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April 19, 2013

VIA ELECTRONIC FILING AND OVERNIGHT DELIVERY

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
PO Box 47250
1300 S Evergreen Park Drive SW
Olympia WA 98504-7250

Re: Docket UG-_____
NW Natural's Application Regarding Tualatin Property

Dear Mr. King:

Enclosed for filing in the above docket are an original and two copies of NW Natural's Application for an Order Determining that the Tualatin Property is No Longer Useful or, in the Alternative, an Order Authorizing the Sale of the Tualatin Property.

The closing date for the sale of the property is scheduled for May 30, 2013. Therefore, we respectfully request that this matter be determined on or before that date.

Please contact this office with any questions.

Very truly yours,

Wendy McIndoo
Legal Assistant

Enclosures

BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION

In the Matter of the Application of:)
) DOCKET NO. UG-13-_____
)
NORTHWEST NATURAL GAS)
COMPANY)
) APPLICATION
For an Order Determining that the)
Tualatin Property is No Longer Useful)
or, in the Alternative, an Order)
Authorizing the Sale of the Tualatin)
Property.)
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I. Introduction

1. 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 the Tualatin Property, located at 7100 SW McEwan Rd., Tualatin, Oregon, 97035, and more fully described below (the “Tualatin Property”) is no longer necessary or useful. The Tualatin Property currently serves as a warehouse, transportation repair and completion shop, meter shop, and fabrication center, but will no longer be useful and should be sold. Alternatively, NW Natural requests an order under WAC 480-143-120 authorizing the sale of the Tualatin Property and finding the sale to be consistent with the public interest pursuant to WAC 480-143-170.

2. The sale of the Tualatin Property is related to the sale of the South Center Property that was evaluated by the Commission in Docket UG-121105.¹ As the Company explained in its

¹ *Re Application of NW Natural Gas Co. for an Order Authorizing the Sale of the South Center Property Located in Tualatin Oregon, Docket UG-121105, Order 01 (July 27, 2012).*

application related to the South Center Property, the Company is in the process of consolidating the operations that were conducted at the Tualatin Property and the South Center Property into the Sherwood Property. The sale of the Tualatin Property is a necessary step in this process. In Docket UG-121105 the Company asked to hold the small loss incurred on the South Center Property and use it to offset future gains on other Tualatin-area properties. Consistent with that request, the Company requests approval to offset the small loss incurred on the South Center property with the gain on the Tualatin Property, as described in further detail below.

3. Because this transaction is expected to close on May 30, 2013, NW Natural respectfully requests that the Commission issue an order on this application by no later than May 30, 2013.

II. Background on the Sale and Purpose for the Sale

4. The transaction involves the sale of the Tualatin Property, which consists of 10.27 acres in Tualatin, Oregon. This property has been used by NW Natural as a warehouse, transportation repair and completion shop, meter shop, and fabrication center. The property houses three buildings, all of which contain both warehouse and office space.
5. As the Company explained in its application related to the South Center Property, the Company identified two functional business needs that are not met with the Company's existing facilities. First, the Company determined that it would develop a more suitable training facility. An integrated training facility for field operations and service employees that accommodates classroom, practical, and scenario-based training is necessary to allow for more effective and consistent training. Second, a designated business continuity center is necessary to ensure that the Company has an alternative operational hub in the event of an emergency that renders One Pacific Square unusable.

6. The Company considered using the Tualatin Property for these purposes, but the Tualatin Property is not large enough to support these functions and repairs needed at the property were estimated at \$10.5 million. Because no other property owned by NW Natural at the time was appropriate for the functional business needs described above, the Company purchased property in Sherwood, Oregon (“Sherwood Property”). The Company plans to lease the Tualatin Property until December 31, 2013 and move operations to the Sherwood Property in the interim.

7. The Company requests permission to record a portion of the net gain from the sale of the Tualatin Property into a regulatory deferred account. The appropriate Washington allocation of the net gain can then be refunded to customers through the Company’s annual Purchased Gas Adjustment.

8. In support of this Application the Company states as follows:

(1) Name and Address.

9. 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.

10. The name and address of the person authorized, on behalf of the Company, to receive notices and communications in respect to this Application is:

Mark Thompson
Manager, Rates and Regulatory
NW Natural
220 NW Second Avenue
Portland, OR 97209-3991
Telephone: (503) 721-2476
Facsimile: (503) 721-2516
Email: mark.thompson@nwnatural.com

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

Lisa Rackner
McDowell Rackner & Gibson PC
419 SW 11th Ave., Suite 400
Portland, OR 97205
Telephone: 503-595-3925
Facsimile: 503-595-3928
Email: lisa@mcd-law.com

(3) General Character of the Business

12. 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 on file with the Commission in Docket UG-081317. The Company's financial statements for the Year Ended 2012 are attached as Exhibit A.

