

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UF 4220

In the Matter of)	
)	
NORTHWEST NATURAL GAS)	ORDER
COMPANY)	
)	
Application for Authority to Issue and Sell)	
not more than \$200 Million of Five-Year)	
Notes in its Back-up Line of Credit.)	

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

On September 16, 2005, Northwest Natural Gas Company (NWN or Company) submitted an application to the Public Utility Commission of Oregon (Commission), requesting authorization for \$200 million of five-year notes in the lines of credit with five commercial banks that back up the Company's commercial paper program. The Commission previously authorized \$75 million in two-year notes in Order No. 04-231, and \$75 million in three-year notes in Order 04-666. The \$200 million in five-year notes for which NWN is currently seeking regulatory approval will replace the existing three-year notes due to expire September 30, 2007, and the two-year notes that expired September 30, 2005. 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 October 11, 2005, the Commission adopted Staff's recommendation and approved NWN's current request.

ORDER

IT IS ORDERED THAT the application of Northwest Natural Gas Company for the authority to issue and sell not more than \$200 million of five-year notes in its back-up line of credit, is granted, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective OCT 11 2005.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier

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 in 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(2). A party may appeal this order to a court pursuant to applicable law.

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DISCUSSION:

On September 16, 2005, NWN filed an application under Oregon Revised Statutes (ORS) 757.410 and 757.415, and Oregon Administrative Rules (OAR) 860-027-0030, for an order authorizing \$200 million of 5-year Notes in the Lines of Credit with five commercial banks that back up the Company's commercial paper program. The five banks are: Bank of America N.A., JPMorgan Chase Bank, U.S. Bank National Association, Wells Fargo Bank and Wachovia Bank. Each bank will provide a \$40,000,000 credit line. Under the terms of the Credit Agreements, NW Natural pays upfront fees and annual commitment fees.

The debt securities covered by this Application are unsecured notes. The 5-year Notes are not convertible and have no voting privileges. NWN requests a 5-year authorization period from October 1, 2005 through September 30, 2010. The Commission previously authorized \$75 million in 2-year notes in Order No. 04-231, and \$75 million in 3-year notes in Order 04-666. The \$200 million in 5-year notes for which NWN is currently seeking regulatory approval will replace the existing 3-year notes due to expire September 30, 2007, and the 2-year notes that would have expired September 30, 2005. This Application also increases the lines of credit by \$50 million.

Use of Proceeds

NWN represents that the purpose of the 5-year Facility is to provide a committed source of short-term liquidity in case NW Natural is unable to issue short-term commercial paper notes from time to time. The purposes for which individual borrowings under the 5-year Notes are proposed to be used, if and as required, are to arrange for the construction, completion, extension, or improvement of the Company's facilities; the potential repayment of maturing long-term obligations; the reimbursement of the treasury for expenditures against which long-term securities have not yet been issued; the discharging of current obligations; and to provide working capital for the improvement or maintenance of utility service. These purposes are permitted by ORS 757.415(1).

Expenses

NWN represents that fees for 5-year Facility total \$800,000, including \$700,000 in commitment fees¹ (paid quarterly) and \$100,000 in upfront fees. The average annual cost of the credit line is 8 basis points² (0.08%), or \$160,000.

The interest rates that would be applicable to any loans under the 5-year Notes may vary slightly from bank to bank, but in general, they are specified as a spread over benchmark interest rates in effect from time to time, such as the prime rate or the

¹ Commitment Fee: Any fee paid by a potential borrower to a lender for the lender's promise to lend money at a specified rate and within a given time period.

² Basis point is defined as one-hundredth of a percentage point; i.e., 100 basis points equal 1%.

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Adjusted London Interbank Overnight Rate (LIBOR). The spreads applicable to the Company depend on the level of the Company's credit ratings on unsecured long-term debt as published by Standard & Poor's and Moody's Investors Service, two nationally recognized credit rating agencies. Under the proposed Credit Agreements, the Company has selected LIBOR and Prime Rates as required interest rate options (see Attachment A).

The fees, expenses, and interest rate options appear reasonable.

Based on Staff's review, approval of NWN's application with the proposed conditions appears reasonable, meets the appropriate statutory requirements, and provides an additional source of liquidity for the Company.

PROPOSED COMMISSION MOTION:

NW Natural's application for the authority to Issue and Sell not more than \$200 Million of Five-Year Notes in its Back-up Line of Credit be approved with Staff's Conditions.

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Attachment A

The proposed maximum line of credit fee will be based on the Company's unsecured ratings as listed below. NWN represents that Level I exists on any date if, on such date, the Company's senior unsecured debt is rated A or higher by S&P and A2 or higher by Moody's; or is rated at this level by one of the rating agencies and no lower than A- or A3 by the other rating agency. NWN is at Level I.

Rating Level Spread (basis points)

Interest Rate Options	Level I Status A/A2, A/A3 or A-A2	Level II Status A-/A3, A-/Baa1 or BBB+/A3	Level III Status BBB+/Baa1, BBB+/Baa2 or BBB/Baa1	Level IV Status BBB/Baa2, BBB/Baa3 or BBB-/Baa2	Level V Status BBB- or lower and Baa3 or lower
Spread over Prime Rate	0.0	0.0	0.0	0.0	0.0
Spread over LIBOR Rate	32.5	45.0	57.5	75.0	100.0