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January 30, 2007

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, 2006. Copies of the Company's 2006 Annual Report to Shareholders and its 2007 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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RECORDS MANAGEMENT
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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION 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

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, 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 22, 2006, non-statutory options to purchase 97,800 shares were granted to 41 employees at a price of \$34.29. 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 attachments, including a summary of stock option activity in 2006 and details of stock option grants and exercises, are submitted pursuant to Paragraph 8 of the Commission's Order dated March 26, 2003.

No SARs were exercised by employees during 2006.

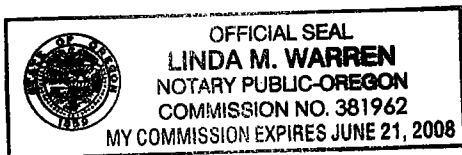
IN WITNESS WHEREOF, I have hereunto affixed my hand and the corporate seal of Northwest Natural Gas Company this 30th day of January 2007.

(S E A L)



C. J. Rue
Secretary of Northwest Natural Gas Company

Subscribed to and sworn to before me this 30th day of January 2007.




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

Stock Option Activity: NW Natural

12/31/2006

	Stock Options	Weighted Average Exercise Price
Outstanding as of 12/31/2005	308,500	\$29.26
Issued	97,800	\$34.29
Exercised	69,300	\$27.15
Forfeited	3,000	\$32.52
Expired	0	
Outstanding as of 12/31/2006	334,000	\$31.14
Shares exercisable as of 12/31/2006	179,700	\$29.16

Outstanding:

Range of Exercise Prices	Stock Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
\$20.25 - \$38.30	334,000	\$31.14	7.10
	334,000	\$31.14	7.10

Exercisable:

Range of Exercise Prices	Stock Options Exercisable	Weighted Average Exercise Price
\$20.25 - \$38.30	179,700	\$29.16
	179,700	\$29.16

The weighted-average fair value for options issued during period specified was \$6.29 and was estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2006
Expected Life in Years	6.21
Volatility	22.78%
Interest Rate	4.51%
Yield Rate	4.02%

NW Natural - Transaction Report

Stock Option - Grant Transactions

Employee		Grant				Transaction			
Number	Name	Number	Grant Date	Grant Price	Exercise Price	Type	Tran Date	Options	Stock Price
104	Anderson, David H.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	8,000.00	\$ 34.2900
3	Barsotti, Elaine M.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
5	Bauer, Gary E.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
93	Chapman, Paul F.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
107	Dady, Robin	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	500.00	\$ 34.2900
16	Dodge, Susan R.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
17	Dodson, Mark S.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	23,000.00	\$ 34.2900
18	Doolittle, Lea Anne	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	3,000.00	\$ 34.2900
19	Feltz, Stephen P.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
108	Filippi, Shawn	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
20	Friedman, Randolph S.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,700.00	\$ 34.2900
103	Goty, Laura C.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
25	Grosness, Gail	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
109	Hayward, Mike	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	500.00	\$ 34.2900
29	Heiting, Kimberly A.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
31	Hendrie, Thomas D.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
37	Kantor, Gregg S.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	3,000.00	\$ 34.2900
88	King, Kimberly R.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
105	Kirkpatrick, Margaret D.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	5,000.00	\$ 34.2900
102	Lange, Nancy L.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
40	Linver, Tamy S.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
41	Luther, Richelle T.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
86	McVay, Kevin S.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
87	Merchant, Grace T.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
110	Meyer, Holly	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
44	Miller, C. Alex	206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
99	Muehleck, Charles A.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
53	Phillips, Wayne F.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
59	Reynolds, Catherine M.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
61	Rue, Conrad J.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
62	Russell, Lori L.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
70	Stinson, Charles E.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
72	Thayer, Mindi E.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	600.00	\$ 34.2900
76	Volk, Barbara L.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	1,200.00	\$ 34.2900
42	McCoy, Michael S.	2206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	8,000.00	\$ 34.2900
81	Weber, David A.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
82	White, J. Keith	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
83	Williams, David R.	206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
84	Wilson, James R.	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
111	Wyatt, Robert	22206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	500.00	\$ 34.2900

