BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UI 276

In the Matter of NW NATURAL GAS COMPANY, dba NW NATURAL Application for Affiliated interest Agreement With Palomar Gas Transmission, LLC	**NORTHWEST PIPELINE GP'S APPLICATION FOR RECONSIDERATION OR REHEARING OF ORDER NO. 08-107 OR, IN THE ALTERNATIVE, PETITION FOR COMMISSION INVESTIGATION**

Northwest Pipeline GP ("Northwest Pipeline") files this Application for Reconsideration or Rehearing of Order No. 08-107 (the "Order") or, in the alternative, Petition for Commission investigation into the two interstate pipeline Precedent Agreements (the "Palomar Agreements") between two affiliated interests, NW Natural ("NW Natural") and Palomar Gas Transmission, LLC ("Palomar"), of which NW Natural owns 50 percent (indirectly through another affiliate).[1]

The Order concluded the Palomar Agreements were "fair, reasonable and not contrary to the public interest" based on Staff's review of the information NW Natural filed with its application (the "Application"). Northwest Pipeline believes that the information in the Application—the only information it appears was made available for Staff's review—was misleading and incomplete in several critical respects:

- The Application seems to suggest that the Palomar Agreements will enhance NW Natural's access to supply regions. This is misleading. NW Natural currently has access to gas supplies in the Rockies and

[1] This Application and Petition are filed pursuant to OAR 860-014-0095, ORS 756.515 and ORS 756.561.

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Canada using existing Northwest Pipeline capacity. Additionally, utilizing Northwest Pipeline's capacity, NW Natural would have access to any or all of the proposed LNG facilities in the Pacific Northwest (the Jordan Cove facility near Coos Bay, Oregon, any of the proposed projects on the Columbia River, or the Kitimat facility in British Columbia through Northwest Pipeline's interconnect with Spectra Energy Transmission).

- The Application fails to disclose the full extent of the costs associated with the Palomar Pipeline (the "Palomar Project"). From potentially underestimating development costs to omitting the indirect costs of terminating capacity on Northwest Pipeline, the Application understates the potential risk that NW Natural customers will pay higher rates because of unnecessary gas transportation cost increases.
- Finally, the Application contains a number of misstatements regarding Northwest Pipeline's reliability. We underscore these inaccuracies because they directly bear on NW Natural's claim that the Palomar Project is justified in order to address reliability concerns.

Because this Rehearing Application presents new information not considered by Staff and the Commission that suggests the factual findings in the Order were incomplete or inaccurate and, at a minimum, require additional consideration, the Commission should grant rehearing to consider NW Natural's Application based on a fully developed factual record. In the alternative, the Commission should open an investigation to determine whether the Palomar Agreements are in the public interest.

In support of this Rehearing Application and Petition, Northwest Pipeline states as follows:

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1. On November 1, 2008, NW Natural filed its Application related to the Palomar Agreements. Under those affiliated agreements, NW Natural agreed to subscribe to 100,000 dekatherms per day of firm transportation on the Palomar Project upon its construction. The details of the Palomar Agreements were redacted in NW Natural's filing and not released to the public. Northwest Pipeline is not aware that NW Natural served the Application on any other parties. Northwest Pipeline first became aware of the Application on January 28, 2008, the same day the Commission approved it. The Application and Staff report were placed on the consent agenda at the January 22 public meeting. No other party commented on the Application or Staff report. Therefore, it does not appear that the Application received any scrutiny or analysis by interested parties other than through the Staff memorandum.

2. The Application neglected to disclose several key aspects of the Palomar Project that directly affect its cost and the associated risk that NW Natural customers may eventually bear those costs. First, even with the construction of the Palomar Project, NW Natural will likely still be required to use some capacity on Northwest Pipeline's Grants Pass Lateral. This will create a stacked rate, significantly increasing the cost NW Natural currently pays for the transportation of gas on the Grants Pass Lateral.

