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September 30, 2014

NWN OPUC Advice No. 14-7
SUPPLEMENT C

VIA ELECTRONIC FILING

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

Attention: Filing Center

Re:

**Schedule 90 “Firm Storage Service with No-Notice Withdrawal”
Schedule 91 “Firm Storage Service with No-Notice Withdrawal and Direct
Connection to South Mist Pipeline”
(LSN Application Enclosed)**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith, the following revisions and additions to its Tariff P.U.C. Or. 25, stated to become effective with less than statutory notice, on and after **October 15, 2014**:

Original Sheet 91-1
Rate Schedule 91,
“Firm Storage Service with No-Notice Withdrawal and Direct Connection
to South Mist Pipeline (continued).”

The purpose of this filing is to add clarifying language to the following documents for Rate Schedules 90/91 as directed by Staff.

Sheet 91-1 Add language in the first paragraph that describes how a possible future storage capacity development might occur with an existing or new customer seeking storage capacity.

RS90 Att-1 Update Rate Schedule 90’s “Sample” service agreement:

1. Including a fourth term to the rate formula which specifies the treatment of Administrative and General (A&G) costs associated with Rate Schedule 90.
2. Removal of the term “SAMPLE” service agreement and replacing it with “STANDARD”.

All other tariff sheets submitted with the Company's initial filing, NWN OPUC Advice 14-7 dated May 5, 2014, and NWN OPUC Advice 14-7A dated September 26, 2014, are requested to become effective as filed.

The Company respectfully requests that the tariff sheets filed herewith be permitted to become effective with service on and after October 15, 2014. A request for approval on less than statutory notice is enclosed.

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

Please address correspondence on this matter to me with copies to the following:

NW Natural
Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
E-mail: eFiling@nwnatural.com

Sincerely,

/s/ Onita King

Onita R. King
Rates & Regulatory Affairs

enclosures

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

3930 FAIRVIEW INDUSTRIAL DRIVE SE

SALEM, OR 97308-1088

IN THE MATTER OF THE APPLICATION OF
NW NATURAL

TO WAIVE STATUTORY NOTICE.

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)
)
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UTILITY L.S.N. APPLICATION

NO. _____

NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION OF CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)

The purpose of this filing is to add clarifying language to documents for Rate Schedules 90/91 as directed by Staff

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

Original Sheet 91-1

Original Supporting Materials to NWN OPUC Advice No. 14-7, Attachment-1 Service Agreement for Rate Schedule 90.

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:

NW Natural is requesting a waiver of statutory notice so that this tariff change will become effective on the requested effective date, October 15, 2014.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGES(S)

October 15, 2014

6. AUTHORIZED SIGNATURE:

TITLE

DATE

/s/ Onita King

Rates & Regulatory Affairs

9/30/2014

PUC USE ONLY

APPROVED

DENIED

EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE

AUTHORIZED SIGNATURE:

DATE

**RATE SCHEDULE 91
FIRM STORAGE SERVICE WITH NO-NOTICE WITHDRAWAL AND DIRECT
CONNECTION TO SOUTH MIST PIPELINE**

AVAILABLE:

To eligible Non-Residential Customers desiring to store Customer-Owned Gas, provided that firm storage capacity designated for this service exists or that the customer has entered into a binding agreement for an expansion of Mist Storage as provided for herein and the Customer has met all of the applicable prerequisites to service under this Rate Schedule as described herein.

The Firm Storage Service offered under this Rate Schedule will be provided by the Company using Mist Storage capacity that is (a) developed in advance of core Customer needs and the same firm capacity is also being simultaneously made available to the Company's firm interstate storage customers on a non-discriminatory basis, or (b) new storage capacity to be developed under a binding agreement for an expansion of Mist Storage. Service under part (b) above is subject to approval by the Commission before the service can be offered. On an annual basis, the amount of storage capacity that is not under existing firm storage service agreements that is made available under this Rate Schedule is subject to change as the non-contracted for capacity may be subject to recall by the Company for core Customer use. Accordingly, the Company reserves its right not to offer or commence the Storage Service hereunder, or to limit the total amount of capacity that is available under this Rate Schedule when, in Company's sole discretion:

- (i) any impairment of its firm services to core Customers, including its ability to use storage to support such firm services and gas purchases for firm services, would or may result; and/or
- (ii) there is not sufficient available firm Mist Storage capacity designated for service under this Rate Schedule or an expansion is required, including, the lack of available firm injection and/or withdrawal capacity, and the lack of adequate capacity on the Company's system; and/or
- (iii) the Customer does not meet the prerequisites to service. All references to "Storage Service" or "Firm Storage Service" refer to the storage and related transportation on NW Natural's system from the Receipt Point(s) to Mist Storage and from Mist Storage to the Storage Delivery Point(s) under this Rate Schedule.

