BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Request of	)	
NORTHWEST NATURAL GAS COMPANY	)	FIRST SUPPLEMENTAL APPLICATION
for an Order Establishing Compliance With RCW 80.08.040 With Respect to the Proposed Issuance and Sale of Not More Than an Additional $150,000,000 Principal Amount of Medium-Term Notes, Series B	)	DOCKET NO. 020986

Northwest Natural Gas Company ("NW Natural" or "the Company") previously filed in this docket an Application (the "Application") describing the Company's proposal to issue and sell from time-to-time, pursuant to a Shelf Registration with the Securities and Exchange Commission (the "SEC"), not more than an additional $150,000,000 aggregate principal amount of its Medium-Term Notes, consisting of Secured Notes, Series B (First Mortgage Bonds) (the "Secured Notes"), and Unsecured Notes, Series B (the "Unsecured Notes"). The Company by this reference incorporates the description of its proposal and the Shelf Registration, and the other information contained in the Application, into this First Supplemental Application.

In its "Interpretive Statement Regarding Filing Requirements Prior to Issuance of Securities," issued in Docket No. A-020334 on April 24, 2002 (the "Interpretative Statement"), this Commission clarified that a filing pursuant to RCW 80.08.040 and WAC 480-146-290 is not required when a public service company makes a shelf registration filing with the SEC. Rather, the Commission said that companies were encouraged to time their filings so that reasonable specificity or detail would be available about the amount, type and terms of an issuance of securities, in order to ensure that regulated companies would provide the Commission with relevant and complete financing information on a timely basis.

Consistent with the Interpretive Statement, NW Natural now respectfully requests in this First Supplemental Application that the Commission enter an order establishing compliance with RCW 80.08.040 and WAC 480-146-290 with respect to the Company's proposed issuance and sale of up to $40,000,000 of debt securities, as follows.

1. **Designate the type of security or securities the company expects to issue:**

   Secured Notes

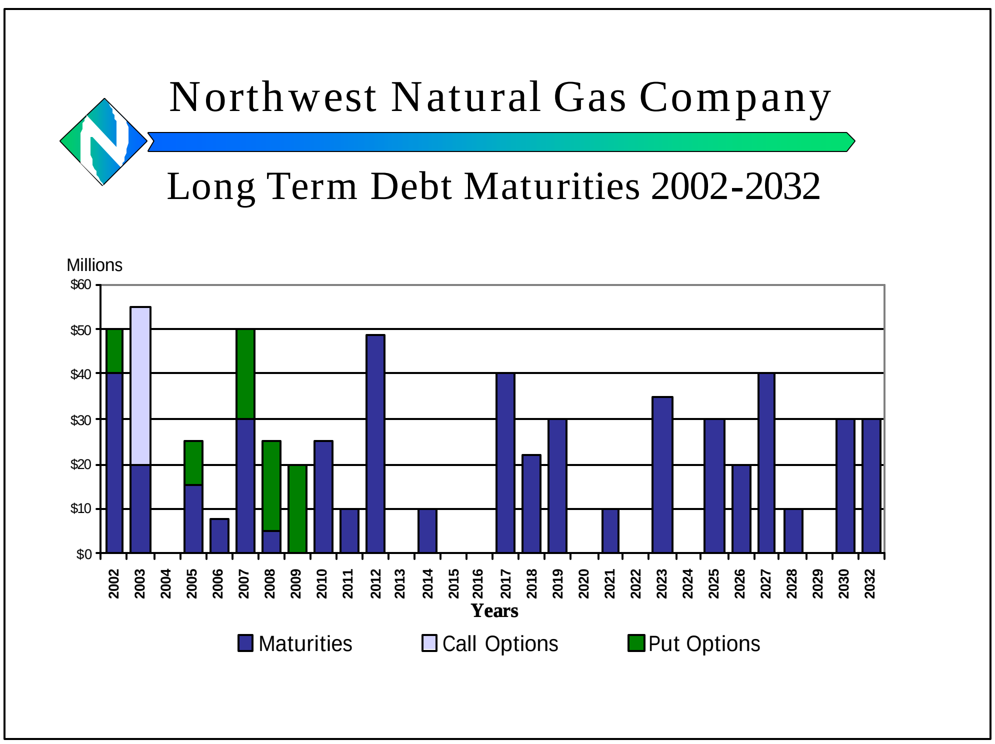
2. **Specify the purpose or purposes for which the company expects to use the proceeds of the issue.**

   The Company expects to use a portion of the proceeds of the issue to repay short-term debt undertaken to repay maturing long-term debt securities (the $20,000,000 principal amount of the 5.55% Series of Secured Notes due Nov. 12, 2002) and the balance of the proceeds to repay short-term debt undertaken to redeem the $25,000,000 principal amount of the $6.95 Series of Redeemable Preference Stock on Dec. 31, 2002.

3. **Describe the proposed issuance or issuances including the estimated range of amounts and estimated terms.**

   Under NW Natural's financing plan for the next several months as approved by the Finance Committee of the Board of Directors in September 2002, the Company will post with agents to sell up to $40,000,000 of Secured Notes, Series B, from the new $150,000,000 Medium-Term Note Shelf Registration during the period ending March 31, 2003.

