

Stephen P. Feltz
Treasurer and Controller
Tel: 503.220-2345
Fax: 503.220.2584
Toll Free: 1.800.422.4012
e-mail: spf@nwnatural.com



March 23, 2009

RECEIVED

MAR 27 2009

WASH. UT. & TP. COMM

Deutsche Bank Trust Company Americas
Trust & Securities Services
25 DeForest Avenue
Second Floor, MS SUM01-0105
Summit, NJ 07901

Attention: Ms. Irina Golovashchuk
Assistant Vice President

Ladies and Gentlemen:

Pursuant to Northwest Natural Gas Company's (the "Company") Bond Application No. 137-B-28 to Deutsche Bank Trust Company Americas, dated March 18, 2009, made under the provisions of Articles V and VI of the Company's Mortgage and Deed of Trust, dated as of July 1, 1946, as supplemented and amended (the "Mortgage") to you and R.G. Page (Stanley Burg, successor), as Trustees, providing for the authentication and delivery from time to time of the Company's First Mortgage Bonds, designated Secured Medium-Term Notes, Series B (the "Notes"), in the aggregate principal amount of an additional \$300,000,000, and in connection with the Company's issuance and sale of \$75,000,000 principal amount of Notes, we enclose herewith:

1. Instructions No. 1 pursuant to Company Order dated March 18, 2009, relating to a Secured Medium-Term Note sale made by the Company on March 20, 2009, to be settled on March 25, 2009 (the "Settlement Date");
2. Amended Statement and Request for Written Order of Northwest Natural Gas Company Establishing Compliance with RCW 80.08.040 With Respect to the Proposed Issuance and Sale of Not More than \$300,000,000 Principal Amount of Medium-Term Notes, Series B (file-stamped by the WUTC);
3. Copy of officially certified Order No. 08-539 of the Oregon Public Utility Commission, dated November 6, 2008 in Docket No. UF 4254 authorizing the issuance and sale of the Notes (a certified copy of which was previously delivered);
4. Opinion of Margaret D. Kirkpatrick, counsel to the Company under the Mortgage, dated March 25, 2009, as requested under Sections 3, 28(7) and (8), 29(4) and 121 of the Mortgage; and

5. Secured Note R-1; and
6. Certificate of David H. Anderson pursuant to Section 5(n)(ii) of the Distribution Agreement, dated March 18, 2009, between the Company and the Agents named therein.

The opinion of Stoel Rives LLP regarding the Statement filed with the Washington Utilities and Transportation Commission will be submitted under separate cover by Stoel Rives LLP.

As per the Settlement Procedures for Book-Entry Notes in the Administrative Procedure, the Secured Note is to be delivered to The Depository Trust Company by 10:00 a.m. on the Settlement Date. Please arrange for the net proceeds to be wired to the Company's account at Wells Fargo Bank (Account Number: 4159 577 469 RTN: 121 000 248) to be credited with the appropriate sum on the Settlement Date.

Sincerely,



Stephen P. Feltz

Encl.

cc: John T. Hood, Esq.
Bobbi O'Connor, Esq.
David H. Anderson
MardiLyn Saathoff, Esq.
Shawn M. Filippi, Esq.
Robert Y. Pelgrift, Esq.
Jessica Gross, Esq.
Jennie L Bricker, Esq.
Linda Deckard, Accounting
Dave Aimone, Treasury

Receipt of the above letter and
enclosure is acknowledged

(date)

DEUTSCHE BANK TRUST
COMPANY AMERICAS

By _____

Instructions No. 1 pursuant to Company Order dated March 18, 2009

Northwest Natural Gas Company
Medium-Term Notes

Instructions

To: Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as Trustee

Pursuant to order of the Company dated March 18, 2009

Agent's name and DTC-SDFS Participant No.:

UBS Securities LLC; No. 642
J.P. Morgan Securities Inc.; No. 187 XX
Piper Jaffray & Co.; No. 0311
Banc of America Securities LLC; No. 773

Exact name in which the Note is to be registered ("registered owner"): Cede & Co.

Exact address and taxpayer identification number of registered owner:

The Depository Trust Company
55 Water Street
New York, New York 10041

13-2555119

Note is: Secured Medium-Term Note, Series B
 Unsecured Medium-Term Note, Series B

CUSIP No.: 66765R BX3

Aggregate principal amount: \$75,000,000

Party to whom the Note is to be delivered:
The Depository Trust Company

Trade/sale date: March 20, 2009

Original Issue Date (settlement date): March 25, 2009

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

Time of delivery: March 25, 2009

Stated maturity date: February 1, 2020

Issue price (%): 100%

The Agent's commission (%): 0.625%

Net proceeds to the Company (%): 99.375%

Method of and specified funds for payment of purchase price:

As per Administrative Procedure, Book-entry Settlement Procedures F through I.

Interest rate or rates (in the case of Secured Notes, such rate or rates may not exceed the assumed rate set forth in the most recent Net Earnings Certificate): 5.370%

Interest payment dates: February 1 and August 1

Initial interest payment date: August 1, 2009

Regular record dates: January 15 and July 15

Redeemable at Company's option: yes no

In whole: yes no

In part: yes no

Initial redemption date: Not applicable

Redemption limitation date: Not applicable

Fixed Redemption Prices: Not applicable

Initial redemption price: Not applicable

Reduction percentage: Not applicable

Make-Whole Redemption Price: Yes, as described in the Note

Make-Whole Spread: 0.50%

Repayable at Holder's option: yes no

Repayment date: Not applicable

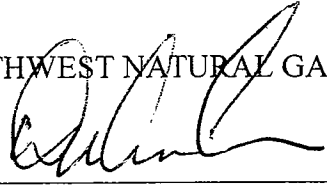
Repayment price: Not applicable

Election period: Not applicable

Sinking fund or other retirement provisions: Not applicable

Related Pricing Supplement No.: 1

NORTHWEST NATURAL GAS COMPANY

By: 
Authorized Signatory

Shawn M. Filippi
Associate Counsel
Telephone: (503)220-2435
Facsimile: (503)220-2584
Email: smf@nwnatural.com



March 4, 2009

Amended
UG-090273-SF

Dave Danner
Washington Utilities and Transportation Commission
1300 So. Evergreen Park Drive SW
Olympia, WA 98504-7250

Re: Docket UG-_____ : NW Natural's Amended Statement and Request for Written Order Establishing Compliance With RCW 80.08.040 With Respect to the Proposed Issuance and Sale of Not More Than \$300,000,000 of Medium-Term Notes, Series B.

2009 MAR -5 AM 10:26

Dear Mr. Danner:

Transmitted herewith for filing with the Washington Utilities and Transportation Commission (the "Commission") is a Statement complying with RCW 80.08.040 and WAC 480-90-242, and a Request for a Written Order confirming such compliance by Northwest Natural Gas Company (the "Company") with respect to the Company's proposed issuance and sale of up to \$300,000,000 principal amount of its Medium-Term Notes, Series B. As discussed with Ken Elgin, this Statement and Request for Written Order supersedes and replaces the Company's prior Statement and Request for Written Order with respect to the proposed issuance and sale of not more than \$100,000,000 of Medium-Term Notes, Series B.

Also transmitted herewith is a draft proposed order of the Commission for use in connection with the processing of the Company's Statement and Request for Written Order.

