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April 8, 2009

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn Filing Center

Re: Northwest Natural Gas Company Docket No. UF 4254

Ladies and Gentlemen:

On behalf of Northwest Natural Gas Company (the "Company") and in connection with Docket No. UF 4254, please find enclosed the following documents:

1. Initial Report of Securities Issued and Disposition of Proceeds;
2. Post-Issuance Report Describing Prevailing Market Conditions;
3. Prospectus Supplement, dated March 18, 2009, relating to the Company's Secured Medium-Term Notes, Series B and Unsecured Medium-Term Notes, Series B;
4. Pricing Supplement No. 1, dated March 20, 2009, filed with the Securities and Exchange Commission; and
5. Copy of executed Distribution Agreement among the Company and Banc of America Securities, UBS Securities LLC, J.P. Morgan Securities Inc., and Piper Jaffray & Co.

Please contact me if you have any questions or require further information.

Sincerely,

/s/ Stephen P. Feltz

Stephen P. Feltz

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

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| _____) | |
| In the Matter of) | |
|) | |
| NORTHWEST NATURAL GAS COMPANY,) | |
| dba, NW Natural) | Docket UF 4254 |
|) | |
| Application for authorization to issue) | Initial Report of |
| and sell up to \$300,000,000 of debt) | Securities Issued, and |
| securities) | Disposition of Proceeds |
| _____) | |

In October, 2008 Northwest Natural Gas Company (the "Company") filed an application with the Oregon Public Utility Commission (the Commission) under the provisions of Oregon Revised Statutes ("ORS") 757.410, 757.415, 757.480 and Oregon Administrative Rule ("OAR") 860-027-0030 for an order authorizing the Company to offer, issue and sell, from time to time, up to \$300,000,000 aggregate principal amount of debt securities, which debt securities included Medium-Term Notes, Series B, consisting of First Mortgage Bonds designated as Secured Medium-Term Notes, Series B ("Secured Notes") and Unsecured Medium-Term Notes, Series B ("Unsecured Notes").

On November 6, 2008, the Commission entered its Order No. 08-539, authorizing the Company, subject to certain conditions set forth in said Order, to issue and sell up to \$300,000,000 aggregate principal amount of debt securities, including, but not limited to, the Secured Notes and Unsecured Notes. Condition 4 to Order No. 08-539 specifies that the Company "shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each issuance in sale." This report is filed in satisfaction of this condition.

On March 25, 2009, the Company issued and sold through its selling Agents, J.P. Morgan Securities Inc., (lead agent) and Banc of America Securities LLC (co-lead agent), \$75,000,000 aggregate principal amount, at par, of its Secured Medium-Term Notes authorized by the Commission in Order No. 08-539, as follows:

| <u>Principal Amount Sold in this Docket</u> | <u>Coupon Interest Rate</u> | <u>Type of Note</u> | <u>Date of Issue</u> | <u>Maturity Date</u> |
|---|-----------------------------|---------------------|----------------------|----------------------|
| \$75,000,000 | 5.370% | Secured | March 25, 2009 | February 1, 2020 |

The following statements are filed in compliance with the Commission's Order No. 08-539 in this Docket.

| | | |
|-----|---|---------------------|
| (a) | Principal amount of Medium-Term Notes Sold in this Docket | \$75,000,000 |
| | Less: Discount | 0 |
| | Agent's Commission | (468,750) |
| | Expenses actually and necessarily incurred as detailed in this Report | <u>(10,394,058)</u> |
| | Net proceeds to be accounted for | <u>\$64,137,192</u> |

(b) Disposition of Net Proceeds

The total net proceeds of \$64,137,192 received from the initial sale of Secured Notes, in this Docket were made part of the general treasury funds of the Company and were applied to the refunding or discharging of the Company's obligations, including short-term debt, debt incurred in connection with improvement and maintenance of the Company's service and in the construction, completion, extension or improvement of the Company's facilities. Total net proceeds represent the amount received from the sale of Secured Notes, after deducting for expenses related to the debt issued, including the cost associated with settlement of the Company's fixed rate, forward starting interest rate swap, as approved in Order No. 07-032 in Docket UF 4235 and more specifically described in the accompanying Post-Issuance Report Describing Prevailing Market Conditions.

(c) Current Credit Ratings

The Company's current credit ratings for senior secured debt are AA- and A2 from S&P and Moody's respectively.

(d) Statement of Fees and Expenses

The expenses actually and necessarily incurred by the Company in the initial issuance of Secured Notes and the accumulative total in connection with the issuance and sale in this Docket of its Secured Notes in direct comparison with the estimates thereof, were as follows:

| Item | Estimate | MTN Sold in this Docket on March 25, 2009 |
|---|-----------------------|---|
| Principal Amount | \$ 300,000,000 | \$ 75,000,000 |
| Less Discount | - | - |
| Gross Proceeds | <u>300,000,000</u> | <u>75,000,000</u> |
| Agent's Commission | (2,250,000) | (468,750) |
| Securities & Exchange Commission registration fee | (47,610) | - |
| State mortgage registration tax | None | - |
| New York Stock Exchange fee | None | - |
| State Commission fee | (800) | - |
| Fee for recording indenture | None | - |
| United States document tax | None | - |
| Printing and engraving expenses | (15,000) | (3,200) |
| Trustee's or Registrar's fees | (20,000) | (18,000) |
| Counsel fees and expenses | (225,000) | (45,945) |
| Accountants' fees | (120,000) | (20,000) |
| Bond Rating Agency fee | (315,000) | (89,000) |
| Miscellaneous expense | (30,000) | (2,000) |
| Allocation of Other Shelf Registration Expenses | - | (119,913) |
| Subtotal | <u>(3,023,410)</u> | <u>(766,808)</u> |
| Interest rate hedge gain (loss) | - | (10,096,000) |
| Net Amount Realized | <u>\$ 296,976,590</u> | <u>\$ 64,137,192</u> |

Note: The estimates of expenses were for the issuance of the full \$300 million of debt under the program. The actual expenses shown as incurred for this report are amounts expended for the Secured Notes sold that have been allocated in proportion to the notes sold. For use in ratemaking proceedings, the Company routinely allocates a portion of all expenses to each issue when calculating an all-in cost of funds. Actual expenses for the Secured Notes sold under this docket have been estimated using inquiries of service providers, because actual bills for services have not yet been received.

The Company has determined that the fees, interest rates, and expenses associated with the issuance of the Secured Notes was cost-effective and consistent with competitive market prices.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the corporate seal of Northwest Natural Gas Company this 8th day of April 2009.

NORTHWEST NATURAL GAS COMPANY

By: Stephen P. Feltz
Stephen P. Feltz
Treasurer and Controller

(S E A L)

Subscribed and sworn to before me this 8th day of April 2009.

Notary Public for Oregon
My Commission Expires June 21, 2012

BEFORE THE OREGON PUBLIC UTILITY COMMISSION

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| _____ |) | |
| In the Matter of |) | |
| |) | |
| NORTHWEST NATURAL GAS COMPANY, |) | Docket UF 4254 |
| dba, NW NATURAL |) | |
| |) | |
| Application for authorization to issue and |) | Post-Issuance Report |
| Sell up to \$300,000,000 of debt securities |) | Describing Prevailing |
| |) | Market Conditions |
| _____ |) | |

In October, 2008 Northwest Natural Gas Company (the "Company") filed an application with the Oregon Public Utility Commission (the "Commission") under the provisions of Oregon Revised Statutes ("ORS") 757.410, 757.415, 757.480 and Oregon Administrative Rule ("OAR") 860-027-0030 for an order authorizing the Company to offer, issue and sell, from time to time, up to \$300,000,000 aggregate principal amount of debt securities.

On November 6, 2008, the Commission entered its Order No. 08-539, authorizing the Company, subject to certain conditions set forth in said Order, to issue and sell up to \$300,000,000 aggregate principal amount of debt securities, including, but not limited to, Medium-Term Notes, Series B, consisting of First Mortgage Bonds designated as Secured Medium-Term Notes, Series B ("Secured Notes"). Condition 6 to Order No. 08-539 specifies that:

Subsequent to a Commission Order pursuant to this application, NWN may issue the debt securities as set forth in NWN's filing without further Commission approval if all-in rate spreads do not exceed limits set forth in column C or column D, as applicable, of Table 1 in Attachment A. Alternatively, should all-in rate spreads exceed the relevant maximum spread over Treasuries limitation as set forth in column C or column D, as applicable, of Table 1 in Attachment A, the Company may issue debt securities without further Commission approval if the all-in rate does not exceed 9.0 percent. Should issuance be under this alternative, the

Company shall provide a post-issuance report to the Commission within ten business days, with the report describing the prevailing market conditions for the Company's debt, explaining the reasons for the high level of spreads over Treasuries relative to the all-in rate, and detailing any steps taken by the Company to minimize the overall cost of the issuance.

This report is submitted in compliance with the above-referenced condition.

A. Issuance of Debt.

On March 25, 2009, the Company issued \$75,000,000 aggregate principal amount of Medium-Term Notes due February 1, 2020 at a stated interest rate of 5.370% (the "Debt Issuance"). Interest is payable on February 1 and August 1 commencing August 1, 2009. The Debt Issuance is redeemable in whole or in part with a make-whole redemption spread of .50%. On March 25, 2009, the Treasury Yield was 2.62 percent and the Debt Issuance spread was higher than +250 basis points (bps), which exceeded the maximum spread over Benchmark U.S. Treasury Yield set forth in column D, however, the all-in rate for the Company's Debt Issuance did not exceed 9.0 percent.

B. Prevailing Market Conditions for the Debt Issuance

1. Reasons for high levels of spreads over Treasuries relative to the all-in rate

On March 18, 2009, the Federal Reserve announced that it would be buying \$300 billion in U.S. Treasuries. Following that announcement, interest rates staged a strong rally with benchmark treasury rates declining significantly across all maturities. Two-year treasury yields fell 21 bps, five-year yields fell 40 bps and 10-year yields fell 50 bps. At the same time, corporate credit spreads widened but not to the same extent as the decline in treasuries, thus leaving all-in coupon rates lower for corporate issuers of high-quality debt.

On March 18 and 19, we requested indications by telephone on market pricing from all four of the Company's Medium-Term Note agents. We received favorable

indications on the Company's ability to issue into the current debt capital market, including:

- From UBS – market is open for A-rated issuers, more so than BBB-rated issuers. However, recent debt issues have struggled to get the size they wanted. In NW Natural's case, it should not be difficult to get the size we want (i.e. \$50 to \$100 million), but investors will demand a liquidity premium because the size is not index-eligible (i.e. size must be \$250 million or more to be index-eligible). Recent pricing has been most attractive for 5 and 10 year maturities. An 11-year maturity is do-able and most likely won't cost the Company any more than a 10-year maturity. Pricing for a 10-year maturity was estimated at +287.5 bps.
- From JP Morgan – investors are still digesting Wednesday's 50 bps decline in U.S. treasuries. So far, the market has seen some widening in credit spreads but not to the extent of the decline in benchmark rates (e.g. spreads in the secondary market probably gave up 10 bps initially). Prior to the Fed's announcement, the Company could have expected spread pricing in the +250 to +275 bps range, but it largely depends on finding the right investor. The Company should consider soft-sounding with a few investors to make sure the current credit spread is no worse than +275 bps.
- From Bank of America/Merrill Lynch – Duke Energy issued 10-year debt priced at +250 bps on Wednesday, before the Fed announcement. As of Thursday morning, that Duke Energy debt issue was trading at +280 bps in the secondary market. High quality debt issuers will capture some but not all the treasury decline. It's still too early to see how investors will react to the Fed's announcement, but credit spreads are expected to widen. A long 10-year debt issue is do-able, but probably 10 years and 6 months would be most attractive. Anything longer than that and the investor will probably require additional spread concession. Pricing for a 10-year maturity was estimated to be in the +300 to +350 bps range.

The Company selected JP Morgan as its lead bank, and on Friday the Company instructed JP Morgan to soft-sound an 11-year \$75 million debt issuance. JP Morgan reported back to the Company later that day that they received firm interest from several high-quality investors but some were pushing back at the +275 level due to concerns over where secondary market spreads were headed. We gave JP Morgan an order to sell debt at +275 bps or better. We priced our debt issue on Friday, March 20, 2009, two days after the Fed announcement that it would buy back U.S. treasuries.

Since the start of 2009, credit spreads for new utility debt issuances with 10-year maturities ranged from a low of 250 bps to a high of 691 bps (see Appendix A). These spread levels were quite a bit higher than historical averages. Since 1975, credit spreads for A-rated issuers averaged about 140 bps while the average yield was about 9 percent (see Appendix B). Over the last two weeks of March, the spread for A-rated utility issues with 10-year maturities was between 250 and 400 bps, which was significantly higher than the historical average spread, but yields on these debt issues were between 5.37 and 7.15 percent, which was well below the historical average yield. The Company's debt issuance was the lowest 10-year coupon rate over the last two weeks of March, and the second lowest coupon rate so far this year (see Appendix A).

Credit spreads are primarily affected by investors' risk appetite and the level of benchmark treasury yields. Currently, the 10-year treasury yield is near its all time low, which was set in January of 2009. Between January 1 and March 31 of this year, treasury yields ranged from a low of around 2.20 percent to a high of around 3.05 percent. As the benchmark treasury rate was falling (i.e. it fell from more than 5 percent in May 2007 to less than 3 percent in 2009), fixed income investors were demanding higher all-in yields and because credit risks were higher due to weakening economic conditions. In the fourth quarter of 2008, GDP declined 6.3 percent and unemployment reached 8 percent. In the first few months of 2009, corporate earnings reports have reflected the weak economy, and the equity markets are down nearly 20 percent since the beginning of year.

In spite of all the negative market news, issuers of high-quality debt were able to access capital markets in 2009 at attractive all-in cost levels (see Appendix A). This early 2009 period was in stark contrast to the last four months of 2008 when credit

markets were shut down or extremely expensive. High-quality asset managers and insurance companies have continued to invest in 2009 with companies that have relatively low liquidity risk, low headline risk and low sector risk. In particular, the utility sector has done well in the capital markets recently, especially compared to the financial and industrial sectors. But even in the utility sector credit spreads have been influenced by the higher yields that investors can demand from similar rated issuers in other sectors.

2. Steps taken by the Company to minimize the overall cost of the issuance

In the Company's 2007 financing strategy, the Company determined it would need to issue long-term debt sometime around September 2008. The proceeds of this debt issuance would be used to fund the acquisition of property, the improvement or maintenance of service or the refinancing of maturing short-term and long-term debt. The Company was concerned about the volatility of interest rates and the condition of financial markets as housing and liquidity problems were beginning to negatively affect the credit markets.

On October 24, 2007, the Company entered into a fixed rate, forward starting interest rate swap (the "Swap"), as approved in Order No. 07-032 in Docket UF 4235. A fixed rate swap is designed to provide protection against rising interest rates. The terms of our Swap transaction consisted of a notional amount of \$50,000,000, an effective date of September 30, 2008, a maturity date of September 30, 2018, and a fixed swap rate of 5.083 percent. On September 30, 2008, and then again on December 1, 2008, the Company amended its Swap contract, thereby extending the effective date to April 1, 2009 due to highly unfavorable market conditions driven by the banking crisis and the U.S. recession (see Appendix C). From September 2008 to December 2008, credit spreads for long-term A-rated utility debt rose from around 250 bps to between 400 and 700 bps, and the average yield increased to more than 8 percent.

Market conditions started to improve due to increased certainty in the financial markets. As a result, on March 20, 2009 the Company completed its planned sale of long-term debt issuance and unwound the corresponding Swap transaction so that it

would be priced at the same time as the new debt issuance in accordance with the terms of the hedge contract. The Swap settlement resulted in an additional cost of \$10.1 million, which when added to other costs of the debt issuance increased the all-in cost to approximately 7.27 percent, which is comparable to the all-in debt cost from our last rate case. For further discussion and analysis related to the Company's interest rate hedge, see Appendix C.

IN WITNESS WHEREOF, I have hereunto affixed my hand and the corporate seal of Northwest Natural Gas Company this 8th day of April 2009.

NORTHWEST NATURAL GAS COMPANY

By: 
Stephen P. Feltz
Treasurer and Controller

(S E A L)

Subscribed and sworn to before me this 8th day of April 2009.

Notary Public for Oregon
My Commission Expires June 21, 2012



NORTHWEST NATURAL GAS COMPANY

Secured Medium-Term Notes, Series B (Series of First Mortgage Bonds) and Unsecured Medium-Term Notes, Series B

Northwest Natural Gas Company (NW Natural) intends to offer from time to time its secured medium-term notes and unsecured medium-term notes. The secured medium-term notes will be secured by a mortgage that constitutes a first mortgage lien on certain gas properties owned from time to time by NW Natural. The unsecured medium-term notes will consist of notes or other unsecured evidences of indebtedness. We will refer to the secured medium-term notes and unsecured medium-term notes in this prospectus supplement collectively as the Medium-Term Notes.

The Medium-Term Notes will be offered on terms to be decided at the time of sale. NW Natural will provide specific terms of the Medium-Term Notes, including their offering prices, interest rates and maturities, in pricing supplements to this prospectus supplement. The pricing supplements may also add, update or change information contained in this prospectus supplement. You should read this prospectus supplement, the accompanying prospectus and any pricing supplement carefully before you invest.

The Medium-Term Notes will not be listed on any securities exchange. There can be no assurance that there will be a secondary market for the Medium-Term Notes or liquidity on the secondary market if one develops.

NW Natural may offer the Medium-Term Notes directly or through underwriters, agents or dealers. The pricing supplements will describe the terms of any particular plan of distribution, including any underwriting arrangements. The "Plan of Distribution" section on page S-10 of this prospectus supplement also provides more information on this topic.

NW Natural may sell the Medium-Term Notes to the agents as principals for resale at varying or fixed offering prices or through the agents as agents using their reasonable best efforts on NW Natural's behalf. Unless otherwise specified in the pricing supplement, the price to the public for the Medium-Term Notes will be 100% of the principal amount. NW Natural may also sell the Medium-Term Notes directly to investors without the assistance of the agents (whether acting as principal or as agent).

Please see the discussion of risk factors contained in NW Natural's annual, quarterly and current reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which are incorporated by reference into this prospectus supplement, for a description of certain factors you should consider before purchasing any of the Medium-Term Notes being offered.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

**Banc of America Securities LLC
J.P. Morgan**

**UBS Investment Bank
Piper Jaffray**

The date of this prospectus supplement is March 18, 2009.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the documents that have been incorporated by reference. NW Natural has not authorized anyone to provide you with different information. NW Natural is not making an offer of the Medium-Term Notes in any state which does not permit their offer or sale. You should not assume that the information provided by this prospectus supplement or the accompanying prospectus, as well as the information NW Natural has previously filed with the Securities and Exchange Commission that NW Natural incorporates by reference, is accurate as of any date other than the date thereof. If information in this prospectus supplement updates information in the accompanying prospectus, this prospectus supplement will apply and will supersede that information in the prospectus.

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NW NATURAL

Northwest Natural Gas Company was incorporated under the laws of Oregon in 1910. The company and its predecessors have supplied gas service to the public since 1859 and since September 1997, it has been doing business as NW Natural. NW Natural's executive offices are located at One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209. Its telephone number is 503-226-4211.

NW Natural is principally engaged in the distribution of natural gas in Oregon and southwest Washington. The Public Utility Commission of Oregon (OPUC) has allocated to NW Natural as its exclusive service area a major portion of western Oregon, including the Portland metropolitan area, most of the Willamette Valley and the coastal area from Astoria to Coos Bay. NW Natural also holds certificates from the Washington Utilities and Transportation Commission (WUTC) granting it exclusive rights to serve portions of three southwest Washington counties bordering the Columbia River. Gas service is provided in 124 cities and neighboring communities, in 15 Oregon counties, as well as in 14 cities and neighboring communities in three Washington counties.

NW Natural also is engaged in providing services to large intrastate and interstate customers using gas storage and related transportation capacity that is in excess of the utility's core (residential, commercial and industrial firm) customer requirements. In an effort to maximize the value of its gas storage and pipeline capacity, NW Natural contracts with an independent energy marketing company that optimizes its unused capacity when those assets are not serving the needs of NW Natural's core utility customers. This asset optimization service performed by the independent energy marketing company produces cost savings that reduces NW Natural's utility's cost of gas, as well as generates incremental revenues, which are included in NW Natural's gas storage business segment. The gas storage services and maximum rates are authorized by the Federal Energy Regulatory Commission.

USE OF PROCEEDS

The net proceeds to be received by NW Natural from the sale of the Medium-Term Notes will be added to the general funds of NW Natural and used for corporate purposes, primarily to fund, in part, NW Natural's ongoing utility construction program. A portion of the net proceeds may be used to reduce NW Natural's short-term indebtedness (commercial paper), which was generally incurred to fund the utility construction program. As of March 17, 2009, NW Natural had approximately \$156,900,000 of short-term indebtedness outstanding, with a weighted average maturity of approximately 26 days and bearing a weighted average interest rate of approximately 0.61%.

RATIO OF EARNINGS TO FIXED CHARGES

The ratios of earnings to fixed charges, calculated according to the rules set forth under the Securities Act, for the following periods were:

| Twelve Months Ended | | | | |
|---------------------|------|------|------|------|
| December 31, | | | | |
| 2008 | 2007 | 2006 | 2005 | 2004 |
| 3.76 | 3.92 | 3.40 | 3.32 | 3.02 |

For the purpose of calculating these ratios, earnings consist of net income before taxes plus fixed charges. Fixed charges consist of interest on all indebtedness, the amortization of debt expense and discount or premium and the estimated interest portion of rentals charged to income.

DESCRIPTION OF THE SECURED NOTES

General

The secured notes, which are a series of NW Natural's First Mortgage Bonds (First Mortgage Bonds), are to be issued under NW Natural's Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the Corporate Trustee) and Stanley Burg (successor to R.G. Page and J.C. Kennedy), as trustees (together, Mortgage Trustees), as supplemented by twenty supplemental indentures, all of which are collectively referred to as the "Mortgage".

Material terms of the secured notes and the First Mortgage Bonds are summarized below and in "Description of the Bonds" in the accompanying prospectus. The Mortgage was filed with the SEC and you should read the Mortgage for provisions that may be important to you. The statements concerning the secured notes, First Mortgage Bonds and the Mortgage in this "Description of the Secured Notes" and the "Description of the Bonds" in the accompanying prospectus make use of terms defined in the Mortgage and are qualified in their entirety by express reference to the cited sections and articles. They may be changed with respect to any secured note by the applicable pricing supplement, which should be read in conjunction with this description.

The secured notes will be offered on a continuing basis and each secured note will mature on such date, not less than one year or more than 30 years from its date of issue, as selected by the purchaser and agreed to by NW Natural.

The pricing supplement relating to each secured note will set forth the principal amount, interest rate, interest payment dates, record dates, issue price and agent's commission or discount, original issue and maturity dates, redemption or repayment provisions, if any, and other material terms of such secured note.

Interest

Unless otherwise specified in the pricing supplement relating to any secured note, interest on such secured note will be payable semi-annually in arrears on June 1 and December 1 of each year and at maturity.

Unless otherwise specified in the pricing supplement relating to any secured note, interest payable on any interest payment date for any secured note will be paid to the person in whose name such secured note is registered on the record date with respect to such interest payment date, which shall be the May 15 or November 15 (whether or not a business day), as the case may be, immediately preceding such interest payment date; provided that, (i) if the original issue date of any secured note is after a record date and before the corresponding interest payment date, such secured note shall bear interest from the original issue date, but payment of interest shall commence on the second interest payment date following the original issue date, and (ii) interest payable on the maturity date will be paid to the person to whom the principal thereof is paid.

Unless otherwise indicated in the applicable pricing supplement, interest on the secured notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Form, Exchange and Payment

The secured notes will be issued in fully registered form in denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. The secured notes will be exchangeable at the office of Deutsche Bank Trust Company Americas in New York City, without charge other than taxes or other governmental charges incident thereto. Principal, premium, if any, and interest will be payable at such office. (See Twentieth Supplemental Indenture, Section 1.01.) However, if the secured notes are held by The Depository Trust Company ("DTC") or its nominee, owners of beneficial interests in the secured notes will not be entitled to have any individual secured notes registered in their names, and transfers of beneficial interests and payments of principal, premium, if any, and interest will be made as described herein under "Book-Entry System".

Redemption

Optional Redemption at Fixed Redemption Prices

To the extent, if any, provided in the pricing supplement relating to any secured note, such secured note will be redeemable, on 30 days' notice, in whole or in part, at any time on or after the initial redemption date, if any, fixed at the time of sale and set forth in the applicable pricing supplement. On or after the initial redemption date, such secured note will be redeemable in whole or in part, at the option of NW Natural, at a redemption price determined in accordance with the following paragraph or as described in the related pricing supplement, plus accrued interest to the redemption date.

Unless otherwise specified in the pricing supplement relating to any secured note, the redemption price for each secured note subject to redemption shall, for the twelve-month period commencing on the initial redemption date, be equal to a certain percentage of the principal amount of such secured note and thereafter, shall decline for the twelve-month period commencing on each anniversary of the initial redemption date by a percentage of the principal amount (Reduction Percentage) until the redemption price shall be 100% of the principal amount. The initial redemption date and price and any Reduction Percentage with respect to each secured note subject to redemption will be fixed at the time of sale and set forth in the applicable pricing supplement.

If so specified in the pricing supplement relating to any secured note, NW Natural may not, prior to the redemption limitation date, if any, set forth in such pricing supplement, redeem such secured note as described above as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an effective interest cost to NW Natural (calculated in accordance with generally accepted financial practice) of less than the effective interest cost to NW Natural (similarly calculated) of such secured note.

Optional Redemption at Make-Whole Redemption Price

To the extent, if any, provided in the pricing supplement relating to any secured note, such secured note will be redeemable, on 30 days' notice, in whole or in part, at the option of NW Natural, at any time, at a redemption price equal to the greater of (i) 100% of the principal amount thereof and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus the Make-Whole Spread, plus, in each case, accrued interest to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated yield (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Make-Whole Spread" means the amount, expressed as a percentage, fixed at the time of sale and set forth in the applicable pricing supplement.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the secured notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such secured notes.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by NW Natural.

"Comparable Treasury Price" means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Reference Treasury Dealer” means each of the investment banking firms or their affiliates which are primary U.S. Government securities dealers and which are appointed by NW Natural as Reference Treasury Dealers, and their respective successors; provided, however, that NW Natural shall appoint at least five Reference Treasury Dealers, and if, at the time of any determination of the Treasury Rate, there shall be less than five Reference Treasury Dealers which are, or whose affiliates are, primary U.S. Government securities dealers in the United States (each a “Primary Treasury Dealer”), then NW Natural shall appoint one or more additional investment banking firms which are, or whose affiliates are, Primary Treasury Dealers as Reference Treasury Dealers.

Redemption - General

If, at the time the notice of redemption shall be given, the redemption money has not been deposited with the Corporate Trustee, the redemption may be made subject to the receipt of such money before the redemption date, and such notice shall be of no effect unless such money is so received.

Unless otherwise indicated in the applicable pricing supplement, the secured notes will not be subject to any sinking fund.

Provisions for Maintenance of Property

While the Mortgage contains provisions for the maintenance of the Mortgaged and Pledged Property (as defined in the Mortgage), the Mortgage does not permit redemption of secured notes pursuant to these provisions.

Repayment at Option of Holder

To the extent, if any, provided in the pricing supplement relating to any secured note, such secured note will be repayable by NW Natural at the option of the registered holder thereof on the date specified in such pricing supplement (Repayment Date), at a price equal to a percentage of the principal amount of such secured note specified in such pricing supplement (Repayment Price), plus accrued interest to the date of repayment.

For any secured note to be repaid, NW Natural must receive such secured note at its office or agency in the Borough of Manhattan, The City of New York (currently, the office of the Corporate Trustee), within the period (Election Period) commencing at the opening of business and ending at the close of business on the dates specified in the pricing supplement relating to such secured note (provided that, if the last day of the Election Period shall not be a business day, the Election Period shall end at the close of business on the next succeeding business day), together with the form entitled “Option to Elect Repayment” on the reverse of, or otherwise accompanying, such secured note duly completed. Any such election so received by NW Natural within such Election Period shall be irrevocable.

The repayment option may be exercised by the registered holder of a secured note for less than the entire principal amount of such secured note, provided that the principal amount to be repaid is equal to \$1,000 or an integral multiple of \$1,000. All questions as to the validity, eligibility (including time of receipt) and acceptance of any secured note for repayment will be determined by the Corporate Trustee, whose determination will be final and binding.

So long as DTC or DTC’s nominee is the registered holder of the secured notes, DTC or such nominee will be the only entity that can exercise the repayment option, and repayment will be made in accordance with DTC’s repayment procedures in effect at the time. See “Book-Entry System.” In order to ensure that DTC or its nominee will timely exercise a repayment option with respect to a particular beneficial interest in the secured notes, the beneficial owner of such interest must instruct the broker or other participant through which it holds such interest to

notify DTC of its election to exercise the repayment option. In addition, the beneficial owner must effect delivery of such interest at the time such notice of election is given to DTC by causing the broker or other participant through which it holds such interest to transfer such interest on DTC's records to the Corporate Trustee. Different firms have different deadlines for accepting instructions from their customers and, accordingly, each beneficial owner of secured notes should consult the broker or other participant through which it holds an interest in the secured notes in order to ascertain the deadline by which such instruction must be given in order for timely notice to be delivered to DTC.

For a description of additional terms of the First Mortgage Bonds and the Mortgage please refer to "Description of the Bonds" in the accompanying prospectus.

DESCRIPTION OF THE UNSECURED NOTES

General

The unsecured notes are to be issued under an Indenture, dated as of June 1, 1991 (Indenture), between NW Natural and Deutsche Bank Trust Company Americas, as trustee (Indenture Trustee) and are a series of "Indenture Securities" as described in the accompanying prospectus.

Material terms of the unsecured notes and the Indenture Securities are summarized below and in "Description of the Unsecured Debt Securities" in the accompanying prospectus. The Indenture was filed with the SEC and you should read the Indenture for provisions that may be important to you. The statements concerning the unsecured notes, the Indenture Securities and the Indenture in this "Description of the Unsecured Notes" and in the "Description of the Unsecured Debt Securities" in the accompanying prospectus make use of terms defined in the Indenture and are qualified in their entirety by express reference to the cited sections and articles. They may be changed with respect to any unsecured note by the applicable pricing supplement, which should be read in conjunction with this description.

The unsecured notes will be offered on a continuing basis, and each unsecured note will mature on such date, not less than one year nor more than 30 years from its date of issue, as selected by the purchaser and agreed to by NW Natural.

The pricing supplement relating to any unsecured note will include the principal amount, interest rate, interest payment dates, regular record dates, issue price and agent's commission or discount, original issue and maturity dates, redemption or repayment provisions, if any, and other material terms of such unsecured note.

Interest

Unless otherwise specified in the pricing supplement relating to any unsecured note, interest on such unsecured note will be payable semi-annually in arrears on June 1 and December 1 of each year and at maturity.

Unless otherwise specified in the pricing supplement relating to any unsecured note, interest payable on any interest payment date for any unsecured note will be paid to the person in whose name such unsecured note is registered on the record date with respect to such interest payment date, which shall be the May 15 or November 15 (whether or not a business day), as the case may be, immediately before such interest payment date; provided that, (i) if the original issue date of any unsecured note is after a record date and before the corresponding interest payment date, such unsecured note will bear interest from the original issue date but payment of interest shall commence on the second interest payment date following the original issue date, and (ii) interest payable on the maturity date will be paid to the person to whom the principal thereof is paid.

Unless otherwise indicated in the applicable pricing supplement, interest on the unsecured notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. (See Indenture, Section 310).

Form, Exchange and Payment

The unsecured notes will be issued in fully registered form in denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. The unsecured notes will be exchangeable at the office of Deutsche Bank Trust Company Americas in New York City, without charge other than taxes or other governmental charges incident thereto. Principal, premium, if any, and interest will be payable at such office. Notwithstanding the foregoing, for so long as the unsecured notes shall be held by DTC or its nominee, owners of beneficial interests in the unsecured notes will not be entitled to have any individual unsecured notes registered in their names, and transfers of beneficial interests and payments of principal, premium, if any, and interest will be made as described herein under "Book-Entry System".

Redemption

Optional Redemption at Fixed Redemption Prices

To the extent, if any, provided in the pricing supplement relating to any unsecured note, such unsecured note will be redeemable, on not less than 30 days' notice, in whole or in part, at any time on or after the initial redemption date, if any, fixed at the time of sale and set forth in the applicable pricing supplement. On or after the initial redemption date, such unsecured note will be redeemable in whole or in part, at the option of NW Natural, at a redemption price determined in accordance with the following paragraph or as described in the related pricing supplement, plus accrued interest to the redemption date.

The redemption price for each unsecured note subject to redemption shall, for the twelve-month period commencing on the initial redemption date, be equal to a certain percentage of the principal amount of such unsecured note and, thereafter, shall decline for the twelve-month period commencing on each anniversary of the initial redemption date by a percentage of the principal amount (Reduction Percentage) until the redemption price shall be 100% of the principal amount. The initial redemption price and date and any Reduction Percentage with respect to each unsecured note subject to redemption will be fixed at the time of sale and set forth in the applicable pricing supplement.

If so specified in the pricing supplement relating to any unsecured note, NW Natural may not, prior to the redemption limitation date, if any, set forth in such pricing supplement, redeem such unsecured note as described above as a part of, or in anticipation of, any refunding operation by the application, directly or indirectly, of moneys borrowed having an effective interest cost to NW Natural (calculated in accordance with generally accepted financial practice) of less than the effective interest cost to NW Natural (similarly calculated) of such unsecured note.

Optional Redemption at Make-Whole Redemption Price

To the extent, if any, provided in the pricing supplement relating to any unsecured note, such unsecured note will be redeemable, on 30 days' notice, in whole or in part, at the option of NW Natural, at any time, at a redemption price equal to the greater of (i) 100% of the principal amount thereof and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus the Make-Whole Spread, plus, in each case, accrued interest to the redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated yield (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Make-Whole Spread" means the amount, expressed as a percentage, fixed at the time of sale and set forth in the applicable pricing supplement.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the unsecured notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such unsecured notes.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by NW Natural.

“Comparable Treasury Price” means, with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

“Reference Treasury Dealer” means each of the investment banking firms or their affiliates which are primary U.S. Government securities dealers and which are appointed by NW Natural as Reference Treasury Dealers, and their respective successors; provided, however, that NW Natural shall appoint at least five Reference Treasury Dealers, and if, at the time of any determination of the Treasury Rate, there shall be less than five Reference Treasury Dealers which are, or whose affiliates are, primary U.S. Government securities dealers in the United States (each a “Primary Treasury Dealer”), then NW Natural shall appoint one or more additional investment banking firms which are, or whose affiliates are, Primary Treasury Dealers as Reference Treasury Dealers.

Redemption - General

If, at the time the notice of redemption shall be given, the redemption money has not been deposited with the Indenture Trustee, the redemption shall be made subject to the receipt of such money on or before the redemption date, and such notice shall be of no effect unless such money shall be so received. (See Indenture, Article Four.)

Unless otherwise indicated in the applicable pricing supplement, the unsecured notes will not be subject to any sinking fund.

Repayment at Option of Holder

To the extent, if any, provided in the pricing supplement relating to any unsecured note, such unsecured note will be repayable by NW Natural at the option of the registered holder thereof on the date of repayment specified in such pricing supplement at a repayment price equal to a percentage of the principal amount of such unsecured note specified in such pricing supplement, plus accrued interest to the date of repayment.

For any unsecured note to be repaid, NW Natural must receive such unsecured note at its office or agency in the Borough of Manhattan, The City of New York (currently, the office of the Indenture Trustee), within the period (Election Period) commencing at the opening of business and ending at the close of business on the dates specified in the pricing supplement relating to such unsecured note (provided that, if the last day of the Election Period shall not be a business day, the Election Period shall end at the close of business on the next succeeding business day), together with the form entitled “Option to Elect Repayment” on the reverse of, or otherwise accompanying, such unsecured note duly completed.

Any such election so received by NW Natural within such Election Period shall be irrevocable. The repayment option may be exercised by the registered holder of an unsecured note for less than the entire principal

amount of such unsecured note, provided that the principal amount to be repaid is equal to \$1,000 or an integral multiple of \$1,000. All questions as to the validity, eligibility (including time of receipt) and acceptance of any unsecured note for repayment will be determined by the Indenture Trustee, whose determination will be final and binding.

So long as DTC or DTC's nominee is the registered holder of the unsecured notes, DTC or such nominee will be the only entity that can exercise the repayment option, and repayment will be made in accordance with DTC's repayment procedures in effect at the time. See "Book-Entry System." In order to ensure that DTC or its nominee will timely exercise a repayment option with respect to a particular beneficial interest in the unsecured notes, the beneficial owner of such interest must instruct the broker or other participant through which it holds such interest to notify DTC of its election to exercise the repayment option. In addition, the beneficial owner of unsecured notes must effect delivery of such interest at the time such notice of election is given to DTC by causing the broker or other participant through which it holds such interest to transfer such interest on DTC's records to the Indenture Trustee. Different firms have different deadlines for accepting instructions from their customers and, accordingly, each beneficial owner of unsecured notes should consult the broker or other participant through which it holds an interest in the unsecured notes in order to ascertain the deadline by which such instruction must be given in order for timely notice to be delivered to DTC.

For a description of additional terms of the unsecured notes and the Indenture Securities please refer to "Description of the Unsecured Debt Securities" in the accompanying prospectus.

BOOK-ENTRY SYSTEM

DTC, New York, NY, will act as securities depository for the Medium-Term Notes. The Medium-Term Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules that apply to DTC and those using its systems are on file with the SEC.

Purchases of Medium-Term Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Medium-Term Notes on DTC's records. The ownership interest of each actual purchaser of each Medium-Term Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Medium-Term Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial

Owners. Beneficial Owners will not receive certificates representing their ownership interests in Medium-Term Notes, except in the event that use of the book-entry system for the Medium-Term Notes is discontinued.

To facilitate subsequent transfers, all Medium-Term Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Medium-Term Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Medium-Term Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Medium-Term Notes are credited. These Direct Participants may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Medium-Term Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Medium-Term Notes, such as redemptions, tenders, defaults, and proposed amendments to the Medium-Term Note documents. For example, Beneficial Owners of Medium-Term Notes may wish to ascertain that the nominee holding the Medium-Term Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Medium-Term Notes are being redeemed, DTC's practice is to determine by lot the amount of Medium-Term Notes of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will itself consent or vote with respect to Medium-Term Notes unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC would mail an omnibus proxy to NW Natural as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those Direct Participants to whose accounts the Medium-Term Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of redemption proceeds, principal of, and interest on the Medium-Term Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from NW Natural, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Corporate Trustee, the Indenture Trustee or NW Natural, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of NW Natural. Disbursement of payments to Direct Participants is the responsibility of DTC, and disbursement of payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided in this prospectus supplement and the accompanying prospectus, a Beneficial Owner will not be entitled to receive physical delivery of the Medium-Term Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Medium-Term Notes.

DTC may discontinue providing its services as securities depository with respect to the Medium-Term Notes at any time by giving reasonable notice to NW Natural. In the event no successor securities depository is obtained, certificates for the Medium-Term Notes will be printed and delivered to the Beneficial Owners. If NW Natural decides to discontinue use of the DTC system of book-entry transfers, certificates for the Medium-Term Notes will be printed and delivered to the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that NW Natural believes to be reliable, but NW Natural does not take responsibility for the accuracy of this information.

PLAN OF DISTRIBUTION

The Medium-Term Notes are being offered on a continuing basis for sale by NW Natural through the agents which have agreed to use their reasonable best efforts to solicit purchases of the Medium-Term Notes. The initial agents are Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc. and Piper Jaffray & Co. Should NW Natural designate other persons to act as agents, the names of such persons will be disclosed in a pricing supplement. NW Natural will pay each agent a commission which, depending on the maturity of the Medium-Term Notes, will range from 0.150% to 0.750% of the principal amount of any Medium-Term Note sold through such agent.

NW Natural may also sell Medium-Term Notes to any agent, as principal, at a discount from the principal amount thereof, and the agent may later resell such Medium-Term Notes to investors and other purchasers at varying prices related to prevailing market prices at the time of resale as determined by such agent or, if so agreed, at a fixed public offering price. In the case of sales to any agent as principal, such agent may utilize a selling or dealer group in connection with resales. An agent may sell Medium-Term Notes it has purchased as principal to any dealer at a discount and, unless otherwise specified in the applicable pricing supplement, such discount allowed to any dealer will not be in excess of the discount to be received by such agent from NW Natural.

After the initial public offering of Medium-Term Notes to be resold to investors and other purchasers, the public offering price (in the case of a fixed price public offering), concession and discount may be changed.

The Medium-Term Notes also may be sold by NW Natural directly to purchasers. No commission will be payable to the agents on Medium-Term Notes sold directly by NW Natural.

NW Natural reserves the right to withdraw, cancel or modify the offer made hereby without notice and may reject, in whole or in part, offers to purchase Medium-Term Notes whether placed directly with NW Natural or through one of the agents. Each agent will have the right, in its discretion reasonably exercised, to reject any offer to purchase Medium-Term Notes received by it, in whole or in part.

Payment of the purchase price of the Medium-Term Notes will be required to be made in immediately available funds in New York City on the date of settlement.

No Medium-Term Note will have an established trading market when issued. The Medium-Term Notes will not be listed on any securities exchange. Each of the agents may from time to time purchase and sell Medium-Term Notes in the secondary market, but is not obligated to do so. There can be no assurance that there will be a secondary market for the Medium-Term Notes or liquidity in the secondary market if one develops. From time to time, each of the agents may make a market in the Medium-Term Notes.

In connection with certain types of offers and sales of Medium-Term Notes, SEC rules permit the agents to engage in certain transactions that stabilize the price of such Medium-Term Notes. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Medium-Term Notes.

If the agents create a short position in any Medium-Term Notes in connection with certain types of offers and sales, *i.e.*, if they sell more Medium-Term Notes than are set forth in the applicable pricing supplement, the agents may reduce that short position by purchasing Medium-Term Notes in the open market.

In connection with certain types of offers and sales, the agents may also impose a penalty bid on certain agents and selling group members. This means that if the agents purchase Medium-Term Notes in the open market to reduce the agents' short position or to stabilize the price of the Medium-Term Notes, they may reclaim the amount of selling concession from the agents and selling group members who sold these Medium-Term Notes as part of the offering.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither NW Natural nor any agent makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Medium-Term Notes. In addition, neither NW Natural nor any agent makes any representation that the agents will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The agents may be deemed to be "underwriters" within the meaning of the Securities Act. NW Natural has agreed to indemnify each of the agents against, or to make contributions relating to, certain liabilities, including liabilities under such Act. NW Natural has agreed to reimburse each of the agents for certain expenses. Each of the agents may engage in transactions with, or perform services for, NW Natural in the ordinary course of business.

Offerings of the Medium-Term Notes will be conducted pursuant to Rule 5110(h) of the Financial Industry Regulatory Authority.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to NW Natural's Annual Report on Form 10-K for the year ended December 31, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

LEGALITY

The legality of the Medium-Term Notes will be passed upon for NW Natural by Margaret D. Kirkpatrick, Esquire, General Counsel of NW Natural, and by Morgan, Lewis & Bockius LLP, New York, New York, and for the agents by Simpson Thacher & Bartlett LLP, New York, New York. Ms. Kirkpatrick may rely upon the opinion of Morgan, Lewis & Bockius LLP, as to certain legal matters arising under New York law and upon the opinion of Stoel Rives LLP, Portland, Oregon, as to certain legal matters arising under Oregon law. Morgan, Lewis & Bockius LLP and Simpson Thacher & Bartlett LLP may rely upon the opinions of Ms. Kirkpatrick and Stoel Rives LLP, Portland, Oregon, as to all legal matters arising under Oregon law, and Ms. Kirkpatrick, Morgan, Lewis & Bockius LLP and Simpson Thacher & Bartlett LLP may rely upon the opinion of Stoel Rives LLP, Portland, Oregon, as to all legal matters arising under Washington law.

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PROSPECTUS



NORTHWEST NATURAL GAS COMPANY

DEBT SECURITIES

JUNIOR SUBORDINATED DEBENTURES

PREFERRED STOCK

COMMON STOCK

STOCK PURCHASE CONTRACTS

STOCK PURCHASE UNITS

Northwest Natural Gas Company, or NW Natural, may offer any combination of the securities described in this prospectus in one or more offerings from time to time and in amounts authorized from time to time. NW Natural will provide specific terms of its securities, including their offering prices, in supplements to this prospectus. The supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

NW Natural's common stock is listed on the New York Stock Exchange and trades under the symbol "NWN."

NW Natural may offer these securities directly or through underwriters, agents or dealers. The supplements to this prospectus will describe the terms of any particular plan of distribution, including any underwriting arrangements. The "Plan of Distribution" section on page 16 of this prospectus also provides more information on this topic.

See the discussion of risk factors on page 2 of this prospectus and as contained in NW Natural's annual, quarterly and current reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, which are incorporated by reference into this prospectus, to read about certain factors you should consider before purchasing any of the securities being offered.

NW Natural's principal executive offices are located at One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209, and its telephone number is (503) 226-4211.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

January 8, 2008

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that NW Natural filed with the Securities and Exchange Commission, or SEC, utilizing a “shelf” registration, or continuous offering, process. Under this shelf registration process, NW Natural, from time to time, may sell any combination of the securities described in this prospectus in one or more offerings. NW Natural may offer any of the following securities: Debt Securities, Junior Subordinated Debentures, Common Stock, Preferred Stock, Stock Purchase Contracts or Stock Purchase Units.

This prospectus provides you with a general description of the securities that NW Natural may offer. Each time NW Natural sells securities, it will provide a prospectus supplement that will contain specific information about the terms of that offering. Material United States federal income tax considerations applicable to the offered securities will be discussed in the applicable prospectus supplement if necessary. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading “Where You Can Find More Information.”

For more detailed information about the securities, you can read the exhibits to the registration statement. Those exhibits have been either filed with the registration statement or incorporated by reference to earlier SEC filings listed in the registration statement.

WHERE YOU CAN FIND MORE INFORMATION

NW Natural files annual, quarterly and other reports and other information with the SEC. Reports, proxy statements and other information filed by NW Natural can be read and copied at the public reference room of the SEC, 100 F Street, N.E., Washington, D.C. 20549. You can obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330.

In addition, the SEC maintains a Web site (<http://www.sec.gov>) that contains reports, proxy statements and other information filed electronically by NW Natural. NW Natural also maintains a Web site (<http://www.nwnatural.com>). Information contained on NW Natural’s Web site does not constitute part of this prospectus.

NW Natural’s common stock is listed on the New York Stock Exchange under the symbol “NWN”, and information concerning NW Natural can also be inspected at the office of that exchange located at 20 Broad Street, New York, New York 10005.

The SEC allows NW Natural to “incorporate by reference” the information that NW Natural files with the SEC, which means that NW Natural may, in this prospectus, disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. NW Natural is incorporating by reference the documents listed below and any future filings NW Natural makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), until NW Natural sells all of the securities described in this prospectus. Information that NW Natural files in the future with the SEC will automatically update and supersede this information.

- NW Natural’s Annual Report on Form 10-K for the year ended December 31, 2006.
- NW Natural’s Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 2007.
- NW Natural’s Current Reports on Form 8-K filed on February 27, April 30, May 29, June 1, July 31, September 21 and October 1, 2007.

You may request a copy of these documents, at no cost to you, by writing or calling Shareholder Services, Northwest Natural Gas Company, One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209, telephone 503-226-4211.

You should rely only on the information contained in, or incorporated by reference in, this prospectus and any prospectus supplement. NW Natural has not, and any underwriters, agents or dealers have not, authorized anyone else to provide you with different information. NW Natural is not, and any underwriters, agents or dealers are not, making an offer of these securities or soliciting offers to buy these securities in any state where the offer or solicitation is not permitted. You should not assume that the information contained in this prospectus and any prospectus supplement is accurate as of any date other than the date on the front of such document or that the information incorporated by reference in this prospectus is accurate as of any date other than the date of the document incorporated by reference.

FORWARD-LOOKING STATEMENTS

This document does, and the documents incorporated herein by reference may, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21E of the Exchange Act. Although NW Natural believes these statements are based on reasonable assumptions, no assurance can be given that actual results will not differ from those in the forward-looking statements contained herein and in the incorporated documents. The forward-looking statements contained herein and in the incorporated documents may be affected by various uncertainties. For a discussion of factors which may affect forward-looking statements contained herein and in the incorporated documents, see NW Natural's most recent Annual Report on Form 10-K and its most recent Quarterly Report on Form 10-Q.

NW NATURAL

NW Natural is principally engaged in the distribution of natural gas to customers in western Oregon and southwestern Washington, including the Portland metropolitan area. NW Natural and its predecessors have supplied gas service to the public since 1859. NW Natural's executive offices are located at One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209. Its telephone number is 503-226-4211.

RISK FACTORS

Investing in the securities involves certain risks. You are urged to read and consider the risk factors relating to an investment in the securities described in NW Natural's annual, quarterly and current reports filed with the SEC under the Exchange Act, which are incorporated by reference into this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information NW Natural includes or incorporates by reference in this prospectus. The risks and uncertainties NW Natural has described are not the only ones facing NW Natural. The prospectus supplement applicable to each type or series of securities NW Natural offers may contain a discussion of additional risks applicable to an investment in NW Natural and the particular type of securities NW Natural is offering under that prospectus supplement.

USE OF PROCEEDS

The net proceeds to be received by NW Natural from the sale of these securities will be added to the general funds of NW Natural and used for corporate purposes, primarily to fund, in part, NW Natural's ongoing utility construction program.

NW Natural expects its utility construction expenditures in 2008 to aggregate between \$90 million to \$100 million, and in the five-year period, 2008-2012, to aggregate between \$500 million and \$600 million.

It is estimated that between 70% to 100% of the funds required for corporate purposes during the 2008-2012 period will be internally generated and that the balance, as well as substantially all of the funds required for the refinancing of maturing debt, will be raised through the sale of equity and debt securities in such amounts and at such times as NW Natural's cash requirements and market conditions shall determine.

**RATIO OF EARNINGS TO FIXED CHARGES AND
RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERENCE DIVIDENDS**

The ratios of earnings to fixed charges and ratios of earnings to combined fixed charges and preference dividends, calculated according to the rules set forth under the Securities Act, for the following periods were:

| <u>Period</u> | <u>Ratio of Earnings to Fixed Charges</u> | <u>Ratio of Earnings to Combined Fixed Charges and Preference Dividends</u> |
|---|---|---|
| Nine Months Ended September 30, 2007* | 3.35 | 3.35 |
| Year Ended December 31, 2006 | 3.40 | 3.40 |
| Year Ended December 31, 2005 | 3.32 | 3.32 |
| Year Ended December 31, 2004 | 3.02 | 3.02 |
| Year Ended December 31, 2003 | 2.84 | 2.82 |
| Year Ended December 31, 2002 | 2.85 | 2.69 |

Earnings consist of net income to which has been added taxes on income and fixed charges. Fixed charges consist of interest on all indebtedness, amortization of debt expense and discount or premium, and the estimated interest portion of rentals charged to income. Preference dividends are the amounts of pre-tax earnings that are required to pay dividends on outstanding preference securities (which may include any NW Natural preferred stock outstanding for the period).

* A significant part of the businesses of NW Natural is seasonal in nature; therefore, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preference dividends for the interim period are not necessarily indicative of the results for a full year.

DESCRIPTION OF DEBT SECURITIES

General

The following sections set forth certain general terms and provisions of NW Natural's secured, unsecured and junior subordinated debt securities, consisting of first mortgage bonds and debentures, notes or other debt, that NW Natural may offer by this prospectus. NW Natural will describe the particular terms of the debt securities, and provisions that vary from those described below, in one or more prospectus supplements.

DESCRIPTION OF THE BONDS

General

NW Natural will issue its first mortgage bonds, in one or more series, under the Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the Corporate Trustee) and Stanley Burg (successor to R.G. Page and J.C. Kennedy), as trustees (together, Mortgage Trustees), which has been amended and supplemented in the past and which may be supplemented again by one or more supplemental indentures relating to these securities. This Mortgage and Deed of Trust, as amended and supplemented, is referred to in this prospectus as the "Mortgage." All first mortgage bonds issued or to be issued under the Mortgage, including the first mortgage bonds offered by this prospectus, are referred to herein as "First Mortgage Bonds."

This section briefly summarizes some of the provisions of the First Mortgage Bonds and some of the provisions of the Mortgage and uses some terms that are not defined in this prospectus but that are defined in the Mortgage. This summary is not complete. The Mortgage is on file with the SEC and is incorporated by reference in this prospectus. You should read the Mortgage for a complete understanding of the provisions that may be important to you and for the definitions of some terms used in this summary.