All gas stored under this Rate Schedule must be consumed by a Customer capable of receiving the service from Mist on the South Mist Pipeline between the points of Miller Station and Molalla Gate interconnection with interstate pipeline facilities.

Unless otherwise agreed to by the Company, the service quantities to be made available for Firm Storage Service under this Rate Schedule are in aggregate limited to up to a maximum re-deliverability capability of 50,000 Dth/d at 350 psig, subject to any other operating conditions described herein.

(continue to Sheet 91-2)

Issued September 30, 2014
NWN OPUC Advice No. 14-7C

Effective with service on
and after October 15, 2014

Issued by: NORTHWEST NATURAL GAS COMPANY

*d.b.a. NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991*



Service Agreement for Rate Schedule 90 Oregon Firm Storage Service With No-Notice Withdrawal

This Service Agreement (“Agreement”) sets forth the terms and conditions according to which Northwest Natural Gas Company (“Company”) agrees to provide and _____ (“Customer”), agrees to purchase firm intrastate Storage Service pursuant to Rate Schedule 90 (“the Rate Schedule”) of the Company’s Oregon Tariff (“Tariff”) and as supplemented by the General Terms and Conditions.

- 1. Applicable Terms, Conditions, Rules and Regulations:** No-notice withdrawal Firm Storage Service will be provided in accordance with the terms and conditions of the Rate Schedule. Such terms and conditions are incorporated in and made a part of this Agreement by this reference. Except where expressly modified or supplemented by the terms of this Agreement, the terms of the Rate Schedule apply to and govern the transactions contemplated by this Agreement. Capitalized terms shall have the meaning assigned to such terms in the Schedule or Tariff unless otherwise indicated. In the event of a conflict between the Rate Schedule and this Service Agreement, this Service Agreement will govern.
- 2. Effective Date and Term:** This Agreement shall be effective on _____, and shall continue for thirty (30) years (the “Initial Term”). Customer shall have the unilateral option to extend the Term three (3) consecutive times for additional ten (10) year periods for each term extension (the “Extended Term”) at a continuation of the Formula Rate (as described below), with such first extension option to be effected by Customer providing written notice of its decision to NW Natural not less than three (3) years prior to the expiration of the Initial Term. For any subsequent extensions, Customer shall provide notice to NW Natural at least one (1) year prior to the end of the then effective Extended Term. If Customer does not elect to renew for any of the three (3) Extended Terms, all other remaining term extension options shall terminate.

Additionally, and as part of the requirement for validly exercising such option, Customer shall pay NW Natural a re-subscription fee equal to _____ dollars (\$ _____) due no later than the first business day of the start of each Extended Term. If Customer exercises the option to extend the Initial Term to the Extended Term for each of the three (3) consecutive times described above, Customer will have the option to further extend the Term two (2) more times (with no re-subscription fee) for additional ten (10) year periods (“Additional Extended Terms”), subject to prior mutual agreement between the Company and Customer on the Storage Charge as described in Attachment B attached hereto and made a part hereof. Customer shall provide NW Natural with not less than one (1) year written notice prior to the expiration of the then effective Term in the event Customer desires to exercise its option for an Additional Extended Term. If the Parties do not agree on a Storage Charge to be applicable during any Additional Extended Term, then the determination of the Storage Charge shall be submitted to binding arbitration as provided for in this Service Agreement.

3. Quantity Terms:

MDIQ: _____ Dth/day.

MDWQ: _____ Dth/day firm MDWQ; ratchets apply when working gas is at 50% or less per the table set forth in Attachment A, attached hereto and made a part hereof.

MSC: _____ Dth; cycling permitted as long as inventory level does not drop below zero Dth; no requirement to empty inventory level at end of winter season (except at the end of the Term).

4. Rates: The rates for Firm Storage Service under the Rate Schedule are as set forth below.

Storage Charge: Initially \$0.____ per Dth of MSC capacity per month which will be adjusted after the first six months of operations accordance with Attachment B and thereafter the Storage Charge shall be equal to the Formula Rate as determined by the formula in Attachment B.

Fuel Charge: Actual fuel use based on net injections to be paid in-kind to the Company through a deduction from Customer's Storage Account, performed on a monthly basis for the prior month's fuel use plus ½ percent of net injections for lost and unaccounted for gas.

Other Charges: Any applicable taxes or charges per the Tariff.

Storage Charge for Extended Terms: As set forth in Attachment B.

Storage Charge for Additional Extended Term: As mutually agreed between the Company and Customer or pursuant to arbitration.

5. Delivery and Receipt Point(s): Unless otherwise mutually agreed between the Company and Customer, the receipt and delivery point(s) shall be: Receipt Point: The interconnection point between the facilities of the Kelso-Beaver Pipeline and the Company's North Mist Pipeline system capable of reaching the Non-Core Mist Storage; and Delivery Points: the Company's meter set at Customer's plants connected to the North Mist Pipeline capable of delivering Customer's gas from Non-Core Mist Storage.

6. Address for Notices to Customer:

7. Other Terms:

A. **Pressure:** Delivery shall be at a pressure that is mutually determined on a daily basis based on Customer's plant operations and Non-Core Mist Storage system operating requirements; provided, however, that if Customer plant operator requires it and provides at least four-hour (4) notice of such request, NW Natural shall deliver gas at a pressure of not less than 600 psi.

B. As of the Commencement Date, this Agreement shall be binding upon and inure to the benefit of the successors, permitted assigns, personal representatives, and heirs of the Parties, and the covenants, conditions, rights and obligations of this Agreement shall run for the term hereof. The rights and obligations under this Agreement may not be assigned except as provided herein:

- a. To an affiliate. Either Party may assign or transfer its rights and obligations under this Agreement to any affiliate (including a master limited partnership) in connection with a transfer, reorganization, reincorporation, reconstitution, consolidation, amalgamation, merger or otherwise of all or substantially all of such Party's assets to such affiliate without prior written consent of the non-assigning party; provided, however, that (i) any potential affiliate assignee of Customer must meet the Company's credit requirements and the Rate Schedule service prerequisites at the time of the proposed assignment; (ii) any potential affiliate assignee of the Company must have gas storage ownership and operating experience and have the financial ability to operate the Non-Core Mist Storage Facility as contemplated under this Agreement; (iii) no assignment to an affiliate will adversely impact, reduce or diminish the rights of the non-assigning Party under this Agreement; and (iv) the potential assignee agrees in a writing, in form and substance reasonably acceptable to the non-assigning Party, to be bound by the terms of and to perform all of the obligations of the assigning Party under this Agreement.
- b. To a third party. Either Party may, without the prior approval of the other: (i) sell or transfer its rights and obligations under this Agreement in connection with any third party stock acquisition of all or substantially all of such party's stock; provided that such third party is required as part of the transfer to continue to provide or receive, as applicable, the Firm Storage Service under the terms of this Agreement; or (ii) transfer, sell, pledge, encumber, or assign this Agreement or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements; or (iii) assign its rights and obligations under this Agreement to any third party in conjunction with a sale of all or substantially all of that Party's assets.
- c. Except as otherwise provided for in 9a) and (b)(i),(b)(ii) and (b)(iii) above, Customer may not assign, pledge or otherwise transfer its rights or obligations under this Service Agreement without obtaining the prior written consent of the Company, which consent will not be unreasonably withheld; and any potential assignee of Customer must meet the Company's credit requirements that are applicable at the time of the proposed assignment and qualify to receive service under the Rate Schedule service prerequisites at the time of the proposed assignment.
- d. Any assignment, sale or pledge attempted except as provided for herein shall be void and of no legal effect whatsoever.

AGREED AND ACCEPTED this ____ day of _____, 20__.