The proposed maturity or maturities of the Notes will be either five years, 10 years or 30 years, with the actual maturity or maturities to be determined based on market conditions and the maturities of the Company's other outstanding debt. The Company will assess market conditions at each of the potential maturities and seek to determine where spreads over Treasury securities are relatively more attractive (lower), indicating more demand from MTN investors. The Company also will seek to select maturities for the Notes such that an unusually high amount of long-term debt will not mature in any given year. The Company's current long-term debt maturity schedule is shown in the following graph.



Based upon recent advice from the Company's MTN agents (Merrill Lynch, UBS Warburg, Banc One Capital Markets and US Bank Piper Jaffray) in the context of current market conditions, we estimate that spreads over the respective Treasury securities for A-rated secured MTNs should be less than 110 basis points for a five-year Note, 120 basis points for a 10-year Note or 130 basis points for a 30-year Note.

There will be no sinking fund requirements or put options for investors in connection with the sale of the Notes covered under this supplemental application. The actual interest rates, maturities and other redemption provisions (if any), and other terms and conditions of the Notes, will be established in accordance with procedures set forth in the Mortgage and the Twentieth Supplemental Indenture thereto, as described in the Application. The offering price, agent's commission, and other terms of each issuance of Notes will be determined at the time of sale.

4. State why the issuance is in the public interest.

NW Natural believes that the facts set forth herein and in the Application show that the proposed issuance and sale of the Notes 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 Notes is reasonably necessary or appropriate for such purpose.

The financing plan described in this supplemental application is consistent with NW Natural's objectives to maintain a capital structure containing 45 to 50 percent common equity and to maintain investment-grade credit ratings. The Company's Secured Notes currently are rated "A2" by Moody's, "A" by Standard & Poor's and "A" by Fitch, with stable credit outlooks. The following table sets forth the Company's capital structure at Sept. 30, 2002, along with its pro forma capital structure assuming the issuance of the full $40,000,000 of Secured Notes and the repayment of long-term debt that matured in November 2002.

	Capital Structure at Sept. 30, 2002 ($000)	Percent of Total	Pro Forma Financings ($000)	Pro Forma Capital Structure with Financings[1] ($000)	Percent of Total
Common equity	$475,081	47.8		$475,081	46.8
Preferred and preference stock	33,250	3.3		33,250	3.3
Long-term debt	446,033	44.9	$40,000	486,033	47.9
Long-term debt due within one year	40,000	4.0	(20,000)	20,000	2.0
Short-term notes payable	0	0.0		0	0.0
Total	$994,364	100.0	$20,000	$1,014,364	100.0

As stated in the Application, the advantages of a Medium-Term Note Program are that it enables the Company to issue small tranches of debt at rates which often will be below those required for larger underwritten issues; to enter the market on a daily basis to take advantage of yield curve opportunities; to manage its financing program in light of market changes; to balance the maturities of its debt securities; and to average interest costs. Decisions can be made with the benefit of an immediate evaluation of financing costs. The Notes can be issued precisely when funds are required, eliminating both the need for interim financing in the floating rate markets and the reinvestment risk associated with financing in anticipation of capital requirements.

NW Natural submits that it is in the public interest for the Company to have the degree of flexibility in finalizing terms for the Notes as is described in this supplemental application. The $40,000,000 of new debt represents less than 10 percent of NW Natural's current long-term debt outstanding, so the new issue or issues of MTNs will not have a large impact on the Company's weighted average cost of debt. Similarly, the small amount of new debt will have a limited impact on the weighted maturity of NW Natural's long-term debt liabilities. The current weighted maturity of approximately 15.9 years would increase to only 16.9 years if all $40,000,000 of MTNs were issued for 30 years, or would decrease to only 15.4 years if all $40,000,000 were issued for five years.

The Board of Directors has delegated to the Finance Committee of the Board the authority to determine the principal amount, interest rate, maturity, sinking fund, put or call provisions and other terms and conditions of each issue of the Notes to be sold, including whether they will be Secured Notes or Unsecured Notes, and the price and other terms of their sale. The Finance Committee in turn has delegated such authority to the officers of the Company. Neither the Board of Directors nor the Finance Committee of the Board approves the specific terms of a sale of Notes immediately in advance of the sale, so there are no term sheets, offering circulars or meeting minutes yet available that state the specific terms of an offering.

Accordingly, pursuant to RCW 80.08.040(4), NW Natural respectfully requests a written order by the Commission establishing the Company's compliance with RCW 80.08.040 and WAC 480-146-290, so that it may undertake an issuance or issuances of securities within the parameters described in this First Supplemental Application without further order of the Commission.

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 ___th day of December 2002.

NORTHWEST NATURAL GAS COMPANY

By_________________________

Bruce R. DeBolt

Title: Senior Vice President and Chief Financial Officer

---

[1]The pro forma capital structure set forth in the table is not a projection of the Company's actual capital structure at March 31, 2003. Besides the financings described in this supplemental application, the actual capital structure at that date is expected to reflect an increase in common equity, the mandatory redemption of $25,000,000 in preference stock at Dec. 31, 2002, a change in the amount of long-term debt due within one year and an increase in notes payable.