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August 1, 2014

NWN OPUC Advice No. 14-17 / UG ____
(UM 1635)

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

Attn: Filing Center

Re: Schedule 184: Special Rate Adjustment Gasco Upland Pumping Station
UM 1635: Recovery of Environmental Remediation Costs

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith revisions and additions to its Tariff, P.U.C. Or. 25 stated to become effective with service on and after November 1, 2014, as follows:

Third Revision of Sheet 184-1,
Schedule 184,
"Special Rate Adjustment Gasco Upland Pumping Station;"

Second Revision of Sheet 184-2,
Schedule 184,
"Special Rate Adjustment Gasco Upland Pumping Station (continued);" and

Original Sheet 184-3,
Schedule 184,
"Special Rate Adjustment Gasco Upland Pumping Station (continued)."

The purpose of this filing is to apply the permanent rate effects associated with \$2.5 million of insurance recoveries that offset the capital costs of the Gasco Pumping Station (also referred to as Gasco Source Control) currently reflected in base rates, as stipulated in Docket UG 263 and approved by the Commission in Order No. 14-077 dated March 5, 2014.

The effect of this filing is to decrease the Company's annual revenues by \$442,992, or about 0.07%.

The monthly bill of the average residential Rate Schedule 2 customer will decrease by 5 cents or 0.1 percent, and the monthly bill of the average commercial Rate Schedule 3 customer will decrease by 13 cents or 0.1 percent. The monthly bill effect for other rate schedules and service types can be found in the separately provided workpapers.

The effect of applying the proposed adjustments to rates is to decrease Rate Schedule 2 residential rates by \$0.00082 per therm, and to decrease Rate Schedule 3 small commercial customer rates by \$0.00058 per therm. A worksheet showing all of the rate adjustments can be found in Exhibit A to this filing.

The number of customers affected by the proposed change is 563,128 residential customers, 59,508 commercial customers, and 825 industrial customers.

This filing is made in accordance with ORS 757.210 (2011) which authorizes changes to an existing rate or schedule of rates to the extent authorized by the Commission, and with OPUC Order No. 14-077 in Docket UG 263.

In addition to the supporting materials submitted as part of this filing, the Company will separately submit work papers in electronic format, all of which are incorporated herein by reference.

The Company requests that the tariff sheets filed herewith be permitted to become effective with service on and after November 1, 2014. A request for approval on less than statutory notice is attached.

Copies of this letter and the filing made herewith are available in the Company's main office in Oregon and on its website at www.nwnatural.com.

The Company waives paper service in this proceeding. 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
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Sincerely,

NW NATURAL

/s/ Onita R. King

Onita R. King
Rates & Regulatory Affairs

Attachments: Exhibit A – Supporting Materials

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet 184-1
Cancels Second Revision of Sheet 184-1

SCHEDULE 184 SPECIAL RATE ADJUSTMENT GASCO UPLAND PUMPING STATION

PURPOSE:

The purpose of this Schedule is to identify adjustments to Base Rates in the Rate Schedules listed below to reflect the rate treatment for the Oregon portion of the capital costs associated with the construction of a pumping station on the Company's property located in Linnton, Oregon, in accordance with the Prudence and Earnings Test Stipulation dated July 11, 2013 and with a Prehearing Conference Memorandum and Ruling dated October 8, 2013 in Docket UM 1635, and the Commission's Final Order in Docket UG 263, Order No. 14-077 dated March 5, 2014.

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APPLICABLE:

To Sales and Transportation Service Customers served under the following Rate Schedules of this Tariff:

Rate Schedule 2	Rate Schedule 27	Rate Schedule 32
Rate Schedule 3	Rate Schedule 31	Rate Schedule 33

SPECIAL CONDITIONS:

1. For purposes of this Schedule, the pumping station is the series of wells, pumps, and water treatment facilities installed at the Gasco Upland Site, and identified as the "Gasco Pumping Station" in the Prudence and Earnings Test Stipulation filed in Docket No. UM 1635.
2. The pumping station capital costs that have been deemed prudent by the Commission are added to rate base, with the capital structure and the cost of long term debt and common equity to be used in the calculation of the return-on-rate-base being that which was established in the Company's most recent general rate case, in Docket No. UG 221.