Northwest Natural Gas Company

By: _____

Printed Name: _____

Title: _____

Date of Signature: _____

By: _____

Printed Name: _____

Title: _____

Date of Signature: _____

Attachment A - Daily Withdrawal Profile Table

Service Agreement for Rate Schedule 90 - Firm Storage Service With No-Notice Withdrawal

Firm Withdrawal Profile for Intrastate Rate Schedule 90 Storage Service	
Customer's Working Gas Inventory Level (% of MSC)	Firm Withdrawal Capability (% of MDWQ)
100% to 50%	100%
49.99% to 41%	88%
40.99% to 33%	77%
32.99% to 24%	65%
23.99% to 18%	54%
17.99 % to 0%	38%

ATTACHMENT B to Service Agreement for Rate Schedule 90 – Firm Storage Service With No-Notice Withdrawal
Storage Charge/Formula Rate

Customer shall pay a Storage Charge/Formula Rate for service calculated as follows:

Initial Storage Charge as of the Commencement Date: Beginning on the Commencement date until establishment of the Formula Rate as set forth below, the Storage Charge shall be \$0._____ per Dth of MSC of capacity per month. Upon establishment of the Formula Rate, the difference between the amount paid under the Initial Storage Charge and the amount that would have been paid had the Formula Rate (as initially established) been in place for the first six months shall be paid (or refunded) in lump sum with the next monthly invoice.

Formula Rate. Beginning on the first day of the seventh month after the Commencement Date and each calendar year thereafter, the Storage Charge shall be calculated according to the following formulas:

$$\begin{aligned} \text{Formula Rate} = & \frac{(\text{Customer's Proportionate Share of Pipeline}) \times (B1 + C1 + D1 + E1 + F1 + G1 + H1)}{\text{Customer's MSC} \times 12} \\ & + \\ & \frac{(\text{Customer's Proportionate Share of Non-Core Mist Storage Station}) \times (B2 + C2 + D2 + E2 + F2 + G2 + H2)}{\text{Customer's MSC} \times 12} \\ & + \\ & \frac{(\text{Customer's Proportionate Share of Non-Core Mist Storage Reservoirs}) \times (B3 + C3 + D3 + E3 + F3 + G3 + H3)}{\text{Customer's MSC} \times 12} \\ & + \\ & \frac{G4}{\text{Customer's MSC} \times 12} \end{aligned}$$

Where:

1. A1= the Pipeline rate base, A2 = the Non-Core Mist Storage compressor station rate base, and A3 = reservoir rate base
2. B1 to H1 represent Pipeline cost of service elements
3. B2 to H2 represent the Non-Core Mist Storage compressor station cost of service elements
4. B3 to H3 represent the Non-Core Mist Storage reservoir cost of service elements
5. G4 represents prudently incurred, for the benefit of Customer's Non-Core Mist Storage, cost of service elements not directly allocable to Pipeline, Non-Core Mist Storage compressor station, or Non-Core Mist Storage reservoir cost of service elements

And Where:

A (Rate Base) = Gross Plant Costs - accumulated depreciation - accumulated deferred taxes. Gross Plant Costs include the total amount expended and recorded to utility plant accounts in accordance with generally accepted accounting standards for gas utilities (see, 18 CFR Part 201 or consistent with Oregon regulatory practices). Gross Plant Costs are the total costs the Company reasonably expends or incurs in acquiring, developing, permitting, financing, constructing, modifying, expanding and retiring Non-Core Mist Storage assets for Customer's use and shall be allocated to the asset accounting categories set forth below under A1, A2, and A3, and depreciated in accordance with the corresponding depreciation rate, including removal costs. FERC guidance will be used for the

purpose of allocating Gross Plant Costs to the asset accounting categories set forth below, and OPUC cost-of-service guidance will be used in calculating the Customer's Storage Charge. .

