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REPORT NAME: Annual Results of Operations Report, Earnings Review for the Twelve Months Ended December 31, 2012, With and Without Workpapers

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? [X]No [ ]Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: [ ]RE (Electric) [X]RG (Gas) [ ]RW (Water) [ ]RO (Other)

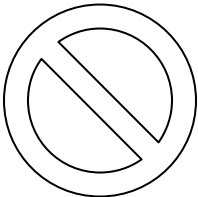
Report is required by: [ ]OAR 860-022-0070
[ ]Statute
[ ]Order
[ ]Other

Is this report associated with a specific docket/case? [ ]No [X]Yes

If yes, enter docket number: RG 40

List applicable Key Words for this report to facilitate electronic search:
Earning Review with Workpapers for the Twelve Months Ended December 31, 2012, Earnings Review without Workpapers for the Twelve Months Ended December 31, 2012, Annual Results of Operations Report, RG 40

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Please file the above reports according to their individual instructions.

**Cristan Kelley**  
Regulatory Analyst  
Tel: 503.226.4211 ext. 3582  
Fax: 503.721.2516  
Email: [Cristan.Kelley@nwnatural.com](mailto:Cristan.Kelley@nwnatural.com)



May 1, 2013

Oregon Public Utility Commission  
550 Capitol Street, NE, Suite 215  
Post Office Box 2148  
Salem, Oregon 97308-2148

**ATTN: Filing Center**

**RE: RG 40: NW Natural's Earnings Review without Workpapers  
for the Twelve Months Ended December 31, 2012**

Pursuant to OAR 860-022-0070, Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), files herewith its Earnings Review without workpapers for the twelve months ended December 31, 2012. Per Staff's request a paper copy of the report will follow via U.S. Mail.

Please feel free to call if you have any questions.

Sincerely,

*/s/ Cristan Kelley*

Cristan Kelley  
Rates Analyst

CMK/kcm  
enclosures



REPORT:

ANNUAL EARNINGS REVIEW

WITHOUT WORKPAPERS

(For the twelve months ended December 31, 2012)

NW Natural  
 2012 Oregon Earnings Review  
 12 Months Ended December 31, 2012  
 (\$'000's)

OREGON EARNINGS TEST REVIEW

Line No.	Test Year Results	TYPE I		Results after Type I		Gas Reserves		TYPE II		Results after Type II
		Adjustments	Results	Adjustment <sup>(1)</sup>	Gas Reserves <sup>(1)</sup>	Adjustments	Results Excl. Gas Reserves <sup>(1)</sup>			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)			
<b>Operating Revenues</b>										
1	Sale of Gas	\$632,562	\$27,957	\$660,519	\$660,519	\$0	\$660,519	\$0	\$660,519	
2	WARM Revenues	93	(93)	0	0	0	0	0	0	
3	Revenue & Technical Adjustments	(13,166)	(830)	(13,996)	(13,996)	0	(13,996)	0	(13,996)	
4	Decoupling Adjustments	10,702	(10,702)	0	0	0	0	0	0	
5	Transportation	14,011	0	14,011	14,011	0	14,011	0	14,011	
6	Miscellaneous Revenues	4,137	53	4,190	4,190	0	4,190	0	4,190	
7	SB408 Deferrals	0	0	0	0	0	0	0	0	
8	Total Operating Revenues	648,338	16,385	664,723	664,723	0	664,723	0	664,723	
<b>Operating Revenue Deductions</b>										
9	Gas Purchased	322,423	16,843	339,266	4,281	343,547	343,547	0	343,547	
10	Uncollectible Accrual for Gas Sales	1,016	462	1,478	1,478	0	1,478	0	1,478	
11	Other Operating & Maintenance Expenses	108,931	(1,769)	107,162	107,162	0	107,162	0	107,162	
12	Total Operating & Maintenance Exp.	432,370	15,536	447,906	4,281	452,187	452,187	0	452,187	
13	Federal Income Tax	27,659	147	27,806	(1,501)	26,305	26,305	0	26,305	
14	State Excise	6,480	35	6,515	0	6,515	6,515	0	6,515	
15	Property Taxes	18,444	(265)	18,179	18,179	0	18,179	0	18,179	
16	Other Taxes	21,751	670	22,421	22,421	0	22,421	0	22,421	
17	Depreciation & Amortization	59,645	0	59,645	59,645	0	59,645	0	59,645	
18	Total Operating Revenue Deductions	566,349	16,123	582,472	2,780	585,252	585,252	0	585,252	
19	Net Operating Revenues	\$81,989	\$262	\$82,251	(\$2,780)	\$79,471	\$79,471	\$0	\$79,471	
<b>Average Rate Base</b>										
20	Utility Plant in Service	\$2,193,293	(\$238)	\$2,193,055	(76,613)	\$2,116,442	\$2,116,442	\$0	\$2,116,442	
21	Accumulated Depreciation	(946,818)	0	(946,818)	4,394	(942,424)	(942,424)	0	(942,424)	
22	Net Utility Plant	1,246,475	(238)	1,246,237	(72,219)	1,174,018	1,174,018	0	1,174,018	
23	Aid in Advance of Construction	(2,723)	0	(2,723)	(2,723)	0	(2,723)	0	(2,723)	
24	Materials & Supplies	74,553	0	74,553	74,553	0	74,553	0	74,553	
25	Water Heater Program	0	0	0	0	0	0	0	0	
26	Leasehold Improvements	1,316	0	1,316	1,316	0	1,316	0	1,316	
27	Accumulated Deferred Income Taxes	(291,030)	0	(291,030)	25,096	(265,934)	(265,934)	0	(265,934)	
28	Pension	0	0	0	0	0	0	0	0	
29	Total Rate Base	\$1,028,591	(\$238)	\$1,028,353	(\$47,123)	\$981,230	\$981,230	\$0	\$981,230	
30	Rate of Return	7.97%		8.00%		8.10%			8.10%	
31	Return on Common Equity	9.81%		9.87%		10.08%			10.08%	

