

Rates and Regulatory Affairs
Facsimile: 503.721.2516



January 14, 2009

VIA ELECTRONIC FILING

PUC Filing Center
Public Utility Commission of Oregon
550 Capitol Street, NE, Suite 215
PO Box 2148
Salem, Oregon 97308-2148

**Re: Docket No. UG 170
Adjustments to Customer rates for results of 2008 Tax Report**

Northwest Natural Gas Company d.b.a. NW Natural (NW Natural or Company) files this letter for the purpose of identifying the manner in which the Company proposes to adjust customer rates for the effects of the 2008 Tax Report findings that relate to the 2007 tax period.

Schedule 161 "Automatic Adjustment for Utility Income Tax" demonstrates the impact of NW Natural's SB 408 filing. However, the Company proposes to off-set the SB 408 surcharge with an Interstate Storage Credit that will be determined prior to the June 1, 2009 effective date of Schedule 161. For this reason, NW Natural is requesting the surcharge be subsumed in a one-time adjustment for June of 2009 per the terms stated in Schedule 161. This is the same approach adopted in the previous year for the 2007 Tax Report findings.

Enclosed is a draft Schedule 161 stated to become effective on and after June 1, 2009 that reflects the estimated rate impact per rate schedule. The worksheet supporting these changes is also enclosed.

Please call me at (503) 226-4211, extension 3586 if you have any questions.

Sincerely,

/s/ Onita King

Onita King
Regulatory Affairs

Enclosures
cc: Service List

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

Second Revision of Sheet 161-1
Cancels First Revision of Sheet 161-1

SCHEDULE 161 AUTOMATIC ADJUSTMENT FOR UTILITY INCOME TAX

PURPOSE

This schedule implements an automatic adjustment clause required by ORS 767.268 and implemented by the Commission in OAR 860-022-0041, to recognize rate differences between the amount of income taxes paid to units of government that is properly attributed to the regulated operations of the Company and the amount of income taxes collected through the Company's approved Base Rates.

BALANCING ACCOUNT

A balancing account will be maintained to accrue any differences between the amount of income taxes included in current Base Rates and the amount of taxes actually paid to units of government. The balancing account will accrue interest at the rate approved by the Commission.

APPLICABLE:

The adjustment shall apply to customers taking service under the following Rate Schedules of this Tariff:

Schedule 1	Schedule 3 (all)	Schedule 31 (all)	Schedule 33
Schedule 2	Schedule 19 (all)	Schedule 32 (all)	Schedule 54

APPLICATION TO RATE SCHEDULES:

A one time bill adjustment will apply to customer bills issued on and after June 1 of each calendar year, or such other date as the Commission may approve, and will continue through each billing cycle during the effective month until all cycles have billed.

The one time bill adjustment to be applied to all active customer account bills during the stated Effective Month will be calculated by multiplying the following rate per therm by each customer's actual gas usage billed during the applicable tax year.

Effective Month: June 1, 2009 Applicable Tax Year: 2007

Schedule	Block	Per Therm Adjustment
1R		\$0.01875
1C		\$0.01400
2		\$0.01256
3 (CSF)		\$0.00885
3 (ISF)		\$0.00746
19		\$0.00

(continue to Sheet 161-2)

Issued _____
NWN Advice No. OPUC 09-____

Effective with service on
and after June 1, 2009

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

First Revision of Sheet 161-2
Cancels Original Sheet 161-2**SCHEDULE 161
AUTOMATIC ADJUSTMENT FOR UTILITY INCOME TAX
(continued)****APPLICATION TO RATE SCHEDULES: (continued)**

Effective Month: June 1, 2009 Applicable Tax Year: 2007

Schedule	Block	Per Therm Adjustment	Schedule	Block	Per Therm Adjustment
31CSF	Block 1	\$0.00617	32FT	Block 1	\$0.00268
	Block 2	\$0.00563		Block 2	\$0.00228
31CSI	Block 1	\$0.00429		Block 3	\$0.00161
	Block 2	\$0.00391		Block 4	\$0.00094
31ISF	Block 1	\$0.00504		Block 5	\$0.00054
	Block 2	\$0.00455		Block 6	\$0.00027
31ISI	Block 1	\$0.00508	32IT	Block 1	\$0.00253
	Block 2	\$0.00459		Block 2	\$0.00215
31CFT	Block 1	\$0.00524		Block 3	\$0.00152
	Block 2	\$0.00478		Block 4	\$0.00089
31IFT	Block 1	\$0.00482		Block 5	\$0.00051
	Block 2	\$0.00436		Block 6	\$0.00025
32CSF	Block 1	\$0.00315	33 (all) 54		\$0.00015
	Block 2	\$0.00268			\$0.01175
	Block 3	\$0.00189			
	Block 4	\$0.00110			
	Block 5	\$0.00063			
	Block 6	\$0.00032			
32ISF	Block 1	\$0.00295			
	Block 2	\$0.00251			
	Block 3	\$0.00177			
	Block 4	\$0.00103			
	Block 5	\$0.00059			
	Block 6	\$0.00030			

PRIOR YEAR BALANCES:

The Company will include any remaining balance from the prior year's adjustment in the calculation of the current year's adjustment.