(D)

GENERAL TERMS:

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff, any other schedules that by their terms or by the terms of this Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(continue to Sheet 184-2)

Issued August 1, 2014
NWN OPUC Advice No. 14-17

Effective with service on
and after November 1, 2014

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet 184-2
Cancels First Revision of Sheet 184-2

SCHEDULE 184 SPECIAL RATE ADJUSTMENT GASCO UPLAND PUMPING STATION (continued)

APPLICATION TO RATE SCHEDULES:

Effective: November 1, 2014 (T)

The Base Adjustments shown below are included in the Base Rate reflected in the above-listed Rate Schedules. NO ADDITIONAL ADJUSTMENT TO RATES IS REQUIRED.

Rate Schedule/Class	Block	Base Adjustment	Adjustments for Insurance Proceeds	Total
2		\$0.00605	\$(0.00082)	\$0.00523
03 CSF		\$0.00425	\$(0.00058)	\$0.00367
03 ISF		\$0.00362	\$(0.00049)	\$0.00313
27		\$0.00610	\$(0.00066)	\$0.00544
31 CSF	Block 1	\$0.00300	\$(0.00043)	\$0.00257
	Block 2	\$0.00273	\$(0.00039)	\$0.00234
31 CTF	Block 1	\$0.00326	\$(0.00044)	\$0.00282
	Block 2	\$0.00297	\$(0.00040)	\$0.00257
31 ISF	Block 1	\$0.00229	\$(0.00031)	\$0.00198
	Block 2	\$0.00207	\$(0.00028)	\$0.00179
31 ITF	Block 1	\$0.00236	\$(0.00031)	\$0.00205
	Block 2	\$0.00214	\$(0.00028)	\$0.00186
32 CSF	Block 1	\$0.00185	\$(0.00025)	\$0.00160
	Block 2	\$0.00157	\$(0.00022)	\$0.00135
	Block 3	\$0.00111	\$(0.00015)	\$0.00096
	Block 4	\$0.00065	\$(0.00009)	\$0.00056
	Block 5	\$0.00037	\$(0.00005)	\$0.00032
	Block 6	\$0.00019	\$(0.00003)	\$0.00016

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(continue to Sheet 184-3)

Issued August 1, 2014
NWN OPUC Advice No. 14-17

Effective with service on
and after November 1, 2014

**SCHEDULE 184
SPECIAL RATE ADJUSTMENT
GASCO UPLAND PUMPING STATION**

(continued)

APPLICATION TO RATE SCHEDULES:

Effective: November 1, 2014

(T)

The Base Adjustments shown below are included in the Base Rate reflected in the above-listed Rate Schedules. NO ADDITIONAL ADJUSTMENT TO RATES IS REQUIRED.

Rate Schedule/Class	Block	Base Adjustment	Adjustments for Insurance Proceeds	Total
32 ISF	Block 1	\$0.00141	\$(0.00019)	\$0.00122
	Block 2	\$0.00120	\$(0.00016)	\$0.00104
	Block 3	\$0.00085	\$(0.00012)	\$0.00073
	Block 4	\$0.00049	\$(0.00007)	\$0.00042
	Block 5	\$0.00028	\$(0.00004)	\$0.00024
	Block 6	\$0.00014	\$(0.00002)	\$0.00012
32 ITF / CTF	Block 1	\$0.00134	\$(0.00018)	\$0.00116
	Block 2	\$0.00114	\$(0.00015)	\$0.00099
	Block 3	\$0.00081	\$(0.00011)	\$0.00070
	Block 4	\$0.00047	\$(0.00006)	\$0.00041
	Block 5	\$0.00027	\$(0.00004)	\$0.00023
	Block 6	\$0.00013	\$(0.00002)	\$0.00011
32 CSI	Block 1	\$0.00129	\$(0.00018)	\$0.00111
	Block 2	\$0.00110	\$(0.00015)	\$0.00095
	Block 3	\$0.00078	\$(0.00011)	\$0.00067
	Block 4	\$0.00045	\$(0.00006)	\$0.00039
	Block 5	\$0.00026	\$(0.00004)	\$0.00022
	Block 6	\$0.00013	\$(0.00002)	\$0.00011
32 ISI	Block 1	\$0.00126	\$(0.00018)	\$0.00108
	Block 2	\$0.00107	\$(0.00015)	\$0.00092
	Block 3	\$0.00076	\$(0.00011)	\$0.00065
	Block 4	\$0.00044	\$(0.00006)	\$0.00038
	Block 5	\$0.00025	\$(0.00004)	\$0.00021
	Block 6	\$0.00013	\$(0.00002)	\$0.00011
32 CTI / ITI	Block 1	\$0.00118	\$(0.00016)	\$0.00102
	Block 2	\$0.00101	\$(0.00014)	\$0.00087
	Block 3	\$0.00071	\$(0.00010)	\$0.00061
	Block 4	\$0.00041	\$(0.00006)	\$0.00035
	Block 5	\$0.00024	\$(0.00003)	\$0.00021
	Block 6	\$0.00012	\$(0.00002)	\$0.00010
33 (all)		\$0.00008	\$(0.00001)	\$0.00007