Notes: <sup>(1)</sup>Columns (d) and (e) added in accordance with Order No. 11-176 pertaining to Encana.



Rates & Regulatory Affairs

**ANNUAL EARNINGS REVIEW  
For the Twelve Months Ended December 31, 2012**

**Description of TYPE I Adjustments**

This report was developed in a manner consistent with the earnings review directives adopted in UM 903. As in past years, the determination of the various adjustments included in this report continue to reflect those typical and routinely developed adjustments as were also adopted in the Company's 2002 general rate filing (UG 152). The Company's 2011 general rate filing (UG 221) was effective November 1, 2012, but as a practical matter for compiling Type I adjustments in the 2012 report, the Company used the UG 152 adjustments. Beginning with the 2013 Results of Operations, the Company will reflect the adjustments from UG 221.

**Weather Normalization and Gas Costs [Column 2(a)]:**

This adjustment approximates the volumetric effects of weather on sales and gas costs. Core market volumes have been weather normalized; however, no industrial volumes have been adjusted. The adjustment also reflects the removal of the effects of the WARM mechanism pursuant to Order No. 03-507.

**Miscellaneous Revenue Adjustment [Column 2(b)]:**

This adjustment reflects the normalization of other tariffed utility fees and revenues to a historical three-year average. The adjustment also reflects the removal of the effect of the Decoupling mechanism pursuant to Order No. 03-507 and the removal of the effect of deferrals related to SB408.

**Commission-Required Advertising Disallowance [Column 2(c)]:**

This adjustment reduces the Company's recorded expenses for advertising consistent with the methodology stipulated to in UG 152.

**Membership and Dues Adjustment [Column 2(d)]:**

Removes the promotional portion of industry associated expenses, consistent with the methodology adopted in the Company's 1998 general rate case (UG 132). The adjustment also reflects the removal of certain costs charged to operational and maintenance expense related to promotional and other activities.

**Normalization of Property Tax Expense [Column 2(e)]:**

Removes the expense accruals for the year and reflects the actual cash payments made during the test period.

**Uncollectible Accounts [Column 2(f)]:**

This adjustment normalizes the test year accrual for Uncollectible expense to a three-year average of "actual net bad debt write-offs."

**Capital Stock Expense [Column 2(g)]:**

The three-year average approach adopted in this adjustment is consistent with both company experience and Commission policy adopted in the Company's 1998 general rate case.

**Performance-Based Compensation [Column 2(h)]:**

This adjustment depicts the disallowance of performance-based compensation as stipulated to in the Company's 2002 general rate case (UG 152 methodology).

**Description of TYPE II Adjustments:**

The Company has no Type II adjustments for 2012.

