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January 30, 2009

Oregon Public Utility Commission 550 Capitol Street N. E., Suite 215 Salem, Oregon 97301-2551

Ladies and Gentlemen:

Re: Docket UF 4235

Pursuant to the Commission's Order No. 07-032, in Docket No. UF 4235, authorizing the Company to enter into interest rate swaps, caps, floors, collars and other derivative products with financial institutions to manage exposure to interest rate fluctuations. We enclose herewith the Report of Interest Rate Hedge Products for the year ended December 31, 2008.

Sincerely,

MardiLyn Saathoff

MLS:kva

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

In the Matter of the Application of

NORTHWEST NATURAL GAS COMPANY

for Authorizing Various Arrangements with Financial Institutions to Manage Exposure to Interest Rate Fluctuations Docket UF 4235

Report of Securities Issued, and Disposition of Net Proceeds Statement

This Report is filed pursuant to the Commission's Order No. 07-032 dated January 29, 2007, in which the Company was authorized to enter into interest rate swaps, caps, floors, collars and other derivative products with financial institutions to manage exposure to interest rate fluctuations. These products are hereinafter referred to as "Interest Rate Hedge Products." The notional principal amount outstanding of Interest Rate Hedge Products entered into pursuant to such authorization does not exceed \$200,000,000 or more than 30 percent of the total debt outstanding, whichever is less. The authority will remain effective so long as the Company's senior secured debt has investment grade ratings from two nationally recognized rating agencies.

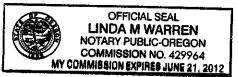
On October 24, 2007, the Company entered into a Forward Starting Interest Rate Swap, as approved in Order No. 07-032 in Docket UF 4235. The swap was executed between UBS Securities LLC and the Company. The terms of the Forward Swap is a notional amount of \$50,000,000 senior secured notes, effective date of September 30, 2008 and a maturity date of September 30, 2018. The Company will pay a fixed rate of 5.083, (30/360 semi-annually and unadjusted). UBS Securities LLC will pay 3 month LIBOR (London Inter-Bank Offered Rate), (actual/360 quarterly). The trade included a mandatory cash settlement clause coincident with the effective date of September 30, 2008. The Company will use the proceeds of the senior secured notes to fund the acquisition and construction of property, the improvement or maintenance of service and the refinancing of maturing long-term debt.

On September 30, 2008 the Company amended the swap contract extending the effective and maturity dates to December 1, 2008 and December 1, 2018 respectively. Fixed and floating payment dates changed correspondingly. The fixed rate was changed to 5.132. No other modifications were made. Subsequently on December 1, 2008 the Company amended the swap contract a second

time extending the effective and maturity dates to April 1, 2009 and April 1, 2019 respectively. Fixed and floating payment dates changed correspondingly. The fixed rate was changed to 5.215. No other modifications were made. There were no fees or expenses related to these changes.

Fees for services, if any, are negotiated on a case-by-case basis at the time the Company enters into an Interest Rate Hedge Product. There were no fees and expenses related to the Forward Starting Interest Rate Swap dated October 24, 2007.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the corporate seal of Northwest Natural Gas Company this 30th day of January 2009.



(SEAL)

MardiLyn/Saathoff

Chief Compliance Officer and Corporate Secretary

Subscribed and sworn to before me this 30th day of January 2009.

Notary Public for Oregon

My Commission Expires 6/21/12