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June 8, 2005

Oregon Public Utility Commission  
550 Capitol Street, N.E.  
Salem, OR 97310-1380

Attention: Thomas G. Barkin, Esquire  
Administrator, Hearings Division

Re: Docket No. UF 3279  
Supplemental Application

Ladies and Gentlemen:

Transmitted herewith for filing is a Supplemental Application of Northwest Natural Gas Company for an Order of the Commission authorizing the Company 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, as amended. An original copy will be mailed to you. Exhibit K, form of Common Stock certificate proposed to be issued, is herewith submitted as a pdf document.

Also submitted herewith is a recommended Order of the Commission for use in connection with the processing of the Company's Supplemental Application, together with a diskette containing this draft Order.

The Company requests that the Commission consider this Supplemental Application so that its approval would occur by July 8, 2005.

Please forward to me ten certified copies of the Order of the Commission in this Docket.

If you have any questions regarding this matter, please contact me at your convenience.

Sincerely,

C. J. Rue

CJR:lmw  
Encl.

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

_____ )	
In the Matter of the Application of )	
NORTHWEST NATURAL GAS COMPANY )	Docket No. UF-3279
for an Order authorizing the continuing )	S U P P L E M E N T A L
issuance and sale of not to exceed )	<u>A P P L I C A T I O N</u>
750,000 additional shares of its Common )	
Stock pursuant to its Dividend Reinvestment )	
and Direct Stock Purchase Plan )	
_____ )	

Northwest Natural Gas Company (the “Company”) hereby applies to the Oregon Public Utility Commission (the “Commission”), pursuant to the provisions of ORS 757.400 - 757.450, for an Order or Orders authorizing the Company to offer, issue and sell pursuant to the terms of its Dividend Reinvestment and Direct Stock Purchase Plan, as amended (the “Plan”), an additional 750,000 shares of its authorized but unissued Common Stock of a par value of \$3 1/6 per share, as hereinafter set forth.

The following information and required exhibits are furnished in the manner, form, and order prescribed by OAR 860-27-030.

(a) The exact name of the Applicant and the address of its principal business office are as follows:

Northwest Natural Gas Company  
220 N. W. Second Avenue  
Portland, Oregon 97209

(b) The Company is a corporation duly organized and validly existing under the laws of the State of Oregon. The Company was incorporated January 10, 1910 and its duration is perpetual. It has duly qualified and is authorized to transact its

business in the State of Washington and is in good standing as a foreign corporation under Washington State laws.

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

C. J. Rue, Secretary  
Northwest Natural Gas Company  
220 N. W. Second Avenue  
Portland, Oregon 97209

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

Margaret D. Kirkpatrick  
Interim General Counsel  
Northwest Natural Gas Company  
220 N. W. Second Avenue  
Portland, Oregon 97209

(d) The names, titles and addresses of the principal officers of the Company are:

Mark S. Dodson	President and Chief Executive Officer	220 N.W. Second Avenue Portland, Oregon 97209
Michael S. McCoy	Executive Vice President	" " "
David H. Anderson	Senior Vice President and Chief Financial Officer	" " "
Gregg S. Kantor	Senior Vice President	" " "
Lea Anne Doolittle	Vice President	" " "
C.J. Rue	Secretary and Assistant Treasurer	" " "
Stephen P. Feltz	Treasurer and Controller	" " "
Richelle T. Luther	Assistant Secretary	" " "

(e) 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 L.

[http://www.nwnatural.com/about/investor/annualreports/2004\\_AR/pdfs/NWN\\_Annual\\_2004.pdf](http://www.nwnatural.com/about/investor/annualreports/2004_AR/pdfs/NWN_Annual_2004.pdf))

(f) As of March 31, 2005, the date of the balance sheet submitted herewith, the authorized and outstanding capital stock of the Company was as follows:

Preferred Capital Stock: authorized, 1,500,000 shares, without par value; none issued and outstanding.

The Preferred Stock is entitled in preference to the Preference Stock and the Common Stock to cumulative dividends at the applicable rate for each series, which are pari passu; and is entitled in preference to the Preference Stock and the Common Stock, upon involuntary liquidation, to the amount of the stated value per share plus accumulated dividends; and upon voluntary liquidation, to the then applicable redemption prices plus accumulated dividends.

None of the Preferred Stock is held in the treasury or as reacquired securities; none is pledged by the Company; none is held by affiliated interests; and none is held in any fund owned or controlled by the Company.

Preference Capital Stock: authorized, 2,000,000 shares, without par value; none issued and outstanding.

The Preference Stock is entitled in preference to the Common Stock to cumulative dividends at the applicable rate for each series, which will be pari passu with future series, and distributions upon liquidation, but subordinate to cumulative dividends, purchase and sinking fund payments, and distributions upon liquidation with respect to the Preferred Stock.

None of the Preference Stock is held in the treasury or as reacquired securities; none is pledged by the Company; none is held by affiliated interests; and none is held in any fund owned or controlled by the Company.

Common Capital Stock: authorized, 60,000,000 shares, par value \$3 1/6 per share; issued and outstanding, 27,550,898 shares; reserved for future issue to employees under the Company's Employee Stock Purchase Plan, 106,699 shares; reserved for future issuance to common shareholders under the Company's Dividend Reinvestment and Direct Stock Purchase Plan, 954,243 shares (including the 750,000 shares which are the subject of this application); reserved to accommodate the Restated Stock Option Plan (formerly the 1985 Stock Option Plan), 1,594,049 shares; reserved to accommodate conversions of the Company's 7-1/4% Convertible

Debentures due 2012, 280,521 shares; and reserved to accommodate purchases of shares of Common Stock pursuant to the exercise of Rights under the Rights Agreement dated as of February 27, 1996, 3,000,000 shares.

The Common Stock is entitled to dividends when and as declared by the Board of Directors subject to the preferences of the Preference Stock and the Preferred Stock outlined above, and subject to the restrictions, if any, of the Company's Mortgage.

Generally, only the Common Stock has voting rights, subject to special voting rights of the Preference Stock and the Preferred Stock, if any. Holders of Common Stock are entitled to cumulative voting for the election of directors.

None of the Common Stock is held in the treasury or as reacquired securities; none is pledged by the Company; none is held by affiliated interests; and none is held in any fund owned or controlled by the Company.

(g) As of March 31, 2005, the date of the balance sheet submitted herewith, the classes and series of long-term debt or notes of the Company, were as follows (the principal amount includes sinking fund requirements and maturities due within one year, shown as current liabilities on the balance sheet):

Secured Medium-Term Notes (First Mortgage Bonds), secured by a first mortgage lien on substantially all of the utility property now owned or hereafter acquired by the Company, were outstanding in the amounts shown below, the interest rate and maturity being shown in the title of each series.

## MEDIUM-TERM NOTES

### Secured Notes (First Mortgage Bonds):

(In Thousands)

<u>Medium-Term Notes</u>	<u>Originally Authorized</u>	<u>Outstanding</u>
<u>Secured Notes (First Mortgage Bonds):</u>		
6.340% Series B due 2005	5,000	5,000
6.380% Series B due 2005	5,000	5,000
6.450% Series B due 2005	5,000	5,000
6.050% Series B due 2006	8,000	8,000
6.310% Series B due 2007	20,000	20,000
6.800% Series B due 2007	10,000	9,500
6.500% Series B due 2008	5,000	5,000
4.110% Series B due 2010	10,000	10,000
7.450% Series B due 2010	25,000	25,000
6.665% Series B due 2011	10,000	10,000
7.130% Series B due 2012	40,000	40,000
8.260% Series B due 2014	10,000	10,000
7.000% Series B due 2017	40,000	40,000
6.600% Series B due 2018	22,000	22,000
8.310% Series B due 2019	10,000	10,000
7.630% Series B due 2019	20,000	20,000
9.050% Series A due 2021	10,000	10,000
5.620% Series B due 2023	40,000	40,000
7.720% Series B due 2025	20,000	20,000
6.520% Series B due 2025	10,000	10,000
7.050% Series B due 2026	20,000	20,000
7.000% Series B due 2027	20,000	20,000
6.650% Series B due 2027	20,000	20,000
6.650% Series B due 2028	10,000	10,000
7.740% Series B due 2030	20,000	20,000
7.850% Series B due 2030	10,000	10,000
5.820% Series B due 2032	30,000	30,000
5.660% Series B due 2033	40,000	40,000
<u>Convertible Debentures</u>		
7-1/4% Series due 2012	15,000	4,375

None of the securities described above is held in treasury, or held as reacquired securities, and none is held by affiliated interests.

