

Rates and Regulatory Affairs
Facsimile: 503.721.2532



October 3, 2007

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, NE, Suite 215
P. O. Box 2148
Salem, Oregon 97308-2148

Attention: Filing Center

Re: **UM 1147 – In the Matter of the Public Utility Commission of Oregon Staff
Request to Open an Investigation Related to Deferred Accounting**

Closing Comments of NW Natural

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), hereby submits for electronic filing its Closing Comments in the above-referenced docket.

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

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Please do not hesitate to call if you have questions or desire further information.

Sincerely,

/s/ Inara K. Scott

Inara K. Scott, Manager
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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1147**

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	CLOSING COMMENTS OF
OREGON)	NW NATURAL
)	PHASE III
Staff Request to Open an Investigation)	
Related to Deferred Accounting.)	

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), appreciates the opportunity to submit the following Closing Comments in this docket. NW Natural did not file opening comments but has found that the record is considerable due to the contributions of the other parties, and those comments are much appreciated. With one exception, as noted below, the company does not wish to disagree with the points made in the opening comments.

NW Natural does not object to the use of a short-term borrowing rate on deferred account amortization balances of one year or less, but recommends the use of a different rate than the blended 1-3-5 year Treasury rate that has been put forward by OPUC Staff. With a focus on the Company’s borrowing costs as opposed to its overall cost of capital, it would be more appropriate to use a benchmark corporate borrowing rate rather than the risk-free Treasury rate because of the credit risk associated with the utility. For this reason, we would recommend the use of the average 3-month LIBOR rate, as published in the Wall Street Journal over the 30-day period immediately proceeding the amortization period. This rate would be more reflective of the

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company's true borrowing cost than the Treasury rate. Using a rate established just prior to the amortization period will provide a more current rate than a rate calculated at the end of the prior year and applied to amortizations that begin near year-end.

Finally, if the use of a Treasury rate is approved by the Commission, the suggested days used to establish the rate should not be taken as the last two Fridays in December. Fridays are particularly volatile for the short term credit markets, and should be avoided in this process.

DATED: October 3, 2007

Respectfully submitted,

NW NATURAL

/s/ Inara Scott

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing NW NATURAL GAS COMPANY'S CLOSING COMMENTS by e-mail or by mailing a copy thereof to each party that has not waived paper service, to the parties or attorneys of parties on the following service list:

UM 1147 Service List

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DATED this 3rd day of October, 2007.

Respectfully submitted,

NW NATURAL

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