NW Natural - Transaction Report

Stock Option - Grant Transactions

Employee		Grant			Transaction				
<u>Number</u>	<u>Name</u>	<u>Number</u>	<u>Grant Date</u>	<u>Grant Price</u>	<u>Exercise Price</u>	<u>Type</u>	<u>Tran Date</u>	<u>Options</u>	<u>Stock Price</u>
85	Yoshihara, Grant M.	206share	02/22/2006	\$ 34.2900	\$ 34.2900	G	02/22/2006	2,500.00	\$ 34.2900
								97,800.00	

NW Natural - Transaction Report

Stock Option - Exercise Transactions

Employee		Grant				Transaction			
Number	Name	Number	Grant Date	Grant Price	Exercise Price	Type	Tran Date	Options	Stock Price
78	Walker, Larry J.	02211996share13821	02/21/1996	\$ 20.9200	\$ 20.9200	E	02/22/2006	1,500.00	\$ 34.3400
78	Walker, Larry J.	02251998share3500	02/25/1998	\$ 27.8750	\$ 27.8750	E	02/22/2006	500.00	\$ 34.3400
78	Walker, Larry J.	02232000share6000	02/23/2000	\$ 20.2500	\$ 20.2500	E	02/22/2006	500.00	\$ 34.3400
78	Walker, Larry J.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	02/22/2006	1,000.00	\$ 34.3400
39	Krebs, Richard L.	02251998share9000	02/25/1998	\$ 27.8750	\$ 27.8750	E	01/06/2006	3,000.00	\$ 36.0000
75	Van Bladeren, Ronald W.	02211996share13821	02/21/1996	\$ 20.9200	\$ 20.9200	E	02/22/2006	1,250.00	\$ 34.2900
75	Van Bladeren, Ronald W.	02211996share13821	02/21/1996	\$ 20.9200	\$ 20.9200	E	02/28/2006	250.00	\$ 34.5400
71	Stromquist, G. Wanda	02272002share12000	02/27/2002	\$ 25.3800	\$ 26.3000	E	03/29/2006	500.00	\$ 35.0737
71	Stromquist, G. Wanda	2004share 500 Strom	02/25/2004	\$ 31.3400	\$ 31.3400	E	03/29/2006	500.00	\$ 35.0737
71	Stromquist, G. Wanda	02251998share23000	02/25/1998	\$ 27.8750	\$ 27.8750	E	03/29/2006	1,000.00	\$ 35.0737
71	Stromquist, G. Wanda	02232000share7000	02/23/2000	\$ 20.2500	\$ 20.2500	E	03/29/2006	1,000.00	\$ 35.0737
36	Jones, Catherine A.	02272002share1500	02/27/2002	\$ 25.3800	\$ 26.3000	E	03/31/2006	750.00	\$ 35.3430
36	Jones, Catherine A.	02252004share26000	02/25/2004	\$ 31.3400	\$ 31.3400	E	03/31/2006	400.00	\$ 35.3430
3	Barsotti, Elaine M.	02272002share2000	02/27/2002	\$ 25.3800	\$ 26.3000	E	06/13/2006	600.00	\$ 35.3205
3	Barsotti, Elaine M.	02252004share14000	02/25/2004	\$ 31.3400	\$ 31.3400	E	06/13/2006	1,400.00	\$ 35.3205
34	Jacobsen, Deborah L.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	07/03/2006	1,000.00	\$ 36.4200
7	Boehlike, James R.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	08/01/2006	300.00	\$ 38.0100
7	Boehlike, James R.	02252004share26000	02/25/2004	\$ 31.3400	\$ 31.3400	E	08/01/2006	700.00	\$ 38.0100
25	Grossness, Gail	02251998share23000	02/25/1998	\$ 27.8750	\$ 27.8750	E	08/09/2006	1,000.00	\$ 37.6571
25	Grossness, Gail	02272002share1500	02/27/2002	\$ 25.3800	\$ 26.3000	E	08/09/2006	750.00	\$ 37.6571
81	Weber, David A.	02252004share30000	02/25/2004	\$ 31.3400	\$ 31.3400	E	08/11/2006	3,400.00	\$ 37.3000
81	Weber, David A.	02272002share30000	02/27/2002	\$ 25.3800	\$ 26.3000	E	08/11/2006	5,000.00	\$ 37.3000
26	Gullberg, Ronald W.	02252004share26000	02/25/2004	\$ 31.3400	\$ 31.3400	E	08/18/2006	700.00	\$ 38.2100
70	Stinson, Charles E.	02232000share1600	02/23/2000	\$ 20.2500	\$ 20.2500	E	08/18/2006	600.00	\$ 38.1200
79	Walker, William A.	02252004share26000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/13/2006	300.00	\$ 38.5801
21	Geertz, Allen E.	02232000share1300	02/23/2000	\$ 20.2500	\$ 20.2500	E	09/14/2006	300.00	\$ 38.8000
21	Geertz, Allen E.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	09/14/2006	700.00	\$ 38.8000
61	Rue, Conrad J.	02252004share30000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/15/2006	2,000.00	\$ 39.1905
92	Williams, Linda R.	252004share1000LR	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/19/2006	1,000.00	\$ 39.2330
50	O Neal, Paul L.	02272002share12000	02/27/2002	\$ 25.3800	\$ 26.3000	E	09/25/2006	500.00	\$ 39.4350
50	O Neal, Paul L.	02252004share11000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/25/2006	400.00	\$ 39.4350
50	O Neal, Paul L.	02232000share6000	02/23/2000	\$ 20.2500	\$ 20.2500	E	09/25/2006	500.00	\$ 39.4350
87	Merchant, Grace T.	02272002share17500	02/27/2002	\$ 25.3800	\$ 26.3000	E	09/28/2006	1,000.00	\$ 39.8660
88	King, Kimberly R.	02252004share14000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/29/2006	100.00	\$ 39.7300
88	King, Kimberly R.	02252004share14000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/29/2006	1,000.00	\$ 39.6300
88	King, Kimberly R.	02252004share14000	02/25/2004	\$ 31.3400	\$ 31.3400	E	09/29/2006	300.00	\$ 39.6400
47	Nelson, Steven E.	02211996share13821	02/21/1996	\$ 20.9200	\$ 20.9200	E	02/24/2006	1,000.00	\$ 33.9970
54	Pitts, Lanny W.	02272002share12000	02/27/2002	\$ 25.3800	\$ 26.3000	E	10/20/2006	500.00	\$ 41.0630
54	Pitts, Lanny W.	252004share500PITI	02/25/2004	\$ 31.3400	\$ 31.3400	E	10/20/2006	500.00	\$ 41.0630
24	Grimmer, Cal R.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/08/2006	1,000.00	\$ 39.6540

NW Natural - Transaction Report

Stock Option - Exercise Transactions

Employee		Grant				Transaction			
Number	Name	Number	Grant Date	Grant Price	Exercise Price	Type	Tran Date	Options	Stock Price
24	Grimmer, Cal R.	02252004share75000	02/25/2004	\$ 31.3400	\$ 31.3400	E	11/08/2006	1,000.00	\$ 39.6540
90	Forker, Mark C.	02252004share26000	02/25/2004	\$ 31.3400	\$ 31.3400	E	11/07/2006	700.00	\$ 39.3400
48	Oeder, Nick M.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/10/2006	1,000.00	\$ 40.3100
84	Wilson, James R.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/13/2006	700.00	\$ 40.3100
84	Wilson, James R.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/13/2006	200.00	\$ 40.3200
84	Wilson, James R.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/13/2006	100.00	\$ 40.3600
18	Doolittle, Lea Anne	02252004share30000	02/25/2004	\$ 31.3400	\$ 31.3400	E	11/17/2006	2,000.00	\$ 40.5755
12	De Bolt, Bruce R.	02272002share8000	02/27/2002	\$ 25.3800	\$ 26.3000	E	10/20/2006	5,000.00	\$ 41.0070
20	Friedman, Randolph S.	02212001share10000	02/21/2001	\$ 24.9100	\$ 24.9100	E	11/17/2006	2,000.00	\$ 40.5455
55	Polvi, Ronald D.	02272002share12000	02/27/2002	\$ 25.3800	\$ 26.3000	E	11/22/2006	500.00	\$ 40.2200
55	Polvi, Ronald D.	02251998share23000	02/25/1998	\$ 27.8750	\$ 27.8750	E	11/22/2006	1,000.00	\$ 40.2200
55	Polvi, Ronald D.	02232000share6000	02/23/2000	\$ 20.2500	\$ 20.2500	E	11/22/2006	200.00	\$ 40.2900
55	Polvi, Ronald D.	02232000share6000	02/23/2000	\$ 20.2500	\$ 20.2500	E	11/22/2006	300.00	\$ 40.2200
29	Heiting, Kimberly A.	02252004share75000	02/25/2004	\$ 31.3400	\$ 31.3400	E	11/30/2006	100.00	\$ 41.1200
29	Heiting, Kimberly A.	02252004share75000	02/25/2004	\$ 31.3400	\$ 31.3400	E	11/30/2006	400.00	\$ 41.1000
1	Abshire, Timothy S.	02251998share23000	02/25/1998	\$ 27.8750	\$ 27.8750	E	11/30/2006	1,000.00	\$ 41.1900
35	Jensen, Jordis I.	02252004share10000	02/25/2004	\$ 31.3400	\$ 31.3400	E	12/05/2006	1,000.00	\$ 41.7000
83	Williams, David R.	02232000share12500	02/23/2000	\$ 20.2500	\$ 20.2500	E	12/05/2006	1,909.00	\$ 41.7500
83	Williams, David R.	02232000share12500	02/23/2000	\$ 20.2500	\$ 20.2500	E	12/05/2006	591.00	\$ 41.8100
70	Stinson, Charles E.	02251998share10500	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/15/2006	1,500.00	\$ 42.9600
42	McCoy, Michael S.	02251998share15000	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/14/2006	800.00	\$ 42.5800
42	McCoy, Michael S.	02251998share15000	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/14/2006	4,200.00	\$ 42.4300
22	Gent, George J.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	12/14/2006	100.00	\$ 41.3800
22	Gent, George J.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	12/08/2006	110.00	\$ 41.3700
22	Gent, George J.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	12/08/2006	700.00	\$ 41.3200
22	Gent, George J.	02272002share21000	02/27/2002	\$ 25.3800	\$ 26.3000	E	12/08/2006	90.00	\$ 41.3300
37	Kantor, Gregg S.	02251998share9000	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/11/2006	925.00	\$ 41.4400
37	Kantor, Gregg S.	02251998share9000	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/11/2006	1,450.00	\$ 41.4300
37	Kantor, Gregg S.	02251998share9000	02/25/1998	\$ 27.8750	\$ 27.8750	E	12/11/2006	625.00	\$ 41.4000
101	Zoller, Luanne	02252004share11000	02/25/2004	\$ 31.3400	\$ 31.3400	E	12/22/2006	100.00	\$ 42.0900
101	Zoller, Luanne	02252004share11000	02/25/2004	\$ 31.3400	\$ 31.3400	E	12/22/2006	300.00	\$ 42.0000
									69,300.00