



e-FILING REPORT COVER SHEET

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REPORT NAME: Annual Results of Operations Report, Earnings Review for the Twelve Months Ended December 31, 2013

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? 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) RG (Gas) RW (Water) RO (Other)

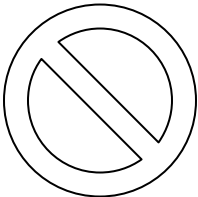
Report is required by: OAR 860-022-0070
Statute
Order
Other

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

If yes, enter docket number: RG 40

List applicable Key Words for this report to facilitate electronic search:
Earning Review for the Twelve Months Ended December 31, 2013, Annual Results of Operations Report, RG 40

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- Annual Fee Statement form and payment remittance or
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- Accident reports required by ORS 654.715

Please file the above reports according to their individual instructions.

KEVIN S. McVAY
Rates and Regulation
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email: ksm@nwnatural.com



April 29, 2014

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Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
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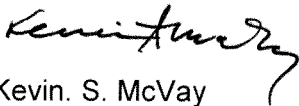
Attn: Filing Center

Re: **RG 40 – NW Natural’s Earnings Review without Workpapers for the
Twelve Months Ended December 31, 2013**

Pursuant to OAR 860-022-0070, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files its Earnings Review without workpapers for the twelve months ended December 31, 2013.

Please call me if you have any questions.

Sincerely,



Kevin. S. McVay
Rates and Regulation

enclosures



REPORT:

ANNUAL EARNINGS REVIEW
WITHOUT WORKPAPERS

(For the twelve months ended December 31, 2013)

NW Natural
 2013 Oregon Earnings Review
 12 Months Ended December 31, 2013
 (\$000's)

OREGON EARNINGS TEST REVIEW

Line No.	Test Year Results (a)	TYPE I Adjustments (b)	Results after Type I Adjustments (c)	Gas Reserves Adjustment ⁽¹⁾ (d)	Gas Reserves (e)	Results Excl. Gas Reserves ⁽¹⁾ (f)	TYPE II Adjustments (g)	Results after Type II Adjustments (g) = (c) + (f)
Operating Revenues								
1	\$667,918	(\$10,670)	\$657,248		\$657,248	\$0		\$657,248
2	(13,240)	13,240	0		0	0		0
3	(9,004)	0	(9,004)		(9,004)	0		(9,004)
4	8,411	(8,411)	0		0	0		0
5	14,083	0	14,083		14,083	0		14,083
6	4,027	(1)	4,025		4,025	0		4,025
7	672,195	(5,843)	666,353	0	666,353	0		666,353
Operating Revenue Deductions								
8	338,979	(5,559)	333,421	7,489	340,909	0		333,421
9	175	1,115	1,290		1,290	0		1,290
10	116,051	(3,465)	112,586		112,586	0		112,586
11	455,205	(7,909)	447,297	7,489	454,785	0		447,297
12	26,743	606	27,349	(1,576)	25,773	0		27,349
13	6,252	140	6,392	0	6,392	0		6,392
14	18,364	169	18,533		18,533	0		18,533
15	22,675	69	22,744		22,744	0		22,744
16	62,329	0	62,329		62,329	0		62,329
17	591,569	(6,925)	584,644	5,913	590,556	0		584,644
18	\$80,626	\$1,083	\$81,709	(\$5,913)	\$75,796	\$0		\$81,709
Average Rate Base								
19	\$2,349,248	(\$1,306)	\$2,347,942	(130,680)	\$2,217,262	\$0		\$2,347,942
20	(1,005,403)	0	(1,005,403)	12,697	(992,706)	0		(1,005,403)
21	1,343,845	(1,306)	1,342,539	(117,984)	1,224,556	0		1,342,539
22	(3,214)	0	(3,214)		(3,214)	0		(3,214)
23	(5,027)	0	(5,027)		(5,027)	0		(5,027)
24	68,440	0	68,440		68,440	0		68,440
25	1,120	0	1,120		1,120	0		1,120
26	(336,756)	0	(336,756)	29,359	(307,396)	0		(336,756)
27	\$1,068,408	(\$1,306)	\$1,067,102	(\$88,624)	\$978,478	\$0		\$1,067,102
28	7.55%		7.66%		7.75%			7.66%
29	9.27%		9.51%		9.70%			9.51%

Notes: ⁽¹⁾ 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, 2013**

Description of TYPE I Adjustments

This report was developed in a manner consistent with the earnings review directives adopted in UM 903. The determination of the various adjustments included in this report reflect those typical and routinely developed adjustments as were also adopted in the Company's 2011 general rate filing (UG 221), and continue to be appropriate.

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 221.

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 2011 general rate case (UG 221 methodology).

Description of TYPE II Adjustments:

The Company has no Type II adjustments for 2013.