Each series of First Mortgage Bonds may have different terms. NW Natural will include some or all of the following information about a specific series of First Mortgage Bonds in the prospectus supplement relating to those First Mortgage Bonds:

- the designation of the series and the aggregate principal amount of those First Mortgage Bonds,
- the interest rate(s) for those First Mortgage Bonds,
- the currency or currencies in which payment of the principal of and interest on those First Mortgage Bonds may be made,
- the date(s) on which those First Mortgage Bonds will mature,
- the dates on which NW Natural will pay the interest on those First Mortgage Bonds and the date from which interest will accrue,
- the place(s) where the principal of and interest on those First Mortgage Bonds will be payable,
- whether all or any portion of those First Mortgage Bonds will be issued to a designated depository,
- the additional place(s) for the payment of principal or interest or for the registration or transfer of those First Mortgage Bonds,
- any terms or obligations of NW Natural relating to creation of a sinking fund with respect to those First Mortgage Bonds or permitting conversion of those First Mortgage Bonds into capital stock of NW Natural or another entity,
- any terms permitting bondholders to exchange those First Mortgage Bonds for other securities,
- any terms pursuant to which NW Natural may redeem any of those First Mortgage Bonds, and
- any other terms or provisions relating to those First Mortgage Bonds that are not inconsistent with the provisions of the Mortgage.

Form, Exchange and Payment

Unless otherwise specified in the prospectus supplement relating to First Mortgage Bonds, First Mortgage Bonds will be (1) issued in fully registered form in denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000 and (2) exchangeable at the office of Deutsche Bank Trust Company Americas in New York City, without charge other than taxes or other governmental charges incident thereto, and principal, premium, if any, and interest will be payable at such office.

Security

First Mortgage Bonds issued or to be issued under the Mortgage are or will be secured by the Mortgage, which constitutes a first mortgage lien on certain gas utility properties owned from time to time by NW Natural (except as stated below), subject to Excepted Encumbrances, including minor defects and irregularities customarily found in properties of similar size and character.

The following are excepted from the lien of the Mortgage:

- (1) cash and securities,
- (2) certain equipment, apparatus, materials or supplies,
- (3) aircraft, automobiles and other vehicles,

- (4) receivables, contracts, leases and operating agreements,
- (5) timber, minerals, mineral rights and royalties, and
- (6) all Natural Gas and Oil Production Property (See Mortgage, Article I, Section 4).

The Mortgage contains provisions that impose the lien of the Mortgage on property acquired by NW Natural after the date of the Mortgage, other than the excepted property described above and subject to pre-existing liens. However, if NW Natural consolidates, merges or sells substantially all of its assets to another corporation, the lien created by the Mortgage will generally not cover the property of the successor corporation, other than the property it acquires from NW Natural and improvements, extensions, additions, renewals and replacements of that property. (See Mortgage, Article XVI.)

The Mortgage provides that the Mortgage Trustees shall have a lien upon the mortgaged property, prior to that of the First Mortgage Bonds, for the payment of their reasonable compensation and expenses and for indemnity against certain liabilities. This lien takes priority over the lien securing the First Mortgage Bonds. (See Mortgage, Section 96.)

Issuance of Additional First Mortgage Bonds

First Mortgage Bonds may be issued from time to time on the basis of:

- (1) 60% of property additions, after adjustments to offset retirements (See "Modification of the Mortgage—Issuance of Additional First Mortgage Bonds," below),
- (2) the retirement of First Mortgage Bonds or qualified lien bonds, or
- (3) the deposit of cash.

With certain exceptions in the case of (2) above, the issuance of First Mortgage Bonds must meet an earnings test. The adjusted net earnings before income taxes for 12 consecutive months out of the preceding 15 months must be at least twice the annual interest requirements on all First Mortgage Bonds at the time outstanding, including the additional issue, and all indebtedness of prior rank.

Property additions generally include gas, electric, steam or hot water property or gas by-product property acquired after March 31, 1946, but may not include securities, airplanes, automobiles or other vehicles, or natural gas transmission lines or Natural Gas and Oil Production Property. As of September 30, 2007, approximately \$405 million of property additions were available for use as the basis for the issuance of First Mortgage Bonds. As of September 30, 2007, approximately \$193 million of retired First Mortgage Bonds were available for use as the basis for the issuance of First Mortgage Bonds.

The Mortgage contains certain restrictions upon the issuance of First Mortgage Bonds against property subject to liens.

The Bonds will be issued against property additions and/or retired First Mortgage Bonds.

(See Mortgage, Sections 4-7, 20-30 and 46, and Third Supplemental Indenture, Sections 3 and 4.)

Release and Substitution of Property

Property may be released from the lien of the Mortgage on the basis of:

- (1) the deposit of cash or, to a limited extent, purchase money mortgages,
- (2) property additions, or
- (3) the waiver of the right to issue First Mortgage Bonds on the basis of retired First Mortgage Bonds, in each case without applying any earnings test.

Cash so deposited as the basis for a release and cash deposited as the basis for the issuance of additional First Mortgage Bonds may be withdrawn upon the bases stated in (2) and (3) above without applying an earnings test. When property released is not funded property, property additions used to effect the release may again, in certain cases, become available as credits under the Mortgage, and the waiver of the right to issue First Mortgage Bonds to effect the release may, in certain cases, cease to be effective as such a waiver. Similar provisions are in effect as to cash proceeds of such property. The Mortgage contains special provisions with respect to qualified lien bonds pledged and the disposition of moneys received on pledged prior lien bonds. (See Mortgage, Sections 5, 31, 32, 37, 46 to 50, 59 to 61, 100 and 118.)

Satisfaction and Discharge of Mortgage

The lien of the Mortgage may be canceled and discharged whenever all indebtedness secured by the Mortgage has been paid. First Mortgage Bonds, or any portion of the principal amount thereof, will, prior to the maturity thereof, be deemed to have been paid for purposes of satisfying the lien of the Mortgage and shall not be deemed to be outstanding for any other purpose of the Mortgage if there shall have been deposited with the Corporate Trustee either:

- (1) moneys in the necessary amount, or
- (2) (a) direct obligations of the government of the United States of America, or
(b) obligations guaranteed by the government of the United States of America, or
(c) securities that are backed by obligations of the government of the United States of America as collateral under an arrangement by which the interest and principal payments on the collateral generally flow immediately through to the holder of the security,

which in any case are not subject to redemption prior to maturity by anyone other than the holders, and the principal of and the interest on which when due, and without any regard to reinvestment thereof, shall be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on said First Mortgage Bonds or portions thereof on the redemption date or maturity date thereof, as the case may be. (See Mortgage, Section 106 and Thirteenth Supplemental Indenture, Section 3.02.)

Defaults and Notice Thereof

Defaults are:

- (1) default in payment of principal,
- (2) default for 60 days in payment of interest or of installments of funds for the retirement of First Mortgage Bonds,
- (3) certain defaults with respect to qualified lien bonds,
- (4) certain events in bankruptcy, insolvency or reorganization, and
- (5) default for 90 days after notice in the case of a breach of certain other covenants.

The Mortgage Trustees may withhold notice of default (except in payment of principal, interest or any fund for the retirement of First Mortgage Bonds) if they think it is in the interest of the bondholders. (See Mortgage, Sections 65 and 66.)

Holders of 25% of the First Mortgage Bonds may declare the principal and the interest due on default, but a majority may annul such declaration if such default has been cured. No holder of First Mortgage Bonds may enforce the lien of the Mortgage without giving the Mortgage Trustees written notice of a default and unless holders of 25% of the First Mortgage Bonds have requested the Mortgage Trustees to act and offered them reasonable opportunity to act and the Mortgage Trustees have failed to act. The Mortgage Trustees are not required to risk their funds or incur personal liability if there is reasonable ground for believing that the repayment is not reasonably assured. Holders of a majority of the First Mortgage Bonds may direct the time, method and place of conducting any

proceedings for any remedy available to the Mortgage Trustees, or exercising any trust or power conferred upon the Mortgage Trustees, but the Mortgage Trustees are not required to follow such direction if not sufficiently indemnified for expenditures. (See Mortgage, Sections 67, 71, 80 and 94.)

Evidence to be Furnished to the Mortgage Trustees

Compliance with Mortgage provisions is evidenced by written statements of NW Natural's officers or persons selected by NW Natural. In certain major matters the accountant, engineer, appraiser or other expert must be independent. Various certificates and other papers, including an annual certificate with reference to compliance with the terms of the Mortgage and absence of defaults, are required to be filed annually and upon the occurrence of certain events. (See Mortgage, Sections 38 and 41-46.)

Modification of the Mortgage

The rights of the bondholders may be modified with the consent of holders of 70% of the First Mortgage Bonds and, if less than all series of First Mortgage Bonds are affected, the consent also of holders of 70% of First Mortgage Bonds of each series affected. NW Natural has the right, without any consent or other action by holders of any outstanding series of First Mortgage Bonds, to substitute 66²/₃% for 70%. In general, no modification of the terms of payment of principal and interest, affecting the lien of the Mortgage or reducing the percentage required for modification (except as provided above) will be effective against any bondholder without his consent. (See Mortgage, Article XIX and Ninth Supplemental Indenture, Section 6.)

NW Natural has the right to amend the Mortgage, without any consent or other action by holders of any outstanding series of First Mortgage Bonds in the following respects:

Release and Substitution of Property

To permit the release of property at the lesser of its cost or its fair value at the time that such property became funded property, rather than at its fair value at the time of its release; and to facilitate the release of unfunded property. (See Mortgage, Sections 3, 59 and 60 and Eighteenth Supplemental Indenture, Section 2.03.)

Issuance of Additional First Mortgage Bonds

To clarify that:

- (1) for purposes of determining annual interest requirements, interest on First Mortgage Bonds or other indebtedness bearing interest at a variable interest rate shall be computed at the average of the interest rates borne by such First Mortgage Bonds or other indebtedness during the period of calculation or, if such First Mortgage Bonds or other indebtedness shall have been issued after such period or shall be the subject of pending applications, interest shall be computed at the initial rate borne upon issuance, and
- (2) no extraordinary items shall be included in operating expenses or deducted from revenues or other income in calculating adjusted net earnings (see Mortgage, Section 7); and
- (3) to revise the basis for the issuance of additional First Mortgage Bonds from 60% of property additions, after adjustments to offset retirements, to 70%.

(See Mortgage, Sections 25, 26, 59 and 61 and Eighteenth Supplemental Indenture, Sections 2.01 and 2.02.)

The Corporate Trustee

Deutsche Bank Trust Company Americas also serves as the Indenture Trustee under the Indenture under which the Indenture Securities, as defined below, are issued.

DESCRIPTION OF THE UNSECURED DEBT SECURITIES

General

NW Natural will issue its unsecured debt securities, in one or more series, under an Indenture, dated as of June 1, 1991, between NW Natural and Deutsche Bank Trust Company Americas, as trustee (Indenture Trustee). This Indenture, as it may be amended and supplemented from time to time, is referred to in this prospectus as the "Indenture." These unsecured debt securities offered by this prospectus are referred to in this prospectus as the "Unsecured Debt Securities."

The Indenture provides for the issuance of debentures, notes or other debt by NW Natural in an unlimited amount from time to time. The Unsecured Debt Securities and all other debentures, notes or other debt of NW Natural issued or to be issued under the Indenture are collectively referred to in this prospectus as the "Indenture Securities."

The Indenture does not limit the amount of debt, secured or unsecured, which may be issued by NW Natural.

Indenture Securities will rank equally with all other unsecured and unsubordinated indebtedness of NW Natural. Substantially all of the gas plants, distribution systems and certain other materially important physical properties of NW Natural are subject to the lien of the Mortgage securing the First Mortgage Bonds. (See "Description of the Bonds—Security" and "—Issuance of Additional First Mortgage Bonds", above.)

This section briefly summarizes some of the provisions of the Unsecured Debt Securities and some of the provisions of the Indenture and uses some terms that are not defined in this prospectus but that are defined in the Indenture. This summary is not complete. The Indenture is on file with the SEC and is incorporated by reference in this prospectus. You should read the Indenture for a complete understanding of the provisions that may be important to you and for the definitions of some terms used in this summary.

Each series of Unsecured Debt Securities may have different terms. NW Natural will include some or all of the following information about a specific series of Unsecured Debt Securities in the prospectus supplement(s) relating to those Unsecured Debt Securities:

- the title of those Unsecured Debt Securities,
- any limit upon the aggregate principal amount of those Unsecured Debt Securities,
- whether those Unsecured Debt Securities will be offered on a periodic basis, with the specific terms of such Unsecured Debt Securities to be determined upon their issuance,
- the date(s) on which, and the manner in which, NW Natural will pay the principal of those Unsecured Debt Securities,
- the rate(s) of interest on those Unsecured Debt Securities, or how the rate(s) of interest will be determined, the date(s) from which interest will accrue, the dates on which NW Natural will pay interest, the record date for any interest payable on any interest payment date, the manner in which such interest shall be payable, and the basis of computation of interest,
- the place(s) at which or methods by which the registered owners of those Unsecured Debt Securities may transfer or exchange those Unsecured Debt Securities and serve notices and demands to or upon NW Natural,
- any date(s) on which, the price(s) at which and the terms and conditions upon which those Unsecured Debt Securities may be redeemed, in whole or in part, at the option of NW Natural,
- any obligation of NW Natural, and the terms and conditions thereof, to redeem or repurchase those Unsecured Debt Securities, pursuant to any sinking fund or other provisions that would obligate NW Natural to repurchase or redeem those Unsecured Debt Securities,

- the denominations in which NW Natural may issue those Unsecured Debt Securities, if other than denominations of \$1,000 and any integral multiple of \$1,000,
- whether the amount of payments of principal of, or premium, if any, or interest on those Unsecured Debt Securities, may be determined with reference to an index, and, if so the manner in which such amounts shall be determined,
- the portion of the principal amount of those Unsecured Debt Securities that NW Natural will pay upon declaration of acceleration of the maturity of those Unsecured Debt Securities, if other than the entire principal amount of those Unsecured Debt Securities,
- any events of default with respect to those Unsecured Debt Securities and any covenants of NW Natural for the benefit of the registered owners of those Unsecured Debt Securities, other than those specified in this prospectus,
- the terms, if any, pursuant to which those Unsecured Debt Securities may be converted into or exchanged for shares of capital stock or other securities of NW Natural or any other entity,
- the person to whom NW Natural will pay interest on those Unsecured Debt Securities on any interest payment date, if other than the person in whose name those Unsecured Debt Securities are registered at the close of business on the record date for that interest payment,
- the amount and terms of a service charge, if any, for the registration of transfer or exchange of those Unsecured Debt Securities,
- any exceptions to the definition of Legal Holiday or variation in the definition of Business Day under the Indenture with respect to those Unsecured Debt Securities,
- the terms, if any, required to permit those Unsecured Debt Securities to be registered pursuant to a non-certificated system of registration, and
- any other terms of those Unsecured Debt Securities that are not inconsistent with the provisions of the Indenture.

Form, Exchange and Payment

Unless otherwise specified in the prospectus supplement relating to the Unsecured Debt Securities, the Unsecured Debt Securities will be (1) issued in fully registered form in denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000 and (2) exchangeable at the office of Deutsche Bank Trust Company Americas in New York City, without charge other than taxes or other governmental charges incident thereto, and principal, premium, if any, and interest will be payable at such office.

Defeasance

The principal amount of the Unsecured Debt Securities of any series issued under the Indenture will be deemed to have been paid for purposes of the Indenture and the entire indebtedness of NW Natural in respect thereof will be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Indenture Trustee, in trust:

- (1) money in an amount which will be sufficient, or
- (2) in the case of a deposit made prior to the maturity of those Unsecured Debt Securities, Government Obligations (as defined below), which do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Indenture Trustee, will be sufficient, or
- (3) a combination of (1) and (2) which will be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on the Unsecured Debt Securities of that series that are outstanding. For this purpose, Government Obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States of America entitled to the benefit of the full faith and credit thereof and certificates, depositary receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof. (See Indenture, Sections 101, 701.)

If NW Natural deposits any money and/or Government Obligations with respect to the Unsecured Debt Securities of any series, or any portion of the principal amount thereof, prior to the maturity or redemption of such Unsecured Debt Securities or such portion of the principal amount thereof, for the satisfaction or discharge of the indebtedness of NW Natural in respect to such Unsecured Debt Securities or such portion thereof as described in Section 701 of the Indenture, NW Natural shall deliver to the Indenture Trustee either:

- (1) an instrument wherein NW Natural, notwithstanding such satisfaction and discharge, shall assume the obligation to irrevocably deposit with the Indenture Trustee such additional sums of money, if any, or additional Government Obligations, if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Government Obligations previously deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Unsecured Debt Securities or such portions thereof, all in accordance with and subject to the provisions of said Section 701; provided, however, that such instrument may state that the obligation of NW Natural to make additional deposits as described above shall be subject to the delivery to NW Natural by the Indenture Trustee of a notice asserting the amount of such deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Indenture Trustee, showing the calculation thereof, or
- (2) an opinion of counsel to the effect that the holders of such Unsecured Debt Securities, or such portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of such satisfaction and discharge and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

In the event that NW Natural shall elect to deliver to the Indenture Trustee an instrument as described in clause (1) of the preceding paragraph in connection with any such deposit of money and/or Government Obligations with the Indenture Trustee, under current applicable United States federal income tax regulations, the holders of such Unsecured Debt Securities, or such portions thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of such satisfaction and discharge and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such deposit had not been effected. There can be no assurance that such United States federal income tax regulations will not change such that, as a result of such deposit and delivery by NW Natural of such instrument, holders of Unsecured Debt Securities may recognize income, gain or loss for United States federal income tax purposes and may not be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such deposit had not been made.

Events of Default and Notice Thereof

Events of default are:

- (1) default for three business days in payment of principal,
- (2) default for 60 days in payment of interest,
- (3) certain events in bankruptcy, insolvency or reorganization,
- (4) default for 90 days after notice in the case of a breach of any other covenant, and
- (5) any other event of default specified with respect to the Indenture Securities of a particular series.

No event of default with respect to a series of Indenture Securities necessarily constitutes an event of default with respect to the Indenture Securities of any other series.

The Indenture Trustee may withhold notice of default (except in payment of principal, interest or any funds for the retirement of Indenture Securities) if it, in good faith, determines that withholding of such notice is in the interest of the holders of the Indenture Securities. (See Indenture, Sections 801 and 903.)

Either the Indenture Trustee or the holders of not less than 33% in principal amount (or such lesser amount as may be provided in the case of discount Indenture Securities) of the outstanding Indenture Securities of all defaulted series, considered as one class, may declare the principal and interest on such series due on default, but NW Natural may annul such default by effecting its cure and paying overdue interest and principal. No holder of Indenture Securities may enforce the Indenture without having given the Indenture Trustee written notice of default, and unless the holders of a majority of the Indenture Securities of all defaulted series, considered as one class, shall have requested the Indenture Trustee to act and offered reasonable indemnity, and for 60 days the Indenture Trustee shall have failed to act. But, each holder has an absolute right to receive payment of principal and interest when due and to institute suit for the enforcement of such payment. The Indenture Trustee is not required to risk its funds or incur any financial liability if it has reasonable grounds to believe that repayment is not reasonably assured.

The holders of a majority of the Indenture Securities of all defaulted series, considered as one class, may direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee, or exercising any trust or power conferred on the Indenture Trustee, with respect to the Indenture Securities of such series, but the Indenture Trustee is not required to follow such direction if not sufficiently indemnified and the Indenture Trustee may take any other action it deems proper which is not inconsistent with such direction. (See Indenture, Sections 802, 807, 808, 812 and 902.)

Evidence to be Furnished to the Indenture Trustee

Compliance with Indenture provisions will be evidenced by written statements of NW Natural's officers. An annual certificate with reference to compliance with the covenants and conditions of the Indenture and the absence of defaults is required to be filed with the Indenture Trustee. (See Indenture, Section 1004.)

Modification of the Indenture

The rights of the holders of the Indenture Securities may be modified with the consent of the holders of a majority of the Indenture Securities of all series or Tranches, as defined below, affected, considered as one class. However, certain specified rights of the holders of Indenture Securities may be modified without the consent of the holders if such modification would not be deemed to adversely affect their interests in any material respect.

In general, no modification of the terms of payment of principal and interest, no reduction of the percentage in principal amount of the Indenture Securities outstanding under such series required to consent to any supplemental indenture or waiver under the Indenture, no reduction of such percentage necessary for quorum and voting, and no modification of certain of the provisions in the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults is effective against any holder of Indenture Securities without the consent of such holder. "Tranche" means a group of Indenture Securities which are of the same series and have identical terms except as to principal amount and/or date of issuance. (See Indenture, Article Twelve.)

The Indenture Trustee

Deutsche Bank Trust Company Americas also serves as the Corporate Trustee under the Mortgage under which the First Mortgage Bonds are issued.

DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

NW Natural may issue junior subordinated debentures, in one or more series, under an indenture, between NW Natural and the trustee specified therein. The terms of any junior subordinated debentures will be described in a prospectus supplement.

DESCRIPTION OF PREFERRED STOCK

The following is a summary of certain rights and privileges of NW Natural's preferred stock. This summary description does not purport to be complete. Reference is made to NW Natural's Restated Articles of Incorporation, its Bylaws and any articles of amendment to the Restated Articles of Incorporation establishing a particular series of preferred stock, which are filed as exhibits to this registration statement, or in the case of any articles of amendment relating to a future series of preferred stock, will be filed with the SEC prior to the issuance of such series, and incorporated herein by reference. The following statements are qualified in their entirety by such references.

The Board of Directors is authorized under NW Natural's Restated Articles of Incorporation to provide for the issuance from time to time of preferred stock in one or more series, and as to each series to fix and determine the relative rights and preferences, serial designation, dividend rate, redemption prices, voluntary and involuntary liquidation prices, sinking fund provisions for the redemption or purchase of shares, if any, and conversion provisions, if any, applicable to shares of such series. NW Natural will include some or all of this information about a specific series of preferred stock being offered in the prospectus supplement(s) relating to such series. As used herein, the term "preferred stock" includes all series.

Dividends

Each series of the preferred stock is entitled in preference to the common stock to dividends cumulative from the date of issue, at the rate fixed by the Board of Directors, payable quarterly on February 15, May 15, August 15 and November 15 in each year or on such other date or dates as the Board of Directors shall determine.

Voting Rights

Generally, only NW Natural's common stock has voting rights. The common stock has cumulative voting rights with respect to the election of directors. The preferred stock shall have no right to vote in the election of directors or for any other purpose, except as may be otherwise provided by law or by resolutions establishing any series of preferred stock in accordance with NW Natural's Restated Articles of Incorporation.

Certain terms relating to NW Natural's preferred stock in respect of dividends, liquidation rights, limitations on payment of dividends and voting are discussed below in "Description of Common Stock—Dividends and Liquidation Rights" and "—Dividend Limitations".

DESCRIPTION OF COMMON STOCK

General

The following is a summary of certain rights and privileges of NW Natural's common stock. This summary description does not purport to be complete. Reference is made to NW Natural's Restated Articles of Incorporation, amended as of May 31, 2006, and Bylaws, as amended through May 24, 2007, which are incorporated herein by reference. The following statements are qualified in their entirety by such references.

Under NW Natural's Restated Articles of Incorporation, NW Natural is authorized to issue 60,000,000 shares of common stock and 3,500,000 shares of preferred stock. At December 31, 2007, 26,407,348 shares of common stock were outstanding and no shares of preferred stock were outstanding.

The Board of Directors is authorized under NW Natural's Restated Articles of Incorporation to provide for the issuance from time to time of preferred stock in one or more series, and as to each series to fix and determine the relative rights and preferences, serial designation, dividend rate, redemption prices, voluntary and involuntary liquidation prices, sinking fund provisions for the redemption or purchase of shares, if any, and conversion provisions, if any, applicable to shares of such series.

Dividends and Liquidation Rights

Except as hereinafter stated, the common stock is entitled to receive such dividends as are declared by the Board of Directors and to receive ratably on liquidation any assets which remain after payment of liabilities. NW Natural has an authorized class of senior capital stock, referred to as preferred stock, none of which is currently outstanding. NW Natural's preferred stock is entitled in preference to the common stock (1) to cumulative dividends at the annual rate fixed for each series by the Board of Directors, and (2) in voluntary and involuntary liquidation, to the amounts fixed for each series by the Board of Directors, plus in each case, unpaid accumulated dividends.

Dividend Limitations

Should dividends on the preferred stock be in arrears, no dividends on the common stock may be paid or declared. Future series of the preferred stock could contain sinking fund, purchase or redemption obligations under which no dividends on the common stock may be paid or declared while such obligations are in default. Common stock dividends also may be restricted by the provisions of future instruments pursuant to which NW Natural may issue long-term debt.

Voting Rights

Except as provided by law or as described below, only the common stock has voting rights. Cumulative voting is permitted by the Restated Articles of Incorporation to holders of common stock at elections of directors.

Classification of the Board of Directors

The Board of Directors of NW Natural may consist of not less than 9 nor more than 13 persons, as determined by the Board, divided into three classes as nearly equal in number as possible. The current number is 12. One class is elected for a three-year term at each annual meeting of shareholders. Vacancies, including those resulting from an increase in the size of the Board, may be filled by a majority vote of the directors then in office, to serve until the next annual meeting of shareholders. One or more of the directors may be removed, with or without cause, by the affirmative vote of the holders of not less than two-thirds of the shares entitled to vote thereon; provided, however, that if fewer than all of the directors should be candidates for removal, no one of them shall be removed if the votes cast against such director's removal would be sufficient to elect such director if then cumulatively voted at an election of the class of directors of which such director shall be a part. Except for those persons nominated by the Board, no person shall be eligible for election as a director unless a request from a shareholder entitled to vote in the election of directors that such person be nominated and such person's

consent thereto shall be delivered to the Secretary of NW Natural within the time period specified in advance of the meeting at which such election shall be held. The foregoing provisions may not be amended or repealed except by the affirmative vote of the holders of not less than two-thirds of the shares entitled to vote at an election of directors.

Transactions with Related Persons

NW Natural shall not enter into any business transaction with a related person or in which a related person shall have an interest (except proportionately as a shareholder of NW Natural) without first obtaining both (1) the affirmative vote of the holders of not less than two-thirds of the outstanding shares of the capital stock of NW Natural not held by such related person, and (2) the determination of a majority of the continuing directors that the cash or fair market value of the property, securities or other consideration to be received per share by the holders, other than such related person, of the shares of each class or series of the capital stock of NW Natural in such business transaction shall not be less than the highest purchase price paid by such related person in acquiring any of its holdings of shares of the same class or series, unless the continuing directors by a majority vote shall either (a) have expressly approved the acquisition of the shares of the capital stock of NW Natural that caused such related person to become a related person, or (b) have expressly approved such business transaction. As used in this paragraph: a "business transaction" includes a merger, consolidation, reorganization or recapitalization, a purchase, sale, lease, exchange, transfer, mortgage or other disposition of all or a substantial part (10% or more) of the property and assets of NW Natural or a related person, an issuance, sale, exchange or other disposition of securities of NW Natural and a liquidation, spin-off or dissolution; a "related person" includes a person, organization or group thereof owning 10% or more of the capital stock of NW Natural; "continuing directors" are those whose nominations for directorship shall have been approved by a majority of the directors in office on April 9, 1984 or by a majority of the then continuing directors. The foregoing provisions may not be amended or repealed except by the affirmative vote of the holders of not less than two-thirds of the shares of the capital stock of NW Natural (other than shares held by related persons).

