

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4232

In the Matter of)	
)	
NORTHWEST NATURAL GAS)	ORDER
COMPANY, dba NW NATURAL)	
)	
Application for authorization to issue and)	
sell up to an additional 200,000 shares of)	
its Common Stock through its Employee)	
Stock Purchase Plan.)	

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

On November 6, 2006, Northwest Natural Gas Company, dba NW Natural (NW Natural or Company) submitted an application to the Public Utility Commission of Oregon (Commission), requesting authorization to issue and sell an additional 200,000 shares of stock, from 800,000 to 1,000,000 shares, pursuant to the terms of its Employee Stock Purchase Plan (Plan). The Commission previously granted NW Natural authority to issue and sell common stock in connection with its Plan on September 15, 2000, in docket UF 4172, Order No. 00-558; and as amended by UF 4172(1) and Order No. 03-624. 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 December 5, 2006, the Commission adopted Staff's recommendation and approved NW Natural's current request.

ORDER

IT IS ORDERED that the application of Northwest Natural Gas Company for the authority to issue and sell up to an additional 200,000 shares of stock under its Employee Stock Purchase Plan is approved, subject to the conditions and reporting requirements specified in Appendix A.

Made, entered, and effective DEC 08 2006.

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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 5, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: November 27, 2006

TO: Public Utility Commission

FROM: Ming Peng *MP.*

THROUGH: *W* Lee Sparling, *H* Marc Hellman, and *BC* Bryan Conway

SUBJECT: NORTHWEST NATURAL: (Docket No. UF 4232) Application for Authority to Issue and Sell up to an additional 200,000 shares of Common Stock through Its Employee Stock Purchase Plan.

STAFF RECOMMENDATION:

I recommend that the Public Utility Commission of Oregon (Commission) approve Northwest Natural Gas Company's (NW Natural or Company) request to issue and sell up to an additional 200,000 shares of Common Stock (Stock) through Its Employee Stock Purchase Plan (Plan), 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) The total expenses to the Company from the sale of the additional 200,000 shares of Common Stock in this application will not exceed one percent (1%) of the gross proceeds; and
- 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.

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DISCUSSION:

On November 6, 2006, NW Natural filed an application with the Commission pursuant to ORS 757.400 through 757.450 and OAR 860-027-0030 for authority to issue an additional 200,000 shares of Stock, from 800,000 to 1,000,000 shares, pursuant to the terms of its Plan. The price of the common stock purchased will be 85 percent of the closing market price quoted on the New York Stock Exchange (rounded up to a full penny) on the date preceding the initial offering date. Gross proceeds are expected to total \$6,800,000, assuming a sales price of \$34.00 (based on fair market value of \$40.00).

The Commission previously granted NW Natural authority to issue and sell common stock in connection with its Plan on September 15, 2000, in Docket UF-4172, Order No. 00-558, as amended by UF-4172(1), and Order No. 03-624, on October 22, 2003.

Use of Proceeds

NW Natural represents that the proceeds from the sale will be used to fund construction, extension or improvement of the Company's facilities consistent with ORS 757.415(1)(a). NW Natural's stated uses are consistent with ORS 757.415(1)(a).

Expenses

NW Natural expects expenses will not exceed one percent (1%) of the gross proceeds. Based on NW Natural's Estimated Fees and Expenses table (see attachment table 1), there will be no underwriters' commissions incurred. These expenses appear reasonable.

PROPOSED COMMISSION MOTION:

NW Natural's application for the authority to issue up to an additional 200,000 shares of Stock under its Employee Stock Purchase Plan be approved with Staff's conditions and reporting requirements.

Attachment

UF 4232 – NW Natural's Application to Issue and Sell Stocks

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Attachment

The total gross proceeds, expenses, and net proceeds to the Company from the sale of the additional 200,000 shares of Common Stock are estimated as follows:

Table 1. NW Natural Estimated Gross Proceeds, Expenses, and Net Proceeds

Item	Amount
Gross proceeds estimated	6,800,000*
Underwriter's Commissions	None
Securities & Exchange Commission registration fee	750
State Mortgage Registration Tax	None
New York Stock Exchange fee	1,000
State Commission fee	None
Fees for recording indenture	None
Printing and engraving expenses	900
Trustee's or Registrar's fees	None
Counsel's fees	3,000
Accountants' fees	1,500
Bond Rating Agency fee	None
Miscellaneous expenses	<u>2,000</u>
Total estimated expenses	<u>9,150**</u>
Net estimated amount to be realized	<u>6,790,850</u>

* Based on 85 percent of the market value of \$40.00 per share.

** Estimated expenses expected to be incurred over a five-year period.