

Rates and Regulatory Affairs
Facsimile: 503.721.2532



September 5, 2006

NWN Advice No. OPUC 06-15

VIA ELECTRONIC FILING

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

Attn: Filing Center

**Re: Schedule P "Purchased Gas Cost Adjustments"
LSN Application Enclosed**

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or the "Company"), files herewith revisions to its Tariff, P.U.C. Or. 24, stated to become effective with service on and after October 1, 2006.

Third Revision of Sheet P-1,
Schedule P,
"Purchased Gas Cost Adjustments";

Third Revision of Sheet P-2,
Schedule P,
"Purchased Gas Cost Adjustments (continued)";

Third Revision of Sheet P-3,
Schedule P,
"Purchased Gas Cost Adjustments (continued)";

Sixth Revision of Sheet P-4,
Schedule P,
"Purchased Gas Cost Adjustments (continued)"; and

Original Sheet P-5,
Schedule P,
"Purchased Gas Cost Adjustments (continued)".

The purpose of this filing is implement changes to Schedule P to address the manner in which the PGA deferral calculations will be made for the month of October 2006, pursuant to discussions with OPUC Staff.

The Company requests that the tariff sheets filed herewith be permitted to become effective with service on and after October 1, 2006.

Copies of this letter and the filing made herewith are available in the Company's main and district offices in Oregon.

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

Kelley C. Miller, Staff Assistant
Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2532
Telephone: (503) 226-4211, ext. 3589

Sincerely,

NW NATURAL

/s/ Onita King

Onita R. King, Manager
Tariffs and Regulatory Compliance

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

550 CAPITOL ST NE STE 215

SALEM, OR 97301-2551

IN THE MATTER OF THE APPLICATION OF)
NW NATURAL)
)
TO WAIVE STATUTORY NOTICE.)
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UTILITY L.S.N. APPLICATION

NO. _____

NOTE: ATTACH EXHIBIT IF SPACE IS INSUFFICIENT

1. GENERAL DESCRIPTION OF THE PROPOSED SCHEDULE(S) ADDITION, DELETION OF CHANGE. (SCHEDULE INCLUDES ALL RATES, TOLLS AND CHARGES FOR SERVICE AND ALL RULES AND REGULATIONS AFFECTING THE SAME)

This filing implements changes to Schedule P to address the manner in which the PGA deferral calculations will be made for the month of October 2006, pursuant to discussions with OPUC Staff.

2. APPLICANT DESIRES TO CHANGE THE SCHEDULE(S) NOW ON FILE KNOWN AND DESIGNATED AS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

NWN Tariff P.U.C. Or. 24: 2nd Rev. of Sheet P-1; 2nd Rev. of Sheet P-2; 2nd Rev. of Sheet P-3, and; Fifth Rev. of Sheet P-4.

3. THE PROPOSED SCHEDULE(S) SHALL BE AS FOLLOWS: (INSERT SCHEDULE REFERENCE BY NUMBER, PAGE, AND ITEM)

NWN Tariff P.U.C. Or. 24: 3rd Rev. of Sheet P-1; 3rd Rev. of Sheet P-2; 3rd Rev. of Sheet P-3; 6th Rev. of Sheet P-4, and; Original Sheet P-5.

4. REASONS FOR REQUESTING A WAIVER OF STATUTORY NOTICE:

A waiver of statutory notice is requested to allow these proposed changes to become effective on October 1, 2006, pursuant to discussions with Staff.

5. REQUESTED EFFECTIVE DATE OF THE NEW SCHEDULE(S) OR CHANGES(S) OCTOBER 1, 2006

6. AUTHORIZED SIGNATURE:	TITLE	DATE
/s/ Onita King	Manager, Tariffs & Regulatory Compliance	09/05/06

PUC USE ONLY	
<input type="checkbox"/> APPROVED	<input type="checkbox"/> DENIED
EFFECTIVE DATE OF APPROVED SCHEDULE(S) OR CHANGE	

AUTHORIZED SIGNATURE:	DATE

NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

Third Revision of Sheet P-1
Cancels Second Revision of Sheet P-1

SCHEDULE P PURCHASED GAS COST ADJUSTMENTS

APPLICABILITY:

This schedule applies to all schedules for natural gas Sales Service within the entire territory served by the Company in the State of Oregon. The definitions and provisions described herein shall establish the natural gas costs for Purchased Gas Adjustment (PGA) deferral purposes on a monthly basis.

PURPOSE:

The purpose of this schedule is to allow the Company, on established Adjustment Dates, to adjust rate schedules for changes in the cost of gas purchased in accordance with the rate adjustment provisions described herein.

This Schedule is an "automatic adjustment clause" as defined in *ORS 757.210(2003)*, and is subject to the customer notification requirements as described in OAR 860-022-0017.