NW Natural
 Test Year Normalizing Adjustments: TYPE I ADJUSTMENTS
 2013 Oregon Earnings Review
 (\$000)

Line No.	Column A from Page 1 worksheet #:	Weather										Total Type I Adjustments	Column C from Page 1		
		Normalizing & 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)	Rate Case Expense Adjustment (2i)	Total				
1	Operating Revenues														
2	Sale of Gas	\$667,918	(\$10,670)												\$657,248
3	WARM Revenue	(13,240)	12,605	635											13,240
4	Revenue & Technical Adjustments	(9,004)	0	0											(9,004)
5	Decoupling Adjustment	8,411	(8,411)												(8,411)
6	Miscellaneous Revenues	14,083													14,083
		4,027	(1)												4,025
7	Total Operating Revenues	672,195	1,935	(7,778)	0	0	0	0	0	0	0	0	0	0	666,353
8	Operating Revenue Deductions														
9	Gas Purchased	338,979	(5,559)												333,421
10	Uncollectible Accrual	175	(21)	0	0	0	0	0	0	1,137	0	0	0	0	1,290
11	Other Operating & Maintenance Expenses	116,051			(356)		(163)				0		(3,096)	150	112,586
		455,205	(5,580)	0	(356)	0	(163)	0	0	1,137	0	0	(3,096)	150	447,297
12	Federal Income Tax	26,743	2,416	(2,523)	115	(54)	53			(368)	0		1,016	(49)	27,349
13	State Excise	6,252	560	(585)	27	(13)	12			(85)	0		235	(11)	6,392
14	Property Taxes	18,364				169					0		0	0	18,533
15	Other Taxes	22,675	52	17	0	0	0	0	0	0	0	0	0	0	22,744
16	Depreciation & Amortization	62,329									0		0	0	62,329
17	Total Operating Revenue Deductions	591,569	(2,552)	(3,091)	(214)	(102)	(96)			684	0		(1,845)	90	584,644
18	Net Operating Revenues	80,626	4,487	(4,687)	214	(102)	98			(684)	0		1,845	(90)	81,709
19	Average Rate Base														
20	Utility Plant in Service	2,349,248											(1,306)		2,347,942
21	Accumulated Depreciation	(1,005,403)											0		(1,005,403)
22	Net Utility Plant	1,343,845	0	0	0	0	0	0	0	0	0	0	(1,306)	0	1,342,539
23	Aid in Advance of Construction	(3,214)											0		(3,214)
24	Customer Deposits	(5,027)											0		(5,027)
25	Materials & Supplies	68,440											0		68,440
26	Leasehold Improvements	1,120											0		1,120
27	Accumulated Deferred Income Taxes	(336,756)											0		(336,756)
28	Total Rate Base	\$1,068,408	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,306)	\$0	\$1,067,102
29	Interest Coordination														
30		0	0	0	0	0	0	0	0	0	0	0	(43)	0	(43)

Northwest Natural Gas Company
 Test year Normalizing Adjustments: TYPE I ADJUSTMENTS
 2013 Oregon Earnings Review
 (\$000)

Income Tax Calculations

Line No.	Income Tax Calculations										Total Adjustments (2i)
	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)	Rate Case Expense Adjustment (2i)		
1	1,935	(7,778)	0	0	0	0	0	0	0	0	(5,843)
2	(5,528)	17	(356)	(163)	169	1,137	0	(3,096)	150	0	(7,671)
3	0	0	0	0	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0	(43)	0	0	(43)
5	0	0	0	0	0	0	0	0	0	0	0
6	7,463	(7,795)	356	163	(169)	(1,137)	0	3,139	(150)	0	1,871
7	560	(585)	27	12	(13)	(85)	0	235	(11)	0	140
8	0	0	0	0	0	0	0	0	0	0	0
9	560	(585)	27	12	(13)	(85)	0	235	(11)	0	140
10	0	0	0	0	0	0	0	0	0	0	0
11	0	0	0	0	0	0	0	0	0	0	0
12	6,903	(7,210)	329	151	(156)	(1,052)	0	2,904	(139)	0	1,731
13	2,416	(2,523)	115	53	(54)	(368)	0	1,016	(49)	0	606
14	0	0	0	0	0	0	0	0	0	0	0
15	2,416	(2,523)	115	53	(54)	(368)	0	1,016	(49)	0	606
16	0	0	0	0	0	0	0	0	0	0	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
19	2,416	(2,523)	115	53	(54)	(368)	0	1,016	(49)	0	606
20	560	(585)	27	12	(13)	(85)	0	235	(11)	0	140

[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
 2013 Oregon Earnings Review
 (\$000)

Line No.		No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	No Adjustments	Total Type II Adjustments
	Operating Revenues								
1	Sale of Gas	0	0	0	0	0	0	0	\$0
2	WARM Revenue								0
3	Revenue & Technical Adjustments								0
4	Transportation								0
5	Miscellaneous Revenues								0
6	SB408 Deferrals								0
7	Total Operating Revenues	0	0	0	0	0	0	0	0
	Operating Revenue Deductions								
8	Gas Purchased	0							0
9	Uncollectible Accrual								0
10	Other Operating & Maintenance Expenses								0
11	Total Operating & Maintenance Exp.	0	0	0	0	0	0	0	0
12	Federal Income Tax	0	0	0	0	0	0	0	0
13	State Excise	0	0	0	0	0	0	0	0
14	Property Taxes	0	0	0	0	0	0	0	0
15	Other Taxes	0	0	0	0	0	0	0	0
16	Depreciation & Amortization	0	0	0	0	0	0	0	0
17	Total Operating Revenue Deductions	0	0	0	0	0	0	0	0
18	Net Operating Revenues	0	0	0	0	0	0	0	0
	Average Rate Base								
19	Utility Plant in Service								0
20	Accumulated Depreciation								0
21	Net Utility Plant	0	0	0	0	0	0	0	0
22	Aid in Advance of Construction								0
23	Materials & Supplies								0
24	Water Heater Program								0
25	Leasehold Improvements								0
26	Accumulated Deferred Income Taxes								0
27	Total Rate Base	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
28	Interest Coordination	0	0	0	0	0	0	0	0

