

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

|   |   |              |
|---|---|--------------|
| In the Matter of the Request of             | ) |              |
|   | ) |              |
| NORTHWEST NATURAL GAS COMPANY               | ) | APPLICATION  |
|   | ) |              |
| for an Order Establishing Compliance With   | ) | DOCKET _____ |
| RCW 80.08.040 With Respect to the Proposed  | ) |              |
| Issuance and Sale of Not to Exceed an       | ) |              |
| Additional 750,000 Shares of its Common     | ) |              |
| Stock Pursuant to the Dividend Reinvestment | ) |              |
| and Direct Stock Purchase Plan              | ) |              |

Northwest Natural Gas Company (the "Company") respectfully requests the Washington Utilities and Transportation Commission (the "Commission") to enter an order establishing compliance with RCW 80.08.040 with respect to the proposed issuance and sale from time-to-time of not more than an additional 750,000 authorized but unissued shares of the Company's Common Stock, \$3-1/6 par value (the "Common Stock"), pursuant to the terms of its Dividend Reinvestment and Direct Stock Purchase Plan, as amended (the "Plan").

The following information is furnished in support of this Application:

- (1) A description of the purposes for which the issuance will be made, including a certification by an officer authorized to do so that the proceeds from any such financing are for one or more of the purposes allowed by Chapter 80.08 RCW:

|       |   |                     |
|-------|---|---------------------|
| (a)   | The construction, completion, extension or improvement of facilities: to defray, in part, the cost of constructing additions, extensions, betterments, and improvements to plant and property | \$27,000,000        |
| (b)   | The discharge or lawful refunding of obligations  | 0                   |
| (c)   | The reimbursement of moneys actually expended from income or from any other moneys in the treasury.   | <u>0</u>            |
| TOTAL |   | <u>\$27,000,000</u> |

The proceeds to be received by the Company from the sale of the Common Stock will be added to the general funds of the Company and used for the construction, completion, extension or improvement of the Company's facilities.

The Company expects its utility construction and equipment expenditures in 2005 to aggregate \$104 million, and expects such expenditures for the five-year period, 2005 – 2009, to aggregate between \$500 million and \$600 million.

(2) A description of the proposed issuance, including the terms of financing:

The Plan provides investors, including investors who are not current holders of shares of the Company's Common Stock, with a simple and convenient method of purchasing shares, in most cases without payment of any commission or service charge. In addition, to the extent that new shares of Common Stock are issued under the Plan, the Company will receive additional funds for its ongoing construction program. Any holder of record of the Company's Common Stock is eligible to join the Plan and investors who are not holders of record may participate in the Plan by making a minimum initial investment of \$250 at any time. Participants may withdraw from the Plan at any time.

Participants in the Plan may (1) have cash dividends on all or part of their registered shares of Common Stock automatically reinvested in additional shares at the market price; or (2) continue to receive their cash dividends on shares registered in their names and invest by making cash payments of not more than \$100,000 per calendar year, at the market price; or (3) invest all or part of their cash dividends and also make such optional cash

payments. Participants also may deposit all or a portion of their certificates for shares of Common Stock into the Plan for safekeeping. Cash dividends on all shares so deposited must be reinvested.

The Company may secure shares for sale pursuant to the Plan by issuing authorized but unissued shares of its Common Stock or by purchasing previously issued shares in the open market or through negotiated transactions. If the Company elects to purchase shares in the open market or through negotiated transactions, it will appoint a broker-dealer registered under the Securities Exchange Act of 1934 to act as an independent agent for the Plan. Subject to the objective of obtaining the lowest over-all cost of shares purchased, the dealer will have full discretion as to all matters relating to the purchase of shares.

The price of Common Stock purchased from the Company with reinvested dividends and with optional cash payments is the average of the high and low trading prices for such shares as reported on the New York Stock Exchange on the trading day preceding the relevant "Investment Date." The price of Common Stock purchased in the open market or through negotiated transactions will be the average price, including brokerage fees, paid by the dealer during the period beginning not more than three trading days prior to the Investment Date and ending not more than five trading days after the Investment Date. Investment Dates are the dividend payment dates in February, May, August and November and, for optional cash purchases, the fifteenth day of each other month. Shares are purchased as of the Investment Dates. The number of shares purchased depends on the amount of a participant's dividends and optional cash payments and the price of the Common Stock as determined for the relevant Investment Dates. Each participant's account is credited with that number of shares, including fractional shares computed to three decimal places, equal to each participant's total amount to be invested divided by the purchase price.

The Company believes that the Plan continues to be desirable for the purposes it serves and, accordingly, on February 24, 2005, its Board of Directors reserved an additional

750,000 shares of the Company's authorized but unissued Common Stock for sale under the Plan. It is estimated that the shares so reserved, together with the remaining shares previously reserved, will be sufficient to meet the requirements of the Plan through the year 2009.

American Stock Transfer & Trust Company has been appointed Agent to administer the Plan for the participants and, as such, keeps records, sends statements of account activity to participants, acts as custodian of shares issued and held for the benefit of participants and performs other duties relating to the Plan.

In most cases, NW Natural will pay the fees and expenses to operate the Plan. However, there are some service fees and brokerage commissions which will be charged directly to participants. Participants will incur no broker fees, commissions or other charges for authorized but unissued shares purchased directly from NW Natural. Participants in the Plan will bear the cost of brokerage fees and commissions, any service charges and applicable taxes related to shares purchased or sold on the open market or in privately negotiated transactions.

The total estimated gross proceeds, the estimated expenses and the net proceeds to the Company from the sale of the Common Stock are as follows:

Estimated Fees and Expenses

| <u>Item</u>  | <u>Amount</u>       |
|--|---------------------|
| 1. Par Value   | \$ 2,375,000        |
| 2. Plus Premium  | <u>24,625,000</u>   |
| 3. Gross proceeds                                      | <u>27,000,000</u>   |
| 4. Underwriters' commission                            | None                |
| 5. Securities and Exchange Commission registration fee | 3,152               |
| 6. State mortgage registration tax                     | None                |
| 7. New York Stock Exchange listing fee                 | 14,750              |
| 8. State Commission fee                                | None                |
| 9. Fees for recording indenture                        | None                |
| 10. United States document tax                         | None                |
| 11. Printing expenses                                  | 20,000              |
| 12. Administration costs (including brokerage fees)    | 40,000              |
| 13. Counsel fees                                       | 40,000              |
| 14. Accountants' fees                                  | 20,000              |
| 15. Bond rating agency fee                             | None                |
| 16. Miscellaneous expense (including mailing expenses) | <u>12,048</u>       |
| 17. Total estimated expenses                           | <u>149,950</u>      |
| 18. Net estimated amount to be realized                | <u>\$26,850,050</u> |

(3) A statement as to why the transaction is in the public interest:

The Company believes that the facts set forth herein show that the proposed issuance and sale of the Common Stock is for a lawful object within the corporate purposes of the Company and is compatible with the public interest; that said object is necessary or appropriate for or consistent with the proper performance by the Company of service as a public utility; and that the issuance and sale of the Common Stock is reasonably necessary or appropriate for such purpose.

The undersigned certifies, under penalties of perjury as provided in RCW 9A.72, that he has read the foregoing application and knows the contents thereof and that the same are true to the best of his own knowledge or belief.

DATED at Portland, Oregon this 8<sup>th</sup> day of June 2005.

NORTHWEST NATURAL GAS COMPANY

By:   
Title: Secretary and Assistant Treasurer