Preemptive Rights

The holders of the common stock have no preemptive rights.

Other Provisions

The issued and outstanding shares of NW Natural's common stock are, and the common stock offered hereby will be, fully paid and nonassessable.

Certain Anti-Takeover Matters

NW Natural's Restated Articles of Incorporation and Bylaws include a number of provisions that may have the effect of discouraging persons from acquiring large blocks of its stock or delaying or preventing a change in its control. The material provisions that may have such an effect include:

- establishment of a classified Board of Directors, whereby only one-third of the board stands for election each year;
- limitations on certain business transactions (including mergers, consolidations, plans of exchange) with any person or entity and any persons or entities related thereto who beneficially own 10 percent or more of the capital stock of NW Natural;
- authorization for NW Natural's Board of Directors (subject to any applicable law) to issue preferred stock in series and to fix rights and preferences of the series;
- advance notice procedures with respect to nominations of directors or proposals other than those adopted or recommended by NW Natural's Board of Directors;
- requirement that holders of not less than two-thirds of the shares entitled to vote are required to remove directors or to amend certain provisions of NW Natural's Restated Articles of Incorporation; and

- requirement that Bylaws may only be amended or repealed by resolution of a majority of the Board of Directors, subject to repeal or change by action of the shareholders.

NW Natural is subject to the provisions of sections 60.825 to 60.845 of the Oregon Business Corporation Act (“OBCA”) which generally provide that in the event a person or entity acquires 15% or more of NW Natural’s voting stock (“interested shareholder”), NW Natural and such interested shareholder and any affiliate, may not engage in the following business combinations for a period of three years following the date that person became an interested shareholder:

- a merger or plan of share exchange;
- any sale, lease, mortgage or other disposition of the assets of the corporation where the assets have an aggregate market value equal to 10% or more of the aggregate market value of NW Natural’s assets or outstanding capital stock; and
- transactions that result in the issuance of capital stock to the shareholder that acquired 15% or more of the voting stock.

These restrictions do not apply if:

- the Board of Directors approved the share acquisition or business combination that resulted in the person becoming an interested shareholder before the time such person became an interested shareholder;
- as a result of the share acquisition, the person became an interested shareholder and 85% owner of the voting stock, excluding shares owned by persons who are directors and also officers and shares owned by certain employee benefit plans; or
- the business combination transaction is approved by the Board of Directors and authorized by the affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested shareholder.

NW Natural is also subject to the provisions of Sections 60.801 to 60.816 of the Oregon Control Share Act (“OCSA”), which generally provide that a person who acquires voting stock in a transaction which results in such person holding more than 20%, 33-1/3% or 50% of the total voting power cannot vote the shares it acquires in the acquisition unless voting rights are accorded to such control shares by the holders of a majority of the outstanding voting shares, excluding the control shares held by such person and shares held by officers and inside directors, and by the holders of a majority of the outstanding voting shares, including shares held by officers and inside directors. This vote would be required at the time an acquiring person’s holdings exceed 20% of the total voting power, and again at the time the acquiring person’s holdings exceed 33-1/3% and 50%, respectively. The acquiring person may, but is not required to, submit an “acquiring person statement” setting forth certain information about the acquiring person and its plans with respect to NW Natural. The acquiring person statement may also request that NW Natural call a special meeting of shareholders to determine whether the control shares will be allowed to retain voting rights. If the acquiring person does not request a special meeting of shareholders, the issue of voting rights of control shares will be considered at the next annual meeting or special meeting of shareholders that is held more than 60 days after the date of the acquisition of control shares. Shares are not deemed to be acquired in a control share acquisition if, among other things, they are acquired from the issuing corporation, or are issued pursuant to a plan of merger or exchange effected in compliance with the OBCA and the issuing corporation is a party to the merger or exchange agreement.

The OCSA and the OBCA have anti-takeover effects because they will encourage any potential acquirer to negotiate with NW Natural’s Board of Directors and will also discourage potential acquirers unwilling to comply with the provisions of these laws. An Oregon corporation may provide in its articles of incorporation or bylaws that the laws described above do not apply to its shares. NW Natural has not adopted such a provision.

DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

NW Natural may issue stock purchase contracts, including contracts obligating you to purchase from NW Natural, and NW Natural to sell to you, a specific number of shares of preferred stock or common stock at a future date or dates. The price per share of preferred stock or common stock may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula described in the stock purchase contracts. NW Natural may issue stock purchase contracts separately or as a part of units each consisting of a stock purchase contract and debt securities or debt obligations of third parties, including United States Treasury securities, securing your obligations to purchase the preferred stock or the common stock under the stock purchase contract. The stock purchase contracts may require NW Natural to make periodic payments to you or vice versa and the payments may be unsecured or prefunded on some basis. The stock purchase contracts may require you to secure your obligations in a specified manner. NW Natural will describe in the applicable prospectus supplement the terms of any stock purchase contracts or stock purchase units.

PLAN OF DISTRIBUTION

NW Natural may sell the securities offered pursuant to this prospectus and one or more prospectus supplements (Offered Securities) in one or more series in any of three ways: (1) through underwriters or dealers; (2) through agents; or (3) directly to a limited number of purchasers or to a single purchaser.

Through Underwriters or Dealers

If underwriters are used in the sale, the Offered Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at the initial public offering price or at varying prices determined at the time of the sale. The Offered Securities may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more managing underwriters. The underwriter or underwriters with respect to the Offered Securities will be named in the prospectus supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover page of such prospectus supplement. Unless otherwise set forth in such prospectus supplement, the obligations of the underwriters to purchase the Offered Securities offered by such prospectus supplement will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of such Offered Securities if any are purchased.

Through Agents

The Offered Securities may be sold through agents designated by NW Natural from time to time. A prospectus supplement will set forth the name of any agent involved in the offer or sale of the Offered Securities in respect of which such prospectus supplement is delivered as well as any commissions payable by NW Natural to such agent. Unless otherwise indicated in such prospectus supplement, any such agent will be acting on a reasonable best efforts basis for the period of its appointment.

Directly to One or More Purchasers

NW Natural may sell the Offered Securities directly to one or more purchasers. In this case, no underwriters or agents would be involved.

General Information

The prospectus supplement with respect to the Offered Securities will set forth the terms of the offering of such Offered Securities, including:

- the name or names of any underwriters, dealers or agents;
- the purchase price of such Offered Securities and the proceeds to NW Natural from such sale;

- any underwriting discounts, agents' commissions and other items constituting underwriting compensation;
- any initial public offering price; and
- any discounts or concessions allowed or reallocated or paid to dealers.

Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If so indicated in the prospectus supplement with respect to the Offered Securities, NW Natural may authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase the Offered Securities from NW Natural at the initial public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to those conditions set forth in such prospectus supplement, and such prospectus supplement will set forth the commission payable for solicitation of such contracts.

Agents, underwriters and dealers may be entitled under agreements entered into with NW Natural to indemnification by NW Natural against certain civil liabilities, including certain liabilities under the Securities Act or to contribution by NW Natural with respect to payments which such agents, underwriters and dealers may be required to make in respect thereof.

EXPERTS

The financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2006 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

LEGALITY

The legality of the securities will be passed upon for NW Natural by Margaret D. Kirkpatrick, Esquire, General Counsel of NW Natural, and by Thelen Reid Brown Raysman & Steiner LLP, New York, New York. Ms. Kirkpatrick may rely upon the opinion of Thelen Reid Brown Raysman & Steiner LLP as to certain legal matters arising under New York law. Thelen Reid Brown Raysman & Steiner LLP may rely upon the opinion of Ms. Kirkpatrick as to certain legal matters arising under Oregon law.

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NORTHWEST NATURAL GAS COMPANY

**Secured Medium-Term Notes,
Series B
Unsecured Medium-Term Notes,
Series B**

**PROSPECTUS
SUPPLEMENT**

**Banc of America Securities LLC
UBS Investment Bank
J.P. Morgan
Piper Jaffray**

March 18, 2009

424B2 1 d424b2.htm PRICING SUPPLEMENT NO. 1

CALCULATION OF REGISTRATION FEE

| Title of Each Class of Securities to be Registered | Maximum Aggregate Offering Price | Amount of Registration Fee (1) |
|--|----------------------------------|--------------------------------|
| Debt Securities | \$75,000,000 | \$4,185 |

(1) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended (the "Securities Act"). The Registration Fee of \$4,185 is being entirely offset in reliance upon Rule 457(p) under the Securities Act against remaining registration fees previously paid in an aggregate amount of \$11,022 which were carried forward from Registration Statement No. 333-112604, which was initially filed with the Securities and Exchange Commission by the registrant on February 9, 2004 ("Prior Fee Amount"). The basis for the Prior Fee Amount is set forth in Footnote (1) of the Calculation of Registration Fee table on the cover of Registration Statement No. 333-148527. Taking into account the payment of the current registration fee, in addition to fees paid in connection with prior filings under Rule 424 associated with Registration Statement No. 333-148527, the registrant will have \$6,009 remaining available for future registration fees. In accordance with Rule 456(b) and 457(r) under the Securities Act, this "Calculation of Registration Fee" table shall be deemed to update the "Calculation of Registration Fee" table in Registration Statement No. 333-148527.

Pricing Supplement No. 1
dated March 20, 2009
(To prospectus dated January 8, 2008
and prospectus supplement dated March 18, 2009)

Filing under Rule 424(b)(2)
Registration No. 333-148527

\$300,000,000
NORTHWEST NATURAL GAS COMPANY
Secured Medium-Term Notes, Series B
(A Series of First Mortgage Bonds)
and
Unsecured Medium-Term Notes, Series B
Due from One Year to 30 Years from Date of Issue

| | |
|--|---|
| CUSIP No.: 66765RBX3 | Stated interest rate (%): 5.370% |
| Secured <input checked="" type="checkbox"/> Unsecured | Maturity date: February 1, 2020 |
| Principal amount (\$): \$75,000,000 | Settlement date: March 25, 2009 |
| Issue price (%): 100.000% | Interest payment dates: February 1 and August 1 commencing August 1, 2009 |
| Net proceeds to Company (\$): 74,531,250 | Regular record dates: January 15 and July 15 |
| Repayable at the option of holder: Yes No <input checked="" type="checkbox"/> | Redeemable: Yes <input checked="" type="checkbox"/> No |
| Repayment Date: Not Applicable | In whole |
| Repayment Price: Not Applicable | In whole or in part <input checked="" type="checkbox"/> |
| Election Period: Not Applicable | Fixed redemption price: Yes No <input checked="" type="checkbox"/> |
| Sole Book-Running Manager: J.P. Morgan Securities Inc. (70%) | Initial redemption date: Not Applicable |
| Co-Manager: Banc of America Securities LLC (30%) | Initial redemption price: Not Applicable |
| Type of Transaction: Principal Transaction | Reduction Percentage: Not Applicable |
| | Redemption limitation date: Not Applicable |
| | Make-Whole Redemption Price: Yes <input checked="" type="checkbox"/> No |
| | Make-Whole Spread: 0.500% |

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this pricing supplement or the accompanying prospectus or prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

Northwest Natural Gas Company

\$300,000,000

Medium-Term Notes, Series B

Distribution Agreement

March 18, 2009

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, MN 55402

Ladies and Gentlemen:

Northwest Natural Gas Company, an Oregon corporation (the “**Company**”), proposes to issue and sell from time-to-time not to exceed \$300,000,000 of its First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the “**Secured Notes**”), and its Unsecured Medium-Term Notes, Series B (the “**Unsecured Notes**”, and, together with the Secured Notes, the “**Securities**”). The Secured Notes will be issued under the Company’s Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the “**Mortgage Trustee**” or the “**Trustee**”) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented (such Mortgage and Deed of Trust as supplemented being hereinafter referred to as the “**Mortgage**” or the “**Indenture**”). The Unsecured Notes will be issued under an indenture, dated as of June 1, 1991 (the “**Note Indenture**” or the “**Indenture**”), between the Company and Deutsche Bank Trust Company Americas, as trustee (the “**Indenture Trustee**” or the “**Trustee**”). The Securities shall have the maturities, interest rates, if any, redemption provisions and other terms set forth in the Prospectus referred to below, as it may be amended or supplemented from time-to-time, and any final term sheet relating to an offering of a particular issuance of securities,

containing information that describes the final terms of such Securities or such offering (the “**Term Sheet**”). The Securities will be issued, and the terms thereof established, from time-to-time, by the Company in accordance with the respective Indentures.

The Company represents, warrants, covenants and agrees with each of you and with each other person which shall become a party to this agreement (individually, an “**Agent**,” and collectively, the “**Agents**”) and each Agent, severally and not jointly, covenants and agrees with the Company as follows:

1. Representations and Warranties of the Company. The Company represents and warrants to each Agent that:

- (a) The Company is a corporation duly organized and validly existing under the laws of the State of Oregon, is qualified to do business as a foreign corporation in the State of Washington, with power (corporate and other) to own its properties and conduct its business as described in the Prospectus and the Pricing Disclosure Package (as defined below) (if applicable), each referred to below, and holds valid and subsisting franchises, licenses, permits and consents, free from burdensome restrictions and adequate for the conduct of its business, as described in the Prospectus and the Pricing Disclosure Package;
- (b) A registration statement on Form S-3 (Registration No. 333-148527) (the “**Registration Statement**”), in respect of the Company’s securities (which may include the Company’s First Mortgage Bonds designated Secured Medium-Term Notes, Series B, and Unsecured Medium-Term Notes, Series B) that is an automatic shelf registration statement has been filed with the Securities and Exchange Commission (the “**Commission**”) under the Securities Act of 1933, as amended (the “**Act**”) within three years of the date hereof and on each of the dates referred to in clauses (a)(iv), (v) and (vi) of Section 6, within three years of those dates), in the form heretofore delivered or to be delivered (excluding the exhibits thereto but including the documents incorporated by reference in the prospectus included therein) to such Agent, and such Registration Statement in such form has become effective and no stop order suspending its effectiveness and no notice pursuant to Rule 401(g)(2) of the Act objecting to use of the automatic shelf registration statement form has been issued and no proceeding for those purposes has been initiated or threatened by the Commission (any preliminary prospectus included in the Registration Statement being hereinafter called a “**Preliminary Prospectus**”). The Registration Statement, including all exhibits thereto and including the documents incorporated by reference in the prospectus included therein, and including any prospectus supplement relating to the Securities that is filed with the Commission and deemed by virtue of Rule 430B to be part of the registration statement at the applicable time of effectiveness or deemed effectiveness, but excluding Forms T-1 and T-2, each as amended at the time such part of the registration statement or any post-effective amendment became effective, each is hereinafter called the “**Registration Statement**”; the prospectus included as a part of the Registration Statement (including the Prospectus Supplement, dated March 18, 2009, and any other prospectus supplement relating

to the Securities), in the form in which it most recently has been filed with the Commission on or prior to the date of this Agreement, is hereinafter called the “**Prospectus**”; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents filed by the Company under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and incorporated therein by reference as of the date of such Preliminary Prospectus or the Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus, including any supplement to the Prospectus that sets forth only the terms of a particular issue of the Securities (a “**Pricing Supplement**”), shall be deemed to refer to and include the documents filed by the Company under the Exchange Act and incorporated therein by reference as of the date of such amendment or Pricing Supplement; any reference to the Prospectus as amended or supplemented shall be deemed to refer to and include the Prospectus as then amended or supplemented (including the applicable Pricing Supplement) in relation to a particular issue of Securities to be sold pursuant to this Agreement, in the form filed with the Commission pursuant to Rule 424(b) under the Act, including any documents filed by the Company under the Exchange Act and incorporated therein by reference as of the date of such amendment or supplement; “**Pricing Disclosure Package**” means the Prospectus, including all amendments and supplements thereto and any preliminary Pricing Supplement as of the Applicable Time (as defined below), and each Term Sheet prepared pursuant to Section 5(p) and any other free-writing prospectus (as defined in Rule 405 under the Act) that has been prepared by or on behalf of the Company relating to such Securities as of such Applicable Time; and “**Applicable Time**” means the time and date set forth in the Terms Agreement (as defined below) for an issue of Securities, or if the Company does not enter into a Terms Agreement with respect to a sale of Securities, the time and date of each acceptance by the Company of any offer to purchase Securities hereunder (whether through an Agent as agent or to an Agent as principal);

- (c) The documents incorporated by reference in the Prospectus and in the Pricing Disclosure Package (if applicable), when filed with the Commission or, if later, when they became effective, conformed in all material respects with the requirements of the Act or the Exchange Act, as applicable, and the applicable rules and regulations of the Commission thereunder; none of such documents when so filed or when such documents became effective, as the case may be, included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; any future documents so filed or incorporated by reference in the Prospectus or any Pricing Disclosure Package, or any amendment or supplement to either thereof, when filed with the Commission or, if later, when effective, will conform in all material respects with the applicable requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and when such documents are filed or become effective, as the case may be, they will not contain an untrue statement of a material fact or omit to state a material

fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Prospectus as amended or supplemented or any Pricing Disclosure Package in reliance upon and in conformity with information furnished in writing to the Company by any Agent specifically for use therein;

- (d) The Registration Statement when it became effective conformed, and the Prospectus conforms, and any amendment or supplement thereto will conform, in all material respects, with the provisions of the Act and the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), and the rules and regulations of the Commission thereunder; and the Registration Statement when it became effective did not (and as of the applicable effective date and on each of the dates and times referred to in clause (a) of Section 6 will not), the Prospectus, the Prospectus (including any preliminary Pricing Supplement) together with the Term Sheet, and the Pricing Disclosure Package (if applicable) does not (and on each of the dates and times referred to in clause (a) of Section 6 will not) and any amendment or supplement to the Prospectus, as of its date and on each of the dates referred to in clause (a) of Section 6, will not, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from any such document in reliance upon and in conformity with information furnished in writing to the Company by any Agent specifically for use therein;
- (e) The Company is not an “ineligible issuer” and is a “well-known seasoned issuer,” in each case as defined under the Act, in each case at the times specified in the Act in connection with the offering of the securities. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Act has been, or will be, filed with the Commission in accordance with the requirements of the Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder. Any such free writing prospectus did not or will not, as of its issue date and through the time the Securities are sold by the Agents, include any information that conflicts with the information contained in the Registration Statement and the Prospectus; and any such free writing prospectus, when taken together with the information contained in the Registration Statement and the Prospectus, did not, when issued or filed pursuant to Rule 433, and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted

from the free writing prospectus in reliance upon and in conformity with information furnished in writing to the Company by any Agent specifically for use therein; except for any free writing prospectuses furnished to the applicable Agent before first use, the Company has not prepared, used or referred to, and will not, without such Agent's consent, prepare, use or refer to any free writing prospectus.

- (f) Except as set forth in or contemplated by the Prospectus, since the date as of which information is given in the Prospectus (if applicable) (i) there has not been any material adverse change in the condition of the Company and its subsidiaries taken as a whole, financial or otherwise, (ii) there has not been any transaction entered into by the Company or any of its subsidiaries which is material to the Company and its subsidiaries taken as a whole, other than transactions in the ordinary course of business, and (iii) neither the Company nor any of its subsidiaries has incurred any contingent obligation which is material to the Company and its subsidiaries taken as a whole;
- (g) The Securities have been duly authorized, and, when issued and authenticated pursuant to their respective Indentures and delivered pursuant to this Agreement and any Terms Agreement (as defined in Section 3 hereof), will have been duly executed, authenticated, issued and delivered, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, except as their enforceability may be limited by laws and principles of equity relating to or affecting generally the enforcement of creditors' rights, including without limitation, bankruptcy and insolvency laws, and will be entitled to the benefits provided by their respective Indentures (which will be substantially in the form filed as exhibits to the Registration Statement); the Indentures have been duly authorized and qualified under the Trust Indenture Act, constitute valid and legally binding instruments, enforceable in accordance with their terms, except as their enforceability may be limited by laws and principles of equity relating to or affecting generally the enforcement of creditors' rights, including without limitation, bankruptcy and insolvency laws; and the Indentures conform, and the Securities of each issue, when issued, will conform, in all material respects, to the descriptions thereof in the Prospectus, as amended or supplemented, and the Pricing Disclosure Package (if applicable) with respect to such issue;
- (h) The issue and sale of the Securities, the compliance by the Company with all of the provisions of the Securities, the Indentures, this Agreement and any Terms Agreement, and the consummation by the Company of the transactions herein and therein contemplated will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property of the Company is subject, nor will such action result in any violation of the provisions of any statute or the Restated Articles of Incorporation, as amended, or the Bylaws, as amended, of the Company or any order, rule or regulation of any court or any regulatory authority or other governmental agency or body having

jurisdiction over the Company or any of its properties; and no consent, approval, authorization, order, registration, filing or qualification of or with any court or governmental agency or body is required by the Company for the solicitation of offers to purchase Securities and the issue and sale of the Securities or the consummation by the Company of the other transactions contemplated by the Indentures, this Agreement or any Terms Agreement, except (x) such as have been obtained or effected at or prior to the Commencement Date (as defined in Section 4 hereof) under the Act, the Trust Indenture Act and the public utility laws of the State of Oregon, (y) the filing by the Company with the Washington Utilities and Transportation Commission (the "WUTC") of a statement establishing compliance with the applicable statutory notice provisions under the public utility laws of the State of Washington and (z) such as may be required under state securities or Blue Sky laws in connection with the solicitation by such Agent of offers to purchase Securities from the Company and with purchases of Securities by such Agent as principal, as the case may be, in each case in the manner contemplated hereby; and

- (i) Other than as set forth or contemplated in the Prospectus, there are no legal or governmental proceedings pending to which the Company is a party or to which any property of the Company is subject, which, if determined adversely to the Company, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or consolidated results of operations of the Company, and, to the best of the Company's knowledge, no such proceedings are threatened.
- (j) The Company's internal control over financial reporting includes policies and procedures that are designed to (1) provide for the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions concerning the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles in the United States of America; (3) provide reasonable assurance that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.
- (k) The Company employs disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to the Company's management, including its principal executive and principal financial officer, as appropriate, to allow timely decisions regarding disclosure.

2. Obligations of the Agents and the Company.

- (a) Subject to the terms and conditions hereof and to the reservation by the Company of the right to sell Securities directly on its own behalf, the Company hereby (i) appoints each of Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc. and Piper Jaffray & Co., as an agent of the Company for the purpose of soliciting and receiving offers to purchase Securities from the Company and (ii) reserves the right, from time to time, to appoint additional agents for the purpose of soliciting and receiving offers to purchase Securities from the Company; provided that each such additional agent shall be required to become a party to this Agreement and undertake the obligations of an Agent hereunder pursuant to an Additional Agent Appointment Agreement (“**Additional Agent Appointment Agreement**”) substantially in the form of Exhibit 1 hereto.
- (b) On the basis of the representations and warranties herein, and subject to the terms and conditions hereof, each of the Agents, as agent of the Company, severally and not jointly, agrees to use its reasonable best efforts to solicit and receive offers to purchase particular issues of the Securities from the Company upon the terms and conditions set forth in the Prospectus as amended or supplemented with respect thereto and in any applicable Pricing Disclosure Package. Each Agent will promptly advise the Company by telephone or other appropriate means of all reasonable offers to purchase Securities, other than those rejected by such Agent. The Company shall not, without the consent of each Agent, which consent shall not unreasonably be withheld, solicit or accept offers to purchase, or sell, any debt securities with a maturity, at the time of original issuance, of from one year to 30 years, except (i) pursuant to this Agreement, (ii) pursuant to a private placement not constituting a public offering under the Act, or (iii) in connection with a firm commitment underwriting pursuant to an underwriting agreement that does not provide for a continuous offering. However, the Company, subject to Section 5(f) hereof, reserves the right to sell, and may solicit and accept offers to purchase, Securities directly on its own behalf, and, in the case of any such sale not resulting from a solicitation made by an Agent, no commission will be payable with respect to such sale.
- (c) Procedural details relating to the issue and delivery of Securities, the solicitation of offers to purchase Securities and the payment therefor, unless an Agent and the Company shall otherwise agree, shall be as set forth in the Administrative Procedure attached hereto as Annex I (the “**Administrative Procedure**”). The provisions of the Administrative Procedure shall apply to all transactions contemplated hereunder other than those made pursuant to a Terms Agreement. Each Agent and the Company shall perform the respective duties and obligations specifically provided to be performed by each of them in the Administrative Procedure. The Company will furnish to the Trustees a copy of the Administrative Procedure as from time to time in effect.
- (d) The Company reserves the right, in its sole discretion, to instruct the Agents to suspend, at any time, for any period of time or permanently, the solicitation of offers to purchase the Securities. As soon as practicable, but in any event not later than one business day after receipt of instructions from the Company, the

Agents will suspend solicitation of offers to purchase Securities from the Company until such time as the Company has advised the Agents that such solicitation may be resumed.

- (e) The Company agrees to pay each Agent a commission, at the time of settlement (each a “**Settlement Date**”) of any sale of a Security by the Company as a result of a solicitation made by such Agent, in an amount, unless otherwise agreed, equal to the following applicable percentage of the principal amount of such Security sold:

| <u>Range of Maturities</u> | <u>Commission (percentage of aggregate principal amount of Securities sold)</u> |
|-------------------------------------|---|
| From 1 year to less than 18 months | .150% |
| From 18 months to less than 2 years | .200% |
| From 2 years to less than 3 years | .250% |
| From 3 years to less than 4 years | .350% |
| From 4 years to less than 5 years | .450% |
| From 5 years to less than 6 years | .500% |
| From 6 years to less than 7 years | .550% |
| From 7 years to less than 10 years | .600% |
| From 10 years to less than 15 years | .625% |
| From 15 years to less than 20 years | .675% |
| From 20 years to 30 years | .750% |

- (f) Each of the several Agents represents and agrees that it will make no offer that would constitute a Free Writing Prospectus (as defined in Rule 405 under the Securities Act) that is required to be filed by the Company pursuant to Rule 433 under the Securities Act other than a Term Sheet in accordance with Section 5(p), unless the Company and such Agents otherwise agree in connection with a particular offering of Securities.