Northwest Natural Gas Company
 Test year Normalizing Adjustments: TYPE II AD: Income Tax Calculations
 2013 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
 2013 Oregon Earnings Review
 (\$000)**

Line No.		State Taxes	Federal Taxes
1	Operating Revenues	\$672,195	\$672,195
2	Operating Revenue Deductions	455,205	455,205
3	Property & Other Taxes	41,039	41,039
4	Book Depreciation	62,329	62,329
5	Interest (Rate Base * Cost of Debt)	35,151	35,151
6	State Tax Deduction	-	6,252
7	Subtotal	78,471	\$72,219
8	Permanent Differences	4,887	4,887
9	Taxable Income	83,358	\$77,106
10	Tax Rate	7.50%	35.00%
11	Tax Before Credits and Adjustments	6,252	26,987
12	Credits & Adjustments	0	(244)
13	Total Tax	\$6,252	\$26,743

NW Natural
 12 Months Ended December 31, 2013
 Input Assumptions
 Proforma Cost of Capital

		13-month averages		
Line No.		% of Total Capital (a)	Average Cost (b)	Average Weighted Cost (c)
1	Long Term Debt	54.04%	6.090%	3.29%
2	Preferred Stock	0.00%	0.000%	0.00%
3	Common Stock	45.96%	9.500%	4.37%
4	Total	100.00%		7.66%
Revenue Sensitive Costs				
5	Gas Sales	98.63%		
6	Transportation	2.11%		
7	Other	-0.75%		
8	Subtotal	100.00%		
9	O & M - Uncollectible	0.20%		
10	Franchise Taxes at	2.43%		
11	OPUC Fee	0.25%		
12	State Taxable Income	97.12%		
13	State Income Tax	7.28%		
14	Federal Taxable Income	89.83%		
15	Federal Income Tax	31.44%		
16	Total Income Taxes	38.73%		
17	Total Revenue Sensitive Costs	41.61%		
18	Utility Operating Income	58.39%		
19	Net-to-gross factor	171.26%		
20	Interest Coordination Factor	3.29%		
21	Rate of Return	9.50%		
22	Federal tax rate	35.00%		
23	State tax rate	7.50%		
24	Franchise Fees	2.43%		
25	Uncollectible Accounts	0.20%		
26	Regulatory fees	0.25%		

