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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UF 4159

In the Matter of the Application of Northwest )  
Natural to Amend Order No. 98-293. ) **ORDER**

**DISPOSITION: ORDER NO. 98-293 AMENDED**

On June 11, 1998, the Commission received an application from Northwest Natural (NWN or the Company), filed pursuant to ORS 757.415 and OAR 860-027-0030, requesting authority to issue and sell an additional \$100,000,000 principal amount of medium-term notes. At its Public Meeting on July 7, 1998, the Commission approved the application with reporting requirements and conditions. On January 19, 2000, NWN filed application requesting that the Commission adopt new table of rate spreads.

Based on a review of the amended application and the Commission's records, the Commission finds that the amended application satisfies applicable statutes and administrative rules. At its Public Meeting on June 6, 2000, the Commission adopted Staff's recommendation to approve the amended application subject to reporting requirements. 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 improvements 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 transaction 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.

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 amended application meets the requirements of ORS 757.415.
3. The amended application should be granted.

**ORDER**

IT IS ORDERED that the application of Northwest Natural to amend Order No. 98-293, is granted, subject to the conditions, if any, stated in Appendix A.

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

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.

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**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT**

**PUBLIC MEETING DATE: June 6, 2000**

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

**DATE:** May 30, 2000

**TO:** Bill Warren through Marc Hellman

**FROM:** John S. Thornton

**SUBJECT:** UF 4159—Northwest Natural's Application to Amend Order No. 98-293

**SUMMARY RECOMMENDATION:**

I recommend approving the application.

**DISCUSSION:**

On May 10, 2000, Northwest Natural (Northwest) filed an application to amend Order No. 98-293. That order granted Northwest the authority to issue \$100,000,000 of medium-term notes (MTNs) subject to various reporting requirements and conditions. One of the conditions limited the MTNs' fixed interest rate spreads (the difference between a MTN's all-in cost and a U.S. Treasury security yield) to a defined table of spreads.

Northwest represents that the authorized fixed interest rate spreads in Order No. 98-293 have been too limiting in recent capital market conditions. The company believes that its authorized spreads must be increased to allow it sufficient access to the MTN markets.

Northwest proposes a new table of spreads that would be in effect as long as the yield on an indicative thirty-year U.S. Treasury bond did not exceed 6.5 percent. Northwest's proposed table of temporary spreads is attached. The Commission granted similar authority to Avista Corp. in Order No. 99-412, Docket No. UF 4166. Northwest's requested amendment is reasonable.

**STAFF RECOMMENDATION:**

I recommend that Northwest's application be approved. Order No. 99-293 should be amended to include the new table of temporary spreads, attached herein. All other terms and conditions of Order No. 99-293 should remain in effect.

**Temporary Fixed-Rate Spreads over US Treasury**  
**(Valid if 30-Year US Treasury Bond Rates do not Exceed 6.5% on Trade Date)**

Maturity Equal to or Greater Than	Maturity Less Than	Maximum Spread Over Benchmark U.S. Treasury Yield <sup>1</sup>
9 months	2 years	+ 170 basis points <sup>2</sup>
2 years	3 years	+ 180 basis points
3 years	4 years	+ 190 basis points
4 years	6 years	+200 basis points
6 years	9 years	+205 basis points
9 years	10 years	+215 basis points
10 years	11 years	+220 basis points
11 years	15 years	+230 basis points
15 years	20 years	+240 basis points
20 years or more		+265 basis points

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<sup>1</sup> The Benchmark Treasury Yield, with respect to any MTN maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such MTN maturity range, is generally considered by dealers in such obligation to be the standard for such obligations whether federal, state, or corporate, with approximately the same remaining terms to maturity. With respect to the issuance of any MTN, the Benchmark Treasury Yield shall be determined as of the time the commitment to purchase such MTN is received by the Company and the Agents.

<sup>2</sup> Basis point is defined as one-hundredth of a percentage point; ie, 100 basis points is 1 percent.

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