

Rates and Regulatory Affairs
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November 20, 2008

Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn: Vikie Bailey-Goggins
Administrator, Regulatory Operations Division

**RE: LC 45, NW Natural's Comments on Staff's Draft Recommendations
and Draft Proposed Order**

As LC 45 draws to a close, NW Natural would like to express gratitude to Staff and parties to LC 45 for their collaboration in reviewing and advising the Company in the development of its 2008 Integrated Resource Plan (IRP). The Company appreciated parties' suggestions and acknowledges that its 2008 IRP was greatly improved through the refining process of technical working group meetings.

NW Natural is also grateful for the opportunity to comment on Staff's Draft Recommendations and their Draft Proposed Order. In response to this opportunity, the Company offers the following:

Staff's Draft Recommendations state that an LDC should model 25-50 portfolios. The Company agrees that an analysis of a variety of price, demand, and resource portfolios is crucial to a robust IRP. Along with our base case, the Company's 2008 IRP includes the results of model runs from 10 alternative scenarios and 13 base case sensitivities, and we ran a number of additional model runs in response to data requests from individual parties. In future IRP processes, we will continue to work with Staff to develop scenarios to model, and we will continue to model a wide array of portfolios.

Staff also recommended that *SENDOUT*[®] should have the capability to select the volume of gas from different geographic locations based on price. We concur with Staff that *SENDOUT*[®] needs to dynamically model the least costs options. The Company believes that this is accomplished by using basin differentials in *SENDOUT*[®] and allowing the model to make resource decisions based on these basin differentials. In future IRP processes, we will continue to use basin differentials in the *SENDOUT*[®] modeling, and we will work with Staff to assure that any related concerns are addressed.

Finally, Staff's Draft Recommendations note that, while the Palomar East Pipeline was selected as a resource in the Company's Preferred Portfolio, the pipeline has not yet been permitted nor has construction begun, and the Company is not yet in a

position to make a final decision on the inclusion of Palomar in its resource portfolio. We will continue to update the Commission on Palomar and include consideration of the Palomar pipeline in our next annual update, or until such time as we have certainty about the future of the proposed pipeline and are required to commit to taking contractual firm capacity on the pipeline.

Thank you again for the opportunity to comment on these draft documents.

Sincerely,

/s/ Inara K. Scott

Inara K. Scott
Manager, Rates and Regulatory Affairs.



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Comments on Staff's Proposed Recommendations and Draft Proposed Order in Docket LC 45 upon all parties or attorneys' of parties by email:

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DATED this 20th day of November 2008.

Respectfully submitted,

NW NATURAL

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