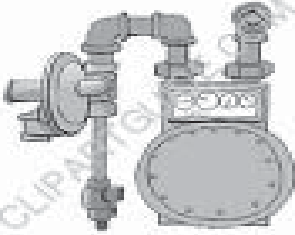


Understanding Your Natural Gas Bill

F a c t



S h e e t



The Oregon Public Utility Commission sets rates for three natural gas distribution companies. They include Northwest Natural, Avista, and Cascade Natural Gas.

The purpose of this fact sheet is to describe the major cost items paid through your natural gas rates.

The Commission sets rates to cover two types of costs:

- 1) The day-to-day expenses a utility incurs such as acquiring and storing gas, maintenance of equipment, salaries fees and taxes.
- 2) A fair return on a utility's investment in facilities to provide service.

Natural gas rates do not cover such things as political advertising, lobbying, or charitable contributions, floats in parades or special bonuses paid to executives.

The table on the other side shows the major costs gas utilities incur and the share each category is of a typical residential bill. The figures represent an average of the three natural gas utilities regulated by the Commission.



Average Natural Gas Utility Costs

- Supply Expense 56%***
- Distribution Expense 5%***
- Administrative Expenses 10%***
- Depreciation 8%***
- Taxes and Fees 9%***
- Investment Financing 12%***

Supply Expense: Oregon’s natural gas utilities supply their customers with natural gas from fields in the Canadian and Rocky Mountains. The utilities pass the wholesale cost of this fluctuating gas supply on to its customers directly without any additional markup or profit.

Distribution Expenses: These are the costs associated with installing and maintaining compressor stations and meters to bring gas from supply points to homes and businesses.

Administrative Expenses: These include the costs of office facilities, customer service, accounting, and other expenses such as wages and salaries of employees, pensions and benefits, informational advertising, office supplies and insurance.

Depreciation: Oregon’s natural gas utilities make large capital investments in pipes and sometimes storage to deliver gas to homes and businesses. Each year, utilities must replace equipment that wears out. The Commission allows utilities to recoup this depreciation expense associated with replacing worn-out equipment.

Taxes and Fees: Oregon’s regulated natural gas utilities pay a variety of taxes and fees. These include state and federal income taxes, property taxes, fees for the use of rights-of-way in cities, payroll taxes, and fees to the Public Utility Commission to fund its regulation of the utility. The amounts included in rates are based on estimated revenues and costs for the utility.

Investment Financing: The job of providing natural gas is an expensive undertaking. Utilities make huge investments in pipes, storage, computer systems and meters.

Return on investment is the amount paid to the utility’s debt holders and investors that finance the utility’s investments to provide utility service.

The amount of the return on investment is decided by the Commission and is included in customer rates.

We hope this pamphlet is helpful in understanding the variety of expenses that make up your natural gas bill. We have created a similar document that explains expenses included in electric bills.

