

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 170(3)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

SB 408 Tax Report for Calendar Year 2008.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In this order, the Public Utility Commission of Oregon (Commission) approves a stipulation that resolves all issues related to the tax report for calendar year 2008 (2008 Tax Report) filed by Northwest Natural Gas Company, dba NW Natural (NW Natural), in compliance with Senate Bill 408 (SB 408). The stipulation authorizes NW Natural to surcharge customers an additional \$206,907 for state and federal taxes, plus an estimated \$3,728 in accrued interest. The stipulation also authorizes NW Natural to refund to customers \$457,937 in local taxes, plus an estimated \$5,101 in accrued interest. Both the surcharge and the refund will be amortized over one year beginning June 1, 2010.

SB 408, primarily codified at ORS 757.268, requires utilities to true-up any differences between income taxes authorized to be collected in rates from customers and income taxes actually paid to units of government that are “properly attributed” to utilities’ regulated operations.¹ Utilities must make annual tax filings reporting these amounts on October 15 of each year. If amounts collected and amounts paid differ by \$100,000 or more, then the Commission must order the utility to establish an automatic adjustment clause to account for the difference, with a rate adjustment effective June 1 of each year.²

¹ ORS 757.268(4).

² See ORS 757.268(4), (6)(a); OAR 860-022-0041(8).

II. PROCEDURAL HISTORY

On October 15, 2009, NW Natural filed its 2008 Tax Report as required by ORS 757.268.³ On November 5, 2009, the Commission held a prehearing conference and adopted a procedural schedule. Commission Staff (Staff) convened a workshop on November 17, 2009, and a settlement conference on December 1, 2009. Staff, NW Natural, the Citizens Utility Board of Oregon (CUB), and the Northwest Industrial Gas Users (NWIGU) participated in settlement negotiations.

NW Natural, Staff, CUB, and NWIGU (collectively the “Stipulating Parties”) submitted a Stipulation and Joint Testimony in Support of Stipulation (Joint Testimony) on January 25, 2010. The Stipulation and Joint Testimony are admitted into evidence under OAR 860-014-0085. The Stipulation is attached as Appendix A.

III. DISCUSSION

NW Natural’s 2008 Tax Report reflected a difference of approximately \$191,194 in state and federal taxes paid above taxes authorized to be collected in rates. NW Natural also reported that it collected approximately \$383,941 less in local taxes in rates than it paid to units of government.

In response to concerns raised by Staff, NW Natural filed a revised 2008 Tax Report, attached to the Stipulation as Exhibit A. The revised report decreased the total state and federal SB 408 surcharge by \$12,489, and increased the local tax refund by approximately \$11,500.

The Stipulation resolves all issues related to NW Natural’s 2008 Tax Report. The Stipulating Parties agree that the revised 2008 Tax Report complies with SB 408 and OAR 860-022-0041, and that the 2008 SB 408 tax surcharge amount for state and federal taxes should be \$206,907, plus an estimated \$3,728 in interest accruing during amortization. The Stipulating Parties also agree that the 2008 refund for local taxes should be \$457,937, plus an estimated \$5,101 in interest accruing during amortization. Under the terms of the Stipulation, the 2008 SB 408 surcharge for state and federal taxes and the refund for local taxes will be collected over a 12-month period through Schedule 161, NW Natural’s Income Tax Adjustment tariff, a copy of which is attached as Exhibit B to the Stipulation.

IV. CONCLUSION

The Commission encourages parties to a proceeding to voluntarily resolve issues to the extent that settlement is in the public interest. The active parties to this docket entered into a Stipulation that resolves all outstanding issues. No party has filed an objection to the Stipulation.

³ NW Natural’s 2008 Tax Report (Oct 15, 2009) and Staff’s Issues List (Dec 18, 2009) are admitted into evidence and made part of the record in this docket.


The Commission has examined the Stipulation and the Joint Testimony. We conclude that rates reflecting the refund authorized by the Stipulation are fair, just, and reasonable. We therefore adopt the Stipulation in its entirety.

