

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

Eighth Revision of Sheet 190-1
Cancels Seventh Revision of Sheet 190-1

SCHEDULE 190

PARTIAL DECOUPLING MECHANISM

PURPOSE:

To (a) describe the partial decoupling mechanism established in accordance with a Stipulation and Agreement adopted by the Oregon Public Utility Commission (OPUC) in Docket UG 143, Order No. 02-634, dated September 12, 2002, and later reauthorized, with modifications, in Docket UG 163, Order No. 05-934, dated August 25, 2005; and (b) identify the adjustment applicable to rates under the Rate Schedules listed below.

TERM:

This Schedule shall automatically terminate on October 31, 2012, or on such other date as the Commission may approve.

APPLICABLE:

To Residential and Commercial Customers served on the following Rate Schedules of this Tariff:

Residential	Commercial
Schedule 1	Schedule 1
Schedule 2	Schedule 3(SF)
	Schedule 3(TF)
	Schedule 31(SF)
	Schedule 31(SI)
	Schedule 31(TF)

ADJUSTMENT TO RATE SCHEDULES:

Effective: November 1, 2007

The Temporary Adjustments for Residential and Commercial Customers taking service on the above-listed Rate Schedules includes the following adjustment:

Residential Rate Schedules: **\$ 0.00767** per therm
Commercial Rate Schedules: **\$(0.00853)** per therm

PARTIAL DECOUPLING DEFERRAL ACCOUNT:

1. Each month, the company will calculate the difference between weather-normalized usage and the calculated baseline usage for each Residential and Commercial Customer group. The resulting usage differential shall be multiplied by the per therm distribution margin for the applicable customer group.

The Company shall defer and amortize, with interest, 100% of the distribution margin differential in a sub-account of Account 186. The deferral will be a credit (accruing a refund to customers) if the differential is positive, or a debit (accruing a recovery by the company) if the differential is negative.

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SCHEDULE 190

PARTIAL DECOUPLING MECHANISM
 (continued)

PARTIAL DECOUPLING DEFERRAL ACCOUNT (continued):

- The baseline usage shall be determined from actual weather normalized usage for the Company's most recent rate case, as adjusted for any price elasticity effects since that rate case.

The following is an example baseline usage calculation for the Residential Group:

Weather-normalized usage, divided by Residential Customers, equal	<u>330,164,716</u> 450,709
Normalized use per therm per customer	733
October 1 price decrease	-10%
Usage increase due to price elasticity (-10% x -0.172)	1.72%
Estimated usage increase due to price elasticity (weather normalized usage x % of usage increase)	5,678,833
Total New Baseline Usage: (weather normalized usage plus estimated usage increase), divided by customer count, equal	<u>335,843,549</u> 450,709
Reset baseline usage per therm per customer	745

- Weather-normalized usage is calculated using the approach to weather normalization adopted in the Company's last general rate case, Docket UG 152. The weather data is taken from the stations identified in **RULE 24**.

Step One. For the heating season months October through May, usage is normalized by taking the difference between normal and actual heating degree days for each district using a base of 59 degrees for Residential and 58 degrees for Commercial.

Step Two. This step derives the per-therm customer variance by multiplying the heating degree-day difference by the usage coefficient of .1958 for Residential variances, and .7669 for Commercial variances.

Step Three. The per-therm customer variance is multiplied by the appropriate customer count, by district, with the sum of the district results representing the normalized therm amount.

- Baseline usage will be adjusted to reflect actual customers billed each month.
- The per therm distribution margins to be used in the deferral calculation effective November 1, 2007 is \$0.44574 per therm for Residential customers and \$0.30299 per therm for Commercial customers.

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SCHEDULE 190

PARTIAL DECOUPLING MECHANISM
(continued)

PARTIAL DECOUPLING DEFERRAL ACCOUNT (continued):

6. Coincident with the Company's annual Purchased Gas Cost and Technical Rate Adjustment filing commencing with the filing effective October 1, 2003, and each year thereafter during the term of this Schedule, the Company shall apply an adjustment to Residential and Commercial rates to amortize over the following 12 months, the balance in the balancing account as of June 30.
7. This Schedule is an "automatic adjustment clause" as defined in ORS 757.210, and is subject to review by the Commission at least once every two (2) years.

SPECIAL CONDITIONS:

1. The existence of this Partial Decoupling Mechanism will not affect the Company's service line and main extension policies.
2. Other terms and conditions as specified in the Stipulation and Agreement.

GENERAL TERMS:

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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