

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

In the Matter of the Application of)
)
NORTHWEST NATURAL GAS COMPANY)
)
for an Order Determining the Certain Property)
Located in Albany, Oregon is No Longer)
Useful, or, in the Alternative, an Order)
Authorizing the Sale of that Certain Property)
_____)

A P P L I C A T I O N

Docket No. 08-05-

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 730 34th Avenue SW, Albany, Oregon 97321, and more fully described below (the “Property”) is not necessary or useful. The Property formerly served as a customer service center for the Company’s Central Willamette Valley District, 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 Property and finding the sale to be consistent with the public interest pursuant to WAC 480-143-170.

In support of this Application the Company states as follows:

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WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

(1) **Name and Address.** 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.** The name and address of the person authorized, on behalf of the Company, to receive notices and communications in respect to this Application is:

Shawn M. Filippi
Associate Counsel
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telephone: (503) 220-2435
Facsimile: (503) 220-2584
Email: shawn.filippi@nwnatural.com

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

Stephen P. Feltz
Treasurer and Controller
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telephone: (503) 220-2345
Facsimile: (503) 220-2584
Email: spf@nwnatural.com

(3) **General Character of the Business.** 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 attached as Exhibit A. The Company's financial statements for the Year-Ended 2007 and the Quarter-Ended March 31, 2008 are attached as Exhibit B.

(4) Sale of Property

This application is for the disposition of the Property by sale. The Company seeks to sell the Property, formerly a customer service office, for \$710,000. The sale price is above the Property's market value of \$650,000 as appraised in November of 2006. A copy of the November 2006 appraisal is attached hereto as Exhibit C.

Attached as Exhibit D are copies of all contracts related to the sale of the Property. Additionally, attached as Exhibit E is a certified excerpt of the minutes of the Company's Board of Director's meeting held December 20, 2007, authorizing the disposition of the Property. Shareholder approval is not required for disposition of the Property. And, attached as Exhibit F is the title report on the Property.

(5) Description of Property to be Sold

The Property is commonly known as 730 34th Avenue SW, Albany Oregon 97321 and is legally described as follows:

Abbreviated Legal Description: Tax Lot 101, Section 13DD, Township 11 South, Range 4 West, Willamette Meridian, Linn County, Oregon, 3.25 Acres and further described as:

Beginning on the North line of and North 89°14' East 710.40 feet from the Northwest corner of the Truett Donation Land Claim, being Claim No. 38, in Township 11 South, Range 4 West of the Willamette Meridian, and Claim No. 54, in Township 11 South, Range 3 West of the Willamette Meridian, in Linn County, Oregon; thence running South 0°46' East 182.8 feet to a ½ inch iron rod; thence South 76°43' East 659.43 feet to a ½ inch iron rod on the West right-of-way line of the Southern Pacific Railroad; thence North 0°14' East along said right-of-way 343.0 feet to the North line of said Truett Davis Donation Land Claim; thence South 89°14' West 645.7 feet to the place of beginning; Subject to an easement in

favor of United States of America for Electrical Distribution facilities as recorded August 3, 1949 in Deed Book 209, Page 670 of the Linn County Deed Records.

Also Reserving unto the Grantors an easement for access purposes only, in, over, across and upon the Westerly 50 feet of said real property.

The Property consists of an office and service center for the Central Willamette Valley District, consisting of NW Natural's Albany, Corvallis and Mid-Willamette service territory.

(6) Statement of Accounting

Land - Albany:
Original Cost: \$20,616
Accumulated Depreciation: N/A

Building - Albany:
Original Cost: \$406,454
Accumulated Depreciation: \$186,738

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

(7) The Property Is Not Necessary or Useful

The Property is no longer necessary or useful on two grounds. First, it has been substituted with new property and a new service center that is of greater usefulness, pursuant to 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). Since July of 1961, the Company's local office and service center were located at 730 34th Avenue SW in Albany, Oregon. As the local customer base grew, the Company's operations outgrew that service center. After conducting a facilities study the Company determined

that it needed to relocate its customer service operations to a more suitable facility, located at 7150 Supra Drive in Albany, Oregon. The relocation occurred in 2006.

As a result of the facilities study and 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

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.

(a) Reasons for the Sale of the Property

The Company conducted a facilities study of the Property. The study examined the location, structure design and layout, building suitability, future population growth of the area, space demands, traffic and functional activities and processes needed to be performed at the Property to provide suitable customer service in the Central Willamette Valley District. The study revealed that the Property was built in the early 1960's and was in need of substantial remodeling. Additionally, the study revealed that the remodeling would be an expensive undertaking, and that even with the remodeling, the Company would not be able to conduct all of its customer service operations out of the Property. Therefore, the Company moved its customer service operations in the Central Willamette Valley District in a single, upgraded, more suitable location.

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

As indicated above, the Company moved all of its customer service operations in the Central Willamette Valley District into a single, upgraded location. The New Facility consists of a building purchased and constructed by the Company for a total of \$2,301,123 and real property that is subject to a lease with the option to purchase. The Company requests approval to transfer the gain from the sale of the Property (i.e. the account balance in 421.1, "Gain on Disposition of Property") to partially offset the increased purchase cost of the New Facility. Alternatively, the Company requests permission to transfer the net gain in account 421.1 and 409.2 from the sale of the Property to a regulatory deferred account (i.e. 186 account) to be refunded to customers through the Company's Annual Purchased Gas Adjustment.

EXHIBITS

Filed with this application, are the following exhibits:

- | | |
|-----------|--|
| Exhibit A | A map of the Company's Service Territory |
| Exhibit B | The Company's Financial Statements from the Year-Ended 2007 and the Quarter-Ended March 31, 2008 |
| Exhibit C | November 2006 Appraisal of the Property |
| Exhibit D | Copies of all contracts related to the sale of the Property |
| Exhibit E | A certified excerpt of the minutes of the Company's Board of Director's meeting held December 20, 2007, authorizing the disposition of the Property. Shareholder approval is not required for disposition of the Property. |
| Exhibit F | Title Report on the Property |
| Exhibit G | Proposed Journal entry to be used to record the transaction on the Company's books |

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

Dated at Portland, Oregon this 15th day of JULY, 2008.

NORTHWEST NATURAL GAS COMPANY

By Stephen P. Feltz
Stephen P. Feltz
Treasurer & Controller

STATE OF OREGON)
) ss
County of Multnomah)

Stephen P. Feltz, being first duly sworn, deposes and says that he is Treasurer & Controller 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.

Stephen P. Feltz
Stephen P. Feltz

2008. Subscribed and sworn to before me this 15th day of July

Pamela Villalobos
Notary Public for Oregon
My commission expires: 12-23-10

