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February 3, 2005

Carole J. Washburn, Executive Secretary  
Washington Utilities and  
Transportation Commission  
1300 S. Evergreen Park Drive, S.W.  
P. O. Box 47250  
Olympia, WA 98504-7250

Attention: Supervisor of Utility Finance

Ladies and Gentlemen:

Re: Docket No. UG-030290

Pursuant to paragraph 4 of the Commission's Order dated March 26, 2003 in the above-referenced Cause, I enclose the Company's Report of the Restated Stock Option Plan (formerly known as the 1985 Stock Option Plan) for the year ended December 31, 2004. Copies of the Company's 2004 Annual Report to Shareholders and its 2005 Notice of Annual Meeting and Proxy Statement will be forwarded to you as soon as they are available.

Sincerely,

  
C. J. Rue

CJR:lmw  
Encl.

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STATE OF WASHINGTON  
UTIL. AND TRANSP.  
COMMISSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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 STATE OF WASH.  
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 COMMISSION

\_\_\_\_\_ )  
 In the Matter of the Application of )  
 )  
 NORTHWEST NATURAL GAS COMPANY )  
 )  
 for an Order Establishing Compliance with )  
 RCW 80.08.040 with Respect to the Issuance )  
 and Sale of Common Stock Pursuant to its )  
 Restated Stock Option Plan )  
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Cause No. UG-030290  
 Report of Restated Stock Option Plan  
 (formerly known as the 1985 Stock  
 Option Plan)

On February 28, 2003, Northwest Natural Gas Company (the Company) filed a statement of a planned securities issuance with the Washington Utilities and Transportation Commission (the Commission) under the provisions of RCW Chapter 80.08 for an order authorizing the Company to issue and sell, from time to time, an additional 1,200,000 shares of its Common Stock, \$3 1/6 par value per share, pursuant to options granted or to be granted to officers and other key employees under the Restated Stock Option Plan, formerly known as the 1985 Stock Option Plan (the Plan).

On March 26, 2003, the Commission entered its Order Establishing Compliance with RCW 80.08.040 in the above-entitled Docket authorizing the Company to issue and sell an additional 1,200,000 shares of Common Stock pursuant to the Plan.

On February 25, 2004, non-statutory options to purchase 184,800 shares were granted to 82 employees at a price of \$31.34; and on September 20, 2004, 18,000 shares were granted to one executive and one employee at a price of \$32.02. In each case, the option price was 100% of the fair market value of the Common Stock on the date preceding the grant. No additional options have been granted.

The following statement is submitted pursuant to ordering Paragraph 8 of the Commission's Order dated March 26, 2003.

The number of stock options and stock appreciation rights (SARs) granted to each employee, by date, the terms of the options and SARs, and the options outstanding on December 31, 2004, were as follows:

<u>Name of Employee</u>	<u>No. of Options Granted 2004<sup>2</sup></u>	<u>No. of Options Outstanding at 12/31/04</u>
Richard G. Reiten <sup>1</sup>	-	10,000
David H. Anderson <sup>2</sup>	16,000	16,000
Bruce R. DeBolt <sup>1</sup>	8,000	16,841
Mark S. Dodson	30,000	47,629
Lea Anne Doolittle	5,000	10,000
Gregg S. Kantor	6,000	16,500
Richelle T. Luther	5,000	7,000
Michael S. McCoy	12,000	30,000
Donald J. Miller	1,000	3,800
C. J. Rue	5,000	6,600

