

NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007

Line No.	Washington Allocated Results					
	Test Year Results	Adjustments	Test Year Adjusted	Proposed Rate Increase	Test Year at 10.65% Equity Return	
	(a)	(b)	(c)	(d)	(e)	
<b>Operating Revenues</b>						
1	Sale of Gas	\$93,509,688	(\$3,247,876)	\$90,261,812	\$4,342,062	\$94,603,874
2	Transportation	897,029	8,099	905,128	0	905,128
3	Miscellaneous Revenues	218,624	98,282	316,906	0	316,906
4	<b>Total Operating Revenues</b>	94,625,341	(3,141,495)	91,483,846	4,342,062	95,825,909
<b>Operating Revenue Deductions</b>						
5	Gas Purchased	59,716,331	(2,326,804)	57,389,527	0	57,389,527
6	Uncollectible Accrual for Gas Sales	271,925	40,206	312,131	13,876	326,007
7	Other Operating & Maintenance Expenses	11,609,850	(592,977)	11,016,873	0	11,016,873
8	<b>Total Operating &amp; Maintenance Expense</b>	71,598,105	(2,879,575)	68,718,531	13,876	68,732,407
9	Federal Income Tax	2,244,421	192,863	2,437,283	1,453,286	3,890,569
10	Property Taxes	974,950	77,060	1,052,010	0	1,052,010
11	Other Taxes	4,372,665	(118,599)	4,254,065	175,940	4,430,006
12	Depreciation & Amortization	6,962,865	(385,985)	6,576,880	0	6,576,880
13	<b>Total Operating Revenue Deductions</b>	86,153,007	(3,114,237)	83,038,770	1,643,103	84,681,872
14	<b>Net Operating Revenues</b>	\$8,472,335	(\$27,258)	\$8,445,077	\$2,698,960	\$11,144,037
15	<b>Total Rate Base</b>	\$118,753,441	\$9,693,290	\$128,446,731	\$0	\$128,446,731
16	<b>Rate of Return</b>	<u>7.13%</u>		<u>6.58%</u>		<u>8.68%</u>
17	<b>Return on Common Equity</b>	<u>7.61%</u>		<u>6.51%</u>		<u>10.65%</u>

NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007

<u>Line No.</u>	<u>System Test Year Results</u> (a)	<u>Washington Test Year Results</u> (b)
<b>Operating Revenues</b>		
1	\$998,694,700	\$93,509,688
2	14,124,732	897,029
3	<u>5,019,796</u>	<u>218,624</u>
4	1,017,839,228	94,625,341
<b>Operating Revenue Deductions</b>		
5	648,814,115	59,716,331
6	2,829,092	271,925
7	<u>113,643,449</u>	<u>11,609,850</u>
8	765,286,656	71,598,105
9	33,000,265	2,244,421
10	6,141,608	0
11	16,801,630	974,950
12	32,709,366	4,372,665
13	<u>66,476,363</u>	<u>6,962,865</u>
14	<u>920,415,888</u>	<u>86,153,007</u>
15	<u>\$97,423,340</u>	<u>\$8,472,335</u>
16	<u>\$1,028,862,611</u>	<u>\$118,753,441</u>
17	<u>9.47%</u>	<u>7.13%</u>
18	<u>12.21%</u>	<u>7.61%</u>

NW Natural  
Washington Quarterly Results of Operations Report  
Operations and Maintenance Expense: Allocation of System Amounts  
Twelve Months Ended September 30, 2007

	<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	145,324	13,821	131,503
818 Compressor Station Expense	40,462	3,848	36,614
820 Measuring and Regulator Station Expense	1,432,056	136,196	1,295,860
821 Purification Expense	85,158	8,099	77,059
<b>Maintenance</b>			
832 Wells Expense	178,815	17,006	161,809
<b>Total Underground Storage Expense</b>	<u>1,881,816</u>	<u>178,970</u>	<u>1,702,846</u>
<b>Other Storage Expense</b>			
<b>Operation</b>			
840 Supervision and Engineering	73,909	7,029	66,880
<b>Total Other Storage Expense</b>	<u>73,909</u>	<u>7,029</u>	<u>66,880</u>
<b>Liquified Natural Gas Expense</b>			
<b>Operation</b>			
844 Supervision and Engineering	1,264,601	120,270	1,144,331
<b>Maintenance</b>			
847 Supervision and Engineering	920,441	87,539	832,903
<b>Total Liquified Natural Gas Expense</b>	<u>2,185,042</u>	<u>207,809</u>	<u>1,977,233</u>
<b>Total Natural Gas Storage</b>	<u>4,140,767</u>	<u>393,808</u>	<u>3,746,959</u>
<b>Transmission Expense</b>			
<b>Operation</b>			
856 Mains Expense	819,917	81,129	738,788
<b>Maintenance</b>			
863 Maintenance of Mains	364,244	34,923	329,321
<b>Total Transmission Expense</b>	<u>1,184,161</u>	<u>116,052</u>	<u>1,068,109</u>
<b>Distribution Expense</b>			
<b>Operation</b>			
870 Supervision and Engineering	2,043,465	158,548	1,884,917
874 Mains and Services Expense	6,962,939	911,595	6,051,344
875 Measuring and Regulator Station Expense - General	254,871	18,548	236,323
877 Measuring and Regulator Station Expense - City Gate	394,329	26,004	368,325
878 Meter and House Regulator Expense	3,516,760	313,400	3,203,360
879 Customer Installation Expense	7,228,085	677,785	6,550,300
880 Other Expense	953,309	76,644	876,665
881 Rents	133,828	13,208	120,620
<b>Maintenance</b>			
885 Supervision and Engineering	3,367,100	407,212	2,959,888
887 Mains	2,242,547	220,938	2,021,608
889 Measuring and Regulator Station Expense - General	776,977	49,452	727,525
891 Measuring and Regulator Station Expense - City Gate	43,021	3,099	39,922
892 Services	1,282,261	116,891	1,165,369
893 Meters and House Regulators	1,993,696	159,361	1,834,336
894 Other Equipment	64,483	2,588	61,895
<b>Total Distribution Expense</b>	<u>31,257,671</u>	<u>3,155,272</u>	<u>28,102,399</u>
<b>Customer Accounts Expense</b>			
<b>Operation</b>			

**NW Natural**  
**Washington Quarterly Results of Operations Report**  
**Operations and Maintenance Expense: Allocation of System Amounts**  
**Twelve Months Ended September 30, 2007**