If you have any questions, or if you require additional information in support of this Statement and Request for Written Order, please give me a call at 503-220-2435 or e-mail at smf@nwnatural.com.

Upon completion, please forward to me at this address, 10 certified copies of the Order of the Commission in this Docket along with an electronic copy at the above email address.

Sincerely,

Shawn M. Filippi
Associate Counsel

Posted

cc: w/Encl.: David H. Anderson
Margaret D. Kirkpatrick, Esq.
MardiLyn Saathoff, Esq.
C. Alex Miller
Inara K. Scott
Ken Elgin – WUTC

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

| | | |
|--|---|--|
| In the Matter of the Amended Statement and Request For a Written Order of |) | DOCKET NO. UG-_____ |
| NORTHWEST NATURAL GAS COMPANY |) | AMENDED STATEMENT AND REQUEST FOR WRITTEN ORDER |
| Establishing Compliance With RCW 80.08.040 With Respect to the Proposed Issuance and Sale of Not More Than \$300,000,000 Principal Amount of Medium-Term Notes, Series B |) | |

On or about February 18, 2009, Northwest Natural Gas Company ("NW Natural" or the "Company") filed a Statement complying with RCW 80.08.040 for the proposed issuance and sale of not more than \$100,000,000 principal amount of Medium-Term Notes, Series B (the "Prior Statement"). This Statement and Request for Written Order amends the Prior Statement to request a total proposed issuance and sale of not more than \$300,000,000 principal amount of Medium-Term Notes, Series B (the "Amended Statement") and requests a written order confirming that the Company has so complied. A form of proposed order is attached as Exhibit A.

On January 8, 2008, the Company filed a universal shelf registration (the "Universal Shelf Registration") with the Securities and Exchange Commission (the "SEC") on a Form S-3 registering an unlimited amount of certain debt and equity securities, including, but not limited to: (i) Secured Notes, Series B (First Mortgage Bonds) issued under the Company's Medium-Term Note Program (the "Secured Notes"); and (ii) Unsecured Notes, Series B Issued under the Company's Medium-Term Note Program (the "Unsecured Notes" and collectively with the Secured Notes referred

to as "Medium-Term Notes"). In accordance with WAC 480-90-242(3), no filing with the Washington Utilities and Transportation Commission ("WUTC") was necessary upon filing of the Shelf Registration.

The Universal Shelf Registration replaced the Company's shelf registration for which the Company established preliminary compliance with RCW 80.08.040 with respect to the issuance and sale of up to \$160,000,000 of Medium-Term Notes, Series B, in Docket UG-040405. Supplemental written orders of compliance were sought in subsequent issuances of debt securities in Docket No. UG-050522 and Docket No. UG-061346. The Company will not be issuing any additional Medium-Term Notes under any of the prior dockets. Likewise, the Company expects that the WUTC order related to this Amended Statement will supersede and replace the WUTC order issued with respect to the Prior Statement.

NW Natural now respectfully requests in this Amended Statement that the WUTC enter an order establishing compliance with RCW 80.08.040 and WAC 480-90-242 with respect to the Company's proposed issuance and sale of up to \$300,000,000 principal amount of Medium-Term Notes. The Company has filed this Amended Statement to facilitate the closing of a new Distribution Agreement related to the sale of up to \$300,000,000 principal amount of Medium-Term Notes under the Company's Universal Shelf Registration. The Company's request is as follows:

- (1) A description of the purposes for which the issuance will be made, including a certification by an officer authorized to do so, that the proceeds from any such financing is for one or more of the purposes allowed by RCW 80.08.030.**

The Company will use the proceeds from Medium-Term Notes for the acquisition of property, or the construction, completion, extension or improvement of its facilities, or the improvement or maintenance of its service, or the discharge or

refunding of its obligations, or the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the Company not secured by or obtained from the issue of stock or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidence of indebtedness of the Company for any of the aforesaid purposes except maintenance of service, in cases where the Company keeps its accounts and vouchers for such expenditures in such manner as to enable the WUTC to ascertain the amount of money so expended and the purpose for which the expenditure was made.

Specifically, the Company expects to use the proceeds of the issue as follows:

- for refunding short-term debt that was incurred in connection with the redemption of \$20,000,000 principal amount of 6.31% Series B Secured Medium-Term Notes at maturity in March 2007, and \$9,500,000 million principal amount of 6.80% Series B Medium-Term Notes at maturity in May 2007; and
- up to \$250,000,000 to be used for refunding the Company's short-term debt incurred in connection with the acquisition of property or the construction, completion, extension or improvement of the Company's facilities, or the improvement or maintenance of service, or the refunding of other long-term debt, or the reimbursement of the Company's treasury for any of the aforementioned purposes except maintenance of service;
- the remaining \$20,500,000 to be used for the acquisition of property, or the construction, completion, extension or improvement of the Company's facilities, or the improvement or maintenance of its service, or the issuance of stock dividends or the discharge or refunding of its obligations, or the reimbursement of moneys actually expended from

income or from any other moneys in the treasury of the company not secured by or obtained from the issue of stock or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidence of indebtedness of the Company for any of the aforesaid purposes except maintenance of service, in cases where the applicant keeps its accounts and vouchers for such expenditures in such manner as to enable the commission to ascertain the amount of money so expended and the purpose for which the expenditure was made.

Such purposes are permitted by RCW 80.08.030.

In accordance with WAC 480-90-242, the Company will, within 60 days after the issuance of any Medium-Term Notes, file with the WUTC a verified statement (a) outlining the terms and conditions of the transaction; and (b) setting forth actual proceeds from the issuance and, to the extent known, the disposition of proceeds stating the final amount to be used for each purpose allowed by RCW 80.08.030.

(2) A description of the proposed issuance, including the terms of financing.

(a) Type and nature of securities

A full description of the Medium-Term Notes is included in the Company's Form S-3 Registration Statement filed with the SEC on January 8, 2008 a copy of which is filed as Exhibit B to this Application and in the draft Prospectus Supplement attached hereto as Exhibit C, which the Company intends to file with the SEC prior to issuance of the Medium-Term Notes.

The Company will issue the Secured Notes, if any, under its Mortgage and Deed of Trust, dated as of July 1, 1946, as heretofore amended and supplemented

by 20 Supplemental Indentures (the "Mortgage"), with Deutsche Bank Trust Company Americas (formerly Bankers Trust Company) and R.G. Page (Stanley Burg, successor), Trustees, which is attached hereto as Exhibit D. The Mortgage constitutes a first mortgage lien on substantially all of the utility property now owned and hereafter acquired by the Company. The Company will issue the Unsecured Notes, if any, under the Indenture dated as of June 1, 1991 (the "Indenture"), which has been entered into with Deutsche Bank Trust Company Americas, as Trustee, which is attached hereto as Exhibit E. The Medium Term Notes will be issued through a Distribution Agreement, which is attached hereto as Exhibit F. The Medium-Term Notes would have maturities of between one and 50 years.

The Medium-Term Notes will be sold in a public offering or on a private placement basis, they will be registered securities, and they may be priced by competitive bid or in a privately negotiated transaction.

(b) Amount of Securities

The Company seeks immediate authorization to issue up to an aggregate principal amount of \$300,000,000 of Medium-Term Notes.