Pipeline (A1)

Gross Plant Asset	Depreciation rate	Depreciation Life
Transmission Land Rights	1.89	55
Transmission Mains	2.6	55
Line Pack	n/a	n/a

Station (A2)

Gross Plant Asset	Depreciation rate	Depreciation Life
Structures and Improvements	1.71	58.5
Land Rights	1.62	61.7
Compressor Station Equipment	2.66	37.6
Transportation Equipment	5.04	19.8
Computer Equipment and software	20.0	5.0

Reservoirs (A3)

Gross Plant Asset	Depreciation rate	Depreciation Life
Wells	2.07	48.3
Storage Leaseholds and Rights	1.95	51.3
Reservoirs	2.01	49.8
Non-recoverable Cushion Gas	1.88	53.2
Recoverable Cushion Gas	n/a	n/a
Gathering Lines	2.06	48.5
Measuring and Regulating Equipment	2.17	46.1
Land Rights	1.62	61.7

B = Equity return = A x Utility cost of equity (ROE) x 50% (capital structure)

C = Debt return = A x cost of debt x 50% (capital structure)

D = Income tax gross up = B / (1- combined income tax rate) – B

E = Depreciation expense

F = Property Taxes

G = The fully allocated prudently incurred Operations and Maintenance (O&M) costs, with related overheads accounted for under the category of expense as defined below under G1, G2, G3, and G4:

- Pipeline (G1)
 - Reasonably allocated direct and indirect labor including payroll taxes
 - Other reasonably allocated operations and maintenance costs, including, but not limited to, third party contract services, materials to maintain roads, site, paper, copiers, computers, materials, replacement parts, oils and lubricants, pipeline integrity testing, compressor engine, leases, rentals, and technical support.
- Station (G2)
 - Reasonably allocated direct and indirect labor including payroll taxes
 - Other reasonably allocated operations and maintenance costs, including third party contract services, materials to maintain roads and the compressor site, paper, copiers, computers, materials, replacement parts, oils and lubricants, operational fluids such as methanol and glycol, fuel, compressor engine and dehydration train emission testing,

facilities/office charges, utilities, leases, rentals, technical support, and lost and unaccounted for gas.

- Reservoirs (G3)
 - Reasonably allocated direct and indirect labor including payroll taxes
 - Other reasonably allocated operations and maintenance costs, including third party contract services, materials to maintain roads and well site locations, materials, replacement parts, oils and lubricants, operational fluids such as methanol and glycol, fuel, annual well testing and down hole logging, pipeline integrity testing, utilities, leases, rentals, technical support, and lost and unaccounted for gas.

- Administrative and General (G4)
 - Reasonably allocated direct and indirect labor including payroll taxes for O&M costs which are not directly or indirectly allocable to category G1, G2 or G3.
 - Other reasonably allocated operations and maintenance costs, including third party contract services, for O&M costs which are not directly allocable to category G1, G2 or G3.
 - Costs in category G4 are O&M activities such as accounting, financial reporting, customer service, communications and monitoring, control room services and general management.

H = Franchise taxes and regulatory fees

Customer's Proportionate Share: As used herein, the term "Customer's Proportionate Share" shall mean the proportion of Customer's MDWQ to the total capacity of the Non-Core Mist Storage Compressor Station, the proportion of Customer's MDWQ to the total capacity of the Pipeline, and the proportion of Customer's MSC to the total capacity of the Reservoir capacity, committed to Customer's use.

Annual Formula Rate Determination Process: Prior to the end of the next contract year that follows the initial 6 month true up, and subsequently after that to be effective on an annual, calendar year basis, the Storage Charge will be set as equal to the Formula Rate per the formula set forth herein with NW Natural adjusting the components of the formula to reflect then-current information. In the event that there is shared use of the Non-Core Mist Storage reservoirs, station or pipeline facilities included in the respective rate base to support service to another customer, NW Natural shall make adjustments to Customer's Proportionate Share and include any additional plant costs in the components of the Formula Rate as specified above. The Customer's proportionate charge for each shared facility will not exceed the customer's charge for the facilities as calculated without including expansion costs and capacity. NW Natural shall provide the revised Storage Charge/Formula Rate information to Customer ninety (90) days prior to the beginning of the next applicable calendar year for review. If there is a dispute it shall be settled according to the negotiation/arbitration provisions in the Service Agreement prior to the beginning of the next calendar year. If such negotiation/arbitration is not finalized by the beginning of the next calendar year, then the adjusted Storage Charge as calculated by NW Natural will go into effect with any adjustment made subsequently pending the outcome of the negotiation/arbitration process, subject to refund plus interest at the Interstate Rate. For purposes of this Attachment B and the Service Agreement, "Interest Rate" means as provided for in NW Natural's Oregon Tariff General Rule 6, calculated from the date paid or due to the date refunded or paid.