	<u>System</u>	<u>Washington</u>	<u>Oregon</u>
901 Supervision	1,251,107	124,003	1,127,104
902 Meter Reading Expenses	3,958,335	301,885	3,656,451
903 Customer Records and Collection Expense	14,534,514	1,432,660	13,101,853
904 Uncollectible Accounts	2,679,092	271,925	2,407,168
<b>Total Customer Accounts Expense</b>	<b>22,423,048</b>	<b>2,130,472</b>	<b>20,292,576</b>
<b>Customer Service and Informational Operation</b>			
907 Supervision	269,765	27,721	242,044
908 Customer Assistance Expense	4,687,712	554,364	4,133,348
909 Customer Information Expense	1,658,010	170,415	1,487,595
910 Miscellaneous Customer Service Expense	179,136	18,375	160,761
<b>Total Customer Service and Informational</b>	<b>6,794,624</b>	<b>770,875</b>	<b>6,023,749</b>
<b>Sales Expense Operation</b>			
911 Supervision	263,239	26,801	236,438
912 Demonstration and Selling Expense	2,183,438	233,960	1,949,478
913 Advertising	356,728	30,970	325,758
916 Miscellaneous Sales Expense	15,987	1,631	14,356
<b>Total Sales Expense</b>	<b>2,819,392</b>	<b>293,362</b>	<b>2,526,031</b>
<b>Administrative and General Expense Operation</b>			
921 Office Supplies and Expense	39,444,967	4,161,214	35,283,754
922 Administrative Expenses Transferred - Credit	-13,983,502	-1,512,241	-12,471,260
924 Property Insurance Premium	2,371,076	235,006	2,136,069
925 Injuries and Damages	1,581,333	156,789	1,424,544
926 Employee Pensions and Benefits	7,698,933	791,246	6,907,688
928 Regulatory Commission Expense	12,376	6,008	6,368
930 Miscellaneous General Expense	2,869,429	284,400	2,585,029
931 Rents	4,276,777	523,623	3,753,155
<b>Maintenance</b>			
935 Maintenance of General Plant	3,581,488	375,889	3,205,598
<b>Total Administrative and General Expense</b>	<b>47,852,879</b>	<b>5,021,933</b>	<b>42,830,945</b>
<b>Total Operations and Maintenance Expense</b>	<b>116,472,541</b>	<b>11,881,775</b>	<b>104,590,767</b>
		10.20%	89.80%

NW Natural  
 Washington Rate Case  
 State Allocation Factors

Line No.	Customers	System	Washington	Oregon
1				
2	<b>Total Customers</b>			
3	September 2006	623,208	62,474	560,734
4	September 2007	639,462	64,866	574,596
5	Average	631,335	63,670	567,665
6	% of System		10.08%	89.92%
7				
8	<b>Residential Customers</b>			
9	September 2006	562,752	57,525	505,227
10	September 2007	578,362	59,763	518,599
11	Average	570,557	58,644	511,913
12	% of System		10.28%	89.72%
13				
14	<b>Commercial Customers</b>			
15	September 2006	59,519	4,895	54,624
16	September 2007	60,170	5,046	55,124
17	Average	59,845	4,971	54,874
18	% of System		8.31%	91.69%
19				
20	<b>Industrial Customers</b>			
21	September 2006	937	54	883
22	September 2007	930	57	873
23	Average	934	56	878
24	% of System		5.95%	94.05%
25				
26	<b>The Dalles</b>			
27	September 2006	6,630	1,704	4,926
28	September 2007	6,826	1,746	5,080
29	Average	6,728	1,725	5,003
30	% of System		25.64%	74.36%
31				
32	<b>Portland / Vancouver</b>			
33	September 2006	442,104	60,770	381,334
34	September 2007	453,032	63,120	389,912
35	Average	447,568	61,945	385,623
36	% of System		13.84%	86.16%
37				
38	<b>Portland / Vancouver Commercial</b>			
39	September 2006	38,549	4,699	33,850
40	September 2007	38,910	4,851	34,059
41	Average	38,730	4,775	33,955
42	% of System		12.33%	87.67%
43				
44				
45	<b>Volumes - 12 Months Ended 09/30/07</b>			
46				
47	<b>Firm Delivered</b>	740,943,407	70,467,542	670,475,865
48	% of System		9.51%	90.49%
49				
50	<b>Sales Volumes</b>	781,084,146	73,029,619	708,054,527
51	% of System		9.35%	90.65%
52				
53	<b>Sendout Volumes</b>	1,200,238,540	86,460,019	1,113,778,521
54	% of System		7.20%	92.80%
55				
56				

57				
58	NW Natural			
59	State Allocation Factors			
60				
61				
62	3-factor formula (simple average)		<u>Washington</u>	<u>Oregon</u>
63	Gross Plant Directly Assigned		10.67%	89.33%
64	Number of Employees Directly Assigned		8.60%	91.40%
65	Number of Customers		10.08%	89.92%
66				
67	Average		9.78%	90.22%
68				
69				
70	Derivation of factor for 3-factor - Gross Plant Directly Assigned			
71				
72	September 30, 2007	<u>System</u>	<u>Washington</u>	<u>Oregon</u>
73				
74	Intangible - Other	\$84,795	\$447	\$84,348
75	Production	\$675,198	\$0	\$675,198
76	Transmission	\$18,719,455	\$0	\$18,719,455
77	Distribution	\$1,541,092,810	\$169,997,496	\$1,371,095,314
78				
79	Total Gross Plant Directly Assigned	\$1,560,572,259	\$169,997,943	\$1,390,574,316
80	% of System		10.89%	89.11%
81				
82	September 30, 2006	<u>System</u>	<u>Washington</u>	<u>Oregon</u>
83				
84	Intangible - Other	\$84,795	\$447	\$84,348
85	Production	\$675,198	\$0	\$675,198
86	Transmission	\$18,498,368	\$0	\$18,498,368
87	Distribution	\$1,456,450,654	\$153,947,820	\$1,302,502,833
88				
89	Total Gross Plant Directly Assigned	\$1,475,709,015	\$153,948,267	\$1,321,760,748
90	% of System			
91				
92				
93	Gross Plant Directly Assigned	\$3,036,281,274	\$323,946,210	\$2,712,335,064
94	% of System		10.67%	89.33%
95				
96				
97	Allocation Factors - All in Washington %'s	<u>Washington</u>	<u>Oregon</u>	
98				
99	Customers-all	10.085%	89.915%	
100	Customers-Res	10.278%	89.722%	
101	Customers-Com	8.306%	91.694%	
102	Customers-Ind	5.945%	94.055%	
103	Customers-The Dalles	25.639%	74.361%	
104	3-factor	9.785%	90.215%	
105	firm volumes	9.511%	90.489%	
106	sales volumes	9.350%	90.650%	
107	sendout volumes	7.204%	92.796%	
108	sales/sendout volumes	8.277%	91.723%	
109	Customers port/van	13.840%	86.160%	
110	Customers port/van 80%	11.072%	88.928%	
111	Customers port/van com	12.329%	87.671%	
112	Payroll	9.962%	90.038%	
113	Admin Tran	10.890%	89.110%	
114	Employee Cost	10.466%	89.534%	
115	Regulatory	30.000%	70.000%	
116	Telemetering	10.770%	89.230%	
117	Direct-Wa	100.000%	0.000%	
118	Direct-Or	0.000%	100.000%	
119	Gross plant direct assign	10.669%	89.331%	
120				
121	Depreciation	10.474%		
122	Rate Base	11.542%		



NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007  
Rate Base - System & Washington

