

NORTHWEST NATURAL GAS CO  
Form 10-Q  
August 04, 2010

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-15973

NORTHWEST NATURAL GAS COMPANY  
(Exact name of registrant as specified in its charter)

Oregon  
(State or other jurisdiction of  
incorporation or organization)

93-0256722  
(I.R.S. Employer  
Identification No.)

220 N.W. Second Avenue, Portland, Oregon 97209  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (503) 226-4211

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  ]

Accelerated filer  ]

Non-accelerated filer  ]

Smaller reporting company  ]

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  ] No  ]

At July 30, 2010, 26,576,278 shares of the registrant's Common Stock (the only class of Common Stock) were outstanding.

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NORTHWEST NATURAL GAS COMPANY

For the Quarterly Period Ended June 30, 2010

PART I. FINANCIAL INFORMATION

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Forward-Looking Statements

This report contains “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to statements regarding the following:

- plans;
- objectives;
- goals;
- strategies;
- future events or performance;
  - trends;
  - cyclicalities;
- earnings and dividends;
  - growth;
  - customer rates;
  - commodity costs;
  - financial positions;
- development of projects;
  - competition;
- exploration of new gas supplies;
- the benefits of liquefied natural gas;
  - estimated expenditures;
  - costs of compliance;
  - credit exposures;
  - potential efficiencies;
- impacts of new laws, regulations and financial accounting standards;
- outcomes of litigation, regulatory actions, and other administrative matters;
  - projected obligations under retirement plans;
  - adequacy of, and shift in, mix of gas supplies;
    - adequacy of regulatory deferrals; and
- environmental, regulatory and insurance costs and recovery.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed in our 2009 Annual Report on Form 10-K, Part I, Item 1A. “Risk Factors” and Part II, Item 7. and Item 7A., “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures about Market Risk,” respectively.

Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.



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NORTHWEST NATURAL GAS COMPANY  
PART I. FINANCIAL INFORMATION  
Consolidated Statements of Income  
(Unaudited)

Thousands, except per share amounts	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Operating revenues:</b>				
Gross operating revenues	\$162,365	\$149,060	\$448,894	\$586,415
Less: Cost of sales	86,301	79,388	234,862	363,562
Revenue taxes	3,871	3,753	10,913	14,295
Net operating revenues	72,193	65,919	203,119	208,558
<b>Operating expenses:</b>				
Operations and maintenance	28,406	30,171	59,072	64,126
General taxes	7,543	6,572	10,792	15,063
Depreciation and amortization	16,026	15,365	31,927	30,887
Total operating expenses	51,975	52,108	101,791	110,076
Income from operations	20,218	13,811	101,328	98,482
Other income and expense - net	1,613	732	4,636	1,622
Interest expense - net	10,617	10,006	21,106	19,376
Income before income taxes	11,214	4,537	84,858	80,728
Income tax expense	4,326	1,451	34,362	30,279
Net income	\$6,888	\$3,086	\$50,496	\$50,449
<b>Average common shares outstanding:</b>				
Basic	26,569	26,506	26,553	26,504
Diluted	26,641	26,607	26,621	26,603
<b>Earnings per share of common stock:</b>				
Basic	\$0.26	\$0.12	\$1.90	\$1.90
Diluted	\$0.26	\$0.12	\$1.90	\$1.90
Dividends per share of common stock	\$0.415	\$0.395	\$0.83	\$0.79

See Notes to Consolidated Financial Statements

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NORTHWEST NATURAL GAS COMPANY  
PART I. FINANCIAL INFORMATION  
Consolidated Balance Sheets  
(Unaudited)

Thousands	June 30, 2010	June 30, 2009	December 31, 2009
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$7,142	\$31,107	\$8,432
Restricted cash	929	15,822	35,543
Accounts receivable	42,781	26,779	77,438
Accrued unbilled revenue	16,419	18,122	71,230
Allowance for uncollectible accounts	(2,577 )	(3,520 )	(3,125 )
Regulatory assets	56,804	89,179	29,954
Derivative assets	1,495	5,293	6,504
<b>Inventories:</b>			
Gas	68,735	69,183	71,672
Materials and supplies	8,714	9,681	9,285
Other current assets	9,823	10,766	21,302
<b>Total current assets</b>	<b>210,265</b>	<b>272,412</b>	<b>328,235</b>
<b>Non-current assets:</b>			
Property, plant and equipment	2,482,826	2,263,325	2,362,734
Less accumulated depreciation	710,732	679,977	692,600
<b>Total property, plant and equipment - net</b>	<b>1,772,094</b>	<b>1,583,348</b>	<b>1,670,134</b>
Regulatory assets	329,197	270,044	316,536
Derivative assets	453	289	843
Other investments	68,393	62,315	67,365
Other non-current assets	15,159	16,103	16,139
<b>Total non-current assets</b>	<b>2,185,296</b>	<b>1,932,099</b>	<b>2,071,017</b>
<b>Total assets</b>	<b>\$2,395,561</b>	<b>\$2,204,511</b>	<b>\$2,399,252</b>

See Notes to Consolidated Financial Statements

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NORTHWEST NATURAL GAS COMPANY  
PART I. FINANCIAL INFORMATION  
Consolidated Balance Sheets  
(Unaudited)

Thousands	June 30, 2010	June 30, 2009	December 31, 2009
<b>Capitalization and liabilities:</b>			
<b>Capitalization:</b>			
Common stock - no par value; 100,000 shares authorized; 26,576, 26,513 and 26,533 shares outstanding at June 30, 2010 and 2009 and December 31, 2009, respectively	\$339,394	\$336,001	\$337,361
Retained earnings	357,173	325,506	328,712
Accumulated other comprehensive income (loss)	(5,772 )	(4,260 )	(5,968 )
Total stockholders' equity	690,795	657,247	660,105
Long-term debt	591,700	587,000	601,700
Total capitalization	1,282,495	1,244,247	1,261,805
<b>Current liabilities:</b>			
Short-term debt	106,875	90,610	102,000
Current maturities of long-term debt	45,000	-	35,000
Accounts payable	81,675	50,055	123,729
Taxes accrued	13,008	10,807	21,037
Interest accrued	5,397	3,876	5,435
Regulatory liabilities	29,524	30,789	46,628
Derivative liabilities	34,463	70,052	19,643
Other current liabilities	31,900	33,343	39,097
Total current liabilities	347,842	289,532	392,569
<b>Deferred credits and other liabilities:</b>			
Deferred tax liabilities	316,152	273,384	300,898
Regulatory liabilities	251,585	238,264	248,622
Pension and other postretirement benefit liabilities	120,185	116,844	127,687
Derivative liabilities	16,917	8,844	3,193
Other non-current liabilities	60,385	33,396	64,478
Total deferred credits and other liabilities	765,224	670,732	744,878
Commitments and contingencies (see Note 11)	-	-	-
Total capitalization and liabilities	\$2,395,561	\$2,204,511	\$2,399,252

See Notes to Consolidated Financial Statements



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NORTHWEST NATURAL GAS COMPANY  
PART I. FINANCIAL INFORMATION  
Consolidated Statement of Cash Flows  
(Unaudited)

Thousands	Six Months Ended June 30,	
	2010	2009
Operating activities:		
Net income	\$50,496	\$50,449
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	31,927	30,887
Undistributed earnings from equity investments	(728 )	(734 )
Non-cash expenses related to qualified defined benefit pension plans		