V. ORDER

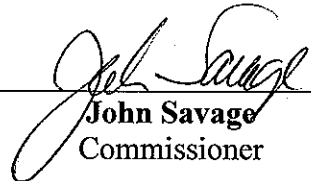
IT IS ORDERED that:

1. The Stipulation attached as Appendix A is adopted.
2. Northwest Natural Gas Company, dba NW Natural, must file an updated Schedule 161 with a June 1, 2010 effective date as set forth in the Stipulation.


Made, entered, and effective APR 06 2010



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UG 170(3)

In the Matter of:

NORTHWEST NATURAL

Filing of tariffs establishing automatic
adjustment clauses under the terms of
SB 408

STIPULATION

This Stipulation resolves all issues among the parties to this Stipulation related to Northwest Natural's 2008 Tax Report, filed in UG 170(3) pursuant to Senate Bill 408 ("SB 408"). SB 408 is codified in ORS 757.267, 757.268 and 757.210 and implemented by the Commission in OAR 860-022-0041.

PARTIES

1. The parties to this Stipulation are Staff of the Public Utility Commission of Oregon ("Staff"), Northwest Natural (NWN or the "Company"), the Citizens' Utility Board of Oregon (CUB) and the Northwest Industrial Gas Users (NWIGU) (together, the "Parties").

BACKGROUND

2. SB 408 requires certain Oregon public utilities to file an annual Tax Report with the Public Utility Commission of Oregon ("Commission") that provides information on: (1) the amount of taxes paid by the utility to units of government or that was paid by an affiliated group and that is properly attributed to the utility's regulated operations; and (2) the amount of taxes authorized to be collected in rates. ORS 757.268(1). The law requires the Commission to review the Tax Report to determine whether the amount of taxes paid differs from the amount of taxes authorized to be collected in rates by more than \$100,000. ORS 757.268(4); ORS 757.268(13)(f); OAR 860-022-0041(2)(q) & (r). If so, the Commission must require the public utility to establish an automatic adjustment clause to account for the difference. ORS

1 757.268(4). The Commission must complete its review of the Tax Report and order an
2 automatic adjustment clause ("AAC") if necessary within 180 days after the Tax Report is filed.
3 Any rate adjustment must be calculated to amortize the difference determined by the
4 Commission over a period authorized by the Commission. ORS 757.268(4); OAR 860-022-
5 0041(7) & (8).

6 3. As required by SB 408, on October 15, 2009, NWN filed its Tax Report for
7 calendar year 2008 ("2008 Tax Report"). NWN's 2008 Tax Report reflected a difference of
8 approximately \$191,194 of state and federal taxes paid above taxes authorized to be collected
9 in rates. Additionally, NWN reported that it collected approximately \$383,941 less in local
10 taxes in rates than it paid to units of government.

11 4. Under SB 408, these differences, plus interest, are to be collected/refunded as a
12 surcharge/credit through an AAC. ORS 757.268(6) and OAR 860-022-0041(8)(c). NWN
13 proposed to recover the 2008 SB 408 state and federal tax surcharge of \$191,194, through
14 Schedule 161, in a one-time adjustment. The Commission has discretion to set the
15 amortization period for a refund or surcharge under the AAC. OAR 860-022-0041(8)(e).

16 5. In *Re NWN's Automatic Adjustment Clause under SB 408*, Order No. 09-128, UG
17 170(2), the Commission approved a surcharge related to NWN's 2007 Tax Report of
18 approximately \$5.5 million, for a one-time surcharge collected in June of 2009.

19 6. The proposed surcharge was allocated by customer rate schedule on an equal
20 percentage of margin basis, as required by OAR 860-022-0041(8)(d).

21 7. The Commission held a prehearing conference on November 5, 2009, at which
22 Administrative Law Judge Grant adopted a full procedural schedule for this docket, including
23 testimony, a hearing, and briefing.

