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April 11, 2006

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VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
PO Box 2148
Salem, OR 97308-2148

Re: Docket AR 499

Northwest Natural Gas Company ("NW Natural") submits a straw proposal addressing the treatment of expenses incurred between rate cases. NW Natural understands that Administrative Law Judge Kathryn A. Logan, in her Memorandum of March 9, 2006, invited straw proposals on the subject of "properly attributed." However, for NW Natural the issue of the treatment of earnings between rate cases is a crucial issue. Therefore, NW Natural submits the related straw proposal and requests that if the proposal is not addressed during the April 17, 2006 workshop, that a workshop opportunity be provided to address this important matter.

A copy of this filing has been served on all parties to this proceeding as indicated on the attached certificate of service.

Very truly yours,

A handwritten signature in cursive script that reads "Marcus Wood".

Marcus A. Wood

MW:knj

Enclosure

cc: Service List
Margaret Kirkpatrick

AR 499

**NW NATURAL GAS COMPANY'S STRAW PROPOSAL
EXPENSES BETWEEN RATE CASES (EARNINGS TEST)**

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to be adjusted in the direction, positive or negative, as needed to prevent either (a) overearnings combined with an SB 408 rate surcharge or (b) underearnings combined with an SB 408 refund. The earnings test and adjustment is not an adjustment to the SB 408 tax true-up, but instead is an adjustment for earnings excess or deficiency, to the extent needed to assure that the Commission's rate obligations are met.

In making the determination of the after-tax return on equity for the period in question, the Commission would apply as taxes paid in such period attributable to the regulated operations the same number as properly attributed under the permanent rule. For example, if the Commission determined for some reason that a tax deduction of a non-utility member of the Affiliated Group should be properly attributed to the regulated operations, the after-tax return on equity would have to be increased to reflect the benefit of such additional tax deduction. This treatment corresponds to what would happen if the same tax deduction was taken into account in a general rate proceeding.

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in Docket AR 499 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: April 11, 2006.



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