<u>Name of Employee</u>	<u>No. of Options Granted 2004<sup>2</sup></u>	<u>No. of Options Outstanding at 12/31/04</u>
Stephen P. Feltz	5,000	15,000
Beth A. Ugoretz	8,000	11,300
Timothy S. Abshire	500	2,000
David W. Aimone	2,000	3,500
Pamela M. Almaguer	1,000	1,000
Elaine M. Barsotti	2,000	2,600
Dennis L. Barton	-	100
Gary E. Bauer	1,500	5,500
David C. Bell	1,000	1,300
James R. Boehlke	1,000	1,300
David L. Byerley <sup>1</sup>	-	1,500
Paul F. Chapman	500	500
Robert T. Clearwater	500	500
Paula G. Coppel <sup>1</sup>	1,000	-
Paul E. Corso <sup>1</sup>	-	1,000
Clinton L. Crawford	500	500
Timothy A. Dedlow	-	3,000
James E. Dehning	-	100
Bruce Dobbs	-	500
Susan R. Dodge	2,000	2,300
Mark C. Forker	1,000	1,000
Tina M. Freel	500	500
Randolph S. Friedman	4,500	18,000
Allen E. Geertz	1,000	2,300
George J. Gent	1,000	3,500
Laura C. Goty <sup>2</sup>	2,000	2,000
Philip J. Griffin	2,000	4,000
Cal R. Grimmer	1,500	2,500
Gail Grosness	1,500	3,250
Ronald W. Gullberg	1,000	2,500
Sandra K. Hart	1,000	3,800
David D. Heimer	-	2,500
Kimberly A. Heiting	1,500	2,100
Dennis L. Henderson	2,500	5,200
Thomas D. Hendrie	1,500	2,500
Ron L. Howard	-	500
Jon G. Huddleston	500	2,000
Deborah L. Jacobsen <sup>1</sup>	1,000	3,000
Jordis I. Jensen <sup>1</sup>	1,000	1,300
Leslie A. Johnson	500	500
Catherine A. Jones	1,000	1,750
Eva N. Kearns	1,000	1,000
Kimberly R. King	2,000	2,000
Onita R. King	500	1,500
Richard L. Krebs <sup>1</sup>	7,000	15,000
Nancy L. Lange	800	800
Claire L. Levine	500	500
Tamy S. Linver	500	1,000
Kevin S. McVay	-	500

<u>Name of Employee</u>	<u>No. of Options Granted 2004<sup>2</sup></u>	<u>No. of Options Outstanding at 12/31/04</u>
Grace T. Merchant	1,000	3,500
Scott A. Milam	1,000	2,000
C. Alex Miller	2,500	7,500
Jonathon K. Much	1,000	2,000
Charles A. Muehleck	500	500
Steven E. Nelson	1,000	4,500
Nick M. Oeder	1,000	2,000
Jean Marc Ohlmann	-	500
Paul L. O'Neal	500	1,500
Bruce L. Paskett	1,000	1,300
Gayle Patterson	1,000	1,500
Wayne F. Phillips	1,500	2,600
Lanny W. Pitts	500	1,000
Ronald D. Polvi	-	2,000
Nick J. Potts	-	2,000
Richard E. Proebstel	1,000	1,100
Cathy Reynolds	-	500
George E. Richardson, Jr. <sup>1</sup>	1,000	3,000
Lori L. Russell	1,500	3,500
Mary L. Schouten	-	500
Steven M. Sechrist	500	600
James E. Shaffer	-	100
Kerry L. Shampine	500	2,500
Alan D. Stewart	500	1,000
Barry C. Stewart	2,000	3,500
Charles E. Stinson	3,000	7,600
G. Wanda Stromquist	500	3,000
Mindi E. Thayer	1,000	2,000
Douglas L. Tilgner	-	500
William D. Udy	500	500
Ronald W. Van Bladeren	500	4,500
Barbara L. Volk	2,000	4,100
Marilyn M. Wald	500	2,000
Larry J. Walker	500	4,000
William A. Walker	1,000	1,100
Gary L. Warddrip <sup>1</sup>	-	1,000
David A. Weber	5,000	12,500
J. Keith White	5,000	6,600
David R. Williams	3,000	9,500
Linda R. Williams <sup>1</sup>	1,000	1,000
James R. Wilson	3,000	5,000
Grant M. Yoshihara	3,000	10,500
Luanne Zoller	500	500
<b>Total</b>	<b><u>202,800</u></b>	<b><u>431,470</u></b>

1 Deceased, retired or terminated employee; unexercised options, if any, have expired.

2 All non-statutory stock options were granted on February 25, 2004, except for 2,000 for Laura C. Goty and 16,000 for David H. Anderson on September 20, 2004.