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Issued August 1, 2014
NWN OPUC Advice No. 14-17

Effective with service on
and after November 1, 2014

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL
SUPPORTING MATERIALS

UM 1635
Gasco Upland Pumping Station

NWN OPUC Advice No. 14-17 / UG ____
August 1, 2014



Exhibit A
Supporting Materials
Gasco Upland Pumping Station - UM 1635
NWN OPUC Advice No. 14-17 / UG ____

Page No.

Calculation of Increments Allocated on Equal Percentage of Margin	1
Gasco Source Control Cost of Service Summary	2
Calculation of Gasco Source Control Cost of Service	3
Effects on Revenue	4

NW Natural
Rates & Regulatory Affairs
2014-15 PGA - Oregon: August Filing
Calculation of Increments Allocated on the EQUAL PERCENTAGE OF MARGIN BASIS
 ALL VOLUMES IN THERMS

		Oregon PGA	Billing	WACOG &	Temps from						Gasco Insurance Offset				
		Rate from	Rate from	Demand from	Temporary	MARGIN	Volumetric	Customer	Total	Proposed Amount:					
		Volumes page,	Rates page,	Rates page,	Increment page,	Rate	Margin	Charge	Customers	Margin	Revenue Sensitive Multiplier:				
		Column F	Column A	Column B+C+D*	Column A	E=B-C-D	F = E * A	G	H	I	Amount to Amortize:				
Schedule	Block	A	B	C	D	E	F = E * A	G	H	I	Multiplier			Allocation to RS	
											AH	AI	AJ		
2R		356,638,984	0.99317	0.55392	0.00870	0.43055	153,550,914	\$8.00	563,128	207,611,202	1.0	(294,186)	(0.00082)		
3C Firm Sales		157,954,905	0.91427	0.55392	0.01652	0.34383	54,309,635	\$15.00	56,617	64,500,695	1.0	(91,398)	(0.00058)		
3I Firm Sales		4,657,733	0.89909	0.55392	0.00746	0.33771	1,572,963	\$15.00	298	1,626,603	1.0	(2,305)	(0.00049)		
27 Dry Out		796,593	0.87401	0.55392	(0.00768)	0.32777	261,099	\$6.00	1,525	370,899	1.0	(526)	(0.00066)		
31C Firm Sales	Block 1	20,699,674	0.62962	0.40805	0.01583	0.20574	8,673,680	\$325.00	1,048	12,760,880	1.0	(18,082)	(0.00043)		
	Block 2	23,498,664	0.61164	0.40805	0.01571	0.18788					1.0		(0.00039)		
31C Firm Trans	Block 1	388,881	0.16800	0.00000	(0.00385)	0.17185	152,526	\$575.00	18	276,726	1.0	(392)	(0.00044)		
	Block 2	545,978	0.15344	0.00000	(0.00352)	0.15696					1.0		(0.00040)		
31I Firm Sales	Block 1	4,173,740	0.57905	0.40805	0.00674	0.16426	2,228,633	\$325.00	195	2,989,133	1.0	(4,236)	(0.00031)		
	Block 2	10,396,538	0.56309	0.40805	0.00662	0.14842					1.0		(0.00028)		
31I Firm Trans	Block 1	165,160	0.15680	0.00000	(0.00251)	0.15931	142,637	\$575.00	8	197,837	1.0	(280)	(0.00031)		
	Block 2	807,983	0.14173	0.00000	(0.00224)	0.14397					1.0		(0.00028)		
32C Firm Sales	Block 1	16,554,938	0.50956	0.40805	0.00582	0.09569	2,200,516	\$675.00	238	4,128,316	1.0	(5,850)	(0.00025)		
	Block 2	6,660,345	0.49513	0.40805	0.00573	0.08135					1.0		(0.00022)		
	Block 3	1,153,455	0.47106	0.40805	0.00558	0.05743					1.0		(0.00015)		
