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June 26, 2018

NWN OPUC Advice No. 18-03 / ADV _____

VIA ELECTRONIC FILING

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

Re: Schedule H: "Large Volume Non-Residential High Pressure Gas Service (HPGS) Rider" Revisions to Cost Recovery Factors

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith the following revisions to its Tariff P.U.C. Or. 25¹, stated to become effective with service on and after **August 1, 2018**:

Second Revision of Sheet H-5,
Schedule H,
"Large Volume Non-Residential High Pressure Gas Service (HPGS) Rider
(continued)."

This filing is made in accordance with OAR 860-022-0015 and OAR 860-022-0025.

The purpose of this filing is to revise the cost recovery factors set forth in Schedule H to reflect the effect of the federal tax reform act, originally known as the "Tax Cuts and Jobs Act" ("tax reform"), enacted on December 22, 2017 and effective on January 1, 2018.

A worksheet showing the derivation of the revised cost recovery factors is included with this filing.

The Company respectfully requests that the tariff sheet filed herein be approved to become effective with service on and after August 1, 2018 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.

¹Tariff P.U.C. Or. 25 was filed pursuant to ORS 757.205 and OAR 860-022-0005 and originated November 1, 2012 with Docket UG 221; OPUC Order No. 12-408 as supplemented by Order No. 12-437.

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

eFiling
NW Natural Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

Sincerely,

NW NATURAL

/s/ Onita King

Onita King
Rates & Regulatory

Attachments

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 25

Second Revision of Sheet H-5
Cancels First Revision of Sheet H-5

RATE SCHEDULE H LARGE VOLUME NON-RESIDENTIAL HIGH PRESSURE GAS SERVICE (HPGS) RIDER (continued)

Monthly Billing Rate (continued)

Cost Recovery Factors Primary 10-Year Term Effective September 1, 2013		
Year	No Bonus Depreciation	With Bonus Depreciation
Year 1	21.6%	21.0%
Year 2	20.1%	19.2%
Year 3	18.7%	18.0%
Year 4	17.3%	16.8%
Year 5	16.1%	15.8%
Year 6	15.0%	14.7%
Year 7	13.8%	13.7%
Year 8	12.7%	12.7%
Year 9	11.7%	11.7%
Year 10	10.8%	10.8%

Scheduled Maintenance Charge includes the costs associated with providing Scheduled Maintenance on HPGS Facilities as well as an annual charge of \$10,087 per Customer for administrative services, which includes but is not limited to costs for managing the program, marketing, applying administrative and general overhead allocations, performing Customer credit evaluations, drafting the Customer agreements and site licenses, billing, warehousing and managing inventory of spare parts, monitoring, and dispatching. Scheduled Maintenance costs are initially based on expected labor and material costs known at the time the HPGS Agreement is executed. The labor component recovered through this charge includes the costs for administration. The Scheduled Maintenance Charge may be adjusted annually on the anniversary date of the execution of the HPGS Agreement to reflect any adjustments for differences between expected costs and actual costs, and to reflect any cost changes expected for the next 12-month period.

In addition to the Monthly Facility Charge and the Scheduled Maintenance Charge, the Company will bill and the Customer will be responsible to pay all actual costs associated with the Company's provision of Unscheduled Maintenance and Back-Up Services.

Unscheduled Maintenance will be billed as costs are incurred at actual costs for labor and materials plus overhead expenses.

(continue to Sheet H-6)

Issued June 26, 2018
NWN OPUC Advice No. 18-03

Effective with service on
and after August 1, 2018

Issued by: **NORTHWEST NATURAL GAS COMPANY**
d.b.a. NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991

Input Capital Costs and Rates			
Cost of Capital (UG-221 authorized)	% of Capital	Cost	Weighted Cost
Debt	50.00%	6.06%	3.03%
Common Equity	50.00%	9.50%	4.75%
Total Weighted	100.00%		7.78%
State Tax Rate			7.60%
Federal Tax Rate			21.00%
Combined Tax Rate			27.00%
Revenue Sensitive Rate (franchise & comm fee)			2.55%
Depreciation Rate Book			10.0%
Depreciation Rate Ratemaking			10.0%
Property Tax Rate (Oregon average)			1.5%
Incremental O&M			-
Inflation Factor			1.5%
Investment Cost			1,000,000

Recovered	Total	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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Marketing, Admin

CNG	1,000,000										
Cost / Station		1									
Stations											
Project Capital	1,000,000										
ITC											
BETC											
Net Capital	1,000,000										
MACRS		Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7	Bonus - 7

	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
MACRS Depreciation - 7	14.3%	24.5%	17.5%	12.5%	8.9%	8.9%	8.9%	4.5%								
MACRS Depreciation - 7 - Bonus	57.1%	12.2%	8.7%	6.2%	4.5%	4.5%	4.5%	2.2%								
MACRS Depreciation - 15	5.0%	9.5%	8.6%	7.7%	6.9%	6.2%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	3.0%
MACRS Depreciation - 15 - Bonus	52.5%	4.8%	4.3%	3.9%	3.5%	3.1%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	1.5%

2012 Implementation Sched (42)		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2013 Implementation Sched (27)		2	4	7	9	8	4	4	4								
		1	3	5	8	10											

Monetization of Credit using Passthru Partner

0.285

Present Value Estimat 50,000

Inflation Factor 2.1%

Year 1	50,000
Year 2	51,050
Year 3	52,122
Year 4	53,217
Year 5	54,334
Year 6	55,475
Year 7	56,640
Year 8	57,830
Year 9	59,044
Year 10	60,284
Year 11	61,550