(c) Interest Rate

The interest rates on Medium-Term Notes would be fixed and payable semi-annually in arrears. The interest rates on Medium-Term Notes will be determined at the point of sale either from competitive offers communicated by NW Natural's Medium-Term Note agents or from individual negotiations between an agent and the Company, in both cases, based on prevailing rates at the time for U.S. Treasury debt securities of comparable maturities and spreads over those rates reflecting the risk premium for corporate debt with the Company's credit ratings.

(d) Date of Issuance and Maturity

The Company expects to issue the Medium-Term Notes sometime within six months from the date of this Amended Statement in varying amounts, not to exceed an aggregate principal amount of \$300,000,000. The Medium-Term Notes may be issued as public offerings or on a private placement basis, they will be publicly registered securities, and they may be priced by competitive bidding or by privately negotiated transactions. The maturities of Medium-Term Notes will be not less than one year and not more than 50 years.

(e) Method of Sale

The Medium-Term Notes will be issued and sold through Merrill Lynch, Pierce, Fenner & Smith Incorporated (now a subsidiary of Bank of America), UBS Securities LLC, J.P. Morgan Securities Inc., Piper Jaffray Inc., or Banc of America Securities, LLC, as agents, or through such other agents as may hereafter be engaged by the Company. Upon the placement of the Medium-Term Notes, such agents will be paid commissions for their services in amounts based on a pre-determined percentage, ranging from 0.125% to 0.750% of the principal amount of the Medium-Term Notes sold, depending upon maturity term for the Medium-Term Notes. The amounts of such commissions will not exceed the customary fee for such services in arm's-length transactions. A table showing the commissions at the various maturities is set forth below.

The agents will provide the Company with information upon request regarding market conditions, interest rate levels and anticipated rate movements. Since offers to sell Medium-Term Notes may be posted on short notice, the Company can respond quickly to changes in market conditions, and interest rates can be readily

updated to reflect the aggressiveness with which the Company desires to tap a particular favorable market opportunity.

From time-to-time it may be advantageous to sell Medium-Term Notes to an agent as principal, in which case the Medium-Term Notes will be purchased by the agent at a price equal to 100 percent of the principal amount of the Medium-Term Notes, less a percentage not to exceed the commission applicable to an agency sale of Medium-Term Notes of identical maturity. Such Medium-Term Notes may be resold by the agent to investors and other purchasers at varying prices related to prevailing market prices at the time of resale, as determined by the agent, or at a fixed public offering price. The Company also may sell the Medium-Term Notes directly to investors.

(f) **Fees for Services.** As described above, the Medium-Term Notes are expected to be issued and sold through agents, which will receive a commission in the form of a discount upon the placement of each of the Notes. The maximum agents' commissions for the issuance and sale of all Medium-Term Notes under this Application and Request for Written Order in a given maturity range are as follows, unless otherwise agreed:

| <u>Range of Maturities</u> | <u>Commission (Percentage of Aggregate Principal Amount of Medium-Term Notes 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 50 years | .750% |

Should the Company sell any portion of the Medium-Term Notes to an agent as principal, the Medium-Term Notes will be purchased by such agent at a price not to exceed 100 percent of the principal amount thereof, less a percentage equal to the commission applicable to an agency sale of Medium-Term Notes of identical maturity.

(g) Price and Proceeds. This application seeks approval for an aggregate principal amount of \$300,000,000 of Medium-Term Notes. To illustrate the price and proceeds, however, the following illustrative example assumes total gross proceeds of \$100,000,000 and calculates the estimated expenses and the net proceeds to the Company from the sale of the Notes:

Estimated Fees and Expenses

| <u>Item</u> | <u>Amount</u> |
|--|---------------|
| 1. Principal amount or Par Value | \$100,000,000 |
| 2. Plus Premium or Less Discount | <u>None</u> |
| 3. Gross proceeds estimated | 100,000,000 |
| 4. Agents' Commissions ³ | 750,000 |
| 5. Securities and Exchange Commission registration fee | 15,870 |
| 6. State mortgage registration tax | None |
| 7. New York Stock Exchange fee | None |
| 8. State Commission fee | 800 |

| | | |
|-----|--|------------------|
| 9. | Fees for recording indenture | None |
| 10. | United States document tax | None |
| 11. | Printing and engraving expenses | 5,000 |
| 12. | Trustee's or Registrar's fees | 20,000 |
| 13. | Counsel's fees | 75,000 |
| 14. | Accountants' fees | 40,000 |
| 15. | Bond Rating Agency fees | 105,000 |
| 16. | Miscellaneous expenses | <u>10,000</u> |
| 17. | Total estimated commissions and expenses | <u>1,021,670</u> |
| 18. | Net estimated amount to be realized | \$98,978,330 |

These fees and expenses do not include amounts that the Company will pay, or receive, in connection with the settlement of a forward starting interest rate swap entered into by the Company on October 24, 2007 in an effort to hedge the Company's interest rate exposure on its next issuance of Medium-Term Notes.

(h) Corporate Authority

The Company's management and Board of Directors have concluded that the Company will have an opportunity to achieve the most favorable terms, e.g. lowest cost of money with desired issuance maturity and redemption provisions with respect to debt financing through the continued use of its Medium-Term Note Program.

The Board of Directors has authorized the issuance of Medium-Term Notes and has authorized the officers of the Company to seek OPUC and WUTC approval for such issuances. In addition, the Board of Directors has delegated to the Finance Committee of the Board the authority to issue and sell up to an aggregate principal amount of \$300,000,000 in Medium-Term Notes. The Board also authorized the officers of the Company to conduct negotiations with respect to issuance of the Medium-Term Notes. A copy of Certified Board Resolutions is attached hereto as Exhibit G. The OPUC has issued an order authorizing the Company's sale of Medium-Term Notes.

(i) Other Matters

The Medium-Term Notes to be issued as proposed herein will not be issued *pro rata* to existing holders of securities of the Company pursuant to any preemptive right or in connection with any liquidation or reorganization. None of the Medium-Term Notes will have voting privileges. The offering price, agents' commissions, and other terms of each issuance of Medium-Term Notes will be determined at the time of sale in accordance with the Twentieth Supplemental Indenture in the case of the Secured Notes, and in accordance with the Indenture in the case of the Unsecured Notes.

(j) Consistency with Company Financing Plan

The financing plan described in this Amended Statement is consistent with NW Natural's objectives to maintain a long-term capital structure consisting of approximately 50 percent common stock equity and approximately 50 percent long-term and short-term debt, and to maintain investment-grade credit ratings. As of the date of this Amended Statement, the Company's secured debt is rated "A2" by Moody's Rating and "AA-" by Standard & Poor's (S&P), and the Company's unsecured debt is rated "A3" by Moody's and "A+" by S&P, with a stable credit outlook by Moody's and a negative credit outlook by S&P.

