BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Statement and Application of NORTHWEST NATURAL GAS COMPANY Establishing Compliance With RCW 80.08.040 With Respect to a Revolving Line of Credit with a Syndication of Banks and the Issuance of up to $400,000,000 of Notes in Connection therewith, Constituting a Back-Up Line of Credit for the Commercial Paper Program.	DOCKET NO. UG-________ Statement and Application

Northwest Natural Gas Company ("NW Natural" or "the Company") respectfully submits this Statement and Application to the Washington Utilities and Transportation Commission (the "Commission") to establish compliance with RCW 80.08.040 and WAC 480-146-290 with respect to NW Natural's proposed revolving line of credit with a syndication of banks, including the issuance of up to $400,000,000 of notes, with an initial facility commitment in the amount $250,000,000, such notes to have an initial term of five years (the "Notes") with the option to extend the maturities for additional one-year periods and the execution of other ancillary documents issued in connection therewith, all of which back up the Company's commercial paper program (the "Facility"). The Company is requesting a written order in connection with the filing of this Statement and Application. The Proposed Form of Order is enclosed.

The Company's management and Board of Directors have concluded that it continues to be prudent to protect the Company's cash liquidity position by securing credit commitments from banks for longer than the traditional 364-day period for its commercial paper back-up credit line. Dislocations in the financial markets in the past

few years have demonstrated that the time to ensure adequate credit is when the market is stable or a company's financial condition is strong, not when either is facing a crisis. The following information is furnished in support of this Statement:

(1) A description of the purposes for which the issuance is made, including a certification by an officer authorized to do so that the proceeds from any such financing are for one or more of the purposes allowed by RCW 80.08.30:

The purpose of the Facility is to provide a committed source of short-term liquidity in case NW Natural is unable to issue short-term commercial paper notes from time to time. The purposes for which individual borrowings under the Notes are proposed to be used, if and as required, are to arrange for the construction, completion, extension, or improvement of the Company's facilities; the potential repayment of maturing long-term obligations; the reimbursement of the treasury for expenditures against which long-term securities have not yet been issued; the discharging of current obligations; the issuance of letters of credit; and to provide working capital for the improvement or maintenance of utility service.

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

NW Natural's primary source of short-term funds is commercial paper notes payable. NW Natural issues commercial paper under Sales Agreements with Wells Fargo Bank and Bank of America.

The Company proposes to enter into a credit agreement (the "Credit Agreement"), substantially upon the terms described in the attached draft Term Sheet, with JPMorgan Chase Bank, N.A. as administrative agent and Bank of America, N.A. as

syndication agent, providing for a committed revolving line of credit to be used as a back-up facility for the Company's commercial paper borrowings. The aggregate amount of the proposed Facility is $250,000,000, with an accordion feature authorizing increases in the line of credit up to an additional $150,000,000. Under the terms of the Credit Agreement, NW Natural will pay upfront fees, administrative agent fees and annual commitment fees but is not required to maintain compensating bank balances. The interest rates on borrowings under the lines of credit, if any, are based on the Company's credit ratings and on current market rates.

The Credit Agreement will require that credit ratings be maintained in effect at all times and that notice be given of any change in NW Natural's senior unsecured debt ratings. A change in NW Natural's credit rating will not be an event of default, nor will the maintenance of a specific minimum level of credit rating be a condition to drawing upon the lines of credit. However, interest rates on any loans outstanding under the lines of credit are tied to credit ratings, which would increase or decrease the cost of borrowing under the lines of credit, if any, when ratings are changed.

The Credit Agreement will not include a "material adverse change" (MAC) clause that would entitle the bank to terminate the lending commitment and accelerate the maturity of any borrowings outstanding if there were a material adverse change in the Company's operations or financial condition. Instead, the Credit Agreement will require that the Company maintain an indebtedness to total capitalization ratio, as defined in the Credit Agreement, of 70 percent or less. Failure to comply with this covenant would entitle the banks to terminate their lending commitments and to accelerate the maturity of all amounts outstanding. The Company was in compliance at December 31, 2006 with a similar covenant in its current credit facility.

