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July 23, 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 June 30, 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 Y2K project continues on course to protect NWN and its customers from serious Millennium issues. The Company's Tier I renovation projects were concluded in March, ahead of schedule. We did not complete all upgrades in our Unix network infrastructure by June 30, but we are scheduled to have a Unix test environment available by late July and expect to have all critical Unix upgrades completed by Sept. 30. Unix testing will continue into the fourth quarter.

Implementation of NW Natural's new Industrial & Commercial (I&C) billing system has been delayed a month, into November, in order to perform extra testing and allow more time for telephone lines to be installed for the Nertec measurement devices at large customer sites. However, it now appears likely that we will discontinue further Y2K renovation effort on the legacy Actron billing system and redirect some resources who have been working on Actron into the I&C testing effort. We have determined that Actron will function into December, allowing an extra two months for the I&C implementation.

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NW Natural's Y2K Project team now totals 22 contractors, with no openings. CORE Project Team contractors have been extended beyond the planned end dates due to Actron reactivation and delays in the availability of a Unix test environment.

Project personnel costs so far this year (June 30) are \$1,592,000, 10 percent below the forecasted \$1,752,000.

The total estimated cost of our Y2K Project now stands at \$7.6 million, up from the \$6.9 million previously reported. The increase in the estimate is primarily due to the renovation of Actron pursuant to our contingency plan (\$524 thousand) and including actual costs incurred in 1997 (\$428 thousand).

The vendor compliance section of the project has investigated 574 products, up from 343 products in July 1998. As of June 30, 1999, 514 of these products are deemed compliant or conditionally compliant, up from 169 last July. Fifty-two products now are deemed non-compliant of which 41 have been determined to pose no significant risk to operations. Another eight products are still under active investigation.

Attached is an updated (June 30) draft of NW Natural's Y2K Contingency Plan. In July we will complete and submit to Aegis, the Company's primary insurance carrier, an update of a Year 2000 readiness disclosure we provided them last year.

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 6/1/1999 – 6/30/1999," attached.

Finally, also attached is an updated "Year 2000 Readiness Disclosure" dated July 1, 1999. This statement, which is posted on NW Natural's Website (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/Att.: Mark Dodson
Chuck Beyer
Catherine Jones
Susan Ackerman
Ruby Bauske
Avi Lev