	SEP 2006	OCT 2006	NOV 2006	DEC 2006	JAN 2007	FEB 2007	MAR 2007	APR 2007	MAY 2007	JUN 2007	JUL 2007	AUG 2007	SEP 2007	12 Month Average
47 <b>WASHINGTON</b>														
48 <b>Gross Plant</b>														
49														
50 <b>Intangible</b>	6,663,555	6,727,916	6,759,742	6,790,042	6,843,077	6,846,754	6,845,734	6,845,427	6,944,024	6,989,208	6,995,658	7,002,298	7,022,773	6,869,420
51 <b>Other</b>	447	447	447	447	447	447	447	447	447	447	447	447	447	447
52 <b>Production</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
53 <b>Transmission</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
54 <b>Distribution</b>	153,947,820	154,224,839	154,770,882	162,187,546	162,379,035	162,852,603	163,174,052	164,044,056	164,795,658	167,595,587	168,242,209	169,019,068	169,997,496	162,938,183
55 <b>General</b>	7,638,527	7,654,885	7,695,308	7,795,978	7,790,384	7,846,611	7,835,078	7,840,695	7,866,623	7,891,562	7,911,113	7,930,641	7,922,407	7,819,945
56														
57 <b>Storage and storage transmission</b>	22,201,104	22,200,637	22,201,622	22,207,587	22,208,050	22,208,239	22,331,655	22,331,768	22,331,768	22,331,768	22,331,768	22,331,768	22,331,768	22,273,589
58 <b>CNG and LNG Refueling</b>	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488	254,488
59														
60 <b>Total Gross Plant</b>	190,705,942	191,063,213	191,682,489	199,236,088	199,475,482	200,009,141	200,441,455	201,316,881	202,193,009	205,063,062	205,735,683	206,538,710	207,529,379	200,156,073
61														
62														
63 <b>Accumulated Depreciation</b>														
64														
65 <b>Intangible</b>	(4,303,761)	(4,352,862)	(4,402,380)	(4,452,168)	(4,502,320)	(4,552,723)	(4,603,136)	(4,653,545)	(4,704,386)	(4,755,807)	(4,807,397)	(4,859,044)	(4,910,810)	(4,604,421)
66 <b>Production</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67 <b>Transmission</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68 <b>Distribution</b>	(50,714,160)	(51,091,046)	(51,425,431)	(51,988,500)	(52,451,456)	(52,880,860)	(53,317,935)	(53,701,087)	(54,015,728)	(54,358,715)	(54,754,024)	(55,231,605)	(55,623,078)	(53,198,751)
69 <b>General</b>	(3,695,009)	(3,728,083)	(3,762,973)	(3,779,415)	(3,816,758)	(3,855,972)	(3,886,750)	(3,925,436)	(3,944,201)	(3,976,074)	(4,000,663)	(4,034,151)	(4,049,022)	(3,881,874)
70														
71 <b>Storage and storage transmission</b>	(5,820,025)	(5,860,403)	(5,900,783)	(5,928,030)	(5,968,419)	(6,008,809)	(6,049,295)	(6,089,877)	(6,130,459)	(6,171,042)	(6,211,624)	(6,252,206)	(6,292,788)	(6,052,279)
72 <b>CNG and LNG Refueling</b>	(232,824)	(233,854)	(234,884)	(235,914)	(236,943)	(237,973)	(239,003)	(240,033)	(241,063)	(242,092)	(243,122)	(244,152)	(245,182)	(239,003)
73														
74 <b>Total Accumulated Depreciation</b>	(64,765,778)	(65,266,248)	(65,726,450)	(66,384,026)	(66,975,897)	(67,536,336)	(68,096,119)	(68,609,978)	(69,035,837)	(69,503,730)	(70,016,830)	(70,621,158)	(71,120,881)	(67,976,328)
75														
76														
77 <b>Storage Gas</b>	1,227,213	1,225,208	1,223,324	1,222,119	1,226,591	1,225,591	1,363,671	1,362,115	1,360,223	1,359,130	1,357,747	1,356,366	1,355,411	1,297,783
78 <b>Customer Advances</b>	(200,853)	(203,372)	(204,238)	(200,879)	(196,997)	(195,680)	(192,306)	(199,571)	(193,696)	(175,098)	(186,621)	(188,513)	(176,177)	(193,790)
79 <b>Water Heater Program</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
80 <b>Leasehold Improvements</b>	267,168	262,303	257,437	274,170	269,303	264,437	259,570	254,704	252,827	250,951	249,826	247,944	248,790	258,454
81														
82 <b>Deferred Taxes</b>														
83 <b>State</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84 <b>Federal</b>	(14,139,659)	(14,135,680)	(14,101,437)	(14,046,810)	(14,015,990)	(13,997,092)	(14,076,605)	(14,078,797)	(14,078,883)	(14,281,453)	(14,259,691)	(14,239,872)	(14,788,750)	(14,148,043)
85														
86 <b>Subtotal Rate Base</b>	113,094,031	112,945,423	113,131,125	120,100,661	119,782,492	119,770,060	119,699,664	120,045,355	120,497,645	122,712,863	122,880,116	123,093,478	123,047,772	119,394,149
87														
88 <b>Average Rate Base</b>														119,394,149
89 <b>Average Deferred Taxes</b>														14,148,043
90 <b>Ending Deferred Taxes</b>														(14,788,750)
91 <b>Total Rate Base</b>														<u>\$118,753,441</u>



NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Test Period Actuals Tax Adjustment

<u>Line No.</u>	<u>Amount (a)</u>
1 Utility Income before Interest and Taxes	\$10,716,755
2 Interest on Historic Average Rate Base	<u>3,885,613</u>
3 Pre-Tax Net Income	6,831,143
4 Less: Permanent Differences	(242,549)
5 Taxable Income	6,588,594
6 Tax Rate	<u>35.00%</u>
7 Federal Income Tax before ITC	2,306,008
8 Investment Tax Credit (3-yr forward avg)	<u>(61,587)</u>
9 Federal Income Tax before ITC	<u><u>\$2,244,421</u></u>

**NW Natural**  
**Washington Rate Case**  
**Test Year Based on Twelve Months Ended September 30, 2007**  
**Detail of Other Revenues, Other Taxes and Depreciation**

Line No.		<u>Washington</u>	<u>Oregon</u>	<u>System</u>
1	<b>Other Operating Revenues</b>			
2	<b>Multnomah Tax</b>	0	0	0
3	<b>Reconnect Charges</b>	62,445	450,680	513,125
4	<b>Late Payment Charges</b>	149,647	2,689,199	2,838,845
5	<b>Automated Payment Charge</b>	24,735	150,275	175,010
6	<b>Return Check</b>	16,350	117,360	133,710
7	<b>Field Collection</b>	33,750	229,150	262,900
8	<b>Meter Rentals</b>	20,259	166,605	186,864
9	<b>Utility Property Rental</b>	31,750	265,836	297,586
10	<b>Water Heater Program</b>		645	645
11	<b>Miscellaneous (include Rate Adjustments)</b>	(120,312)	7,745,177	7,624,865
12	<b>Total Other Op Revenues</b>	218,624	11,814,925	12,033,549
13				0
14				
15				
16	<b>Other Taxes</b>			
17	<b>Property</b>	974,950	15,826,679	16,801,630
18	<b>Franchise</b>	3,714,910	21,475,244	25,190,154
19	<b>Payroll</b>	466,701	4,218,108	4,684,809
20	<b>Regulatory Fee</b>	189,402	2,272,536	2,461,938
21	<b>Other</b>	1,652	389,472	391,124
22	<b>Multnomah County Business</b>	0	(18,658)	(18,658)
23	<b>Other Taxes</b>	5,347,615	44,163,381	49,510,996
24				0
25				
26	<b>Depreciation Expense</b>			
27	<b>Intangible</b>	607,049	5,412,292	6,019,341
28	<b>Transmission</b>	0	353,023	353,023
29	<b>Distribution</b>	5,620,995	45,959,388	51,580,384
30	<b>General</b>	236,562	2,442,774	2,679,336
31	<b>Storage and storage transmission</b>	485,902	5,233,697	5,719,599
32	<b>Production Plant</b>	0	0	0
33	<b>CNG and LNG</b>	12,358	112,323	124,681
34	<b>Total Depreciation Expense</b>	6,962,865	59,513,498	66,476,363
35		10.47420%		66,476,363
36				0