(h) The Company proposes to issue an additional 750,000 shares of its authorized but unissued Common Stock having a par value of \$3 1/6 per share to shareholders who have enrolled in the Plan.

Each share of the Common Stock sold will be entitled to one vote, consistent with all of the Company's Common Stock presently outstanding.

(i) On October 1, 1976 the Company filed its original application in this Docket for authority to issue its Common Stock pursuant to the Plan adopted by its Board of Directors. The Plan has continued since its inception, and with subsequent authorizations from the Commission, 4,683,020 shares have been issued as of March 31, 2005.

Participation in the Plan by Company shareholders was initially projected to be approximately 15%. The ease of investing cash dividends and optional cash payments in shares of Common Stock has increased the participation in the Plan to more than half of the Company's shareholders.

In 1985, the Plan was amended to allow the Company to secure shares for sale pursuant to the Plan from previously issued shares by purchase in the open market or through negotiated transactions, or both. If the Company elects to exercise this option, the Company or its transfer agent, as administrator of the Plan, will appoint a broker-dealer registered under the Securities Exchange Act of 1934 to act as an independent agent for the Plan in purchasing shares in the open market and through negotiated transactions. Subject to the objective of obtaining the lowest over-all cost of shares purchased, the dealer will have full discretion as to all matters relating to the purchase of shares. This amendment was adopted to provide flexibility to the Company to more closely match capital infusion with capital requirements.

In February 2005, the Plan was amended to allow direct, initial cash investments for the purchase of the Company's Common Stock and to increase the maximum amount of optional cash payments made per year to \$100,000.

The Company believes that the Plan continues to be desirable for the purposes it serves and, accordingly, on February 24, 2005, its Board of Directors reserved an additional 750,000 shares of the Company's authorized but unissued

Common Stock for sale under the Plan. It is estimated that the shares so reserved, together with the remaining shares previously reserved, will be sufficient to meet the requirements of the Plan through the year 2009.

(A) The Plan provides investors, including investors who are not current holders of shares of the Company's Common Stock, with a simple and convenient method of purchasing shares, in most cases without payment of any commission or service charge. In addition, to the extent that new shares of Common Stock are issued under the Plan, the Company will receive additional funds for its ongoing construction program. Any holder of record of the Company's Common Stock is eligible to join the Plan and investors who are not holders of record may participate in the Plan by making a minimum initial investment of \$250. Participants may withdraw from the Plan at any time.

Participants in the Plan may (1) have cash dividends on all or part of their registered shares of Common Stock automatically reinvested in additional shares at the market price; or (2) continue to receive their cash dividends on shares registered in their names and invest by making cash payments of not more than \$100,000 per calendar year, at the market price; or (3) invest all or part of their cash dividends and also make such optional cash payments. Effective January 1, 1994, participants were eligible to deposit all or a portion of their certificates for shares of Common Stock into the Plan for safekeeping. Cash dividends on all shares so deposited must be reinvested.

The price of Common Stock purchased from the Company with reinvested dividends and with optional cash payments is the average of the high and low trading prices for such shares as quoted on the New York Stock Exchange on the trading day preceding the relevant "Investment Date." The price of Common Stock purchased in the open market or through negotiated transactions will be the average price, including brokerage fees, paid by the dealer during the period beginning not more than three trading days prior to the Investment Date and ending not more than five trading days



after the Investment Date. Investment Dates are the dividend payment dates in February, May, August and November and, for optional cash purchases, the fifteenth day of each other month. Shares are purchased as of the Investment Dates. The number of shares purchased depends on the amount of a participant's dividends and optional cash payments and the price of the Common Stock as determined for the relevant Investment Dates. Each participant's account is credited with that number of shares, including fractional shares computed to three decimal places, equal to each participant's total amount to be invested divided by the purchase price.

American Stock Transfer & Trust Company has been appointed Agent to administer the Plan for the participants and, as such, keeps records, sends statements of account activity to participants, acts as custodian of shares issued and held for the benefit of participants and performs other duties relating to the Plan.

In most cases, NW Natural will pay the fees and expenses to operate the Plan. However, there are some service fees and brokerage commissions which will be charged directly to participants. Participants will incur no broker fees, commissions or other charges for authorized but unissued shares purchased directly from NW Natural. Participants in the Plan will bear the cost of brokerage fees and commissions, any service charges and applicable taxes related to shares purchased or sold on the open market or in privately negotiated transactions.

The Plan, as adopted and amended by the Board and under which the Common Stock is to be sold, is submitted herewith and included in the Registration Statement on Form S-3 filed herewith as Exhibit I.

(B) Each share of the Common Stock has equal dividend, liquidation and voting rights, and each share has one vote. Shares of the Common Stock will not be issued pro rata to existing holders, are not redeemable, have no conversion or preemptive rights and are not being issued in connection with any liquidation or reorganization.

(C) It is in the best interest of the Company to make the proposed sale of Common Stock to holders of record of its Common Stock since it provides them with a simple and convenient method of initially acquiring shares and investing cash dividends and optional cash payments in additional shares of Common Stock at market prices, in most cases, without payment of any brokerage commission or service charge. In addition, to the extent that Common Stock is purchased from the Company, the Company will receive additional funds needed for its continuing construction program.

(D) Not applicable.

(j) Not applicable.

(k) The estimated net proceeds which the Company expects to receive from the proposed sale of the additional shares of Common Stock are \$26,850,050.

### Estimated Fees and Expenses

<u>Item</u>	<u>Amount</u>	
1. Par Value	\$ 2,375,000	
2. Plus Premium	<u>24,625,000</u>	
3. Gross proceeds	<u>27,000,000</u>	(1)
4. Underwriter's commission	None	
5. Securities and Exchange Commission registration fee	3,152	
6. State mortgage registration tax	None	
7. New York Stock Exchange listing fee	14,750	
8. State Commission fee	None	
9. Fee for recording indenture	None	
10. United States document tax	None	
11. Printing expenses	20,000	(2)
12. Administration costs (including brokerage fees)	40,000	(2)
13. Counsel fees	40,000	(2)
14. Accountants' fees	20,000	(2)
15. Miscellaneous expense (including mailing expenses)	<u>12,048</u>	(2)
16. Total estimated expense	<u>149,950</u>	
17. Net estimated amount to be realized	<u>\$26,850,050</u>	(2)

(1) Based upon an estimated average price of \$36.00 per share.

(2) Based upon sale of the Common Stock over a four-year period.

(l) To the extent that new shares of Common Stock are purchased from the Company, the Company will use the proceeds from this sale to be added to the general funds of the Company for the construction, completion, extension or improvement of the Company's facilities, pursuant to ORS 757.415 (1) (a). The Company expects its utility construction program in 2005 to aggregate \$104 million, and in the five-year period, 2005-2009, to aggregate between \$500 million and \$600 million.

(m) An application concurrently is being made to the Washington Utilities and Transportation Commission for an Order establishing compliance with RCW 80.08.040. A Registration Statement on Form S-3, including Prospectus, has been filed with the Securities and Exchange Commission with respect to the sale of Common Stock proposed herein, and a copy thereof is filed herewith as Exhibit I to this Application.