3. Sales to Agents as Principal. Each sale of Securities to an Agent, as principal, shall be made in accordance with the terms of this Agreement and (unless the Company and such Agent shall otherwise agree) a separate agreement (each a “**Terms Agreement**”), which will provide for the sale of such Securities to, and the purchase thereof by, such Agent, as principal. A Terms Agreement may be either (i) a written agreement substantially in the form of Annex II hereto, or (ii) an oral agreement between any Agent and the Company confirmed in writing by such Agent. A Terms Agreement may also specify certain provisions relating to the reoffering of such Securities by such Agent. Each Terms Agreement shall specify the principal amount of Securities to be purchased by an Agent pursuant thereto, the price to be paid to the Company for such Securities, any provisions relating to the rights of, and defaults by, any underwriters acting together with such Agent in the reoffering of the Securities, the time and date of delivery of and payment for such Securities (each, a “**Time of Delivery**”)

and place of delivery of such Securities, and any requirements for opinions of counsel, accountants' letters and officers' certificates pursuant to Section 5 hereof. Each purchase of Securities, unless otherwise agreed, shall be at a discount equivalent to the commission payable to an Agent, acting as agent, with respect to a sale of Securities of identical maturity, as set forth in Section 2(e) hereof). The Agent may engage the services of any other broker or dealer in connection with the resale of the Securities purchased as principal and may allow any portion of the discount received in connection with such purchase from the Company to be paid to such brokers and dealers. The commitment of an Agent to purchase Securities as principal, whether pursuant to a Terms Agreement or otherwise, shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and, to the extent not otherwise agreed upon in a Terms Agreement or otherwise, shall be subject to the terms and conditions herein set forth.

4. Commencement. At 12:00 p.m., New York City time, on March 18, 2009, the Distribution Agreement, dated March 18, 2009 ("this Agreement"), among the Company and the Agents was executed (such time and date being referred to herein as the "**Commencement Date**"), and the Agents were furnished at the offices of Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, New York, with the following:

- (a) An opinion of Simpson Thacher & Bartlett LLP, counsel to the Agents, dated the Commencement Date, with respect to such matters as such Agents reasonably requested, which opinion relied as to all matters governed by Oregon law, upon the opinions of Margaret D. Kirkpatrick, Esq., General Counsel for the Company, and Stoel Rives LLP referred to in Sections 4(b) and 4(d) hereof, respectively, and, as to all matters governed by Washington law, upon the opinion of Stoel Rives LLP referred to in Section 4(d) hereof;
- (b) An opinion of Margaret D. Kirkpatrick, Esq., dated the Commencement Date, in form and substance reasonably satisfactory to such Agents, to the effect set forth in Annex III to this Agreement, which opinion relied, as to all matters governed by New York law, the Act, the Exchange Act and the Trust Indenture Act, upon the opinion of Morgan, Lewis & Bockius LLP referred to in Section 4(c) hereof and, as to all matters governed by Washington law, upon the opinion of Stoel Rives LLP referred to in Section 4(d) hereof;
- (c) An opinion of Morgan, Lewis & Bockius LLP, dated the Commencement Date, in form and substance reasonably satisfactory to such Agents, to the effect set forth in Annex IV to this Agreement, which opinion relied as to all matters governed by Oregon law, upon the opinions of Margaret D. Kirkpatrick, Esq., General Counsel for the Company, and Stoel Rives LLP referred to in Sections 4(b) and 4(d) hereof, respectively, and, as to all matters governed by Washington law, upon the opinion of Stoel Rives LLP referred to in Section 4(d) hereof;
- (d) An opinion of Stoel Rives LLP, dated the Commencement Date, in form and substance reasonably satisfactory to such Agents, to the effect set forth in Annex V to this Agreement;

- (e) A letter from PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, dated the Commencement Date, in form and substance reasonably satisfactory to such Agents and subject to compliance with the requirements of Statements on Auditing Standards ("SAS") issued by the American Institute of Certified Public Accountants, to the effect set forth in Annex VI to this Agreement; and
- (f) A certificate of the President, Chief Executive Officer, Chief Financial Officer or any Vice President of the Company, dated the Commencement Date, in form reasonably satisfactory to such Agents, (i) as to the accuracy of the representations and warranties of the Company herein at and as of the Commencement Date, (ii) as to the performance by the Company in all material respects of all of its obligations hereunder to be performed at or prior to the Commencement Date, (iii) as to the matters set forth in Section 1(f) hereof, (iv) as to the absence of any stop order of the Commission suspending the effectiveness of the Registration Statement or any pending or contemplated proceedings for such purpose, (v) as to the full force and effect of the authorizing order of the Oregon Public Utility Commission (the "OPUC") referred to in Section 7(a) hereof, and (vi) as to such other matters as such Agents reasonably requested.

5. Covenants of the Company. The Company covenants and agrees with each Agent:

- (a) (i) To make no amendment or supplement to the Registration Statement, the Prospectus or the Pricing Disclosure Package (other than a Pricing Supplement or a free-writing prospectus consisting of a Term Sheet) (A) prior to the Commencement Date, which any Agent shall reasonably disapprove by notice to the Company promptly after receipt of the proposed form thereof or (B) after the date of any agreement by an Agent, pursuant to a Terms Agreement or otherwise, to purchase Securities as principal and prior to the related Time of Delivery which such Agent shall reasonably disapprove by notice to the Company promptly after receipt of the proposed form thereof; (ii) to prepare, with respect to each particular issue of Securities to be sold through or to such Agent pursuant to this Agreement, a Terms Agreement or otherwise, a Pricing Supplement with respect to such Securities in a form reasonably satisfactory to such Agent and to file such Pricing Supplement in accordance with Rule 424(b) under the Act; (iii) to make no amendment or supplement to the Registration Statement, the Prospectus or the Pricing Disclosure Package, other than a Pricing Supplement or a free writing prospectus consisting of a Term Sheet, without affording such Agent a reasonable opportunity for review thereof and comment thereon; (iv) to timely file all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act for so long as the delivery of a prospectus is required (or in lieu thereof the notice referred to in Rule 173(a) under the Act) in connection with the offering or sale of the Securities, and during such same period to advise such Agent, promptly after the Company receives notice thereof, of the time when any amendment to the Registration Statement has been filed or has become effective

or any supplement to the Prospectus or the Pricing Disclosure Package or any amended Prospectus or Pricing Disclosure Package (other than any Pricing Supplement that relates to Securities not purchased through or by such Agent) has been filed with the Commission, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any prospectus relating to the Securities, of the suspension of the qualification of the Securities for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amendment or supplement of the Registration Statement or Prospectus or for additional information; (v) to promptly make every reasonable effort to comply with all requests of the Commission for additional information; and (vi) in the event of the issuance of any such stop order or of any such order preventing or suspending the use of any such prospectus or suspending any such qualification, to use its best efforts to obtain its withdrawal;

- (b) From time-to-time, to take such action as such Agent reasonably may request to qualify the Securities for offering and sale under the securities laws of such jurisdictions as may be approved by the Company and to comply with such laws so as to permit the continuance of sales and dealings therein for as long as may be necessary to complete the distribution or sale of the Securities; provided, however, that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction, or to comply with any other requirement reasonably deemed by the Company to be unduly burdensome; provided, further, that the provisions of this subsection (b) shall not apply so long as the Securities are “covered securities” within the meaning of Section 18 of the Act and any rules and regulations thereunder;
- (c) To furnish such Agent with copies of the Registration Statement and each amendment thereto, the Prospectus and each amendment or supplement thereto, other than any Pricing Supplement (except as provided in the Administrative Procedure), in the form in which it is filed with the Commission pursuant to Rule 424(b) under the Act, and with copies of the documents incorporated by reference therein (other than exhibits incorporated by reference in the Registration Statement), each in such quantities as such Agent may reasonably request from time-to-time; and, if the delivery of a prospectus (or in lieu thereof the notice referred to in Rule 173(a) under the Act) is required at any time in connection with the offering or sale of the Securities to or through an Agent pursuant to this Agreement and if, at such time, any event shall have occurred as a result of which the Prospectus as then amended or supplemented or the Pricing Disclosure Package as then amended or supplemented, as the case may be, would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or the Pricing Disclosure Package or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act, the

Exchange Act or the Trust Indenture Act or to ensure that the information included in any free writing prospectus does not conflict with information contained in the Registration Statement or the Prospectus, to notify such Agent and request such Agent, in its capacity as agent of the Company, to suspend solicitation of offers to purchase Securities from the Company (and, if so notified, such Agent shall cease such solicitations as soon as practicable, but in any event not later than one business day later); and if the Company shall decide to amend or supplement the Registration Statement, the Prospectus or the Pricing Disclosure Package, to so advise such Agent promptly by telephone (confirmed in writing) and to prepare and cause to be filed promptly with the Commission an amendment or supplement to the Registration Statement, the Prospectus or the Pricing Disclosure Package or to file any document incorporated by reference in the Prospectus or the Pricing Disclosure Package that will correct such statement or omission or conflict or effect such compliance; provided that, (i) should such event relate solely to activities of any Agent (except any termination of any Agent's services hereunder), such Agent shall assume the expense of preparing and furnishing any such amendment or supplement; (ii) if, during such period, such Agent shall continue to own Securities purchased from the Company as principal or such Agent otherwise shall be required to deliver a prospectus (or the notice referred to in Section 173(a) of the Act) in respect of transactions in the Securities, the Company shall promptly prepare and file with the Commission such an amendment or supplement; and (iii) if such Agent shall be required to deliver a prospectus (or the notice referred to in Section 173(a) of the Act) in connection with sales of any Securities purchased by it as principal at any time nine months or more after the date of such purchase and (A) there shall be, as a result of such purchase, no Securities remaining to be sold under the Registration Statement or (B) the Company, pursuant to Section 2(d) hereof, shall have instructed the Agents, during such nine month period, to suspend permanently the solicitation of offers to purchase the Securities, such Agent shall assume the expense of preparing and furnishing any such amendment or supplement in connection with the sales of any Securities purchased by such Agent as principal. (For the purposes of this Section 5(c), the Company shall be entitled to assume that a Prospectus shall no longer be required to be delivered under the Act from and after the date six months from the date of the purchase by an Agent as principal of the particular issuance of Securities to which it relates, unless it shall have received notice from such Agent to the contrary);

- (d) To make generally available to its security holders as soon as practicable, but in any event not later than eighteen months after (i) the effective date of the Registration Statement, (ii) the effective date of each post-effective amendment to the Registration Statement, and (iii) the date of each filing by the Company with the Commission of an Annual Report on Form 10-K that is incorporated by reference in the Registration Statement, an earning statement of the Company and its subsidiaries (which need not be audited) in accordance with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

- (e) For the period ending five years from the date any Securities are sold by the Company pursuant to an offer solicited by such Agent under this Agreement, to furnish to such Agent copies of all reports or other communications (financial or other) furnished to stockholders, and deliver to such Agent (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, to the extent not publicly available from the Commission's website, (ii) copies of all registration statements filed under the Act (other than those in respect of shareholder or employee plans and those that are publicly available from the Commission's website), and (iii) such additional information concerning the business and financial condition of the Company as such Agent may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission);
- (f) That, from the date of any Terms Agreement or other agreement with such Agent to purchase Securities as principal and to and including the earlier of (i) the termination of the trading restrictions for the Securities purchased thereunder, as notified to the Company by such Agent and (ii) the related Time of Delivery, the Company, without the prior written consent of such Agent, will not offer, sell, contract to sell or otherwise dispose of any debt securities of the Company in a public offering which both have a maturity of from one year to 30 years and are substantially similar to the Securities;
- (g) That each acceptance by the Company of an offer to purchase Securities procured by such Agent, as agent, and each agreement by the Company, pursuant to a Terms Agreement or otherwise, to sell Securities to such Agent, as principal, shall be deemed to be an affirmation to such Agent that the representations and warranties of the Company contained in or made pursuant to this Agreement are true and correct as of the date of such acceptance or agreement, as the case may be, as though made as of such date, and an undertaking that such representations and warranties will be true and correct as of the Settlement Date for the Securities relating to such acceptance or as of the Time of Delivery relating to such sale, as the case may be, as though made as of such date (except that such representations and warranties shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented relating to such Securities);
- (h) That, reasonably in advance of (i) each date as of which an Agent reasonably requests an opinion or opinions of Simpson Thacher & Bartlett LLP, counsel to the Agents, or other counsel to the Agents reasonably satisfactory to the Company, or (ii) each time that the Company sells Securities to such Agent as principal pursuant to a Terms Agreement or other agreement and such Agent requests an opinion or opinions by Simpson Thacher & Bartlett LLP, counsel to the Agents, or other counsel to the Agents reasonably satisfactory to the Company, the Company shall furnish to such counsel such papers and information as they may reasonably request to enable them to furnish to such Agent a letter in

form reasonably satisfactory to such Agent, to the effect that such Agent may rely on the opinion of such counsel referred to in Section 4(a) hereof, to the same extent as though it was dated the date of such letter (except that the statements in such opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the date of such letter and, if such letter is being furnished in connection with clause (ii) above, the applicable Pricing Disclosure Package), or in lieu of such a letter, an opinion of the same tenor as the opinion of such counsel referred to in Section 4(a) hereof, but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date and the Pricing Disclosure Package, if applicable;

- (i) That each time that (x) the Registration Statement, the Prospectus or the Pricing Disclosure Package shall be amended or supplemented (other than by a Term Sheet, other free writing prospectus or Pricing Supplement related to the Securities or by an amendment or supplement providing solely for a change in the interest rates of the Securities or similar changes and, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of debt securities other than the Securities), (y) a document incorporated by reference in the Prospectus as amended or supplemented (other than a Current Report on Form 8-K, unless the Agents shall otherwise specify) shall be filed under the Act or Exchange Act (unless waived by the Agents), or (z) the Company sells Securities to such Agent, as principal, pursuant to a Terms Agreement or other agreement and such Terms Agreement or other agreement specifies the delivery of an opinion, letter or certificate under this Section 5(i) as a condition to the purchase of Securities pursuant to such Terms Agreement or other agreement, the Company shall furnish or cause to be furnished to such Agent:
 - (i) a letter from Margaret D. Kirkpatrick, Esq., counsel for the Company, or other counsel for the Company reasonably satisfactory to such Agent, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, in form reasonably satisfactory to such Agent, to the effect that such Agent may rely on the opinion of such counsel referred to in Section 4(b) hereof (which letter shall reflect any modifications to the opinion delivered at the Commencement Date which are reflected in the opinion attached as Annex III hereto) to the same extent as though it were dated the date of such letter (except that the statements in such opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the date of such letter, excluding, in the case of the statements in the paragraph next following paragraph 10 of such opinion, all documents filed by the Company under the Exchange Act and incorporated by reference into the Registration Statement and Prospectus during or prior to the fiscal year which is the subject of the Company's most recent Annual Report on Form 10-K) or, in lieu of such a letter, an opinion of the same tenor as the opinion of such counsel referred to in Section 4(b) hereof (which opinion shall reflect any modifications to the opinion delivered at

the Commencement Date which are reflected in the opinion attached as Annex III hereto), but modified to relate to the Registration Statement and the Prospectus as so amended and supplemented to such date (provided that if such letter or opinion is being furnished pursuant to clause (z) above, it shall also address the applicable Pricing Disclosure Package);

- (ii) a letter of Morgan, Lewis & Bockius LLP, New York, New York, counsel for the Company, or other counsel for the Company reasonably satisfactory to such Agent, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, in form reasonably satisfactory to such Agent, to the effect that such Agent may rely on the opinion of such counsel referred to in Section 4(c) hereof (which letter shall reflect any modifications to the opinion delivered at the Commencement Date which are reflected in the opinion attached as Annex IV hereto) to the same extent as though it were dated the date of such letter (except that the statements in such opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the date of such letter, excluding, in the case of the statements in the paragraph next following paragraph 9 of such opinion, all documents filed by the Company under the Exchange Act and incorporated by reference into the Registration Statement and the Prospectus during or prior to the fiscal year which is the subject of the Company's most recent Annual Report on Form 10-K) or, in lieu of such letter, an opinion of the same tenor as the opinion of such counsel referred to in Section 4(c) hereof (which opinion shall reflect any modifications to the opinion delivered at the Commencement Date which are reflected in the opinion attached as Annex IV hereto), but modified to relate to the Registration Statement and the Prospectus as so amended and supplemented to such date (provided that if such letter or opinion is being furnished pursuant to clause (z) above, it shall also address the applicable Pricing Disclosure Package);
- (iii) a letter of Stoel Rives LLP, Portland, Oregon, special Washington and Oregon counsel for the Company, or other special Washington and Oregon counsel for the Company reasonably satisfactory to such Agent, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, in form reasonably satisfactory to such Agent, to the effect that such Agent may rely on the opinions of such counsel referred to in Sections 4(d) (which letter shall reflect any modifications to the opinion delivered at the Commencement Date which are reflected in the opinion attached as Annex V hereto) and 5(n) hereof to the same extent as though they were dated the date of such letter or, in lieu of such letter, an opinion of the same tenor as the opinions of such counsel referred to in Sections 4(d) (which opinion shall reflect any modifications to the opinion delivered at the Commencement Date which are reflected in the opinion attached as Annex V hereto) and 5(n) hereof; and

- (iv) a certificate executed by the President, Chief Executive Officer, Chief Financial Officer or any Vice President of the Company, dated the date of such supplement, amendment, incorporation or Time of Delivery relating to such sale, as the case may be, in such form as shall be reasonably satisfactory to such Agent, to the effect that the statements contained in the certificate referred to in Section 4(f) hereof are true and correct at such date as though made as of such date (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such date and, if such certificate is being furnished pursuant to clause (z) above, the applicable Pricing Disclosure Package) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in Section 4(f) hereof, but modified to relate to the Registration Statement and the Prospectus as amended and supplemented to such date and the Pricing Disclosure Package, if applicable;

- (j) That each time that (x) the Registration Statement, the Prospectus or the Pricing Disclosure Package shall be amended or supplemented to include additional financial information (unless waived by the Agents), or (y) the Company sells Securities to such Agent as principal pursuant to a Terms Agreement or other agreement and such Terms Agreement or other agreement specifies the delivery of a letter under this Section 5(j) as a condition to the purchase of Securities pursuant to such Terms Agreement or other agreement, and subject to compliance with the requirements of SAS issued by the American Institute of Certified Public Accountants, the Company shall furnish or cause to be furnished to such Agent a letter of PricewaterhouseCoopers LLP or other independent registered public accounting firm for the Company reasonably satisfactory to the Agent, dated the date of such amendment, supplement, incorporation or Time of Delivery relating to such sale, as the case may be, in form reasonably satisfactory to such Agent, to the effect that such Agent may rely upon the letter of such accountants referred to in Section 4(e) hereof to the same extent as though it were dated the date of such subsequent letter (except the statements in such former letter shall be deemed to relate to the financial statements included or incorporated in the Registration Statement and Prospectus as amended and supplemented to the date of such latter letter and the Pricing Disclosure Package, if applicable), or, in lieu of such latter letter, a letter of the same tenor as the letter referred to in Section 4(e) hereof, but modified to relate to the Registration Statement and the Prospectus as amended or supplemented to the date of such letter and the Pricing Disclosure Package, if applicable, with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company, to the extent such financial statements and other information are available as of a date not more than five business days prior to the date of such letter;

- (k) To offer to any person who has agreed to purchase Securities as the result of an offer to purchase solicited by such Agent, as agent, the right to refuse to purchase and pay for such Securities if, at the Settlement Date for such Securities, any

condition set forth in Section 6 hereof shall not have been satisfied (it being understood that the judgment of such person with respect to the impracticability or inadvisability of such purchase of Securities shall be substituted, for purposes of this Section 5(k), for the judgment of such Agent with respect thereto);

- (l) To pay or cause to be paid the following: (i) the fees and expenses of the Company's counsel and accountants in connection with the registration of the Securities under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus, the Prospectus, each Pricing Disclosure Package, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and any Pricing Supplements and all other amendments and supplements thereto and the mailing and delivering of copies thereof to such Agent; (ii) the fees and expenses of counsel for the Agents in connection with the establishment and update of the program contemplated hereby, any opinions to be rendered by such counsel hereunder and the transactions contemplated hereunder; (iii) the cost of preparing this Agreement, any Terms Agreement and any other documents approved by the Company in connection with the offering, purchase, sale and delivery of the Securities; (iv) the fees, not to exceed \$5,000, and expenses of counsel for the Agents in connection with the qualification of the Securities for offering and sale under state securities laws as provided in Section 5(b) hereof and the preparation of any blue sky and legal investment memoranda; (v) any fees charged by securities rating services for rating the Securities; (vi) any filing fees incident to any required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Securities; (vii) the cost of preparing the Securities; (viii) the fees and expenses of the Trustees and any agent of any Trustee and any transfer or paying agent of the Company and the fees and disbursements of counsel for any Trustee or any such agent in connection with any Indenture and the Securities; (ix) any advertising expenses connected with the solicitation of offers to purchase and the sale of Securities so long as such advertising expenses have been approved by the Company; and (x) all other costs and expenses incident to the performance of the Company's obligations hereunder which are not otherwise specifically provided for in this Section; provided, however, that, except as provided in Sections 8 and 9 hereof, such Agent shall pay all other expenses it incurs, including any expenses that may be incurred by it or for its account pursuant to the proviso of Section 5(c) hereof;
- (m) To advise each Agent, promptly after the Company receives notice thereof, of the downgrading, or the issuance of a notice of any intended or potential downgrading, of the ratings of the Securities by either Moody's Investors Service or Standard & Poor's Rating Services;
- (n) That prior to the solicitation of offers to purchase any Securities, and the issuance and sale of such Securities, the Company will file with the WUTC one or more statements establishing compliance with the public utility laws of the State of Washington in respect of the issuance and sale of all such Securities in

accordance with the terms and conditions of this Agreement, and the Company shall furnish or cause to be furnished to each Agent and Agents' counsel:

- (i) a copy of such statement;
 - (ii) a certificate of the President, Chief Executive Officer, Chief Financial Officer or any Vice President of the Company dated on or after the date of each such statement, representing and warranting that, in respect of the portion of the Securities to which such statement or statements pertain, no further consent, approval, authorization or order of the WUTC is required for the solicitation of offers to purchase Securities and the issuance and sale of the Securities or the consummation by the Company of the other transactions contemplated by the Indentures, this Agreement or any Terms Agreement in the manner contemplated by such statement or statements; and
 - (iii) a letter of Stoel Rives LLP, Portland, Oregon, special Washington counsel for the Company, or other special Washington counsel for the Company reasonably satisfactory to such Agent, dated on or after the date of each such statement, in form and substance reasonably satisfactory to such Agent, to the effect set forth in Annex VII hereto;
- (o) To pay the required Commission filing fees relating to the Securities within the time required by Rule 456(b)(1) of the Act without regard to the proviso therein and otherwise in accordance with Rules 456(b) and 457(r) of the Act;
 - (p) Unless otherwise agreed to by the Company and such Agent, to prepare a Term Sheet relating to each offering of the Securities hereunder containing information that describes the final terms of the Securities being offered, in the form attached hereto as Annex VIII or as otherwise agreed to by the Company and such Agent and to file such Term Sheet within the period required by Rule 433(d)(5)(ii) under the Act following the date the final terms have been established;
 - (q) To file promptly all material required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Act;
 - (r) If immediately prior to the third anniversary (the "Renewal Deadline") of the initial effective date of the Registration Statement, any Securities issued by the Company remain unsold by the Agents, the Company will prior to the Renewal Deadline file, if it has not already done so and is eligible to do so, a new automatic shelf registration statement relating to the Securities, in a form satisfactory to the Agents. If the Company is no longer eligible to file an automatic shelf registration statement, the Company will prior to the Renewal Deadline, if it has not already done so, file a new shelf registration statement relating to the Securities, in a form satisfactory to the Agents, and will use its best efforts to cause such registration statement to be declared effective within 60 days after the Renewal Deadline. The Company will take all other action necessary or

appropriate to permit the public offering and sale of the Securities to continue as contemplated in the expired registration statement relating to the Securities. References herein to the Registration Statement shall include such new automatic shelf registration statement or such new shelf registration statement, as the case may be; and

- (s) If at any time when Securities issued by the Company remain unsold by the Agents the Company receives from the Commission a notice pursuant to Rule 401(g)(2) or otherwise ceases to be eligible to use the automatic shelf registration statement form, the Company will (i) promptly notify the Agents, (ii) promptly file a new registration statement or post-effective amendment on the proper form relating to the Securities, in a form satisfactory to the Agents, (iii) use its best efforts to cause such registration statement or post-effective amendment to be declared effective and (iv) promptly notify the Agents of such effectiveness. The Company will take all other action necessary or appropriate to permit the public offering and sale of the Securities to continue as contemplated in the registration statement that was the subject of the Rule 401(g)(2) notice or for which the Company has otherwise become ineligible. References herein to the Registration Statement shall include such new registration statement or post-effective amendment, as the case may be.

6. Conditions to Agents' Obligations. The obligation of an Agent, as agent of the Company, at any time (each a "**Solicitation Time**"), to solicit offers to purchase the Securities and the obligation of an Agent to purchase Securities as principal, pursuant to a Terms Agreement or otherwise, shall be subject, in such Agent's discretion, to the conditions that:

- (a) all of the representations and warranties of the Company herein (and, in the case of an obligation of an Agent under a Terms Agreement or other agreement with an Agent to purchase Securities as principal, in or incorporated in such agreement by reference) were true and correct (i) on the Commencement Date; (ii) each time that the Registration Statement or the Prospectus shall be amended or supplemented, (iii) each time a document incorporated by reference in the Prospectus as amended or supplemented shall be filed by the Company under the Act or Exchange Act, (iv) at each Applicable Time, (v) at each Settlement Date, and (vi) at each Time of Delivery of Securities so to be purchased by such Agent, as principal, as the case may be,
- (b) prior to such Solicitation Time or such Time of Delivery, as the case may be, the Company shall have performed all of its obligations hereunder theretofore to be performed,
- (c) all requests for additional information on the part of the Commission shall have been complied with to the reasonable satisfaction of such Agent,
- (d) there shall be in full force and effect an order of the OPUC which permits the issuance and sale of the Securities in accordance with the terms and conditions of this Agreement,

- (e) no stop order suspending the effectiveness of the Registration Statement and no notice pursuant to Rule 401(g)(2) of the Act objecting to use of the automatic shelf registration form shall have been issued and in effect and no proceedings for those purposes shall be pending before, or to the knowledge of the Company contemplated by, the Commission,
- (f) there shall not have occurred: (i) a suspension or material limitation of trading in securities generally on the New York Stock Exchange or in any securities of the Company on the New York Stock Exchange or any relevant exchange or a material disruption in securities settlement or clearance services in the United States; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (iii) any material adverse change in the financial markets in the United States, any outbreak of hostilities or escalation thereof or other calamity or crisis or material adverse change in national financial or economic conditions, in each case, the effect of which, in the reasonable judgment of such Agent, makes it impracticable or inadvisable to proceed with the solicitation of offers to purchase Securities or the purchase of Securities from the Company as principal on the terms and in the manner contemplated by this Agreement and, if applicable, any Terms Agreement or other agreement; or (iv) unless known to such Agent prior to such Solicitation Time, any downgrading, or any notice shall have been given of any intended or potential downgrading, of the Securities by either Moody's Investors Service or Standard & Poor's Rating Services, and
- (g) the Company shall have filed a statement with the WUTC establishing compliance with the applicable Washington statutory provisions with respect to the issuance and sale of such Securities.