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Cost of Capital and Revenue Sensitive Calculations

Line No.		Percent of Total Capital (a)	Average Cost (b)	Weighted Cost (c)
<u>Cost of Capital</u>				
1	Long Term Debt	44.23%	6.796%	3.01%
2	Short Term Debt	5.03%	5.280%	0.27%
3	Preferred Stock	0.00%	0.000%	0.00%
4	Common Stock	<u>50.74%</u>	<u>10.650%</u>	<u>5.40%</u>
5	Total	<u>100.00%</u>		<u>8.68%</u>
<u>Revenue Sensitive Costs</u>				
6	Gas Sales	98.66%		
7	Transportation	0.99%		
8	Other	<u>0.35%</u>		
9	Subtotal	100.00%		
10	O & M - Uncollectible	0.32%		
11	Franchise Taxes	0.00%		
12	WA Utility Tax	3.85%		
13	WUTC Fee	<u>0.20%</u>		
14	State Taxable Income	95.63%		
15	State Income Tax	<u>0.00%</u>		
16	Federal Taxable Income	95.63%		
17	Federal Income Tax	<u>33.47%</u>		
18	Total Income Taxes	33.47%		
19	Total Revenue Sensitive Costs	<u>37.84%</u>		
20	Utility Operating Income	<u>62.16%</u>		
21	Net-to-gross factor	1.60879		
22	Interest Coordination Factor	0.03272		
23	Federal tax rate	35.00%		
24	Uncollectible Accounts	0.32%		

NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007

Line No.	Washington Allocated Results					
	Test Year Results	Adjustments	Test Year Adjusted	Proposed Rate Increase	Test Year at 10.65% Equity Return	
	(a)	(b)	(c)	(d)	(e)	
<b>Operating Revenues</b>						
1	Sale of Gas	\$93,509,688	(\$3,247,876)	\$90,261,812	\$4,342,062	\$94,603,874
2	Transportation	897,029	8,099	905,128	0	905,128
3	Miscellaneous Revenues	218,624	98,282	316,906	0	316,906
4	<b>Total Operating Revenues</b>	94,625,341	(3,141,495)	91,483,846	4,342,062	95,825,909
<b>Operating Revenue Deductions</b>						
5	Gas Purchased	59,716,331	(2,326,804)	57,389,527	0	57,389,527
6	Uncollectible Accrual for Gas Sales	271,925	40,206	312,131	13,876	326,007
7	Other Operating & Maintenance Expenses	11,609,850	(592,977)	11,016,873	0	11,016,873
8	<b>Total Operating &amp; Maintenance Expense</b>	71,598,105	(2,879,575)	68,718,531	13,876	68,732,407
9	Federal Income Tax	2,244,421	192,863	2,437,283	1,453,286	3,890,569
10	Property Taxes	974,950	77,060	1,052,010	0	1,052,010
11	Other Taxes	4,372,665	(118,599)	4,254,065	175,940	4,430,006
12	Depreciation & Amortization	6,962,865	(385,985)	6,576,880	0	6,576,880
13	<b>Total Operating Revenue Deductions</b>	86,153,007	(3,114,237)	83,038,770	1,643,103	84,681,872
14	<b>Net Operating Revenues</b>	\$8,472,335	(\$27,258)	\$8,445,077	\$2,698,960	\$11,144,037
15	<b>Total Rate Base</b>	\$118,753,441	\$9,693,290	\$128,446,731	\$0	\$128,446,731
16	<b>Rate of Return</b>	<u>7.13%</u>		<u>6.58%</u>		<u>8.68%</u>
17	<b>Return on Common Equity</b>	<u>7.61%</u>		<u>6.51%</u>		<u>10.65%</u>

NW Natural  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30, 2007

Line No.	Restating Weather Normalized Gas Sales & Purchases (a)	Restating Misc Revenues Adjustment (b)	Restating Bonus Adjustment (c)	Restating Severance Adjustment (d)	Restating Property Tax Adjustment (e)	Restating Uncollectible Accounts Adjustment (f)	Restating Working Capital Adjustment (g)	Restating Marketing and Cust. Comm. Adjustment (h)	Restating Claims Adjustment (i)	Restating AMR Adjustment (j)
<b>Operating Revenues</b>										
1	Sale of Gas	(3,247,876)								
2	Transportation	8,099								
3	Miscellaneous Revenues		98,282							
4	<b>Total Operating Revenues</b>	<b>(3,239,777)</b>	<b>98,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Revenue Deductions</b>										
5	Gas Purchased	(2,326,804)								
6	Uncollectible Accrual	(10,354)				50,560				
7	Other Operating & Maintenance Expenses			(194,976)	(153,073)			(44,797)	(37,959)	(216,801)
8	<b>Total Operating &amp; Maintenance Expense</b>	<b>(2,337,158)</b>	<b>0</b>	<b>(194,976)</b>	<b>(153,073)</b>	<b>50,560</b>	<b>0</b>	<b>(44,797)</b>	<b>(37,959)</b>	<b>(216,801)</b>
9	Federal Income Tax	(269,970)	33,005	69,092	53,575	(26,971)	(79,472)	15,679	13,078	(3,864)
10	Property Taxes					77,060				
11	Other Taxes	(131,276)	3,982							
12	Depreciation & Amortization					0				152,782
13	<b>Total Operating Revenue Deductions</b>	<b>(2,738,404)</b>	<b>36,987</b>	<b>(125,884)</b>	<b>(99,498)</b>	<b>50,089</b>	<b>(79,472)</b>	<b>(29,118)</b>	<b>(24,881)</b>	<b>(67,883)</b>
14	<b>Net Operating Revenues</b>	<b>(501,374)</b>	<b>61,295</b>	<b>125,884</b>	<b>99,498</b>	<b>(50,089)</b>	<b>(32,864)</b>	<b>79,472</b>	<b>29,118</b>	<b>67,883</b>
<b>Average Rate Base</b>										
15	Utility Plant in Service			(74,244)		0	6,939,589		18,119	2,294,017
16	Accumulated Depreciation									
17	<b>Net Utility Plant</b>	<b>0</b>	<b>0</b>	<b>(74,244)</b>	<b>0</b>	<b>0</b>	<b>6,939,589</b>	<b>0</b>	<b>18,119</b>	<b>2,294,017</b>
18	Storage Gas									
19	Aid in Advance of Construction									
20	Water Heater Program									
21	Leasehold Improvements									
22	Accumulated Deferred Income Taxes									
23	<b>Total Rate Base</b>	<b>0</b>	<b>0</b>	<b>(74,244)</b>	<b>0</b>	<b>0</b>	<b>6,939,589</b>	<b>0</b>	<b>18,119</b>	<b>2,294,017</b>
24	Interest Coordination	0	0	(2,429)	0	0	227,063	0	593	75,060