NW Natural
2013 Oregon Earnings Review
Rate Base

SYSTEM	2013												2013	Dec 12 - Dec 13	
	System 1	System 2	System 3	System 4	System 5	System 6	System 7	System 8	System 8	System 10	System 11	System 12	System 13	System 14	13 month average
Gross Plant															
Intangible															
Production	96,303,005	96,934,132	97,678,127	97,662,643	97,682,643	97,884,860	98,122,797	98,185,927	98,497,339	100,275,248	101,332,172	101,375,471	103,123,879	98,788,733	Total Customers
Transmission	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	84,795	Direct
Distribution	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	675,198	Direct
General	84,565,918	84,649,363	85,607,810	86,789,462	87,665,142	87,863,644	90,419,406	91,585,219	91,728,704	91,107,423	130,186,382	130,918,922	133,572,117	97,297,348	Direct
	1,820,666,061	1,823,122,068	1,826,401,224	1,832,091,312	1,836,525,185	1,839,135,590	1,842,394,465	1,847,866,631	1,851,692,351	1,855,115,431	1,863,931,769	1,867,920,551	1,875,730,818	1,844,854,835	Direct
	138,056,228	139,562,722	139,097,106	139,008,341	139,631,423	136,467,607	137,093,486	137,695,935	137,964,751	138,643,051	159,115,536	160,722,705	176,320,553	143,515,920	3-Factor & Direct
Storage and storage transmission	278,292,658	278,391,214	278,398,767	279,183,815	279,183,815	279,184,251	279,184,251	279,184,251	279,184,251	279,184,251	279,515,775	279,515,775	279,518,367	279,088,869	Firm Delivered Volumes
CNG and LNG	2,545,186	2,545,186	2,545,186	2,545,186	2,658,197	2,519,337	2,526,409	2,526,409	2,526,409	2,526,409	2,526,409	2,526,409	2,527,301	2,542,316	3-Factor
Encans	99,769,227	104,689,227	109,559,135	114,479,135	119,399,135	129,239,135	136,619,135	139,079,135	143,999,135	146,459,135	146,459,135	151,379,135	153,839,135	130,680,397	Direct
Total Gross Plant	2,521,258,277	2,530,654,908	2,540,047,249	2,552,539,887	2,563,506,534	2,573,054,417	2,591,119,941	2,596,883,501	2,606,352,932	2,614,070,942	2,683,689,162	2,695,118,962	2,775,346,364	2,597,528,405	
Accumulated Depreciation															
Intangible															
Production	(66,572,958)	(66,961,234)	(67,353,643)	(67,749,804)	(68,146,399)	(68,543,401)	(68,941,739)	(69,340,387)	(69,740,107)	(69,811,403)	(70,033,574)	(70,257,721)	(70,730,657)	(68,794,285)	Total Customers
Transmission	(14,872,097)	(15,078,753)	(15,286,695)	(15,497,272)	(15,709,938)	(15,921,512)	(16,139,541)	(16,449,303)	(16,674,057)	(16,898,026)	(17,169,740)	(17,459,368)	(17,824,894)	(16,222,417)	Direct
Distribution	(820,128,174)	(823,674,659)	(826,935,755)	(830,237,373)	(833,163,968)	(835,962,371)	(838,908,681)	(842,164,407)	(845,171,478)	(848,575,845)	(851,721,106)	(855,107,596)	(857,234,277)	(839,192,037)	Direct
General	(62,411,612)	(63,057,802)	(63,214,078)	(63,658,144)	(64,075,361)	(64,554,349)	(65,018,208)	(65,668,372)	(66,228,035)	(66,882,609)	(67,556,657)	(68,259,365)	(69,046,658)	(63,892,860)	Direct
Storage and storage transmission	(102,365,705)	(102,932,698)	(103,499,663)	(104,067,494)	(104,635,995)	(105,204,456)	(105,772,919)	(106,341,376)	(106,909,835)	(107,478,294)	(108,046,869)	(108,615,567)	(109,184,265)	(105,773,346)	Firm Delivered Volumes
CNG and LNG	(2,464,388)	(2,464,458)	(2,464,528)	(2,464,599)	(2,464,718)	(2,464,788)	(2,464,858)	(2,464,928)	(2,464,998)	(2,465,068)	(2,465,138)	(2,465,208)	(2,465,278)	(2,376,564)	3-Factor
Encans	(7,483,115)	(8,207,779)	(9,059,635)	(9,863,942)	(10,547,371)	(11,405,950)	(12,453,613)	(13,531,634)	(14,600,137)	(15,617,915)	(16,499,021)	(17,537,180)	(18,583,085)	(12,696,690)	Direct
Total Accumulated Depreciation	(1,076,985,085)	(1,083,068,420)	(1,088,505,034)	(1,094,229,763)	(1,099,434,786)	(1,102,606,268)	(1,108,249,104)	(1,114,510,659)	(1,120,341,406)	(1,126,279,026)	(1,131,442,078)	(1,137,888,084)	(1,141,243,250)	(1,109,639,233)	
Storage Gas	72,873,435	63,073,834	56,577,446	56,725,651	50,180,065	56,752,363	66,567,966	72,061,179	77,112,179	80,211,401	82,049,446	81,414,357	65,455,684	67,659,204	Firm Delivered Volumes
Customer Advances	(3,260,796)	(3,324,122)	(3,417,120)	(3,454,768)	(3,464,938)	(3,520,755)	(3,561,370)	(3,551,173)	(3,546,149)	(3,522,145)	(3,581,200)	(3,556,543)	(3,136,288)	(3,441,651)	Direct
Customer Deposits	(5,371,552)	(5,645,456)	(5,683,622)	(5,720,971)	(5,698,179)	(5,599,949)	(5,694,962)	(5,539,457)	(5,539,457)	(5,524,145)	(5,553,191)	(5,556,246)	(5,591,718)	(5,615,184)	Total Customers
Materials and Supplies	8,481,222	6,316,162	8,785,172	8,993,952	9,476,350	9,603,501	9,456,831	9,207,632	9,013,624	9,005,775	9,299,872	9,293,803	8,991,883	9,114,102	Gross Distribution Plant %
Appraisals	(1,050,446)	(1,023,963)	(995,568)	(986,015)	(947,478)	(947,559)	(952,180)	(946,254)	(916,586)	(944,175)	(959,655)	(954,506)	(866,741)	(964,486)	Direct
Leasehold Improvements	1,352,161	1,331,011	1,511,563	1,502,936	1,482,078	1,460,933	1,499,788	1,418,642	1,397,497	1,376,351	1,359,889	1,338,312	1,378,600	1,440,348	Direct & 3-Factor
Total Rate Base Excluding ADT	1,517,293,254	1,510,713,953	1,508,299,984	1,515,370,909	1,515,098,646	1,528,136,683	1,550,166,909	1,555,019,068	1,563,532,635	1,568,394,587	1,634,831,737	1,639,610,055	1,650,312,533	1,556,081,505	

