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March 3, 2015

NWN OPUC Advice No. 14-23
SUPPLEMENT A

VIA ELECTRONIC FILING

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

Attn: Filing Center

Re: **Supplemental Filing**
Schedule 177, System Integrity Program (SIP) Recovery Mechanism

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company),
filed Advice No. 14-23 on October 21, 2014. The Company now submits the following
replacement sheet:

Second Revision of Sheet 177-2
Schedule 177
"System Integrity Program (SIP) Recovery Mechanism,"

The Company also submits the following additional sheet:

Second Revision of Sheet 177-3
Schedule 177
"System Integrity Program (SIP) Recovery Mechanism."

The Second Revision of Sheet 177-1 as proposed in the Company's initial filing
is requested to become effective as filed. All tariff sheets are requested to become effective
April 1, 2015.

The purpose of this supplemental filing is to add language requiring that System
Integrity Program (SIP) costs be subject to an earnings test. Under the earnings test, NW
Natural would only collect through Schedule 177 the cost of service on investments made
during the prior PGA year to the extent it is earning at or below its authorized ROE. The
Company is adding this requirement in response to concerns parties raised at a workshop held
November 25, 2014.

Language is also added to clarify the intent that extending SIP as outlined in Schedule 177, includes the continued authorization to treat all SIP costs as capital costs, as allowed in Commission Order No. 09-067.

As stated in its initial filing, the Company continues to believe that SIP has been a positive and successful program that has allowed the Company to accelerate improvements and maintain a very safe distribution system, and the Company would like to continue it.

The Company requests that the tariff sheets filed herewith be permitted to become effective with service on and after November 26, 2014.

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 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, x3589
eFiling@nwnatural.com

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Rates and Regulation

attachments

SCHEDULE 177
SYSTEM INTEGRITY PROGRAM (SIP) RECOVERY MECHANISM
(continued)

SIP COSTS:

SIP Costs that are eligible for cost recovery through this adjustment schedule are:

- 1) Capital costs in excess of the first \$1 million spent on SIP projects in a PGA Year; and
- 2) Not to exceed the soft cap of \$9 million dollars without a specific order of the Commission, and only after consultation with the parties to the 2009 stipulation approved in Commission Order No. 09-067.

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In accordance with the authorization granted in OPUC Order No. 09-067, all SIP costs are classified as capital expenditures, and SIP Costs will be tracked on a project basis into the respective capital account. The balances in such capital accounts will be used to calculate the SIP cost of service for the relevant year. The SIP cost of service shall be used to calculate permanent adjustments to Base Rates for the respective rate schedules, as follows:

(C)

Part A – Bare Steel Replacement Program –Seventy percent (70%) of the cumulative investment is allocated to Residential and Commercial Firm Sales and Firm Transportation Customers on an equal cent per therm basis. The remaining thirty percent (30%) is allocated on an equal percent of margin basis to all customer classes. In accordance with Commission Order No. 13-179, the Company will not seek recovery for Bare Steel costs incurred after December 31, 2015.

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Part B –Transmission Integrity Management Program (TIMP) –Costs are allocated across all customer classes based on equal percent of margin.

Part C - Distribution Integrity Management Program (DIMP) –Costs are allocated across all customer classes based on equal percent of margin.

The cost of service for the SIP investment will include incremental depreciation expense, property tax, return on investment, income taxes, and other costs customarily relating to utility investment. The capital structure and the cost of long-term debt and preferred stock to be used in the calculation of return on rate base will be that adopted by the Commission in the Company’s most recent general rate case.

EARNINGS TEST

The recovery of SIP Costs will be subject to an earnings review for the calendar year that the SIP Costs were incurred. The Company’s annual results of operations report as filed in Docket No. RG-40 will be used for this purpose. Under the earnings review, any amount of recovery related to the cost of service for investments in the prior PGA Year that causes earnings in excess of the Company’s authorized ROE in a year will be deferred when the earnings test outcome is determined in May, and subsequently refunded with the next PGA.

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ANNUAL REPORTS:

The Company will file a report with the Commission on or before October 31 of each calendar year detailing SIP Costs incurred in the prior PGA Year; and a forecast of SIP Costs for the coming twelve (12) month period.

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(continue to Sheet 177-3)

Issued March 3, 2015
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Effective with service on
and after April 1, 2015

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet 177-3
Cancels Second Revision of Sheet 177-3

SCHEDULE 177 SYSTEM INTEGRITY PROGRAM (SIP) RECOVERY MECHANISM (continued)

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.

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APPLICATION TO RATE SCHEDULES:

Effective: November 1, 2014

The Adjustments shown below are included in the Base Adjustments in the listed Rate Schedules:

Schedule	Block	Part A		Part B	Part C	Total Adjustment
		70%	30%			
2		\$0.00302	\$0.00135	\$0.00245	\$0.00080	\$0.00762
3 (CSF)		\$0.00302	\$0.00095	\$0.00172	\$0.00056	\$0.00625
3 (ISF)		\$0.00000	\$0.00081	\$0.00147	\$0.00048	\$0.00276
27		\$0.00302	\$0.00108	\$0.00196	\$0.00064	\$0.00670
31 (CSF)	Block 1	\$0.00302	\$0.00070	\$0.00128	\$0.00042	\$0.00542
	Block 2	\$0.00302	\$0.00064	\$0.00117	\$0.00038	\$0.00521
31(CTF)	Block 1	\$0.00302	\$0.00072	\$0.00131	\$0.00043	\$0.00548
	Block 2	\$0.00302	\$0.00066	\$0.00120	\$0.00039	\$0.00527
31 (ISF)	Block 1	\$0.00000	\$0.00051	\$0.00093	\$0.00030	\$0.00174
	Block 2	\$0.00000	\$0.00046	\$0.00084	\$0.00027	\$0.00157
31 (IFT)	Block 1	\$0.00000	\$0.00051	\$0.00093	\$0.00030	\$0.00174
	Block 2	\$0.00000	\$0.00046	\$0.00084	\$0.00028	\$0.00158
32 (CSF)	Block 1	\$0.00000	\$0.00042	\$0.00076	\$0.00025	\$0.00143
	Block 2	\$0.00000	\$0.00035	\$0.00064	\$0.00021	\$0.00120
	Block 3	\$0.00000	\$0.00025	\$0.00045	\$0.00015	\$0.00085
	Block 4	\$0.00000	\$0.00015	\$0.00026	\$0.00009	\$0.00050
	Block 5	\$0.00000	\$0.00008	\$0.00015	\$0.00005	\$0.00028
	Block 6	\$0.00000	\$0.00004	\$0.00008	\$0.00002	\$0.00014

(continue to Sheet 177-4)

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