	Block 4	248,040	0.44698	0.40805	0.00542	0.03351					1.0		(0.00009)		
	Block 5	0	0.43253	0.40805	0.00532	0.01916					1.0		(0.00005)		
	Block 6	0	0.42290	0.40805	0.00526	0.00959					1.0		(0.00003)		
32I Firm Sales	Block 1	4,334,225	0.50877	0.40805	0.00596	0.09476	945,329	\$675.00	51	1,358,429	1.0	(1,925)	(0.00019)		
	Block 2	5,158,108	0.49449	0.40805	0.00589	0.08055					1.0		(0.00016)		
	Block 3	1,793,731	0.47070	0.40805	0.00578	0.05687					1.0		(0.00012)		
	Block 4	516,050	0.44689	0.40805	0.00566	0.03318					1.0		(0.00007)		
	Block 5	0	0.43259	0.40805	0.00559	0.01895					1.0		(0.00004)		
	Block 6	0	0.42311	0.40805	0.00554	0.00952					1.0		(0.00002)		
32 Firm Trans	Block 1	11,412,253	0.09321	0.00000	(0.00130)	0.09451	3,840,737	\$925.00	110	5,061,737	1.0	(7,172)	(0.00018)		
	Block 2	15,830,951	0.07925	0.00000	(0.00106)	0.08031					1.0		(0.00015)		
	Block 3	9,285,426	0.05607	0.00000	(0.00066)	0.05673					1.0		(0.00011)		
	Block 4	16,096,253	0.03282	0.00000	(0.00027)	0.03309					1.0		(0.00006)		
	Block 5	21,498,809	0.01888	0.00000	(0.00003)	0.01891					1.0		(0.00004)		
	Block 6	2,621,489	0.00961	0.00000	0.00013	0.00948					1.0		(0.00002)		
32C Interr Sales	Block 1	6,122,694	0.51260	0.40805	0.00679	0.09776	1,723,155	\$675.00	62	2,225,355	1.0	(3,153)	(0.00018)		
	Block 2	8,160,076	0.49787	0.40805	0.00672	0.08310					1.0		(0.00015)		
	Block 3	4,328,184	0.47331	0.40805	0.00661	0.05865					1.0		(0.00011)		
	Block 4	5,489,488	0.44878	0.40805	0.00650	0.03423					1.0		(0.00006)		
	Block 5	242,825	0.43402	0.40805	0.00643	0.01954					1.0		(0.00004)		
	Block 6	0	0.42426	0.40805	0.00640	0.00981					1.0		(0.00002)		
32I Interr Sales	Block 1	7,354,982	0.51281	0.40805	0.00706	0.09770	2,248,312	\$675.00	76	2,863,912	1.0	(4,058)	(0.00018)		
	Block 2	9,533,015	0.49810	0.40805	0.00700	0.08305					1.0		(0.00015)		
	Block 3	5,139,982	0.47356	0.40805	0.00689	0.05862					1.0		(0.00011)		
	Block 4	10,419,813	0.44904	0.40805	0.00679	0.03420					1.0		(0.00006)		
	Block 5	4,025,372	0.43431	0.40805	0.00672	0.01954					1.0		(0.00004)		
	Block 6	173,013	0.42452	0.40805	0.00668	0.00979					1.0		(0.00002)		
32 Interr Trans	Block 1	8,967,105	0.09476	0.00000	(0.00111)	0.09587	5,688,876	\$925.00	87	6,654,576	1.0	(9,430)	(0.00016)		
	Block 2	15,920,961	0.08060	0.00000	(0.00090)	0.08150					1.0		(0.00014)		
	Block 3	11,590,796	0.05698	0.00000	(0.00055)	0.05753					1.0		(0.00010)		
	Block 4	30,144,365	0.03335	0.00000	(0.00020)	0.03355					1.0		(0.00006)		
	Block 5	57,187,852	0.01919	0.00000	0.00001	0.01918					1.0		(0.00003)		
	Block 6	78,650,314	0.00977	0.00000	0.00015	0.00962					1.0		(0.00002)		
33		0	0.00542	0.00000	(0.00009)	0.00551	0	\$38,000.00	0	0	1.0	0	(0.00001)		
TOTALS		957,339,742					237,539,012			312,626,300		312,626,300	(442,993)		

