

Onita R. King
Rates & Regulatory Affairs
Tel: 503.721.2452
Fax: 503.721.2516
email: ork@nwnatural.com



November 17, 2014

NWN WUTC Advice No.14-8

Steven V. King, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S Evergreen Park Drive SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: Revisions to Schedule T – Imbalance Penalties and Overrun/Underrun Charges

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 January 1, 2015, as follows:

Fourth Revision of Sheet T-4,
Schedule T,
“Customer-Owned Natural Gas Transportation Service (continued);” and

Second Revision of Sheet T-5,
Schedule T,
“Customer-Owned Natural Gas Transportation Service (continued);” and

Third Revision of Sheet T-6,
Schedule T,
“Customer-Owned Natural Gas Transportation Service (continued).”

The purpose of this filing is to revise Schedule T to change the pipeline overrun and underrun charges and the monthly imbalance thresholds to mirror changes approved by FERC for Northwest Pipeline (“Pipeline”) on October 23, 2014 in Docket No. RP14-1283-000.

Overrun and Underrun Charges

The Pipeline’s daily overrun penalty has changed from \$5/dekatherm (“Dth”) (50 cents per therm) for the first 2 percent of unauthorized quantities and \$10/Dth (\$1.00 per therm) for unauthorized quantities over 2 percent, to an overrun penalty of the greater of \$10/Dth (\$1.00 per therm) or 150% of the highest spot price index for the day in question. For this purpose, the spot price index will be the midpoint prices at NW Wyo. Pool, NW s. of Green River, Stanfield Ore., NW

Can. Bdr. (Sumas), Kern River Opal, or El Paso Bondad supply pricing points (as reflected in the Daily Price Survey published in "Gas Daily").

The Pipeline's underrun penalty rate has also changed to a flat rate of \$10/Dth for all unauthorized underrun quantities rather than the current tier penalty rates of \$5/Dth for the first 5 to 10 percent of unauthorized quantities and \$10/Dth for any additional unauthorized quantities above 10 percent.

In support of these changes, the Pipeline noted in its filing that last winter the highest reported price of spot gas on Northwest was \$30.38/Dth, which is considerably higher than the \$5 or \$10/Dth penalties. The large difference between the Pipeline's unauthorized overrun charge penalty and the price of spot gas creates an economic incentive for transportation customers to choose to purchase less gas than they know they will use. That is, it may be cheaper to pay the \$5 and \$10 unauthorized overrun charge penalties and buy lower priced replacement gas a month or two later to make up for the imbalance, rather than purchase much more expensive gas supplies during the entitlement event itself. NW Natural knows of at least one transportation customer on the Company's distribution system that took advantage of this economic "opportunity" last winter.

The Pipeline proposed, and FERC agreed, that to maintain operational integrity of the system, the penalty for unauthorized overrun gas must be higher than the then current daily price of gas. NW Natural agrees with this position, and expects that the increase proposed in this filing will serve to mitigate the same potential for transportation customers to threaten the Company's distribution system operations by choosing to pay a lower penalty rate rather than pay for the delivery of higher priced gas supplies.

Monthly Imbalance Threshold

The monthly imbalance threshold has been changed by the Pipeline to three percent (3%) above or below total monthly confirmed nominations during the August through February period, with an imbalance threshold of five percent (5%) above or below confirmed nominations during the March through July period. The Pipeline states in its filing that reducing the upper imbalance limit from 5% to 3% from the end of August through the end of February will allow the Pipeline to utilize its system balancing flexibility in a more equitable manner in meeting peak heating season demands.

NW Natural agrees with the Pipeline's position and is proposing here to adopt the same monthly imbalance thresholds. The Company has historically attempted to mirror the Pipeline's tariff provisions for imbalances and overrun and underrun charges in the Schedule T Tariff.

The Company respectfully requests that the tariff sheets filed herewith be approved to become effective with service on and after January 1, 2015.

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.

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

eFiling
Rates & Regulatory Affairs
NW Natural
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 & Regulatory Affairs

Attachments:

FERC Order in Docket RP14-1283-000