The number of incentive and non-statutory stock options exercised during 2003 by individual employee, the date of exercise, the exercise price and the governing market value of the Company's Common Stock applicable to each exercise were as follows:


Name of Employee	Date of Exercise	No. of Options Exercised		Exercise Price	Market Value of Common Stock
		Incentive	Non-Statutory		
Dodge, Susan R.	01/09/2004	-	700	\$26.300	\$30.5800
Dodge, Susan R.	01/09/2004	-	1,000	\$27.875	\$30.5800
Potts, Nick J.	01/16/2004	-	1,500	\$24.000	\$30.6100
Van Bladeren, Ronald W.	01/23/2004	-	1,500	\$24.000	\$31.1300
Sechrist, Steven M.	02/04/2004	-	400	\$26.300	\$30.2000
Dodson, Mark S.	02/10/2004	-	1,600	\$20.250	\$30.7000
Boehlke, James R.	02/12/2004	-	1,000	\$27.875	\$31.3500
Boehlke, James R.	02/12/2004	-	200	\$26.300	\$31.3500
Boehlke, James R.	02/13/2004	-	300	\$20.250	\$31.3500
Boehlke, James R.	02/13/2004	-	500	\$26.300	\$31.3500
Barton, Dennis L.	02/13/2004	-	100	\$26.300	\$31.2600
Barton, Dennis L.	02/13/2004	-	300	\$26.300	\$31.3000
Coppel, Paula G.	03/04/2004	-	700	\$26.300	\$32.5000
Dehning, James E.	03/04/2004	-	400	\$26.300	\$32.3500
White, J. Keith	03/05/2004	-	800	\$24.910	\$32.6700
White, J. Keith	03/05/2004	-	100	\$26.300	\$32.6900
White, J. Keith	03/05/2004	-	1,600	\$26.300	\$32.6500
Stewart, Barry C.	03/09/2004	-	500	\$20.250	\$32.4600
Bell, David C.	4/12/2004	-	1,000	\$27.875	\$30.6500
Bell, David C.	4/12/2004	-	400	\$26.300	\$30.6500
Bell, David C.	4/12/2004	-	300	\$26.300	\$30.6400
Dodson, Mark S.	8/6/2004	-	2,000	\$20.250	\$29.5200
Doolittle, Lea Anne	8/16/2004	-	5,000	\$22.875	\$30.0000
Aimone, David W.	8/25/2004	-	1,250	\$20.250	\$30.5000
Grosness, Gail	9/3/2004	-	500	\$20.250	\$31.3000
De Bolt, Bruce R.	9/8/2004	-	4,821	\$20.920	\$31.9000
De Bolt, Bruce R.	9/8/2004	-	5,000	\$27.875	\$31.9000
De Bolt, Bruce R.	9/8/2004	-	6,659	\$20.250	\$31.9000
Reiten, Richard G.	9/10/2004	-	9,900	\$26.300	\$32.1500
Reiten, Richard G.	9/10/2004	-	600	\$26.300	\$32.3500
Reiten, Richard G.	9/10/2004	-	9,400	\$26.300	\$32.1000
Reiten, Richard G.	9/10/2004	-	100	\$26.300	\$32.2100
Feltz, Stephen P.	9/30/2004	-	200	\$20.250	\$31.7700
Feltz, Stephen P.	9/30/2004	-	1,800	\$20.250	\$31.7600
Walker, William A.	10/12/2004	-	200	\$26.300	\$31.4500
Dodson, Mark S.	11/16/2004	-	1,644	\$20.250	\$33.2900
Snyder, Richard F.	11/17/2004	-	1,000	\$27.875	\$33.1100
Snyder, Richard F.	11/17/2004	-	300	\$20.250	\$33.1100
Snyder, Richard F.	11/17/2004	-	200	\$20.250	\$33.1800
Friedman, Randolph S.	11/17/2004	-	1,300	\$27.875	\$32.8300
Friedman, Randolph S.	11/17/2004	-	200	\$27.875	\$32.8200
Shaffer, James E.	11/18/2004	-	1,000	\$27.875	\$33.0000
Shaffer, James E.	11/18/2004	-	500	\$20.250	\$33.0000
Shaffer, James E.	11/18/2004	-	300	\$26.300	\$33.0000
Shaffer, James E.	11/18/2004	-	100	\$26.300	\$33.0200
Gent, George J.	11/18/2004	-	800	\$20.250	\$33.0500
Gent, George J.	11/18/2004	-	200	\$20.250	\$33.0600
Paskett, Bruce L.	11/22/2004	-	1,500	\$27.875	\$33.0000