The maturity dates for any individual borrowings under the Facility would be on or about May 17, 2012, subject to additional one-year extensions. However, the Company may prepay any Adjusted Base Rate (ABR) Loan (to be defined in the Credit Agreement), in a minimum amount of $10,000,000, without premium payment or penalty. The Company may prepay a Eurodollar Loan (to be defined in the Credit Agreement), but the Company will have to pay breakage and other fees.

The interest rates that would be applicable to any loans under the Facility are defined in the draft Term Sheet. The selections or definitions of interest rates are specified as a spread over benchmark interest rates in effect from time to time, such as the prime rate, the Federal Funds Effective Rate or the Adjusted London Interbank Overnight Rate (LIBOR). The spreads applicable to the Company depend on the level of the Company's credit ratings on unsecured long-term debt as published by Standard & Poor's and Moody's Investors Service, two nationally recognized credit rating agencies, as follows:

Debt Rating(1)	**Facility Fee**	**Applicable Margin for LIBOR Loans / LC Fee Rate**	**All-in Drawn (including Facility and Utilization Fees)**
≥ AA- / Aa3	3.0 bps	12.0 bps	20.0 bps
A+ / A1	4.0 bps	13.5 bps	22.5 bps
A / A2	5.0 bps	15.0 bps	25.0 bps
A- / A3	6.0 bps	19.0 bps	30.0 bps
BBB+ / Baa1	7.0 bps	23.0 bps	35.0 bps
BBB / Baa2	9.0 bps	31.0 bps	45.0 bps
≤ BBB- / Baa3	10.0 bps	40.0 bps	55.0 bps

(1) The Facility Fee and Applicable Margin for LIBOR Loans shall be the applicable rate per annum set forth in the table below opposite the Borrower's credit rating from Standard & Poor's ("S&P") or Moody's Investors Service Inc. ("Moody's"), changing when any applicable credit rating changes. In the case of a split rating, the higher rating will apply, unless, if ratings are available from S&P, Moody's and Fitch, Inc., doing business as Fitch Ratings, the rating given by two of them are equal, in which case such rating shall apply.

The table below summarizes the Company's current debt credit ratings from S&P and Moody's.

	S&P	Moody's
Commercial paper (short-term debt)	A-1+	P-1
Senior secured (long-term debt)	AA-	A2
Senior unsecured (long-term debt)	A+	A3
Ratings outlook	Stable	Stable

Under the terms of the proposed Credit Agreement, the Company has selected an ABR rate and a Eurodollar rate (both as defined in the draft Term Sheet) as required interest rate options. The banks must offer ABR and Eurodollar Loans if the Company decides to draw down on the credit line. Full terms of the line of credit will be set forth in the form of Credit Agreement, the form of the Note and the Schedule of fees, a summary of the terms of which is attached to this filing.

The estimated fees and expenses in connection with the five-year Facility are as follows:

	Estimated
Commitment fees	$ 625,000
Agent fee	75,000
Upfront fees	55,000
Arrangement fee	100,000
Out-of-pocket legal and administrative costs to agent	50,000
Printing and Engraving Expenses	None
Counsel Fees	5,000
Miscellaneous Expenses (e.g. freight, postage, travel)	2,000
Total fees and expenses	$ 912,000

Fees for NW Natural's Facility total $912,000, including $125,000 per year in commitment fees (paid quarterly), an annual agent fee of $15,000 and $55,000 in upfront fees (paid at the outset of the initial five-year period). In addition, an arrangement fee of $100,000 will be paid for the syndication arrangements. The Company will also pay out-of-pocket legal and other costs to the administrative agent, which are estimated to total $50,000, and $7,000 in other legal and miscellaneous expenses. The average annual cost of the credit line is 7 basis points (0.07 percent), or $182,400, which is 1 basis point or 10 percent lower than the average cost of the Company's existing five-year bilateral credit facilities, reflecting favorable current market pricing due to strong credit markets and lender demand for solid investment grade borrowers. The Company believes these fees are competitive for credit lines of this size and for a company with NW Natural's credit profile. In addition to the lower average cost and extended terms, the proposed new syndicated facility is considered a stronger liquidity facility than our existing bilateral facilities in accordance with Moody's internal risk analysis.

