

NORTHWEST NATURAL GAS COMPANY

WN U-6

Third Revision of Sheet P.1

Cancels Second Revision of Sheet P.1

SCHEDULE P

**DETERMINATION OF COMPANY'S
PURCHASED GAS COST ADJUSTMENTS
AND WEIGHTED AVERAGE COST OF GAS**

APPLICABLE:

To all rate schedules under the Tariff of which this schedule is a part.

PURPOSE:

The purposes of this schedule are (a) to define procedures for periodic tracking revisions in rates due to changes in the Company's cost of purchased gas; (b) to define procedures for the deferral of differences experienced between the Company's actual cost of purchased gas and the cost of purchased gas incorporated in the rates and charges specified in its sales rate schedules; and (c) to provide a definition for the Company's Weighted Average Cost of Gas (WACOG).

CHANGES IN PURCHASED GAS COSTS:

The Company shall file annual rate adjustments (PGA filing) to be effective on November 1 of each year, and at such other times as the Commission may authorize in order to match appropriately the costs borne by and benefits received by ratepayers.

The PGA filing may include (a) changes in gas commodity costs, defined for this purpose as changes in all costs, fixed or variable, associated with the Company's acquisition of natural gas, including renewable natural gas, from producers or wholesalers and its withdrawal of gas from storage sources; and (b) changes in fixed charges not related to the acquisition of the commodity itself, including but not necessarily limited to U.S. or Canadian pipeline demand charges for sales or transportation service, whether paid directly to a pipeline or incorporated as a component of the charges paid to a producer or wholesaler.

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The costs included in the PGA filing will be determined on the basis of the Company's actual volumetric commodity requirements for the 12 month period ended on the June 30 prior to the November 1 PGA filing effective date. The cost of gas shall be adjusted for known and measurable changes in long-term gas supply contracts which are reasonably related to gas costs. If interruptible gas supplies purchased on the spot market are included in the Company's gas commodity supplies, the cost of such spot gas shall be included in the PGA filing at the average cost of spot gas for the 12 month period ended June 30 prior to the November 1 PGA filing effective date.

DEFERRAL OF PURCHASED GAS COST DIFFERENCES:

The Company will maintain a Purchased Gas Cost Adjustment Balancing Account (PGA Account) as a sub-account of Account 191. Monthly entries into the PGA Account will reflect the Company's actual cost of purchased gas minus the cost of purchased gas collected from volumes consumed by ratepayers, priced at rates and charges as determined in the most recent PGA filing.

(continue to Sheet P.2)

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SCHEDULE P

DETERMINATION OF COMPANY'S
PURCHASED GAS COST ADJUSTMENTS
AND WEIGHTED AVERAGE COST OF GAS
(continued)

DEFERRAL OF PURCHASED GAS COST DIFFERENCES (continued):

Actual purchased gas costs for purposes of such entries shall be the actual gas commodity costs and fixed charges experienced by the Company during the 12-month Reporting Period commencing with the PGA filing on November 1 of each year.

PGA Account Entries for Gas Commodity Costs. Commodity gas cost deferrals will be calculated by multiplying the average commodity cost of gas embedded in sales service rates, stated on a per unit of sales basis before taxes, times the sales volumes for the month, and then subtracting this result from the actual commodity costs incurred. The average commodity cost of gas used in the calculation will be stated on a per unit of sales basis to take into account lost and unaccounted for gas. The loss factor implicit in the average commodity cost of gas will be an average system loss factor.

PGA Account Entries for Demand Charges. Demand charge deferrals will be calculated by multiplying the sales service and applicable Transportation service volumes by the embedded demand increment in the company's rates and then subtracting this result from the actual demand charges billed to the Company. The embedded demand increment used for prospective demand deferral purposes will be calculated consistent with the Company's most recent PGA filing by dividing the total demand costs by the sales service and applicable Transportation service volumes that were used for the basis of the incremental demand cost change.

Each month 100 percent of the purchased gas cost differentials shall be debited to the PGA Account if positive, or credited to the PGA Account if negative. A credit balance to the PGA Account at the end of an adjustment period indicates a subsequent temporary rate decrease (refund), while a debit balance to the PGA Account at the end of an Adjustment Period indicates a subsequent temporary rate increase (surcharge).

The Company shall impute interest on the deferred balance of the PGA Account on a monthly basis utilizing the interest rate published quarterly by FERC.

The Adjustment Period shall be the 12 months ended October 31 of the preceding year. Unless otherwise permitted by the Commission, the Company shall include in the tracking filing effective November 1 a temporary adjustment in amount designed to amortize any balance in the PGA Account at the end of the applicable Adjustment Period over the following 12 months, or until the balance in the account has been fully amortized.

(continue to Sheet P.3)

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NORTHWEST NATURAL GAS COMPANY

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SCHEDULE P

**DETERMINATION OF COMPANY'S
PURCHASED GAS COST ADJUSTMENTS
AND WEIGHTED AVERAGE COST OF GAS
(continued)**

TOTAL WEIGHTED AVERAGE COST OF GAS:

As a component of each PGA filing, the Company shall calculate a Weighted Average Cost of Gas (WACOG), or Total WACOG. The Total WACOG shall be calculated using forecast normal volumes and the following charges for the following sources of natural gas, including renewable natural gas:

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1. Commodity charges and commodity-related fixed charges under the Company's contracts for gas purchases from gas suppliers; and
2. Pipeline transportation- and storage-related volumetric charges; and
3. Commodity charges based upon average inventory cost for volumes withdrawn from the Company's natural gas storage facilities.

The commodity adjustment for Transportation service rates is the Total WACOG, adjusted for the revenue-sensitive factor established in the PGA filing. The Total WACOG shall be set forth in **SCHEDULE 203** of this Tariff.

GENERAL TERMS:

Service under 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.

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