24 8. Staff convened a workshop on November 17, 2009, and another settlement
25 conference on December 1, 2009. The meetings were noticed to all parties of the docket,
26

1 Staff, NWN, CUB, and NWIGU participated in the settlement conferences. As a result of the
2 settlement conference, the Parties have reached a comprehensive settlement in this case.

3 **AGREEMENT**

4 9. NWN has filed a revised 2008 Tax Report (Revised Tax Report) to adjust for the
5 factors described in Staff's issue list, which is attached as Exhibit A. The only revision to
6 NWN's state and federal taxes was the correction of an error in the application of the
7 dependent tax credit which was originally calculated as an addition to taxes paid, rather than a
8 reduction.¹ This revision decreased the total state and federal SB 408 surcharge by \$12,489.
9 The only revision to NWN's 2008 refund for local taxes was the removal of a modification to
10 Line 13 on Page 1 of the 2008 Tax Report related to the residual balance from the previous
11 tax year.² This revision increased the local tax refund by approximately \$11,500. The Parties
12 agree that the Revised 2008 Tax Report complies with SB 408 and OAR 860-022-0041.

13 10. The Parties agree that the 2008 SB 408 tax surcharge amount for state and
14 federal taxes should be \$206,907³, plus an estimated \$3,728 in interest accruing during
15 amortization. The 2008 refund for local taxes should be \$457,937⁴, plus approximately
16 \$5,101 in interest accruing during amortization⁵. The Parties further agree that both the
17 surcharge and refund should be amortized over one year. The Parties agree that any future
18 rate adjustments will be determined on an annual basis and authorized by the Commission
19 pursuant to OAR 860-022-0041(8)(c).

20 11. The 2008 SB 408 surcharge for state and federal taxes, and the refund for local
21 taxes, will be collected over a 12-month period through Schedule 161 NWN's Income Tax

22

23 ¹ See Exhibit A, pages 3-4, Issue 3.

24 ² Id., page 5, Issue 4.

25 ³ The \$206,907 total consists of the \$178,705 2008 SB 408 surcharge and estimated accumulated
interest from July 2008 through May 2010.

26 ⁴ The \$457,937 consists of the \$395,915 local tax refund and estimated accumulated interest from July
2008 through May 2010.

⁵ See Exhibit C to this Stipulation for an accounting of the amounts proposed for amortization from June
1, 2010 through May 31, 2011.

1 Adjustment tariff, a copy of which is attached as Exhibit B to this Stipulation. Upon approval of
2 this Stipulation, NWN will file an updated Schedule 161 as set forth in Exhibit B with effective
3 dates of June 1, 2010.

4 12. The Parties agree to submit this Stipulation to the Commission and request that
5 the Commission approve the Stipulation as presented. The Parties agree that the
6 adjustments and the rates resulting from the Stipulation are fair, just, and reasonable.

7 13. This Stipulation will be offered into the record of this proceeding as evidence
8 pursuant to OAR 860-014-0085. The Parties agree to support this Stipulation throughout this
9 proceeding and any appeal, (if necessary) provide witnesses to sponsor this Stipulation at the
10 hearing, and recommend that the Commission issue an order adopting the settlements
11 contained herein.

12 14. If this Stipulation is challenged by any other party to this proceeding, the Parties
13 agree that they will continue to support the Commission's adoption of the terms of this
14 Stipulation. The Parties agree to cooperate in cross-examination and put on such a case as
15 they deem appropriate to respond fully to the issues presented, which may include raising
16 issues that are incorporated in the settlements embodied in this Stipulation.

17 15. The Parties have negotiated this Stipulation as an integrated document. If the
18 Commission rejects all or any material portion of this Stipulation or imposes additional material
19 conditions in approving this Stipulation, any Party disadvantaged by such action shall have the
20 rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal
21 of the Commission's Order.

22 16. By entering into this Stipulation, no Party shall be deemed to have approved,
23 admitted, or consented to the facts, principles, methods, or theories employed by any other
24 Party in arriving at the terms of this Stipulation, other than those specifically identified in the
25 body of this Stipulation. No Party shall be deemed to have agreed that any provision of this
26

1 Stipulation is appropriate for resolving issues in any other proceeding, except as specifically
2 identified in this Stipulation.

3 17. This Stipulation may be executed in counterparts and each signed counterpart
4 shall constitute an original document.

5 This Stipulation is entered into by each party on the date entered below such Party's
6 signature.

7 ***Signature page follows.***

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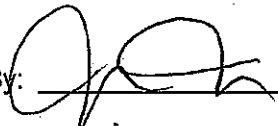
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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

By: 

By: _____

Date: 1/25/10

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By: _____

Date: _____

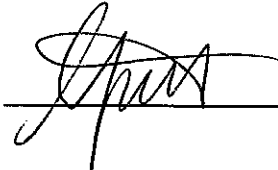
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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

By: _____

By: 

Date: _____

Date: 1-21-10

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

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Date: _____

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

By: _____

By: _____

Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: *[Signature]*

By: _____

Date: 1/21/2010

Date: _____

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

NORTHWEST NATURAL GAS COMPANY

By: _____

By: _____


Date: _____

Date: _____

NORTHWEST INDUSTRIAL GAS USERS

CITIZENS' UTILITY BOARD

By: _____

By:  _____

Date: _____

Date: 1-22-10

Docket UG 170(3)
Stipulation
EXHIBIT A

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

STIPULATION

EXHIBIT A – Staff Issues List

January 25, 2010



Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission

550 Capitol St NE, Suite 215

Mailing Address: PO Box 2148

Salem, OR 97308-2148

Consumer Services

1-800-522-2404

Local: (503) 378-6600

Administrative Services

(503) 373-7394

December 18, 2009

Via Electronic Filing and U.S. Mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX 2148
SALEM OR 97308-2148

**RE: Docket No. UG 170(3) – In the Matter of NORTHWEST NATURAL GAS
COMPANY's Senate Bill 408 Tax Filing for 2008 Tax Period.**

Enclosed for electronic filing in the above-captioned docket is the Public Utility
Commission's Staff Issues List.

/s/ Kay Barnes

Kay Barnes

Regulatory Operations Division

Filing on Behalf of Public Utility Commission Staff

(503) 378-5763

Email: kay.barnes@state.or.us

c: UG 170 Service List (parties)

**PUBLIC UTILITY COMMISSION
OF OREGON**

UG 170(3)

STAFF ISSUES LIST

**Carla Owings
Dustin Ball
Deborah Garcia**

**In the Matter of
NORTHWEST NATURAL GAS COMPANY's
Senate Bill 408 Tax Filing
for 2008 Tax Period**

December 18, 2009

**SENATE BILL 408, TAX FILINGS
STAFF'S INITIAL FINDINGS
FOR NORTHWEST NATURAL GAS COMPANY - UG 170(3)**

TO: LEE SPARLING, ED BUSCH, JUDY JOHNSON AND
JASON JONES

RE: NW NATURAL - UG 170(3)
SB 408 TAX FILINGS
2008 TAX PERIOD

FROM: CARLA OWINGS, SENIOR UTILITY ANALYST
DUSTIN BALL, SENIOR UTILITY ANALYST,
DEBORAH GARCIA, SENIOR UTILITY ANALYST
PUBLIC UTILITY COMMISSION

DATE: DECEMBER 18, 2009

CC: ALL PARTIES

On October 15, 2009, Northwest Natural Gas Company (NW Natural or Company) filed UG 170(3), its tax report covering the 2008 calendar year pursuant to Senate Bill 408 (SB 408) (codified at ORS 757.267, 757.268 and OAR 860-022-0041).

Much of the information contained in these tax reports represents highly confidential and sensitive information. Staff has structured its initial findings in this report in a generic manner in order to avoid the possibility of disclosing confidential, or sensitive, information.

Staff has thoroughly reviewed each calculation and all documentation provided by the Company.

SUMMARY OF 2008 SB 408 IMPACT:

NW Natural reports the following for its Oregon Regulated Operations during the 2008 Tax period:

Table 1

Federal and State Taxes Paid to units of Government	Taxes Collected	Surcharge	Interest ¹ (7/1/08 through 7/1/2010)	Total Surcharge
\$31.7 million	\$31.5 million	\$191,194	\$36,515	\$227,709

NW Natural's original filing reflected a total surcharge related to the Federal and State tax true-up for the 2008 tax period to be \$227,709 million including interest.

Following is the Staff recommendation for NW Natural's 2008 SB 408 filing:

Table 2- Staff Recommendation

Federal and State Taxes Paid to units of Government	Taxes Collected	Surcharge	Interest ² (7/1/08 through 7/1/2010)	Total Surcharge
\$31.7 million	\$ 31.5 million	\$178,705	\$34,000	\$212,705

The total difference between the Staff recommendation and NW Natural's original filing for federal and state taxes paid is a difference of \$12,489. For this reason, due to rounding and interest, Table 1 and Table 2 differences related to the final surcharge equal \$15,004. The impact of NW Natural's surcharge represents an increase to NW Natural's 2008 retail rates of approximately 0.02 percent. NW Natural relied upon the stand-alone method for the outcome of its 2008 SB 408 filing.

¹ This is an estimate of all interest that would apply until the NWN-proposed 1-month amortization is completed in June 2010.

² The estimated interest will be further adjusted by the addition of a 12-month amortization period.

In its original filing, NW Natural reported it paid \$100 to local taxing authorities and collected \$384,041 in rates. During the review process, Staff discovered that the Company had modified the amount it had collected in rates to reflect an under collection of approximately \$11,500 of local taxes in the prior period. This adjustment results a revision to taxes collected and a total refund of approximately \$395,519 without interest. NW Natural forecasts interest from July 1, 2008 through June 30, 2010 to be approximately \$67,437, resulting in a total local refund for NW Natural of \$462,956.

For the 2007 tax period, NW Natural surcharged approximately \$5.5 million. The implementation of the SB 408 surcharge coincided with an interstate storage credit that NW Natural refunds in June on an annual basis. NW Natural netted the \$5.5 million SB 408 surcharge against the interstate storage credit resulting in a one-time credit to all customer bills for the month of June, 2008. The residual balance related to the one-time surcharge is approximately \$127,776.

STAFF REVIEW:

Staff conducted interviews with the Company, requested supplemental work papers, conducted several phone interviews, and met face-to-face with the Company on November 17, 2009 and again on December 1, 2009. During these conferences, the Citizens' Utility Board (CUB) and the Northwest Customers of Industrial Gas Utilities (NWIGU) participated in the discussions.

As a result of Staff's review, Staff believes the amounts reported in Table 1 above will require revisions from the Company. Following is a detailed summary of Staff's review.

Staff requested the Company provide further clarification of the following items:

- provide copies of exhibits 2, 9 and 12 in electronic format;
- statement M3 and a letter from IRS referred to in work papers;
- clarify imputed losses in Exhibit 9;
- the source of funds that generate certain tax credits;
- the method used for adding tax credits back;
- the method used to calculate taxes collected for mid-year rate changes;
- reconciliation of the factors related to gross plant, sales and wages;
and

- documentation of the actual local taxes paid.

As a result of our review, Staff recommends the following changes to NW Natural's original filing:

(1) Imputed losses in Exhibit 9 not included in the stand-alone calculation;

Exhibit 9 shows imputed losses related to a non-utility affiliate of NW Natural. Staff believes that this amount should be imputed into the apportioned stand-alone calculations³.

Staff recommends that NW Natural revise its apportioned stand-alone calculation to include the imputed losses related to the non-utility entity. Doing so will not change outcome of NW Natural's surcharge, as the stand-alone method (rather than the apportionment method) results in the lowest taxes paid amount of the three methods.