NW Natural
2013 Oregon Earnings Review
Rate Base

WASHINGTON	2012	2013												2013 13 month average WASHINGTON
		Dec	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	
WASHINGTON	10,103,865	10,149,004	10,227,373	10,227,373	10,227,373	10,273,457	10,280,067	10,280,067	10,312,671	10,498,818	10,609,478	10,614,013	10,797,070	10,943,180
Production	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transmission	773,600	773,413	777,706	779,185	964,122	964,137	964,533	964,847	964,859	964,859	964,859	964,859	968,602	998,771
Distribution	199,869,416	200,390,953	200,627,963	201,102,048	201,579,109	203,470,143	203,674,596	204,170,267	204,599,455	204,599,455	205,125,663	205,687,011	206,637,568	202,850,452
General	10,434,649	10,582,718	10,536,063	10,528,396	10,547,633	10,639,885	10,697,124	10,718,928	10,784,371	10,784,371	10,783,146	10,901,062	10,945,207	10,668,218
Storage and storage transmission CNG and LNG	23,091,449	23,091,313	23,092,024	23,165,897	23,165,897	23,165,938	23,165,938	23,165,938	23,165,938	23,165,938	23,197,134	23,197,134	23,197,472	23,156,963
Software	250,446	250,446	250,446	250,446	261,567	248,599	248,599	248,599	248,599	248,599	248,599	248,599	248,686	250,164
Other	244,522,872	245,138,294	245,511,540	246,083,792	246,746,148	247,073,058	248,762,605	249,031,303	249,581,697	250,362,481	250,929,327	251,613,124	252,795,053	248,280,194
Total Gross Plant														
Accumulated Depreciation														
Intangible	(6,970,189)	(7,010,841)	(7,051,926)	(7,093,404)	(7,134,928)	(7,176,494)	(7,218,200)	(7,259,958)	(7,301,789)	(7,309,254)	(7,332,515)	(7,355,983)	(7,405,500)	(7,202,762)
Production	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transmission	(45,130)	(46,470)	(47,795)	(49,125)	(50,614)	(52,261)	(53,908)	(55,556)	(57,204)	(58,852)	(60,500)	(62,149)	(63,800)	(54,076)
Distribution	(81,188,305)	(81,617,934)	(82,047,123)	(82,445,392)	(82,850,185)	(83,217,619)	(83,609,871)	(84,045,054)	(84,418,188)	(84,834,595)	(85,247,584)	(85,707,213)	(86,067,359)	(83,638,049)
General	(5,391,265)	(5,490,846)	(5,462,219)	(5,501,911)	(5,565,201)	(5,411,600)	(5,453,310)	(5,513,373)	(5,564,490)	(5,624,907)	(5,628,320)	(5,713,212)	(5,602,622)	(5,532,199)
Storage and storage transmission CNG and LNG	(7,331,417)	(7,372,025)	(7,412,631)	(7,453,298)	(7,494,015)	(7,534,728)	(7,575,441)	(7,616,154)	(7,656,867)	(7,697,580)	(7,738,301)	(7,779,031)	(7,819,762)	(7,575,472)
Software	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)	(247,496)
Other	(101,168,821)	(101,740,619)	(102,254,204)	(102,785,648)	(103,337,472)	(103,821,305)	(104,139,350)	(104,718,733)	(105,225,193)	(105,753,919)	(106,235,909)	(106,846,295)	(107,187,765)	(104,236,412)
Total Accumulated Depreciation														
Storage Gas	6,857,391	5,935,247	5,323,938	5,337,884	4,721,944	5,340,397	6,264,045	6,782,839	7,256,256	7,547,893	7,720,853	7,661,091	6,159,380	6,366,731
Customer Advances	(193,819)	(203,847)	(207,629)	(212,058)	(221,863)	(229,731)	(246,304)	(246,304)	(241,416)	(244,178)	(251,245)	(218,176)	(227,624)	(227,685)
Customer Deposits	(383,942)	(391,079)	(395,096)	(398,986)	(396,599)	(392,597)	(392,075)	(392,530)	(391,981)	(391,419)	(391,419)	(391,419)	(391,419)	(391,419)
Materials and Supplies	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778	936,778
Applicants	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leasehold Improvements	340,343	336,518	334,394	331,803	328,286	324,442	320,617	316,793	312,968	309,144	305,761	301,913	304,139	320,405
Total Rate Base Excluding ADIT	150,707,559	149,811,292	149,077,111	149,116,123	148,682,822	149,350,650	151,411,039	151,596,208	152,095,830	152,533,637	152,910,354	152,952,236	152,446,837	150,917,875

Average Rate Base Allocation Factors

	OR	WA	System
13 MONTH AVERAGES:			
Average Gross Plant	2,349,248,210	248,280,194	2,597,528,405
Gross Plant Average Factor	90.44%	9.56%	
Average Accumulated Depreciation	(1,005,402,871)	(104,236,412)	(1,109,639,283)
Accumulated Deprec Average Factor	90.61%	9.39%	
Average Leasehold Improvements	1,119,943	320,405	1,440,348
Leasehold Improvement Average Factor	77.76%	22.24%	
Average Customer Advances	(3,213,965)	(227,685)	(3,441,651)
Customer Advance Average Factor	93.38%	6.62%	
Growth in Gross Plant	195,817,906	8,272,181	204,090,087
Gross Plant Growth Factor	95.95%	4.05%	
Average Materials & Supplies	68,439,537	7,369,282	75,808,820
Materials & Supplies Average Factor	90.28%	9.72%	
Average Distribution Plant	1,641,904,383	200,950,452	1,844,854,835
Distribution Plant Average Factor	89.00%	11.00%	
Average Total Rate Base	1,405,163,630	150,917,875	1,556,081,505
Rate Base Average Factor	90.30%	9.70%	