Second, the Application does not take into account the impact the Palomar Project will have on the transportation rates NW Natural will pay for capacity it retains on Northwest Pipeline. Northwest Pipeline understands that NW Natural intends to terminate at least part of its capacity on Northwest Pipeline and replace that capacity with capacity on the Palomar Project.[2] Terminating capacity could lead to higher rates for transportation on Northwest Pipeline if

[2] Based on a statement in NW Natural's 2004 IRP that indicated interstate pipeline capacity would be sufficient for 15 years, Northwest Pipeline assumes NW Natural's capacity on Palomar will serve only as replacement capacity.

Northwest Pipeline is unable to resell the terminated capacity at full rate. This could expose NW Natural's customers to both higher rates for gas transportation on the Palomar Project *and* higher rates for gas transportation on Northwest Pipeline. This risk is not disclosed in the Application and therefore could not have been considered by Staff or the Commission.

Third, based on the Staff memorandum, it appears the Application estimates an annual increase in transportation costs of $800,000 for construction of the Palomar Project. In previous public documents, Palomar has estimated the cost of completing the project at between $600 million to $700 million. Northwest Pipeline has extensive experience with the Pacific Connector Gas Pipeline ("PCGP") project, which is similar to the Palomar Project in length, pipe diameter and construction challenges. PCGP is much further along in development than the Palomar Project since PCGP has already met the Federal Energy Regulatory Commission ("FERC") pre-filing requirements and filed its certificate application with the FERC on September 4, 2007. Based on its experience with PCGP, Northwest Pipeline estimates the cost of the Palomar Project will exceed $1 billion, well above Palomar's projection. More importantly, if LNG on the Columbia River is not constructed to anchor the Palomar Project and thus only the Eastern Zone of the Palomar Project is constructed, the cost of the project would likely create substantially higher annual increases for NW Natural customers, dwarfing the $800,000 annual amount Staff considered in its analysis. Depending upon the level of third party subscriptions on the Palomar Project, and the physical configuration of the pipeline, annual cost increases for NW Natural customers attributable to switching from Northwest Pipeline to Palomar could be tens of millions of dollars.

3. The Application purports to link the Palomar Project with NW Natural's

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ability to enhance access to different supply regions. The Palomar Project does not increase NW Natural's supply options. Northwest Pipeline currently provides access to gas supplies in the Rockies and Canada. Further, NW Natural does not need the Palomar Project to access potential liquefied natural gas terminals given that the Bradwood Landing, Oregon LNG and PCGP/Jordan Cove LNG terminals all have proposed interconnects with Northwest Pipeline. Additionally, the proposed Kitimat LNG terminal, in British Columbia, would have access to Northwest Pipeline through its interconnect with Spectra Energy Transmission. The importance of this aspect of the Application is demonstrated by Staff's reliance on the supply diversity argument. Staff's memorandum expressly found that the Application was in the public interest in part because "customers will benefit from * * * NW Natural's ability to gain access to gas in different geographic supply regions of Canada or the U.S. Rocky Mountain region." Staff Memo. at 5. This is simply false. The Palomar Project will not change the access NW Natural enjoys today to these supply sources.

4. In its Application, NW Natural claims that its reliance on Northwest Pipeline is a significant risk because of reliability issues on Northwest Pipeline. This claim is inaccurate and misleading.

First, NW Natural seems to suggest that its credit rating may be adversely affected by its reliance on Northwest Pipeline. A thorough review of Standard & Poor's ("S&P") April 26, 2007 summary of NW Natural shows that its reliance on Northwest Pipeline has little to no effect on NW Natural's rating. A copy of S&P's full summary is attached hereto as Attachment 1.

