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April 29, 1999

Secretary  
WASHINGTON UTILITIES &  
TRANSPORTATION COMMISSION  
1300 S. Evergreen Park Drive SW  
P.O. Box 47250  
Olympia, WA 98504-7250

**Re: Docket No. U-971835 (Year 2000 Compliance)**

This is Northwest Natural Gas Company's (NW Natural) quarterly report for the quarter ended March 31, 1999, in response to the Commission's order dated May 27, 1998, regarding the Year 2000 issue.

We will transmit the cover letter for this quarterly report electronically, to the WUTC Records Center, so that the Commission may post it to the Commission's Internet site. The transmission will not include the detailed attachments listed below, but we will provide copies of these attachments in response to reasonable requests.

NW Natural's plan has been to finish renovations of its internal applications with the highest risk ratings by June 30, 1999, and to evaluate and develop appropriate plans to renovate or address risks of failure in its remaining lower-risk systems by the end of 1999. With a few exceptions, we completed the coding for renovations of the applications in our "Tier I" group in late March 1999.

The primary exceptions to the June 30 targeted completion date for Tier I systems are the company's billing system for industrial and large commercial customers (Actron) which is scheduled to be replaced with a new system in October 1999, and its accounts payable system which is scheduled to be replaced by a Lawson "supply chain" system in August 1999.

Among the 48 internal applications originally identified for renovation, 23 percent have been completed through construction, testing and implementation as of March 31, 1999, compared to 14 percent as of Dec. 31, 1998. Seventy-eight percent of the Tier I applications are either complete

or cancelled, but 50 percentage points of this total is in the Actron application (see below). "Cancelled" status means that an application was originally planned for renovation but now is expected to be replaced, retired or allowed to continue operating despite some risk of full or partial failure.

NW Natural has been developing a new billing system for industrial and large commercial (I&C) customers to replace the existing Actron system which is not Year 2000 compliant. The development project for the new I&C system is close to being on schedule, but the company implemented a contingency plan in early February 1999. The contingency plan began with a review of coding designs, staffing availability and cost estimates for the renovation of the existing system so that it could be ready by year-end. This effort may be terminated at any time if it appears that the I&C replacement project is reaching its key milestones on schedule for completion by October 1999.

The vendor compliance section of the project is currently investigating 588 products, up from 343 products in July 1998. Of the total, 443 products are deemed compliant or conditionally compliant, up from 169 in July. On the other hand, 89 products now are deemed non-compliant, the same number as in July although many in the current non-compliant group are different products. One of our highest-risk groups of non-compliant products -- our Unix network infrastructure -- is in this category. Our most critical Unix network upgrades are targeted for completion by June 30, 1999. Another 56 vendor products are under active investigation, down from 85 in July.

In late March and early April 1999 the company distributed a bill insert to its customers in Oregon and Washington regarding Year 2000 readiness. A copy of the bill insert is attached.

NW Natural also participated in the development of a press release by the Northwest Gas Association on behalf of the natural gas utilities and pipelines serving the Pacific Northwest. The release was issued on April 22, 1999, in connection with a press conference on Y2K readiness conducted by the Bonneville Power Administration, the U.S. Corps of Engineers and a number of regional electric utilities that day. A copy of the press release is attached.

April 29, 1999  
Page 3

Company representatives who continue to be conversant in NW Natural's Year 2000 efforts are:

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The current status of staffing, costs and specific application conversions in NW Natural's Compliance Program is reported in detail in the "Year 2000 Project Status Summary Report for Period 3/1/1999 – 3/31/1999," attached.

Finally, enclosed is an updated "Year 2000 Readiness Disclosure" dated March 1, 1999. This statement, which is posted on NW Natural's Website ([www.nwnatural.com](http://www.nwnatural.com)), meets the requirements for protected status under the *Year 2000 Readiness and Disclosure Act of 1998*.

If you have questions about NW Natural's Year 2000 program, please call.

Very truly yours,

/s/

Bruce R. DeBolt  
Senior Vice President and  
Chief Financial Officer

BRD:la  
Attachments

Cc w/Enc.: Mark Dodson Catherine Jones Ruby Bauske  
Chuck Beyer Susan Ackerman Avi Lev