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[Description of NWN Draft Changes 9.22.14.docx](#)

In preparation for tomorrow's AR 580 workshop, NW Natural is providing its current draft of proposed edits to Staff's draft rule and a document describing its suggested changes. The Company is providing this now to facilitate conversation tomorrow to the extent participants would like to discuss the rule at this level of detail.

Most of our suggested changes do not revise the substance of the rules, but seek to clarify their intent. Where definitions are ambiguous, future compliance to the rules will be difficult, and so we have tried to clarify several parts of the rule now so that our successors ---those who will be interpreting these rules in years to come-- will be able to comply without question.

A few of our suggested changes involve removing requirements which may prove unintentionally burdensome or may create barriers for program development. In AR 580 workshops, all parties, including the utilities, have stated that it is difficult to fully know or understand what SB 844 projects will look like. So, we believe it would be a mistake to draft rules that are overly prescriptive on certain issues where there currently is not clarity. Some of our edits are meant to address or call out situations like that, such as the provisions on ownership and transferability of carbon credits or reporting requirements, which we believe may be better addressed on a case-by-case basis.

We have suggested one edit on the substance of the rule, and that is to the section on utility earnings tests (OAR 860-085-0950). We believe that an incentive should not be calculated as revenue in a utility's earnings test. As we have discussed at the workshops, NW Natural believes that the effectiveness of an incentive is undermined if its collection is subject to the results of an earning test. We have revised 860-085-0950 to be aligned with our understanding of the intent of SB 844, which is to provide utilities an incentive to invest in carbon reduction programs.

NW Natural appreciates the opportunity to share these draft comments with you ahead of our September 23rd workshop and would be happy to discuss them either at the workshop, or at any other time. The attached documents are not NW Natural's formal comments. The Company intends to file formal comments by October 7, 2014, and they may differ from the draft comments we're sharing at this time.

Thank you.