(2) Apportionment data related to Oregon Regulated Operations and the System Regulated Operations;

Throughout the Staff report there were inconsistencies in the ratios and apportionment data when compared to the Oregon Results of Operations report and NW Natural's apportionment data found in Schedule AP of the State tax report. Staff learned that these ratios had been modified for various reasons.

Staff believes the ratios should be reported consistent with the reporting methodology used on the Schedule AP. Staff requested that NW Natural revise its tax report to use the same methodology for all of the apportionment factors.

Staff recommends that NW Natural revise its tax report to report the apportionment factors using the same methodology used for Schedule AP purposes. This change will not change the surcharge, found in Table 1 above, as these factors relate to the apportionment methods and NW Natural relies upon the stand-alone method for its 2008 SB 408 filing.

(3) Application of tax credits generated through ratepayer funds;

Through its regulated operations during 2008, NW Natural generated a dependent care tax credit. Staff believes that because ratepayers have paid for the regulated operations of the utility, that they are entitled to the tax benefit of this credit. In its tax report, however, it appears that NW Natural inadvertently

³ The apportionment method was referred to as the calculation of a "floor" during the rule-making proceeding whereby the utility is required to choose between the lesser of the apportioned stand-alone or the apportioned consolidated methods.

applied this credit as an addition to taxes paid as opposed to a reduction to taxes paid.

Staff recommends that NW Natural revise its tax report so that the dependent tax credit is applied as a reduction to taxes paid as opposed to an addition. Because the original application of the credit was applied in the opposite direction, this revision results in an amount that is double the actual benefit of the credit. Doing so will decrease the amount of NW Natural's surcharge by approximately \$12,000.

(4) Actual Local taxes paid in the tax period;

NW Natural keeps a balancing account of taxes collected. Prior to any refunds or surcharges of local taxes, NW Natural reconciles the taxes collected in its balancing account with any residual balances remaining from the previous year's amortization. Therefore, if the Company under-collects by a certain amount, that amount is then applied to the taxes collected portion of the tax report so that ratepayers will be given the benefit of any differences related to prior periods.

Staff agrees that ratepayers should be given the benefit or should be required to pay the portion of any unpaid balances of taxes owed, and this method mimics the intent of SB408. However, Line 13 on Page 1 of the tax report needs to be net of any adjustments to account for residual balance, otherwise the delta stated on line 14 of the tax report is improperly adjusted for these over- or under-collections. Done properly, Line 14 of Page 1 of the tax report should end up showing the same balance that is remaining in the balancing account once all actual taxes have been paid and all actual revenues have been collected.

Staff recommends that NW Natural revise its Staff report to remove any modifications to Line 13 of Page 1 of the tax report. Doing so will increase NW Natural's refund for local taxes by approximately \$11,500 to \$395,519.

(5) Automatic Adjustment Clause;

As discussed above for the 2007 tax period, NW Natural surcharged approximately \$5.5 million. The implementation of the tax surcharge coincides with an interstate storage credit that NW Natural refunds in June on an annual basis. NW Natural was able to net the \$5.5 million refund against the interstate storage credit for a one-time credit to all customer's bills for the month of June, 2008.

The residual balance related to the 2007 tax period is due to the fact that NW Natural refunds or surcharges only to customers that were on its system at the time of certain events. For the surcharge related to the 2007 tax period, NW Natural identifies customers who were on the system from January 1, 2006

through December 31, 2006. If customers have since left the system, there will be a small residual balance of the surcharge remaining.

Staff believes that it is inappropriate to surcharge or refund to customers who were receiving service during a specific tax period. Staff's counsel has advised that because SB 408 is an automatic adjustment clause, NW Natural should surcharge or refund customers who are on the system during the amortization phase of a surcharge or refund. This would be consistent with the three other utilities that file SB 408 tax reports and surcharge or refund current customers during the amortization phase of the implementation.

