

This is an electronic copy. Format and font may vary from the official version. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 3988

In the Matter of)
)
 NORTHWEST NATURAL GAS COMPANY)
)
 Application for Authority to Issue and Sell Up)
 to an Additional 1,200,000 Shares of its)
 Common Stock Pursuant to its Restated Stock)
 Option Plan.)

ORDER

**DISPOSITION: APPLICATION APPROVED; WITH
CONDITIONS AND REPORTING REQUIREMENTS**

On February 28, 2003, Northwest Natural Gas Company (Northwest) filed an application with the Public Utility Commission (Commission) under ORS 757.415 and OAR 860-27-030, seeking authority to issue and sell an additional 1,200,000 shares of its common stock. Northwest has amended its Restated Stock Option Plan (formerly known as the 1985 Stock Option Plan) and plans to sell at \$3-1/6 par value per share, pursuant to an option granted, or to be granted, to employees, including officers, under the plan. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its public meeting on March 31, 2003, the Commission adopted Staff's recommendation and approved Northwest's current request.

ORDER

IT IS ORDERED THAT the application of Northwest Natural Gas Company for authorization to issue and sell securities, is granted, subject to the conditions and reporting requirements, as further specified in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 31, 2003**

REGULAR AGENDA___ **CONSENT AGENDA** **X** **EFFECTIVE DATE** _____

DATE: March 14, 2003

TO: John Savage through Marc Hellman and Bryan Conway

FROM: Ming Peng

SUBJECT: NORTHWEST NATURAL: (Docket No. UF 3988) Application for Authority to Issue and Sell Up to an Additional 1,200,000 Shares of its Common Stock Pursuant to its Restated Stock Option Plan.

SUMMARY RECOMMENDATION:

I recommend approving the application with reporting requirement: Northwest Natural should annually file Report of Securities Issued and Disposition of Net Proceeds statements covering activity over the previous calendar year. Such statements should be filed as soon as possible following the close of each calendar year.

DISCUSSION:

On February 28, 2003, Northwest Natural (NWN or Company) filed an application to issue and sell an additional 1,200,000 shares of its common stock under Oregon Revised Statute (ORS) 757.415 and Oregon Administrative Rule 860-27-030.

The Company proposes to issue and sell, from time to time, not to exceed in the aggregate an additional 1,200,000 shares of its common stock, \$3-1/6 par value per share, pursuant to an option granted, or to be granted, to employees, including officers, under the plan. The Company has amended its Restated Stock Option Plan (formerly known as the 1985 Stock Option Plan) to authorize the issuance of an additional 1,200,000 shares.

NWN requests authority to issue up to an additional 1,200,000 shares of its common stock in connection with its Restated Stock Option Plan. NWN had 25,572,652 common shares outstanding on November 30, 2002: the additional shares represents an approximate 4.7% increase in outstanding shares and an approximate 6.7% increase in common equity based on November 30, 2002 data.

The purpose of the Restated Stock Option Plan is to enable the Company to attract and

retain experienced and able employees and to provide additional incentive to these employees to exert their best efforts for the Company and its shareholders. Approval of this application will allow the Company to continue to grant Incentive Stock Options and Non-Statutory Stock Options to employees, including officers.

Use Of Proceeds

NWN states that the purpose for which the proceeds are to be used from the issuance and sale of an additional 1,200,000 shares of common stock pursuant to options granted under the Plan is for the construction, completion, extension, or improvement of the Company's facilities and to defray, in part, the cost of constructing additional extensions, betterments and improvements to the Company's plant and property. The purpose for which the proceeds from the sale of the common stock will be used is to finance, in part, the construction, completion, extension or improvement of the Company's facilities, pursuant to ORS 757.415(1)(a), and (b).

Expenses

NWN projects gross proceeds of \$32,400,000 and total issuance fees are not expected to exceed \$55,000 or 0.2% of gross proceeds. NWN states that no agents' or underwriters' commissions will be incurred regarding the issuance of shares under the Restated Stock Option Plan. The fees include Securities & Exchange Commission registration fee, accountant fees, counsel fees, and printing and miscellaneous expenses. The expenses are reasonable.

For ratemaking purposes, the Commission reserves judgment on the reasonableness 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 and structure are just and reasonable.

PROPOSED COMMISSION MOTION:

As filed on February 28, 2003, approve Northwest Natural's application, UF 3988.