(n) For the reasons set forth in this application, the issuance of the Common Stock, as proposed herein, is for a lawful object within the corporate purposes of the Company, is compatible with the public interest, is necessary and appropriate for and consistent with the proper performance by the Company of service as a public utility, will not impair its ability to perform such service, and is reasonably appropriate for such purposes in that it is essential that the Company obtain funds for its continuing construction program.

This Application is not filed under ORS 757.495.

(o) The requirements of Rule 27-030(o) and Rule 27-030 (p) are not applicable.

(p) Not applicable.

## REQUIRED EXHIBITS

Filed with this Application, as part hereof, are the following Exhibits:

- Exhibit A            The Company's Restated Articles of Incorporation, as amended.  
<http://phx.corporate-ir.net/phoenix.zhtml?c=90366&p=irol-secText&TEXT=aHR0cDovL2NjYm4uMTBrd2I6YXJkLmNvbS94bWwvZmlsaW5nLnhtbD9yZXBvPXRlbmsmaXBhZ2U9MzQzODEmZG9jPTI=> then scroll down to Exhibit 3(a)
- Exhibit B            The Company's Bylaws, with all amendments to date.  
<http://phx.corporate-ir.net/phoenix.zhtml?c=90366&p=irol-SECText&TEXT=aHR0cDovL2NjYm4uMTBrd2I6YXJkLmNvbS94bWwvZmlsaW5nLnhtbD9yZXBvPXRlbmsmaXBhZ2U9MjkyNjk1OSZkb2M9MiZudW09Mw==>
- Exhibit C            Certified excerpt from the minutes of the Company's Board of Directors meeting held on February 24, 2005 relating to the amendment of the Dividend Reinvestment and Direct Stock Purchase Plan, the reservation of an additional 750,000 shares for issuance and sale pursuant to the Plan, and the filing of this Application.
- Exhibit D            Not applicable.
- Exhibits E(1) and E(2)    Balance Sheet of the Company at March 31, 2005. A detailed pro forma balance sheet is submitted as Exhibit E(2) to give effect to the proposed sale of the Common Stock.
- Exhibit F            Note 12 to the Company's Consolidated Financial Statements, excerpted from pages 97-102 of the Company's 2004 Annual Report on Form 10-K to the Securities and Exchange Commission, describing all known commitments and contingent liabilities, other than items such as damages, claims and similar items involving relatively small amounts.
- Exhibits G&H        Comparative Income Statement for the twelve months ended December 31, 2004; see Note (i) below.
- Exhibit I            Registration Statement on Form S-3, including Prospectus with respect to the Northwest Natural Gas Company Dividend Reinvestment and Direct Stock Purchase Plan, as amended February 24, 2005.  
<http://phx.corporate-ir.net/phoenix.zhtml?c=90366&p=IROL-secToc&TOC=aHR0cDovL2NjYm4uMTBrd2I6YXJkLmNvbS94bWwvY29udGVudHMueG1sP2lwYWdlPTMzODY1MTQmcmVwbz10ZW5r>
- Exhibit J            Not applicable.

Exhibit K Form of Common Stock certificate proposed to be issued.

Exhibit L Map showing the Company's service territory.  
[http://www.nwnatural.com/about/investor/annualreports/2004\\_AR/introduction/nwn\\_profile.html](http://www.nwnatural.com/about/investor/annualreports/2004_AR/introduction/nwn_profile.html)

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Note (i): The Plan provides for periodic investment of dividends and/or optional cash payments over an extended period of time. It is not practical to prepare a meaningful pro forma income statement since the proposed issuance and sale of Common Stock will not substantially affect income or expenses.

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WHEREFORE, the Applicant respectfully requests that the Oregon Public Utility Commission enter an appropriate Order granting the within Supplemental Application.

Dated at Portland, Oregon this 8<sup>th</sup> day of June 2005.

NORTHWEST NATURAL GAS COMPANY

By: /s/ C.J. Rue  
C.J. Rue  
Secretary and Assistant Treasurer

/s/ Margaret D. Kirkpatrick  
Attorney for Northwest Natural Gas Company

STATE OF OREGON        )  
                                  ) ss  
County of Multnomah    )

C.J. Rue, being first duly sworn, deposes and says that he is Secretary and Assistant Treasurer of Northwest Natural Gas Company, the Applicant in the foregoing Supplemental Application, that he has read said Supplemental Application, including exhibits thereto, knows the content thereof, and that the same are true to the best of his knowledge and belief.

/s/ C.J. Rue

Subscribed and sworn to before me this 8<sup>th</sup> day of June 2005.

/s/ Linda M. Warren  
Notary Public for Oregon  
My commission expires June 21, 2008

( S E A L )

EXHIBIT A

Copy of the Company's  
Restated Articles of Incorporation with Amendments to Date

EXHIBIT B

Copy of the Company's Bylaws with  
Amendments to Date





Acts and Proceedings of Board of Directors  
 at Meeting Held on February 24, 2005  
 Concerning the Amendment of the Company's  
 Dividend Reinvestment and Direct Stock Purchase Plan and the  
 Issuance and Sale of an Additional 750,000 shares of Common Stock  
 Pursuant to the Plan

I, C. J. Rue, Secretary of Northwest Natural Gas Company, a corporation organized and existing under the laws of the State of Oregon  
 HEREBY CERTIFY that:

The following is a true copy of all that part of the minutes of the meeting of the Board of Directors of the Company held February 24, 2005 which sets forth the acts and proceedings at said meeting pertaining to the issuance and sale pursuant to the Company's Dividend Reinvestment and Direct Stock Purchase Plan of an additional 750,000 shares of the Company's Common Stock, the amendment of the Plan, and matters relating thereto.

Said meeting was duly convened and held at Portland, Oregon on said date; a quorum of the Board of Directors was present and acted throughout; each of the several resolutions set forth in the following excerpt was duly adopted at said meeting; and each of said resolutions is in the full force and effect on the date of this Certificate, namely:

\* \* \* \* \*

Mr. Rue reported that from the initial approval of the Board of the

Company's Dividend Reinvestment and Stock Purchase Plan (the "Plan") in 1976 through December 2004, 4,654,436 shares of the Company's Common Stock have been sold to shareholders under the Plan. He reviewed the current level of participation and noted that about 9% of the Common Stock dividends paid in the fourth quarter of 2004 were reinvested in additional Shares under the Plan. He said that sales under the Plan since its inception, including optional cash purchases, have produced about \$102.3 million in equity capital. He pointed out that, at December 31, 2004, 232,827 shares of Common Stock and the common share purchase rights appurtenant thereto ("Rights" and together with the Common Stock, "Shares") remained of the total 4,887,263 Shares previously reserved by the Board. He recommended that the Board amend the Plan to, among other things, permit participation by interested investors who are not existing shareholders of the Company. He said that, in anticipation of a potential increase in Plan participation as a result of the amendments to the Plan, management recommends that the Board reserve an additional 750,000 shares of Common Stock ("Additional Common Stock") and Rights (together with the Additional Common Stock, "Additional Shares") for issuance under the Plan. Management expects this number of Shares to be adequate for issuance under the Plan through 2009.

After discussion, and upon motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, that the officers of the Company are authorized and directed to take any and all actions which the officers taking such actions may deem necessary or desirable in order to expand participation in the Company's Dividend Reinvestment and Stock Purchase Plan including, but not limited to, amending such plan to permit participation by interested investors who are not existing shareholders of the Company and changing the name to the Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan"); and further

RESOLVED, that, subject to receipt of all requisite regulatory approvals, the Company reserves out of authorized but unissued Common Stock of the Company up to an additional 750,000 shares of the Company's Common Stock (the "Additional Common Stock") for the purpose of issuance and sale pursuant to the Plan; and that the officers of the Company hereby are authorized to determine the number of and times at which such Additional Common Stock and the common share purchase rights appurtenant thereto (together with the Additional Common Stock, the "Shares") shall be issued and sold pursuant to the Plan; and further

RESOLVED, that, upon the issuance, delivery and payment therefor pursuant to the Plan, the Additional Common Stock of the Company shall be fully-paid and non-assessable and entitled to all rights and privileges provided in the Restated Articles of Incorporation and the Bylaws of the Company; and further

RESOLVED, that the officers of the Company hereby are authorized, in its name and behalf, to cause to be issued and delivered, in accordance with the terms of the Plan, certificates evidencing the Shares.