NW Natural
2013 Oregon Earnings Review
12 Months Ended December 31, 2013

Deferred Income Taxes

1	Allocation factor: Accumulated Depreciation					9.39%
2						
3	2012 December Balances:					
4						
5		Federal	State	SYS Total	Washington Allocation	Oregon Allocation
6						
7						
8	Accumulated Deferred Income Tax - Depreciation	(261,233,650)	(51,481,110)	(312,714,760)	(26,221,766)	(286,492,994)
9						
10	Accumulated Deferred Income Tax - Encana	(25,110,149)	(4,849,864)	(29,960,013)	0	(29,960,013)
11						
12	Accumulated Deferred Income Tax - Other	(2,735,124)	1,623,688	(1,111,437)	(203,466)	(907,971)
13						
14	2012 Balances	<u>(289,078,923)</u>	<u>(54,707,286)</u>	<u>(343,786,209)</u>	<u>(26,425,232)</u>	<u>(317,360,977)</u>
15						
16						
17	2013 December Balances:					
18						
19		Federal	State	SYS Total	Washington Allocation	Oregon Allocation
20						
21						
22	Accumulated Deferred Income Tax - Depreciation	(294,057,607)	(58,638,596)	(352,696,203)	(29,539,167)	(323,157,036)
23						
24	Accumulated Deferred Income Tax - Encana	(24,103,531)	(4,655,442)	(28,758,973)	0	(28,758,973)
25						
26	Accumulated Deferred Income Tax - Other	(5,812,023)	1,066,670	(4,745,353)	(510,693)	(4,234,660)
27						
28	2013 Balances	<u>(323,973,160)</u>	<u>(62,227,368)</u>	<u>(386,200,528)</u>	<u>(30,049,860)</u>	<u>(356,150,669)</u>
29						
30	Simple Average December Balances (use for Rate Base)				(28,237,546)	(336,755,823)
31						
32						
33	Encana Average December Balances					(29,359,493)

**NW Natural
State Allocation Factors
As of December 31, 2013**

Allocation Factors - Summary	Oregon	Washington
Customers-all	89.530%	10.470%
Customers-Residential	89.400%	10.600%
Customers-Commercial	90.730%	9.270%
Customers-Industrial	93.000%	7.000%
Customers-The Dalles	74.540%	25.460%
3-factor	90.160%	9.840%
firm volumes	90.590%	9.410%
sales volumes	90.500%	9.500%
sendout volumes	91.990%	8.010%
sales/sendout volumes	91.250%	8.750%
Customers Portland/Vancouver	85.650%	14.350%
Customers Portland/Vancouver 80%	88.520%	11.480%
Customers Portland/Vancouver Commercial	86.270%	13.730%
Payroll	89.330%	10.670%
Admin Transfer	89.420%	10.580%
Employee Cost	89.490%	10.510%
Regulatory	70.000%	30.000%
Telemetry	89.230%	10.770%
Direct-Wa	0.000%	100.000%
Direct-Or	100.000%	0.000%
Gross plant direct assign	89.560%	10.440%
Depreciation	89.790%	10.210%
Rate Base	90.300%	9.700%

**NW Natural
State Allocation Factors**

Volumes - 12 Months Ended 12/31/13

Firm Delivered (exclude Unbilled)	854,080,157	773,684,428	80,395,729
% of System		90.59%	9.41%
Sales Volumes (exclude Unbilled)	758,034,023	686,013,762	72,020,261
% of System		90.50%	9.50%
Sendout Volumes	1,146,431,306	1,054,658,120	91,773,187
% of System		91.99%	8.01%

3-factor formula (simple average)

Gross Plant Directly Assigned	89.56%	10.44%
Number of Employees Directly Assigned	91.40%	8.60%
Number of Customers	89.53%	10.47%
Average	90.16%	9.84%

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

December 31, 2013

	System	Oregon	Washington
Intangible - Other	84,795	84,348	447
Production	675,198	675,198	0
Transmission	133,527,317	132,558,715	968,602
Distribution	1,875,730,818	1,669,093,250	206,637,568

December 31, 2012

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

Average

	System	Oregon	Washington
Intangible - Other	84,795	84,348	447
Production	675,198	675,198	0
Transmission	107,115,037	106,244,436	870,601
Distribution	1,848,198,440	1,644,944,948	203,253,492
Gross Plant Directly Assigned	1,956,073,470	1,751,948,930	204,124,540
% of System		89.56%	10.44%

**NW Natural
State Allocation Factors
As of December 31, 2013**

	<u>System</u>	<u>Oregon</u>	<u>Washington</u>
Customers			
Total Customers			
December 2013	694,873	621,618	73,255
December 2012	685,941	614,637	71,304
Average	690,407	618,128	72,280
% of System		89.53%	10.47%
Residential Customers			
December 2013	628,634	561,589	67,045
December 2012	621,399	555,961	65,438
Average	625,017	558,775	66,242
% of System		89.40%	10.60%
Commercial Customers			
December 2013	65,272	59,130	6,142
December 2012	63,580	57,781	5,799
Average	64,426	58,456	5,971
% of System		90.73%	9.27%
Industrial Customers			
December 2013	967	899	68
December 2012	962	895	67
Average	965	897	68
% of System		93.00%	7.00%
The Dalles			
December 2013	7,571	5,642	1,929
December 2012	7,440	5,547	1,893
Average	7,506	5,595	1,911
% of System		74.54%	25.46%
Portland / Vancouver			
December 2013	493,749	422,423	71,326
December 2012	486,694	417,283	69,411
Average	490,222	419,853	70,369
% of System		85.65%	14.35%
Portland / Vancouver Commercial			
December 2013	42,568	36,639	5,929
December 2012	41,315	35,729	5,586
Average	41,942	36,184	5,758
% of System		86.27%	13.73%

1	<u>Oregon Total Revenues</u>	
2		
3		
4	Sales Revenues	651,612,331
5	Unbilled Revenues	3,700,391
6		
7		
8	Total Sales Revenues	655,312,722
9		
10	Transportation Revenues	14,083,276
11		
12	Grand Total Revenues	669,395,998
13		
14		
15	<u>Gas Costs</u>	
16		
17	Demand Charges	84,791,117
18		
19	Commodity Charges	256,476,835
20		
21		
22	Oregon Deferral Activities	(2,288,470)
23		
24	Grand Total Gas Costs	338,979,482
25		
26		