The Company has not drawn down on its commercial paper back-up credit facility in recent years, and there were no outstanding balances of borrowings under the current NW Natural lines of credit as of December 31, 2006.

Consistent with past practice, the Company solicited competitive proposals for the Facility from each of the five banks in its current credit facility. The Company asked each bank to submit bids for the commitment fees, upfront fees and other pricing terms that would apply to the Facility. Based on these bids, the Company selected two banks to act as co-lead arrangers and negotiated the terms and conditions

so as to maximize the flexibility with respect to borrowing conditions while minimizing to the extent practicable the total amount of the fees.

The Notes are not issued *pro rata* to existing holders of any other securities of the Company, and are not subject to any preemptive right or in connection with any liquidation or reorganization.

(3) A statement as to why the transaction is in the public interest:

It is crucial for NW Natural to have a committed source of short-term liquidity in case the Company is unable to issue short-term commercial paper notes from time to time. The Company believes that the facts set forth herein show that the Company's proposed use of the Facility as a back up for its commercial paper program 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 Facility is reasonably necessary or appropriate for such purpose.

The undersigned certifies, under penalties of perjury as provided in RCW 9A.72.085, that he has read the foregoing Statement and knows the contents thereof and that the same are true and correct to the signer's information and belief.

DATED at Portland, Oregon this 11th day of May 2007.

NORTHWEST NATURAL GAS COMPANY

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

Attachment

Copy of the **draft Term Sheet**.
A final copy of the Credit Agreement will be filed when available.

NORTHWEST NATURAL GAS COMPANY

TERM SHEET

April 2007

DRAFT

GENERAL TERMS

Borrower:	Northwest Natural Gas Company.
Administrative Agent:	JPMorgan Chase Bank, N.A. ("JPMorgan") will act as sole and exclusive administrative agent (in such capacity, the "Administrative Agent").
Syndication Agent:	Bank of America, N.A. will act as sole and exclusive syndication agent (in such capacity, the "Syndication Agent").
Co-Lead Arrangers and Joint Bookrunners:	J.P. Morgan Securities Inc. and Banc of America Securities LLC will act as co-lead arrangers and joint bookrunners (in such capacity, collectively, the "Arrangers").
Lenders:	A group of lenders satisfactory to the Borrower, the Administrative Agent, the Syndication Agent and the Arrangers (collectively, the "Lenders").

FACILITY

Type:	Senior Unsecured Revolving Credit Agreement (the "Facility").
Facility Amount:	$250,000,000 (the "Aggregate Commitment") available to the Borrower in U.S. Dollars.
Increase Option:	The documentation will include an "accordion" provision pursuant to which the Borrower may increase the Aggregate Commitment from time to time by obtaining the agreement of one or more Lenders to increase their commitments and/or adding new Lenders reasonably acceptable to the Administrative Agent. The aggregate amount of all such increases during the term of the Facility shall not exceed $150,000,000. No Lender shall be obligated to participate in any increase.

Letters of Credit:

The Facility will permit the issuance of letters of credit in an aggregate amount up to the Aggregate Commitment for the account of the Borrower by JPMorgan, or such other Lender as may be designated by the Borrower and the Administrative Agent from time to time, as the issuing bank. Each Lender that is not the issuing bank for a letter of credit shall purchase a participation interest in such letter of credit equal to its pro rata portion of the Aggregate Commitment. Any drawing on a letter of credit shall be deemed an advance under the Facility and shall bear interest at the rate applicable to ABR Loans (as defined below).

Maturity:

Subject to the extension option described below, the Facility shall terminate and all amounts outstanding thereunder shall be due and payable in full five years after the Closing Date (as defined below) (the "Termination Date"). No letter of credit under the Facility shall have a scheduled expiration date that is later than the then scheduled Termination Date.

Extension of Maturity Option:

The Borrower may, not more than 60 nor less than 30 days prior to any anniversary date of the Closing Date (each an "Anniversary Date"), request that the scheduled Termination Date be extended for an additional one-year period by delivering written notice of such request to the Administrative Agent (which shall promptly advise each Lender of such request). In response to any such request, each Lender shall, not later than 20 days prior to the applicable Anniversary Date, notify the Administrative Agent whether it is willing (in its sole and complete discretion) to extend the scheduled Termination Date for an additional year (and any Lender that fails to give such notice to the Administrative Agent shall be deemed to have elected not to extend the scheduled Termination Date). The Administrative Agent will notify the Borrower of the Lenders' decisions no later than 15 days prior to such Anniversary Date. If Lenders holding more than 50% of the commitments elect to extend the scheduled Termination Date, then on such Anniversary Date the commitments of such Lenders shall be extended for an additional year; provided that (i) no default or unmatured default exists on such Anniversary Date and (ii) the representations and warranties made on the Closing Date are true and correct on such Anniversary Date, as though made as of such Anniversary Date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date). No Lender shall be required to consent to any extension request and any Lender that elects, or is deemed to have elected, not to extend the scheduled Termination Date (a "Declining Lender") will have its commitment terminated on the then existing scheduled Termination Date (without regard to any extension by other Lenders). The Borrower may, at its sole expense and effort, upon notice to any Declining Lender and the Administrative Agent, require such Declining Lender to assign and delegate its rights and obligations under the Facility to an assignee selected by the Borrower and willing to accept such assignment (in accordance with, and subject to, the restrictions and consents otherwise required for assignments generally).

Swing Line Option: Swing line loans will be made available on a same day basis to the Borrower by a Lender (in such capacity, the "Swing Line Lender") in an aggregate amount not exceeding $25,000,000 and in minimum amounts of $1,000,000. The Borrower must repay each swing line loan in full upon demand of the Swing Line Lender. Each swing line loan may be outstanding no more than five consecutive business days, and the Borrower may not have, in the aggregate, swing line loans outstanding more than ten business days in a calendar month.

Purpose: For general corporate purposes, working capital and letters of credit.

Documentation: The Facility will be evidenced by a credit agreement (the "Credit Agreement") and other legal documentation mutually satisfactory to the Borrower, the Administrative Agent and the Lenders.

Closing Date: The execution of definitive loan documentation, to occur on or before May 17, 2007 (the "Closing Date").

INTEREST RATES AND FEES

Rate Options: At the Borrower's option:

-ABR ("ABR Loans")

-Eurodollar Rate plus the Applicable Margin as set forth in the Pricing Schedule attached hereto ("Eurodollar Loans")

General Provisions Relating to Interest Rates: Interest periods for Eurodollar Loans shall be one, two, three or six months, or such shorter period agreed to by the Borrower and the Lenders (provided that no interest period shall extend beyond the scheduled Termination Date). Interest on ABR Loans shall be payable in arrears for each calendar quarter on the second business day of the following calendar quarter and at final maturity. Interest on Eurodollar Loans shall be payable in arrears on the last day of each interest period, three months after the first day of any six-month interest period, upon any prepayment (whether due to acceleration or otherwise) and at final maturity. Interest on ABR Loans when ABR is based upon the Prime Rate shall be calculated for actual days elapsed on the basis of a 365, or when appropriate 366, day year. All other interest and all fees shall be calculated for actual days elapsed on the basis of a 360 day year.

The Credit Agreement will include customary provisions (a) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements (including capital cost increases imposed by regulatory authorities) and (b) indemnifying the Lenders for breakage costs incurred in connection with, among other things, any prepayment of a Eurodollar Loan on a day other then the last day of an interest period with respect thereto. Any advance not paid by the Borrower at maturity shall bear interest at a rate per annum equal to the higher of (i) the interest rate otherwise applicable thereto plus 1% or (ii) ABR plus 1%.

Definitions Relating to Interest Rates:

The following terms shall have the meanings set forth below:

"ABR" means a fluctuating rate of interest equal to the higher of (a) the Prime Rate or (b) the sum of the Federal Funds Effective Rate most recently determined by the Administrative Agent plus 1/2% per annum.

"Eurodollar Rate" means the applicable London interbank offered rate for deposits in U.S. dollars appearing on page 3750 of the Dow Jones Market Service as of 11:00 a.m. (London time) two business days prior to the first day of the applicable interest period, and having a maturity equal to such interest period, adjusted for Federal Reserve Board reserve requirements.

"Federal Funds Effective Rate" means, for any day, an interest rate per annum equal to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day by the Federal Reserve Bank of New York, or if such rate is not so published for such day, the average of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Prime Rate" means a rate per annum equal to the prime rate of interest announced from time to time by JPMorgan (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

FEES

Facility Fee:

A per annum fee as set forth on the Pricing Schedule attached hereto, payable on each Lender's commitment amount, regardless of usage, quarterly in arrears on each interest payment date, on the date of any reduction of the Aggregate Commitment and on termination of the Facility.

Utilization Fee:	For any day on which the outstanding credit extensions under the Facility exceed 50% of the Aggregate Commitment, the Borrower will pay a utilization fee of 5.0 bp on all credit extensions.
Letter of Credit Fees:	Letter of credit risk-participation fees shall be payable quarterly in arrears on each interest payment date for ABR Loans and on termination of the Facility (and, if applicable, thereafter on demand) to the Lenders at rates equal to the then LC Fee Rate set forth on the Pricing Schedule attached hereto, together with fronting fees for the letter of credit fronting bank set forth in the JPMorgan Fee Letter.

PREPAYMENTS AND COMMITMENT REDUCTIONS

Voluntary Commitment Reductions:	The Borrower may terminate the unused commitments in amounts of at least $10,000,000 at any time on five business days' prior written notice.
Voluntary Prepayments:	ABR Loans may be prepaid in a minimum amount of $10,000,000 at any time on one business days' prior notice. Eurodollar Loans may be prepaid in a minimum amount of $10,000,000 on three business days' prior notice, subject to payment of breakage charges and costs.

CONDITIONS PRECEDENT

Conditions to Closing:	Conditions precedent to closing of the Facility will include, without limitation, (a) the delivery of satisfactory loan and other closing documents, including but not limited to the Facility, appropriate resolutions, good standing certificates, incumbency certificates and opinions of counsel, (b) the accuracy of all representations and warranties and (c) termination of all of the Borrower's existing bilateral credit agreements.
Conditions to Each Credit Extension:	The Credit Agreement will contain usual and customary conditions to each loan and/or letter of credit, to include without limitation: (i) all agreed-upon representations and warranties customarily brought-down at each credit extension are true and correct as of the date of each credit extension (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and (ii) no default or unmatured default shall exist under the Facility or would result from such credit extension.

REPRESENTATIONS AND WARRANTIES, COVENANTS AND DEFAULTS

Representations and Warranties:

The Credit Agreement will contain representations and warranties usual and customary for transactions of this type, to include without limitation: (i) corporate existence and authorization, (ii) enforceability, (iii) financial information, (iv) compliance with laws, (v) no material litigation, (vi) ownership of property, (vii) taxes, (viii) subsidiaries, (ix) ERISA matters, (x) environmental matters and (xi) ranking of indebtedness.

Covenants:

The Credit Agreement will contain affirmative and negative covenants usual and customary for transactions of this type, to include without limitation: (i) delivery of financial statements, certificates, notices and other information, (ii) payment of taxes, (iii) conduct of business, (iv) maintenance of property and insurance, (v) inspection of property, books and records, (vi) maintenance of debt ratings and (vii) limitations of fundamental changes.

