously, so you pay less on your bill.

Over the last four years, rates for NW Natural Washington customers have **DECREASED BY ABOUT 35 PERCENT** because of lower natural gas prices.

Normally, these changes take effect each November. However, at the beginning of this year, prices fell so dramatically that we wanted you to benefit from the savings more quickly. So, in addition

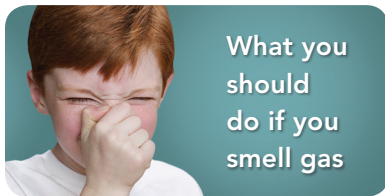
to the upcoming reduction in rates, we were able to credit a total of **\$4 million** to Washington customers in June.

What's driving the reduction in prices?

The biggest factor is the availability of new domestic gas supplies. Technology advances have made it possible to extract natural gas from new sources, efficiently and economically. Today, we have plenty of natural gas for use in homes and businesses, for electric generation and for transportation.

In addition, last winter was much warmer than average for most of the country, which helped reduce demand and keep prices lower.

SMELL. GO. LET US KNOW.



What you should do if you smell gas

Natural gas is odorless and colorless. As a safety precaution, we give it a rotten egg or sulfur-like odor so you'll know how to identify a possible gas leak. Smell rotten eggs? Just remember these three steps:

SMELL. GO. LET US KNOW.

SMELL = Unusual odor like rotten eggs or sulfur

- Don't completely rely on your sense of smell alone. You may also hear a blowing or hissing sound or see blowing dirt.

GO = Leave the area immediately

- Don't start a vehicle in a garage or near any natural gas odor.
- Don't smoke or use a match or lighter.
- Don't use any electrical or battery-operated device, such as a light switch, phone, appliance or garage door opener.

LET US KNOW = Call NW Natural (away from the smell) to report the odor immediately

- NW Natural has a 24-hour emergency line at **800-882-3377**.
- Use a cell phone away from the area or a neighbor's phone.



Interested in learning more about natural gas safety? Visit the Safety section of

nwnatural.com



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



Up to \$200 back

Save money and energy with a new 95% high-efficiency natural gas furnace installed by a NW Natural Certified Contractor.

Up to \$600 back

Enjoy the warm glow of a new natural gas fireplace with easy installation through a single NW Natural Certified Contractor.



While you're checking out the great offers on a natural gas furnace or fireplace on nwnaturaloffers.com, make sure to enter the **2012 Civil War Sweepstakes** where you could win four reserved seats to the 2012 Civil War game or \$1,000 off your purchase of a Napoleon® gas grill or Heat & Glo™ natural gas fireplace. **Enter by Nov. 12, 2012.**

TABLE OF TARIFF SHEET REVISIONS
PROPOSED TO BECOME EFFECTIVE NOVEMBER 1, 2012

PROPOSED REVISION	CANCELS REVISION	SCHEDULE TITLE
Effective November 1, 2012	Effective November 1, 2011	Summary of Monthly Sales Service Billing Rates
Effective November 1, 2012	Effective November 1, 2011	Summary of Monthly Transportation Service Billing Rates
Twenty-First Revision of Sheet 101.1	Twentieth Revision of Sheet 101.1	Schedule 1 "General Sales Service"
Twenty-First Revision of Sheet 102.1	Twentieth Revision of Sheet 102.1	Schedule 2 "Residential Sales Service"
Ninth Revision of Sheet 103.3	Eighth Revision of Sheet 103.3	Schedule 3 "Basic Firm Sales Service – Non-Residential (continued)"
Twenty-First Revision of Sheet 127.1	Twentieth Revision of Sheet 127.1	Schedule 27 "Residential Heating Dry-Out Service"
Seventh Revision of Sheet 141.9	Sixth Revision of Sheet 141.9	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Second Revision of Sheet 141.10	First Revision of Sheet 141.10	Schedule 41 "Non-Residential Sales and Transportation Service (continued)"
Eighth Revision of Sheet 142.10	Seventh Revision of Sheet 142.10	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Third Revision of Sheet 142.10.1	Second Revision of Sheet 142.10.1	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Seventh Revision of Sheet 142.11	Sixth Revision of Sheet 142.11	Schedule 42 "Large Volume Non-Residential Sales and Transportation Service (continued)"
Seventh Revision of Sheet 143.6	Sixth Revision of Sheet 143.6	Schedule 43 "High-Volume Non-Residential Firm and Interruptible Transportation Service (continued)"
Eighteenth Revision of Sheet 201.1	Seventeenth Revision of Sheet 201.1	Schedule 201 "Temporary (Technical) Adjustments to Rates"
Ninth Revision of Sheet 201.2	Eighth Revision of Sheet 201.2	Schedule 201 "Temporary (Technical) Adjustments to Rates (continued)"
Twentieth Revision of Sheet 203.1	Nineteenth Revision of Sheet 203.1	Schedule 203 "Purchased Gas Cost Adjustments to Rates"

Seventh Revision of Sheet 220.1	Sixth Revision of Sheet 220.1	Schedule 220 "Special Rate Adjustment"
First Revision of Sheet 220.2	Original Sheet 220.2	Schedule 220 "Special Rate Adjustment" (continued)
Fourth Revision of Sheet 230.1	Third Revision of Sheet 230.1	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"
Second Revision of Sheet 230.2	First Revision of Sheet 230.2	Schedule 230 "Temporary Adjustments to Rates For Low-Income Programs"