Sources for line 2 above:

Inputs page

Line 41

Tariff Schedules

Rate Adjustment Schedule

Sched 184

Note: Allocation to rate schedules or blocks with zero volumes is calculated on an overall margin percentage change basis.
 * Since Billing Rates for all schedules above 31 do not include demand, column c for those schedules is WACOG only

NW Natural
Rates & Regulatory Affairs
2014-2015 PGA Filing - Oregon: August Filing
Calculation of Revenue Requirement of Insurance Proceeds Applied to Gasco Source Control

1	Source Control investment in rate base	19,048,300	
2	<i>(effective for the 2013-14 PGA)</i>		
3			
4	Insurance proceeds plus interest to be applied	<u>(2,624,168)</u>	(1)
5			
6	Total estimated costs	16,424,132	
7			
8	Cost of Service	2,772,599	
9			
10	Cost of Service currently in base rates:	3,215,591	(2)
11			
12	Reduction to base rates for 2014-15 PGA	<u>(442,992)</u>	(3)
13	(Line 11 - Line 13)		
14			

Note:

(1) Order 14-077 approved a stipulation with terms that \$2,500,000 of insurance proceeds plus interest is to be applied in the subsequent PGA as a reduction to the Source Control investment currently in rate base. Interest of \$124,168 calculated for the period of Nov. 2013 through Oct. 2014 is accrued based on the Company's 7.78% authorized cost of capital.

(2) Approved in Order 13-393.

(3) This amount is included as a permanent addition to base rates in "NWN 2014-15 Oregon PGA rate development file August filing.xlsx"

**NW Natural
 Rates & Regulatory Affairs
 Determination of Cost of Service (\$000)
 Gasco Source Control**

Input Capital Costs and Rates from UG 221			
Cost of Capital	% of Capital	Cost	Weighted Cost
Debt	50.00%	6.056%	3.028%
Preferred Equity	0.00%	0.000%	0.000%
Common Equity	50.00%	9.500%	4.750%
	<u>100.00%</u>		<u>7.778%</u>
State Tax Rate			7.60%
Federal Tax Rate			35.00%
Revenue Sensitive Rate			2.916%
Depreciation Rate			5.000%
Property Tax Rate			1.661%
combined tax rate	39.94%		
combined after tax rate	60.06%		
After tax cost of capital			6.57%
Bonus Tax Depreciation (1 = No, 2 = yes 50%, 3 = yes 100%)		2	
Investment			\$16,424,132

1	Depreciation	821,207
2	Property Taxes	291,862
	Taxes on Equity Return	
3	State	86,887
4	Federal	369,729
5	Total Taxes	<u>456,617</u>
	Return on Rate Base	
6	Debt	437,715
7	Preferred Equity	0
8	Common Equity	686,640
9	Total Return	<u>1,124,355</u>
10	Subtotal Cost of Service	2,694,040
11	Revenue Sensitive Items	<u>78,558</u>
12	Total Cost of Service	<u><u>\$2,772,599</u></u>

NW Natural
Rates & Regulatory Affairs
2014-2015 PGA Filing - Oregon: August Filing
PGA Effects on Revenue
Tariff Advice 14-17: Gasco Source Control Insurance Offset

	Including Revenue Sensitive Amount
1	
1	
2	
3	
3	
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11	
11	
12	
12	

Permanent Increments

Addition of Proposed Permanent Increments

Addition of Gasco Source Control Insurance Offset

(442,992)

TOTAL OF ALL COMPONENTS OF RATE CHANGES

(\$442,992)

2013 Oregon Earnings Test Normalized Total Revenues

\$672,195,000

Effect of this filing, as a percentage change (line 6 ÷ line 10)

-0.07%