Name of Employee	Date of Exercise	No. of Options Exercised		Exercise Price	Market Value of Common Stock
		Incentive	Non-Statutory		
Paskett, Bruce L.	11/22/2004	-	600	\$26.300	\$33.0000
Paskett, Bruce L.	11/22/2004	-	100	\$26.300	\$33.0500
Stinson, Charles E.	11/23/2004	-	1,000	\$20.250	\$32.9100
Kantor, Gregg S.	11/24/2004	-	1,873	\$20.250	\$33.4400
Kantor, Gregg S.	11/24/2004	-	627	\$20.250	\$33.2600
Williams, David R.	11/29/2004	-	800	\$20.920	\$34.0000
Williams, David R.	11/29/2004	-	700	\$20.920	\$34.0100
Proebstel, Richard E.	12/6/2004	-	1,000	\$20.250	\$32.9000
Proebstel, Richard E.	12/6/2004	-	400	\$26.300	\$32.9000
Henderson, Dennis L.	12/9/2004	-	500	\$26.300	\$32.3800
Henderson, Dennis L.	12/9/2004	-	800	\$26.300	\$32.3700
Jensen, Jordis I.	12/14/2004	-	300	\$26.300	\$32.8500
Abshire, Timothy S.	12/14/2004	-	200	\$20.250	\$33.0000
Abshire, Timothy S.	12/15/2004	-	800	\$20.250	\$33.0000
Barsotti, Elaine M.	12/17/2004	-	400	\$27.875	\$33.0500
Barsotti, Elaine M.	12/17/2004	-	100	\$27.875	\$33.0600
Barsotti, Elaine M.	12/17/2004	-	1,400	\$26.300	\$33.0500
Davis, Ronald K.	12/29/2004	-	300	\$26.300	\$33.7511
Davis, Ronald K.	12/29/2004	-	500	\$26.300	\$33.7600
Davis, Ronald K.	12/29/2004	-	200	\$26.300	\$33.7900
Rue, Conrad J.	12/30/2004	-	3,000	\$27.875	\$33.8400
Rue, Conrad J.	12/30/2004	-	2,900	\$26.300	\$33.8400
Rue, Conrad J.	12/30/2004	-	200	\$26.300	\$33.7900
Rue, Conrad J.	12/30/2004	-	300	\$26.300	\$33.8000
Ugoretz, Beth A.	12/31/2004	-	310	\$27.600	\$33.9000
Ugoretz, Beth A.	12/31/2004	-	1,390	\$27.600	\$33.8200

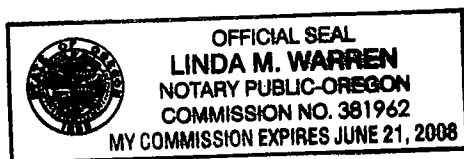
No SARs were exercised by employees during 2004.

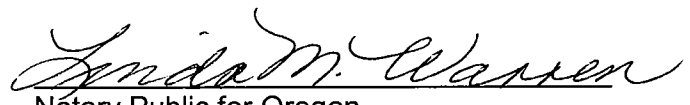
IN WITNESS WHEREOF, I have hereunto affixed my hand and the corporate seal of Northwest Natural Gas Company this 3<sup>rd</sup> day of February 2005.

(S E A L)

  
 C. J. Rue  
 Secretary of Northwest Natural Gas Company

Subscribed to and sworn to before me this 3<sup>rd</sup> day of February 2005.



  
 Notary Public for Oregon  
 My Commission Expires: 6/21/08