

Agenda Date: December 31, 2002
Item Number: A1

Docket: UG-021701

Company Name: Northwest Natural Gas Company

Staff: Mike Parvinen, Regulatory Analyst
Lisa Steel, Assistant Director - Energy

Recommendation:

Direct the Secretary to issue an order in Docket UG-021701 establishing compliance with RCW 80.08.040.

Background:

On July 31, 2002, Northwest Natural Gas Company (Northwest or Company) filed a request in Docket No. UG-020986 for an order establishing compliance with RCW 80.08.040, regarding the Company's SEC Shelf Registration for \$150,000,000 of its Medium-Term Notes, Series B. Based on conversations between Staff and the Company regarding the Commission's Interpretive Statement, A-020334, dated April 29, 2002, the Company withdrew its request for an order in Docket UG-020986, but used the filing as an informational filing regarding future issuances under the Shelf Registration.

On December 12, 2002, Northwest made its first request for an order establishing compliance with RCW 80.08.040 for \$40,000,000 from the Shelf Registration. According to the application and supporting materials filed by the Company, it asserts the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030. The Company expects to use a portion of the proceeds of the issue to repay short-term debt undertaken to repay maturing long-term debt securities (the \$20,000,000 principal amount of the 5.55% Series of Secured Notes due November 12, 2002) and the balance of the proceeds to repay short-term debt undertaken to redeem \$25,000,000 principal amount of the \$6.95 Series of Redeemable Preference Stock on December 31, 2002.

Considerations:

Commission Staff has evaluated the request for an order and supporting documents. The Company is not specific on the maturity date for this debt. Maturity date is generally an essential term. According to the Company, it will compare prices for debt for at least two long-term time frames. The amount of

the issuance is to replace existing debt, so it will have minimal impact, if any, on the Company's capital structure.

Staff has done its best to independently verify the Company's financial status, including level of the Company's outstanding debt. However, there are some deficiencies in Staff's review that merit the Commission's attention. Staff's review of the Company's financial status has been compromised because, until December 3, 2002, the Company had failed to file quarterly financial reports, required by Commission rule, for the years 2000, 2001 and 2002. Over the past month, the Company has filed incomplete quarterly reports for 2000 and 2001. Staff's understanding of the Company's current level of long-term debt is based in part on third-party sources of information such as recent copies of reports filed with the Securities and Exchange Commission.

The Company has committed to Staff that it will complete and file all required quarterly financial reports, including the 2002 reports required by WAC 480-90-208, no later than the end of January 2003.

Recommendation:

Staff recommends that the Commission direct the Secretary to enter an Order Establishing Compliance With RCW 80.08.040 in Docket UG-021701.