NW Natural  
 Test Year Normalizing Adjustments: TYPE I ADJUSTMENTS  
 2012 Oregon Earnings Review  
 (\$000)

Line No.	Column A from Page 1 worksheet #:	Weather Normalization & Gas Costs Adjustment (2a)	Miscellaneous Revenue Adjustment (2b)	Advertising & Promotional Adjustment (2c)	Memberships and Dues Adjustment (2d)	Property Taxes Adjustment (2e)	Uncollectible Accounts Adjustment (2f)	Stock Issuance Adjustment (2g)	Bonus Adjustment (2h)	Total Type I Adjustments	Column C from Page 1
<b>Operating Revenues</b>											
1	Sale of Gas	\$632,562	\$27,957							\$27,957	\$660,519
2	WARM Revenue	93	278							(93)	
3	Revenue & Technical Adjustments	(13,166)	(371)							(830)	(13,996)
4	Decoupling Adjustment	10,702	(830)							(10,702)	0
5	Transportation	14,011	(10,702)							0	14,011
6	Miscellaneous Revenues	4,137	53							53	4,190
7	SB408 Deferrals	0	0							0	0
8	<b>Total Operating Revenues</b>	648,338	28,234	(11,849)	0	0	0	0	0	16,385	664,723
<b>Operating Revenue Deductions</b>											
9	Gas Purchased	322,423	16,843							16,843	339,266
10	Uncollectible Accrual	1,016	62				400			462	1,478
11	<b>Other Operating &amp; Maintenance Expenses</b>	108,931		(317)	(194)			0	(1,258)	(1,769)	107,162
12	<b>Total Operating &amp; Maintenance Exp.</b>	432,370	16,905	(317)	(194)	0	400	0	(1,258)	15,536	447,906
13	<b>Federal Income Tax</b>	27,659	3,449	102	63	86	(129)	0	410	147	27,806
14	State Excise	6,480	799	24	15	20	(30)	0	95	35	6,515
15	Property Taxes	18,444	(888)			(265)		0		(265)	18,179
16	Other Taxes	21,751	678	(8)	0	0	0	0	0	670	22,421
17	<b>Depreciation &amp; Amortization</b>	59,645						0	0	0	59,645
18	<b>Total Operating Revenue Deductions</b>	566,349	21,831	(4,730)	(116)	(159)	241	0	(753)	16,123	582,472
19	<b>Net Operating Revenues</b>	81,989	6,404	(7,119)	191	159	(241)	0	753	262	82,251
<b>Average Rate Base</b>											
20	Utility Plant in Service	2,193,293								(238)	2,193,055
21	<b>Accumulated Depreciation</b>	(946,818)							0	0	(946,818)
22	<b>Net Utility Plant</b>	1,246,475	0	0	0	0	0	0	(238)	(238)	1,246,237
23	<b>Aid in Advance of Construction</b>	(2,723)								0	(2,723)
24	Materials & Supplies	74,553								0	74,553
25	Water Heater Program	0								0	0
26	Leasehold Improvements	1,316								0	1,316
27	<b>Accumulated Deferred Income Taxes</b>	(291,030)								0	(291,030)
28	<b>Total Rate Base</b>	\$1,028,591	\$0	\$0	\$0	\$0	\$0	\$0	(\$238)	(\$238)	\$1,028,353
29	<b>Interest Coordination</b>		0	0	0	0	0	0	(8)	(8)	(8)

F

Northwest Natural Gas Company  
 Test year Normalizing Adjustments: TYPE I ADJUSTMENTS  
 2012 Oregon Earnings Review  
 (\$000)

Income Tax Calculations

Line No.	Income Tax Calculations	Weather Normalization & Repricing Adjustment (2a)	Other Revenue Adjustment (2b)	Advertising Adjustment (2c)	Memberships and Dues Adjustment (2d)	Property Taxes Adjustment (2e)	Uncollectible Accounts Adjustment (2f)	Stock Issuance Adjustment (2g)	Accrued Bonus Adjustment (2h)	Total Adjustments (2i)
1	Book Revenues	28,234	(11,849)	0	0	0	0	0	0	16,385
2	Book Expenses before Deprec. & Int.	17,583	(8)	(317)	(194)	(265)	400	0	(1,258)	15,941
3	State Tax Depreciation	0	0	0	0	0	0	0	0	0
4	Interest Expense (Income)	0	0	0	0	0	0	0	(8)	(8)
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0	0
6	State Taxable Income	10,652	(11,841)	317	194	265	(400)	0	1,266	452
7	State Excise Tax [1]	799	(888)	24	15	20	(30)	0	95	35
8	State Tax Credit	0	0	0	0	0	0	0	0	0
9	Net State Income Tax	799	(888)	24	15	20	(30)	0	95	35
10	Excess Book(Tax) Deprec.	0	0	0	0	0	0	0	0	0
11	Other Sched. M Differences	0	0	0	0	0	0	0	0	0
12	Federal Taxable Income	9,853	(10,953)	293	179	245	(370)	0	1,171	417
13	Federal Income Tax [2]	3,449	(3,834)	102	63	86	(129)	0	410	147
14	ITC	0	0	0	0	0	0	0	0	0
15	Current Federal Tax	3,449	(3,834)	102	63	86	(129)	0	410	147
16	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0	0
17	Deferred Income Tax - State	0	0	0	0	0	0	0	0	0
18	ITC Restored (Deferred)	0	0	0	0	0	0	0	0	0
19	Total Federal Tax	3,449	(3,834)	102	63	86	(129)	0	410	147
20	Total State Tax	799	(888)	24	15	20	(30)	0	95	35

[1] Statutory State Excise Tax Rate:  
 7.50%

[2] Statutory Federal Income Tax Rate:  
 35.00%



NW Natural  
 Test year Normalizing Adjustments: TYPE II ADJUSTMENTS  
 2012 Oregon Earnings Review  
 (\$000)

Line No.	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	Total Type II Adjustments
	<u>Operating Revenues</u>										
1											\$0
2											0
3											0
4											0
5											0
6											0
7	0	0	0	0	0	0	0	0	0	0	0
	<u>Operating Revenue Deductions</u>										
8											0
9											0
10											0
11	0	0	0	0	0	0	0	0	0	0	0
	<u>Federal Income Tax</u>										
12											0
13											0
14											0
15											0
16											0
17	0	0	0	0	0	0	0	0	0	0	0
18	0	0	0	0	0	0	0	0	0	0	0
	<u>Average Rate Base</u>										
19											0
20											0
21	0	0	0	0	0	0	0	0	0	0	0
22											0
23											0
24											0
25											0
26											0
27	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	0	0	0	0	0	0	0	0	0	0	0

Northwest Natural Gas Company  
 Test Year Normalizing Adjustments: TYPE II AD: Income Tax Calculations  
 2012 Oregon Earnings Review  
 (\$000)

Line No.	Income Tax Calculations	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	Total Adjustments
1	Book Revenues	0	0	0	0	0	0	0	0
2	Book Expenses before Deprec. & Int.	0	0	0	0	0	0	0	0
3	State Tax Depreciation	0	0	0	0	0	0	0	0
4	Interest Expense (Income)	0	0	0	0	0	0	0	0
5	Book/Tax Differences (Sched. M)	0	0	0	0	0	0	0	0
6	State Taxable Income	0	0	0	0	0	0	0	0
7	State Excise Tax [1]	0	0	0	0	0	0	0	0
8	State Tax Credit	0	0	0	0	0	0	0	0
9	Net State Income Tax	0	0	0	0	0	0	0	0
10	Excess Book(Tax) Deprec.	0	0	0	0	0	0	0	0
11	Other Sched. M Differences	0	0	0	0	0	0	0	0
12	Federal Taxable Income	0	0	0	0	0	0	0	0
13	Federal Income Tax [2]	0	0	0	0	0	0	0	0
14	ITC	0	0	0	0	0	0	0	0
15	Current Federal Tax	0	0	0	0	0	0	0	0
16	Deferred Income Tax - Federal	0	0	0	0	0	0	0	0
17	Deferred Income Tax - State	0	0	0	0	0	0	0	0
18	ITC Restored (Deferred)	0	0	0	0	0	0	0	0
19	Total Federal Tax	0	0	0	0	0	0	0	0
20	Total State Tax	0	0	0	0	0	0	0	0

[1] Statutory State Excise Tax Rate: 7.50%  
 [2] Statutory Federal Income Tax Rate: 35.00%

**NW Natural  
 Tax Provision - Historic  
 2012 Oregon Earnings Review  
 (\$000)**

<b>Line No.</b>		<b>State Taxes</b>	<b>Federal Taxes</b>
<b>1</b>	<b>Operating Revenues</b>	\$648,338	\$648,338
<b>2</b>	<b>Operating Revenue Deductions</b>	432,370	432,370
<b>3</b>	<b>Property &amp; Other Taxes</b>	40,195	40,195
<b>4</b>	<b>Book Depreciation</b>	59,645	59,645
<b>5</b>	<b>Interest (Rate Base * Cost of Debt)</b>	34,046	34,046
<b>6</b>	<b>State Tax Deduction</b>	-	6,480
<b>7</b>	<b>Subtotal</b>	82,082	\$75,602
<b>8</b>	<b>Permanent Differences</b>	4,321	4,321
<b>9</b>	<b>Taxable Income</b>	86,403	\$79,923
<b>10</b>	<b>Tax Rate</b>	7.50%	35.00%
<b>11</b>	<b>Tax Before Credits and Adjustments</b>	6,480	27,973
<b>12</b>	<b>Credits &amp; Adjustments</b>	0	(314)
<b>13</b>	<b>Total Tax</b>	\$6,480	\$27,659

NW Natural  
 12 Months Ended December 31, 2012  
 Input Assumptions  
 Proforma Cost of Capital

Line No.	13-month averages		
	% of Total Capital (a)	Average Cost (b)	Average Weighted Cost (c)
1	52.50%	6.300%	3.31%
2	0.00%	0.000%	0.00%
3	47.50%	10.110%	4.80%
4	<u>100.00%</u>		<u>8.11%</u>
<b>Revenue Sensitive Costs</b>			
5	99.37%		
6	2.11%		
7	-1.48%		
8	<u>100.00%</u>		
9	0.22%		
10	2.15%		
11	0.25%		
12	<u>97.38%</u>		
13	7.30%		
14	90.07%		
15	31.53%		
16	<u>38.83%</u>		
17	41.45%		
18	<u>58.55%</u>		
19	170.80%		
20	3.31%		
21	10.11%		
22	35.00%		
23	7.50%		
24	2.15%		
25	0.22%		
26	0.25%		







**NW Natural  
State Allocation Factors  
As of December 31, 2012**

<b>Allocation Factors - Summary</b>	<b>Oregon</b>	<b>Washington</b>
<b>Customers-all</b>	89.640%	10.360%
<b>Customers-Residential</b>	89.490%	10.510%
<b>Customers-Commercial</b>	91.080%	8.920%
<b>Customers-Industrial</b>	93.020%	6.980%
<b>Customers-The Dalles</b>	74.570%	25.430%
<b>3-factor</b>	90.150%	9.850%
<b>firm volumes</b>	90.620%	9.380%
<b>sales volumes</b>	90.550%	9.450%
<b>sendout volumes</b>	92.170%	7.830%
<b>sales/sendout volumes</b>	91.360%	8.640%
<b>Customers Portland/Vancouver</b>	85.780%	14.220%
<b>Customers Portland/Vancouver 80%</b>	88.620%	11.380%
<b>Customers Portland/Vancouver Commercial</b>	86.770%	13.230%
<b>Payroll</b>	89.650%	10.350%
<b>Admin Transfer</b>	89.250%	10.750%
<b>Employee Cost</b>	89.720%	10.280%
<b>Regulatory</b>	70.000%	30.000%
<b>Telemetrying</b>	89.230%	10.770%
<b>Direct-Wa</b>	0.000%	100.000%
<b>Direct-Or</b>	100.000%	0.000%
<b>Gross plant direct assign</b>	89.400%	10.600%
<b>Depreciation</b>	89.630%	10.370%
<b>Rate Base</b>	89.953%	10.047%



**NW Natural  
State Allocation Factors**

**Volumes - 12 Months Ended 12/31/12**

<b>Firm Delivered (excl Unbilled)</b>	804,371,057	728,948,565	75,422,493
<b>% of System</b>		90.62%	9.38%
<b>Sales Volumes (exclude Unbilled)</b>	732,530,014	663,270,939	69,259,075
<b>% of System</b>		90.55%	9.45%
<b>Sendout Volumes</b>	1,111,769,114	1,024,710,761	87,058,352
<b>% of System</b>		92.17%	7.83%

**3-factor formula (simple average)**

<b>Gross Plant Directly Assigned</b>		89.40%	10.60%
<b>Number of Employees Directly Assigned</b>		91.40%	8.60%
<b>Number of Customers</b>		89.64%	10.36%
<b>Average</b>		90.15%	9.85%

**Derivation of factor for 3-factor - Gross Plant Directly Assigned**

**December 31, 2012**

	<b>System</b>	<b>Oregon</b>	<b>Washington</b>
<b>Intangible - Other</b>	84,795	84,348	447
<b>Production</b>	675,198	675,198	0
<b>Transmission</b>	80,702,757	79,930,156	772,600
<b>Distribution</b>	1,820,666,061	1,620,796,645	199,869,416