Mr. Rue stated that it would be appropriate for the Board to authorize the officers of the Company to prepare and file applications with state regulatory authorities for orders establishing compliance with statutory requirements and authorizing the issuance and sale of the Shares pursuant to the Plan; to prepare and file a registration statement with respect to the Shares with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Act"), including a combined prospectus with respect to the Shares and the unissued balance of the Shares previously registered under the Act pursuant to a registration statement (SEC File No. 333-68184); and to list the Shares on the New York Stock Exchange.

After discussion, and upon motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, that the officers of the Company hereby are authorized, in its name and behalf, to prepare, execute and file with the Oregon Public Utility Commission ("OPUC") and the Washington Utilities and Transportation Commission ("WUTC") appropriate applications for an order, in the case of the OPUC, authorizing, and, in the case of the WUTC, establishing compliance with applicable statutory provisions in connection with, the issuance and sale of the Shares pursuant to the Plan, together with any and all exhibits, statements or other documents pertaining to the subject matter of such applications as, in their judgment, may be necessary or desirable; and further

RESOLVED, that the officers of the Company hereby are authorized and directed, in its name and behalf, to prepare, execute and file with the SEC under the Act and the rules and regulations promulgated thereunder, an appropriate registration statement for the registration of the Shares for issuance and sale pursuant to the Plan, together with any and all amendments to such registration statement and any and all exhibits, statements or other documents relating thereto, as in their judgment, may be necessary or desirable (the "Registration Statement"), which Registration Statement shall include a combined prospectus with respect to the Shares and to the unissued balance of the shares previously registered under the Act pursuant to a registration statement (SEC File No. 333-68184); and further

RESOLVED, that each director or officer of the Company executing such Registration Statement, or any amendment or amendments thereto on behalf of the Company, hereby is authorized to appoint Mark S. Dodson, David H. Anderson and John T. Hood, and each of them severally, his true and lawful attorney or attorneys with power to act, with or without the others, to execute in his name, place and stead, in his capacity as a director or officer of the Company, such Registration Statement and any amendment or amendments, including post-effective amendments, thereto, and all instruments necessary or incidental in connection therewith, and to file the same with the SEC, with full power and authority to each of said attorneys to do and perform in the name and on behalf of said directors or officers, or any of them, every act whatsoever necessary or desirable to be done in the premises as fully and to all intents and purposes as such director or officer might or could do in person; and further

RESOLVED, that the officers of the Company hereby are authorized to take, or cause to be taken, all actions necessary or advisable to effect listing and trading of the Shares on the New York Stock Exchange (the "NYSE"), including the preparation, execution and filing of all necessary applications, fees, the preparation of temporary or permanent certificates for the Shares, and the appearance of any such officer and counsel for the Company before the NYSE; and further

RESOLVED, that, in connection with the proposed sale by the Company of the Shares pursuant to the Plan, it is desirable and in the best interest of the Company that such Shares be qualified or registered for sale in various jurisdictions of the United States of America; that the President, any Vice President or the Treasurer, and the Secretary or any Assistant Secretary, hereby are authorized to determine the jurisdictions of the United States of America in which appropriate action shall be taken to qualify or register for sale all or such part of such securities as such officers may deem advisable; that such officers hereby are authorized to perform on behalf of the Company any and all such acts as, in their judgment, may be necessary or desirable in order to comply with the applicable laws of any jurisdictions, including to effect the registration or licensing (or exemption thereof) of the Company as a dealer or broker in securities under such laws, and in connection therewith to execute and file all requisite instruments and documents, including but not limited to applications, reports, surety bonds, irrevocable consents and appointments of attorneys for service of process and to take any and all such action as any one of them shall deem to be necessary or desirable in order to maintain any such registration or qualification (or exemption therefrom); and that the execution by such officers, or any of them, of any such instrument or document or the doing by them of any act in connection with the foregoing matters shall conclusively establish their authority therefor from the Company of the instruments and documents so executed and the action so taken.

Mr. Rue recommended that the American Stock Transfer & Trust Company be appointed Transfer Agent and Registrar for the Shares to the extent issued and sold pursuant to the Plan, and that the Board establish the form of certificate to represent the Shares.

After discussion, and upon motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, that the form of certificate currently being used to represent shares of the Company's Common Stock and the appurtenant common shares purchase rights hereby is approved as the form of certificate to represent the Shares; and further

RESOLVED, that American Stock Transfer & Trust Company hereby is appointed Agent under the Plan and Transfer Agent and Registrar for the Shares to be issued pursuant to the Plan and hereby is authorized and directed to administer the Plan in accordance with its terms and to issue, countersign, register and deliver the Shares upon written orders signed in the Company's name by its

President or a Vice President and by its Secretary or an Assistant Secretary; and further

RESOLVED, that the officers of the Company hereby are authorized and directed, in its name and behalf, to do or cause to be done any and all such acts and things as, in their judgment, may be necessary or desirable in order to effect the issuance and sale of Shares pursuant to the terms of the Plan, and to carry out the purposes of the foregoing resolutions with respect thereto.

Mr. Rue presented and reviewed amendments to the Plan, which, he said, among other things, expanded participation in the Plan to interested investors who are not existing shareholders of the Company and changing the name to the Dividend Reinvestment and Direct Stock Purchase Plan.

After discussion, and upon motion duly made and seconded, the Board unanimously adopted the following resolutions:

RESOLVED, that the Company's Dividend Reinvestment and Direct Stock Purchase Plan ("Plan"), in the form or substantially the form heretofore presented and reviewed at this meeting, hereby is approved, effective upon the initial distribution of the prospectus with respect to the Shares; and further

RESOLVED, that the officers of the Company are authorized to make administrative changes to the Plan and to interpret and administer the Plan on behalf of the Company as deemed appropriate by the officers of the Company; and further

RESOLVED, that the officers of the Company hereby are authorized and directed, in its name and behalf, to prepare, execute and deliver any and all such agreements, instruments and other documents and do and perform and any all such other acts and things, as in their judgment, may be necessary or desirable in order to carry out the purposes and intent of the foregoing resolutions.

2005. WITNESS my hand and the seal of said corporation this 8<sup>th</sup> day of June

\_\_\_\_\_  
/s/ C. J. Rue  
Secretary

(S E A L)

EXHIBIT D – Not Applicable

NORTHWEST NATURAL GAS COMPANY  
 FERC BALANCE SHEET  
 March 31, 2005  
 (Unaudited)

