

NORTHWEST NATURAL GAS COMPANY

WN U-6

Original Sheet 230.1

(N)

SCHEDULE 230

PARTIAL DECOUPLING MECHANISM (Pilot)

PURPOSE:

To (a) describe the partial decoupling mechanism and price elasticity adjustment; and (b) identify the adjustment applicable to rates under the Rate Schedules listed below.

TERM:

This Schedule shall terminate on May 1, 2011, 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 42 (C42SF)
Schedule 2	Schedule 3(C03)	Schedule 42 (C42SI)
	Schedule 41(C41SF)	Schedule 42 (C42TF)
	Schedule 41(C41SI)	Schedule 42 (C42TI)
	Schedule 41(C41TF)	

ADJUSTMENT TO RATE SCHEDULES:

Effective: November 1, 2008

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

Residential Rate Schedules: \$ _____ per therm
Commercial Rate Schedules: \$ _____ 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.

(continue to Sheet 230.2)

Issued March 28, 2008
NWN Advice No. WUTC 08-2

Effective with service on
and after May 1, 2008

(N)

SCHEDULE 230

PARTIAL DECOUPLING MECHANISM (Pilot)

(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	42,299,885 59,153 715
Normalized use per therm per customer	
November 1 price decrease	-5%
Usage increase due to price elasticity (-10% x -0.172)	-.82%
Estimated usage increase due to price elasticity (weather normalized usage x % of usage increase)	346,859
Total New Baseline Usage: (weather normalized usage plus estimated usage increase), divided by customer count, equal	42,646,744 721
Reset baseline usage per therm per customer	

- Weather-normalized usage is calculated using the approach to weather normalization adopted in the Company's last general rate case, Docket UG- _____. The weather data is taken from the stations identified in **RULE 11**.

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 65 degrees.

Step Two. This step derives the per-therm customer variance by multiplying the heating degree-day difference by the usage coefficient of .1903 for Residential variances, and .7616 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 price elasticity adjustment is calculated as follows: (1) the estimated usage change is multiplied by the margin per therm; and (2) that result is divided by the new total baseline usage to develop a rate per therm. The rate per therm is applied to the original margin per therm, including revenue sensitive factors, to develop the new margin per therm.

(continue to Sheet 230.3)

NORTHWEST NATURAL GAS COMPANY

WN U-6

Original Sheet 230.3

(N)

SCHEDULE 230

PARTIAL DECOUPLING MECHANISM (Pilot) (continued)

PARTIAL DECOUPLING DEFERRAL ACCOUNT (continued):

6. The per therm distribution margins to be used in the deferral calculation effective November 1, 2008 is \$0.35880 per therm for Residential customers and \$0.36824 per therm for Commercial customers.
7. Coincident with the Company's annual Purchased Gas Cost and Technical Rate Adjustment filing commencing with the filing effective November 1, 2008, 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.

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.

(N)

Issued March 28, 2008
NWN Advice No. WUTC 08-2

Effective with service on
and after May 1, 2008