

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of)	DOCKET UG-061346
)	
NORTHWEST NATURAL GAS)	ORDER 01
COMPANY,)	
)	
Petitioner,)	
)	
For an Order Establishing Compliance)	
with RCW 80.08.040, with Respect to its)	
Proposal to issue and sell up to)	ORDER ESTABLISHING
\$50,000,000 of Medium-Term Notes,)	COMPLIANCE WITH
Series B)	RCW 80.08.040
.....)	

BACKGROUND

- 1 On August 21, 2006, Northwest Natural Gas Company (“Northwest” or “the Company”) filed an application with the Washington Utilities and Transportation Commission (Commission) stating its plan to issue and sell up to \$50,000,000 of Medium-Term Notes, Series B. The application is filed pursuant to Chapter 80.08 RCW and the requirements of WAC 480-100-242 (1) (a). This is the second issuance of debt securities from the \$160,000,000 aggregate principal amount of Medium-Term Notes (“MTN”) pursuant to a \$200,000,000 universal shelf registration (“Shelf Registration”) filed with the Securities and Exchange Commission. The Company’s application requests an order from the Commission affirming that it is in compliance with the requirements of RCW 80.08.040.
- 2 The application states Northwest will use the proceeds from the sale of the securities to retire short-term debt currently outstanding, which was approximately \$55,800,000 as of June 30, 2006. The application states that amount of short-term debt outstanding issued was to redeem maturing long-term debt, complete various construction projects and treasury reimbursement. These uses are all allowed by RCW 80.08.030.
- 3 The Company asserts that the exact timing of the sale is unknown at this time. In addition, the maturity of the issue will be between ten and thirty years. The Company requests the flexibility to take advantage of market conditions and the most attractive spread over comparable Treasury securities. The application also states that the Company will issue these securities so that it will not have an unusually high amount of debt maturing in any one year. Northwest believes the flexibility of its Medium-Term note program are: issuing smaller tranches of debt offers the opportunity to achieve

lower rates than comparable larger underwritten issues; ease of entry to the credit markets; diversify its maturity schedule of outstanding debt; and, issuing notes when the funds are required.

- 4 The application states that the filing is in the public interest in so far as it will enable the Company to carry out its obligations as a public service company. Northwest asserts that this plan to issue new notes is consistent with its objective to maintain its capital structure so that its total equity is no less than 45 percent. These considerations will enable the Company to: (i) maintain the Company's access to other sources of external capital on reasonable terms, (ii) maintain its investment grade credit rating, currently rated "A+" by Standard & Poor's and "A3" by Moody's, and (iii) construct, improve, maintain, and acquire necessary facilities to serve its customers.

FINDINGS AND CONCLUSIONS

- 5 (1) Northwest is in the business of providing natural gas service for hire within the state of Washington. As a public service company, it is subject to the jurisdiction of the Commission under the provisions of Chapter 80.08 RCW.
- 6 (2) The application herein meets the requirements of Chapter 80.08 RCW and the rules and regulations of the Commission adopted pursuant thereto. *Chapter 480-90 WAC.*
- 7 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 13, 2006.
- 8 (4) The Company's application in this Docket contains: (a) a certification by an authorized officer that the proceeds will be used for one or more purposes allowed by RCW 80.08.030; (b) a description of the proposed issuance, including its plan to obtain reasonable terms of financing, and (c) a statement as to why the sale of securities is in the public interest.

ORDER

THE COMMISSION ORDERS:

- 9 (1) Northwest Natural Gas Company has complied with the requirements of RCW 80.08.040 with respect to the proposals set forth in its application to issue and sell up to \$50,000,000 of new Medium-Term notes.
- 10 (2) The Company is directed to file a Report of Securities Issued as required by WAC 480-90-242 (1) (a). The Company is also required to file verified copies of any agreement entered into in connection with any transaction pursuant to this Order. Finally, the Company shall file a verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this Order.
- 11 (3) This Order shall in no way affect the authority of this Commission over rates, services, accounts, valuations, estimates, or determination of costs, or any matters whatsoever that may come before it, nor shall anything herein be construed as acquiescence in any estimate or determination of costs, or any valuation of property claimed or asserted.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

Dated at Olympia, Washington and effective September 13, 2006.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

CAROLE J. WASHBURN, Executive Secretary