BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)	DOCKET NO. UG-031627
)	
NORTHWEST NATURAL GAS)	ORDER NO. 01
COMPANY,)	
)	
Petitioner,)	
)	
For an Order Establishing)	
Compliance with RCW 80.08.040,)	
with Respect to its Proposal to issue)	
and Sell up to \$60,000,000 Principal)	ORDER ESTABLISHING
Amount of Medium-Term Notes,)	COMPLIANCE WITH
Series B.)	RCW 80.08.040
)	

BACKGROUND

- On October 3, 2003, Northwest Natural Gas Company (Northwest or Company) filed a statement of a planned securities issuance with the Washington Utilities and Transportation Commission (Commission). On October 16, 2003, the Company filed an amendment to its original application providing more specific information fully describing its financing proposal in this Docket.
- In its amended notice, Northwest states that it intends to sell an additional \$50,000,000 of secured debt. It plans to sell \$40,000,000 of notes with a 20 year maturity and \$10,000,000 of notes with a maturity of either 7 or 10 years. The Company estimates that the 20 years notes will be sold at a spread of 100 basis points over 30-year Treasury benchmark securities and less than 90 basis points over comparable Treasury securities for the 10 year note. The securities will not have any sinking fund requirements or put options. The Company requests some flexibility for the \$10,000,000 offering so that it may achieve the most favorable cost thereby taking advantage of the structure of medium term note registrations. This is the second issuance under the Company's SEC Shelf

Registration of \$150,000,000 previously sent to the Commission as an informational filing in Docket UG-020986.

- The Company is requesting an order affirming it has complied with the requirements of RCW 80.08.040 and Chapter 480-146 WAC. According to the application and supporting materials filed by the Company, the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030. The Company expects to use the proceeds of the issue or issues to refinance \$20,000,000 of long-term debt that has matured, \$35,000,000 of other long-term debt that has been redeemed, and \$7,500,000 of preferred stock that the Company intends to redeem. The Company states that it will assess market conditions from time to time to determine when it is advantageous to sell the securities, and it will issue the securities in order to maintain a balanced maturity schedule for it outstanding long-term debt.
- The Company asserts that this proposal to sell the additional long-term debt will enable it to maintain a capital structure containing 45 to 50 percent common equity. The application states that the Company is currently rated "A" by several different rating services, and all the services state that the outlook for the Company is stable.
- For the reasons stated above, Northwest believes the proposed sale of securities is in the public interest. The advantages of a medium-term note program are the ability to issue small tarnches of debt with lower overall costs, flexibility to enter markets on a daily basis to take advantage of yeild curve opportunities and the ability to balance its debt maturity schedule. Furthermore, the Company states the funds are necessary for it to carry out its performanace as a public utility in the State of Washington.

FINDINGS AND CONCLUSIONS

- (1) Northwest is engaged in the business of natural gas service within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW.
- 7 (2) As to form, the application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-146 WAC*.
- The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including the terms of financing, and (c) a statement as to why the proposed transaction is in the public interest.
- 9 (4) The Commission is not making any specific findings in this Docket with respect to the reasonableness of the Company's capital structure policy, nor any findings with respect to the reasonableness of the Company's decision to refinance outstanding securities as described in its application.

ORDER

THE COMMISSION ORDERS:

10 (1) Northwest Natural Gas Company has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its completed application and may issue and sell up to \$60,000,000 principal amount of its Medium-Term Notes, Series B.

- This authorization is conditioned on Northwest Natural Gas Company filing a Report of Securities Issued as required by WAC 480-146-340.

 Northwest Natural Gas Company is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, Northwest Natural Gas Company shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.
- 12 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.
- This matter was brought before the Commission at its regularly scheduled Open Meeting on October 22, 2003. The Commissioners, having determined this filing to meet the requirements of Chapter 80.08 RCW, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective this 22nd day of October, 2003.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary