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June 12, 2012

Dave Danner, Executive Director & Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
Post Office Box 47250
Olympia, Washington 98504-7250

Re: UG-12 _____
NW Natural's Application regarding South Center Property

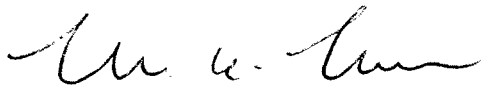
Northwest Natural Gas Company ("NW Natural") hereby submits the enclosed application for an order determining that certain NW Natural property located in Tualatin, Oregon is no longer used and useful or, in the alternative, an order authorizing the sale of that property. Please note that the Company's Application, Exhibit B, and Exhibit C are marked as "confidential" and are provided confidentially in accordance with the requirements of WAC 480-07-160(3). Concurrent with this filing, the Company has filed a request for a protective order in accordance with WAC 480-07-420.

The closing date for sale of the property is August 6, 2012. Therefore, NW Natural respectfully requests that the Commission issue an order on this application by no later than July 30, 2012.

Please contact me if you have any questions or require further information.

Sincerely,

NW NATURAL



Mark R. Thompson
Rates & Regulatory Affairs

enclosures

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

)	
In the Matter of the Application of:)	DOCKET NO. UG-12-_____
)	
NORTHWEST NATURAL GAS)	
COMPANY)	
)	APPLICATION
For an Order Determining that the South)	
Center Property is No Longer Useful or,)	
in the Alternative, an Order Authorizing)	
the Sale of the South Center Property.)	
.....		

1. Northwest Natural Gas Company (“NW Natural” or the “Company”) hereby applies for an order of the Washington Utilities and Transportation Commission (“WUTC” or the “Commission”), pursuant to RCW 80.12.020 and WAC 480-143-180 declaring that certain real property commonly known as 19200 SW Teton Ave., Tualatin, Oregon, 97062, and more fully described below (the “South Center Property”) is no longer necessary or useful. The Property formerly served as a regional resource location to coordinate functions such as distribution, construction, and customer field service, but is no longer useful and should be sold.

Alternatively, NW Natural requests an order under WAC 480-143-120 authorizing the sale of the South Center Property and finding the sale to be consistent with the public interest pursuant to WAC 480-143-170.

2. Because this transaction is expected to close on August 6, 2012, NW Natural respectfully requests that the Commission issue an order on this application by no later than July 30, 2012.

Background on the Sale and Purpose for the Sale

3. The transaction involves the sale of a regional service center. This property has been used by NW Natural as a regional resource location to coordinate functions such as distribution, construction, and customer field service for customers located in the communities south of Portland and east and west of Tualatin, Oregon. It also houses employees and functions focused on large project management and engineering. The property includes offices, employee locker and showers, stores, yard space for trucks and equipment, pipe storage, and a mechanic shop.
4. The Company has identified two functional business needs that are not met with the Company's existing facilities. First, the Company has determined that it must develop a more suitable training facility. An integrated training facility for field operations and service employees that accommodates classroom, practical, and scenario-based training is necessary to allow for more effective and consistent training. Second, a designated business continuity center is necessary to ensure that the Company has an alternative operational hub in the event of an emergency that renders One Pacific Square unusable.
5. The Company evaluated the feasibility of using the South Center Property for these purposes, but in pursuing due diligence for the site learned that the Property had been redesignated by governmental authorities as being in a 10-year flood zone, as opposed to a 100-year flood zone as previously thought. This factor excluded the South Center Property as a viable option for the purposes of both the integrated training facility and the business continuity center. Because the South Center Property and other property currently owned by NW Natural are not appropriate for these needs, the Company has purchased property in Sherwood, Oregon ("Sherwood Property"). The Company plans to lease the South Center Property from the

purchaser until the Sherwood Property is complete and the Company can relocate its operations to the Sherwood Property.

6. In addition, the Company plans to sell the Tualatin Property located in Tualatin and also consolidate these operations into the Sherwood Property. The relocation of the Tualatin Property operations will avoid a minimum repair expenditure of at least \$10.5 million at the Tualatin Property.

7. The Company requests permission to record a portion of the net gain from the sale of the South Center Property into a regulatory deferred account. The appropriate Washington allocation of the net gain can then be refunded to customers through the Company's annual Purchased Gas Adjustment.

8. In support of this Application the Company states as follows:

(1) Name and Address.

9. The exact name of the Applicant and the address of its principal business office are as follows:

Northwest Natural Gas Company
220 NW Second Avenue
Portland, Oregon 97209

(2) Person Authorized to Receive Notices.

10. The name and address of the person authorized, on behalf of the Company, to receive notices and communications in respect to this Application is:

Mark Thompson
Manager, Rates and Regulatory
NW Natural
220 NW Second Avenue
Portland, OR 97209-3991
Telephone: (503) 721-2476
Facsimile: (503) 721-2516
Email: mark.thompson@nwnatural.com

11. The Company respectfully requests that the Commission send copies of all such notices and communications to:

Lisa Rackner
McDowell Rackner & Gibson PC
419 SW 11th Ave., Suite 400
Portland, OR 97205
Telephone: 503-595-3925
Facsimile: 503-595-3928
Email: lisa@mcd-law.com

(3) General Character of the Business

12. The Company is engaged principally in the business of distributing and selling natural gas to residential, commercial, institutional, and industrial customers in various cities and unincorporated areas in 15 counties in the State of Oregon and three counties in the State of Washington. A map of the Company's service territory is on file with the Commission in Docket UG-081317. The Company's financial statements for the Year Ended 2011 and the Quarter-Ended March 31, 2012 are attached as Exhibit A.

(4) Sale of Property

13. This application is for the disposition of the South Center Property by sale. The purchase price for the transaction is \$1,800,000. This amount was agreed upon following an arm's length negotiation and reflects the fair market value for the real property. This transaction amount is

14. subject to the buyer's due diligence, which is currently in process. The sale price is BEGIN

CONFIDENTIAL [REDACTED]

[REDACTED] END CONFIDENTIAL. A copy of the February 2012 appraisal is attached hereto as Confidential Exhibit B. Attached as Confidential Exhibit C is a copy of all contracts related to the sale of the South Center Property.

15. Approval by the Company's Board of Directors ("Board") authorized the transaction on May 24, 2012. A certified excerpt of the minutes of the Board meeting held on that date authorizing the disposition of the South Center Property is attached as Exhibit D. Shareholder approval is not required for disposition of the South Center Property.

(5) Description of Property to be Sold

16. The South Center Property is located at 19200 SW Teton Ave., Tualatin, Oregon, 97062 and is legally described as follows:

Premier Industrial Park, Lot 11 and Portions of lots 12-13, Tualatin, Washington County, Oregon

17. This property has been used by NW Natural as a regional resource location to coordinate functions such as distribution, construction, and customer field service for customers located in the communities south of Portland and east and west of Tualatin. It also houses employees and functions focused on large project management and engineering. The property includes offices, employee locker and showers, stores, yard space for trucks and equipment, pipe storage, and a mechanic shop.

(6) Statement of Accounting

Based upon appraisals provided, the allocation of the net proceeds between land, buildings and improvements is as follows:

Land (41%)	708,480
Buildings and Improvements (59%)	<u>1,019,520</u>
Total Sales Proceeds	<u>1,728,000</u>

The net book value of the assets being sold as of July 31, 2012 is as follows:

Land	437,351
Buildings and Improvements	<u>1,284,102</u>
Total Net Book Value	<u>1,721,453</u>

The realized net gain (loss) on the sale of South Center is as follows:

Land	271,129
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Buildings and Improvements	<u>(264,582)</u>
Net gain (loss)	<u>6,547</u>
Net gain after taxes	<u>3,928</u>

18. The proposed journal entries to be used to record the transaction on the Company's books are attached as Exhibit E.

(7) The Property Is Not Necessary or Useful

19. The Property is no longer necessary or useful on two grounds. First, it has been substituted with new property, the Sherwood Property, under WAC 480-143-180(1). Second, the Property is an unneeded asset for which the Company expects to receive full value, pursuant to WAC 480-143-180(2). As a result of the relocation of the facilities, the Company substituted the Property with property that is of equal or greater value or usefulness. In addition, the Property is unneeded and the Company's sale price is above market value. The Property is no longer necessary or useful in the performance of the Company's service to its customers, and therefore, the Property should be sold.

(8) The Sale of the Property Is in the Public Interest

20. Even if the Commission concludes that the Property is necessary or useful, it should approve the proposed sale as consistent with the public interest under WAC 480-143-170.

BEGIN CONFIDENTIAL [REDACTED]

[REDACTED] END CONFIDENTIAL which provides a financial benefit to customers. In addition, sale of the South Center Property will facilitate the Company's development of an integrated training facility and a business continuity center, which will benefit customers by allowing for more effective safety and service training and by ensuring operational continuity in the event of an emergency.

(a) Reasons for the Sale of the Property

21. As explained in the background section above, the Company evaluated the ability of its existing facilities to meet the Company's needs for a more suitable training facility and a business continuity center. The Company evaluated the feasibility of using the South Center Property for these purposes and found that the property could not meet those needs. Therefore, the Company has determined that the Property is no longer necessary or suitable for the Company's ongoing operations and is available for disposal. The proposed sale is in the public interest because it will allow the Company to dispose of property for which it has no use and use the proceeds from the sale for the benefit of customers.

(b) Use of Proceeds

22. The Company requests permission to record a portion of the net gain from the sale of the South Center Property into a regulatory deferred account. The appropriate Washington allocation of the net gain can then be refunded to customers through the Company's annual Purchased Gas Adjustment.

EXHIBITS

Filed with this application, are the following exhibits:

Exhibit A	The Company's Financial Statements from the Year-Ended 2011 and the Quarter-Ended March 31, 2012
Confidential Exhibit B	February 2012 Appraisal of the Property
Confidential Exhibit C	Copies of all contracts related to the sale of the Property
Exhibit D	Excerpt of minutes from the May 24, 2012 meeting of the Board of Directors
Exhibit E	Proposed Journal entry to be used to record the transaction on the Company's books

21. WHEREFORE, the Applicant respectfully requests that the Washington Utilities and Transportation Commission enter an appropriate Order determining that the South Center Property is not necessary or useful or, alternatively, that the proposed sale of the South Center Property is in the public interest.

Dated at Portland, Oregon this 28th day of June, 2012.

NORTHWEST NATURAL GAS COMPANY

By



C. Alex Miller
Vice President, Finance and Regulation
Assistant Treasurer

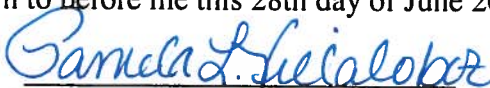
STATE OF OREGON)
) ss
County of Multnomah)

C. Alex Miller, being first duly sworn, deposes and says that he is Vice President of Finance and Regulation, and Assistant Treasurer of Northwest Natural Gas Company, the Applicant in the foregoing Application, that he has read said Application, including exhibits thereto, knows the content thereof, and that the same are true to the best of his knowledge and belief.



C. Alex Miller

Subscribed and sworn to before me this 28th day of June 2012.



Notary Public for Oregon

My commission expires: December 23, 2014

