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May 18, 2004

Secretary
Washington Utilities & Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: **Docket Number A-021178**
Financial Reporting Rules

NW Natural respectfully submits the following comments on changes proposed in the above-referenced matter. NW Natural previously submitted comments on this matter on January 16, 2004 and we appreciate that, in several instances, our suggestions were incorporated in the draft rules. These additional comments are not necessarily final or all inclusive, and we reserve the right to add to, delete from, or revise our comments as the rules review process in this docket continues.

WAC 480-90-272 Issuing securities.

NW Natural is satisfied with the Commission's existing procedures for issuing securities. Those procedures are briefly described as follows: With respect to its medium-term note program, NW Natural has been providing to the Commission an informational filing regarding its universal shelf registration. In preparation for an actual issuance of securities, NW Natural has typically filed a supplemental application approximately 30-45 days before the planned issuance of securities. The application includes the **expected range** of terms of the offering and requests the issuance of an order. This procedure results in an order from the Commission in a timely manner **before** the issuance of securities and has satisfied the expectations of underwriters and their counsel. As soon as practicable following the issuance of securities, NW Natural has provided the final terms of the issuance to the Commission.

NW Natural prefers that the procedures described above continue to be sufficient, however, it is not clear whether these procedures would satisfy the requirements included in proposed WAC 480-90-272.

NW Natural has several significant concerns about the recent modifications to the proposed rule.

1. It is the Company's expectation that, prior to issuing securities, an application would be filed with the Commission containing information about a proposed transaction consistent with the information required by proposed WAC 480-90-272(1). However, it is the Company's experience that underwriters expect to receive evidence of regulatory approval of a securities issuance before agreeing to final terms of the transaction. This would require the issuance of an order prior to pricing a transaction. The language of WAC 480-90-272(2) suggests that final terms of a transaction must be filed with the Commission *before* the issuance of securities. Since the final terms are not known until after pricing is determined according to market conditions, it is not feasible to file these in an application for our order. If the intent of WAC 480-90-272(2) is to require that the general *expected* range of terms be communicated to the Commission, then we suggest incorporating WAC 480-90-272(2) into the filing described in WAC 480-90-272(1) and that it be clarified that these terms are not the final terms.
2. As mentioned above, underwriters and their counsel typically expect to have evidence that the proposed issuance of securities has been authorized by the appropriate regulatory authorities. We note that WAC 480-90-272(3) seems to suggest that the final terms be communicated to the Commission before the Commission will enter a written order. As discussed above, final terms of a transaction are not agreed to until **after** underwriters and their counsel have received evidence of regulatory authority for the issuance. We request that the Commission amend proposed WAC 480-90-272(3) to allow a request for a Commission order to be included in the original filing pursuant to WAC 480-90-272(1). As described above, the original filing would include the preliminary or expected range of terms of a proposed offering. It would be reasonable to expect that a notice of final terms could be provided to the Commission within five business days **after** pricing.
3. Section (1) of WAC 480-90-272 uses the phrase "undertakes to issue stocks, stock certificates . . ." Although we believe the intent is that this section would only apply to the *original issuance* of stock, the inclusion of the words "stock certificate" could be construed to apply to the simple transfer of stock from one shareholder to another pursuant to such shareholder's instruction. Such a transfer would require the **issuance** of a new **stock certificate**. In that case, the issuance of the stock certificate would not result in any proceeds to the Company. We believe the deletion of the reference to stock certificates would avoid confusion and not limit the application of the rule to any original issuance of security interests.

Thank you again for the opportunity to comment in this proceeding.

Sincerely,

NW NATURAL

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