**December 31, 2011**

	<b>System</b>	<b>Oregon</b>	<b>Washington</b>
<b>Intangible - Other</b>	84,795	84,348	447
<b>Production</b>	675,198	675,198	0
<b>Transmission</b>	50,207,253	49,410,522	796,731
<b>Distribution</b>	1,771,064,382	1,577,606,618	193,457,764

**Average**

	<b>System</b>	<b>Oregon</b>	<b>Washington</b>
<b>Intangible - Other</b>	84,795	84,348	447
<b>Production</b>	675,198	675,198	0
<b>Transmission</b>	65,455,005	64,670,339	784,666
<b>Distribution</b>	1,795,865,222	1,599,201,632	196,663,590

**Gross Plant Directly Assigned  
% of System**

1,862,080,220	1,664,631,517	197,448,702
	89.40%	10.60%

**NW Natural  
State Allocation Factors  
As of December 31, 2012**

	<u>System</u>	<u>Oregon</u>	<u>Washington</u>
<b>Customers</b>			
<b>Total Customers</b>			
December 2012	685,941	614,637	71,304
December 2011	679,543	609,356	70,187
Average	682,742	611,997	70,746
% of System		89.64%	10.36%
<b>Residential Customers</b>			
December 2012	621,399	555,961	65,438
December 2011	615,670	551,033	64,637
Average	618,535	553,497	65,038
% of System		89.49%	10.51%
<b>Commercial Customers</b>			
December 2012	63,580	57,781	5,799
December 2011	62,914	57,431	5,483
Average	63,247	57,606	5,641
% of System		91.08%	8.92%
<b>Industrial Customers</b>			
December 2012	962	895	67
December 2011	959	892	67
Average	961	894	67
% of System		93.02%	6.98%
<b>The Dalles</b>			
December 2012	7,440	5,547	1,893
December 2011	7,343	5,477	1,866
Average	7,392	5,512	1,880
% of System		74.57%	25.43%
<b>Portland / Vancouver</b>			
December 2012	486,694	417,283	69,411
December 2011	481,688	413,367	68,321
Average	484,191	415,325	68,866
% of System		85.78%	14.22%
<b>Portland / Vancouver Commercial</b>			
December 2012	41,315	35,729	5,586
December 2011	40,830	35,549	5,281
Average	41,073	35,639	5,434
% of System		86.77%	13.23%

NW Natural  
 Test year Normalizing Adjustments  
 Revenues and Deliveries  
 2012 Oregon Earnings Review

1	<u>Oregon Total Revenues</u>	
2		
3		
4	<u>Sales Revenues</u>	636,101,277
5	<u>Unbilled Revenues</u>	(3,817,235)
6		
7		
8	<u>Total Sales Revenues</u>	632,284,042
9		
10	<u>Transportation Revenues</u>	14,011,260
11		
12	<u>Grand Total Revenues</u>	646,295,302
13		
14		
15	<u>Gas Costs</u>	
16		
17	<u>Demand Charges</u>	81,263,019
18		
19	<u>Commodity Charges</u>	257,216,053
20		
21		
22	<u>Oregon Deferral Activities</u>	(16,055,678)
23		
24	<u>Grand Total Gas Costs</u>	322,423,393
25		
26		

Normalization Adjustments		
<u>Revenue Adjustment</u>	<u>Therms</u>	<u>Revenue</u>
WARM Adjustment		
WARM Revenues		1,153,138
WARM Revenues - Unbilled		(875,291)
		277,847
Weather Normalization Adjustment		
Residential	21,391,186	21,488,410
Commercial	7,223,685	6,468,235
	28,614,871	27,956,645
	<u>28,614,871</u>	<u>28,234,492</u>
<b>TOTAL NORMALIZING MARGIN ADJUSTMENT</b>		
<u>Gas Cost Adjustment</u>		<u>Cost of Gas</u>
WACOG equalization		0
Weather Normalization Gas Costs		16,842,922
<b>TOTAL GAS COST ADJUSTMENT</b>		<b>16,842,922</b>
	Type I	