NW Natural  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30,

Line No.	Restating		Total Restating Adjustments (m)	Pro Forma					Total Pro Forma Adjustments (s)	Total Adjustments (t)
	Rate Case Adjustment (k)	Clearing Adjustment (l)		Payroll Adjustment (n)	Payroll Overhead Adjustment (o)	Depreciation Adjustment (p)	Pre 81 Taxes Adjustment (q)	SAP Adjustment (r)		
<b>Operating Revenues</b>										
1			(3,247,876)						0	(3,247,876)
2			8,099						0	8,099
3			98,282						0	98,282
4	0	0	(3,141,495)	0	0	0	0	0	0	(3,141,495)
<b>Operating Revenue Deductions</b>										
5			(2,326,804)						0	(2,326,804)
6			40,206						0	40,206
7	26,667	21,908	(599,032)	127,241	(121,186)				6,055	(592,977)
8	26,667	21,908	(2,885,630)	127,241	(121,186)	0	0	0	6,055	(2,879,575)
9	(9,333)	(7,963)	(230,840)	(44,534)	39,372	207,193	245,909	(24,237)	423,703	192,863
10			77,060						0	77,060
11			(127,293)		8,694				8,694	(118,599)
12			152,782			(591,980)		53,213	(538,767)	(385,985)
13	17,334	13,945	(3,013,922)	82,707	(73,121)	(384,787)	245,909	28,976	(100,315)	(3,114,237)
14	(17,334)	(13,945)	(127,573)	(82,707)	73,121	384,787	(245,909)	(28,976)	100,315	(27,258)
<b>Average Rate Base</b>										
15		25,774	9,203,255					490,035	490,035	9,693,290
16			0						0	0
17	0	25,774	9,203,255	0	0	0	0	490,035	490,035	9,693,290
18			0						0	0
19			0						0	0
20			0						0	0
21			0						0	0
22			0						0	0
23	0	25,774	9,203,255	0	0	0	0	490,035	490,035	9,693,290
24	0	843	301,131	0	0	0	0	16,034	16,034	225,227

Northwest Natural Gas Company  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30, 2007  
(\$000)

Line No.	Income Tax Calculations	Weather Normalized Gas Sales & Purchases (a)	Misc Revenues Adjustment (b)	Bonus Adjustment (c)	Severance Adjustment (d)	Property Tax Adjustment (e)	Uncollectible Accounts Adjustment (f)	Working Capital Adjustment (g)	Marketing and Cust. Comm. Adjustment (h)	Claims Adjustment (i)	AMR Adjustment (j)
1	Book Revenues	(3,239,777)	98,282	0	0	0	0	0	0	0	0
2	Book Expenses before Deprec. & Interest	(2,468,434)	3,982	(194,976)	(153,073)	77,060	50,560	0	(44,797)	(37,959)	(216,801)
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0	152,782
4	Interest Expense (Income)	0	0	(2,429)	0	0	0	227,063	0	593	75,060
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0	0
6	State Taxable Income	(771,344)	94,300	197,405	153,073	(77,060)	(50,560)	(227,063)	44,797	37,366	(11,041)
7	State Excise Tax [1]	0	0	0	0	0	0	0	0	0	0
8	State Tax Credit	0	0	0	0	0	0	0	0	0	0
9	Net State Income Tax	0	0	0	0	0	0	0	0	0	0
10	Excess Book(Tax) Deprec.	0	0	0	0	0	0	0	0	0	0
11	Other Sched. M Differences	0	0	0	0	0	0	0	0	0	0
12	Federal Taxable Income	(771,344)	94,300	197,405	153,073	(77,060)	(50,560)	(227,063)	44,797	37,366	(11,041)
13	Federal Income Tax [2]	(269,970)	33,005	69,092	53,575	(26,971)	(17,696)	(79,472)	15,679	13,078	(3,864)
14	ITC	0	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	(269,970)	33,005	69,092	53,575	(26,971)	(17,696)	(79,472)	15,679	13,078	(3,864)
16	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0	0	0
17	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0	0
18	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0	0
19	Total Federal Tax	(269,970)	33,005	69,092	53,575	(26,971)	(17,696)	(79,472)	15,679	13,078	(3,864)
20	Total State Tax	0	0	0	0	0	0	0	0	0	0

[1] Statutory State Excise Tax Rate: 0.00%

[2] Statutory Federal Income Tax Rate: 35.00%

[1] Statutory State Excise Tax Rate: 0.00%

[2] Statutory Federal Income Tax Rate: 35.00%

Northwest Natural Gas Company  
Adjustments to Test Period  
Test Period - Twelve Months Ended September 30, 2  
(\$000)

Line No.	Income Tax Calculations	Rate Case Adjustment (k)	Clearing Adjustment (l)	Total Restating Adjustments (m)	Payroll Adjustment (n)	Payroll Overhead Adjustment (o)	Depreciation Adjustment (p)	Pre 81 Taxes Adjustment (q)	SAP Adjustment (r)	Total Pro Forma Adjustments (s)	Total Adjustments (t)
1	Book Revenues	0	0		0	0	0	0	0		(3,141,495)
2	Book Expenses before Deprec. & Interest	26,667	21,908		127,241	(112,493)	0	0	0		(2,935,863)
3	State Tax Depreciation	0	0		0	0	(591,980)	0	53,213		152,782
4	Interest Expense (Income)	0	843		0	0	0	0	16,034		301,130
5	Book/Tax Differences (Sched. M)	0	0		0	0	0	0	0		0
6	State Taxable Income	(26,667)	(22,751)		(127,241)	112,493	591,980	0	(69,247)		(659,543)
7	State Excise Tax [1]	0	0		0	0	0	0	0		0
8	State Tax Credit	0	0		0	0	0	0	0		0
9	Net State Income Tax	0	0		0	0	0	0	0		0
10	Excess Book(Tax) Deprec.	0	0		0	0	0	0	0		0
11	Other Sched. M Differences	0	0		0	0	0	0	0		0
12	Federal Taxable Income	(26,667)	(22,751)		(127,241)	112,493	591,980	0	(69,247)		(659,543)
13	Federal Income Tax [2]	(9,333)	(7,963)		(44,534)	39,372	207,193	0	(24,237)		(230,840)
14	ITC	0	0		0	0	0	0	0		0
15	Current Federal Tax	(9,333)	(7,963)		(44,534)	39,372	207,193	0	(24,237)		(230,840)
16	Deferred Income Tax - Federal	0	0		0	0	0	0	0		0
17	Deferred Income Tax - State	0	0		0	0	0	0	0		0
18	ITC Restored (Deferred)	0	0		0	0	0	0	0		0
19	Total Federal Tax	(9,333)	(7,963)		(44,534)	39,372	207,193	0	(24,237)		(230,840)
20	Total State Tax	0	0		0	0	0	0	0		0