Staff identified this issue just prior to the 2007 surcharge implemented in June of 2009. NW Natural had already programmed its system to implement the surcharge only to previous customers. Since that time, Staff has had conversations with NW Natural and Staff's attorneys to understand which method should be implemented. Staff's attorney advises that the rate must be implemented pursuant to an automatic adjustment clause which contemplates current customer base the day of a rate change and subsequent amortization period.

Staff recommends that NW Natural revise its Customer Information Management System to accommodate the SB408 impact for current ratepayers on the system during the amortization phase of implementation.

UG 170
 Service List (Parties)

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<p>GORDON FEIGNER (C) (HC) ENERGY ANALYST</p>	<p>610 SW BROADWAY, SUITE 308 PORTLAND OR 97205 gordon@oregoncub.org</p>
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<p>G. CATRIONA MCCRACKEN (C) (HC) LEGAL COUNSEL/STAFF ATTY</p>	<p>610 SW BROADWAY - STE 308 PORTLAND OR 97205 catriona@oregoncub.org</p>
<p>DANIEL W MEEK ATTORNEY AT LAW</p> <p>DANIEL W MEEK (C) (HC) ATTORNEY AT LAW</p>	<p>10949 SW 4TH AVE PORTLAND OR 97219 dan@meek.net</p>
<p>DEPARTMENT OF JUSTICE</p> <p>JASON W JONES (C) ASSISTANT ATTORNEY GENERAL</p>	<p>REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096 jason.w.jones@state.or.us</p>
<p>ENERGY ACTION NORTHWEST</p> <p>EDWARD A FINKLEA (C) (HC)</p>	<p>PO BOX 8308 PORTLAND OR 97207 efinklea@energyactionnw.org</p>
<p>KAFOURY & MCDUGAL</p> <p>LINDA K WILLIAMS (C) (HC) ATTORNEY AT LAW</p>	<p>10266 SW LANCASTER RD PORTLAND OR 97219-6305 linda@lindawilliams.net</p>

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NW NATURAL RATES & REGULATORY AFFAIRS	220 NW 2ND AVE PORTLAND OR 97209-3991 efiling@nwnatural.com
STOEL RIVES LLP MARCUS A WOOD	900 SW FIFTH AVE - STE 2600 PORTLAND OR 97204

CERTIFICATE OF SERVICE**UG 170(3)
Staff Issues List**

I certify that I have this day served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-13-0070, to the following parties or attorneys of parties.

Dated at Salem, Oregon, this 18th day of December, 2009.



Kay Barnes
Public Utility Commission
Regulatory Operations
550 Capitol St NE Ste 215
Salem, Oregon 97301-2551
Telephone: (503) 378-5763

NORTHWEST NATURAL GAS COMPANY Docket UG 170(3); EXHIBIT B

P.U.C. Or. 24

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

SCHEDULE 161 **ORDER NO. 10-128**
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)	

(D)

APPLICATION TO RATE SCHEDULES:

The adjustments shown below will apply commencing with bills issued in the month of June. The Multnomah County Business Income Tax Adjustment will apply only to Customers that reside within Multnomah County. These adjustments are not included in the Temporary Adjustment reflected in the above-listed Rate Schedules. **ADDITIONAL ADJUSTMENT TO RATES IS REQUIRED.**

(C)

Schedule	Block	State & Federal Tax Adjustment (per therm)	Multnomah County Business Income Tax Adjustment (per therm)
1R			
1C			
2			
3 (CSF)			
3 (ISF)			
19			
31CFS	Block 1		
	Block 2		
31ISF	Block 1		
	Block 2		
31CSI	Block 1		
	Block 2		
31ISI	Block 1		
	Block 2		
31CTF	Block 1		
	Block 2		
31ITF	Block 1		
	Block 2		

(C)

(continue to Sheet 161-2)

Issued April ____, 2010
NWN Advice No. OPUC 10-__

Effective June 1, 2010

Issued by: NORTHWEST NATURAL GAS COMPANY
d.b.a. NW Natural
220 N.W. Second Avenue
Portland, Oregon 97209-3991

