

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET NO. UG-040418
)	
NORTHWEST NATURAL GAS)	ORDER NO. 01
COMPANY,)	
)	
Applicant.)	
)	
for an Order Establishing)	
Compliance with RCW 80.08.040)	
with Respect to the Proposed)	
Issuance and Sale of)	ORDER ESTABLISHING
Up To 1,500,000 Shares of its)	COMPLIANCE WITH
Common Stock)	RCW 80.08.040
.....)	

BACKGROUND

- 1 On March 2, 2004, Northwest Natural Gas Company (NW Natural or Company) filed an application with the Commission under the provisions of RCW 80.08.040 for an order establishing compliance with the requirements of that statute in connection with the Company’s proposed offering, issuance and sale of up to 1,500,000 authorized but unissued shares of its Common Stock \$3-1/6 par value, and rights appurtenant thereto (Common Stock), through a negotiated public offering involving one or more underwriters.
- 2 RCW 80.08.040 requires the Company to file certain information with the Commission and authorizes the Company, at its option, to request the Commission to enter an order that the Company has complied with the requirements of RCW 80.08.040. The Company has filed the information required by RCW 80.08.040 and has requested that the Commission confirm that the Company has complied with the requirements of RCW 80.08.040.

- 3 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 of Common Stock for the acquisition of property or the construction, completion, extension or improvement of the Company's facilities, or for the repayment of short-term debt, among other potential authorized uses.
- 4 The Application states that the Company initially plans to sell enough new shares of its Common Stock to generate approximately \$40,000,000. The Company believes that this is an appropriate time to sell additional common equity due to favorable market conditions. At the time of the filing of this Application, the Company's stock was trading at \$32.50, near its 52-week high of \$33.00.
- 5 The Application states the position of the Board of Directors ("Board") with respect to the Company's capital structure policy. The Board has determined that it will target a 50% common equity ratio. The need for the Company to issue additional equity at this time is in keeping with that objective. The Company believes this capital structure is necessary in order for it to attract capital on reasonable terms and states the Application in this docket is in the public interest.

FINDINGS AND CONCLUSIONS

- 6 (1) NW Natural, an Oregon corporation, 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 and information filed herein meet the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-146 WAC.*
- 8 (3) This matter was brought before the Commission at its regularly scheduled open meeting on March 12, 2004.
- 9 (4) 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.
- 10 (5) The Commission is making no finding as to the reasonableness of the Company's declaration that its capital structure policy is in the public interest. The capital structure issue is currently pending before the Commission in a contested rate proceeding, Docket No. UG-031885.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Northwest Natural Gas Company has complied with the requirements of RCW 80.08.040 with respect to the proposal set forth in its Application and may issue and sell up to 1,500,000 shares of its Common Stock.
- 12 (2) The Company is directed to file 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.

- 13 (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.

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 12th day of March 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Secretary