	<b>3/31/2005</b>
<b>Assets and Other Debits:</b>	
101 Gas Plant in Service	\$1,786,363,252
105 Gas Plant-Future Service	
106 Unclassified Construction	
107 Construction Work-in-Progress	15,766,334
Total Utility Plant	1,802,129,586
108 Accumulated Depreciation for Plant	(672,760,331)
Utility Plant-Net	1,129,369,255
117 Gas Stored Underground Non-Current	12,859,547
Total Utility Plant	1,142,228,802
121 Non-Utility Property	34,157,201
122 Accumulated Depreciation Non-Utility	(5,407,872)
Non-Utility-Net	28,749,329
123 Investments in Associated Companies	(5,734,033)
124 Other Investments	54,871,101
Other Property/Investment	77,886,398
<b>Current and Accrued Assets:</b>	
131 Cash	312,653
134 Other Special Deposits	1,833,350
135 Working Funds	164,356
136 Temporary Cash Investments	2,629,976
141 Notes Receivable	0
142 Accounts Receivable	71,820,148
143 Other Accounts Receivable	11,070,028
144 Provision for Uncollectible Accounts	(3,499,371)
146 Accounts Receivable-Associated Companies	8,482,429
154 Plant Materials/Supplies	7,111,329
163 Stores Expense Undistributed	1,154,511
164.1 Gas Stored Underground-Current	19,980,559
164.2 LNG Stored	3,157,988
165 Prepayments	18,754,450
171 Interest/Dividend Receivable	163
172 Rents Receivable	80,481
173 Accrued Utility Revenues	38,880,042
Current Assets	181,933,089
<b>Deferred Debits:</b>	
181 Unamortized Debt Expense	3,226,231
182.3 Other Regulatory Assets	65,622,000
183.2 Other Preliminary Gas Survey	170,872
184 Clearing Accounts	0
186 Misc. Deferred Debits	95,289,357
189 Unamortized Loss on Debt	7,214,740
191 Unrec Purchase Gas Costs	(65,226,663)
Total Deferred Debits	106,296,537

Total Assets \$1,508,344,826

NORTHWEST NATURAL GAS COMPANY  
FERC BALANCE SHEET  
March 31, 2005  
(Unaudited)

Exhibit E(1), Page 1

	<u>3/31/2005</u>
<b>Liabilities and Other Credits:</b>	
201 Common Stock Issued	\$87,244,327
204 Preferred Stock Issued	0
207 Premium on Common Stock	297,943,989
210 Gain on Resale of Stock	1,649,864
212 Installments on Sale of Stock	305,139
214 Capital Stock Expense	0
216 NWNG Retained Earnings	222,496,138
216.1 Subsidiary Retained Earnings	<u>(10,258,935)</u>
Total Proprietary Capital	<u>599,380,521</u>
<b>Long-term Debt:</b>	
221 9 3/4% Bonds - Due 2015	0
221 Current Portion	0
221 Other Debt	<u>479,500,000</u>
Total First Mortgage Bonds	479,500,000
224 Convertible Debentures - 7 1/4%	4,375,000
224 Other Debt	<u>0</u>
Total Long-term Debt	<u>483,875,000</u>
<b>Other Non-Current Liabilities:</b>	
227 Noncurrent Lease	323,249
228.1 Provision for Property Insurance	280,777
228.2 Provision for Injuries/Damages	14,625,845
228.3 Provision for Pension/Benefits	18,212,084
229 Reclassification of Deferred Debits	<u>0</u>
Other Non-Current Liabilities	<u>33,441,954</u>
<b>Current/Accrued Liabilities:</b>	
231 Notes Payable	10,500,000
232 Accounts Payable	83,956,109
235 Customer Deposits	3,479,328
236 Taxes Accrued	22,073,737
237 Interest Accrued	11,170,599
238 Dividends	0
239 Current Long-term Debt	15,000,000
241 Tax Collections Payable	5,001,872
242 Misc. Current Liabilities	26,325,276
243 Current Capital Leases	<u>189,467</u>
Current Liabilities	<u>177,696,389</u>
<b>Deferred Credits:</b>	
252 Customer Advances	1,592,465
253 Other Deferred Credits	33,870
255 Accumulated Deferred Investment Tax Credit	5,429,035
256 Deferred Gains - Sale Plant	498,318
283 Accumulated Deferred Taxes - Other	<u>206,397,274</u>
Deferred Credits	<u>213,950,962</u>



**NORTHWEST NATURAL GAS COMPANY**  
**PRO FORMA CONDENSED BALANCE SHEET**  
 March 31, 2005

	March 31, 2005 (unaudited)	Financing Adjustments (1)	March 31, 2005 Pro Forma	
			Structure	Percent
Utility Plant	\$ 1,142,228,802		\$ 1,142,228,802	
Other Property and Investments	77,886,398		77,886,398	
Current Assets:				
Cash and Cash Equivalents	4,940,334	25,875,050	30,815,384	
Other Current and Accrued Assets	176,992,755		176,992,755	
Deferred Debits	106,296,537		106,296,537	
Total Assets	<u>\$ 1,508,344,826</u>	<u>25,875,050</u>	<u>\$ 1,534,219,876</u>	
Proprietary Capital:				
Redeemable Preferred and Preference Stock	\$ -		\$ -	
Common Stock	87,244,327	4,005,800	91,250,127	
Additional Paid in Capital	299,898,991	22,994,200	322,893,191	
Earnings Invested in the Business	212,237,203	(1,124,950)	211,112,253	
Long-Term Debt and Other Liabilities:				
Secured Medium-Term Notes	494,500,000		494,500,000	
Debentures	4,375,000		4,375,000	
Unsecured Medium-Term Notes	0		0	
Notes Payable-Commercial Paper	10,500,000		10,500,000	
Misc. Current and Accrued Liabilities	152,196,389		152,196,389	
Accum. Deferred Investment Tax Credits	5,429,035		5,429,035	
Accumulated Deferred Income Taxes	206,397,274		206,397,274	
Other Liabilities	35,566,607		35,566,607	
Total Capitalization and Liabilities	<u>\$ 1,508,344,826</u>	<u>25,875,050</u>	<u>\$ 1,534,219,876</u>	
			<b>March 31, 2005</b>	<b>Pro Forma</b>
			<b>Structure</b>	<b>Percent</b>
Long-term Debt and Other Liabilities:				
Secured Medium-Term Notes	494,500,000	44.59%	494,500,000	43.57%
Debentures	4,375,000	0.39%	4,375,000	0.39%
Unsecured Medium-Term Notes	0	0.00%	0	0.00%
Notes Payable-Commercial Paper	10,500,000	0.95%	10,500,000	0.93%
Total	509,375,000	45.93%	509,375,000	44.89%
Redeemable Preferred and Preference Stock	0	0.00%	0	0.00%
Common Stock	87,244,327	7.87%	91,250,127	8.04%
Additional Paid in Capital	299,898,991	27.05%	322,893,191	28.45%
Earnings Invested in the Business	212,237,203	19.15%	211,112,253	18.62%
Total	<u>\$ 1,108,755,521</u>	<u>100.00%</u>	<u>\$ 1,134,630,571</u>	<u>100.00%</u>

(1) Adjusted to reflect the following:

- Issue 750,000 shares of Common Stock
- Issue price of \$36.00
- Issuance cost of \$149,950 (0.6%).
- Increase cash by the net proceeds of \$25,875,050
- Increase dividends by \$975,000



**Excerpt from pages 97-102 of the Company's 2004 Annual Report on Form 10-K**

**12. COMMITMENTS AND CONTINGENCIES:**

Lease Commitments

The Company leases land, buildings and equipment under agreements that expire in various years through 2018. Rental expense under operating leases was \$4.5 million, \$4.9 million and \$4.8 million for the years ended Dec. 31, 2004, 2003 and 2002, respectively. The table below reflects the future minimum lease payments due under non-cancelable leases at Dec. 31, 2004. Such payments total \$60.8 million for operating leases. The net present value of payments on capital leases less imputed interest was \$0.5 million. These commitments principally relate to the lease of the Company's office headquarters, underground gas storage facilities, vehicles and computer equipment.

Millions	2005	2006	2007	2008	2009	Later years
Operating leases	\$ 4.5	\$ 4.2	\$ 4.1	\$ 4.0	\$ 3.9	\$ 39.6
Capital leases	0.2	0.2	0.1	-	-	-
Minimum lease payments	<u>\$ 4.7</u>	<u>\$ 4.4</u>	<u>\$ 4.2</u>	<u>\$ 4.0</u>	<u>\$ 3.9</u>	<u>\$ 39.6</u>

Pipeline Capacity Purchase and Release Commitments

NW Natural has signed agreements providing for the reservation of firm pipeline capacity under which it must make fixed monthly payments for contracted capacity. The pricing component of the monthly payment is established, subject to change, by U.S. or Canadian regulatory bodies. In addition, NW Natural has entered into long-term sale agreements to release firm pipeline capacity. The aggregate amounts of these agreements were as follows at Dec. 31, 2004:

Thousands	Pipeline Capacity Purchase Agreements	Pipeline Capacity Release Agreements
2005	\$ 66,703	\$ 3,715
2006	61,514	3,715
2007	62,696	3,715
2008	60,949	3,715
2009	54,417	3,715
2010 through 2024	274,891	3,095
Total	581,170	21,670
Less: Amount representing interest	113,024	2,369
Total at present value	<u>\$ 468,146</u>	<u>\$ 19,301</u>

NW Natural's total payments of fixed charges under capacity purchase agreements in 2004, 2003 and 2002 were \$89.3 million, \$86.7 million and \$86.2 million, respectively. Included in the amounts for 2004, 2003 and 2002 were reductions for capacity release sales of \$3.7 million, \$3.7 million and \$4.2 million, respectively. In addition, per-unit charges are required to be paid based on the actual quantities shipped under the agreements. In certain take-or-pay purchase commitments, annual deficiencies may be offset by prepayments subject to recovery over a longer term if future purchases exceed the minimum annual requirements.

### Environmental Matters

NW Natural owns or previously owned properties currently being investigated that may require environmental response. NW Natural has accrued all material loss contingencies relating to environmental matters that it believes to be probable of assertion and reasonably estimable. The Company continues to study the extent of its environmental liabilities, but due to the preliminary nature of the environmental investigations being conducted, the range of loss contingencies beyond the amounts currently accrued, and the probabilities thereof, cannot be reasonably estimated.

***Gasco site.*** NW Natural owns property in Multnomah County, Oregon that is the site of a former gas manufacturing plant that was closed in 1956 (the Gasco site). The Gasco site has been under investigation by NW Natural for environmental contamination under the Oregon Department of Environmental Quality's (ODEQ) Voluntary Clean-Up Program. In June 2003, the Company filed a Feasibility Scoping Plan and an Ecological and Human Health Risk Assessment with the ODEQ, which outlined a range of remedial alternatives for the most contaminated portion of the Gasco site. NW Natural continues to work with the ODEQ to determine the appropriate remedial action from among the alternatives. Based upon the proposed actions in the draft plan, the Company estimates its range of remaining liability, including the cost of investigation, from among feasible alternatives, at between \$1.3 million and \$7 million.

***Wacker site.*** NW Natural previously owned property adjacent to the Gasco site that now is the location of a manufacturing plant owned by Siltronic Corporation, formerly Wacker Siltronic Corporation (the Wacker site). In 2000, the ODEQ issued an order requiring Wacker and NW Natural to determine the nature and extent of releases of hazardous substances to Willamette River sediments from the Wacker site. In 2004, consultant studies indicated that some benzene is present in the soil at the Wacker site. The ODEQ requested that NW Natural conduct further tests of groundwater and indoor air quality. The work plan for the implementation of the benzene indoor air-sampling program was approved by the ODEQ in November 2004. NW Natural recorded expenses in 2004 totaling \$0.1 million for its estimated costs of investigation and initial remediation at the Wacker site.

***Portland Harbor.*** In 1998, the ODEQ and the U.S. Environmental Protection Agency (EPA) completed a study of sediments in a 5.5-mile segment of the Willamette River (the Portland Harbor) that includes the area adjacent to the Gasco site and the Wacker site. In 2000, the EPA listed the Portland Harbor as a Superfund site and notified the Company that it is a potentially responsible party. Subsequently, the EPA approved the Programmatic Work Plan, Field Sampling Plan and Quality Assurance Project Plan for the Portland Harbor Remedial Investigation/Feasibility Study. NW Natural's share of the estimated budget to complete the first phase of the work is \$1.0 million, which is expected to be completed in 2007. The EPA has indicated that further study in a second phase will be required; however, the scope of the work to be completed in a second phase has yet to be determined.

In April 2004 the Company entered into an Administrative Order on Consent (AOC) providing for early action removal of a body of tar in the river sediments adjacent to the Gasco site. In July 2004, the EPA approved an initial work plan for the early action removal. The Company continues to negotiate with the EPA regarding the method and timing of the removal of the body of tar. The Company currently estimates the removal cost to be in the range of \$3.0 million to \$5.0 million. In addition, the Company has agreed with the ODEQ to do additional work, if necessary, on the Gasco site in conjunction with the EPA early action remediation work.

During 2004, NW Natural accrued additional loss contingencies totaling \$4.3 million for the above-described study work and the revised estimate of tar body remediation costs. NW Natural's liability is based on its best estimate of probable costs, and if a specific amount is no more or less likely than another amount in the range of probable liability, then the Company recognizes its liability at the lower end of the range of probable liability. Currently available information is insufficient to determine either the total amount of liability, or the higher end of a range for NW Natural's estimated share of potential future remediation related to the Portland Harbor site. The Company expects to receive additional information when the Remedial Investigation/Feasibility Study report is completed. A preliminary report is expected to be available during 2005.

***Portland Gas site.*** The City of Portland notified NW Natural that it was planning a sewer improvement project that would include excavation within the former site of a gas manufacturing plant (the Portland Gas site) that was owned and operated by a predecessor of the Company between 1860 and 1913. The preliminary assessment of this site performed by a consultant for the EPA in 1987 indicated that it could be assumed that by-product tars may have been disposed of on site. The report concluded, however, that it is likely that waste residues from the plant, if present on the site, were covered by deep fill during construction of the nearby seawall bordering the Willamette River and probably have stabilized due to physical and chemical processes. Neither the City of Portland nor the ODEQ has notified NW Natural whether a further investigation or potential remediation might be required on the site in connection with the sewer project, which has commenced. Available information is insufficient to determine either the total amount of NW Natural's liability or a probable range, if any, of potential liability.

***Oregon Steel Mills site.*** On Dec. 20, 2004, the Company was served with a third-party complaint by the Port of Portland (Port) in a Multnomah County Circuit Court case, *Oregon Steel Mills, Inc. v. The Port of Portland*. The Port alleges that in the 1940's and 1950's petroleum wastes generated by the Company's predecessor, Portland Gas & Coke Company, and nine other third-party defendants were disposed of in a waste oil disposal facility operated by the United States or Shaver Transportation Company on property then owned by the Port and now owned by Oregon Steel Mills. The Port's complaint seeks contribution for unspecified past remedial action costs incurred by the Port regarding the former waste oil disposal facility as well as a declaratory judgment allocating liability for future remedial action costs. NW Natural does not believe there are facts sufficient to constitute a claim against the Company.

***Corps of Engineers Notice of Noncompliance.*** On July 2, 2004, the U.S. Army Corps of Engineers (Corps) issued to the Company a Notice of Noncompliance (Notice) for discharges of drilling mud into three streams during drilling operations on the Company's South Mist Pipeline Extension (SMPE) project. The Corps' Notice claimed that the discharges violated the scope of work in permits for the drilling. The Company cooperated with the Corps in its investigation and worked closely with the Corps and other state and federal agencies to minimize impacts from the unintended discharges. The final disposition of this matter resulted in the payment of a nominal fine.