DEFINITIONS:

1. **Actual Commodity Cost:** The natural gas supply costs for commodity actually paid for the month, including Financial Transactions, fuel use, and distribution system lost and unaccounted for natural gas (LUGF) plus Gas Storage Facilities withdrawals, plus or minus the cost of natural gas associated with pipeline imbalances, plus propane costs, plus odorization charges, if applicable, less Net Commodity Off-System Sales Revenues received during the month, plus actual Variable Transportation Costs, plus commodity-related reservation charges, less all transportation demand charges embedded in commodity costs.
2. **Net Commodity Off-System Sales Revenues:** Revenues received from the sale of natural gas to a party other than the Company's Oregon Sales Service customers less costs associated with the sales transactions.
3. **Variable Transportation Costs:** Variable transportation costs, including Pipeline volumetric charges, and other variable costs related to volumes of commodity delivered to Sales Service customers.
4. **Actual Non-Commodity Cost:** Actual Non-Commodity gas costs shall be equal to actual Demand Costs, less actual Capacity Release Benefits, plus or minus actual Pipeline refunds or surcharges.
5. **Demand Costs:** Fixed monthly Pipeline costs and other demand-related natural gas costs such as capacity reservation charges, plus any transportation demand charges embedded in commodity costs.
6. **Capacity Release Benefits:** This component includes revenues associated with pipeline capacity releases. The benefits to customers, through the monthly PGA deferrals, shall be 100% of the capacity release revenues up to the full Pipeline rate, and 80% of the capacity release revenues exceeding amounts reflecting full pipeline rates through the process of segmentation. Capacity release revenues shall be quantified on a transaction-by-transaction basis.

(continue to Sheet P-2)

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NORTHWEST NATURAL GAS COMPANY

P.U.C. Or. 24

Third Revision of Sheet P-2
Cancels Second Revision of Sheet P-2

SCHEDULE P PURCHASED GAS COST ADJUSTMENTS (continued)

DEFINITIONS (continued):

7. Estimated Annual Sales Weighted Average Cost of Gas (Annual Sales WACOG):
The estimated October 2006 WACOG is set at the company's WACOG for the period October 1, 2005, through September 30, 2006. This WACOG does not include any revenue-sensitive factors.

The Estimated October WACOG per therm is: **\$0.71395**
8. Estimated Annual Non-Commodity Cost: Estimated Annual Non-Commodity Costs shall be equal to estimated annual Demand Costs, less estimated annual Capacity Release Benefits, plus or minus estimated annual pipeline refunds or surcharges.
9. Estimated Non-Commodity Cost per Therm – Firm Sales Service: The portion of the Estimated annual Non-Commodity Cost applicable to Firm Sales Service divided by last year's (i.e., July 1 – June 30) actual Firm Sales Service volumes, weather normalized. Effective October 1, 2006, the Estimated Non-Commodity Cost per Therm – Firm Sales Service is: **\$0.09196**
10. Estimated Non-Commodity Cost per Therm – Interruptible Sales Service: The portion of the Estimated annual Non-Commodity Cost applicable to Interruptible Sales Service divided by last year's (i.e., July 1 – June 30) actual Interruptible Sales Service volumes, weather-normalized. Effective October 1, 2006, the Estimated Non-Commodity Cost per Therm – Interruptible Sales Service is: **\$0.01094**
11. Estimated Non-Commodity Cost per Therm – MDDV Based Sales Service: The portion of the Estimated annual Non-Commodity Cost applicable to MDDV Based Sales Service. Effective October 1, 2006, the Estimated Non-Commodity Cost per Therm - MDDV Based Sales Service is: **\$1.37**

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SCHEDULE P
PURCHASED GAS COST ADJUSTMENTS
(continued)

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DEFINITIONS (continued):

12. Actual Monthly Firm Sales Service Volumes: The total actual monthly billed Firm Sales Service therms, excluding MDDV based volumes, adjusted for estimated unbilled Firm Sales Service therms.
13. Actual Monthly Interruptible Sales Service Volumes: The total actual monthly billed Interruptible Sales Service therms, adjusted for estimated unbilled Interruptible Sales Service therms.
14. Actual Monthly MDDV Based Firm Sales Service Volumes: The total actual monthly billed Firm Sales Service Volumes for Rate Schedule 31 and Rate Schedule 32 customers billed under the Firm Pipeline Capacity Charge - Peak Demand option, adjusted for estimated unbilled MDDV Firm Sales Service Volumes.
15. Embedded Commodity Cost: The Estimated Annual Sales WACOG multiplied by the Total of the Actual Monthly Firm and Interruptible Sales Service Volumes.
16. Embedded Non-Commodity Cost – Firm Sales Service: The Estimated Non-Commodity Cost per Therm - Firm Sales Service multiplied by the Actual Monthly Firm Sales Service Volumes.
17. Embedded Non-Commodity Cost – Interruptible Sales Service: The Estimated Non-Commodity Cost per Therm – Interruptible Sales Service multiplied by the Actual Monthly Interruptible Sales Service Volumes.
18. Embedded Non-Commodity Cost – MDDV Based Sales Service: The Estimated Non-Commodity Cost per Therm – MDDV Based Firm Sales Service multiplied by the Actual Monthly MDDV Sales Service Volumes.
19. Financial Transactions: Cost of Financial Transactions related to gas supply, including but not limited to, hedges, swaps, puts, calls, options and collars that are exercised to provide price stability/control or supply reliability for sales service customers.
20. Gas Storage Facilities: The cost of natural gas for injections shall be the actual cost of purchasing gas for storage and the cost of injection of the gas into the storage facility. Withdrawals of natural gas shall be valued at the weighted average cost of gas in the facility plus any variable withdrawal costs. Only the cost of natural gas withdrawn from Gas Storage Facilities will be included in the Actual Commodity Cost, as defined herein.
21. Seasonalized Fixed Charges: The projected monthly non-Commodity costs of gas recovery, calculated by multiplying the Embedded Non-Commodity Costs by Oregon normalized sales.