APPENDIX A
PAGE 22 OF 26

NORTHWEST NATURAL GAS COMPANY Docket UG 170(3); **EXHIBIT B**
 P.U.C. Or. 24

Second Revision of Sheet 161-2
 Cancels First Revision of Sheet 161-2

SCHEDULE 161
AUTOMATIC ADJUSTMENT FOR UTILITY INCOME TAX
 (continued)

ORDER NO. 10-128

APPLICATION TO RATE SCHEDULES: (continued)

Schedule	Block	State & Federal Tax Adjustment (per therm)	Multnomah County Business Income Tax Adjustment (per therm)
32CFS	Block 1		
	Block 2		
	Block 3		
	Block 4		
	Block 5		
	Block 6		
32ISF	Block 1		
	Block 2		
	Block 3		
	Block 4		
	Block 5		
	Block 6		
32CTF / ITF	Block 1		
	Block 2		
	Block 3		
	Block 4		
	Block 5		
	Block 6		
32CSI / ISI	Block 1		
	Block 2		
	Block 3		
	Block 4		
	Block 5		
	Block 6		
32CTI / ITI	Block 1		
	Block 2		
	Block 3		
	Block 4		
	Block 5		
	Block 6		
33 (all)			

(C)

(D)

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, any other Schedules that by their terms or by the terms of This Schedule apply to service under this Schedule, and by all rules and regulations prescribed by regulatory authorities, as amended from time to time.

Issued April __, 2010
 NWN Advice No. OPUC 10-__

Effective June 1, 2010

Issued by: **NORTHWEST NATURAL GAS COMPANY**
 d.b.a. NW Natural
 220 N.W. Second Avenue
 Portland, Oregon 97209-3991

APPENDIX A
 PAGE 23 OF 26

Docket UG 170(3)
Stipulation
EXHIBIT C

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

STIPULATION

EXHIBIT C – Accounting of Amortization Amounts

January 25, 2010

**NW Natural
2010-11 Tax Surcharge Amortization**

<u>Line</u>		
1	2007 Tax period residual balance (inc. previously accrued interest)	\$ 114,814.07
2	2008 Tax Period surcharge (inc. previously accrued interest)	206,907.19
	Beginning balance (Amortization)	<hr/>
3	June 10 - May 11	\$ 321,721.26
4	Projected Interest at applicable Blended Treasury Rate	\$ 16,690.30
5	Total Projected 2010-11 Surcharge Amortization	<hr/> \$ 338,411.56 <hr/>

"At a Glance"

Current revenues	866,828,338
Amount of surcharge and 2007 residual	338,412
New proposed revenues	867,166,750
Percentage of overall impact	0.04%

NW Natural
2008 Tax Period Surcharge Interest & Amortization Summary
 Multnomah County Business Income Tax (MCBIT)

Line	Interest period	
1	Actual 2008 surcharge (tax report)	395,519.00
2	Interest at Cost of Capital (ROR) - 8.618% July 2008 - April 15, 2010	60,857.83
3	Interest at 2010 Blended Treasury Rate 2.05% April 16, 2010 - May 31, 2010	1,560.62
4	Total 2008 surcharge	<u>\$ 457,937.45</u>
Beginning balance (Amortization) June 10 - May		
5	11	
6	Projected Interest at 2010 B.T.Rate X.XX% June 2010 - May 2011	<u>\$ 457,937.45</u> 5,100.93
7	Total projected 2008 tax period surcharge amortization, including interest	<u>\$ 463,038.38</u>
Or:		
8	Total 2008 surcharge (per the tax report)	\$ 395,519.00
9	Add: Total interest	\$ 67,519.38
10	Total	<u>\$ 463,038.38</u>

"At a Glance"

Current revenues	866,828,338
Amount of surcharge	463,038
New proposed revenues	867,291,377
Percentage of overall impact	0.05%