**Regulatory and Insurance Recovery for Environmental Matters.** In May 2003, the OPUC approved NW Natural's request for deferral of environmental costs associated with specific sites, including the Gasco, Wacker, Portland Harbor and Portland Gas sites. The authorization, which has been extended through April 2005, allows NW Natural to defer and seek recovery of unreimbursed environmental costs in a future general rate case. On a cumulative basis through Dec. 31, 2004, the Company paid out a total of \$3.3 million relating to the named sites since the effective date of the deferral authorization. NW Natural will first seek to recover the costs of investigation and remediation for which it may be responsible with respect to the Gasco, Wacker, Portland Harbor and Portland Gas sites, if any, from insurance. If these costs are not recovered from insurance, then NW Natural will seek OPUC approval to recover them through future rates. At Dec. 31, 2004, NW Natural had a receivable of \$8.5 million representing an estimate of the environmental costs it expects to recover from insurance, consisting of \$2.8 million for costs relating to the Gasco site, \$5.5 million for costs relating to the Portland Harbor site and \$0.2 million relating to the Oregon Steel Mills site.

On Jan. 27, 2005, NW Natural filed a request with the OPUC for authorization to defer costs associated with the Oregon Steel Mills site and to extend the deferral authority for the other named environmental sites through Jan. 26, 2006.

The following table summarizes the insurance receivables and the accrued liabilities relating to environmental matters at Dec. 31, 2004 and 2003.

(Millions)	<u>Insurance Receivable</u>		<u>Accrued Liability</u>	
	12/31/04	12/31/03	12/31/04	12/31/03
Gasco site	\$ 2.8	\$ 2.5	\$ 1.3	\$ 1.5
Wacker site	-	-	0.1	-
Portland Harbor site	5.5	1.2	3.4	0.6
Portland Gas site	-	-	-	-
Oregon Steel Mills site	0.2	-	0.2	-
Total	<u>\$ 8.5</u>	<u>\$ 3.7</u>	<u>\$ 5.0</u>	<u>\$ 2.1</u>

#### Legal Proceedings

##### Litigation

On October 16, 2003, Longview Fibre Company (Longview) filed suit in Federal Court (*Longview Fibre Company v. Enerfin Resources Northwest Limited Partnership and Northwest Natural Gas Company* (US District Court - Oregon District)) seeking a declaratory judgment regarding the continuing existence of a certain oil and gas lease in the Mist gas field between Longview and Enerfin Resources Northwest Limited Partnership (Enerfin). NW Natural holds a gas storage lease from Longview (the Cascade Lease), which covers the same land as the Enerfin lease, and which grants the right to produce native oil and gas. Enerfin originally filed crossclaims against NW Natural alleging that NW Natural wrongly interfered with Enerfin's attempts to continue its oil and gas lease with Longview; however, Enerfin agreed to dismiss those claims in a previous settlement with NW Natural. In that settlement, NW Natural subleased portions of the Cascade Lease to Enerfin for the purpose of producing native gas. In September 2004, NW Natural and Enerfin filed claims and counterclaims against Longview, and Longview filed claims and counterclaims against NW Natural and Enerfin. The claims that Longview made against NW Natural involved allegations of unpaid royalties under the Cascade Lease.

All parties to the Longview litigation entered into a Settlement Agreement, effective Jan. 11, 2005. As part of the settlement, Longview granted NW Natural an easement for use in producing oil and gas from the lands covered by the Cascade Lease. Other than payments made in respect of the easement, and royalty payments under the relevant leases and subleases, which were not material, no payments were made in connection with the Longview settlement. All claims were dismissed on Jan. 28, 2005 pursuant to the Settlement Agreement.

On May 28, 2004, a lawsuit was filed against the Company (*Kerry Law, Arnold Zuehlke and Kenneth Cooper, on behalf of themselves and all others similarly situated v. Northwest Natural Gas Company* (U.S. Dist. Ct. D. Or., Case No. CV-04-728-AS)) by three individuals alleging violation of the Fair Labor Standards Act for failure to pay overtime. The suit was subsequently amended to include state wage and hour claims. The plaintiffs are or have been independent backhoe operators who performed services for the Company under contract. In the lawsuit, the plaintiffs claim that they, and others similarly situated, should have been considered “employees” of the Company instead of independent contractors. The plaintiffs seek overtime and interest in amounts to be determined, liquidated damages equal to the overtime award, civil penalties and attorneys fees and costs. The plaintiffs sought to certify this case as a collective action under the Fair Labor Standards Act; however, on Oct. 5, 2004, plaintiffs’ motion for collective action certification was denied. As a result of this ruling, the case is proceeding with the three current plaintiffs, and any others who wish to join must do so individually. Although no other claims have been filed in this lawsuit, plaintiffs’ counsel has indicated to the court their intention to file additional claims seeking employee benefits allegedly due to plaintiffs. In addition, the claims in the lawsuit described below may be consolidated with this lawsuit. The Company intends to vigorously contest the claims. There is insufficient information at this point in the litigation to reasonably estimate the amount of liability, if any, from this claim.

On Feb. 18, 2005, a lawsuit was filed against the Company (*Kasey Cooper, Kevin Cooper, C.G. Nick Courtney, John V. Shooter, Ike Whittlesey and Roger Whittlesey v. Northwest Natural* (U.S. Dist. Ct. D. Or., Case No. CV-05-241-KI)) by six additional individual independent backhoe operators who have performed services for the Company under contract. Like the plaintiffs in the claim described above, these plaintiffs allege that they should have been considered “employees” of the Company. They seek overtime wages under the Fair Labor Standards Act and interest in amounts to be determined, liquidated damages equal to the overtime award, civil penalties and attorneys fees and costs. In addition, the plaintiffs allege that failure to classify them as employees constituted a breach of contract under certain of the Company’s employee benefit programs, agreements and plans, which conferred employment-related compensation, rights and benefits. They seek an unspecified amount of damages for the value of what they would have received under these programs, agreements and plans if they had been classified as employees. The Company intends to vigorously contest the claims. There is insufficient information at this point in the litigation to reasonably estimate the amount of liability, if any, from this claim.

On Dec. 20, 2004, the Company was served with a third-party complaint by the Port of Portland (Port) in a Multnomah County Circuit Court case, *Oregon Steel Mills, Inc. v. The Port of Portland*. The Port alleges that in the 1940’s and 1950’s petroleum wastes generated by the Company’s predecessor, Portland Gas & Coke Company, and nine other third-party defendants were disposed of in a waste oil disposal facility operated by the United States or Shaver Transportation Company on property then owned by the Port and now owned by Oregon Steel Mills. The Port’s complaint seeks contribution for unspecified past remedial action costs incurred by the Port regarding the former waste oil disposal facility as well as a declaratory judgment allocating liability for future remedial action costs. NW Natural does not believe there are facts sufficient to constitute a claim against the Company.

In connection with the construction of the SMPE, NW Natural continues to negotiate with some land owners regarding valuation of easements and rights-of-way obtained pursuant to condemnation proceedings. In some cases, compensation will be determined in individual court proceedings that have been scheduled through June 2005. The Company is unable to determine the likelihood of unfavorable outcomes of these matters, but believes that the aggregate amount of compensation ultimately paid will not be material to the Company's financial condition, results of operations or cash flows.

The Company is subject to other claims and litigation arising in the ordinary course of business. Although the final outcome of any of these legal proceedings cannot be predicted with certainty, the Company does not expect that the ultimate disposition of these matters will have a materially adverse effect on the Company's financial condition, results of operations or cash flows.