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(continue to Sheet P-4)

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**SCHEDULE P
PURCHASED GAS COST ADJUSTMENTS
(continued)**

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CALCULATION OF MONTHLY GAS COSTS FOR DEFERRAL PURPOSES:

The Company shall maintain a PGA Balancing Account as a sub-account of Account 191. Monthly entries into this sub-account shall be made to reflect differences between: 1) the monthly Actual Embedded Commodity Cost. 2) the Actual Non-Commodity Cost and the monthly portion of Estimated Non-Commodity Cost and, 3) the Embedded Non-Commodity Cost and monthly Seasonalized Fixed Charges. The entries shall be calculated each month as follows:

1. A debit or credit entry shall be made equal to 100% of the difference between the Actual Non-Commodity Cost and the Estimated Non-Commodity Cost, net of revenue sensitive effects.
2. A debit or credit entry shall be made equal to 100% of any monthly difference between Embedded Non-Commodity Costs and Monthly Seasonalized Fixed Charges. The monthly Seasonalized Fixed Charges for the period December 1, 2005 through November 30, 2006 are:

December 2005	\$9,262,594
January 2006	\$9,332,496
February	\$7,414,615
March	\$6,357,898
April	\$4,799,830
May	\$3,382,276
June	\$2,234,597
July	\$1,893,709
August	\$1,893,343
September	\$2,091,984
October	\$3,835,580
November	<u>\$6,754,373</u>
ANNUAL TOTAL	<u>\$59,253,295</u>

3. A debit or credit entry shall be made equal to 100% of the difference between the Actual Commodity Cost and the Embedded Commodity Cost.
4. Monthly differentials shall be deemed to be positive if actual costs exceed embedded costs and to be negative if actual costs fall below embedded costs.
5. The cost differential entries shall be debited to the PGA Balancing Account if positive, and credited to the PGA Balancing Account if negative.
6. Interest - The Company shall not compute interest on the deferrals accrued during October 2006, until amortization begins November 1, 2007. The Company shall computed interest on existing deferred balances on a monthly basis using the interest rate(s) approved by the Commission.

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SCHEDULE P
PURCHASED GAS COST ADJUSTMENTS
(continued)

AMORTIZATION OF PGA BALANCING ACCOUNT DEFERRALS:

The Account 191 sub-account balances shall be amortized over the twelve (12) month period commencing with the November 1 adjustment date or such other time period acceptable to the Company and the Commission. The amount of amortization for the PGA Balancing Accounts shall consist of an amount necessary to recover or return the amount accumulated in the sub-accounts and other other deferral accounts.

ADJUSTMENT DATES:

The Adjustment Date shall be November 1 of each year for changes in annual Commodity Costs. The Company may file out-of-cycle PGA adjustments to be effective at times other than November 1 of each year, if the Company's annual Actual Commodity Costs and Actual Non-commodity Costs differs from the sum of the annual Embedded Commodity Costs and Embedded Non-Commodity Costs by ten percent (10%) or more, or for such other reasons and on such terms as the Commission may approve.

TIME AND MANNER OF FILING:

Applications will be made to the Commission not less than sixty (60) days in advance of the requested effective date.

AMOUNT OF ADJUSTMENT:

The amount of adjustment to be made to customers' rates effective on each November 1 adjustment date shall consist of the sum of the changes in the Embedded Commodity Cost and Non-Commodity Cost and the change in amortization rates of the PGA Balancing Accounts, as well as other deferral accounts as the Commission may approve.

GENERAL TERMS:

Service under this Rate Schedule is governed by the terms of this Rate Schedule, the General Rules and Regulations contained in this Tariff, any other schedules that by their terms or by the terms of this Rate Schedule apply to service under this Rate Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

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