In addition to the foregoing, the obligation of an Agent to purchase Securities as principal, pursuant to a Terms Agreement or other agreement, shall be subject, in such Agent's discretion, to the further condition that there shall not have been, since the date of such Terms Agreement or other agreement or since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business.

7. Conditions to Company's Obligations.

- (a) The obligation of the Company to sell and deliver any Security pursuant hereto, to a Terms Agreement or otherwise shall be subject to the condition that, after the acceptance by the Company of an offer to purchase such Security procured by an Agent, as agent, or the agreement by the Company, pursuant to a Terms Agreement or otherwise, to sell such Security to an Agent, as principal, and prior to the Time of Delivery or the Settlement Date, as the case may be, with respect to such purchase or sale, the OPUC shall not have issued an order revoking its then existing order permitting, and the WUTC shall not have issued an order prohibiting, the issuance and sale of the Securities through each Agent, as agent,

on the terms set forth herein or to each Agent, as principal, pursuant to a Terms Agreement or other agreement.

- (b) If the condition specified in Section 7(a) hereof shall not have been fulfilled, the obligation of the Company to sell Securities hereunder or under a Terms Agreement or other agreement may be terminated by the Company; and neither the Company nor any Agent shall have any liability to the other, except for (i) the obligation of the Company to pay certain expenses to the extent provided for in Section 5(l) hereof, (ii) the obligation of the Company to pay commissions and hold the Agents harmless as provided in Section 9 hereof (and, for purposes of said Section 9, such a failure of such condition to be fulfilled shall be considered a default by the Company on its obligation to deliver such Securities), and (iii) any liability under Section 8 hereof.

8. Indemnification.

- (a) The Company will indemnify and hold harmless each Agent against any losses, claims, damages or liabilities, joint or several, to which such Agent may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented, any Pricing Disclosure Package, any Issuer Free Writing Prospectus (as defined in Rule 433(h)) or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse such Agent for any legal or other expenses reasonably incurred by it, as incurred, in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability or action in respect thereof arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented, any Pricing Disclosure Package or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by such Agent specifically for use therein.
- (b) Each Agent severally and not jointly will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities or actions in respect thereof arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented, any Pricing Disclosure Package or any Issuer Free Writing Prospectus, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or

necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, the Prospectus as amended or supplemented, any Pricing Disclosure Package or any Issuer Free Writing Prospectus in reliance upon and in conformity with written information furnished to the Company by such Agent specifically for use therein, and will reimburse the Company for any legal or other expenses incurred by the Company, as incurred, in connection with investigating or defending any such loss, claim, damage or liability or action. Each Agent hereby furnishes to the Company in writing expressly for use in the Registration Statement, any Preliminary Prospectus, the Prospectus and the Prospectus as amended or supplemented (i) the first sentence in the fifth paragraph on the cover page of the Prospectus relating to the offerings of Medium-Term Notes by the Agents, as principal, and (ii) under "Plan of Distribution," the second and third paragraphs, the third and last sentences of the seventh paragraph, the eighth, ninth, tenth and eleventh paragraphs and the statements relating to the Agents in the twelfth paragraph.

- (c) Promptly after receipt by an indemnified party under Section 8(a) or Section 8(b) of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such Section, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such Section. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party); provided, however, in no event shall such indemnifying parties be obligated to retain more than one counsel (and necessary local counsel), in addition to counsel for such indemnifying parties, to represent the indemnified parties, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such Section for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. Each indemnified party may also participate at its own expense in the defense of any such action. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes (i) an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) no statement as to or an admission of fault, culpability or failure to act by or on behalf of an indemnified party.

- (d) If the indemnification provided for in Section 8(a) or Section 8(b) hereof is unavailable or insufficient to hold harmless an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect any relevant equitable considerations including the relative fault of the Company on the one hand and each Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), and relative benefit of the Company on the one hand and each Agent on the other. Relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading relates to information supplied by the Company on the one hand or by any Agent on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The relative benefits received by the Company on the one hand and each Agent on the other shall be deemed to be in the same proportion as the total net proceeds from the sale of Securities (before deducting expenses) received by the Company bear to the total commissions or discounts received by such Agent in respect thereof. The Company and each Agent agree that it would not be just and equitable if contribution pursuant to this Section 8(d) were determined (i) with respect only to any losses, claims, damages or liabilities referred to in Section 8(a) hereof, by per capita allocation (even if all Agents were treated as one entity for such purpose) or (ii) by any method of allocation which does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Agent shall be required to contribute any amount which exceeds the total price at which the Securities purchased by or through it were offered by it to the public less the amount of any damages which it shall have otherwise paid or become liable to pay by reason or any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of each of the Agents under this Section 8(d) to contribute are several and are not joint.
- (e) The obligations of the Company under this Section 8 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Agent within the meaning of the Act. The obligations of each Agent under this Section 8 shall be in addition to any liability which such Agent may otherwise have and shall extend, upon the same terms and conditions, to each director of the Company, to

each officer of the Company who has signed the Registration Statement and to each person, if any, who controls the Company within the meaning of the Act.

9. Nonperformance. Each Agent, in soliciting offers to purchase Securities from the Company and in performing the other obligations of such Agent hereunder (other than in respect of any purchase by an Agent as principal pursuant to a Terms Agreement or otherwise), is acting solely as agent for the Company and not as principal. Each Agent will make reasonable efforts to assist the Company in obtaining performance by each purchaser whose offer to purchase Securities from the Company was solicited by such Agent and has been accepted by the Company, but such Agent shall not have any liability to the Company in the event such purchase is not consummated for any reason. If the Company shall default on its obligation to deliver Securities to a purchaser whose offer it has accepted, the Company shall (i) hold each Agent harmless against any loss, claim or damage arising from or as a result of such default by the Company and (ii) notwithstanding such default, pay to the Agent that solicited such offer any commission to which it would be entitled in connection with such sale.

10. Survival of Agreement. The respective indemnities, agreements, representations, warranties and other statements by any Agent and the Company set forth in or made pursuant to this Agreement shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Agent or any controlling person of any Agent or the Company, or any officer or director or any controlling person of the Company, and shall survive each delivery of and payment for any of the Securities.

11. Suspension or Termination. The provisions of this Agreement relating to the solicitation of offers to purchase Securities from the Company may be suspended or terminated at any time by the Company as to any Agent or by any Agent as to such Agent upon the giving of written notice of such suspension or termination to such Agent or the Company, as the case may be. In the event of such suspension or termination with respect to any Agent, this Agreement shall remain in full force and effect with respect to (i) any Agent as to which such suspension or termination has not occurred, (ii) the rights and obligations of any party which have previously accrued or which relate to Securities which are already issued, agreed to be issued or the subject of a pending offer at the time of such suspension or termination, (iii) Sections 2(e), 5(d), 5(e), 5(l), 8, 9 and 10 hereof, and (iv) the obligations of the Company to amend or supplement the Prospectus, so long as any Agent continues to hold Securities as principal.

12. Notices. Except as otherwise specifically provided herein or in the Administrative Procedure, all statements, requests, notices and advices hereunder shall be in writing or by telephone, if promptly confirmed in writing, if to Banc of America Securities LLC, shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to One Bryant Park, NY1-100-18-03, New York, New York 10036, Attention: High Grade Transaction Management/Legal, Facsimile Transmission No. 646-855-5958, and if to UBS Securities LLC, shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 677 Washington Blvd., Stamford, Connecticut 06901, Facsimile Transmission No. 203-719-0495, Attention: Fixed Income Syndicate, if to J.P. Morgan Securities Inc., shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 270 Park Avenue, 8th Floor, New York, New York 10017,

Facsimile Transmission No. 212-834-6081, Attention: Medium Term Notes Desk, if to Piper Jaffray & Co., shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to 800 Nicollet Mall, Minneapolis, Minnesota 55402, Facsimile Transmission No. 612-313-3117, Telephone No: 612-303-1824, Attention: Debt Capital Markets, and if to the Company, shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to One Pacific Square, 220 N.W. Second Avenue, Portland, Oregon 97209, Attention: Chief Financial Officer, with a copy to the General Counsel, Facsimile Transmission No. 503-220-2584, Telephone No. 503-220-2406; and if to any additional Agent, as set forth in the Additional Agent Appointment Agreement relating to such Agent.

13. Benefit of Agreement. This Agreement, any Additional Agent Appointment Agreement and any Terms Agreement shall be binding upon, and inure solely to the benefit of, each Agent which is a party hereto and thereto and the Company, and to the extent provided in Section 8 and Section 10 hereof, the officers and directors of the Company and any person who controls any Agent or the Company, and their respective personal representatives, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement, any Additional Agent Appointment Agreement or any Terms Agreement. No purchaser of any of the Securities through or from any Agent hereunder shall be deemed a successor or assign by reason of such purchase.

14. Timing. Time shall be of the essence in this Agreement, any Additional Agent Appointment Agreement and any Terms Agreement. As used herein, the term “business day” shall mean any day when banks in New York City are not authorized or obligated by law or executive order to remain closed.

15. Governing Law. This Agreement, any Additional Agent Appointment Agreement and any Terms Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. Descriptive Headings. The descriptive headings of the several paragraphs of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

17. Relationship. The Company acknowledges and agrees that the Agents are acting solely in the capacity of arm’s length contractual counterparties to the Company with respect to the offering of the Securities as contemplated by this Agreement and not as financial advisors or fiduciaries to the Company in connection herewith. Additionally, none of the Agents is advising the Company as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction in connection with the offering of the Securities as contemplated by this Agreement. Any review by the Agents of the Company in connection with the offering of the Securities contemplated by this Agreement and the transactions contemplated by this Agreement will not be performed on behalf of the Company.

18. Automatic Updates to this Agreement. The Company may, by delivering to the Agents a written notice substantially in the form of Exhibit 2 hereto, amend and update certain terms used in this Agreement as necessary in order to increase the amount of securities which may be offered pursuant to this Agreement or to reflect the filing with the Commission of


a new registration statement for offering securities hereunder. Effective as of the date of such notice, the references in this Agreement to such terms will thereafter be deemed to refer to the updated terms set forth in such notice.

19. Execution in Counterparts. This Agreement, any Additional Agent Appointment Agreement and any Terms Agreement may be executed by any one or more of the parties hereto and thereto in any number of counterparts, each of which shall be an original, but all of such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: 
Title: Senior Vice President & Chief Financial Officer

Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC

By: _____
Title:

UBS SECURITIES LLC

By: _____
Title:

By: _____
Title:

J.P. MORGAN SECURITIES INC.

By: _____
Title:

PIPER JAFFRAY & CO.

By: _____
Title:

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.


Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC

By:  _____
Title: **KARL F. SCHLOPY**
MANAGING DIRECTOR

UBS SECURITIES LLC

By: _____
Title:

By: _____
Title:

J.P. MORGAN SECURITIES INC.

By: _____
Title:

PIPER JAFFRAY & CO.

By: _____
Title:

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

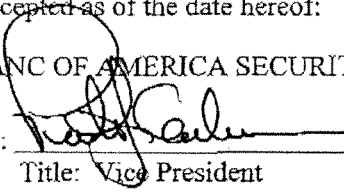
Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC

By:  _____
Title: Vice President

UBS SECURITIES LLC

By: _____
Title:

By: _____
Title:

J.P. MORGAN SECURITIES INC.

By: _____
Title:

PIPER JAFFRAY & CO.

By: _____
Title:

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

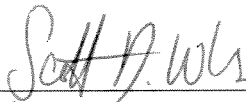
By: _____
Title:

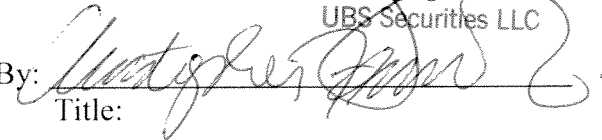
Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC

By: _____
Title:

UBS SECURITIES LLC

By:  _____
Title: **Scott Whitney**
Managing Director
UBS Securities LLC

By:  _____
Title:

Christopher Fernando
Associate Director
Debt Capital Markets
UBS Securities LLC

J.P. MORGAN SECURITIES INC.

By: _____
Title:

PIPER JAFFRAY & CO.

By: _____
Title:

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC


By: _____
Title:

UBS SECURITIES LLC

By: _____
Title:

By: _____
Title:

J.P. MORGAN SECURITIES INC.

By:  _____
Title: Vice President

PIPER JAFFRAY & CO.

By: _____
Title:

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter and the acceptance by each of you hereof shall constitute a binding agreement between the Company and each of you in accordance with its terms.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

Accepted as of the date hereof:

BANC OF AMERICA SECURITIES LLC

By: _____
Title:

UBS SECURITIES LLC


By: _____
Title:

By: _____
Title:

J.P. MORGAN SECURITIES INC.

By: _____
Title:

PIPER JAFFRAY & CO.

By:  _____
Title: *Principal*

Northwest Natural Gas Company

Administrative Procedure

This Administrative Procedure relates to the Securities defined in the Distribution Agreement, dated March 18, 2009 (the “**Distribution Agreement**”), among Northwest Natural Gas Company (the “**Company**”), on the one hand, and Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray & Co. and each other person which shall become a party thereto (each, an “**Agent**” and, together, the “**Agents**”), on the other. Defined terms used herein and not defined herein shall have the meanings given such terms in the Distribution Agreement or the Indentures. An Agent, in relation to a purchase of a Security by a purchaser solicited by such Agent, is referred to herein as the “**Selling Agent**” and, in relation to a purchase of a Security by such Agent as principal other than pursuant to a Terms Agreement, as the “**Purchasing Agent**”. As used herein, the term “**business day**” shall mean any day when banks in New York City are not authorized or obligated by law or executive order to remain closed.

The procedures to be followed with respect to the settlement of sales of Securities directly by the Company to purchasers solicited by an Agent, as agent, are set forth below. The terms and settlement details related to a purchase of Securities by an Agent, as principal, from the Company will be set forth in a Terms Agreement, pursuant to the Distribution Agreement, unless the Company and such Agent otherwise shall agree.

The Company will advise each Agent in writing of those persons with whom such Agent is to communicate regarding offers to purchase Securities and the related settlement details.

Prior to the solicitation of offers to purchase any Securities, and the issuance and sale of such Securities, the Company will obtain an order from the Oregon Public Utility Commission (the “**OPUC**”) authorizing the issuance and sale of the Securities, subject to the conditions set forth in such order. Prior to the solicitation of offers to purchase any Securities, and the issuance and sale of such Securities, the Company will file with the Washington Utilities and Transportation Commission (the “**WUTC**”) a statement establishing compliance with applicable statutory provisions with respect to the issuance and sale of such Securities and establishing conditions with respect thereto.

As stated in the Company’s Prospectus Supplement dated March 18, 2009 and the accompanying Prospectus dated January 8, 2008, if the terms of any Security, as determined by the Company, provide that such Security will be redeemable at the option of the Company, such Security will be made redeemable in whole or in part.

Procedure for Rate Changes:

When a decision has been reached to change the interest rate on or other variable terms with respect to any Securities being offered for sale, the Company will promptly advise the

Agents and the Agents will forthwith suspend solicitation of offers to purchase such Securities. The Agent will telephone the Company with recommendations as to the changed interest rates or other variable terms. At such time as the Company advises the Agents of the new interest rates or other variable terms, the Agent may resume solicitation of offers to purchase such Securities. Until such time only “indications of interest” may be recorded.

Acceptance or Rejection of Offers by Company:

Each Agent will promptly advise the Company by telephone or other appropriate means of all reasonable offers to purchase Securities, other than those rejected by such Agent. Each Agent, in its discretion reasonably exercised, may reject any offer received by it, in whole or in part. Each Agent also may make offers to the Company to purchase Securities as a Purchasing Agent. The Company, in its sole discretion, may accept any offer to purchase Securities and may reject any such offer, in whole or in part.

The Company will promptly notify the Selling Agent or Purchasing Agent, as the case may be, of its acceptance or rejection of an offer to purchase Securities. If the Company accepts an offer to purchase Securities, it will confirm such acceptance in writing to the Selling Agent or Purchasing Agent, as the case may be.

Settlement:

The receipt of immediately available funds by the Company in payment for a Security and the authentication and delivery of such Security will, with respect to such Security, constitute “Settlement.”

All offers solicited by a Selling Agent or made by a Purchasing Agent and accepted by the Company will be settled on a date (the “**Settlement Date**”) which shall be the third business day after the date of acceptance of such offer, unless the Company and the purchaser shall agree to settle (a) on any other business day after the acceptance of such offer or (b) with respect to an offer accepted by the Company prior to 10:00 a.m., New York City time, on the date of such acceptance.

Settlement Procedures:

A. After the acceptance of an offer by the Company, the Selling Agent or Purchasing Agent, as the case may be, will communicate the following details of the terms of such offer (the “**Sale Information**”) to the Company by telephone (confirmed in writing) or by facsimile transmission or other acceptable written means:

- (1) Principal amount of Securities to be purchased;
- (2) Issue Price (“**Issue Price**” shall mean (i) in the case of a sale in which an Agent shall act as a Selling Agent, the price to the purchaser or (ii) in the case of a sale to an Agent as Purchasing Agent, that Purchasing Agent’s reoffering price);
- (3) Selling Agent’s commission or, if applicable, Purchasing Agent’s discount (spread between the reoffering price and Purchasing Agent’s purchase price);

- (4) Net proceeds to the Company: (2) minus (3);
- (5) Method of and specified funds for payment of purchase price;
- (6) (a) Fixed Rate Securities:
 - (i) interest rate
 - (ii) interest payment dates
 - (iii) regular record dates;
- (b) Floating Rate Securities:
 - (i) interest rate basis
 - (ii) initial interest rate
 - (iii) spread or spread multiplier, if any
 - (iv) interest rate reset dates
 - (v) interest rate reset period
 - (vi) interest payment dates
 - (vii) initial interest payment date
 - (viii) interest payment period
 - (ix) regular record dates
 - (x) index maturity
 - (xi) calculation agent
 - (xii) maximum and minimum interest rates, if any
 - (xiii) calculation date
 - (xiv) interest determination dates;
- (7) (a) Trade Date;
- (b) Interest Commencement Date (Settlement Date unless otherwise noted; “Issue Date” on Secured Notes);
- (c) Time of delivery;
- (8) Closing location;
- (9) Maturity date;
- (10) If redeemable at the Company’s option:
 - (a) whether redeemable (i) in whole or (ii) in whole or in part;
 - (b) whether redeemable at (i) fixed redemption prices or (ii) a make-whole redemption price;
 - (c) if redeemable at fixed redemption prices:
 - (i) initial redemption date

- (ii) redemption limitation date
 - (iii) each redemption price and period;
- (d) if redeemable at a make-whole redemption price, the make-whole spread;
- (11) Sinking fund or other retirement provisions;
- (12) If repayable at the holder's option:
 - (a) repayment date;
 - (b) repayment price;
 - (c) election period;
- (13) The name of the Selling Agent or Purchasing Agent, as the case may be;
- (14) Exact name, address and taxpayer identification number of party to be the registered owner;
- (15) Party to whom Securities are to be delivered;
- (16) Denominations of certificates to be delivered at settlement;
- (17) The name of the Company's bank and the account number for payment of the purchase price;
- (18) Whether the Securities to be purchased are Secured Notes or Unsecured Notes; and
- (19) Any other significant terms of the Securities or their offer or sale.

B. After receiving such settlement information from the Agent, the Company will advise the Trustee of the above settlement information. The Company will prepare a Pricing Supplement to the Prospectus and deliver copies to the Agent and will cause the Trustee to issue, authenticate and deliver Securities.

If an identical Pricing Supplement has not been previously filed with the Securities and Exchange Commission (the "SEC"), the Company will arrange to have transmitted promptly via EDGAR one copy of the Pricing Supplement (with the appropriate paragraph under Rule 424(b) and the Registration No. inscribed in the upper right corner) to the SEC, within the applicable time period provided in Rule 424(b).

One copy of the Pricing Supplement (with a copy of the cover letter sent to the SEC if a filing with the SEC is required) will be sent by facsimile to the Agents involved in such issue as soon as practicable but in no event later than 12:00 noon on the second day after the Trade Date at each of the following numbers:

Banc of America Securities LLC
One Bryant Park
NY1-100-03-01
New York, New York 10036
Attention: High Grade MTN Desk
Facsimile No. 646-855-0107
Telephone No. 616-855-6433

and

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901
Attn: Fixed Income Syndicate
Facsimile No: 203-719-0495
Telephone No: 203-719-1088

and

J.P. Morgan Securities Inc.
270 Park Avenue, 8th Floor
New York, New York 10017
Attn: Medium Term Notes Desk
Facsimile No: 212-834-6081

and

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, Minnesota 55402
Attention: Debt Capital Markets
Facsimile No. 612-313-3117
Telephone No: 612-303-1824

The Company shall supply the Agents as soon as practicable but in no event later than the Settlement Date with an adequate supply of Prospectus Supplements and the accompanying Prospectuses and Pricing Supplements at the above addresses.

In addition, the Company will make any required filings with the OPUC and WUTC in respect of the Securities that are issued.

Suspension of Solicitation; Amendment or Settlement:

Subject to its representations, warranties and covenants contained in the Distribution Agreement, the Company may instruct the Agents to suspend solicitation of purchases at any time. Upon receipt of such instructions, the Agents will forthwith suspend solicitation of offers to purchase from the Company until such time as the Company has advised them that solicitation of offers to purchase may be resumed. If the Company decides to amend

or supplement the Prospectus (other than to change interest rates or other variable terms with respect to the offering of the Securities), it will promptly advise the Agents and will furnish the Agents and their counsel with copies of the proposed amendment or supplement.

In the event that at the time the solicitation of offers to purchase from the Company is suspended (other than to change interest rates or other variable terms) there shall be any orders outstanding which have not been settled, the Company will promptly advise the Agents and the Trustee whether such orders may be settled and whether copies of the Prospectus as theretofore amended and/or supplemented as in effect at the time of the suspension may be delivered in connection with the settlement of such orders. The Company will have the sole responsibility for such decision and for any arrangements which may be made in the event that the Company determines that such orders may not be settled or that copies of such Prospectus may not be so delivered.

Delivery of Confirmation and Prospectus to Purchaser by Selling Agent:

The Selling Agent will deliver to the purchaser of a Security a written confirmation of the sale and delivery and payment instructions. In addition, the Selling Agent will deliver or convey to such purchaser or its agent the Prospectus as amended or supplemented (including the Pricing Supplement) relating to such Security prior to delivery to such purchaser or its agent of, or together with, the earlier to be delivered of (a) the confirmation of sale or (b) the Security.

Instruction from Company to Trustee for Preparation of Securities:

After receiving the Sale Information from the Selling Agent or Purchasing Agent, as the case may be, the Company will communicate such Sale Information to the Mortgage Trustee or the Indenture Trustee, as the case may be, by telephone (confirmed in writing, by facsimile transmission or by other acceptable written means).

The Company will instruct such Trustee by telephone (confirmed in writing, by facsimile transmission or by other acceptable written means) to authenticate and deliver the Securities no later than 2:15 p.m., New York City time, on the Settlement Date. Such instruction will be given by the Company prior to 3:00 p.m., New York City time, on the business day prior to the Settlement Date, unless the Settlement Date is the date of acceptance by the Company of the offer to purchase Securities, in which case such instruction will be given by the Company to the Trustee by 10:00 a.m., New York City time, on the Settlement Date.

Procedures for Book-Entry Securities:

In connection with Securities issued in book-entry form and maintained in the book-entry system of The Depository Trust Company (“DTC”), (i) the Company and the Trustee shall act in accordance with the letters of representation (relating to the Secured Notes and the Unsecured Notes, respectively) from the Company and the Trustee to DTC, as the same may be amended, supplemented or otherwise modified from time to time, and (ii) the Trustee shall act in accordance with one or more Medium-Term Note Certificate Agreements, relating to the Securities, between the Trustee and DTC, as the same may be amended, supplemented or

otherwise modified from time to time, and in accordance with its obligations as a participant in DTC.

The beneficial owner of a Security issued in book-entry form (or one or more indirect participants in DTC designated by such owner) will designate one or more participants in DTC (with respect to such Security issued in book-entry form, the “**Participants**”) to act as agent for such beneficial owner in connection with the book-entry system maintained by DTC, and DTC will record in book-entry form, in accordance with instructions provided by such Participants, a credit balance with respect to such Security issued in book-entry form in the account of such Participants. The ownership interest of such beneficial owner in such Security issued in book-entry form will be recorded through the records of such Participants or through the separate records of such Participants and one or more indirect participants in DTC.

Transfers of a Book-Entry Security will be accomplished by book entries made by DTC and, in turn, by Participants (and in certain cases, one or more indirect participants in DTC) acting on behalf of beneficial transferors and transferees of such Book-Entry Security.

Beneficial interests in the Securities may be purchased, owned and transferred only in denominations of \$1,000 or any integral multiple of \$1,000.

Preparation and Delivery of Securities by Trustee and Receipt of Payment Therefor:

Certificated Securities

The Company will instruct the Mortgage Trustee or the Indenture Trustee, as the case may be, to:

- (i) Prepare each Security and appropriate receipts that will serve as the documentary control of the transaction.
- (ii) In the case of a sale of Securities to a purchaser solicited by a Selling Agent, by 2:15 p.m., New York City time, on the Settlement Date, deliver the Securities to such Selling Agent, at the address listed below, for the benefit of the purchaser of such Securities against delivery by such Selling Agent of a receipt therefor. (On the Settlement Date, such Selling Agent will deliver payment for such Securities in immediately available funds to the Company’s account at a bank designated by the Company and included as a part of the Sale Information provided by the Selling Agent in an amount equal to the net proceeds to the Company; provided that the Selling Agent reserves the right to withhold payment for which it shall not have received funds from the purchaser.)
- (iii) In the case of a sale of Securities to a Purchasing Agent, by 2:15 p.m., New York City time, on the Settlement Date, deliver the Securities to such Purchasing Agent, at the address listed below, against delivery of payment therefor. (On the Settlement Date, such Purchasing Agent will deliver payment for such Securities in immediately available funds to the Company’s account at a bank designated by the Company and included as a part of the Sale Information provided by the Purchasing Agent in an amount equal to the net proceeds to the Company.)