GENERAL TERMS:

This Schedule is governed by the terms of this Schedule, the General Rules and Regulations contained in this Tariff and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

Issued _____
NWN Advice No. OPUC 09-____

Effective with service on
and after June 1, 2009

NW Natural
 Rates & Regulatory Affairs
 Draft rates for SB408 2007 Tax Year Surcharge
 Calculation of Increments Allocated on the EQUAL PERCENTAGE OF MARGIN BASIS

											SB408 2007 Tax Year						
											Proposed Amount:	6,440,088	Temporary Increment				
											Revenue Sensitive Multiplier:	N/A rev sensitive factor is built in			Average	Average	SB408
											Amount to Amortize:	6,440,088	to all classes and schedules	Annual Bill	Bill per	% increase	
														Effect	Advice 08-10		
Schedule	Block	A	B	C	D	E=B-C-D	F = E * A	G	H	I		Multiplier	Allocation to RS	Increment	M	N	O
1R		706,164	1.29228	0.82939	(0.04520)	0.50809	358,795	\$5.00	3,682	579,715	1.0	13,239	0.01875	\$3.60	\$26.86	13.4%	
1C		84,708	1.25248	0.82939	(0.06131)	0.48440	41,033	\$5.00	182	51,953	1.0	1,186	0.01400	\$6.52	\$64.46	10.1%	
2R		337,607,012	1.22449	0.82939	(0.04454)	0.43964	148,425,547	\$6.00	516,536	185,616,139	1.0	4,238,892	0.01256	\$8.21	\$84.06	9.8%	
3C Firm Sales		146,344,457	1.12149	0.82939	(0.06003)	0.35213	51,532,274	\$8.00	54,214	56,736,818	1.0	1,295,691	0.00885	\$23.89	\$299.50	8.0%	
Intentionally blank		0							0								
3I Firm Sales		4,657,559	1.09951	0.82939	(0.05112)	0.32124	1,496,194	\$8.00	273	1,522,402	1.0	34,767	0.00746	\$127.27	\$2,226.50	5.7%	
Intentionally blank		0							0								
19	1st mantle	23,481	20.60	15.84	(0.91)	5.67	5,025	\$22.04	19	5,025	1.0	115	0.00	\$0.00	\$23.33		
19	add'l mls	0					0	\$21.43								\$22.72	
31C Firm Sales	Block 1	24,097,712	0.83739	0.70805	(0.05845)	0.18779	10,835,258	\$325.00	1,219	15,589,358	1.0	356,012	0.00617	\$292.03	\$4,389.68	6.7%	
	Block 2	36,820,615	0.82114	0.70805	(0.05828)	0.17137					1.0		0.00563				
31C Firm Trans	Block 1	0	0.17742	0.00000	(0.01037)	0.18779	0	\$325.00	0	0	1.0	0	0.00524				
	Block 2	0	0.16117	0.00000	(0.01020)	0.17137					1.0		0.00478				
31C Interr Sales	Block 1	54,749	0.83945	0.70805	(0.05639)	0.18779	65,534	\$325.00	0	65,534	1.0	1,497	0.00429				
	Block 2	322,420	0.82320	0.70805	(0.05622)	0.17137					1.0		0.00391				
31I Firm Sales	Block 1	5,667,346	0.82863	0.70805	(0.04966)	0.17024	3,647,217	\$325.00	277	4,727,517	1.0	107,962	0.00504	\$389.55	\$7,054.51	5.5%	
	Block 2	17,437,485	0.81238	0.70805	(0.04950)	0.15383					1.0		0.00455				
31I Firm Trans	Block 1	55,207	0.16866	0.00000	(0.00158)	0.17024	48,610	\$325.00	3	60,310	1.0	1,377	0.00482	\$459.16	\$1,593.99	28.8%	
	Block 2	254,904	0.15241	0.00000	(0.00142)	0.15383					1.0		0.00436				
31I Interr Sales	Block 1	305,731	0.83069	0.70805	(0.04760)	0.17024	240,827	\$325.00	19	314,927	1.0	7,192	0.00508	\$378.21	\$2,849.71	13.3%	
	Block 2	1,227,197	0.81444	0.70805	(0.04744)	0.15383					1.0		0.00459				
32C Firm Sales	Block 1	4,156,991	0.76046	0.70805	(0.04905)	0.10146	943,599	\$675.00	42	1,283,799	1.0	29,318	0.00315	\$697.80	\$17,574.93	4.0%	
	Block 2	4,852,645	0.74536	0.70805	(0.04892)	0.08623					1.0		0.00268				
	Block 3	1,441,812	0.72028	0.70805	(0.04866)	0.06089					1.0		0.00189				