Second, Northwest Pipeline is a reliable, flexible pipeline that has provided and continues to provide consistent and reliable transportation for NW Natural. Northwest Pipeline has multiple interconnects with other pipelines and utilizes various storage facilities that enhance the system's operational flexibility and reliability. The system is bi-directional, with multiple points at which gas enters into the system. Most delivery points can be served with gas flowing from the north or the south. Thus, Northwest Pipeline is the operational equivalent of two pipelines. All of this enhances reliability to those served by the system that is not present on pipelines where the gas flows in one direction.

Although Northwest Pipeline has experienced pipeline ruptures as noted in the Application,[3] only one incident resulted in a loss of gas service to NW Natural.[4] In all other instances, Northwest Pipeline maintained service to NW Natural through other segments of the pipeline. The Application also indicates that Northwest Pipeline abandoned 268 miles of pipeline in 2003, but it does not mention that Northwest Pipeline replaced the capacity from the abandoned pipeline with new facilities.[5] Any perceived risk to NW Natural from its reliance on Northwest Pipeline was reduced by the replacement of that capacity with new facilities.

Any additional risk claimed by NW Natural due to compression outages are minimized by Northwest Pipeline's three mobile compression units which provide backup

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[3] Northwest Pipeline did not experience a rupture in 1996 as indicated in the Application.

[4] A landslide in 1999 led to a service interruption to two NW Natural gate stations, Carson and North Bonneville. Northwest Pipeline restored service to the Carson gate station in three days. Service to the North Bonneville gate station was restored in 10 days; however, by using LNG as an alternate fuel, NW Natural restored service to its North Bonneville customers within one day of the interruption.

[5] Northwest Pipeline abandoned 268 miles of 26-inch pipeline in December 2006, and at the same time, Northwest Pipeline replaced the capacity associated with the 268 miles as part of its Capacity Replacement Project completed in 2006.

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compression for compressors in the northwest. For example, Northwest Pipeline's compression reliability has averaged over 99 percent reliability for the period between January 2004 and January 2008.

Finally, NW Natural's reliance on operational flow orders as a factor contributing to NW Natural's risk is misleading. Operational flow orders are FERC-approved methods used by Northwest Pipeline to assure that all customers, including NW Natural, are able to use all the firm capacity they have contracted for on Northwest Pipeline. Operational flow orders are used when customers' nominations exceed the pipeline's physical design capacity. Consequently, such operational flow orders reduce NW Natural's risk; they do not increase it.

5. Based on the above, rehearing is warranted under Commission rule 860-014-0095(3)(a), (c) and (d). The new information presented above was unavailable to Staff, the Commission and other interested parties; the new information is essential to determining whether the Palomar Agreements are in the public interest. OAR 860-014-0095(3)(a). This new evidence presents the possibility that the findings in the Order were inaccurate based on the incomplete information, another basis for granting rehearing. OAR 860-014-0095(3)(c). Furthermore, Northwest Pipeline suggests a finding that the Palomar Agreements are "fair, just, and not contrary to the public interest" has not been justified at this time given (a) the uncertainty surrounding construction of the proposed Bradwood Landing project and (b) the effect on the scope, cost and third party contracts on the Palomar Project if the Bradwood Landing project is not constructed. At a minimum, the new evidence demonstrates that good cause exists for a more thorough review of the facts surrounding the Palomar Project, either as part of rehearing (OAR 860-014-0095(3)(d)) or under the Commission investigative authority. ORS 756.515.

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6. While Northwest Pipeline believes that based on the information provided in the Application it is premature for the Commission to determine whether these Precedent Agreements are fair, reasonable and not contrary to the public interest, Northwest Pipeline is willing to intervene as a party and participate in any proceeding the Commission elects to open. Northwest Pipeline understands that NW Natural will likely file an IRP with the Commission in the next several months, and the information contained herein could be explored in that IRP process. In any event, the Commission should grant rehearing to ensure that the Order is based on complete and accurate information.

For the above reasons, the Rehearing Application or, in the alternative, the Petition for Commission investigation, should be granted.

DATED this 22nd day of February, 2008.

