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February 1, 2013

Via Email and Overnight Delivery

David Danner
Executive Director and Secretary
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive SW
Olympia WA 98504-7250

**Re: Affiliated Interest Filing – Assignment of Encana Transaction
Docket No. UG-12_____**

Dear Mr. Danner:

Pursuant to RCW 80.16.010 and WAC 480-90-245, Northwest Natural Gas Company (“NW Natural” or the “Company”) provides the Washington Utilities and Transportation Commission (“Commission”) notice of an affiliate transaction between the Company and its wholly-owned subsidiary, NWN Gas Reserves LLC (“NWN Gas Reserves”).

This filing relates to the Company’s NW Natural’s gas reserve transaction with Encana Oil & Gas (USA) Inc. (“Encana”) that the Commission evaluated in Docket No. UG-111233 (“Transaction”). In that docket, the Company requested an express finding that the Transaction was prudent and proposed revisions to its Tariff WN U-6 to change the definition of gas commodity costs recovered through the Company’s Purchased Gas Adjustment mechanism to include the cost of the natural gas reserves relevant to the Transaction.

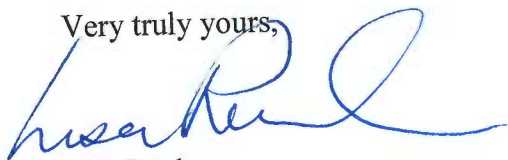
On May 25, 2012, in Order 05, the Commission adopted a Settlement Stipulation between NW Natural and Commission Staff that excluded the costs and benefits of the Transaction from Washington rates. The Settlement Stipulation established separate portfolios for the Company’s Oregon and Washington customers, and excluded gas from and costs of the Transaction from the Washington portfolio. The Commission noted that the Washington portfolio will be “unaffected by the costs or benefits that may be attributable to the [Transaction].”

When the Company presented the Transaction to the Commission, it explained that one of the benefits of the Transaction was the availability of certain tax deductions available under the Transaction as proposed.¹ After the Transaction closed, the Company became aware that federal tax law may limit the Company's ability to receive these tax benefits as ownership of the gas reserves are currently structured. To safeguard its ability to realize these tax benefits, the Company plans to restructure the Transaction to be operated through a subsidiary of NW Natural. To this end, the Company will transfer all of its rights and obligations under the Transaction to NWN Gas Reserves, a wholly-owned subsidiary of NW Natural ("Proposed Assignment"), effective upon the receipt of the approval of the Public Utility Commission of Oregon.² A verified copy of the Agreement for Assignment of Carry and Earning Agreement effectuating the transfer is attached.

Because the Commission excluded the Transaction from the Company's Washington portfolio, the Proposed Assignment will not impact Washington customers.

Please do not hesitate to contact this office if you have any questions or concerns. Thank you for your assistance.

Very truly yours,



Lisa Rackner

Enclosure

¹ See *NW Natural Gas Co. Revision to Schedule P to Include Acknowledging the Recovery of the Cost of Gas Acquired Through Gas Reserves*, Docket UG-111233, Direct Testimony of Barbara J. Cronise, Exhibit No. BJC-1T at 6 (July 6, 2011).

² The Company made its Oregon filing on January 25, 2013.