	Block 4	439,043	0.69516	0.70805	(0.04841)	0.03552					1.0		0.00110				
	Block 5	0	0.68008	0.70805	(0.04827)	0.02030					1.0		0.00063				
	Block 6	0	0.67004	0.70805	(0.04817)	0.01016					1.0		0.00032				
32I Firm Sales	Block 1	4,773,422	0.76052	0.70805	(0.04899)	0.10146	1,420,419	\$675.00	48	1,809,219	1.0	41,317	0.00295	\$860.58	\$17,378.08	5.0%	
	Block 2	7,077,222	0.74542	0.70805	(0.04886)	0.08623					1.0		0.00251				
	Block 3	3,064,008	0.72034	0.70805	(0.04860)	0.06089					1.0		0.00177				
	Block 4	3,758,939	0.69522	0.70805	(0.04835)	0.03552					1.0		0.00103				
	Block 5	283,421	0.68014	0.70805	(0.04821)	0.02030					1.0		0.00059				
	Block 6	0	0.67010	0.70805	(0.04811)	0.01016					1.0		0.00030				
32 Firm Trans	Block 1	4,466,458	0.10055	0.00000	(0.00091)	0.10146	2,121,813	\$675.00	41	2,453,913	1.0	56,040	0.00268	\$1,369.44	\$5,630.62	24.3%	
	Block 2	7,399,768	0.08545	0.00000	(0.00078)	0.08623					1.0		0.00228				
	Block 3	4,960,384	0.06037	0.00000	(0.00052)	0.06089					1.0		0.00161				
	Block 4	12,342,928	0.03525	0.00000	(0.00027)	0.03552					1.0		0.00094				
	Block 5	14,283,993	0.02017	0.00000	(0.00013)	0.02030					1.0		0.00054				
	Block 6	13,816	0.01013	0.00000	(0.00003)	0.01016					1.0		0.00027				
32 Interr Sales	Block 1	15,209,787	0.76258	0.70805	(0.04693)	0.10146	5,024,764	\$675.00	153	6,264,064	1.0	143,052	0.00289	\$934.10	\$43,538.57	2.1%	
	Block 2	21,861,511	0.74748	0.70805	(0.04680)	0.08623					1.0		0.00245				
	Block 3	12,072,464	0.72240	0.70805	(0.04654)	0.06089					1.0		0.00173				
	Block 4	19,783,663	0.69728	0.70805	(0.04629)	0.03552					1.0		0.00101				
	Block 5	7,815,432	0.68220	0.70805	(0.04615)	0.02030					1.0		0.00058				
	Block 6	0	0.67216	0.70805	(0.04605)	0.01016					1.0		0.00029				
32 Interr Trans	Block 1	5,392,146	0.10055	0.00000	(0.00091)	0.10146	4,502,038	\$675.00	52	4,923,238	1.0	112,431	0.00253	\$2,159.17	\$10,200.94	21.2%	
	Block 2	9,754,561	0.08545	0.00000	(0.00078)	0.08623					1.0		0.00215				
	Block 3	7,292,207	0.06037	0.00000	(0.00052)	0.06089					1.0		0.00152				
	Block 4	23,110,780	0.03525	0.00000	(0.00027)	0.03552					1.0		0.00089				
	Block 5	49,093,438	0.02017	0.00000	(0.00013)	0.02030					1.0		0.00051				
	Block 6	83,887,920	0.01013	0.00000	(0.00003)	0.01016					1.0		0.00025				
54		0	1.19829	0.82939	(0.05214)	0.42104	0	\$0.00	0	0	1.0	0	0.01175				
33		0	0.00545	0.00000	(0.00005)	0.00550	0	\$38,000.00	0	0	1.0	0	0.00015		\$38,000.00		
TOTALS		904,255,506					230,708,947			282,003,931		282,003,931	6,440,088				

Note: Allocation to rate schedules or blocks with zero volumes is calculated on an overall margin percentage change basis.
 * Since Billing Rates for all schedules above 31 do not include demand, column c for those schedules is WACOG only



CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of January, 2009, I served the foregoing NORTHWEST NATURAL'S ADJUSTMENTS TO CUSTOMER RATES FOR RESULTS OF 2008 TAX REPORT IN Docket No. UG 170 upon each party listed below by electronic mail and, where paper service is not waived, by first-class U.S. mail, postage prepaid.

/s/ Kelley C. Miller
Kelley C. Miller, Staff Assistant
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
1.503.226.4211, extension 3589

OPUC DOCKET NO. UG 170

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