[1] Statutory State Excise Tax Rate:

[2] Statutory Federal Income Tax Rate:

[1] Statutory State Excise Tax Rate:

[2] Statutory Federal Income Tax Rate:



NW Natural  
 Test Period - Twelve Months Ended September 30, 2007  
 Weather Normalized Gas Sales and Purchases Adjustment

Worksheet a

<b>Revenues</b>						
	Test Period Sales in Therms	Test Period Revenue	Normalized Sales in Therms	Normalized Revenues	Normalized Rate	Net Normalizing Effect
	(a)	(b)	(c)	(d)	(e)	(f)
<b>Sales</b>						
Residential	43,003,386	\$57,336,046	42,299,885	\$55,505,711	\$1.31220	(\$1,830,335)
Commercial	20,455,924	\$26,404,703	20,273,010	\$25,539,250	\$1.25977	(\$865,453)
Industrial Firm	3,269,923	\$3,646,239	3,275,415	\$3,599,637	\$1.09899	(\$46,602)
Interruptible	6,300,386	\$5,835,604	6,285,390	\$5,617,214	\$0.89369	(\$218,390)
<b>Total Sales</b>	73,029,619	\$93,222,592	72,133,700	\$90,261,812		(\$2,960,780)
<b>Unbilled amounts</b>	163,557	\$287,096				(\$287,096)
<b>Unaccounted For Gas</b>	228,702		341,914			
<b>Total Sales Sendout</b>	73,421,878	\$93,509,688	72,475,614	\$90,261,812		(\$3,247,876)
<b>Transportation</b>						
Firm Transportation	3,738,309	\$314,899	3,806,659	\$296,524	\$0.07790	(\$18,375)
Interruptible Transportation	3,635,521	\$247,407	3,656,057	\$278,266	\$0.07611	\$30,859
Special Contracts	6,056,570	\$334,535	5,977,188	\$330,151	\$0.05524	(\$4,385)
Other Charges	0	\$188	0	\$188	\$0.00000	\$0
<b>Total Transportation</b>	13,430,400	\$897,029	13,439,904	\$905,128	\$0.06735	\$8,099
<b>Total Deliveries</b>	86,852,278	\$94,406,717	85,915,518	\$91,166,940	\$1.06112	(\$3,239,777)
<b>Cost of Gas</b>						
	Actual Therms	Actual Costs	Normalized Therms	Normalized Costs	Normalized Rate	Normalizing Effect
Demand Incurred & Deferred		\$7,122,665		\$7,741,344		\$618,678
Demand Amortizations		(\$893,749)		\$0		\$893,749
<b>Total Demand</b>		\$6,228,916		\$7,741,344		\$1,512,427
Commodity Incurred & Deferred		\$53,740,406		\$49,648,183		(\$4,092,223)
Commodity Amortizations		(\$252,992)		\$0		\$252,992
<b>Total Commodity Charges</b>	73,029,619	\$53,487,414	72,133,700	\$49,648,183	\$0.68828	(\$3,839,232)
<b>Total Cost of Gas</b>		\$59,716,331	72,133,700	\$57,389,527	\$0.79560	(\$2,326,804)

NW Natural  
Washington Rate Case  
Test Year Based on Twelve Months Ended September 30, 2007  
Adjustments to Miscellaneous Revenues

Worksheet b

Line No.	Actual (a)	Normalized (b)	Adjustment (c)	
<b>Revenue &amp; Technical Adjustments</b>				
1	(\$122,113.4)	\$0.0	\$122,113.4	
2	761.3	0.0	(\$761.3)	
3	(121,352.1)	0.0	121,352.1	
<b>Other Miscellaneous Revenues</b>				
4	62,445.0	49,981.7	(12,463.3)	[1]
5	149,646.8	149,646.8	0.0	
6	24,735.0	24,698.3	(36.7)	[1]
7	16,350.0	13,470.0	(2,880.0)	[1]
8	33,750.0	32,955.0	(795.0)	[1]
9	20,259.3	21,278.7	1,019.4	[1]
10	31,750.0	24,875.9	(6,874.0)	[1]
11	1,040.0	0.0	(1,040.0)	
12	339,976.1	316,906.4	(23,069.6)	
13	\$218,624.0	\$316,906.4	\$98,282.5	

[1] Normalized to 3-year average

Northwest Natural Gas Company  
 Test Period - Twelve Months Ended September 30, 2007  
 Bonus Adjustment

Worksheet c

Line No.	2004 paid in 2005	2005 paid in 2006	2006 paid in 2007	Three Year Average	Test Year Accrual	Adjustment		
	(a)	(b)	(c)	(d)	(e)	(f)=(d)-(e)		
<b>Performance Bonus - O &amp; M</b>								
1	Officers/Exempt	\$1,628,295	\$2,588,843	\$3,081,422	\$2,432,853	\$3,788,147	(\$1,355,294)	
2	Clerical/Hourly	0	0	0	0	0	0	
3	<b>Total</b>	1,628,295	2,588,843	3,081,422	2,432,853	3,788,147	(1,355,294)	
<b>Performance Bonus - Construction</b>								
4	Officers/Exempt	573,071	819,959	1,032,417	808,482	1,185,113	(376,631)	
5	Clerical/Hourly	0	0	0	0	0	0	
6	<b>Total</b>	573,071	819,959	1,032,417	808,482	1,185,113	(376,631)	
<b>Key Goals Bonus - O &amp; M</b>								
7	Officers/Exempt	605,089	935,977	1,188,798	909,955	1,158,853	(248,898)	
8	Clerical/Hourly	794,137	1,122,473	1,498,015	1,138,208	1,396,959	(258,751)	
9	<b>Total</b>	1,399,226	2,058,450	2,686,813	2,048,163	2,555,812	(507,649)	
<b>Key Goals Bonus - Construction</b>								
10	Officers/Exempt	220,649	305,059	412,619	312,776	398,139	(85,363)	
11	Clerical/Hourly	566,915	803,038	1,071,728	813,894	1,033,667	(219,773)	
12	<b>Total</b>	787,564	1,108,097	1,484,347	1,126,669	1,431,806	(305,137)	
		4,388,156	6,575,349	8,284,999	6,416,168	8,960,878	(2,544,710)	
13	<b>Total Adjusted O &amp; M (line 3 + line 9)</b>						(\$1,862,943)	
14	<b>Washington Allocation Factor</b>						Employee Cost	10.47%
15	<b>Adjustment to Washington - O&amp;M</b>						<u>(\$194,976)</u>	
16	<b>Total Adjusted Construction (line 6 + line 12)</b>						(\$681,767)	
17	<b>Washington Allocation Factor</b>						Gross Plant	10.89%
18	<b>Adjustment to Washington - Rate Base</b>						<u>(\$74,244)</u>	