Weather Normalization

	Residential			Commercial		
	Volumes	Revenues	Gas Costs	Volumes	Revenues	Gas Costs
January	7,108,313	7,490,598	4,440,279	1,281,172	1,046,653	688,758
February	4,117,105	4,338,523	2,571,791	493,874	403,470	265,507
March	(4,324,511)	(4,557,083)	(2,701,349)	(3,616,473)	(2,954,478)	(1,944,216)
April	3,412,723	3,596,259	2,131,792	391,648	319,957	210,550
May	218,379	230,123	136,413	(395,299)	(322,940)	(212,513)
June	(2,255,684)	(2,376,995)	(1,409,036)	(819,269)	(669,302)	(440,439)
July	(2,504,700)	(2,639,403)	(1,564,586)	(1,502,123)	(1,227,159)	(807,541)
August	1,865,324	1,965,641	1,165,193	2,269,231	1,853,848	1,219,939
September	561,802	592,016	350,935	130,162	106,336	69,975
October	3,120,774	3,288,609	1,949,423	(192,942)	(157,624)	(103,726)
November	4,461,966	4,235,343	2,398,753	3,738,153	3,091,639	2,009,631
December	5,609,695	5,324,779	3,015,772	5,445,551	4,977,833	3,401,618
<b>Total</b>	<b>21,391,186</b>	<b>21,488,410</b>	<b>12,485,379</b>	<b>7,223,685</b>	<b>6,468,235</b>	<b>4,357,543</b>

**Total Revenue Change** 27,956,645  
**Total Gas Cost Change** 16,842,922

NW Natural  
 2012 Oregon Earnings Review  
 Adjustments to Miscellaneous Revenues  
 (\$000)

Line No.	Actual (a)	Normalized (b)	Adjustment (c)
<b>Revenue &amp; Technical Adjustments</b>			
1	(\$132.6)	(\$132.6)	\$0.0
2	8,891.1	8,891.1	0.0
3	0.0	0.0	0.0
4	(5,060.7)	(5,060.7)	0.0
5	652.4	652.4	0.0
6	830.0	0.0	(830.0)
7	(18,346.2)	(18,346.2)	0.0
8	<u>(13,166.1)</u>	<u>(13,996.1)</u>	<u>(830.0)</u>
9	10,701.7	0.0	(10,701.7)
10	370.5	0.0	(370.5)
<b>Other Miscellaneous Revenues</b>			
11	953.8	\$938.0	(\$15.8) [1]
12	131.6	158.0	26.5 [1]
13	2,350.6	2,350.6	0.0
14	260.7	302.5	41.8 [1]
15	195.0	187.9	(7.2) [1]
16	0.0	0.0	0.0
17	143.1	140.1	(3.0) [1]
18	99.1	110.0	10.9 [1]
19	0.0	(0.1)	(0.1) [1]
20	2.6	2.6	0.0
21	4,136.6	4,189.6	53.1
22	\$0.0	\$0.0	\$0.0
23	<u>\$2,042.7</u>	<u>(\$9,806.4)</u>	<u>(\$11,849.1)</u>

**Notes:**

[1] Normalized to 3-year average

NW Natural  
 2012 Oregon Earnings Review  
 Advertising and Promotional Adjustment

Worksheet 2c

Line No.	Advertising Expense - Test Period	Amount (a)
1	Category A	1,378,675
2	Category B	425,775
3	Category C	315,551
4	Category E	0
5	Total Advertising Expense	<u>\$2,120,001</u>
Category A Threshold		
6	Total Oregon Customers - 2011-2012 average	611,997
7	UG 152 allowed \$2.19 per customer	\$2.19
8	Category A Allowable	\$1,340,272
9	Total Allowable Expense (Line 2 plus lesser of Lines 1 and 8)	1,766,047
10	Disallowed Amounts (Line 5 less Line 9)	353,954
11	Allocation Factor (Residential Customers)	89.49%
12	Advertising Disallowance Allocated to Oregon	<u><u>(\$316,753)</u></u>

**NW Natural**  
**2012 Oregon Earnings Review**  
**Dues/Memberships and Other Promotional Adjustment**

Worksheet 2d

Line No.	Amount		Operating		Non-Operating	
	(a)	(b)	(c)	(d)	(e)	(e)
1	IGT / GRI / NW Biogas	\$296,353	100%	\$296,353	0%	\$0
2	AGA	405,360	75%	304,020	25%	101,340
3	Western Energy Institute	22,965	75%	17,224	25%	5,741
4	Other	51,158	50%	25,579	50%	25,579
5	<b>Total</b>	<u>\$775,836</u>		<u>\$643,176</u>		<u>\$132,660</u>
6	Allocation Factor (3-Factor)					90.15%
7	Non-Operating Dues/Memberships Adjustment Allocated to Oregon					119,593
8	Oregon Promotional and Other Expense					74,778
9	Dues/Memberships and Other Promotional Adjustment to Oregon					<u><b>(\$194,371)</b></u>