The following table sets forth the Company's capital structure at December 31, 2008, along with its pro forma capital structure assuming the issuance of the full \$300,000,000 of the Medium-Term Notes.

| | <u>Capital Structure at December 31, 2008 (\$000)</u> | <u>Percent of Total</u> | <u>Pro Forma Financings (\$000)</u> | <u>Pro Forma Capital Structure with Financings¹ (\$000)</u> | <u>Percent of Total</u> |
|---------------------------------------|---|-----------------------------|---|--|-----------------------------|
| Common equity | \$628,373 | 45.3% | | \$628,373 | 43.6% |
| Long-term debt | 512,000 | 36.9% | 300,000 | 812,000 | 56.4% |
| Long-term debt due within one year | 0 | 0% | | 0 | 0% |
| Short-term notes payable | 248,000 | 17.8% | (248,000) | 0 | 0% |
| Total ¹ | 1,388,373 | 100.0% | 52,000 | 1,440,373 | 100.0% |

The pro forma capital structure set forth in the table above is not a projection of the Company's actual capital structure at December 31, 2008; it is for demonstrative purposes only. The Universal Shelf Registration under which the Company is submitting this Amended Statement allows for issuance of equity as well as debt securities. The Company will seek approval for equity issuances under the Universal Shelf Registration in a separate application to the WUTC at the appropriate time. The Company intends to seek approval for and issue sufficient equity to maintain a long-term capital structure with a total common equity level of 45 to 50 percent.

(3) A Statement as to why the transaction is in the public interest.

The advantages of the Medium-Term Note Program are that it enables the Company to: (1) issue small tranches of debt at rates which may be below those required for larger underwritten issues; (2) enter the market on short notice to take advantage of favorable yield and credit spread opportunities; (3) manage its financing program in light of market changes; (4) balance the maturities of its debt securities; and (5) achieve a potentially lower average interest cost while managing interest rate risk. In short, the Medium-Term Note Program gives the Company optimum flexibility to take advantage of favorable markets and attractive debt terms.

The Medium-Term Note Program provides the Company with the ability to raise funds at specific maturities in the intermediate and long-term range. Decisions can be made with the benefit of an immediate evaluation of financing costs. The Medium-Term Notes can be issued precisely when funds are required, mitigating the need for interim financing in the floating rate markets and the reinvestment risk

associated with financing in anticipation of capital requirements when market conditions are less attractive. At any point during the life of the Medium-Term Note Program prior to issuance, the Company may decide to suspend the solicitation of sales of Medium-Term Notes or to revise previously posted or negotiated terms.

The Company's ability to enter or depart the market quickly, and to adjust previously posted or negotiated rates, enables it to press the market for the lowest rates possible. In view of the volatility of interest rates, the opportunity to take immediate advantage of fixed-rate market "windows" has proven beneficial to the Company. Such a program serves as an alternative to the risk of fixing the interest rate for a large offering in a less than optimal market.

The market for our Medium-Term Notes is comprised of a broad mix of money center and regional institutions. These represent money market and corporate bond investors including banks, bank trust departments, insurance companies, investment companies, municipalities, pension funds and others, including individual investors. The depth of the market is significant. For more than 15 years, utilities and other corporate issuers have found a strong acceptance for their debt securities in this market.

NW Natural believes that the facts set forth herein show that the proposed issuance and sale of the Medium-Term Notes is for a lawful object within the corporate purposes of the Company and is compatible with the public interest; that said object is necessary or appropriate for or consistent with the proper performance by the Company of service as a public utility; and that the issuance and sale of the Medium-Term Notes is reasonably necessary or appropriate for such purpose.

As a public utility, the Company is obligated to secure sufficient gas supplies and maintain sufficient distribution capacity to serve its customers reliably at

the lowest reasonable cost. The Company believes that the Medium-Term Note Program described herein will effectively manage the overall financing costs and risks associated with the Company's public utility obligations. Therefore, the Company believes that the Medium-Term Notes are for a lawful object within the corporate purposes of the Company; are compatible with the public interest; that said object is necessary or appropriate for and consistent with the proper performance by the Company of service as a public utility; will not impair the Company's ability to perform such service; and is reasonably appropriate for such purposes.

Accordingly, pursuant to RCW 80.08.040(4), the Company respectfully requests a written order establishing the Company's compliance with RCW 80.08.040 and WAC 480-90-242, so that it may undertake an issuance or issuances of securities within the parameters described in this Application.

The undersigned hereby states, "I certify (or declare) under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct."

DATED at Portland, Oregon this 3rd day of March 2009.

NORTHWEST NATURAL GAS COMPANY

By 
Stephen P. Feltz
Title: Treasurer and Controller

EXHIBITS

- Exhibit A Proposed Form of Order
- Exhibit B Registration Statement on Form S-3 filed with the Securities and Exchange Commission on January 8, 2008 (previously delivered)
- Exhibit C Draft Prospectus Supplement related to the Medium-Term Notes, which will be filed immediately prior to the Company's issuance of Medium-Term Notes. Any additional Prospectus Supplements issued in connection with the Company's Medium-Term Note Program will be filed with the Commission upon issuance under such Prospectus Supplement (previously delivered)
- Exhibit D Copy of the Mortgage and Deed of Trust, dated as of July 1, 1946, as heretofore amended and supplemented by 20 Supplemental Indentures, to Deutsche Bank Trust Company Americas (formerly Bankers Trust Company) and R.G. Page (Stanley Burg, successor), Trustees (previously delivered)
- Exhibit E Copy of Indenture, dated as of June 1, 1991, between the Company and Deutsche Bank Trust Company Americas, as Trustee (previously delivered)
- Exhibit F Draft Distribution Agreement to be entered into immediately prior to the issuance of Medium-Term Notes. An executed copy of the Distribution Agreement will be filed with the WUTC upon the first issuance of the Medium-Term Notes (previously delivered)
- Exhibit G A certified excerpt of minutes of the Board of Directors meeting held December 20, 2007 approving the issuance of up to \$300,000,000 of Medium-Term Notes (previously delivered)
- Exhibit H A copy of the Company's Restated Article of Incorporation, as amended (previously delivered)
- Exhibit I A copy of the Company's Bylaws, as amended (previously delivered)

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

| | | |
|---|---|---------------------------|
| In the Matter of the Application of |) | DOCKET |
| |) | |
| Northwest Natural Gas Company, |) | ORDER |
| |) | |
| Petitioner, |) | |
| |) | |
| For an Order Establishing Compliance |) | ORDER ESTABLISHING |
| with the Provisions of RCW 80.08.040, |) | COMPLIANCE WITH |
| with Respect to its Proposal to issue up to |) | RCW 80.08.040, SECURITIES |
| \$300,000,000 of Medium-Term Notes |) | |
| |) | |

BACKGROUND

- 1 On February 19, 2009, pursuant to RCW 80.01.040, Northwest Natural Gas Company (Northwest or Company) filed with the Washington Utilities and Transportation Commission (Commission) its notice of a planned securities issuance, and its request for an order affirming compliance with RCW 80.08.040. Northwest amended this notice on March __, 2009. In its amended notice, Northwest proposes to issue and sell up to \$300,000,000 of Medium-Term Notes Series B.

- 2 According to Northwest’s notice and supporting documents, it states the proceeds of the financing are for one or more of the purposes allowed by RCW 80.08.030. The notice also describes the terms and conditions the Company expects to obtain in the sale of the securities. Finally, the notice contains the statement of an officer explaining why the Company’s decision to issue this particular security is in the public interest.

FINDINGS AND CONCLUSIONS

- 3 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*

4 (2) Northwest is engaged in the business of providing natural
gas service within the state of Washington. As a public service company, it is
subject to the Commission's jurisdiction.

5 (3) The application Northwest filed meets the requirements of
RCW 80.08 which govern the issuance of securities by public service companies.

6 (4) The information Northwest filed in this docket contains:
(a) a certification by an authorized officer that the proceeds will be used for one
or more purposes allowed by *RCW 80.08.030*; (b) a description of the proposed
issuance, including the terms of financing, and (c) a statement as to why the
proposed transaction is in the public interest. *See WAC 480-100-242 & WAC-480-
90-242.*

7 (5) After reviewing the information and notice Northwest filed
in Docket UG-090273 on February 19, 2009 and amended on March __, 2009, the
Commission finds that the Company is in compliance with *RCW 80.08.040*.

ORDER

THE COMMISSION ORDERS:

8 (1) Northwest Natural Gas Company is in compliance with the
requirements of *RCW 80.08.040* with respect to the proposal in its notice to issue
and sell up to \$300,000,000 of various debt arrangements.

9 (2) Northwest will file a Report of Securities Issued as required
by *WAC 480-90-262*. The Company is also required to file verified copies of any
agreement entered into in connection with any transaction pursuant to this Order.
Finally, Northwest shall file a verified statement setting forth in reasonable detail
the disposition of the proceeds of each offering made pursuant to this Order.

10 (3) This Order shall in no way affect the authority of the
Commission over rates, services, accounts, valuations, estimates, or determination
of costs, or any matters that may come before it. Nor shall anything in this Order
be construed as an agreement to any estimate or determination of costs, or any
valuation of property claimed or asserted.

The Executive Secretary finding this filing complies with the requirements of RCW 80.08 enters this Order pursuant to WAC 480-07-904(1)(f).

DATED at Olympia, Washington, and effective March ____, 2009.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary

**PUBLIC UTILITY COMMISSION
OF OREGON**

State of Oregon)
)
County of Marion)

UF 4254

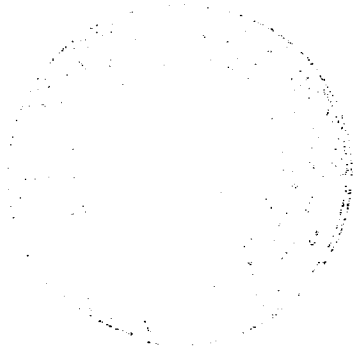
I, Elaine Cookingham, Office Specialist 2 of the Administrative Hearings Division for the Public Utility Commission of the State of Oregon, do hereby certify that the enclosed copy of

ORDER NO: 08-539

has been compared by me with the original thereof on file and of record in my custody, and that the same is a true and correct copy of said original.

IN WITNESS WHEREOF I have hereunto set my hand and the Commission Seal this the 13th day of March, 2009.

PUBLIC UTILITY COMMISSION



A handwritten signature in cursive script, reading "Elaine Cookingham", is written over a horizontal line.

*Elaine Cookingham
Office Specialist 2
Administrative Hearings Division*

BEFORE THE PUBLIC UTILITY COMMISSION

TRUE COPY OF ORIGINAL

OF OREGON

UF 4254

ADMINISTRATIVE HEARINGS

| | | |
|--|---|-------|
| In the Matter of |) | |
| |) | |
| NORTHWEST NATURAL GAS, dba NW |) | ORDER |
| NATURAL |) | |
| |) | |
| Application for authorization to issue and |) | |
| sell up to \$300,000,000 of debt securities. |) | |

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS AND REPORTING REQUIREMENTS

On October 14, 2008, Northwest Natural Gas Company, dba NW Natural (NW Natural), filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.410, ORS 757.415, ORS 757.480 and OAR 860-027-0030, for authority to offer, issue and sell up to \$300 million of debt securities. The debt securities may be secured or unsecured, and maturities may range from one to 50 years. The basis for the current request is further detailed in Staff's recommendation memo, attached as Appendix A and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that this application satisfies applicable statutes and administrative rules. At its Public Meeting on November 4, 2008, the Commission adopted Staff's recommendation and approved NW Natural's current request.

ORDER

IT IS ORDERED that NW Natural Gas Company's application for authority to issue and sell up to \$300,000,000 of debt securities is approved, subject to the conditions and reporting requirements detailed in Appendix A.

Made, entered, and effective NOV 06 2008

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 4, 2008

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: October 30, 2008

TO: Public Utility Commission

FROM: Steve Storm *SS*

THROUGH: Lee Sparling through Marc Hellman *AS*

SUBJECT: NORTHWEST NATURAL: (Docket No. UF 4254) Application for authority to issue and sell up to \$300,000,000 of debt securities.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's (NWN or the Company) request to issue and sell up to \$300,000,000 of debt securities, subject to the following conditions and reporting requirements:

- 1) Securities issued under this authority shall not exceed a total of \$300,000,000 or, if the securities are issued at an original issue discount, such greater amount as shall result in an aggregate offering price of not more than \$300,000,000 (or its equivalent amount inclusive of any securities issued under this authority in foreign currencies).
- 2) The Company shall demonstrate the cost-effectiveness of any early refunding of existing securities and that any put or call provision or required sinking fund placed on new issuances is cost-effective.
- 3) The Company may not issue debt to affiliates without separate, prior authorization.
- 4) The Company shall file the customary Report of Securities Issued and Disposition of Net Proceeds statements as soon as possible after each issuance and sale. This report is to include, in U.S. Dollars, the total value of the issuance; per unit price(s); total expenses and net proceeds of the issuance; and interest costs and credit ratings. Should any issued securities be designated as medium-term notes, the Company shall file a Pricing Supplement with the Commission providing a description of the terms and conditions of each issuance of the

UF 4254
October 30, 2008
Page 2

medium-term notes. This report shall also be used to notify the Commission as to any replacement, renewal, or extension of sale of each debt security. The fees, interest rates, and expenses associated with any debt securities issued under this authority shall be cost-effective and consistent with competitive market prices.

- 5) The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure and the commissions and expenses incurred for security issuances. The Company has the burden of proof to demonstrate that its financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable
- 6) 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 rate¹ 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.
- 7) A Commission approval in this docket shall remove any remaining authority granted under Order No. 04-248 in Docket UF 4208, of which authority the Company has represented \$85 million remained as of January 2008.
- 8) The authorization is to remain in effect as long as the Company maintains senior secured debt ratings no lower than BBB-/Baa3 (i.e., "investment-grade") from Standard & Poor's and Moody's Investors' Service, Inc., respectively.

¹ The terms "all-in rate" and "all-in cost" used here are defined as including all associated issuance expenses, the coupon rate, and any discount from par value at issuance. Technically, it is the percentage Internal Rate of Return (IRR) when all costs, such as any Original Issue Discount (OID), floatation, and insurance costs, as well as the actual cash flows of the security, are included. See page 747 of "Futures, Options, and Swaps," Fifth Edition; by Robert W. Kolb and James A. Overdahl; Blackwell Publishing, Ltd; 2007.

UF 4254
October 30, 2008
Page 3

DISCUSSION:

Northwest Natural filed an application October 14, 2008, under 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 up to \$300 million of debt securities. The debt securities may be secured or unsecured and maturities may range from one year to fifty years.

NWN proposes issuing up to \$300,000,000 in debt securities without further Commission approval as long as the all-in cost(s), which the Company defines to include discounts or premiums, but not other expenses associated with issuance, do not exceed the limit(s) as set forth in the third or fourth column, as applicable, of the Table on page 11 of the Company's application. The Company additionally proposes a "hard cap" on interest rates of 8.5 percent for maturities of 10 years or less and of 9.0 percent for maturities of more than 10 years.²

NWN proposes that such authorization as may be ordered by the Commission remain in effect as long as the Company maintains investment-grade bond ratings from at least two nationally recognized bond rating organizations.

Use of Proceeds

NWN represents that the proceeds to be received by the Company from the sale of the debt securities will be used for corporate purposes allowable under ORS 757.415 (1)(a) through (1)(d).

Expenses

Technical services fees and other expenses³ associated with the financing are estimated by the Company to total no more than \$271,670, based on an issuance of \$100,000,000.⁴

These expenses appear reasonable.

The Company provided information on agents' commissions as a percentage of the principal amount of debt securities issued.⁵ While Staff takes no position as to the

² See page 10 of Northwest Natural's application.

³ Technical services fees and expenses associated with debt issuance include regulatory agency fees, SEC fees, company counsel fees, accounting fees, printing and engraving fees, rating agency fees, and trustee/indenture fees.

⁴ See page 18 of Northwest Natural's application.

⁵ See page 17 of Northwest Natural's application.

UF 4254
October 30, 2008
Page 4

reasonableness of the estimated level of these expenses, these estimates are used in calculating Staff's all-in rate spread values, as in column D of Table 1 in Attachment A.

Staff wishes to clarify the order of consideration in determining whether an issuance falls within cost/pricing limitations. The first consideration is: "Will the debt securities be issued having an all-in rate within the maximum spread over the yield of the relevant benchmark Treasury security, as provided in column C or column D, as applicable, of Table 1 in Attachment A?" Should this be the case, the limitation on pricing is considered to be met.

Should this not be the case, a second consideration is addressed: "Will the debt securities be issued having an all-in rate less than or equal to 9.0 percent?" If the second consideration is met, then the limitation on pricing is considered to be met. In other words, the pricing limitation is considered met if, first, the applicable all-in rate spread limitation is met, or alternatively, if the spread limitation is not met while the all-in rate limitation is met.

Staff established the maximum all-in rate spread⁶ over the yield of the relevant benchmark Treasury security by calculating all-in rates for 5-, 10-, and 30-year maturities based on information supplied by the Company. Subtracting the closing benchmark Treasury yields on October 27, 2008, from the calculated all-in rate provided the all-in rate spread for each of the three maturities. An all-in rate spread weighted average of the three maturities was calculated, with the 5- and 10-year maturities receiving weightings of 25 percent each and the 30-year maturity receiving a weighting of 50 percent. The maximum all-in rate spread for the 20- to 50-year maturity range was upwardly adjusted (to 272 bps) to serve as the same effective limitation as the maximum interest rate spread proposed by the Company, based on costs provided by the Company and the 4.12 percent closing yield of the 30-year Treasury on October 27, 2008.

Under the current credit environment, focusing on credit (interest rate) spreads alone may not be sufficient, since high spreads may be offset by relatively low Treasury yields, resulting in moderate to low interest rates on utility debt securities. Since the all-in rate represents the inclusive borrowing costs to the Company and potentially to its customers, it is reasonable under current conditions to provide an alternative to the traditional spread table included in most utility financing dockets. The provided alternative is intended to afford the Company additional flexibility in issuing debt in the current financial environment, while continuing to provide protections to customers.

⁶ The discussion immediately following applies to the all-in rate spreads in column D of Table 1 in Attachment A.

UF 4254
October 30, 2008
Page 5

As a numerical example, consider the hypothetical situation where NWN issues \$300 million of 10-year medium-term notes (MTNs) at par having a coupon rate of 6.20 percent, which is 241 basis points (bps) over the recent benchmark U.S. Treasury yield of 3.79 percent.⁷ Issuance and other associated costs total \$2,705,010, and interest is paid semiannually. The all-in cost of this hypothetical bond issuance is calculated to be 6.323 percent, which is 253 bps over the benchmark Treasury yield. In this example the all-in rate spread of the MTNs (253 bps) exceeds the maximum all-in rate spread of 250 bps for 10-year securities per Table 1. However, the all-in rate is 6.323 percent, which is less than the all-in rate "hard cap" of 9.0 percent. Therefore NWN could issue the MTNs and be in compliance with the all-in rate limitation.

Based on Staff's review, this application appears reasonable and meets the appropriate statutory requirements.

PROPOSED COMMISSION MOTION:

NW Natural's application for the authority to borrow up to \$300,000,000 of Debt Securities be approved with Staff's Conditions and Reporting Requirements.

UF 4254 – NW Natural's Application for Authority to Issue and Sell Securities

⁷ This was the closing yield of the 10-year Treasury on October 27, 2008.

UF 4254
 October 30, 2008
 Page 6

Attachment A

Table 1

**Maximum Spreads over Benchmark U.S. Treasury Yield⁸
 for Medium-Term Notes and Other Debt Securities**

| <u>Maturity</u> | | <u>Maximum Spread Over Benchmark U.S. Treasury Yield</u> | |
|-----------------------------|------------------|--|--|
| Equal to or Greater Than | Less Than | All-in Rate (if Treasury yield exceeds 6.5%) | All-in Rate (if Treasury yield is 6.5% or lower) |
| (A) | (B) | (C) | (D) |
| 1 year | 2 years | + 95 bps | + 250 bps |
| 2 years | 3 years | + 105 bps | + 250 bps |
| 3 years | 4 years | + 110 bps | + 250 bps |
| 4 years | 6 years | + 115 bps | + 250 bps |
| 6 years | 9 years | + 120 bps | + 250 bps |
| 9 years | 10 years | + 120 bps | + 250 bps |
| 10 years | 11 years | + 125 bps | + 250 bps |
| 11 years | 15 years | + 130 bps | + 250 bps |
| 15 years | 20 years | + 135 bps | + 250 bps |
| 20 years | 50 years & 1 day | + 140 bps | + 272 bps |

⁸ The Benchmark U.S. Treasury Yield, with respect to any of the debt securities' maturity range, means the yield to maturity of that issue of direct obligations of the United States which, out of all actively traded issues of such obligations with a remaining term to maturity within such debt securities' maturity range, is generally considered by dealers in such obligations to be the standard for such obligations. With respect to the issuance of any of the debt securities', the Benchmark U.S. Treasury Yield shall be determined as of the time the commitment to purchase such debt securities' is received by the Company or its agents.

Margaret D. Kirkpatrick
Vice President & General Counsel
Telephone: 503.220.2356
Facsimile: 503.220.2584
Toll Free: 800.422.4012
Email: mdk@nwnatural.com



March 25, 2009

OPINION OF COUNSEL
(Under Sections 3, 28(7) and (8), 29(4) and 121 of
Northwest Natural Gas Company's
Mortgage and Deed of Trust, dated as of July 1, 1946)

Deutsche Bank Trust Company Americas
(formerly known as Bankers Trust Company)
60 Wall Street, MS-NYC60-2515
New York, New York 10005
Attention: Corporate Trust and Agency Services

Ladies and Gentlemen:

I have examined the Bond Application No. 137-B-28 of Northwest Natural Gas Company, formerly Portland Gas & Coke Company (the Company), dated March 18, 2009, made under the provisions of Articles V and VI of the Company's Mortgage and Deed of Trust, dated as of July 1, 1946, to you and R. G. Page (Stanley Burg, successor), as Trustees, as amended and supplemented (hereinafter called the Mortgage), for the authentication and delivery from time to time in varying principal amounts of the Company's First Mortgage Bonds, designated Secured Medium-Term Notes, Series B, in the aggregate principal amount of an additional \$300,000,000 and the following documents included or referred to in said Application or previously delivered to the Trustees (other than a Statement filed with the Washington Utilities and Transportation Commission on March 5, 2009 in Docket No. UG-090273 which I have examined and is delivered herewith), namely:

- (1) Written Order;
- (2) Certified Copy of Resolutions;
- (3) Officers' Certificate;
- (4) Engineer's Certificate;
- (5) Net Earning Certificate;
- (6) Copy of officially certified Order of the Oregon Public Utility Commission in Docket No. UF4254;
- (7) Copy of a Statement filed with the Washington Utilities and Transportation Commission on March 5, 2009 in Docket No. UG-090273; and
- (8) Administrative Procedure.

I am of the opinion that:

- (a) (except as to paving, grading and other improvements to, under or upon public highways, bridges, parks or other public property of analogous character) the Mortgage is a lien on all the Property Additions made the basis of said Application (the same being described in said Engineer's Certificate), subject to no lien thereon prior or equal to the Lien of the Mortgage except Qualified Liens, viz: none, and Excepted Encumbrances (as said terms are defined in Section 6 of the Mortgage) and the Company has the right to remove any of said Property Additions which are located on any leasehold or which are on property as to which the Company has an easement, prior to or upon the termination of such leasehold or easement, without compensation or other remuneration, and free of any lien prior or equal to the Lien of the Mortgage, except Qualified Liens, viz: none, and Excepted Encumbrances, as so defined;
- (b) the Company has corporate authority and all necessary permission from governmental authorities to operate the Property Additions in respect to which said Application is made;
- (c) the general nature and extent of Qualified Liens (as so defined), and the principal amount of now Outstanding Qualified Lien Bonds secured thereby mentioned in the Engineer's Certificate which accompanied said Application, are correctly stated therein, namely, "No such Qualified Lien";
- (d) the issuance of said Bonds, as described in said Resolutions, has been duly authorized by the Company, and by any and all governmental authorities the consent of which is requisite to the legal issuance of said Bonds, such authorization by governmental authorities being evidenced by an appropriate order of the Public Utility Commission of Oregon and a Statement filed with the Washington Utilities and Transportation Commission, heretofore referred to in this Opinion, copies of which have been delivered to you;
- (e) the Company has sold or contracted to sell or to issue for value said Bonds, or contracted to pledge said Bonds to secure indebtedness of a principal amount not less than 75% of the principal amount of said Bonds, viz: has contracted to sell said Bonds; and
- (f) the tax laws, if any, applicable to the issuance of said Bonds have been complied with.

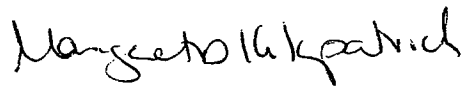
I have read, as required by the provisions of Section 121 of the Mortgage, the conditions thereof precedent (including any covenants compliance with which constitute a condition precedent) to the action requested in said Application.

I have made, or caused to be made by other competent counsel, an examination or investigation of the title or interest of the Company in and to said Property Additions, and of the laws of the State of Oregon relating thereto, and of the records and papers of the Company applicable to the opinions expressed herein; and I have made an examination of the laws of the United States of America and of the States of Oregon and Washington relating to the authorization and consent of any and all governmental authorities whose consent is requisite to the legal issuance of said Bonds.

In my opinion, I have made such examination or investigation as is necessary to enable me to express an informed opinion as to whether or not such covenants and conditions have been complied with.

In my opinion, such covenants and conditions have been complied with.

Yours very truly,



Margaret D. Kirkpatrick

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate to be issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co., or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

Registered No. R-1

Registered Principal Amount
\$75,000,000

NORTHWEST NATURAL GAS COMPANY
First Mortgage Bonds
Secured Medium-Term Note, Series B

CUSIP: 66765R BX3

Interest Payment Dates: February 1 and August 1

Issue Date: March 25, 2009

Record Dates: January 15 and July 15

Interest Rate: 5.370%

Redeemable: Yes No

Maturity Date: February 1, 2020

In Whole: Yes No

Repayable at Option of Holder:

In Part: Yes No

Yes No

Fixed Redemption Prices: Yes No

Repayment Date(s):

Initial Redemption Date:

Repayment Price(s):

Initial Redemption Price:

Election Period(s):

Reduction Percentage:

Other Provisions:

Redemption Limitation Date:

Make-Whole Redemption Price: Yes No

Make-Whole Spread: 0.50%

NORTHWEST NATURAL GAS COMPANY, a corporation of the State of Oregon (hereinafter called the "Company"), for value received, hereby promises to pay to CEDE & Co., or registered assigns, the principal amount specified above on the Maturity Date specified above, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for public and private debts, and to pay to the registered owner hereof interest thereon

from the Issue Date specified above or from the most recent interest payment date to which interest has been paid, at the Interest Rate specified above in like coin or currency at such office or agency on each interest payment date specified above of each year, commencing on the interest payment date next succeeding the Issue Date, until the Company's obligation with respect to the payment of such principal shall have been discharged; provided, however, that if the date of this bond shall be after a record date with respect to any interest payment date and prior to such interest payment date, interest shall be payable to such registered holder only from such interest payment date; and provided, further, that (i) if the Issue Date shall be after a record date with respect to any interest payment date and prior to the corresponding interest payment date, this bond shall bear interest from the Issue Date but payment of interest shall commence on the second interest payment date succeeding the Issue Date, and (ii) interest payable on the Maturity Date will be payable to the person to whom such principal shall be payable.

This bond is one of an issue of bonds of the Company issuable in series and is one of a series known as its First Mortgage Bonds, Secured Medium-Term Notes, Series B, all bonds of all series issued and to be issued under and equally secured (except in so far as any sinking or other fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with any indenture supplemental thereto, including the supplemental indenture dated as of June 1, 1993, called the Mortgage) dated as of July 1, 1946, executed by Portland Gas & Coke Company (now Northwest Natural Gas Company) to Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company) and R.G. Page (Stanley Burg, successor), as Trustees. Reference is made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustees in respect thereof, the duties and immunities of the Trustees, the terms and conditions upon which the bonds are and are to be secured, and the circumstances under which additional bonds may be issued. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or the rights of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage may be modified or altered by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the bonds then outstanding under the Mortgage and, if the rights of the holders of one or more, but less than all, series of bonds then outstanding are to be affected, then also by the affirmative vote of the holders of at least seventy per centum (70%) in principal amount of the bonds then outstanding of each series of bonds so to be affected (excluding in any case bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that, without the consent of the holder hereof, no such modification or alteration shall, among other things, impair or affect the right of the holder to receive payment of the principal of (and premium, if any) and interest on this bond, on or after the respective due dates expressed herein, or permit the creation of any lien equal or prior to the lien of the Mortgage or deprive the holder of the benefit of a lien on the mortgaged and pledged property. The Company has the right, without any consent or other action by the holders of any series of bonds (including this series), to amend the Mortgage so as to change seventy per centum (70%) in the foregoing sentence to sixty-six and two-thirds per centum (66-2/3%).

The principal hereof may be declared or may become due prior to the Maturity Date hereinbefore named on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a default as in the Mortgage provided.

