

ONITA R. KING
Rates and Regulation
Tel: 503.721.2452
Fax: 503.721.2516
email: ork@nwnatural.com



May 23, 2014

NWN Advice No. WUTC 14-3

VIA ELECTRONIC FILING

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

Re: Schedule A: Addition of City Taxes

Northwest Natural Gas Company, dba NW Natural (NWN or the "Company") files herewith the following revisions to its Tariff WN U-6, stated to become effective with service on and after July 1, 2014.

Fourth Revision of Sheet A.1
Schedule A,
"Addition of City Exactions," and

Fifth Revision of Sheet A.2
Schedule A
"Addition of City Exactions (continued)."

The first purpose of this filing is to revise Schedule A to establish provisions that pertain to the treatment of certain exaction tax assessments, and related charges, as may be assessed by a city within which the Company provides gas service to customers, and to make various other housekeeping revisions that: (a) update ordinance information where needed, and (b) modify the presentation format of Schedule A in general.

The second purpose of this filing is to request Commission approval to collect from customers amounts that relate to: (1) the effect of a municipal exaction tax assessment made by the City of Vancouver ("the City") associated with an audit conducted by the City for the period October 2008 through December 2012; (2) the exaction tax assessment relating to the change in the calculation methodology applied to the period January 1, 2013 through December 2013; and (3) the exaction tax assessment relating to the change in the calculation methodology applied to the January 1, 2014 through May 14, 2014 time period.

On September 17, 2013, NW Natural received the results of an audit conducted by the City for the period October 2008 through December 2012. The primary finding of the audit was that the Company should have included certain revenue and cost recovery accounts in the calculation of the tax due to the City. The audit also directed that the Company change its

calculation methodology for all future periods. NW Natural disputed the findings and filed a request with the City for an administrative review of the audit findings.

On December 13, 2013, NW Natural filed with the Commission a Petition for an Accounting Order Authorizing Deferred Accounting Treatment of Certain Costs Associated with City of Vancouver Natural Gas Taxes ("Petition"), assigned Docket No. UG 132290. NW Natural filed the Petition as a precautionary step because NW Natural withheld payment to the City pending the conclusion of the administrative review process. The Company has been accruing for the difference in the tax amounts that the City claimed in its audit is due, and the amounts actually assessed on customer bills since that time. At the time the Petition was filed, the Company was unaware of the Puget Sound Energy ("PSE") filing on a similar tax assessment issue in Bellingham, Washington.

Since the filing of its Petition with the Commission, the Company has completed further legal review of the issues at dispute with the City's audit. The Company has concluded that there is sufficient precedent in the law that supports the basis for the City's tax assessment, and the Company has withdrawn its request to the City for an administrative review.

The Company is now requesting Commission approval to pass through the tax shortfall amounts that arose out of the City's audit. The total amount to be paid to the City is \$743,279.87 which includes penalties in the amount of \$62,128.03. The total amount to be passed through to customers that reside in the City is \$681,151.84, which results in an additional rate of 2.499 percent to be added to City of Vancouver customer bills over the period of one year (July 1, 2014 to June 30, 2015) as reflected in the proposed Schedule A at Sheet A.2. A worksheet showing the derivation of these amounts is included with this filing.

Pursuant to WAC 480-90-195, notice to customers will be provided in the first billing after the tariff revision becomes effective; customers within the City will receive notice in the form of a bill message.

This rate change affects NW Natural's customers that reside in the City of Vancouver that are subject to the City tax. NW Natural currently serves approximately 24,560 residential customers and 3,363 business and industrial customers in the Vancouver, Washington service territory.

The Company respectfully requests that the tariff sheets filed herewith be approved to become effective with service on and after July 1, 2014.

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.

Washington Utilities & Transportation Commission
NWN WUTC Advice No. 14-3
May 23, 2014; Page 3

Please address correspondence on this matter to me at ork@nwnatural.com,
with copies to the following:

Cristan Kelley, Rate Analyst
Rates & Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3582
cristan.kelley@nwnatural.com

NW Natural
Rates and Regulatory Affairs

220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

Sincerely,

NW NATURAL

/s/ Onita R. King

Onita R. King
Rates & Regulation

Attachments: Supporting Materials