Normalization Adjustments		
<u>Revenue Adjustment</u>	<u>Therms</u>	<u>Revenue</u>
WARM Adjustment		
WARM Revenues		8,861,824
WARM Revenues - Unbilled		3,743,062
		12,604,885
Weather Normalization Adjustment		
Residential	(16,033,294)	(15,567,395)
Commercial	5,982,152	4,897,510
	(10,051,142)	(10,669,885)
	(10,051,142)	1,935,001
TOTAL NORMALIZING MARGIN ADJUSTMENT		
Gas Cost Adjustment		Cost of Gas
WACOG equalization		0
Weather Normalization Gas Costs		(5,558,787)
TOTAL GAS COST ADJUSTMENT		(5,558,787)
	Type I	

1 Weather Normalization

	Residential			Commercial		
	Volumes	Revenues	Gas Costs	Volumes	Revenues	Gas Costs
7 January	(11,717,253)	(11,122,133)	(6,299,195)	(4,197,281)	(3,428,969)	(2,256,458)
8 February	(167,091)	(158,604)	(89,828)	253,906	207,429	136,500
9 March	7,294,477	6,923,990	3,921,511	2,461,632	2,011,031	1,323,374
10 April	121,558	115,385	65,350	2,452,033	2,003,188	1,318,213
11 May	423,434	401,928	227,638	(472,004)	(385,604)	(253,750)
12 June	1,077,419	1,022,697	579,221	1,375,519	1,123,730	739,479
13 July	1,048,986	995,708	563,935	2,369,077	1,935,417	1,273,616
14 August	1,547,451	1,468,856	831,909	2,060,058	1,682,964	1,107,487
15 September	(1,358,831)	(1,289,816)	(730,508)	(283,992)	(232,007)	(152,674)
16 October	(4,421,655)	(4,197,079)	(2,377,082)	(403,069)	(329,287)	(216,690)
17 November	(1,653,866)	(1,628,181)	(916,109)	1,500,421	1,268,336	831,113
18 December	(8,227,924)	(8,100,144)	(4,557,611)	(1,134,147)	(958,717)	(628,227)
19 Total	(16,033,294)	(15,567,395)	(8,780,770)	5,982,152	4,897,510	3,221,983

26 **Total Revenue Change** (10,669,885)
 27 **Total Gas Cost Change** (5,558,787)

NW Natural
2013 Oregon Earnings Review
Adjustments to Miscellaneous Revenues
(\$000)

Worksheet 2b

Line No.	Actual (a)	Normalized (b)	Adjustment (c)
Revenue & Technical Adjustments			
1	(\$129.4)	(\$129.4)	\$0.0
2	8,440.3	\$8,440.3	0.0
3	0.0	\$0.0	0.0
4	(1,328.6)	(\$1,328.6)	0.0
5	(130.7)	(\$130.7)	0.0
6	0.0	\$0.0	0.0
7	(15,647.3)	(\$15,647.3)	0.0
8	(980.4)	(\$980.4)	0.0
9	234.8	\$234.8	0.0
10	766.7	\$766.7	0.0
11	0.0	\$0.0	0.0
12	(96.9)	(\$96.9)	0.0
13	(132.2)	(\$132.2)	0.0
14	<u>(9,003.6)</u>	<u>(9,003.6)</u>	<u>0.0</u>
15	8,411.2	0.0	(8,411.2)
16	<u>(635.0)</u>	0.0	635.0
Other Miscellaneous Revenues			
17	1,114.3	\$1,012.8	(\$101.4) [1]
18	111.1	158.4	47.3 [1]
19	2,176.5	2,176.5	0.0
20	261.1	260.6	(0.4) [1]
21	198.0	194.3	(3.7) [1]
22	94.0	127.2	33.2 [1]
23	69.5	93.1	23.6 [1]
24	2.3	2.3	0.0
25	<u>4,026.8</u>	<u>4,025.4</u>	<u>(1.4)</u>

Notes:
[1] Normalized to 3-year average

Worksheet 2c

NW Natural
 2013 Oregon Earnings Review
 Advertising and Promotional Adjustment

Line No.	Amount (a)
<u>Advertising Expense - Test Period</u>	
1 Category A	1,179,535
2 Category B	503,185
3 Category C	398,737
4 Category E	0
5 Total Advertising Expense	<u>\$2,081,457</u>
<u>Category A Threshold</u>	
6 Total Oregon Customers - 2012-2013 average	618,128
7 UG 221 allowed \$2.19 per customer	<u>\$2.19</u>
8 Category A Allowable	<u>\$1,353,699</u>
9 Total Allowable Expense (Line 2 plus lesser of Lines 1 and 8)	1,682,720
10 Disallowed Amounts (Line 5 less Line 9)	398,737
11 Allocation Factor (Residential Customers)	<u>89.40%</u>
12 Advertising Disallowance Allocated to Oregon	<u><u>(\$356,471)</u></u>