**NW Natural  
 2012 Oregon Earnings Review  
 Property Tax Adjustment  
 (\$000)**

**Worksheet 2e**

<u>Line No.</u>	<u>Amount (a)</u>
1 Property Tax Accrual - Oregon	\$18,444
2 Property Taxes Paid - Oregon	<u>18,179</u>
3 Property Tax Adjustment	<u><u>(\$265)</u></u>



NW Natural  
 2012 Oregon Earnings Review  
 Uncollectible Accounts Adjustments  
 (\$000)

Worksheet 2f

Line No.		2010 - 2012		2012	2011	2010
		Total	Actual	Actual	Actual	Actual
		(a)	(b)	(c)	(c)	(c)
<b>Gas Revenues</b>						
1	Residential	\$1,393,544	\$437,056	\$494,596	\$461,892	
2	Commercial	689,823	213,778	245,441	230,605	
3	Industrial	87,430	25,796	30,588	31,046	
4	Interruptible	100,634	29,508	34,961	36,164	
5	Total	2,271,431	706,139	805,585	759,706	
<b>Net Write-Offs</b>						
6	Residential	4,443	957	1,878	1,608	
7	Commercial	560	146	219	195	
8	Industrial	78	43	(35)	70	
9	Interruptible	(36)	11	(47)	-	
10	Total	5,045	1,156	2,015	1,873	
<b>Write-Off Percentage</b>						
11	Residential	0.319%	0.219%	0.380%	0.348%	
12	Commercial	0.081%	0.068%	0.089%	0.084%	
13	Industrial	0.089%	0.166%	-0.113%	0.226%	
14	Interruptible	-0.036%	0.036%	-0.134%	0.000%	
15	Weighted Total	0.222%	0.164%	0.250%	0.247%	
<b>Normalized Uncollectible</b>						
16	Residential	\$1,393				
17	Commercial	174				
18	Industrial	23				
19	Interruptible	(11)				
20	Total	\$1,579				
21	Allocation Factor (Total Customers)	89.64%				
22	Oregon Normalized Amount	1,416				
23	Oregon Allocation of Accrued Amount	1,016				
24	Adjustment (Normalized less Accrued)	\$400				

[1] Weighted uncollectible rate of : 0.2220% is used on page 1, column (b).

**NW Natural Company  
 2012 Oregon Earnings Review  
 Common Stock Issuance expense**

**Worksheet 2g**

<u>Line No.</u>	<u>Amount (a)</u>
<b>1 Capital Stock Expense - 2010</b>	\$0
<b>2 Capital Stock Expense - 2011</b>	0
<b>3 Capital Stock Expense - 2012</b>	0
<b>4 Three Year Average</b>	\$0
<b>5 Allocation Factor (Rate Base)</b>	<u>89.953%</u>
<b>6 Allocated to Oregon</b>	<u><u>\$0</u></u>

NW Natural  
 2012 Oregon Earnings Review  
 Bonus Adjustment  
 (\$000)

Worksheet 2h

Line No.		Key Goal Amount (a)	Performance Amount (b)	Total Amount (c)
<u>Operating and Maintenance</u>				
1	Remove Accrued Amount			(\$3,733,251)
2	UG 152 Allowed Amounts [1]	687,792	1,642,319	2,330,111
3	Net Adjustment	687,792	1,642,319	(1,403,140)
4	Allocation Factor (Payroll)			89.6550%
5	Allocated to Oregon			<u>(\$1,257,915)</u>
<u>Construction</u>				
6	Remove Accrued Amount			(\$1,376,244)
7	UG 152 Allowed Amounts [1]	504,141	607,146	1,111,287
8	Net Adjustment	504,141	607,146	(264,957)
9	Allocation Factor (Rate Base)			89.953%
10	Allocated to Oregon			<u>(\$238,337)</u>

[1] Per Order 03-507 (Docket UG-152), Bonus allowed as follows:

	Key Goal	NBU
Potential	3,157,200	6,118,600
Projected Award	38.0%	38.0%
Expected Payout	1,200,336	2,326,231
O&M %	57.3%	70.6%
Construction %	42.0%	26.1%
Total O&M	687,792	1,642,319
Total Capital	504,141	607,146