The Credit Agreement will also require the Borrower, as at the end of any fiscal quarter of the Borrower, to have a Consolidated Debt to Capitalization Ratio of no more than 0.70 to 1.00.

Defaults:

The Credit Agreement will contain defaults usual and customary for transactions of this type, to include without limitation: (i) nonpayment of principal, interest, fees or other amounts, (ii) violation of covenants, (iii) inaccuracy of representations and warranties, (iv) payment cross-defaults to certain other material agreements and indebtedness, (v) bankruptcy and other insolvency events and (vi) nonpayment of material judgments.

OTHER PROVISIONS

Assignments and Participations:

Each Lender may, in its sole discretion, sell participations or make assignments, subject, in the case of assignments (other than to another Lender or to an affiliate of a Lender), to the consent of the Administrative Agent and, so long as no default is continuing, the Borrower (which consent in each case shall not be unreasonably withheld). In the case of partial assignments (other than to another Lender or to an affiliate of a Lender), the minimum assignment amount shall be $5,000,000, and, after giving effect thereto, the assigning Lender shall have a commitment aggregating at least $5,000,000, in each case unless otherwise agreed by the Administrative Agent and, so long as no default is continuing, the Borrower. Assignments shall be subject to a customary $3,500 fee payable to the Administrative

Agent. Participants shall have the same benefits as the Lenders with respect to yield protection and increased costs provisions. Voting rights of participants shall be limited to those matters that require approval by all Lenders. Pledges of loans in accordance with applicable law shall be permitted without restriction.

Required Lenders:	Lenders holding more than 50% of the commitments under the Facility or, if such commitments have been terminated, of the outstanding credit extensions under the Facility.
Governing Law:	The Credit Agreement shall be governed by the internal laws of the State of New York.
Electronic Delivery:	The Credit Agreement will permit the electronic delivery by the Borrower, and the posting on an electronic platform by the Administrative Agent, of certain financial information, notices and other documents.
Administrative Agent's Counsel:	Mayer, Brown, Rowe & Maw LLP.
Expenses:	The out of pocket expenses of the Administrative Agent and the Arranger, whether incurred prior to or subsequent to closing, in investigation, preparation, negotiation, documentation, syndication, administration and collection will be for the account of the Borrower, including the expenses of and fees for attorneys for the Administrative Agent and the Arranger (who may or may not be employees of the Administrative Agent or the Arranger) and other advisors and professionals engaged by the Administrative Agent or the Arranger.

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This Term Sheet is intended as an outline only and does not purport to summarize all the conditions, covenants, representations, warranties and other provisions which would be contained in definitive legal documentation for the financing contemplated hereby.

PRICING SCHEDULE

Debt Rating[(1)]	Facility Fee	Applicable Margin for LIBOR Loans / LC Fee Rate	All-in Drawn (including Facility and Utilization Fees)
≥ AA- / Aa3	3.0 bps	12.0 bps	20.0 bps
A+ / A1	4.0 bps	13.5 bps	22.5 bps
A / A2	5.0 bps	15.0 bps	25.0 bps
A- / A3	6.0 bps	19.0 bps	30.0 bps
BBB+ / Baa1	7.0 bps	23.0 bps	35.0 bps
BBB / Baa2	9.0 bps	31.0 bps	45.0 bps
≤ BBB- / Baa3	10.0 bps	40.0 bps	55.0 bps

(1) The Facility Fee and Applicable Margin for LIBOR Loans shall be the applicable rate per annum set forth in the table below opposite the Borrower's credit rating from Standard & Poor's ("S&P") or Moody's Investors Service Inc. ("Moody's"), changing when any applicable credit rating changes. In the case of a split rating, the higher rating will apply, unless, if ratings are available from S&P, Moody's and Fitch, Inc., doing business as Fitch Ratings, the rating given by two of them are equal, in which case such rating shall apply.