NORTHWEST NATURAL GAS COMPANY  
 FERC INCOME STATEMENT  
 3/31/2005

<u>Description</u>	<u>Current 12 Months</u>
400 Operating Revenues	\$755,034,031
<b>Operating Expense:</b>	
401 Operation Expense	528,004,778
402 Maintenance Expense	12,483,672
403 Depreciation Expense	58,138,591
408 Taxes Other Than Income	40,116,943
409 Income Taxes	12,702,276
410/411 Deferred Taxes/ITC	19,025,736
Net Utility Operating Income	84,562,035
<b>Other Income:</b>	
409 Non-Operating Income Taxes	1,443,348
410/411 Non-Operating Deferred/ITC Tax	(2,319,016)
415/416 Merchandise Revenue Net	(27,720)
417 Joint Venture Revenue Net	5,653,147
418 Non-Operating Rental Income	443,746
418 Net Income from Subsidiaries	283,158
419 Interest and Dividend Income	1,081,289
421 Misc. Non-Operating Income	171,984
430 Interest on Debt to Assoc. Co.	
Total Other Income	8,481,272
<b>Misc. Income Deductions:</b>	
426 Other Income Deductions	732,974
Income Before Interest	93,776,281
<b>Interest Charges:</b>	
427 Interest on Long-term Debt	33,754,776
428 Amortization of Debt Discount and Expense	777,645
431 Other Interest Expense	2,294,749
432 Allowance-Borrowed Funds Used During Construction	(898,509)
Total Interest Charges	35,928,660
Net Income	57,847,620
<b>Analysis of Earned Surplus:</b>	
216 Earnings Invested in the Business (at the beginning of the period)	194,229,811
433 Balance Transferred from Income	57,847,620
218 Other Comprehensive Income	(1,817,781)
218 Other Net	
Total Credits	250,259,650
<b>Misc. Debits to Surplus:</b>	
214 Capital Stock Expense	1,536,024
218 Unearned Compensation	809,221
437 Dividends Declared-Preferred and Preference Stock	
438 Dividends Declared-Common Stock	35,626,202
438 Stock Repurchase	51,000
Total Debits	38,022,447
216 Earnings Invested in the Business (at the end of the period)	212,237,203

EXHIBIT I

Registration Statement on Form S-3, including Prospectus,  
as filed with the Securities and Exchange Commission

EXHIBIT J - Not Applicable

EXHIBIT K

Specimen copy of Common Stock Certificate

EXHIBIT L

Map Showing the Company's Service Territory

ORDER NO. \_\_\_\_\_

ENTERED \_\_\_\_\_, 2005

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

UF 3279

In the Matter of the Application of NORTHWEST	)	
NATURAL GAS COMPANY for an Order	)	
Authorizing the Issuance and Sale of not to Exceed	)	ORDER
750,000 Additional Shares of its Common Stock	)	
Pursuant to its Dividend Reinvestment and Direct	)	
Stock Purchase Plan.	)	

DISPOSITION: APPLICATION APPROVED

The Commission received an application, filed by Northwest Natural Gas Company (the "Company") pursuant to ORS 757.415 and OAR 860-027-0030, requesting authority to engage in certain financial transactions.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its public meeting on \_\_\_\_\_, 2005, the Commission adopted Staff's recommendation to approve the application. Staff's recommendation is attached as Appendix A and is incorporated by reference.

**OPINION**

**Jurisdiction**

ORS 757.005 defines a "public utility" as anyone providing heat, light, water, or power service to the public in Oregon. The Company is a public utility subject to the Commission's jurisdiction.

**Applicable Law**

ORS 757.415(1) provides that:

A public utility may issue [stocks and bonds, notes, and other evidences of indebtedness] for the following purposes and no others...:

- (a) The acquisition of property, or the construction, completion, extension or improvement of its facilities.
- (b) The improvement or maintenance of its service.
- (c) The discharge or lawful refunding of its obligations.
- (d) The reimbursement of money actually expended from income or from any other money in the treasury of the public utility not secured by or obtained from the issue of stocks or bonds, notes or other evidences of indebtedness, or securities, of such public utility, for any of the purposes listed in paragraphs (a) to (c) of this subsection...
- (e) \*\*\*\*

When an application involves refunding of obligations, the applicant must show that the original borrowings were made for a permissible purpose. *Avion Water Company, Inc.*, UF 3903, Order No. 83-244 at 3; *Pacific Power & Light Co.*, UF 3749, Order No. 81-745 at 5.

ORS 757.415(2) provides that:

[The applicant] shall secure from the commission...an order...stating:

- (a) The amount of the issue and the purposes to which the proceeds are to be applied; and
- (b) In the opinion of the commission, the [proceeds] reasonably [are] required for the purposes specified in the order and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the applicant of service as a public utility, and will not impair its ability to perform that service; and
- (c) Except as otherwise permitted in the order in the case of bonds, notes, or other evidences of indebtedness, such purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The Commission believes that the proposed financing is reasonably required for the purposes stated, is compatible with the public interest, and is consistent with the proper performance of the Company's public utility service. The proposed transaction will not impair the Company's ability to perform that service. The purposes of the proposed issuance are not, in whole or part, reasonably chargeable to operating expenses or to income.

For ratemaking purposes, the Commission reserves judgment on the reasonableness of the Company's capital costs and capital structure. In its next rate proceeding, the Company will be required to show that its capital costs and structure are just and reasonable. See ORS 757.210.

**CONCLUSIONS**

1. The Company is a public utility subject to the Commission's jurisdiction.
2. The Company's application meets the requirements of ORS 757.415.
3. The application should be granted.

**ORDER**

IT IS ORDERED that the application of Northwest Natural Gas Company for authority to engage in certain financial transactions is granted, subject to the conditions, if any, stated in Appendix A.

Made, entered, and effective \_\_\_\_\_, 2005.

BY THE COMMISSION:

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**Vikie Bailey-Goggins**  
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements of OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070. A party may appeal this order pursuant to ORS 756.580.

ITEM NO.

**OREGON PUBLIC UTILITY COMMISSION  
STAFF REPORT  
PUBLIC MEETING DATE: \_\_\_\_\_, 2005**

**REGULAR AGENDA** \_\_\_\_ **CONSENT AGENDA**  X  **EFFECTIVE DATE** \_\_\_\_\_

**DATE:** \_\_\_\_\_, 2005

**TO:**

**FROM:**

**SUBJECT:** UF 3279 – Northwest Natural Gas Company's Supplemental Application for an Order authorizing the issuance and sale of not to exceed 750,000 additional shares of its Common Stock pursuant to its Dividend Reinvestment and Direct Stock Purchase Plan

**SUMMARY RECOMMENDATION:**

I recommend approving the application without conditions.

**DISCUSSION:**

On \_\_\_\_\_, 2005 Northwest Natural Gas Co. (Northwest or the Company) filed an application pursuant to Oregon Revised Statutes (ORS) 757.400 through 757.450 and Oregon Administrative Rule (OAR) 860-27-030. 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, 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 intent is consistent with ORS 757.415 (1) (a).

**Expenses**

Northwest expects expenses not to exceed \$150,000, or 0.56 percent of gross proceeds. These expenses are reasonable. The DRIP program is extremely cost effective for issuing Common Stock.

**STAFF RECOMMENDATION:**

**I recommend the Commission approve Northwest Natural Gas Company's application to issue and sell an additional 750,000 shares of Common Stock pursuant to the Company's Dividend Reinvestment and Direct Stock Purchase Plan. The Company does not propose, nor do I recommend, a termination date for such authority. The Company should annually file the following statements: 1) Report of Securities Issued, and 2) Disposition of Net Proceeds.**



# NORTHWEST NATURAL GAS COMPANY

INCORPORATED UNDER THE LAWS OF THE STATE OF OREGON

## COMMON STOCK

CUSIP 667555 10 4

SEE REVERSE FOR CERTAIN DEFINITIONS

# SPECIMEN

is the owner of

FULLY PAID AND NONASSESSABLE SHARES OF THE PAR VALUE OF \$3.75 PER SHARE OF THE COMMON STOCK OF

NORTHWEST NATURAL GAS COMPANY transferable on the books of the Company upon surrender of this Certificate properly processed for transfer. This Certificate and the shares represented hereby are issued and shall be held subject to all the provisions, as now or hereafter amended of the Restated Articles of Incorporation of the Company and its Bylaws, in all of which the latter by acceptance need assents. This Certificate is not valid unless countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Company and the facsimile signatures of its duly authorized officers



*C. J. Lane*

*Mark S. Nelson*

SECRETARY

PRESIDENT