The transfer of this bond may be registered as prescribed in the Mortgage by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, upon surrender for cancellation of this bond, together with a written instrument of transfer wherever required by the Company duly executed by the registered owner or by his duly authorized attorney, and, thereupon, a new fully registered bond of the same series for a like principal amount and having the same Issue Date, Maturity Date and redemption provisions, if any, and bearing interest at the same rate, will be issued to the transferee in exchange herefor as provided in the Mortgage. The Company and the Trustees may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment and for all other purposes and neither the Company nor the Trustees shall be affected by any notice to the contrary.

In the manner prescribed in the Mortgage, any bonds of this series, upon surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, are exchangeable for a like aggregate principal amount of bonds of the same series of other authorized denominations which have the same Issue Date, Maturity Date and redemption provisions, if any, and which bear interest at the same rate.

If so specified above, this bond is subject to redemption at a fixed redemption price and/or a make-whole redemption price. If the bonds of this series are redeemable at a fixed redemption price, the Company may redeem the bonds of this series, at any time on or after the Initial Redemption Date specified above, as a whole or, if so specified, in part, at the election of the Company, at the applicable redemption price (as described in the following sentence or as set forth above under "Other Provisions") plus accrued interest to the date fixed for redemption. Such redemption price shall be the Initial Redemption Price specified above for the twelve-month period commencing on the Initial Redemption Date and shall decline for the twelve-month period commencing on each anniversary of the Initial Redemption Date by a percentage of principal amount equal to the Reduction Percentage specified above until such redemption price is 100% of the principal amount of this bond. If the bonds of this series are redeemable at a make-whole redemption price, the Company may redeem the bonds of this series, at any time, as a whole or, if so specified, in part, at the election of the Company, 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.

In connection with the foregoing, "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 specified above. "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 bonds of this series 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 bonds of this series. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Company. "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 the Company as Reference Treasury Dealers, and their respective successors; provided, however, that the Company 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 the Company shall appoint one or more additional investment banking firms which are, or whose affiliates are, Primary Treasury Dealers as Reference Treasury Dealers.

If this bond is redeemable at a fixed redemption price, the Company may not, prior to the Redemption Limitation Date, if any, specified above, redeem this bond, at such a fixed redemption price as contemplated 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 the Company (calculated in accordance with generally accepted financial practice) of less than the effective interest cost to the Company (similarly calculated) of this bond.

If so specified above, this bond is repayable by the Company at the option of the registered owner hereof on the Repayment Date or Dates and at the Repayment Price or Prices specified above, plus accrued interest to the date of repayment. The repayment option may be exercised by the registered owner of this bond for less than its entire principal amount, provided that the principal amount to be repaid is equal to \$1,000 or an integral multiple of \$1,000. For this bond to be repaid at the option of the registered owner hereof, the Company must receive this bond at its office or agency in the Borough of Manhattan, The City of New York, no later than the close of business on the last day of the Election Period or Periods specified above, together with the form entitled "Option to Elect Repayment" set forth below on, or otherwise accompanying, this bond, duly completed. Any such election so received by the Company within any such Period shall be irrevocable. If the last day of the Election Period or Periods specified above shall not be a business day, the Election Period or Periods shall end at the close of business on the next succeeding business day.

As provided in the Mortgage, the Company shall not be required to register transfers or make exchanges of bonds of any series for a period of ten days next preceding any interest payment date for bonds of such series, or next preceding any designation of bonds of

such series to be redeemed, and the Company shall not be required to make transfers or exchanges of any bonds designated in whole or in part for redemption.

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future subscriber to the capital stock, stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company or any predecessor or successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, subscribers, stockholders, officers and directors being released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

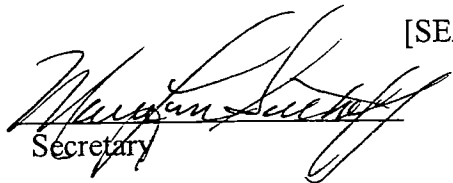
This bond shall not become obligatory until Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), the Corporate Trustee under the Mortgage, or its successor thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, NORTHWEST NATURAL GAS COMPANY has caused this bond to be signed in its corporate name by its President or one of its Vice Presidents by his signature or a facsimile thereof, and its corporate seal to be impressed or imprinted hereon and attested by its Secretary or one of its Assistant Secretaries by his signature or a facsimile thereof.

Dated: March 25, 2009

NORTHWEST NATURAL GAS COMPANY

Attest:


Secretary [SEAL]

By 
Senior Vice President

This bond is one of the bonds, of the series herein designated, described or provided for in the within-mentioned Mortgage.

DEUTSCHE BANK TRUST COMPANY
AMERICAS,
(New York)

Corporate Trustee

By _____
Authorized Officer

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

[please insert social security
or other identifying
number of assignee]

[name and address of
transferee must be printed
or typewritten]

the within bond of NORTHWEST NATURAL GAS COMPANY and does hereby irrevocably
constitute and appoint

attorney, to transfer said bond on the books of the within-mentioned Company, with full power
of substitution in the premises.

Dated: _____

OPTION TO ELECT REPAYMENT

PLEASE TAKE NOTICE that the registered owners of this bond elect to cause \$ _____, in principal amount of this bond to be repaid on _____ (a Repayment Date specified on this bond) at the Repayment Price specified on this bond, plus accrued interest to the Repayment Date.

If payment by check is desired, give name and mailing address of the registered owner:

If payment by wire transfer is desired, provide the following information:

(name of registered owner, account number, ABA number, name and address of bank)

Dated: _____

Signature of registered owners or duly authorized agent or attorney

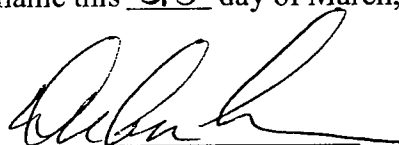
(If an agent or attorney signs, attach the power of attorney or other proof of appointment or authority. All signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Corporate Trustee, which requirements include membership or participation in the Securities Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Corporate Trustee in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended. Addresses and account information must be printed or typewritten.)

CERTIFICATE

I, David H. Anderson, Senior Vice President and Chief Financial Officer of NORTHWEST NATURAL GAS COMPANY (the "Company"), pursuant to Section 5(n)(ii) of the Distribution Agreement, dated March 18, 2009, between the Company and the Agents named therein (the "Distribution Agreement"), do hereby certify that:

- (1) The Company has filed a statement with the Washington Utilities and Transportation Commission ("WUTC"), dated March 6, 2009, establishing compliance with applicable public utility laws of the State of Washington with respect to the issuance and sale by the Company from time to time of up to \$300,000,000 principal amount of its Secured Medium-Term Notes, Series B and Unsecured Medium-Term Notes, Series B (collectively, the "Notes").
- (2) No further consent, approval, authorization or order of the WUTC is required for the solicitation of offers to purchase the Notes and the issuance and sale of the Notes or the consummation by the Company of the other transactions contemplated by (a) 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) and R.G. Page (Stanley Burg, successor), as trustees, as supplemented; (b) the Company's Indenture, dated as of June 1, 1991, between the Company and Deutsche Bank Trust Company Americas, as trustee; (c) any terms agreement between the Company and an Agent providing for the sale of the Notes to, and the purchase thereof by, such Agent; or (d) the Distribution Agreement.

IN WITNESS WHEREOF I have hereunto signed my name this 25th day of March, 2009.



David H. Anderson
Senior Vice President and
Chief Financial Officer