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

NW Natural

Worksheet d

Test Period - Twelve Months Ended September 30, 2007

Severance Adjustment

<u>Line No.</u>	<u>O&amp;M Expense (a)</u>
1 Severance - Test Period Expense	\$229,609
2 Recovery - 3-year period	<u>76,536</u>
3 Adjustment	<u><u>(\$153,073)</u></u>

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Property Tax Adjustment

Worksheet e

<u>Line No.</u>	<u>O&amp;M Expense (a)</u>
1 Property Taxes - Test Period Expense	\$974,950
2 Property Taxes - End of Period Expense	<u>1,052,010</u>
3 Adjustment	<u><u>\$77,060</u></u>

NW Natural  
 Test Period - Twelve Months Ended September 30, 2007  
 Uncollectible Accounts Adjustments  
 (\$000 - except Washington amounts)

Worksheet f

Line No.	2005 - 2007 Total	12 Months Ended September		
		2007 Actual	2006 Actual	2005 Actual
	(a)	(b)	(c)	(d)
<b>Gas Revenues</b>				
1 Residential	\$1,513,302	\$555,924	\$527,885	\$429,493
2 Commercial	814,392	301,409	285,736	227,247
3 Industrial	186,427	56,732	72,388	57,307
4 Interruptible	270,908	75,834	108,331	86,743
5 Total	2,785,028	989,898	994,340	800,790
<b>Net Write-Offs</b>				
6 Residential	7,789	2,746	2,889	2,153
7 Commercial	882	360	269	253
8 Industrial	10	33	(4)	(19)
9 Interruptible	25	25	0	0
10 Total	8,706	3,163	3,154	2,388
<b>Write-Off % - 3-Year Average</b>				
11 Residential	0.515%	0.494%	0.547%	0.501%
12 Commercial	0.108%	0.119%	0.094%	0.111%
13 Industrial	0.005%	0.058%	-0.005%	-0.033%
14 Interruptible	0.009%	0.033%	0.000%	0.000%
15 Weighted Total [1]	0.313%	0.320%	0.317%	0.298%
<b>Normalized Uncollectible</b>				
16 Residential	\$2,861			
17 Commercial	326			
18 Industrial	3			
19 Interruptible	7			
20 Total	\$3,198			
21 Allocation Factor	10.08%	Customers - All		
22 Washington Normalized Amount (X 1000)	\$322,484			
23 Washington Allocation of Accrued Amount	\$271,925			
24 Adjustment (Normalized less Accrued)	\$50,560			

[1] Weighted uncollectible rate of

0.320% is used on page 1, column (b)

Northwest Natural  
Investor Supplied Working Capital  
Test Period - Twelve Months Ended September 30, 2007

Worksheet g

<u>Line No.</u>		<u>Average Balance</u>
<b><u>Average Invested Capital</u></b>		
1	Common Equity	\$603,762,576
2	Preferred Stock	0
3	Miscellaneous Debt	576,939,423
4	Deferred ITC	3,647,827
5	Deferred Liabilities	<u>6,325,549</u>
6	Total Investment	1,190,675,375
<b><u>Average Investments</u></b>		
<b>Utility Operating</b>		
7	Plant in Service	1,948,901,440
8	Accumulated Depreciation	(779,415,030)
9	Deferred Income Taxes	(115,614,129)
10	Gas Stored Underground - Cushion Gas	13,645,769
11	Property Held for Future Use	(895)
12	Customer Advances	(4,386,407)
13	Contributions in Aid of Construction	<u>(2,376,404)</u>
14	Total Operating Investments	1,060,754,344
<b>Other Investments</b>		
15	Construction Work In Process	22,451,331
16	Non-Utility Property	59,628,477
17	Accumulated Depreciation - non utility	(7,153,680)
18	Deferred Income Tax - non-utility & Oregon	(25,596,770)
19	Investments in Subsidiary Companies	964,898
20	Temporary Cash Investments	221,208
21	Deferred Gas Costs	(35,879,106)
22	Other Deferred Debits	<u>43,474,540</u>
23	Total Other Investments	58,110,899
24	Total Average Investments (In 14 + In 23)	1,118,865,243
25	Investor Supplied Working Capital (In 6 - In 24)	71,810,132
26	Less Working Gas Inventory	<u>60,547,598</u>
27	Allowable Working Capital - System	11,262,534
28	Total Average Investment (In 24)	1,118,865,243
29	Less CWIP (In 15)	(22,451,331)
30	Less Deferred Gas Costs (In 21)	<u>35,879,106</u>
31	Total Base Investment - System	1,132,293,018
32	Working Capital Percentage Allowable (In 27 / In 31)	0.995%
33	Washington Rate Base - Test Period	118,753,441
34	Allowable Investor Supplied Working Capital (In 33 X In 32)	1,181,200
35	Working Gas Inventory	60,547,598
36	Inventory allocation %	<u>9.51%</u>
37	Washington Gas Inventory (In 35 X In 36)	5,758,389
38	Total Working Capital Allowance (In 37 + In 34)	<u>\$6,939,589</u>





NW Natural  
 Test Period - Twelve Months Ended September 30, 2007  
 Claims Expense Adjustment

Worksheet i

<u>Line No.</u>	<u>O&amp;M Expense</u> (a)	<u>Construction</u> (b)
1 Expensed during Test period	\$683,000	\$190,753
Normalized Expenses		
2 Actual Claims - Ordinary	199,590	360,582
3 3-Year Average Claims - Extraordinary	95,466	0
4 Subtotal	<u>295,056</u>	<u>360,582</u>
5 Adjustment - System (line 4 - line 1)	(387,944)	169,829
6 Allocation to Washington (O&M on 3-factor, const on gross plant)	<u>9.78%</u>	<u>10.67%</u>
7 Adjustment	<u><u>(\$37,959)</u></u>	<u><u>\$18,119</u></u>

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
AMR Adjustment

Worksheet j

<u>Line No.</u>	<u>O&amp;M Expense</u> (a)
<b>O&amp;M</b>	
1 Meter Reading Expenses Allocated to Washington	\$301,885
2 Test Period Pro Forma Expenses	<u>\$85,084</u>
3 Adjustment	<u><u>(\$216,801)</u></u>
<b>Capital</b>	
4 Capital in service	7,057,912
5 Average in Rate Base	<u>4,763,895</u>
6 Annualization	2,294,017
7 Depreciation @ 6.66% (15 year life)	152,782

AMR was placed in service during December 2006

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Rate Case Expense Adjustment

Worksheet k

<u>Line No.</u>	<u>O&amp;M Expense</u> (a)
1 Outside Services - Washington Rate Case	<u><u>\$80,000</u></u>
2 3-Year Average for rate case frequency	<u><u>\$26,667</u></u>

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Elimination of Clearing Account Balances

Worksheet I

<u>Line No.</u>	<u>Amount</u>
1 Adjustment to O&M	\$223,897
2 Allocation to Washington (3-Factor)	<u>9.78%</u>
3 Adjustment	<u>\$21,908</u>
4 Adjustment to Construction	\$241,571
5 Allocation to Washington (Gross Plant)	<u>10.67%</u>
6 Adjustment	<u>\$25,774</u>

Northwest Natural Gas Company  
 Test Period - Twelve Months Ended September 30, 2007  
 Payroll Adjustment - Excluding Bonuses

Worksheet n (1)

Line No.	Total 1/	Officers 2/	Supervisors	Clerical	Hourly	
	(a)	(b)	(c)	(d)	(e)	
1	12 Months Payroll - 9/30/2007	75,789,732	2,294,819	29,306,337	11,417,183	32,771,393
2	Payroll - Annualized 3/	74,174,670	2,392,780	29,692,363	10,774,755	31,314,772
3	Annualized 2007 Wage Increases (5 months) NBU	424,350		424,350		
4	Annualized 2007 Wage Increases (6 months) BU	622,013			159,233	462,780
5	Annualized 2008 Wage Increases (12 months)	2,365,548		1,084,202	328,020	953,327
6	Payroll - Normalized	77,586,580	2,392,780	31,200,915	11,262,008	32,730,879
7	O&M Payroll Factor	63.5%	82.7%	71.4%	85.7%	46.9%
8	O&M Payroll - Normalized	49,258,604	1,978,829	22,277,453	9,651,541	15,350,782
9	O&M Payroll - Actual	47,981,337	1,898,125	20,938,348	9,787,907	15,356,957
10	Adjustment to O & M Payroll - System	1,277,267	80,704	1,339,105	(136,366)	(6,175)
11	Washington Allocation for O&M Payroll	9.96%				
12	Adjustment to O & M Payroll - Washington	\$127,241				

Notes:

- 2007 Supervisors Adjustment March 1, 2007 3.50%
- 2007 Clerical Salary Adjustment April 1, 2007 3.00%
- 2007 Hourly Scale Increase April 1, 2007 3.00%
- 2008 Supervisors Adjustment March 1, 2008 3.60%
- 2008 Clerical Salary Adjustment April 1, 2008 3.00%
- 2008 Hourly Scale Increase April 1, 2008 3.00%

1/ Total and Officer columns included to determine company O&M % for some adjustments  
 2/ Normalized to a three year per employee average times 10 Officers  
 3/ Amounts reflect average salaries at end of period count.

Northwest Natural Gas Company  
 Test Period - Twelve Months Ended September 30, 2007  
 Payroll Adjustment - Excluding Bonuses  
 Annualized Wages and Salaries

Worksheet n (2)

Line No.	Officers	Supervisors	Clerical	Hourly
	(a)	(b)	(c)	(c)
1 Adjusted Employee Count - Year-end [1]	10.0	391.0	239.0	507.0
2 Average Employee Count - Test Period [1]	9.5	385.9	253.3	530.6
3 Payroll for the Year (Actual)	\$2,294,819	\$29,306,337	\$11,417,183	\$32,771,393
4 Effect of Summer Hire Program	\$0	\$0	\$0	\$0
5 Adjusted Payroll for the Year (line 3 - line 4)	\$2,294,819	\$29,306,337	\$11,417,183	\$32,771,393
6 Average Payroll per Employee (line 5 / line 2)	\$239,278	\$75,940	\$45,083	\$61,765
7 Payroll Based on Year-end Employees (line 6 * line 1)	\$2,392,780	\$29,692,363	\$10,774,755	\$31,314,772

[1] Excludes Summer hires - June counts plus incremental positions

Officers Normalized Payroll

per Officer

12 Months ended September 30, 2005	1,749,667	8	230,725
12 Months ended September 30, 2006	1,953,781	8	244,223
12 Months ended September 30, 2007	2,307,417	10	242,886
Average			239,278

	Officers	Supervisors	Clerical	Hourly
2007 January	10	383	263	539
2007 February	10	383	262	536
2007 March	10	384	257	531
2007 April	10	384	251	529
2007 May	10	384	240	526
2007 June	10	387	230	522
2007 July	10	383	233	519
2007 August	10	387	234	517
2007 September	10	391	239	507
2006 October	8	389	285	551
2006 November	8	386	275	546
2006 December	8	390	270	544
Average	9.5	385.9	253.3	530.6

2005	8	409	311	587
2004	8	405	324	551
2003	8	388	326	569

NW Natural  
 Test Period - Twelve Months Ended September 30, 2007  
 Payroll Overhead Adjustment

Worksheet o

<u>Line No.</u>	<u>System Adjustment Amount</u> (a)	<u>Washington Allocation Factor 1/</u> (b)	<u>Washington Adjustment Amount</u> (c)
<b><u>Health and Life Insurance Adjustment</u></b>			
1	\$13,247,136		
2	<u>63.30%</u>		
3	8,385,437		
4	<u>8,686,763</u>		
5	<u>\$301,326</u>	9.96%	30,018
<b><u>Pension Adjustment</u></b>			
6	5,003,041		
7	<u>3,485,229</u>		
8	<u>(\$1,517,812)</u>	9.96%	<u>(151,204)</u>
	<b>Total O&amp;M Adjustment</b>		<u><u>(121,186)</u></u>
<b><u>Payroll Tax Adjustment</u></b>			
9	77,586,580		
10	<u>75,789,732</u>		
11	1,796,848		
12	<u>7.65%</u>		
13	137,459		
14	<u>63.49%</u>		
15	<u>\$87,271</u>	9.96%	<u><u>8,694</u></u>

1/ Payroll Cost Allocation Factor

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Depreciation Adjustment

Worksheet p

Line  
No.

O&M Expense  
(a)

1 Decreased Depreciation Expense

(\$591,980)

Comprehensive Depreciation Study - Gannett Fleming



NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
Pre-1981 Taxes Adjustment

Worksheet q

<u>Line No.</u>	<u>O&amp;M Expense (a)</u>
1 Revised Flow-Through (Pre-1981 depreciation)	\$2,347,800
2 Allocation Factor - Washington (Depreciation)	<u>10.47%</u>
3 Requested Washington Amount	<u><u>\$245,909</u></u>
Above changes removal cost flow-through from \$2,322,000 to 0	\$2,322,000 <u>35.0%</u> \$812,700
Above changes pre-81 depreciation flow-through from \$635,000 to 5,021,000	\$4,386,000 <u>35.0%</u> \$1,535,100

NW Natural  
Test Period - Twelve Months Ended September 30, 2007  
SAP Adjustment

Worksheet r

<u>Line No.</u>	<u>O&amp;M Expense</u> (a)
1 Addition to Rate Base - 303.1	4,287,975
2 Allocation Factor - Washington (Customers)	<u>10.08%</u>
3 Washington Allocated Amount	432,441
4 Depreciation Rate	<u>10.556%</u>
5 Depreciation Expense	45,649
6 Addition to Rate Base - 391.2	588,605
7 Allocation Factor - Washington (3-Factor)	<u>9.78%</u>
8 Washington Allocated Amount	57,593
9 Depreciation Rate	<u>13.135%</u>
10 Depreciation Expense	7,565
11 Total Washington Allocated Amount (lines 3 and 8)	<u><u>\$490,035</u></u>
12 Total Depreciation Expense (lines 5 and 10)	<u><u>\$53,213</u></u>