(4) Sale of Property

13. This application is for the disposition of the Tualatin Property by sale. The sale price for the Tualatin Property is \$6,800,000. This amount was agreed upon following an arm's length negotiation and reflects the fair market value for the real property. A copy of the February 2012 appraisal is attached hereto as Exhibit B.

14. The Company will occupy the property until December 31, 2013. The Company will not be required to pay rent, but will be responsible for property taxes, insurance, utilities, and general maintenance costs during that period. The exact rights and property subject to this application are listed in the Purchase and Sale Agreement, included here as Exhibit C. The transaction is contingent upon Commission approval and buyer's due diligence, which will be performed by May 31, 2013.

15. Approval by the Company's Board of Directors ("Board") authorized the transaction on May 24, 2012. A certified excerpt of the minutes of the Board meeting held on that date authorizing the disposition of the Tualatin Property is attached as Exhibit D. Shareholder approval is not required for disposition of the Tualatin Property.

(5) Description of Property to be Sold

16. The Tualatin Property is located at 7100 SW McEwan Rd., Tualatin, Oregon, 97035. The Tualatin Property consists of the seven tax lots listed on page 5 of the appraisal attached as Exhibit B. The Tualatin Property includes three buildings, all of which house office and warehousing functions.

(6) Statement of Accounting

17. Based upon appraisals provided, the allocation of the net proceeds between land, buildings and improvements is as follows:

Land (38%)	2,500,560
Buildings and Improvements (62%)	<u>4,079,860</u>
Total Sales Proceeds	<u>6,580,420</u>

The net book value of the sold assets as of May 31, 2013 will be as follows:

Land	168,218
Buildings and Improvements	<u>1,712,431</u>
Total Net Book Value	<u>1,880,649</u>

The realized net gain on the sale of Tualatin is as follows:

Land	2,332,342
Buildings and Improvements	<u>2,367,429</u>
Net gain	<u>4,699,771</u>

Net gain after taxes	<u>2,819,862</u>
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18. The proposed journal entries to be used to record the transaction on the Company's books are attached as Exhibit E.

(7) The Property Is Not Necessary or Useful

19. The Property is no longer necessary or useful on two grounds. First, it has been substituted with new property, the Sherwood Property, under 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). As a result of 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

20. 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. The Company has negotiated a sales price that exceeds the appraisal value, which provides a financial benefit to customers. In addition, sale of the Tualatin Property will facilitate the Company's development of an integrated training facility and a business continuity center, which will benefit customers by allowing for more effective safety and service training and by ensuring operational continuity in the event of an emergency.

(a) Reasons for the Sale of the Property

21. As explained in the background section above, the Company evaluated the ability of its existing facilities to meet the Company's needs for a more suitable training facility and a business continuity center. The Company evaluated the feasibility of using the Tualatin Property for these purposes and found that the property could not meet those needs. Therefore, 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

22. The Company requests permission to record a portion of the net gain from the sale of the Tualatin Property into a regulatory deferred account. Consistent with its request in docket UG-121105, a portion of the small loss incurred in the sale of the South Center Property will be used to offset this gain from the sale of Tualatin property and the appropriate Washington allocation of the net gain can then be refunded to customers through the Company's annual Purchased Gas Adjustment.

EXHIBITS

Filed with this application are the following exhibits:

- | | |
|-----------|--|
| Exhibit A | The Company's Financial Statements from the Year Ended 2012 |
| Exhibit B | February 2012 Appraisal of the Property |
| Exhibit C | Copy of contract related to the sale of the Property |
| Exhibit D | Excerpt of minutes from the May 24, 2012 meeting of the Board of Directors |
| Exhibit E | Proposed Journal entry to be used to record the transaction on the Company's books |

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

Dated at Portland, Oregon this 18th day of April, 2013.

NORTHWEST NATURAL GAS COMPANY

CA+M

By

C. Alex Miller
Vice President & Treasurer

STATE OF OREGON)
) ss
County of Multnomah)

C. Alex Miller, being first duly sworn, deposes and says that he is Vice President and Treasurer 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.

CA+M
C. Alex Miller

Subscribed and sworn to before me this 18th day of April 2013.



Laura L Killam
Notary Public for Oregon

My commission expires: *July 26, 2013*