TONKON TORP LLP

By [signature]
DAVID F. WHITE, OSB No. 01138
Attorney for Northwest Pipeline GP

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ATTACHMENT 1

STANDARD & POOR'S

FULL ANALYSIS

Corporate Credit Rating
AA-/Stable/A-1+

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RatingsDirect Publication Date
Apr 26, 2007

Northwest Natural Gas Co.

Major Rating Factors

Strengths:

- Favorable regulatory mechanisms in Oregon, including a purchase gas adjustment (PGA) pass through mechanism, which mitigates the financial impact of varying gas prices, and conservation and weather normalization provisions that reduce the volumetric impact on earnings;
- A conservative gas hedging strategy that typically encompasses more than 75% of Northwest Natural Gas Co.'s (NWN) expected volumes;
- Gas storage capacity for more than 50% of design peak demand and 15% of annual supply requirements;
- A fast-growing service territory with a primarily residential and commercial customer base;
- Access to three major gas supply basins; and
- A 10.2% authorized return on equity based on a 49.5% equity layer in the agreed upon capital structure

Weaknesses:

- NWN's PGA mechanism in Oregon requires it to absorb one-third of any excess gas costs;
- Interconnection with only one major pipeline, the Northwest Pipeline Corp., offset by the substantial operational flexibility at the pipeline; and
- Decreased customer acquisitions through electric-to-gas conversions due to higher gas prices.

Rationale

The ratings on Northwest Natural Gas Co. (NWN) reflect the company's excellent business profile of '1' (business profiles are categorized from '1' (excellent) to '10' (vulnerable)), which is among the strongest in the country, as well as a sustained strong financial performance, even after the completion of substantial capital expenditures and a history of volatile natural gas prices. Supportive regulation in Oregon, a conservative gas-price hedging policy, a high-growth service area with a predominantly residential customer base, and reliable gas supply underpin the utility's business profile.

The company's constructive relationship with the Oregon Public Utility Commission (OPUC) has resulted in supportive rate design and incentive programs. Northwest Natural has a purchased-gas adjustment tariff in Oregon under which 67% of any difference between actual gas costs and estimated costs (incorporated into rates) will be deferred and refunded or collected in customer rates in subsequent periods, providing protection against commodity price volatility. A conservation tariff insulates margins 100% from a fall in gas usage levels associated with customer conservation, while a weather-normalization tariff neutralizes 80% of the effect of varying weather patterns on a monthly basis. There are no volumetric decoupling mechanisms for Washington customers and about 9% of Oregon customers have opted out of the weather normalization mechanism. All of these measures stabilize margins.

NWN has a reliable supply of gas, attributable to the company's proximity to Canadian and Rocky Mountain gas, a portfolio of supply contracts of various tenors, and adequate pipeline capacity. Commodity price risk is further mitigated by an active natural gas hedging strategy, whereby the company hedges more than 75% of its annual gas supply. In addition, NWN has access to 14 billion cubic feet (bcf) in the Mist storage facility, of which 5 bcf is allocated to non-utility interstate storage business and 9 bcf is allocated to core customers. Mist storage plus additional underground and liquefied natural gas facilities owned by Northwest Pipeline Corp. provide capacity to serve 58% of design peak demand for a limited period. Through the company's underground storage facilities, 26% of peak demand could be served for up to a 30-day equivalent supply, and up to 13% of annual gas requirements can be stored during summer months. Mist capacity developed in advance of core utility requirements is used for the interstate storage business, a FERC-regulated business that provides steady margins. Tenaska Marketing performs optimization of retail storage assets under a profit-sharing agreement, which provides additional margins. Importantly, all commodity and liquidity risks arising from third-party optimization activities lie with the counterparty.