- (iv) Complete the 4-ply Security and deliver three copies thereof as follows:
1. Security with Agent's customer confirmation.
 2. Copy 1 - for Trustee.
 3. Copy 2 - for Agent.
 4. Copy 3 - for Company.
- (v) With respect to each sale, deliver the Securities and Copies 1 and 2 thereof to the appropriate Agent at the following address:

Banc of America Securities LLC
One Bryant Park
NY1-100-03-01
New York, New York 10036
Attention: High Grade MTN Desk
Facsimile No. 646-855-0107
Telephone No. 616-855-6433

or

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901
Attn: Fixed Income Syndicate
Facsimile No: 203-719-0495

or

J.P. Morgan Securities Inc.
270 Park Avenue, 8th Floor
New York, New York 10017
Attn: Medium Term Notes Desk
Facsimile No: 212-834-6081

or

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, Minnesota 55402
Attention: Debt Capital Markets
Facsimile No. 612-313-3117
Telephone No: 612-303-1824

as the case may be, or to any other Agent as directed by such Agent. (The Agent will acknowledge receipt of the Security, will keep Copy 2 and will return Copy 1 to the Trustee. Delivery of the Security by the Trustee will be made only against such acknowledgment of receipt. Prior to the first settlement date, the Trustee or the Company shall have sent a letter to Banc of Americas Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray & Co. or any other Agent, as the case may be, containing standard wire instructions for the net proceeds of each Security, addressed as follows:

Banc of America Securities LLC
One Bryant Park
NY1-100-03-01
New York, New York 10036
Attention: High Grade MTN Desk
Facsimile No. 646-855-0107
Telephone No. 616-855-6433

or

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901
Attn: Fixed Income Syndicate
Facsimile No: 203-719-0495

or

J.P. Morgan Securities Inc.
270 Park Avenue, 8th Floor
New York, New York 10017

Attn: Medium Term Notes Desk
Facsimile No: 212-834-6081

or

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, Minnesota 55402
Attention: Debt Capital Markets
Facsimile No. 612-313-3117
Telephone No: 612-303-1824

as the case may be, or as directed by such other Agent.)

- (vi) Send Copy 3 to the Company.

Book-Entry Securities

A. The Company will assign a CUSIP number to the Book-Entry Security representing such Security and then advise the Trustee by electronic transmission of the Sale Information received from the Agent, such CUSIP number and the name of such Agent.

B. The Trustee will communicate to DTC and the Agent through DTC's Participant Terminal System, a pending deposit message specifying the following settlement information:

- (1) The following Sale Information with respect to each Security:

- (a) Taxpayer identification number of the purchaser.

- (b) Principal amount of the Security.

- (c) Fixed Rate Securities:

- (i) interest rate;
 - (ii) interest payment dates; and
 - (iii) regular record dates.

- (d) Floating Rate Securities:

- (i) interest rate basis;
 - (ii) initial interest rate;
 - (iii) spread or spread multiplier, if any;
 - (iv) interest rate reset dates;
 - (v) interest rate reset period;
 - (vi) interest payment dates;
 - (vii) interest payment period;
 - (viii) regular record dates;
 - (ix) index maturity;

- (x) calculation agent;
 - (xi) maximum and minimum interest rates, if any;
 - (xii) calculation date; and
 - (xiii) interest determination dates.
- (e) Issue price.
 - (f) Trade date.
 - (g) Interest Commencement Date, which shall be the Settlement Date unless otherwise noted (“**Issue Date**” on Secured Notes).
 - (h) Maturity date.
 - (i) Net proceeds to the Company.
 - (j) Agent’s commission.
 - (k) Redemption provisions, if any.
 - (l) Repayment provisions, if any.
- (2) Identification numbers of the participant accounts maintained by DTC on behalf of the Trustee and the Agent.
 - (3) Identification as a Fixed Rate Book-Entry Security or Floating Rate Book-Entry Security.
 - (4) Initial Interest Payment Date for such Security, number of days by which such date succeeds the related record date for DTC purposes (or, in the case of Floating Rate Securities which reset daily or weekly, the date five calendar days preceding the Interest Payment Date) and, if then calculable, the amount of interest payable on such Interest Payment Date (which amount shall have been confirmed by the Trustee).
 - (5) CUSIP number of the Book-Entry Security representing such Security.
 - (6) Whether such Book-Entry Security represents any other Securities issued or to be issued in book-entry form.

C. The Company will complete and deliver to the Trustee a Book-Entry Security representing such Security in a form that has been approved by the Company, the Agents and the Trustee.

D. The Company will (by telecopy followed by an original copy) provide the Trustee with an opinion regarding the authentication of such Security and certified copies of governmental approvals specified in such opinion.

E. The Trustee will authenticate the Book-Entry Security representing such Security.

F. DTC will credit such Security to the participant account of the Trustee maintained by DTC.

G. The Trustee will enter a Same-Day Funds Settlement System (“SDFS”) deliver order through DTC’s Participant Terminal System instructing DTC (i) to debit such Security to the Trustee’s participant account and credit such Security to the participant account, maintained by DTC, of the Agent which presented to the Company the offer to purchase such Security which was accepted by the Company (the “Presenting Agent”) and (ii) to debit the settlement account of the Presenting Agent and credit the settlement account of the Trustee maintained by DTC, in an amount equal to the price of such Security less such Agent’s commission.

H. The Presenting Agent will enter an SDFS deliver order through DTC’s Participant Terminal System instructing DTC (i) to debit such Security to the Presenting Agent’s participant account and credit such Security to the participant account of the Participants maintained by DTC and (ii) to debit the settlement accounts of such Participants and credit the settlement account of the Presenting Agent maintained by DTC, in an amount equal to the initial public offering price of such Security.

I. Transfer of funds in accordance with SDFS deliver orders described in Settlement Procedures F and G will be settled in accordance with SDFS operating procedures in effect on the Settlement Date.

J. The Trustee will credit to an account of the Company maintained at the Trustee funds available for immediate use in the amount transferred to the Trustee in accordance with Settlement Procedure G.

K. The Trustee will send a copy of the Book-Entry Security by first class mail to the Company together with a statement setting forth the principal amount of Securities Outstanding as of the related Settlement Date after giving effect to such transaction and all other offers to purchase Securities of which the Company has advised the Trustee but which have not yet been settled.

L. The Agent will confirm the purchase of such Security to the purchaser either by transmitting to the Participant with respect to such Security a confirmation order through DTC’s Participant Terminal System or by mailing a written confirmation to such purchaser.

M. Settlement Procedures Timetable:

(1) For orders of Securities accepted by the Company, Settlement Procedures A through K shall be completed as soon as possible but not later than the respective times (New York City time) set forth below:

| <u>Settlement Procedure</u> | <u>Time</u> |
|-----------------------------|-------------------------------|
| A | 11:00 a.m. on the trade date |
| B | 2:00 p.m. on the trade date |
| C | 3:00 p.m. on the Business Day |

| | |
|-----|---|
| | before Settlement Date |
| D-E | 9:00 a.m. on Settlement Date |
| F | 10:00 a.m. on Settlement Date |
| G-H | No later than 2:00 p.m. on Settlement Date |
| I | 4:45 p.m. on Settlement Date |
| J-K | 5:00 p.m. on Settlement Date |

(2) If a sale is to be settled more than one Business Day after trade date, Settlement Procedures A and B may, if necessary, be completed at any time prior to the specified times on the first Business Day after such trade date. In connection with a sale which is to be settled more than one Business Day after the trade date, if the initial interest rate for a Floating Rate Security is not known at the time that the Sale Information is given by the Presenting Agent to the Company, Settlement Procedures A and B shall be completed as soon as such rates have been determined, but no later than 11:00 a.m. and 2:00 p.m., New York City time, respectively, on the second Business Day before the Settlement Date. Settlement Procedure H is subject to extension in accordance with any extension of Fedwire closing deadlines and in the other events specified in the SDFS operating procedures in effect on the Settlement Date.

(3) If settlement of a Security issued in book-entry form is rescheduled or canceled, the Trustee will deliver to DTC, through DTC's Participant Terminal System, a cancellation message to such effect by no later than 2:00 p.m., New York City time, on the Business Day immediately preceding the scheduled Settlement Date.

Failure of Purchaser to Pay Selling Agent:

Certificated Securities

If a purchaser shall fail to make payment to the Selling Agent for any Security, the net proceeds to the Company which, theretofore, shall have been paid by the Selling Agent to the Company, the Selling Agent will promptly notify the Mortgage Trustee or the Indenture Trustee, as the case may be, and the Company of such failure by telephone, promptly confirmed in writing or by facsimile transmission or by other acceptable written means. The Selling Agent promptly will return such Security to such Trustee. Promptly upon receipt of such Security by such Trustee, the Company will return to the Selling Agent an amount equal to the amount previously paid to the Company in respect of such Security. Such Trustee will cancel any Security in respect of which such a failure shall occur, make appropriate entries in its records and, unless otherwise instructed by the Company, destroy such Security.

Book-Entry Securities

If the Trustee fails to enter an SDFS deliver order with respect to a Book-Entry Security issued in book-entry form pursuant to paragraph F above, the Trustee may deliver to DTC, through DTC's Participant Terminal System, as soon as practicable a withdrawal message

instructing DTC to debit such Security to the participant account of the Trustee maintained at DTC. DTC will process the withdrawal message, provided that such participant account contains a principal amount of the Book-Entry Security representing such Security that is at least equal to the principal amount to be debited. If withdrawal messages are processed with respect to all the Securities represented by a Book-Entry Security, the Trustee will mark such Book-Entry Security “canceled”, make appropriate entries in its records and send such canceled Book-Entry Security to the Company. The CUSIP number assigned to such Book-Entry Security shall, in accordance with CUSIP Service Bureau procedures, be canceled and not immediately reassigned. If withdrawal messages are processed with respect to a portion of the Securities represented by a Book-Entry Security, the Trustee will exchange such Book-Entry Security for two Book-Entry Securities, one of which shall represent the Book-Entry Securities for which withdrawal messages are processed and shall be canceled immediately after issuance, and the other of which shall represent the other Securities previously represented by the surrendered Book-Entry Security and shall bear the CUSIP number of the surrendered Book-Entry Security.

If the purchase price for any Book-Entry Security is not timely paid to the Participants with respect to such Security by the beneficial purchaser thereof (or a person, including an indirect participant in DTC acting on behalf of such purchaser), such Participants and, in turn, the related Agent may enter SDFS deliver orders through DTC’s Participant Terminal System reversing the orders entered pursuant to paragraphs F and G above, respectively. Thereafter, the Trustee will deliver the withdrawal message and take the related actions described in the preceding paragraph. If such failure shall have occurred for any reason other than default by the applicable Agent to perform its obligations hereunder or under the Distribution Agreement, the Company will reimburse such Agent on an equitable basis for its loss of the use of funds during the period when the funds were credited to the account of the Company.

Notwithstanding the foregoing, upon any failure to settle with respect to a Book-Entry Security, DTC may take any actions in accordance with its SDFS operating procedures then in effect. In the event of a failure to settle with respect to a Security that was to have been represented by a Book-Entry Security also representing other Securities, the Trustee will provide, in accordance with paragraphs C and D above, for the authentication and issuance of a Book-Entry Security representing such remaining Securities and will make appropriate entries in its records.

Northwest Natural Gas Company

Medium-Term Notes

Terms Agreement

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
800 Nicollet Mall
Minneapolis, MN 55402

[Name of additional Agents, if any]

Ladies and Gentlemen:

Subject to the terms and conditions set forth herein and, to the extent provided below, in the Distribution Agreement, dated March 18, 2009 (the “**Distribution Agreement**”), among Northwest Natural Gas Company (the “**Company**”), on the one hand, and Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray & Co. and each other person which shall become a party to the Distribution Agreement (each an “Agent” and, together, the “Agents”), on the other, the Company proposes to issue and sell to [Banc of America Securities LLC,] [UBS Securities LLC,] [J.P. Morgan Securities Inc.,] [Piper Jaffray & Co.,] [Name of other Agent] the Securities (as defined in the Distribution Agreement) specified in the Schedule hereto (the “**Purchased Securities**”), at the time, place and purchase price and upon the terms and conditions set forth in such Schedule. Each of the provisions of the Distribution Agreement not specifically related to the solicitation by the Agents, as agents of the Company, of offers to purchase Securities is incorporated herein by reference, and shall be deemed to be part of this Terms Agreement to the same extent as if such provisions had been set forth herein. Each reference in the Distribution Agreement to the Pricing Disclosure Package shall be deemed to refer to the items specified next to the caption “Pricing Disclosure Package” in the Schedule hereto.

Each of the representations and warranties set forth in the Distribution Agreement shall be deemed to have been made by the Company at and as of the date of this Terms

Agreement, except that each such representation and warranty which makes reference to the Prospectus shall be deemed to be a representation and warranty as of the date of the Distribution Agreement in relation to the Prospectus (as therein defined), and also a representation and warranty as of the date of this Terms Agreement in relation to the Prospectus as amended and supplemented with respect to the Purchased Securities.

A supplement to the Prospectus relating to the Purchased Securities, in the form heretofore delivered to and approved by you, is now proposed to be filed with the Commission in accordance with Rule 424(b) under the Act and the Term Sheet [and _____] specified next to the caption "Pricing Disclosure Package" in the Schedule hereto is now proposed to be filed with the Commission in accordance with Rule 433 under the Act.

Subject to the terms and conditions set forth herein and to those of the Distribution Agreement incorporated herein by reference, the Company agrees to issue and sell to [Banc of America Securities LLC,] [UBS Securities LLC,] [J.P. Morgan Securities Inc.,] [Piper Jaffray & Co.,] [Name of other Agent] and [Banc of America Securities LLC,] [UBS Securities LLC,] [J.P. Morgan Securities Inc.,] [Piper Jaffray & Co.,] [Name of other Agent] agrees to purchase from the Company the Purchased Securities, at the time and place, in the principal amount and at the purchase price set forth in the Schedule hereto.

If the foregoing is in accordance with your understanding, please sign and return to us three counterparts hereof, whereupon this letter, including those provisions of the Distribution Agreement incorporated herein by reference, shall constitute a binding agreement between you and the Company.

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

Accepted as of the date hereof:

[BANC OF AMERICA SECURITIES LLC

By: _____
Title:]

[UBS SECURITIES LLC

By: _____
Title:]

By: _____
Title:]

[J.P. MORGAN SECURITIES INC.

By: _____
Title: _____]

[PIPER JAFFRAY & CO.

By: _____
Title: _____]

[Name of other Agent, if any]

Title of Purchased Securities:

Aggregate Principal Amount: \$

Price to Public:

Purchase Price by [Banc of America Securities LLC,] [UBS Securities LLC,] [J.P. Morgan Securities Inc.,] [Piper Jaffray & Co.,] [Name of other Agent]:

% of the principal amount of the Purchased Securities [, plus accrued interest from to] [and accrued amortization of discount from to]

Method of and Specified Funds for Payment of Purchase Price:

[By certified or official bank check or checks, payable to the order of the Company, in [[New York Clearing House] [immediately available] funds]

[By wire transfer to a bank account specified by the Company in [next day] [immediately available] funds]

Indenture: [Mortgage] [Note Indenture]

Interest Commencement Date which shall be the Settlement Date unless otherwise noted (“**Issue Date**” on Secured Notes):

- Pricing Disclosure Package:
1. Prospectus, dated January 8, 2008
 2. Prospectus Supplement, dated March 18, 2009
 3. [Preliminary Pricing Supplement, dated _____]
 4. [Term Sheet, dated _____]
 5. [Other]

Applicable Time:

Time of Delivery:

Closing Location:

Stated Maturity Date:

Interest Rate or Rates (or Method of Determining Interest):

Interest Payment Dates: [months and dates]

Initial Interest Payment Date:

Regular Record Dates:

Redeemable at Company's Option: Yes ___ No ___

In Whole: Yes ___ No ___

In Part: Yes ___ No ___

Fixed Redemption Prices ___ / Make-Whole Redemption Price ___

Fixed Redemption Prices:

Initial Redemption Date:

Redemption Limitation Date:

Initial Redemption Price:

Reduction Percentage:

Make-Whole Redemption Price:

Make-Whole Spread:

Sinking Fund or Other Retirement Provisions, if any:

Repayable at Option of Holder: Yes ___ No ___

Repayment Date:

Repayment Price:

Election Period:

Documents to be Delivered as a Condition to the Closing:

- [(1) The opinion of counsel to the Agents referred to in Section 5(h)]
- [(2) The opinion of counsel to the Company referred to in Section 5(i)(i)]
- [(3) The opinion of counsel to the Company referred to in Section 5(i)(ii)]
- [(4) The opinion of counsel to the Company referred to in Section 5(i)(iii)]
- [(5) The accountants letter referred to in Section 5(j)]
- [(6) The officers certificate referred to in Section 5(i)(iv)]

Other Provisions (including Syndicate Provisions, if applicable):

[Letterhead of Margaret D. Kirkpatrick, Esq.]

[Date]

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

Ladies and Gentlemen:

With reference to the issuance and sale from time-to-time by Northwest Natural Gas Company (the “**Company**”), pursuant to the Distribution Agreement, dated March 18, 2009 (the “**Agreement**”), between the Company and each of you, of not to exceed \$300,000,000 in aggregate principal amount of (i) the Company’s First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the “**Secured Notes**”) to be issued under the Company’s Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the “**Corporate Trustee**”) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented by twenty supplemental indentures (such Mortgage and Deed of Trust, as so supplemented, being hereinafter called the “**Mortgage**”), and (ii) the Company’s Unsecured Medium-Term Notes, Series B (the “**Unsecured Notes**”), to be issued under the Company’s Indenture, dated as of June 1, 1991 (the “**Indenture**”), to Deutsche Bank Trust Company Americas, as trustee (the “**Indenture Trustee**”) (the Secured Notes and the Unsecured Notes being hereinafter collectively referred to as the “**Notes**”), and the appointment of each of you as agents of the Company pursuant to the Agreement for the purposes of soliciting and receiving offers to purchase Notes, as agents, and purchasing Notes, as principals, from the Company, please be advised that, as counsel for the Company, I have participated in the preparation of or reviewed (a) the Restated Articles of Incorporation, as amended, and Bylaws, as amended, of the Company; (b) the Mortgage; (c) the Indenture; (d) the Agreement; (e) the registration statement (File No. 333-148527) (the “**Registration**

Statement”), filed by the Company with the Securities and Exchange Commission (the “**SEC**”) for the registration under the Securities Act of 1933, as amended (the “1933 Act”), of the Company’s securities (which may include the Notes), and for the qualification under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), of the Mortgage and the Indenture, which Registration Statement became effective on January 8, 2008; (f) the prospectus, dated January 8, 2008, constituting a part of the Registration Statement in the form in which the Registration Statement became effective, or if such prospectus has been amended or supplemented subsequent to such effectiveness, as so amended and supplemented, including the documents incorporated therein by reference pursuant to Item 12 of Form S-3, as supplemented by the prospectus supplement relating to the Notes, dated March 18, 2009, filed with the Commission pursuant to Rule 424(b) under the Securities Act (together, the “**Prospectus**”); (g) the proceedings before the Oregon Public Utility Commission (the “**OPUC**”) and the Washington Utilities and Transportation Commission (the “**WUTC**”) relating to the issuance and sale of the Notes; and (h) the records of various corporate and other proceedings relating to the authorization, issuance and sale of the Notes. I have also examined such other documents and satisfied myself as to such other matters as I have deemed necessary in order to render this opinion. I have not examined the Notes, except specimens thereof.

In preparation of this opinion, I have examined originals or photostatic certified copies of such certificates, agreements, documents and other papers, and have made such inquiries and investigations of law, as I deemed appropriate and necessary for the opinion hereinafter set forth. In my examination, I have assumed the authenticity of all documents submitted to me as certified or photostatic copies and the authenticity of the originals of such latter documents. As to certain matters of fact material to the opinion expressed herein, I have relied upon certificates of various corporate officers of the Company and public officials. I assume the accuracy of the material and factual matters contained therein.

I am of the opinion that:

1. The Company is a validly organized and existing corporation under the laws of the State of Oregon, and has corporate power to own its properties and conduct its business as described in the Prospectus.
2. The Agreement has been duly and validly authorized, executed and delivered by the Company.
3. The Mortgage and the Indenture have been duly and validly authorized by all necessary corporate action, have been duly and validly executed and delivered, and are valid and binding instruments enforceable in accordance with their terms, subject, as to enforcement, to laws and principles of equity relating to or affecting generally the enforcement of creditors rights, including, without limitation, bankruptcy and insolvency.
4. The form of the Secured Notes has been duly authorized and has been established in conformity with the provisions of the Mortgage; the form of the Unsecured Notes bearing interest at a fixed rate, has been duly authorized and has been established in conformity with the provisions of the Indenture; and the form of the Unsecured Notes, bearing interest at a variable rate or not bearing interest, when set forth in a Company Order or Orders (as defined in

the Indenture) or established by procedures acceptable to the Indenture Trustee specified in a Company Order or Orders, will have been duly authorized and will have been established in conformity with the provisions of the Indenture.

5. The Secured Notes have been duly authorized by the resolutions adopted by the Company's Board of Directors on May 27, 1993, September 26, 1996, April 24, 1997, February 26, 1998, April 27, 2000, April 25, 2002, December 18, 2003 and December 20, 2007 (the "**Board Resolutions**"), and when the terms of the Secured Notes shall have been determined as contemplated by and in accordance with the Mortgage, the Board Resolutions and written orders or instructions evidencing determinations by officers of the Company, such terms will have been duly authorized by the Company and will have been established in conformity with the terms of the Mortgage.

6. The Unsecured Notes have been duly authorized by the Board Resolutions, and when the terms of the Unsecured Notes shall have been determined as contemplated by and in accordance with the Indenture, the Board Resolutions and, to the extent required by the Indenture and the Board Resolutions, by Officers' Certificates (as defined in the Indenture), Company Orders and procedures acceptable to the Indenture Trustee specified in such Company Orders, such terms will have been duly authorized by the Company and will have been established in conformity with the terms of the Indenture.

7. The Notes, when (a) executed by the Company, (b) completed, authenticated and delivered by the Corporate Trustee or the Indenture Trustee, as the case may be, (c) issued and delivered by the Company and (d) paid for, all as contemplated by and in accordance with the Mortgage, in the case of Secured Notes, the Indenture, in the case of Unsecured Notes, the Board Resolutions, and (to the extent required by the Mortgage or the Indenture and the Board Resolutions) Officers' Certificates, Company Orders, procedures acceptable to the Indenture Trustee specified in such Company Orders, written orders or instructions evidencing determinations by the officers of the Company, the Agreement, the Administrative Procedure (as defined in the Agreement), and Terms Agreements (as defined in the Agreement), if any, will be duly issued under the Mortgage or the Indenture, as the case may be, and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the Mortgage or the Indenture, as the case may be, and enforceable in accordance with their terms, subject, as to enforcement, to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency, and, in the case of the Secured Notes, entitled to the benefit of the security afforded by the Mortgage.

8. The issuance and sale of the Notes, the compliance by the Company with all of the provisions of the Notes, the Mortgage, the Indenture and the Agreement and the consummation of the transactions contemplated by the Agreement will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, any statute, any indenture, mortgage, deed of trust or other agreement or instrument known to me to which the Company is a party or by which it is bound or to which any of the property of the Company is subject, the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended, or any order, rule or regulation known to me of any court or governmental agency or body having jurisdiction over the Company or any of its properties.

9. The statements of Oregon and Federal law (other than the 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act), and legal conclusions based thereon, contained in, or in the documents incorporated by reference in, the Prospectus have been reviewed by me and are correct (except to the extent that any statement contained in a document incorporated or deemed to be incorporated by reference in the Prospectus may be deemed to be modified or superseded in the Prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in the Prospectus).

10. Except as described in the Prospectus, there are no pending material legal or governmental proceedings and, to my knowledge, no material threatened legal or governmental proceedings, to which the Company is a party or of which any of the property of the Company is the subject, other than ordinary routine litigation incidental to the kind of business conducted by the Company.

In the course of the preparation by the Company of the Registration Statement and the Prospectus, I had conferences with certain officers and employees of the Company, but I have made no independent verification of the accuracy or completeness of the representations and statements made to me by such person or the information included by the Company in the Registration Statement and the Prospectus, and take no responsibility therefor, except as set forth in paragraph 9 hereof. However, my examination of the Registration Statement and the Prospectus and my discussions in the above-mentioned conferences did not disclose to me any information which causes me to believe that, when the Registration Statement became effective, it contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that I do not express any belief as to the financial statements or other financial or statistical data contained in the Registration Statement or the Prospectus, or as to the Forms T-1 or T-2, or as to any information contained therein furnished to the Company in writing by any of you expressly for use therein.

This opinion is limited to the facts and law at the date hereof. In rendering the opinions set forth in paragraphs 7 and 8 above, I have necessarily assumed that, at the time of any issuance, sale and delivery of a Note (i) the Board of Directors of the Company (or any committee thereof acting pursuant to authority properly delegated to such committee by the Board of Directors) has not taken any action to rescind or otherwise reduce its prior authorization of the issuance of the Notes and an officer of the Company, as stated in the resolutions of the Board of Directors (or any such committee) relating to the Notes, has executed and delivered such Notes, (ii) the Company has filed a statement with the WUTC establishing compliance with the applicable Washington statutory provisions with respect to the issuance and sale of such Note and the Company has complied with the terms of such statement, (iii) the order of the OPUC with respect to the Notes being sold remains in full force and effect and has not been modified or amended by the OPUC, and the Company complies with the terms of such order, (iv) the Registration Statement remains effective under the 1933 Act, and (v) the Mortgage and the Indenture remain qualified under the Trust Indenture Act.

I do not express any opinion herein concerning any law other than the laws of the State of Oregon and the Federal laws of the United States. In rendering this opinion, I have relied, with your consent, as to certain matters of Washington and Oregon law, upon the opinion of even date herewith addressed to you by Stoel Rives LLP, special Washington and Oregon counsel to the Company, and, as to all matters governed by the laws of the State of New York, the 1933 Act, the Securities Exchange Act of 1934 and the Trust Indenture Act, upon the opinion of even date herewith addressed to you by Morgan, Lewis & Bockius LLP, New York, New York, counsel for the Company.

You, the Trustees and, as to matters governed by the laws of the State of Oregon, Morgan, Lewis & Bockius LLP and your counsel, Simpson Thacher & Bartlett LLP, may rely upon this opinion in connection with the issuance and sale of the Notes. Neither you nor any of them may rely upon this opinion for any other purpose, and no other person may rely upon this opinion for any purpose without, in each case, my prior written consent.

Very truly yours,

Margaret D. Kirkpatrick, Esq.

[Letterhead of Morgan, Lewis & Bockius LLP]

[Date]

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

Ladies and Gentlemen:

With reference to the issuance and sale from time-to-time by Northwest Natural Gas Company (the “**Company**”), pursuant to the Distribution Agreement, dated March 18, 2009 (the “**Agreement**”), between the Company and each of you, of not to exceed \$300,000,000 in aggregate principal amount of (i) the Company’s First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the “**Secured Notes**”), to be issued under the Company’s Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the “**Corporate Trustee**”) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented by twenty supplemental indentures (such Mortgage and Deed of Trust, as so supplemented, being hereinafter called the “**Mortgage**”), and (ii) the Company’s Unsecured Medium-Term Notes, Series B (the “**Unsecured Notes**”), to be issued under the Company’s Indenture, dated as of June 1, 1991 (the “**Indenture**”), to Deutsche Bank Trust Company Americas, as trustee (the “**Indenture Trustee**”) (the Secured Notes and the Unsecured Notes being hereinafter collectively referred to as the “**Notes**”), and the appointment of each of you as agents of the Company pursuant to the Agreement for the purposes of soliciting and receiving offers to purchase Notes, as agents, and purchasing Notes, as principals, from the Company, please be advised that, as counsel to the Company, we have participated in the preparation of or reviewed (a) the Restated Articles of Incorporation, as amended, and Bylaws, as amended, of the Company; (b) the Mortgage; (c) the Indenture; (d) the Agreement; (e) the registration statement (File No. 333-148527) (the “**Registration Statement**”), filed by the Company with the Securities and Exchange Commission (the “**SEC**”)

for the registration under the Securities Act of 1933, as amended (the “**1933 Act**”), of the Company’s securities (which may include the Notes), and for the qualification under the Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), of the Mortgage and the Indenture, which Registration Statement became effective on January 8, 2008; (f) the prospectus, dated January 8, 2008, constituting a part of the Registration Statement in the form in which the Registration Statement became effective, or if such prospectus has been amended or supplemented subsequent to such effectiveness, as so amended and supplemented, including the documents incorporated therein by reference pursuant to Item 12 of Form S-3, as supplemented by the prospectus supplement relating to the Notes, dated March 18, 2009, filed with the Commission pursuant to Rule 424(b) under the Securities Act (together, the “Prospectus”); (g) the records of the proceedings before the Oregon Public Utility Commission (the “**OPUC**”) and the Washington Utilities and Transportation Commission (the “**WUTC**”) relating to the issuance and sale of the Notes; and (h) the records of various corporate and other proceedings relating to the authorization, issuance and sale of the Notes. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the Notes, except specimens thereof.

In the preparation of this opinion, we have examined originals or photostatic or certified copies of such certificates, agreements, documents and other papers, and have made such inquiries and investigations of law, as we deemed appropriate and necessary for the opinion hereinafter set forth. In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. As to certain matters of fact material to the opinion expressed herein, we have relied upon certificates of various corporate officers of the Company and public officials. We assume the accuracy of the material and factual matters contained therein.

We are of the opinion that:

1. The Company is a validly organized and existing corporation under the laws of the State of Oregon, and is authorized to transact business in the State of Washington.
2. The Agreement has been duly and validly authorized, executed and delivered by the Company.
3. The Mortgage and the Indenture have been duly and validly authorized by all necessary corporate action, have been duly and validly executed and delivered, have been duly qualified under the Trust Indenture Act, and are valid and binding instruments enforceable in accordance with their terms, subject, as to enforcement, to laws and principles of equity relating to or affecting generally the enforcement of creditors’ rights, including, without limitation, bankruptcy and insolvency.
4. The form of the Secured Notes has been duly authorized and has been established in conformity with the provisions of the Mortgage and conforms to the description thereof contained in the Prospectus; the form of the Unsecured Notes, bearing interest at a fixed rate, has been duly authorized and has been established in conformity with the provisions of the Indenture and conforms to the description thereof contained in the Prospectus; and the form of

the Unsecured Notes, bearing interest at a variable rate or not bearing interest, when set forth in a Company Order or Orders (as defined in the Indenture) or established by procedures acceptable to the Indenture Trustee specified in a Company Order or Orders, will have been duly authorized and will have been established in conformity with the provisions of the Indenture.

5. The Secured Notes have been duly authorized by the resolutions adopted by the Company's Board of Directors on May 27, 1993, September 26, 1996, April 24, 1997, February 26, 1998, April 27, 2000, April 25, 2002, December 18, 2003 and December 20, 2007 (the "Board Resolutions"), and when the terms of the Secured Notes shall have been determined as contemplated by and in accordance with the Mortgage, the Board Resolutions and written orders or instructions evidencing determinations by Officers of the Company, such terms will have been duly authorized by the Company and will have been established in conformity with the terms of the Mortgage.

6. The Unsecured Notes have been duly authorized by the Board Resolutions, and when the terms of the Unsecured Notes shall have been determined as contemplated by and in accordance with the Indenture, the Board Resolutions and, to the extent required by the Indenture and the Board Resolutions, by Officers' Certificates (each, as defined in the Indenture), Company Orders and procedures acceptable to the Indenture Trustee specified in such Company Orders, such terms will have been duly authorized by the Company and will have been established in conformity with the terms of the Indenture.

7. The Notes, when (a) executed by the Company, (b) completed, authenticated and delivered by the Corporate Trustee or the Indenture Trustee, as the case may be, (c) issued and delivered by the Company and (d) paid for, all as contemplated by and in accordance with the Mortgage, in the case of the Secured Notes, the Indenture, in the case of Unsecured Notes, the Board Resolutions, and (to the extent required by the Mortgage or the Indenture and the Board Resolutions) Officers' Certificates, Company Orders, procedures acceptable to the Indenture Trustee specified in such Company Orders, written orders or instructions evidencing determinations by the officers of the Company, the Agreement, the Administrative Procedure (as defined in the Agreement) and Terms Agreements (as defined in the Agreement), if any, will be duly issued under the Mortgage or the Indenture, as the case may be, and will constitute valid and legally binding obligations of the Company, entitled to the benefits provided by the Mortgage or the Indenture, as the case may be, and enforceable in accordance with their terms, subject, as to enforcement, to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights, including, without limitation, bankruptcy and insolvency, and, in the case of the Secured Notes, entitled to the benefit of the security afforded by the Mortgage.

8. The issuance and sale of the Notes, the compliance by the Company with all of the provisions of the Notes, the Mortgage, the Indenture and the Agreement and the consummation of the transactions contemplated by the Agreement will not result in a breach or violation of any of the terms and provisions of, or constitute a default under, the Mortgage and the Indenture or the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended.

9. The Registration Statement is an automatic shelf registration statement that became effective upon filing under the 1933 Act within three years of the date hereof, and, to our knowledge, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose are pending before or have been proposed by the SEC; the Mortgage and the Indenture have been duly qualified under the Trust Indenture Act; the Registration Statement at the time it became effective complied, and the Prospectus (excluding the documents incorporated therein by reference) as of the date of this opinion complies, as to form, in all material respects with the requirements of the 1933 Act, the Trust Indenture Act (except with respect to the Forms T-1 and Form T-2, upon which we express no opinion) and the rules and regulations of the SEC thereunder; and the documents incorporated by reference in the Prospectus pursuant to Item 12 of Form S-3 (other than the financial statements and other financial or statistical data contained therein, upon which we express no opinion), as of their respective dates of filing, complied as to form in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the rules and regulations of the SEC thereunder.

In the course of the preparation by the Company of the Registration Statement and the Prospectus, we had conferences with certain officers and employees of the Company, with the counsel for the Company and with you and your counsel, but we made no independent verification of the accuracy or completeness of the representations and statements made to us by such persons or the information included by the Company in the Registration Statement and the Prospectus and take no responsibility therefor, except insofar as set forth in paragraph 4 hereof. In passing upon the form of the Registration Statement and the Prospectus we have, therefore, assumed the accuracy and completeness of such representations, statements and information, except as aforesaid. However, our examination of the Registration Statement and the Prospectus and our discussions in the above-mentioned conferences did not disclose to us any information which gives us reason to believe that, when the Registration Statement became effective, it contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, that we do not express any belief as to the financial statements or other financial or statistical data contained in the Registration Statement or the Prospectus, or as to the Forms T-1 or T-2, or as to any information contained therein furnished to the Company in writing by any of you expressly for use therein.

This opinion is limited to the facts and law at the date hereof. In rendering the opinions set forth in paragraphs 7 and 9 above, we have necessarily assumed that, at the time of any issuance, sale and delivery of a Note (i) the Board of Directors of the Company (or any committee thereof acting pursuant to authority properly delegated to such committee by the Board of Directors) has not taken any action to rescind or otherwise reduce its prior authorization of the issuance of the Notes and an officer of the Company, as stated in the resolutions of the Board of Directors (or any such committee) relating to the Notes, has executed and delivered such Notes, (ii) the Company has filed a statement with the WUTC establishing compliance with the applicable Washington statutory provisions with respect to the issuance and sale of such Note and the Company has complied with the terms of such statement, (iii) the order of the OPUC with respect to the Notes being sold remains in full force and effect and has not been modified or

amended by the OPUC, and the Company complies with the terms of such order, (iv) the Registration Statement remains effective under the 1933 Act, and (v) the Mortgage and the Indenture remain qualified under the Trust Indenture Act.

We do not express any opinion herein concerning any law other than the laws of the State of New York, the State of Oregon, the State of Washington and the Federal laws of the United States. Accordingly, in rendering this opinion, we have relied, with your consent, as to all matters governed by the laws of the State of Oregon, upon the opinions of even date herewith addressed to you by Margaret D. Kirkpatrick, Esq., counsel for the Company, and Stoel Rives LLP, special Washington and Oregon counsel to the Company, and, as to all matters governed by the laws of the State of Washington, upon the opinion of Stoel Rives LLP, special Washington and Oregon counsel to the Company. We understand that you are relying upon the opinions of Margaret D. Kirkpatrick, Esq., and Stoel Rives LLP as to all matters governed by the laws of the States of Oregon and Washington, as the case may be, including, in the case of the opinion of Stoel Rives LLP, titles to property and the lien of the Mortgage, upon which we express no opinion.

You, the Trustees, and as to matters governed by the laws of the State of New York and the 1933 Act, the Exchange Act and the Trust Indenture Act, Margaret D. Kirkpatrick, Esq., may rely upon this opinion in connection with the issuance and sale of the Notes. Neither you nor any of them may rely upon this opinion for any other purpose, and no other person may rely upon this opinion for any purpose without, in each case, our prior written consent.

Very truly yours,

MORGAN, LEWIS & BOCKIUS LLP

[Letterhead of Stoel Rives LLP]

[Date]

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

Ladies and Gentlemen:

With reference to the issuance and sale from time-to-time by Northwest Natural Gas Company (the “**Company**”), pursuant to the Distribution Agreement, dated March 18, 2009 (the “**Agreement**”), between the Company and each of you, of not to exceed \$300,000,000 in aggregate principal amount of (i) the Company’s First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the “**Secured Notes**”) to be issued under the Company’s Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the “**Corporate Trustee**”) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented by twenty supplemental indentures (such Mortgage and Deed of Trust, as so supplemented, being hereinafter called the “**Mortgage**”), and (ii) the Company’s Unsecured Medium-Term Notes, Series B (the “**Unsecured Notes**”), to be issued under the Company’s Indenture, dated as of June 1, 1991 (the “**Indenture**”), to Deutsche Bank Trust Company Americas, as trustee (the “**Indenture Trustee**”) (the Secured Notes and the Unsecured Notes being hereinafter collectively referred to as the “**Notes**”), and the appointment of each of you as agents of the Company pursuant to the Agreement for the purposes of soliciting and receiving offers to purchase Notes, as agents, and purchasing Notes, as principals, from the Company, please be advised that, as special Oregon and Washington counsel to the Company, we have reviewed (a) the Mortgage; (b) the Indenture; (c) the Agreement; and (d) the proceedings before the Washington Utilities and Transportation Commission (the “**WUTC**”) relating to the issuance and sale of the Notes. We have also

examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the Notes, except for forms thereof.

In preparation of this opinion, we have examined originals or photostatic copies of such certificates, agreements, documents and other papers, and have made such inquiries and investigations of law, as we deemed appropriate and necessary for the opinion hereinafter set forth. In our examination, we have assumed the authenticity of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. We have also assumed that the Mortgage, the Indenture and the Agreement have been duly authorized, executed and delivered by, and are legally binding on, each of the parties thereto.

As to certain matters of fact material to the opinion expressed herein, we have relied upon certificates of various corporate officers of the Company and public officials. We assume the accuracy of the material and factual matters contained therein.

Based upon the foregoing and subject to the following qualifications, we are of the opinion that:

1. The Company is authorized to transact business in the State of Washington.
2. The Mortgage constitutes a first security interest on all of the personal properties and fixtures owned by the Company that are described in the Mortgage and are intended to be subject to the lien thereof, subject only to Excepted Encumbrances (as defined in the Mortgage); and the description in the Mortgage of such properties and fixtures is adequate to constitute the Mortgage a security interest thereon.
3. The Company has good and sufficient title to all of the real properties owned by the Company that are described in the Mortgage and intended to be subject to the lien thereof, subject only to Excepted Encumbrances (as defined in the Mortgage) and to minor defects and irregularities of the nature customarily found in properties of like size and character; the description in the Mortgage of such properties is adequate to constitute the Mortgage a lien thereon; and the Mortgage is a valid first mortgage lien on such properties, subject to the exceptions noted above in this paragraph 3.
4. The issuance and sale of the Notes, the compliance by the Company with all of the provisions of the Notes, the Mortgage, the Indenture and the Agreement and the consummation of the transactions contemplated by the Agreement will not violate any law, rule or regulation of the State of Oregon and the State of Washington or any political subdivision thereof known to us to be applicable to the Company.
5. The OPUC has issued orders authorizing the issuance and sale by the Company of the Notes; and no further approval, authorization, consent or other order of, or filing with, any public board or body (other than in connection or in compliance with the provisions of the securities or blue sky laws of any jurisdiction and other than the statements to be filed with the WUTC establishing compliance with applicable statutory provisions) is legally required in Oregon or Washington for the issuance and sale of the Notes through each of you, as agent, on the terms and conditions set forth in the Agreement.

This opinion is limited to the facts and law at the date hereof. In rendering the opinions set forth above, we have necessarily assumed that, at the time of any issuance, sale and delivery of a Note (i) the Board of Directors of the Company (or any committee thereof acting pursuant to authority properly delegated to such committee by the Board of Directors) has not taken any action to rescind or otherwise reduce its prior authorization of the issuance of the Notes and an officer of the Company, as stated in the resolutions of the Board of Directors (or any such committee) relating to the Notes, has executed and delivered such Notes, (ii) the Company has filed a statement with the WUTC establishing compliance with the applicable Washington statutory provisions with respect to the issuance and sale of such Note and the Company has complied with the terms of such statement, and (iii) the orders of the OPUC with respect to the Notes being sold remain in full force and effect and have not been modified or amended by the OPUC, and the Company complies with the terms of such order.

We do not express any opinion herein concerning any laws other than the laws of the State of Oregon and the State of Washington.

In giving the foregoing opinions, we express no opinion as to any securities or blue sky laws of any jurisdiction.

You, the Trustees, Margaret D. Kirkpatrick, Esq., counsel for the Company, Morgan, Lewis & Bockius LLP, counsel to the Company, and your counsel, Simpson Thacher & Bartlett LLP, as to matters governed by the laws of the State of Oregon and the State of Washington, may rely upon this opinion in connection with the issuance and sale of the Notes. Neither you nor any of them may rely upon this opinion for any other purpose, and no other person may rely upon this opinion for any purpose without, in each case, our prior written consent.

Very truly yours,

STOEL RIVES LLP

[Contents of Letter of Independent Registered Public Accounting Firm]

The letter of each independent registered public accounting firm will state in effect that, for the periods during which such firm was the independent registered public accounting firm for the Company:

1. They are an independent registered public accounting firm with respect to the Company within the meaning of the Act and the applicable published Rules and Regulations;

2. In their opinion, the consolidated financial statements and financial statement schedule examined by them and incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act, the Exchange Act and the published rules and regulations adopted by the SEC;

3. On the basis of limited procedures, not constituting an examination made in accordance with generally accepted auditing standards, including a reading of the latest available interim financial statements of the Company, if any, a reading of certain other unaudited financial data, a reading of the minute books of the Company since December 31, 2008, inquiries of officials of the Company responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(a)(1) the latest interim consolidated financial statements included or incorporated by reference in the Registration Statement do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the published rules and regulations thereunder as they apply to Form 10-Q or (2) said interim consolidated financial statements are not in conformity with generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements incorporated by reference in the Registration Statement;

(b) at the date of the latest available interim balance sheet of the Company and at a subsequent specified date not more than five business days prior to the Time of Delivery, there has been any change in the capital stock (except for (i) shares of the Company's Common Stock issued under the Company's Dividend Reinvestment Plan, Restated Stock Option Plan or Employee Stock Purchase Plan and (ii) shares of Common Stock repurchased pursuant to the Company's Repurchase Program), any increase in the long-term debt or net current liabilities of the Company, or any decrease in net assets, working capital or shareholders' equity, in each case as compared with amounts shown in the balance sheet as of the date of the latest financial statements incorporated by reference in the Registration Statement, except in each case for changes, increases or decreases which the Registration Statement discloses have occurred or may occur, which were occasioned by the declaration of dividends or which are described in such letter; or

(c) for the latest period for which financial information is available subsequent to the latest financial statements included or incorporated by reference in the

Prospectus, there were any decreases in net sales, net income and total or per share amounts of income before extraordinary items, as compared to the corresponding period in the prior year, except in each case for decreases which the Registration Statement discloses have occurred or may occur, which were occasioned by the declaration of dividends or which are described in such letter; and

4. They have performed certain other specified procedures with respect to certain amounts and percentages set forth in the Registration Statement or in the documents incorporated by reference therein, as have been requested by your counsel and approved by the Company, and have found them to be in agreement with the records of the Company and the computations to be arithmetically correct.

[Letterhead of Stoel Rives LLP]

[Date]

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

Ladies and Gentlemen:

With reference to the issuance and sale from time-to-time by Northwest Natural Gas Company (the “**Company**”), pursuant to the Distribution Agreement, dated March 18, 2009 (the “**Agreement**”), between the Company and each of you, of not to exceed \$300,000,000 in aggregate principal amount of (i) the Company’s First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the “**Secured Notes**”) to be issued under the Company’s Mortgage and Deed of Trust, dated as of July 1, 1946, to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) (the “**Corporate Trustee**”) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented by twenty supplemental indentures (such Mortgage and Deed of Trust, as so supplemented, being hereinafter called the “**Mortgage**”), and (ii) the Company’s Unsecured Medium-Term Notes, Series B (the “**Unsecured Notes**”), to be issued under the Company’s Indenture, dated as of June 1, 1991 (the “**Indenture**”), to Deutsche Bank Trust Company Americas, as trustee (the “**Indenture Trustee**”) (the Secured Notes and the Unsecured Notes being hereinafter collectively referred to as the “**Notes**”), and the appointment of each of you as agents of the Company pursuant to the Agreement for the purposes of soliciting and receiving offers to purchase Notes, as agents, and purchasing Notes, as principals, from the Company, please be advised that, as special Washington counsel to the Company, we have reviewed (a) the Mortgage; (b) the Indenture; (c) the Agreement; and (d) the proceedings before the Washington Utilities and Transportation Commission (the “**WUTC**”) relating to the issuance and sale of the Notes. We have also

examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the Notes, except for forms thereof.

In preparation of this opinion, we have examined originals or photostatic copies of such certificates, agreements, documents and other papers, and have made such inquiries and investigations of law, as we deemed appropriate and necessary for the opinion hereinafter set forth. In our examination, we have assumed the authenticity of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. We have also assumed that the Mortgage, the Indenture and the Agreement have been duly authorized, executed and delivered by, and are legally binding on, each of the parties thereto.

As to certain matters of fact material to the opinion expressed herein, we have relied upon certificates of various corporate officers of the Company and public officials. We assume the accuracy of the material and factual matters contained therein.

Based upon the foregoing and subject to the following qualifications, we are of the opinion that the Company has filed a statement with the WUTC, dated _____, 200__ in Docket __-_____, establishing compliance with applicable statutory provisions with respect to the issuance and sale by the Company of up to \$_____ aggregate principal amount of the Notes; the statement complied with the terms of the Revised Code of Washington 80.08.040; and under the laws of the State of Washington, no further approval, authorization, consent or other order of, or filing with, any public board or body is legally required for the issuance and sale of such Notes through each of you, as agent, on the terms and conditions set forth in the Agreement.

This opinion is limited to the facts and law at the date hereof. In rendering the opinions set forth above, we have necessarily assumed that, at the time of any issuance, sale and delivery of a Note (i) the Board of Directors of the Company (or any committee thereof acting pursuant to authority properly delegated to such committee by the Board of Directors) has not taken any action to rescind or otherwise reduce its prior authorization of the issuance of the Notes as stated in the resolutions of the Board of Directors (or any such committee) relating to the Notes, and an officer of the Company has executed and delivered such Notes and (ii) the Company complies with the terms of each statement filed with the WUTC establishing compliance with the applicable Washington statutory provisions with respect to the issuance and sale of such Note.

We are members of the bar of the State of Washington and do not express any opinion herein concerning any laws other than the laws of the State of Washington.

In giving the foregoing opinions, we express no opinion as to any securities or blue sky laws of any jurisdiction.

You, the Trustees, Margaret D. Kirkpatrick, Esq., counsel for the Company, Morgan, Lewis & Bockius LLP, counsel to the Company, and your counsel, Simpson Thacher & Bartlett LLP, as to matters governed by the laws of the State of Washington, may rely upon this opinion in connection with the issuance and sale of the Notes. Neither you nor any of them may

rely upon this opinion for any other purpose, and no other person may rely upon this opinion for any purpose without, in each case, our prior written consent.

Very truly yours,

STOEL RIVES LLP

Filing under Rule 433
 Dated _____
 Registration No. 333-148527

\$300,000,000
NORTHWEST NATURAL GAS COMPANY
Secured Medium-Term Notes, Series B
(A Series of First Mortgage Bonds)
and
Unsecured Medium-Term Notes, Series B
 Due from One Year to 30 Years from Date of Issue

| | |
|--|---|
| CUSIP No.: 66765R ____ | Stated interest rate (%): ____% |
| Secured ____ Unsecured ____ | Maturity date: |
| Principal amount (\$): \$ | Original issue date: |
| Issue price (%): | Interest payment dates: _____ and _____, commencing _____ |
| Net proceeds to Company (\$): | Redeemable: Yes ____ No ____ In whole ____ In whole or in part ____ |
| Repayable at the option of holder: Yes ____ No ____ | Fixed redemption price: Yes ____ No ____ |
| Repayment Date: | Initial redemption date: |
| Repayment Price: | Initial redemption price: |
| Election Period: | Reduction Percentage: |
| Selling Agent(s): | Redemption limitation date: |
| Type of Transaction: | Make-Whole Redemption Price: Yes ____ No ____ |
| [Agency Transaction] [Principal Transaction] | Make-Whole Spread: |

[The issuer has filed a registration statement (including a prospectus) with the Securities and Exchange Commission for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the Securities and Exchange Commission for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the Securities and Exchange Commission's Web site at www.sec.gov. Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling [Banc of America Securities LLC toll-free at 1-800-294-1322] [UBS Securities LLC toll-free at 1-877-827-6444, ext. 561-3884,] [J.P. Morgan Securities Inc. collect at 1-212-834-4533] [Piper Jaffray & Co. toll-free at _____]]

Northwest Natural Gas Company

\$ _____

Medium-Term Notes, Series B

_____, ____

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

[Insert Names of Additional Existing Agents, if any]

[Insert Name of New Agent]

Ladies and Gentlemen:

Reference is hereby made to the Distribution Agreement, dated March 18, 2009 (the “**Distribution Agreement**”), a copy of which has previously been delivered to you, between Northwest Natural Gas Company, an Oregon corporation (the “Company”), and each of Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray & Co. and [Insert Names of Additional Existing Agents, if any], with respect to the issue and sale by the Company of its First Mortgage Bonds, designated Secured Medium-Term Notes, Series B, and its Unsecured Medium-Term Notes, Series B (collectively, the “**Securities**”). Capitalized terms used herein without definition shall have the meanings assigned to them in the Distribution Agreement.

Subject to the terms and conditions set forth in the Distribution Agreement, the Company hereby appoints [Insert Name of New Agent] as agent of the Company for the purpose of soliciting and receiving offers to purchase the Securities. In connection with such appointment, [Insert Name of New Agent] is hereby entitled to the benefits and subject to the duties of an Agent under the terms and conditions of the Distribution Agreement (including the Administrative Procedures) and by its execution hereof is hereby made a party to the Distribution Agreement. In connection with such appointment, [Insert Name of New Agent] shall receive as of the date hereof: [To be agreed upon by the Company and the New Agent]

Any communication under the Distribution Agreement will be made in accordance with Section 12 of the Distribution Agreement, and if to [Insert Name of New Agent] shall be sufficient in all respects when delivered or sent by facsimile transmission or registered mail to

[Insert Address of New Agent], attention: [Insert Name], facsimile transmission number [Insert New Agent Number].

This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

If the foregoing correctly sets forth our agreement, please indicate your acceptance hereof in the space provided for that purpose below.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title:

The foregoing Agreement is hereby confirmed and accepted as of the date hereof.

[INSERT NAME OF NEW AGENT]

By: _____

Title: _____

Northwest Natural Gas Company

Medium-Term Notes, Series B

Banc of America Securities LLC
One Bryant Park
New York, New York 10036

UBS Securities LLC
677 Washington Blvd.
Stamford, Connecticut 06901

J.P. Morgan Securities Inc.
270 Park Avenue, 9th Floor
New York, New York 10017

Piper Jaffray & Co.
111 SW Fifth Avenue, Suite 1900
Portland, Oregon 97204

Ladies and Gentlemen:

Reference is hereby made to Section 18 of the Distribution Agreement, dated March 18, 2009 (the “**Distribution Agreement**”), between Northwest Natural Gas Company, an Oregon corporation (the “**Company**”), and each of Banc of America Securities LLC, UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray & Co., and [Insert Names of Additional Existing Agents, if any], with respect to the issue and sale by the Company of its First Mortgage Bonds, designated Secured Medium-Term Notes, Series B, and its Unsecured Medium-Term Notes, Series B (collectively, the “**Securities**”). Capitalized terms used herein without definition shall have the meanings assigned to them in the Distribution Agreement.

As provided for in Section 18 of the Distribution Agreement, the Company hereby provides notice to the Agents of the following amendments to the Distribution Agreement: [Insert the appropriate item or items from the list contained below]

- 1) The principal amount of Securities that may be issued from time to time is hereby amended to be \$[_____].
- 2) The term “Registration Statement” is hereby amended to refer to Registration Statement No. 333-[_____], filed with the Securities and Exchange Commission on [_____], as the same may be amended and supplemented from time to time.
- 3) All references in the Distribution Agreement to the “Preliminary Prospectus,” and the “Prospectus” are hereby deemed to refer to those documents as they are included in the Registration Statement referred to in paragraph 2 above.

Very truly yours,

NORTHWEST NATURAL GAS COMPANY

By: _____
Title: