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June 2, 2017

NWN OPUC Advice No. 17-03 / ADV _____

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

Re: Multi-Family Tariff (optional)

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith the revisions and additions to its Tariff P.U.C. Or. 25 listed on the attached Table of Tariff Sheet Revisions, filed pursuant to ORS 757.205¹ and OAR 860-022-0005, and stated to become effective with service on and after **July 12, 2017**:

This filing is made in accordance with OAR 860-022-0025, and ORS 757.120 and ORS 757.125.

The first purpose of this filing is to request approval of two new Tariff schedules; Schedule 405 “Builder/Developer Program (Optional) Multi-Story Multi-Family” and Schedule 4 “Residential Multi-Family Service” that together comprise an optional program designed to improve residential customer access to end-use natural gas appliances in the multi-story, multi-family residential market.

The second purpose of this filing is to make revisions to certain other tariff sheets that are part of P.U.C. Or. 25 which include Tariff index sheets, certain definitions, certain general rules and regulations, and certain rate schedules, as listed on the attached Table of Tariff Sheet Revisions. The proposed revisions to these sheets directly relate to the addition of the two new tariff schedules referenced above.

Background

Beginning in 2014, urban areas of Oregon, including much of NW Natural’s service territory, began to see a dramatic increase in new construction multi-story, multi-family buildings. NW Natural understands that this trend is in accordance with regional planning efforts and direction, and expects that it will continue going forward as well. Unfortunately, NW Natural does not currently have a tariff that is tailored to the specific circumstances of multi-family, multi-story residential units. This has resulted in a situation where multi-family, multi-

¹ Tariff P.U.C. Or. 25 originated November 1, 2012 with Docket UG 221; OPUC Order No. 12-408 as supplemented by Order No. 12-437

story buildings often make use of natural gas as a commercial customer, for centralized uses only, such as boilers for water heat or to serve ground-floor commercial spaces. However, there is usually no availability of natural gas to the individual residential tenants of these buildings. This means that tenants of these buildings are unable to use natural gas for cooking, clothes drying, or barbecuing, even though natural gas appliances for these purposes are often preferred by tenants.

Through discussions with developers, NW Natural has confirmed that the cost of the houseline (the piping necessary to deliver gas from the commercial meter to the individual units), which is a cost borne by developers, is the most significant barrier to expanding access to natural gas to individual units. Thus, in many buildings, natural gas is already on site and the developer has paid all costs necessary to have a main (if required), service line, and meter installed, but the use of gas is not made available to individual tenants because houseline is not installed.

In light of this situation, NW Natural has sought to develop a simple optional tariff that could be available to building developers and tenants that desire to have access to natural gas for low-use gas appliances within multi-family, multi-story buildings. With this filing, NW Natural requests approval to implement tariffs that do this by 1) providing a means by which ready access to natural gas is available to individual tenants in multi-family, multi-story buildings, and 2) containing all of the costs of such tariff within the class of customers that choose to take service under it.

Specifically, the proposed Schedule 405 would allow NW Natural to invest \$750 per tenant unit to partially offset developers' first-costs of installing houseline to those units. Then, under a newly proposed Schedule 4, NW Natural would recover its investment from the individual tenants through a reasonable monthly fixed charge.² Together, Schedules 4 and 405 make access to natural gas in individual tenant units in multi-story, multi-family developments an affordable endeavor for both the developer and for the end-use tenant. And, they do so in a manner that does not affect the rates or services of other NW Natural customers.

A more detailed discussion of each of the proposed schedules is provided below.

Schedule 405: "Builder/Developer Program (Optional) Multi-Story Multi-Family"

Under proposed Schedule 405, NW Natural would invest \$750.00 per residential tenant unit where low-use gas appliances (range/cooktop, dryer, or barbecue) are installed by a developer of a qualifying multi-story multi-family building. To qualify, the building must be a minimum of three stories with two or more residential living units stacked vertically³ ("Qualified Multi-Family Building") and must have centralized use gas equipment installed and served

² NW Natural anticipates that these rate schedules would only be used for new construction, as it is not cost effective to retrofit a multi-story, multi-family building with gas houseline if not already installed at construction.

³ Two-story buildings or "side-by-side" multifamily buildings that are not stacked do not face the same logistical issues with the installation of natural gas piping or meters.

under a commercial service rate schedule. In order to receive payment, the developer must complete the following steps:

- Install houseline from the commercial meter connection to the individual tenant units in which one or more low-use gas appliance is installed.
- Install shut-off valves along the houseline for each tenant unit, and at any other locations within the building that NW Natural deems necessary.
- Install in-unit gas appliances, inspected and approved by NW Natural.

The proposed program requires the installation of shut-off valves to each individual tenant unit. The required shut-off valves will enable the Company to perform disconnection and reconnection of service for non-payment and/or for tenant turnover, and will also provide the ability to isolate the flow of gas on an individual unit and/or floor-by-floor basis should it be necessary. This will serve to materially enhance the level of control of natural gas (for safety or other purposes) beyond what typically exists in centrally-metered multi-story, multi-family buildings.

The \$750.00 investment is designed to only partially cover the expected costs to the developer to complete the required houseline and shut-off valve installations.⁴ It does, however, represent a meaningful portion of the costs developers incur to install houseline, and is also set at a level that ensures that individual tenant customers pay a low monthly rate (which is calculated to recover the cost of service on the per-unit investment, as described more fully below).

As proposed, Schedule 405 provides that the builder/developer shall be responsible to ensure that the building manager/owner informs every tenant about the gas service associated with the unit prior to signing any lease agreement. In addition, the builder/developer would be responsible to ensure that the installation of gas piping and gas appliances installed under the program remain in place should the building be sold after construction is complete.

Nothing in Schedule 405 or Schedule 4 modifies the terms of NW Natural's line extension policies in force today under Schedule X. Schedule 405 and Schedule 4 only operate with respect to the incremental investment in houseline beyond the meter, and provide for traditional ratemaking to recover that incremental investment from those for whom the investment provides service. Any costs associated with mains or service lines up to the point of the meter at the building will be made in accordance with Schedule X, and paid for, as appropriate by the commercial customer.

This filing proposes language additions to the Company's three non-residential rate schedules (Schedule 3, Schedule 31, and Schedule 32) that clarify the obligations of any Schedule 405 participant building manager/customer to ensure that the Schedule 405 obligations are honored. Also in support of the proposed Schedule 405 program, the Company proposes revisions to General Rule 17 'Gas Delivery and Measurement' and General Rule 18 'House Piping and Gas Appliance Standards.'

⁴ The estimated cost came in at \$1,125 per unit. The estimate came from an engineering firm hired by the Company to develop a cost estimate for per-unit houseline costs in the Portland-metro area.

Schedule 4: “Residential Multi-Family Service”

The purpose of Schedule 4 is to establish the monthly fixed charge applicable to individual tenants of Schedule 405 participant buildings that enroll in natural gas service. The monthly fixed charge is derived using a standard cost-of-service rate model and a 20-year amortization period. The total capital investment per unit is \$790 (\$750 incentive plus \$40 for the shut-off valve). The cost of service model also includes a component to cover annual incremental O&M expense associated with the customer. After adjusting for applicable taxes and depreciation plus a return on the capital investment at the Company’s authorized weighted average cost of capital (7.78%), the result is an annual cost of service of \$122.98 per unit, which results in a monthly customer charge of \$10.25. See Supporting Materials, pages 1-2.

The use of the traditional cost-of-service rate model ensures that other ratepayers do not subsidize any portion of the Schedule 405 program, and that the Company is fully compensated for its investment directly from the Schedule 4 customers. To ensure this balance is maintained throughout the life of the program, the monthly rate under Schedule 4 would be adjusted in the event of any change to the Company’s authorized rate of return and/or O&M expense approved in the context of any subsequent general rate proceeding.

Under Schedule 4, customers will not be billed for gas usage. Instead, all gas usage will be measured through the commercial meter and billed to the account associated with the commercial meter (*i.e.* the building owner/operator).⁵ The Schedule 301 public purpose charge will be based on the total building gas usage and assessed on the commercial customer bill. Because Schedule 4 does not include charges related to natural gas usage, or payments towards the public purpose charge, Schedule 4 customers would not be eligible to participate in the Company’s low-income programs (Schedule 310 ‘Oregon Low-Income Gas Assistance (OLGA)’ and Schedule 320 ‘Oregon Low-Income Energy Efficiency (OLIEE)’)⁶.

Except with regard to public purposes, a Schedule 4 customer will in all other respects be subject to the same terms and conditions of service applicable to any other residential customer. This includes, but is not limited to, requirements for the application for service and establishment of credit, payment of deposits, disconnection of service for non-payment, free appliance inspection and adjustment, etc. Because the monthly bill for a Schedule 4 account will be fixed, the Company proposes with this filing to add to General Rule 6A ‘Deposits and Surety Agreements – Residential’ a new deposit amount of \$20 that would apply only to the Schedule 4 service. The \$20 represents approximately two months of Schedule 4 charges, which is similar to the manner in which a deposit amount is determined under OAR 860-021-0200(4).

Any disconnection of service to a Schedule 4 customer will be performed by closing the shut-off valve dedicated to that tenant unit. Similar to the typical disconnection of service, the Company will be required to visit the site to perform the disconnection of service and to subsequently reactivate service. As with any other residential customer, access to the gas equipment at the time of reconnection will be required.

⁵ NW Natural notes that Schedule 4 pertains only to low-use non-heating appliances for which there are no energy efficiency offerings, which should alleviate any concerns about individual customers not directly paying for their specific use.

⁶ The low-income OLGA and OLIEE programs are designed to assist space heating customers, and Schedule 4 will not serve space heating usage.

In addition to the change to Schedule 6A, the Company proposes as part of this filing some minor housekeeping changes to General Rule 1 'General Terms of Service' and General Rule 7 'Bills and Bill Payments' that support the addition of the proposed Schedule 4 service to the Company's tariff.

Program Accounting

Under the proposed tariff, amounts paid to builder/developers under Schedule 405 will be placed into an asset account. The amortization component of amounts paid by participant building tenants through their monthly bill payments will be applied to the asset account to pay down the balance in that account. This approach ensures that the company can recover the costs associated with providing the Schedule 405 and Schedule 4 services, and that it will do so only from customers receiving services under those schedules.

To implement this tailored accounting approach, NW Natural will separately file to seek an accounting order pursuant to ORS 757.120 and 757.125 that authorizes NW Natural to 1) record all costs associated with Schedule 405 payments and Schedule 4 collections of amortized amounts in a regulatory asset account dedicated to the Schedule 405/Schedule 4 program, 2) include the regulatory asset in rate base, and 3) include all financial activity related to the new service in general utility reporting and ratemaking. Because the service is structured to produce the authorized return during the service term, no other segregation of financial matters is necessary.

Change in Annual Revenue

OAR 860-022-0025 requires NW Natural to set forth the change in annual revenues associated with the tariff filing. Because NW Natural is unable, at this time, to forecast the number of customers that may take service under Schedule 4, NW Natural cannot determine the change in annual revenues to the company associated with the filing. However, NW Natural expects that the annual revenue impact will be small, and it will be equal to the annual cost of service of the incentive that it pays to developers under Schedule 405. For example, if 1,000 units of multi-family, multi-story residential buildings were to become NW Natural Schedule 4 customers (which is greater than the amount the company would expect, especially during the first year after the tariff's implementation), then NW Natural would expect to receive revenues of \$156,000.

Proposed Review of Program

The Company expects that it could take about 18 months from the start of building construction before any amounts under Schedule 405 are disbursed and the first Schedule 4 customer activates service. Because this is a new endeavor for the Company, and stakeholders and the Commission may be interested in monitoring its success, NW Natural proposes to incorporate a subsequent program review. Toward that end, the Company proposes to submit a program review after 5-years of program operation. This review would include a description of the uptake of service under Schedule 4 and the Company's revenues from the rate schedule.

Requested Action

The Company respectfully requests that the tariff sheets filed herein be approved by the Commission to become effective with service on and after July 12, 2017, and if deemed necessary by the Commission that a hearing be scheduled, in accordance with ORS 757.210.

In accordance with ORS 757.205, copies of this letter and the filing made herewith are available in the Company's main office in Portland, Oregon and on its website at www.nwnatural.com.

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

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220 NW Second Avenue
Portland, Oregon 97209
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Sincerely,

/s/ Onita King

Onita R. King
NW NATURAL

Attachments:
Exhibit A – Supporting Materials

TABLE OF TARIFF SHEET REVISIONS
 PROPOSED TO BECOME EFFECTIVE July 12, 2017

Sheet I.D.	PROPOSED REVISION	CANCELED REVISION	SCHEDULE TITLE
iv	Sixth Revision	Fifth Revision	Tariff Index (continued)
v	Fifth Revision	Fourth Revision	Tariff Index (continued)
00.7	Third Revision	Second Revision	General Rules and Regulations; Definitions (continued)
00.8	First Revision	Original Sheet	General Rules and Regulations; Definitions (continued)
RR-1	First Revision	Original Sheet	General Rule 1 "General Terms of Service"
RR-6A	Second Revision	First Revision	General Rule 6A "Deposits and Surety Agreements: Residential"
RR-7	First Revision	Original Sheet	General Rule 7, "Bills and Bill Payments
RR-7.1	First Revision	Original Sheet	General Rule 7, "Bills and Bill Payments (continued)"
RR-7.2	First Revision	Original Sheet	General Rule 7, "Bills and Bill Payments (continued)"
RR-17.1	Second Revision	First Revision	General Rule 17 "Gas Delivery and Measurement (continued)"
RR-18	Third Revision	Second Revision	General Rule 18, "House Piping and Gas Appliance Standards"
3-1	Second Revision	First Revision	Rate Schedule 3, "Basic Firm Sales Service Non-Residential"
4-1	Original Sheet	N/A	Rate Schedule 4, "Residential Multi-Family Service"
31-2	Second Revision	First Revision	Rate Schedule 31, "Non-Residential Firm Sales and Firm Transportation Service (continued)"
32-2	Third Revision	Second Revision	Rate Schedule 32, "Large Volume Non-Residential Sales and Transportation Service (continued)"
32-3	Second Revision	First Revision	Rate Schedule 32, "Large Volume Non-Residential Sales and Transportation Service (continued)"
405-1	Original Sheet	N/A	Schedule 405, "Builder/Developer Program (Optional) Multi-Story Multi-Family"
405-2	Original Sheet	N/A	Schedule 405, "Builder/Developer Program (Optional) Multi-Story Multi-Family (continued)"

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Sixth Revision of Sheet iv
Cancels Fifth Revision of Sheet iv

TARIFF INDEX

(continued)

SHEET

GENERAL SCHEDULES

Schedule A:	Billing for City and County Exactions.....	A-1
Schedule B:	Bills and Bill Payment Options.....	B-1 to B-4
Schedule C:	Miscellaneous Charges and Credits.....	C-1 to C-4
Schedule H:	Large Volume Non-Residential High Pressure Gas Service..... (HPGS) Rider	H-1 to H-9
Schedule M:	Meter Testing Procedures	M-1
Schedule O:	On-The-Bill Repayment Services – Pilot Program	O-1 to O-3
Schedule P:	Purchased Gas Cost Adjustments.....	P-1 to P-6
Schedule S:	Service Solutions Dealer Appointment Service Program.....	S-1 to S-3
Schedule T:	Customer-Owned Natural Gas Transportation Service.....	T-1 to T-6
Schedule X:	Distribution Facilities Extensions for Applicant-Requested Services and Mains	X-1 to X-8

RATE SCHEDULES

Schedule 2:	Residential Sales Service	2-1 to 2-2
Schedule 3:	Basic Firm Sales Service – Non-Residential	3-1 to 3-4
Schedule 4:	Residential Multi-Family Service.....	4-1
Schedule 15:	Charges for Special Metering Equipment, Rental Meters, and Metering Services	15-1 to 15-4
Schedule 27	Residential Heating Dry-Out Service	27-1
Schedule 31	Non-Residential Firm Sales and Firm Transportation Service	31-1 to 31-12
Schedule 32	Large Volume Non-Residential Sales and Transportation Service	32-1 to 32-14
Schedule 33	High-Volume Non-Residential Firm and Interruptible Transportation Service.....	33-1 to 33-8
Schedule 60A:	Special Contracts Index.....	60A-1
Schedule 60:	Special Contracts.....	60-1 to 60-10
Schedule 80:	Firm Storage Service (Experimental)	80-1 to 80-16
Schedule 90:	Firm Storage Service with No-Notice Withdrawal.....	90-1 to 90-17
Schedule 91:	Firm Storage Service with No-Notice Withdrawal and Direct Connection to South Mist Pipeline.....	91-1 to 91-21

(N)

(continue to Sheet v)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Fifth Revision of Sheet v
Cancels Fourth Revision of Sheet v

TARIFF INDEX

(continued)

<u>ADJUSTMENT SCHEDULES</u>	<u>SHEET</u>
Schedule 100: Summary of Adjustments.....	100-1 to 100-4
Schedule 150: Monthly Incremental Cost of Gas.....	150-1
Schedule 160: Revision of Charges for Coos County Customers	160-1
Schedule 162: Temporary (Technical) Adjustments to Rates	162-1 to 162-2
Schedule 164: Purchased Gas Cost Adjustments to Rates	164-1
Schedule 164A: Special Purchased Gas Adjustment Credit.....	164-A
Schedule 165: Special Adjustment to Rates – Gas Reserves Credit	165-1
Schedule 167: General Adjustments to Rates	167-1
Schedule 172: Special Adjustment to Rates for Intervenor Funding	172-1
Schedule 177: System Integrity Program Rate Adjustment - CANCELLED.....	177-1 to 177-4
Schedule 178: Regulatory Rate Adjustment.....	178-1 to 178-2
Schedule 179: Automated Meter Reading (AMR) Rate Adjustment.....	179-1
Schedule 180: Special Rate Adjustment for Working Gas Inventory.....	180-1
Schedule 181: Special Rate Adjustment – Regulatory Fee Increase	181-1 to 181-2
Schedule 182: Rate Adjustment for Environmental Cost Recovery	182-1
Schedule 183: Site Remediation Recovery Mechanism (SRRM).....	183-1 to 183-3
Schedule 184: Special Rate Adjustment Gasco Upland Pumping Stations	184-1
Schedule 185: Special Annual Interstate and Intrastate Storage and Transportation Credit	185-1 to 185-2
Schedule 186: Special Annual Core Pipeline Capacity Optimization Credit	186-1
Schedule 187: Special Rate Adjustment for Mist Capacity Recall.....	187-1
Schedule 188: Industrial Demand Side Management (DSM) Program Cost Recovery	188-1
Schedule 190: Partial Decoupling Mechanism	190-1 to 190-2
Schedule 195: Weather Adjusted Rate Mechanism (WARM Program).....	195-1 to 195-5
 <u>PROMOTIONAL CONCESSIONS</u>	
Schedule 200: Promotional Concessions Index	200-1
General Merchandise Sales Program (Appliance Center)	200-2
Equipment Sales Promotions.....	200-3
Cooperative Advertising Program	200-4
Showcase Developments	200-5
Natural Gas Vehicle Program	200-6
Equipment Financing Program	200-7
Promotions for Company-Offered Products and Services.....	200-8
 <u>PUBLIC PURPOSES SCHEDULES</u>	
Schedule 301: Public Purposes Funding Surcharge	301-1 to 301-3
Schedule 310: Oregon Low-Income Gas Assistance (OLGA).....	310-1 to 310-2
Schedule 320: Oregon Low-Income Energy Efficiency (OLIEE) Programs.....	320-1 to 320-6
Schedule 350: Energy Efficiency Services and Programs – Residential and Commercial	350-1
Schedule 360: Industrial Demand Side Management (DSM) Programs	360-1 to 360-2
 <u>OTHER PROGRAMS</u>	
Schedule 400: Smart Energy Program	400-1 to 400-2
Schedule 405: Builder/Developer Program (Optional) Multi-Story Multi-Family	405-1 to 405-2

(N)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet 00.7
Cancels Second Revision of Sheet 00.7

GENERAL RULES AND REGULATIONS

(continued)

Definitions (continued):

OPUC. The Public Utility Commission of Oregon, also referred to as the Commission.

Overrun Entitlement. A condition whereby a Transportation Service customer is restricted to use no more than a percentage of such Customer's Confirmed Nominations on a specified Gas Day.

Participant Multi-Family Building. A Qualified Multi-Family Building where the developer received compensation under Schedule 405 for the installation of houseline piping and shut-off valves for Residential Schedule 4 use.

(N)
(N)
(N)

PGA Year. The period November 1 through October 31.

Pipeline. Northwest Pipeline Corporation.

Pipeline Capacity Charge. A charge applicable to Sales Service Customers served under **Rate Schedule 31** and **Rate Schedule 32** that is designed to recover the cost of the delivery of natural gas from an interstate pipeline to the Company's Receipt Point.

Pre-emption. A condition wherein Transportation Customers are required to make their gas available to the Company for a price, to the extent the Company determines that it is necessary to maintain service to Customers with higher service priorities.

Premise. All of the real property and apparatus in use by a single Customer on an integral parcel of land undivided by a dedicated street, highway or other public thoroughfare or railway which comprises the site upon which Customer facilities are located and to which Natural Gas service is provided.

Purchased Gas Adjustment (PGA) Filing. The regulatory document filed with the Commission that supports the Company's request for rate changes under **Schedule P**, and for other changes to rates as the Commission may allow.

Qualified Multi-Family Building. A multi-story, multi-family buildings constructed within the Company's Oregon service territory that are three (3) or more floors with two (2) or more Residential dwelling units stacked vertically.

(N)
(N)
(N)

Qualifying Valid State or Federal Identification. Includes but is not necessarily limited to: (a) Passport; (b) U.S. Visa; (c) Military identification; (d) Immigration and Naturalization Service (INS) identification; (e) Oregon Tribal Identification; (f) Oregon Driver's License; (g) Oregon Department of Motor Vehicles (DMV) Identification. Any identification having an expired date will not be considered valid. Other forms of state or federal identification may be allowed in accordance with Company policy and procedures.

Receipt Point. The point at which gas enters Company's system from the Pipeline's interconnect. The Receipt Point may also be a point of interconnection on the Company's Distribution System that is designated for the receipt of Biomethane.

Residential Class Customer. Customers that use Natural Gas for Domestic purposes. The Residential Class includes service to single-family dwellings, separately metered apartments, condominiums or townhouses, and centrally metered multiple dwellings or apartments.

(M)

(continue to Sheet 00.8)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

GENERAL RULES AND REGULATIONS

(continued)

Definitions (continued):

Sales Service. Gas service to Customers that use Company procured gas supplies. This term does not include service to Customers that purchase Company procured gas supplies upstream of the Company's distribution system.

(M)
(M)
(M)

Schedule 2R or 02R. Refers to Rate Schedule 2, Residential Service.

Schedule 3 CSF or 03CSF. Refers to Rate Schedule 3, Commercial Sales Firm Service.

Schedule 3 ISF or 03ISF. Refers to Rate Schedule 3, Industrial Sales Firm Service.

Schedule 31 CSF or 31CSF. Refers to Rate Schedule 31, Commercial Sales Firm Service.

Schedule 31 CTF or 31CTF. Refers to Rate Schedule 31, Commercial Transportation Firm Service.

Schedule 31 ISF or 31ISF. Refers to Rate Schedule 31, Industrial Sales Firm Service.

Schedule 31 ITF or 31ITF. Refers to Rate Schedule 31 Industrial Transportation Firm Service.

Schedule 32 CSF or 32CSF. Refers to Rate Schedule 32 Commercial Sales Firm Service.

Schedule 32 ISF or 32ISF. Refers to Rate Schedule 32 Industrial Sales Firm Service.

Schedule 32 CTF or 32CTF. Refers to Rate Schedule 32 Commercial Transportation Firm Service.

Schedule 32 ITF or 32ITF. Refers to Rate Schedule 32 Industrial Transportation Firm Service.

Schedule 32 CSI or 32CSI. Refers to Rate Schedule 32 Commercial Sales Interruptible Service.

Schedule 32 ISI or 32ISI. Refers to Rate Schedule 32 Industrial Sales Interruptible Service.

Schedule 32 CTI or 32CTI. Refers to Rate Schedule 32 Commercial Transportation Interruptible Service.

Schedule 32 ITI or 32ITI. Refers to Rate Schedule 32 Industrial Transportation Interruptible Service.

Schedule 33 TF or 33TF. Refers to Rate Schedule 33 Transportation Firm Service.

Rate Schedule 33 TI or 33TI. Refers to Rate Schedule 33 Transportation Interruptible Service.

Seasonal Customer. A Non-Residential Customer that by the nature of the Customer's business sixty percent (60%) or more of the Customer's annual gas usage occurs in any period of four (4) months or less.

Service Agreement. The oral or written agreement between Company and Customer for gas service.

Service Election. The term used to describe a Non-Residential Customer's choice of service options.

Service Line. The piping that runs from the Main to the Delivery Point at Customer's service site.

(continue to Sheet 00.9)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

GENERAL RULES AND REGULATIONS

(continued)

Rule 1. General Terms Of Service.

Service will be furnished by Company provided adequate capacity exists in the Company's system.

Natural Gas service provided to Customers under this Tariff is Firm Sales or Firm Transportation Service, except where the Company has authorized Interruptible Sales or Interruptible Transportation Service in accordance with **Rate Schedule 32** or **Rate Schedule 33**. The Company, in its sole discretion, will determine the availability of Service. (T)

All Applicants must establish credit as set forth in **Rule 2** and any other requirements of these Rules. Where an application for service requires the installation of Distribution Facilities, Applicant shall first pay any amounts required under **Rule 20** or **Schedule X**.

A Service Agreement will be deemed to be in effect upon the Company's acceptance of an application. The Service Agreement created by the Company's acceptance of an application for service under a specific Rate Schedule or Special Contract shall continue in full force and effect until terminated by the Customer or by the Company as provided in the respective Rate Schedule or Special Contract, and by all applicable Rules of this Tariff. (T)

Where multiple Rate Schedule options are applicable, a Rate Schedule election shall be made at the time of initial application. Customer shall elect the Rate Schedule for which customer fully qualifies, and which is best suited to meet Customer's service requirements. The Company will assist Customer in electing the appropriate Rate Schedule based on the representations of the Customer at the time of application. The Company shall classify a Non-Residential Customer as Commercial or Industrial based on the Customer-provided description of the business and applied natural gas use at the service address. (C)

Any person(s), business, or other entity that uses service prior to applying for and being accepted by the Company shall pay for such service in accordance with the applicable Rate Schedule, provided that no other party is known by Company to have responsibility. (T)

Any person(s) that at any time is found to have provided false identification to establish service, continue service, or verify identity will be considered an Applicant and will be required to immediately provide valid proof of identification in order to receive new or continued service. Failure to provide valid identification will be cause for disconnection as set forth in **Rule 11** of this Tariff.

(continue to Sheet RR-1.1)

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet RR-6A
Cancels First Revision of Sheet RR-6A

GENERAL RULES AND REGULATIONS

(continued)

Rule 6A. Deposits and Surety Agreements: Residential.

Deposits.

A deposit may be required from a Residential Applicant as a condition of new or continued service as set forth in **Rule 2**.

The deposit for any Schedule 4 Residential Multi-Family Applicant or Customer is \$20.00.

(N)

The deposit for any other Residential Applicant or Customer account will not exceed one-sixth of the estimated annual billing at the service address based on twelve months of normal usage history at the premise, rounded to the nearest dollar. If the Company has no record of prior gas service at the service address, or if there is less than 12 months of normal usage history at the service address, the default deposit will be based on installed gas-fired equipment as follows:

(C)

Installed Gas-Fired Equipment	Deposit Amount
Space and Water Heat	\$ 125.00
Space Heat Only	\$ 100.00
No Space Heat	\$ 40.00

Deposits will be refunded or credited to Customers as set forth in **Rule 6**. Except as provided otherwise in this or any other applicable Schedule of this Tariff P.U.C. Or. 25, deposits are typically due prior to or at the time that service is activated, or reactivated. At the Company's discretion, a deposit or additional deposit amount may be billed with the first monthly bill following the date of notice that a deposit is required.

A deposit or additional deposit may be required from a Residential Customer following the Company's receipt of notification that such Customer is named as a debtor party to a bankruptcy filing. Such a deposit shall be separate and apart from any additional surety amount ordered by the bankruptcy court.

The Company may also require an additional deposit from a Residential Customer that moves to a new residence and the anticipated bill at the new residence will be at least 20 percent greater than the basis of an existing deposit. The Company will provide written notice to the Customer of such action at the time that the additional deposit amount is billed.

A Residential Customer that is required to pay an additional deposit amount must pay the deposit in full, or make deposit payment arrangements, within five (5) Business Days from the date of notice that the additional deposit is required. If a deposit installment arrangement is already in place, the existing installment payments will be adjusted for the additional deposit amount. In no event will two installment payments be required for the same account within a single bill period.

Any Applicant or Customer may pay a deposit, or additional deposit, of more than \$30 in up to three (3) consecutive installments. A deposit that is more than \$30 but equal to or less than \$60 may be paid in two consecutive installments. If a deposit is paid in installments, the first payment equal to the greater of \$30.00 or one-third of the total deposit amount will be immediately due. The remaining payments will be billed on subsequent monthly bill(s) and will be due 30 days and 60 days, respectively, after the first installment payment is received. . Except for the last payment, installment payments will not be less than \$30.00.

(continue to Sheet RR-6A.1)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

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GENERAL RULES AND REGULATIONS

(continued)

Rule 7. Bills and Bill Payments.

Any service rendered by the Company obligates the Customer, co-customer or other responsible person to pay for such service in accordance with the applicable Rule or Rate Schedule of this Tariff.

Bill Payments.

Monthly payments received from Customers will be credited in the following priority:

1. Any required deposits
2. Past due gas service account balances, if any,
3. Current gas service account balances,
4. Any non-gas service account balances or charges, if any.

Payments for non-gas service account balances will be credited first to past-due account balances if any, then to current account balances. Where more than one non-gas service account exists for a single customer, payments will be credited first to the account with the earliest account activation date. In the event a payment is received that is greater than the amount needed to bring all balances current, the remaining credit balance will be applied to the Customer's active service account unless Customer requests a refund. (T)

Non-payment of a regular monthly bill is cause for Disconnection of Service under **Rule 11**.

In the event that any payment is not honored by the respective financial institution, the bill will be deemed unpaid. In such event, if valid payment is not received within one Business Day following notice to Customer, the account may be subject to Disconnection of Service under **Rule 11**. A fee will be assessed for each payment not honored as set forth in **Schedule C**. The Company may require payment by cash, certified check, or money order if two or more payments are not honored in any consecutive twelve (12) month period.

Billing Period and Payment Due Date.

Except as otherwise provided in this **Rule 7**, or in **Rate Schedule 31** or **Rate Schedule 32**, Customers will be billed for service on a billing cycle determined by the Company in its sole discretion. A typical monthly bill will be based on a billing cycle of approximately thirty (30) calendar days. The billing cycle may be changed from time to time when such change is determined necessary for the Company's business practices. Typically, bills for Natural Gas service will be issued the next Business Day following the last meter read date. (C)

In the event that a change to the Customer's billing cycle creates a short or long bill that results in the issuance to Customer of more than one bill in a single revenue month or less than one bill in a single revenue month, the Company may refund or surcharge any applicable additional Monthly Fixed Charge amounts, as defined below in this **Rule 7**, on the same or a subsequent monthly bill. (C)

(continue to Sheet RR-7.1)

GENERAL RULES AND REGULATIONS

(continued)

Rule 7. Bills and Bill Payments (continued).

Billing Period and Payment Due Date (continued).

A Non-Residential Customer may request that a bill be rendered based on a calendar month cycle. The Company will accommodate such requests, but Customer may be required to provide, at Customer's expense, any utility, telephone, cellular, or other services or devices that the Company deems necessary to support AMR technology for the transmission of metered data to the Company. Customers must ensure that any service or devices installed by the Customer to support AMR are continuously active at all times. Charges set forth in **Schedule 15** may apply.

Regular monthly bills are due when rendered, and become delinquent if not paid by the due date printed on the bill. Customer may select a payment due date different than the date normally designated for that customer's regular billing cycle, except that the Company may deny a customer's preferred due date if the requested date is later than the bill issue date in any billing month within the next 12-month period, or if such date would otherwise violate standard billing practices or Commission Rules. The Company may restrict a Customer from changing their bill due date more than once in a 12-month period. The Company may terminate a preferred due date billing arrangement with a Non-Residential Customer, if more than two late payment charges are assessed on the Customer's account within a 6-month period. (T)

Prorated Bills.

A bill may be prorated when: (1) there is a change in billing rates within a billing cycle; (2) there is an opening bill with an initial meter read cycle that is less than 26 days or more than 35 days; (3) there is a closing bill with a final meter read cycle that is less than 26 days or more than 35 days; or (4) there is a need to re-bill more than one billing period on a single bill statement. Except where a change in billing rates occurs, a long or short bill that results from a change in meter read cycle will not be prorated. (C)

Any bill proration will be computed as follows:

(1) A change in billing rates:

Old Rate:

- a. Monthly Fixed Charge(s) x # of days at old rate / # of days in Billing Month
- b. Metered service x # of days at old rate / # of days in Billing Month

New Rate:

- a. Monthly Fixed Charge(s) x # of days at new rate / # of days in Billing Month
- b. Metered service x # of days at new rate / # of days in Billing Month

(2) Opening and closing bills or re-bills *:

- a. Monthly Fixed Charge(s) x # of days / 30 days
- b. Metered service for the amount metered during the bill period
- c. For blocked rates: blocked volume x # of days at billed rate / 30 days

* Month-end bills will be prorated based on the number of days in the Billing Month / # of days in the calendar month

(continue to Sheet 7.2)

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

First Revision of Sheet RR-7.2
Cancels Original Sheet RR-7.2

GENERAL RULES AND REGULATIONS

(continued)

Rule 7. Bills and Bill Payments (continued).

Prorated Bills. (continued)

For purposes of this General Rule, Monthly Fixed Charges include, but are not necessarily limited to: (a) Customer Charge; (b) Standby Charge; (c) MDDV-based Charges; or (d) Transportation Charge. Monthly Fixed Charges do not include charges under **Schedule C** or **Schedule 15**.

Gas usage included on opening and closing bills will be determined from actual meter reads obtained through the normal meter read cycle. Upon a Customer request, or when otherwise deemed necessary, the Company will obtain an out-of-cycle meter read for purposes of preparing an opening or closing bill. (C)

Estimated Bills.

The Company may issue bills based on an estimated read when (a) the Company is unable to gain access to read the meter, (b) weather conditions or other conditions beyond the Company's control interfere with the Company's ability to complete meter reading routes, (c) the Company determines that a theft of service or meter interference has occurred; (d) the meter or appurtenances thereto fail to operate for any reason; or (e) at such other times as may be warranted. Any estimated reading will be clearly noted on the bill. Except in extraordinary circumstances, the Company will not issue an estimated bill for more than two consecutive months.

Any bill estimation will be computed as follows:

- Space and/or water heating load. For accounts with known space and/or water heating equipment, the estimate will be based upon historical base load and degree day use of the account premise, if available. Otherwise, the estimate will be calculated from a recent historical use profile, adjusted for actual weather, if appropriate.
- All other load. For all other accounts, the estimate will be based on the actual use at the account premise from the same month of the prior year, or if not available, from the most recently billed months.
- Insufficient historical use. If there is insufficient historical usage from which to derive an estimate based on the above criteria, a default estimate may be used based on the most recent average use of other customers on the same rate schedule.

(continue to Sheet RR-8)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet RR-17.1
Cancels First Revision of Sheet RR-17.1

GENERAL RULES AND REGULATIONS

(continued)

Rule 17. Gas Delivery and Measurement (continued).

Additionally, the use of sub-meters for purposes of billing a Customer on more than one different Rate Schedule is not allowed. However, any such sub-meters installed and used for billing purposes that were in place prior to September 1, 2003 may be grandfathered and allowed to continue at the Company's discretion until such time as the Customer further changes or terminates its service agreement or such agreement expires on its own terms, after which time, no new sub-metering arrangements for billing different rate schedules will be allowed with respect to such Customer.

The Company may require, at Customer's expense, that the Customer provide any utility, telephone, cellular, or other services or devices that the Company deems necessary to support Advanced Automated Meter Reading (AAMR) technology for the transmission of metered data to the Company for billing purposes. The charges set forth in **Schedule 15** may apply. Where the volume or type of use warrants, the Company may install telemetry equipment at Customer's Premise, and Customer shall pay the telemetry charge set forth in **Schedule 15**.

For any Participant Multi-Family Building where gas is delivered from a master meter to individual tenant units through Customer-owned houseline the Company will require, at Customer's expense, that the Customer install shut-off valves to each tenant unit and to any other locations specified by NW Natural. Shut-off valves must be readily accessible by NW Natural, and may not be located within tenant residences.

(N)
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(N)

(continue to Sheet RR-18)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Third Revision of Sheet RR-18
Cancels Second Revision of Sheet RR-18

GENERAL RULES AND REGULATIONS

(continued)

Rule 18. House Piping and Gas Appliance Standards.

Customer shall have sole responsibility for the cost of installation, use, safety, repair, and maintenance of all House Line and other Customer-owned equipment beyond Company meter(s), including all accessories thereto; and for the cost of installation, use, safety, repair, maintenance and replacement of retrofitted excess flow valves installed on the Service Line at the request of a Customer, where applicable. Any loss or damage from leaks beyond the meter is at the risk and expense of the Customer.

All installations of Gas appliances, including vents and connections, safety devices and other Customer-owned or Customer-installed equipment shall conform to the applicable specifications of regulatory authorities and industry standards, including the Company's Standard Practices. Any Vehicle Fueling Appliance ("VFA") or other CNG vehicle fueling equipment must comply with the National Fire Protection Association NFPA 52, NFPA 54, NFPA 70 and must be permitted and approved by the authorities having jurisdiction before gas service will be connected to such equipment. The Company reserves the right to refuse or disconnect service in the event the Company determines that any applicable standard is not met.

The Company will not connect meters to House Line or appliances known to be defective. When, in the course of normal business activities, the Company finds the House Line or appliances on a Customers' Premise to be defective or in an unsafe condition, the Company may immediately disconnect service under **Rule 11**. The charges set forth in **Schedule C** may apply at the time of reconnection of service following a disconnection under this Rule.

For any Participant Multi-Family Building where gas is delivered to individual tenant units through Customer-owned houseline the Company will require, at Customer's expense, that the Customer install shut-off valves to each tenant unit and to any other locations specified by NW Natural. Shut-off valves must be readily accessible by NW Natural, and may not be located within tenant residences. Any subsequent repair or replacement of such shut-off valves shall be made at Customer's expense.

(N)
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(N)

The Company shall not be responsible for any injury to persons or property arising out of, in connection with, or incident to the use, safety, repairs, maintenance or replacement of retrofitted excess flow valves installed on the Service Line at the request of a Customer, or for the use, safety, repairs, maintenance, or replacement of Customer's House Line, appliances or related equipment, whether performed by Customer or any of Customer's employees, contractors, subcontractors, or agents.

NW Natural shall be granted free and unobstructed access at all times to valves installed on customer-owned houseline connected to gas appliances installed in individual tenant units in any Participant Multi-Family Building, and shall be granted authority to place Company-owned locking devices on each valve as deemed necessary by the Company to perform disconnections and reconnections of service.

(N)
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(N)

(continue to Sheet RR-19)

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NWN OPUC Advice No. 17-03

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet 3-1
Cancels First Revision of Sheet 3-1

RATE SCHEDULE 3 BASIC FIRM SALES SERVICE - NON-RESIDENTIAL

SERVICE AVAILABILITY:

Service under this Rate Schedule is available on the Company's Distribution System to Non-Residential Customers in all territory served by the Company under the Tariff of which this Rate Schedule is a part, provided that the Company determines, in its sole judgment, that adequate supply and capacity exists to accommodate a Customer's service requirements.

Service under this Rate Schedule is not available to single-family Residential dwellings or separately metered apartments, condominiums or townhouses. Temporary Disconnection of Service is allowed subject to Special Provision 2 of this Rate Schedule.

Service under this Rate Schedule cannot be combined with service under any other Rate Schedule.

APPLICATION FOR SERVICE:

An application for service must be made in accordance with the provisions of **Rule 2** of this Tariff, including the requirements to establish or re-establish credit.

SELECTION OF RATE SCHEDULE AND TYPE OF SERVICE:

It is the responsibility of the Customer to select the Rate Schedule and Service Type that best meets the Customer's individual service requirements. A Customer's selection of service under this Rate Schedule is subject to the Company's approval as described in Special Provision 1 of this Rate Schedule, and in the Company's applicable policies and procedures.

PRE-REQUISITES TO SERVICE:

1. A Customer may be required to pay the Company, in advance, for costs related to the Company's installation of any new or additional Distribution Facilities necessary to provide service to Customer under this Schedule. See **Rule 20** and **Schedule X**;
2. When the installation of new or additional Distribution Facilities is necessary to provide service to Customer, the Company may require Customer enter into a written service agreement.
3. A new Customer must specify the Customer's selection for service under this Rate Schedule at the time the Customer initially applies for service with the Company.

GENERAL OBLIGATIONS APPLICABLE TO EACH SERVICE TYPE:

The Company will bill a Customer and the Customer must pay the Company the rates according to: the Customer's designated class of service as shown under the Monthly Rates section at the end of this Rate Schedule.

Customers that select Sales Service under this Rate Schedule will be billed on a monthly cycle basis as determined by the Company.

A Customer that requests AAMR capability for Customer's own use is subject to the charges under **Rate Schedule 15** of this Tariff.

Where the Customer premise is a Participant Multi-Family Building, Customer must ensure that the houseline, valves, and gas appliances installed under Schedule 405 remain in place and available for use at all times. NW Natural shall be granted free and unobstructed access to the valves installed on such houseline and shall be granted authority to place Company-owned locking devices on each valve as deemed necessary by the Company.

(N)
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(N)

(continue to Sheet 3-2)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

**RATE SCHEDULE 4
RESIDENTIAL MULTI-FAMILY SERVICE**

(N)

APPLICABLE:

To Residential tenants that reside in a Participant Multi-Family Building.

MONTHLY RATE: \$10.25

Effective: July 12, 2017

The monthly rate for service under this Rate Schedule 4 may be adjusted from time to time for the effects of changes approved by the Commission in a general rate case proceeding.

SPECIAL PROVISIONS:

1. Low-use gas appliances include gas range or cooktop, gas clothes dryer, and gas barbecue. All Natural Gas usage associated with low-use gas appliances served under this Schedule 4 will be metered and billed from the master meter that serves the Participant Building and will be collected from tenants in accordance with General Rule 17 of this Tariff and with Participant Building policy.
2. Customers billed under this Rate Schedule 4 are not subject to Schedule 301 Public Purposes Funding Surcharges.
3. Customers billed under this Rate Schedule 4 are not eligible for the following programs:
 - Schedule 310—Oregon Low-Income Gas Assistance (OLGA)
 - Schedule 320—Oregon Low-Income Energy Efficiency Programs (OLIEE)
 - Schedule 350—Energy Efficiency Services and Programs - Residential and Commercial

GENERAL TERMS:

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, any other Schedules that by their terms or by the terms of this Rate Schedule apply to service under this Rate Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

(N)

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RATE SCHEDULE 31
NON-RESIDENTIAL FIRM SALES AND FIRM TRANSPORTATION SERVICE
(continued)

GENERAL OBLIGATIONS APPLICABLE TO EACH SERVICE TYPE: (continued)

Where an AMR device is installed and used for billing purposes, Customer must promptly restore telephone service to the AMR device following an outage, no matter the cause. If failure to restore telephone service to the AMR device within thirty (30) days of notice from the Company can reasonably be assumed to be within the Customer's control, it is cause for the Company to reassign Customer to another Rate Schedule or another Service Type Selection that does not require an AMR device

Where the Customer premise is a Participant Multi-Family Building, Customer must ensure that the houseline, valves, and gas appliances installed under Schedule 405 remain in place and available for use at all times. NW Natural shall be granted free and unobstructed access to the valves installed on such houseline and shall be granted authority to place Company-owned locking devices on each valve as deemed necessary by the Company.

(N)
|
(N)

ANNUAL SERVICE ELECTION – July 31 Election for November 1 Service:

The Annual Service Election is the date by which a Customer may request to change all or a portion of their Service Type Selection for the following November 1 through October 31 period (PGA Year). All requests must be received by the Company on or before July 31 and will be effective the following November 1. Except as identified in this Rate Schedule under "OUT-OF-CYCLE TRANSFERS," a Customer may not make a change to their Service Type Selection at any other time.

This Annual Service Election Provision shall apply to Customer-requested changes to any or all of the following components of a Service Type Selection: (1) Service Type, (2) Commodity Component (Sales Service Types only); (3) Pipeline Capacity Charge billing option (Firm Sales Service Type only), or (4) Firm Sales Service daily delivery volumes (Combination Service Type only).

When there is no Customer requested change under this Annual Service Election provision, then for the next PGA Year commencing November 1 the Customer's Service Type and related billing options, including the Commodity Component option for Sales Service Types, will default to the same Service Type and billing options that are in effect at the close of the current Annual Service Election period.

Transfers between Sales Service and Transportation Service are further subject to the provisions in this Rate Schedule under "APPLICATION OF TEMPORARY ADJUSTMENTS TO RATES (Account 191 Adjustments)."

The Service Types available under this Rate Schedule and the required selections for each Service Type are set forth below. See "DESCRIPTION OF SERVICE TYPES AND REQUIREMENTS FOR SERVICE" in this Rate Schedule for additional information:

Sales Service Types:

Customer must select one of two Commodity Component options: (1) Annual Sales WACOG, or (2) Winter Sales WACOG. Customer will have until September 15 to select the Winter Sales WACOG option (for a term of November 1 through March 31). If no selection is made, the Commodity Component option will default to Annual Sales WACOG. The Customer that selects Winter Sales WACOG will be billed at Monthly Incremental Cost of Gas (Schedule 150) effective April 1 through October 31. If no other change in Service Type was previously requested, either as an Out-of-Cycle Transfer or with this Annual Service Election, the Winter Sales WACOG Commodity Component will automatically restart for billing effective the following November 1 through March 31 period.

Firm Sales Service

Customer must select one of two Pipeline Capacity Charge options:

- i. Volumetric
- ii. MDDV

(continue to Sheet 31-3)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

RATE SCHEDULE 32
LARGE VOLUME NON-RESIDENTIAL SALES AND TRANSPORTATION SERVICE
(continued)

GENERAL OBLIGATIONS APPLICABLE TO EACH SERVICE TYPE: (continued)

Where an AAMR device is installed and used for billing purposes, Customer must promptly restore telephone service to the AAMR device following an outage, no matter the cause. If failure to restore telephone service to the AAMR device within thirty (30) days of notice from the Company can reasonably be assumed to be within the customer's control, it is cause for the Company to reassign Customer to another rate schedule or another Service Type Selection that does not require an AAMR device.

Where the Customer premise is a Participant Multi-Family Building, Customer must ensure that the houseline, valves, and gas appliances installed under Schedule 405 remain in place and available for use at all times. NW Natural shall be granted free and unobstructed access to the valves installed on such houseline and shall be granted authority to place Company-owned locking devices on each valve as deemed necessary by the Company.

(N)
|
(N)

ANNUAL SERVICE ELECTION – July 31 Election for November 1 Service:

The Annual Service Election is the date by which a Customer may request to change all or a portion of their Service Type Selection for the following November 1 through October 31 period (PGA Year). All requests must be received by the Company on or before July 31, and will be effective the following November 1. Except as identified in this Rate Schedule under "OUT-OF-CYCLE TRANSFERS," a Customer may not make a change to their Service Type Selection at any other time.

This Annual Service Election Provision shall apply to Customer-requested changes to any or all of the following components of a Service Type Selection: (1) Service Type, (2) Commodity Component (Sales Service Types only); (3) Pipeline Capacity Charge billing option (Firm Sales Service Type only), or (4) Firm Sales Service daily delivery volumes (Combination Service Type only).

When there is no Customer requested change under this Annual Service Election provision, then for the next PGA Year commencing November 1 the Customer's Service Type and related billing options, including the Commodity Component option for Sales Service Types, will default to the same Service Type and billing options that are in effect at the close of the current Annual Service Election period.

Transfers between Sales Service and Transportation Service are further subject to the provisions in this Rate Schedule under "APPLICATION OF TEMPORARY ADJUSTMENTS TO RATES (ACCOUNT 191 ADJUSTMENTS)."

The Service Types available under this Rate Schedule, and the required selections for each Service Type, are set forth below. See "DESCRIPTION OF SERVICE TYPES AND REQUIREMENTS FOR SERVICE" in this Rate Schedule for additional information:

Sales Service Type*:

Customer must select one of two Commodity Component options: (1) Annual Sales WACOG, or (2) Winter Sales WACOG. Customer will have until September 15 to select the Winter Sales WACOG option (for a term of November 1 through March 31). If no selection is made, the Commodity Component option will default to Annual Sales WACOG. The Customer that selects Winter Sales WACOG will be billed at Monthly Incremental Cost of Gas (Schedule 150) effective April 1 through October 31. If no other change in Service Type was previously requested, either as an Out-of-Cycle Transfer or with this Annual Service Election, the Winter Sales WACOG Commodity Component will automatically restart for billing effective the following November 1 through March 31 period.

Firm Sales Service:

Customer must select one of two Pipeline Capacity Charge options:

- Volumetric
- MDDV

(continue to Sheet 32-3)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and after July 12, 2017

RATE SCHEDULE 32
LARGE VOLUME NON-RESIDENTIAL SALES AND TRANSPORTATION SERVICE
(continued)

ANNUAL SERVICE ELECTION – July 31 Election for November 1 Service: (continued)

Sales Service Type* (continued):

(T)

Interruptible Sales Service *

(M)

Transportation Service Types*:

- a. Firm Transportation Service
- b. Interruptible Transportation Service

*Customer will automatically be placed on a month-end billing cycle.

Combination Service Types*:

For Sales Service, Customer must select one of two Commodity Component options: (1) Annual Sales WACOG, or (2) Winter Sales WACOG. Customer will have until September 15 to select the Winter Sales WACOG option (for a term of November 1 through March 31). If no selection is made, the Commodity Component option will default to Annual Sales WACOG (November 1 through October 31). The Customer that selects Winter Sales WACOG will be billed at Monthly Incremental Cost of Gas (Schedule 150) effective April 1 through October 31. If no other change in Service Type was previously requested, either as an Out-of-Cycle Transfer or with this Annual Service Election, the Winter Sales WACOG Commodity Component will automatically restart for billing the following November 1 through March 31 period.

- a. Firm Sales Service with Interruptible Sales Service **
Customer must specify an exact daily delivery volume to be billed at Firm Sales Service
- b. Firm Sales Service with Firm Transportation Service
Customer must specify an exact daily delivery volume to be billed at Firm Sales Service
- c. Firm Sales Service with Interruptible Transportation Service
Customer must specify an exact daily delivery volume to be billed at Firm Sales Service
- d. Interruptible Sales with Interruptible Transportation Service
Customer must specify an exact daily delivery volume to be billed at Interruptible Sales Service
- e. Firm Transportation Service with Interruptible Transportation Service
Customer must specify an exact daily delivery volume to be billed at Firm Transportation Service

* Customer will automatically be placed on a month-end billing cycle

*** Customer must choose one Commodity Component option for all Sales Service volumes

Customer may specify an hourly delivery volume in their Service Election form. The total hourly delivery volume for any given 24-hour period must not exceed the total specified Firm MDDV.

The terms and conditions for submission and approval of a Service Type Selection are identified under "SERVICE TYPE SELECTIONS – PROCESS AND PROCEDURE" of this rate schedule. A Customer need not submit a Service Election Form if the Customer desires to retain its current Service Type Selection for the next PGA Year.

RATE SCHEDULE TRANSFERS:

A transfer between Rate Schedules will be allowed upon one Billing Month advance notice to the Company. Any request to also change the Service Type Selection must comply with the provision for "OUT-OF-CYCLE TRANSFERS FOR CERTAIN SERVICE TYPES" set forth in this Rate Schedule. Customer eligibility for a Rate Schedule transfer is as follows:

New Customer. A Customer with an account for gas service to the premise to be served by this Rate Schedule that was opened within the most recent 12 calendar months may transfer to any other Rate Schedule upon appropriate advance notice. Once a transfer is made, a second transfer cannot be made from that Rate Schedule until Customer has completed a minimum of 12 consecutive Billing Months.

(continue to Sheet 32-4)

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SCHEDULE 405
BUILDER/DEVELOPER PROGRAM (Optional)
MULTI-STORY-MULTI-FAMILY

(N)

PURPOSE

To encourage the installation of non-heating gas appliances in individual Residential dwellings located within a qualifying multi-story, multi-family building ("Qualified Dwelling").

AVAILABLE

To builders and developers ("Builder/Developer") of multi-story, multi-family buildings constructed within the Company's Oregon service territory that are three (3) or more floors with two (2) or more Residential dwelling units stacked vertically ("Qualified Multi-Family Building"), and where:

- A. The building will be equipped with separately metered gas equipment, such as central space or water heating, served under the appropriate commercial rate schedule; and
- B. Individual Residential dwelling units will be equipped with one or more of the following gas appliances ("Qualified Appliance"):
 - range and/or cook top
 - clothes dryer
 - barbeque

Any individual Residential dwelling unit in which a Builder/Developer installs gas space or water heating appliance is not eligible for this program.

PROGRAM DESCRIPTION

NW Natural will pay a Builder/Developer of a Qualified Multi-Family Building \$750.00 per Qualified Dwelling to install a Qualified Appliance(s) in the Qualified Dwelling. In order to receive payment under this Schedule 405 program, the Builder/Developer must first:

- a) Have a meter set and connected to the central gas equipment to be served under the commercial rate schedule;
- b) Complete the installation of gas houseline from the master meter location to each individual Qualified Dwelling;
- c) Complete the installation of shut-off valves to each Qualified Dwelling, and to any other locations specified by NW Natural; and
- d) Complete the installation of the Qualified Appliance(s) in all Qualified Dwellings.

NW Natural will issue payment to the Builder/Developer upon confirmation that all required installations have been completed in accordance with this Schedule 405 program, General Rule 18 of this Tariff, and in accordance any other applicable standards established by the Company, as such standards are amended from time to time.

Amounts paid by NW Natural under this Schedule 405 shall be recovered from the subsequent tenants of each Qualified Dwelling at the rate established in Rate Schedule 4 "Residential Multi-Family Service" of this Tariff.

(N)

(continue to Sheet 405-2)

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and July 12, 2017

SCHEDULE 405
BUILDER/DEVELOPER PROGRAM (Optional)
MULTI-STORY-MULTI-FAMILY
(continued)

(N)

SPECIAL CONDITIONS

1. Any Builder/Developer that receives payment under this Schedule 405 program agrees that the houseline, valves, and Qualified Appliances installed at a Qualified Multi-Family Building will remain in place at each Qualified Dwelling and available for tenant use at the Qualified Multi-Family Building at all times.
2. NW Natural shall be granted free and unobstructed access to the valves installed under this program at all times, and shall be granted authority to place Company-owned locking devices on each valve as deemed necessary by the Company to perform disconnections of service for safety or disconnections of service for non-payment as set forth in General Rule 11 of this Tariff. The valves shall be located in a publically accessible location, and not within the tenant residences.
3. Any Builder/Developer of a Qualified Multi-Family Building must agree to disclose in writing to each Residential tenant the requirement to activate a service account with NW Natural in order to receive service to the in-unit gas appliances.
4. The Special Conditions set forth in this Schedule 405 and in Schedule 4 of this Tariff will remain in effect in the event that any Builder/Developer of a Qualified Multi-Family Building subsequently sells such Building, and/or such Building changes to/from rental units to/from occupant-owned condominium units.
5. Amounts paid by NW Natural under this program shall be recorded in an appropriate asset account. All costs associated with this Schedule 405 program are attributable only to the Schedule 4 multi-family customer class.
6. NW Natural will submit a report on the status of this program not later than five (5) years from the date that the program first becomes effective.

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.

(N)

Issued June 2, 2017
NWN OPUC Advice No. 17-03

Effective with service on
and July 12, 2017

EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

NW NATURAL SUPPORTING MATERIALS

Multi-Story Multi-Family Program

NWN OPUC Advice No. 17-03 / ADV

June 2, 2017

NW NATURAL

EXHIBIT A

Supporting Materials

NWN OPUC ADVICE NO. 17-03 / ADV _____

<u>Description</u>	<u>Page</u>
Cost of Service Summary Table	1
Cost of Service Calculation	2-3

Determination of Cost of Service - Multifamily Rate Tariff Proposal SUMMARY TABLE

Input Capital Costs and Rates			
Cost of Capital	% of Capital	Cost	Weighted Cost
Debt	50.00%	6.06%	3.03%
Preferred Equity	0.00%	0.00%	0.00%
Common Equity	50.00%	9.50%	4.75%
	<u>100.00%</u>		<u>7.78%</u>
State Tax Rate			7.60%
Federal Tax Rate			35.00%
Revenue Sensitive Rate (held to franchise rate/reg com fee)			2.73%
Depreciation Rate			5.00%
Property Tax Rate [1]			0.00%
Incremental O&M		\$	28.09
Inflation Rate			1.00%
Bonus Tax Depreciation toggled (1 = yes, 2 = no)			2
Investment		\$	790

Cost of Service and Payment

Payback Period (years)	20
Total COS (NPV)	\$1,227.42
Annual COS	\$122.98
Monthly COS	\$10.25

Costs Table

Piping Allowance	\$ 750
Shut off Valve	\$ 40
Total Capital Cost	\$ 790
O&M	\$ 28.09

Rate Table

Payback Period	10.25
10	\$ 13.86
15	\$ 11.44
20	\$ 10.25
25	\$ 9.60
30	\$ 9.22

[1] No property tax assigned given that the asset is not tangible.

NW Natural
 Determination of Cost of Service - Multifamily Rate Tariff Proposal

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20
1 Depreciation	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
2 O&M	28	28	29	29	29	30	30	30	30	31	31	31	32	32	32	33	33	33	34	34
3 Property Taxes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxes on Equity Return																				
4 State	5	4	4	4	4	3	3	3	2	2	2	2	1	1	1	1	0	0	0	0
5 Federal	20	18	17	16	15	14	13	12	10	9	8	7	6	5	4	3	2	2	1	0
6 Total Taxes	24	23	21	20	19	17	16	14	13	12	10	9	7	6	4	3	3	2	1	0
Return on Rate Base																				
7 Debt	23	22	21	19	18	16	15	14	12	11	10	8	7	6	4	3	3	2	1	0
8 Preferred Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9 Common Equity	36	34	32	30	28	26	24	22	19	17	15	13	11	9	7	5	4	3	2	1
10 Total Return	60	56	53	49	46	42	39	35	32	28	25	21	18	14	11	8	6	5	3	1
11 Subtotal Cost of Service	152	147	142	138	133	129	124	119	115	110	106	101	96	92	87	84	82	79	77	75
12 Revenue Sensitive Items	4	4	4	4	4	4	3	3	3	3	3	3	3	3	2	2	2	2	2	2
13 Total Cost of Service	\$156	\$151	\$146	\$142	\$137	\$132	\$127	\$123	\$118	\$113	\$109	\$104	\$99	\$94	\$90	\$86	\$84	\$81	\$79	\$77
14 Annual Cost of Service as % of Investment	19.72%	19.12%	18.52%	17.92%	17.32%	16.72%	16.13%	15.53%	14.93%	14.33%	13.73%	13.14%	12.54%	11.95%	11.35%	10.90%	10.61%	10.31%	10.02%	9.73%
Rate Base - net of deprec. & def. tax	\$768	\$723	\$678	\$633	\$589	\$544	\$499	\$454	\$410	\$365	\$320	\$275	\$231	\$186	\$141	\$107	\$83	\$59	\$36	\$12
Income Taxes																				
Gross up of Equity Return	61	57	54	50	47	43	39	36	32	29	25	22	18	15	11	8	7	5	3	1
Less: State tax	5	4	4	4	4	3	3	3	2	2	2	2	1	1	1	1	0	0	0	0
Federal Taxable Income	56	53	50	46	43	40	36	33	30	27	23	20	17	14	10	8	6	4	3	1
Less: Federal Tax	20	18	17	16	15	14	13	12	10	9	8	7	6	5	4	3	2	2	1	0
Return	36	34	32	30	28	26	24	22	19	17	15	13	11	9	7	5	4	3	2	1
Deferred Taxes																				
Book Depreciation	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Tax Depreciation [1]	53	53	53	53	53	53	53	53	53	53	53	53	53	53	53	0	0	0	0	0
Book-Tax Difference	13	13	13	13	13	13	13	13	13	13	13	13	13	13	13	(40)	(40)	(40)	(40)	(40)
Tax Effect	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	(16)	(16)	(16)	(16)	(16)

[1] No MACRS applied. Tax is a fixed 15 year tax depreciation period based on the asset type and the manner of recovery of the asset (recovery of costs from "3rd party tenant").