The non-utility gas storage business provided $6.0 million of net income for the year ended Dec. 31, 2006, versus $4.6 million from the same period a year ago due to increasing demand for gas storage services. The Mist site is one of only two underground storage sites in the Northwest. Under agreements with the OPUC and Washington Utilities and Transportation Commission (WUTC), NWN retains the majority of net income before taxes from interstate storage services, and credits the balance to its core utility customers. The utility shares with retail customers 20% of its before-tax profits from capacity developed in advance of core utility requirements. TransCanada's Gas Transmission Northwest (GTN) system and NWN are currently evaluating a new 220-mile project called Palomar Gas Transmission, which would connect GTN's main line, which runs from the Alberta, Canada to California, directly to NWN's system. If completed, this project would add increased gas supply flexibility, transport, and storage opportunities.

For the year end ended Dec. 31, 2006, Northwest Natural's customer base grew by 3.1% for a total customer base of 636,584; growth has averaged more than 3% annually for 20 consecutive years, well above average for the gas industry. A large proportion of recent customer growth has been generated by conversions from electric heating, which is expected to decrease due to less-competitive gas rates. Growth from new construction also remains strong, as new housing developments are permitted along the Portland metropolitan growth boundary.

Financial measures remain strong and stable. Fully adjusted funds from operations (FFO) to interest coverage and FFO to total debt for the year ended Dec. 31, 2006 were a strong 4.1x and 18.4%, respectively, and are expected remain near 4x and 20%. Adjusted debt to total capitalization was also strong at 54.6% after pension adjustments as of Dec. 31, 2006. A balanced capital structure is maintained through share repurchases. NWN's capital expenditures are averaging about $100 million per year, including utility and storage expansions and automatic meter reading. At this level of capital spending, the company maintains a net cash flow to capital expenditures of nearly 100% and generated $50.3 million in free operating cash flow after capital spending. Investments may increase significantly if the Palomar pipeline moves forward or if large storage projects are undertaken.

Short-term credit factors

NWN's 'A-1+' short-term rating principally reflects our continued expectations for very stable cash generation from the utility, small external funding requirements for capital expenditures, and the absence of significant, near-term debt maturities. The purchased-gas adjustment mechanism, conservative gas procurement policies, the conservation tariff, and the weather-normalization mechanisms provide significant insulation of the company's cash flows from gas price volatility, a fall in gas usage levels, and varying weather patterns. Weather tariffs are passed on immediately to customers with no lag. NWN has maintained very stable cash flows, even during the gas price volatility of the past four years in the western markets.

NWN does not historically maintain large cash and equivalent balances ($5.767 million as of Dec. 31, 2006), but relies instead on $200 million in bank lines that mature in September 2010 for its liquidity needs. The bank lines are used as backup for the company's CP program, which had $100.1 million outstanding as of Dec. 31, 2006. CP usage typically peaks in November or December, as gas inventory is purchased, reaching just over 50% of available credit, but the balance usually drops close to zero by the end of the heating season. The lines require a debt-to-capitalization ratio of less than 65%, a covenant that is easily satisfied. Northwest Natural has no material ratings-linked triggers.

Near-term debt maturities totaling $29.5 million due in 2007 will be refinanced. A $5 million note is due in 2008 and nothing is due in 2009. This, in addition to a stable dividend policy, allows for a significant portion of capital expenditures, to be funded through operating cash flows. Given the moderate size of capital expenditures, external funding requirements are small.

Outlook

The stable outlook reflects our expectation that NWN will maintain a financial performance consistent with the current rating level and will finance additional capital investments, to maintain an equity layer in the company's permanent capital structure, near 50%. The inability to sustain financial metrics or an excellent business risk profile consistent with the current rating level due to adverse business conditions at the utility or by increased non-utility activities may prompt a negative rating action.

Accounting

The financial statements of NWN are presented in accordance with U.S. GAAP and are audited by PriceWaterhouseCoopers LLP. The consolidated financial statements include the accounts of Northwest Natural Gas, the regulated gas distribution business, gas storage business, and a non-regulated wholly owned subsidiary, NNG Financial Corporation. NWN prepares its financial statements according to SFAS No. 71 "Accounting for Effects of Certain Types of Regulation." According to SFAS 71, certain costs and revenues are capitalized for recovery or refund in future periods.

The company records derivative transactions according to FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." NWN enters into derivative contracts to hedge physical supply risk. As a result, NWN does not recognize the changes in fair value of certain instruments on the balance sheet but books them as deferred regulatory assets or liabilities for recovery through customer rates. Contracts entered into for core customers are subject to the PGA incentive sharing mechanism, whereby 33% is recoded to the income statement. During the fourth quarter of 2006, the company entered into a number of financial derivatives after the PGA filing. The unrealized mark-to-market losses on these hedges totaled $9.5 million, of which $2.9 million was subject to sharing and was recorded as a loss, with the total unrealized loss of $43.2 million, which was mostly deferred.

Standard & Poor's has made adjustments to reported financial information and financial metrics to reflect pension and post-retirement obligations and operating leases. The market value of the assets in NWN's pension and post-retirement plans were lower than the projected benefit obligation by a total of $55.3 million as of Dec. 31, 2006. Standard & Poor's increased by $36 million debt to reflect unfunded pension obligations net of tax, as of Dec. 31, 2006. Standard & Poor's has imputed as a debt equivalent amount of about $37.9 million related to operating lease obligations as of Dec. 31, 2006.

Table 1

Northwest Natural Gas Co.—Peer Compa :ont.'d)

Industry Sector: REGULATED T&D

	—Average of past three fiscal years—

Table 1

Northwest Natural Gas Co.—Peer Comparison* (cont.'d)

	Northwest Natural Gas Co.	WGL Holdings Inc.	Piedmont Natural Gas Co. Inc.	Nicor Inc.
Rating as of April 23, 2007	AA-/Stable/A-1+	AA-/Negative/A-1	A/Stable/NR	AA/Negative/A-1+
(Mil. $)				
Revenues	877.1	2,304.6	1,738.5	3,019.2
Net income from cont. oper.	57.4	98.3	97.9	113.2
Funds from operations (FFO)	131.2	220.0	197.9	259.1
Capital expenditures (capex)	120.8	129.2	188.5	228.2
Cash and investments	6.1	5.3	7.8	69.1
Debt	712.9	948.8	927.1	1,138.6
Preferred stock	0.0	28.2	0.0	0.0
Common equity	557.8	709.5	841.3	750.5
Total capital	1,270.7	1,686.5	1,768.4	1,889.1
Adjusted ratios				
EBIT interest coverage (x)	3.3	4.4	4.0	3.8
FFO int. cov. (x)	4.2	5.6	4.6	5.2
FFO/debt (%)	18.4	23.2	21.3	22.8
Discretionary cash flow/debt (%)	(5.15)	0.6	(10.84)	3.2
Net cash flow/capex (%)	78.3	120.7	68.8	77.5
Debt/total capital (%)	56.1	56.3	52.4	60.3
Return on common equity (%)	9.9	11.2	11.4	14.2
Common dividend payout ratio (un-adj.) (%)	63.8	65.5	69.7	72.8

*Fully adjusted (including postretirement obligations).

Table 2

Northwest Natural Gas Co.—Financial Sum :ont.'d)

Industry Sector: REGULATED T&D

	—Fiscal year ended Dec. 31—				
	2006	2005	2004	2003	2002
Rating history	AA-/Stable/A-1+	A+/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. $)					
Revenues	1,013.2	910.5	707.6	611.2	641.4
Net income from continuing operations	63.4	58.1	50.6	46.0	43.8
FFO	132.8	126.3	134.6	102.3	122.4
Capex	96.3	100.7	165.3	126.9	80.0
Cash and investments	5.8	7.1	5.2	4.7	7.3
Debt	720.4	741.5	676.7	635.0	585.2
Preferred stock	0.0	0.0	0.0	0.0	8.3

Table 2

Northwest Natural Gas Co.—Financial Summary* (cont.'d)

Common equity	599.5	535.4	538.6	474.6	444.2
Total capital	1,320.0	1,276.9	1,215.3	1,109.5	1,037.7
Adjusted ratios					
EBIT interest coverage (x)	3.4	3.4	3.0	2.7	2.8
FFO int. cov. (x)	4.1	4.1	4.3	3.5	4.4
FFO/debt (%)	18.4	17.0	19.9	16.1	20.9
Discretionary cash flow/debt (%)	1.7	(3.99)	(13.70)	(8.52)	1.8
Net cash flow/capex (%)	98.1	89.2	60.2	54.6	109.7
Debt/total capital (%)	54.6	58.1	55.7	57.2	56.4
Return on common equity (%)	10.6	10.0	9.1	8.9	8.5
Common dividend payout ratio (un-adj.) (%)	60.4	62.6	69.4	71.4	77.1

*Fully adjusted (including postretirement obligations).

Table 3

Reconciliation Of Northwest Natural Gas Co. Reported Amounts With Standard & Poor's Adjusted Amounts*

Fiscal year ended Dec. 31, 2006; $ Mil.	**Debt**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Capital expenditures**
Northwest Natural Gas Co. reported amounts								
Reported	646.6	201.2	201.2	136.8	39.2	148.6	148.6	97.1
Standard & Poor's adjustments								
Operating leases	37.9	4.3	2.4	2.4	2.4	1.9	1.9	—
Postretirement benefit obligations	36.0	3.6	3.6	3.6	—	(3.06)	(3.06)	—
Capitalized interest	—	—	—	—	0.8	(0.80)	(0.80)	(0.80)
Share-based compensation expense	—	—	2.3	—	—	—	—	—
Reclassification of nonoperating income (expenses)	—	—	—	1.9	—	—	—	—
Reclassification of working-capital cash flow changes	—	—	—	—	—	—	(13.86)	—
Total adjustments	73.8	7.9	8.3	7.9	3.2	(2.0)	(15.8)	(0.8)
	Debt	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Capital expenditures**
Standard & Poor's adjusted amounts	720.4	209.1	209.5	144.7	42.4	146.6	132.8	96.3

Table 3

Reconciliation Of Northwest Natural Gas Co. Reported Amounts With Standard & Poor's Adjusted Amounts*

Fiscal year ended Dec. 31, 2006; $ Mil.	Debt	Operating income (before D&A)	Operating income (before D&A)	Operating income (after D&A)	Interest expense	Cash flow from operations	Cash flow from operations	Capital expenditures

*Northwest Natural Gas Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of 26-Apr-2 [redacted] ›nt.'d)

Northwest Natural Gas Co.	
Corporate Credit Rating	AA-/Stable/A-1+
Commercial Paper	
Local Currency	A-1+
Senior Secured	
Local Currency	AA-
Senior Unsecured	
Local Currency	A+

Corporate Credit Ratings History

28-Feb-2006	AA-/Stable/A-1+
04-Jan-2005	A+/Stable/A-1
25-Jul-2002	A/Stable/A-1

Debt Maturities

Year $ mil.
2007 29.5
2008 5.0
2009 0
2010 35.0
2011 10.0
Thereafter 467.5

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing **NORTHWEST PIPELINE GP'S APPLICATION FOR RECONSIDERATION OR REHEARING OF ORDER NO. 08-107 OR, IN THE ALTERNATIVE, PETITION FOR COMMISSION INVESTIGATION** by e-mail and/or mailing a copy thereof, to each party that has not waived paper service, in a sealed, first-class postage prepaid envelope, addressed to each party listed below and depositing in the US mail at Portland, Oregon.

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DATED this 22nd day of February, 2008.

TONKON TORP LLP

By ______________________________
DAVID F. WHITE, OSB No. 01138
Attorney for Northwest Pipeline GP

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