

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 29, 2005**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 14, 2005

TO: Public Utility Commission

FROM: Steve W. Chriss

THROUGH: Lee Sparling, Marc Hellman, and Bryan Conway

SUBJECT: NORTHWEST NATURAL GAS: (Docket No. UF 3279) Application to Issue and Sell up to 750,000 shares of Common Stock and Amend Order No. 01-840.

STAFF RECOMMENDATION:

The Commission should approve Northwest Natural Gas Company's (Northwest or Company) application subject to the following conditions and reporting requirements:

- 1) The Company shall file the usual Report of Securities Issued and Disposition of Net Proceeds statements annually, within 60 days of the end of each calendar year.
- 2) Rates and fees shall be no greater than those identified in the application.
- 3) The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. In its next rate proceeding, the Company will be required to show that its capital costs, including imbedded expenses and capital structure, are just and reasonable.

DISCUSSION:

On June 9, 2005, Northwest filed an application pursuant to Oregon Revised Statutes (ORS) 757.400 through 757.450 and Oregon Administrative Rule (OAR) 860-027-0030. The application requests authority to issue and sell an additional 750,000 shares of its Common Stock pursuant to the terms of its Dividend Reinvestment and Direct Stock Purchase Plan (DRIP), as amended. The price of the common stock purchased will be the average of the high and low trading prices for such shares as quoted on the New

York Stock Exchange on trading day preceding the relevant investment date. Gross proceeds are expected to total \$27,000,000, assuming a sales price of \$36 per share.

The Commission first granted Northwest authority to issue and sell common stock in connection with its DRIP in Commission Order No. 76-780, on October 1, 1976. Since then, the Commission has increased the Company's authority nine times in Commission Order Nos. 80-289, 83-036, 84-868, 86-518, 89-176, 92-181, 94-002, 97-286 and 01-840.

Use of Proceeds

Northwest intends to use the proceeds for the construction, completion, extension or improvement of the Company's facilities. Northwest's stated uses are consistent with ORS 757.415 (1) (a).

Expenses

Northwest expects expenses not to exceed \$150,000, or 0.56 percent of gross proceeds. In any event, Northwest represents that the fees will not exceed \$250,000. These expenses appear reasonable.

PROPOSED COMMISSION MOTION:

Northwest's application for the authority to issue up to 750,000 shares of Stock under its DRIP be approved with Staff's conditions and reporting requirements.