**NW Natural
2013 Oregon Earnings Review
Dues/Memberships and Other Promotional Adjustment**

Worksheet 2d

<u>Line No.</u>	<u>Amount (a)</u>	<u>Percent (b)</u>	<u>Operating Amount (c)</u>	<u>Percent (d)</u>	<u>Non-Operating Amount (e)</u>
1	IGT / GRI	100%	\$258,000	0%	\$0
2	AGA	75%	270,000	25%	90,000
3	Western Energy Institute	75%	16,880	25%	5,627
4	Other	50%	28,519	50%	28,519
5	Total		<u>\$697,543</u>		<u>\$124,145</u>
6	Allocation Factor (3-Factor)				<u>90.16%</u>
7	Non-Operating Dues/Memberships Adjustment Allocated to Oregon				<u>111,929</u>
8	Oregon Promotional and Other Expense				<u>50,645</u>
9	Dues/Memberships and Other Promotional Adjustment to Oregon				<u>(\$162,574)</u>

**NW Natural
 2013 Oregon Earnings Review
 Property Tax Adjustment
 (\$000)**

Worksheet 2e

<u>Line No.</u>	<u>Amount (a)</u>
1 Property Tax Accrual - Oregon	\$18,364
2 Property Taxes Paid - Oregon	<u>18,533</u>
3 Property Tax Adjustment	<u><u>\$169</u></u>

NW Natural
 2013 Oregon Earnings Review
 Uncollectible Accounts Adjustments
 (\$000)

Worksheet 2f

Line No.		2011-2013 Total (a)	2013 Actual (b)	2012 Actual (c)	2011 Actual (c)
Gas Revenues					
1	Residential	\$1,382,728	\$451,076	\$437,056	\$494,596
2	Commercial	678,138	218,920	213,778	245,441
3	Industrial	81,073	24,689	25,796	30,588
4	Interruptible	93,705	29,235	29,508	34,961
5	Total	2,235,644	723,920	706,139	805,585
Net Write-Offs					
6	Residential	3,937	952	1,344	1,641
7	Commercial	474	96	178	200
8	Industrial	63	10	14	38
9	Interruptible	26	-	-	26
10	Total	4,500	1,058	1,536	1,906
Write-Off Percentage					
11	Residential	0.285%	0.211%	0.307%	0.332%
12	Commercial	0.070%	0.044%	0.083%	0.082%
13	Industrial	0.077%	0.041%	0.055%	0.125%
14	Interruptible	0.028%	0.000%	0.000%	0.074%
15	Weighted Total [1]	0.201%	0.146%	0.217%	0.237%
Normalized Uncollectible					
16	Residential	\$1,284			
17	Commercial	153			
18	Industrial	19			
19	Interruptible	8			
20	Total	\$1,465			
21	Allocation Factor (Total Customers)	89.53%			
22	Oregon Normalized Amount	1,311			
23	Oregon Allocation of Accrued Amount	175			
24	Adjustment (Normalized less Accrued)	\$1,137			

[1] Weighted uncollectible rate of: 0.2010% is used on page 1, column (b).

**NW Natural Company
 2013 Oregon Earnings Review
 Common Stock Issuance expense**

Worksheet 2g

<u>Line No.</u>	<u>Amount (a)</u>
1 Capital Stock Expense - 2011	\$0
2 Capital Stock Expense - 2012	0
3 Capital Stock Expense - 2013	0
4 Three Year Average	\$0
5 Allocation Factor (Rate Base)	<u>90.300%</u>
6 Allocated to Oregon	<u><u>\$0</u></u>

NW Natural
2013 Oregon Earnings Review
Bonus Adjustment
(\$000)

Worksheet 2h

Line No.	Assumptions:	Disallowance	Employee Merit	Company Performance
	UG 221 requirements			
1	Officer incentives	100%		
2	Employee merit	50%		
3	Company performance	75%		
	2013 Incentive Allocation			
4	Key goals	77.9%	22.1%	Apply to NBU and BU key goals.
5	NBU short-term incentives	100.0%	0.0%	Apply to NBU performance bonus.
	Employee merit and Company performance incentives			
		Key Goals	Performance Bonus	
		O&M	Capital	O&M
6	Officers	0	0	1,344,882
7	Non-officers exec. incentive	0	0	91,518
8	NBU	1,532,720	604,203	3,030,343
9	BU	1,474,350	825,265	0
10		3,007,070	1,429,468	4,466,744
				1,731,339
	UG 221 Disallowance			
	Officer incentives			
11	(includes non-officers exec. incentive)	(1,436,400)	(536,769)	=100% of perf. bonus
12	NBU based on employee merit	(2,112,166)	(832,622)	=(Key goals x 77.9% x 50%) + (Perf. bonus x 100% x 50%)
13	BU based on employee merit	(574,259)	(321,441)	=(Key goals x 77.9% x 50%)
14	NBU based on company performance	(254,048)	(100,147)	=(Key goals x 22.1% x 75%)
15	BU based on company performance	(244,373)	(136,788)	=(Key goals x 22.1% x 75%)
16		(4,621,248)	(1,927,766)	
17	25% reduction per UG 221 stipulation	1,155,312	481,941	
18	Total adjustment	(3,465,936)	(1,445,824)	
	Oregon Allocation			
	Allocation factor			
19	(O&M=Payroll, Capital=Rate base)	89.33%	90.30%	
20	Oregon bonus adjustment	<u>(3,096,121)</u>	<u>(1,305,579)</u>	

Worksheet 2i

NW Natural
2013 Oregon Earnings Review
Rate Case Expense
(\$000)

<u>Line</u> <u>No.</u>		
1	Rate case amortization	<u>\$150</u>
2	(Per UG 221, Order No. 12-408 - \$750 over 5 years)	