

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is dated as of the 6th day of January, 2006, by and between Northwest Natural Gas Company, an Oregon corporation (“NWN”), on the one hand, and WaferTech LLC (“Customer”), on the other.

RECITALS

WHEREAS, NWN currently provides natural gas transportation services to Customer; and

WHEREAS, certain Disputes have arisen between the Parties; and

WHEREAS, the OPUC has initiated an investigation to determine whether NWN provided adequate information to customers under OAR 860-020-0010(5); and

WHEREAS, the Parties desire to fully and finally settle the Disputes, as well as all other Claims, as between them, acknowledging that settlement is in the best interests of the Parties.

DEFINITIONS

“Claim” or “Claims” means any or all claims, counterclaims, cross-claims, defenses, affirmative defenses, causes of action of any type (whether common law, statutory, regulatory or administrative, and whether or not reduced to a written complaint or pleading filed in any jurisdiction, and whether or not reduced to writing or formal demand, and whether or not liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured), demands, disputes, damages, costs, losses, detriments, interest, expenses, penalties, attorneys’ fees, expert fees, actions, debts, controversies, suits and chooses in action, whether known or unknown, as against each other, relating to or arising out of any representation, promise, statement, agreement, quote, price, contract, tariff, rate schedule, special contract, or any other act, statement or omission of any kind related in any way to the Election by Customer for sales service to begin October 1 or November 1, 2005 by NWN and the related one year term of such sales service in 2005 and 2006.

“Customer” means the customer identified above, including subsidiaries, affiliates, successors and predecessors, and their respective current and/or former shareholders, members, partners, principals, directors, officers, employees, agents, servants, counsel, and insurers.

“Dispute” or “Disputes” means all issues that have arisen between the Parties relating to the Claims.

“Election” means Customer’s election of natural gas sales, transportation or other service under NWN’s Rate Schedule (RS) and Service Option Election Form for such service or services to begin October 1 or November 1, 2005, as appropriate.

“NWIGU” means Northwest Industrial Gas Users.

“NWN” means Northwest Natural Gas Company and its subsidiaries, affiliates, successors and predecessors, and their respective current and/or former shareholders, members, partners, principals, directors, officers, employees, agents, servants, counsel, and insurers.

“OPUC” means the Oregon Public Utility Commission.

“Parties” means NWN and Customer, collectively.

“Party” means NWN or Customer, individually.

“Permanent Margin” means the total tariff charges excluding commodity rate and any temporary rate adjustments.

“Unknown Claims” means Claims that any Party does not know or suspect to exist at the time of the release which might have affected the terms of this Agreement.

“WACOG” means NWN’s weighted average cost of gas.

“Withdraw” or “Withdrew” means Customer’s decision, if any, to withdraw its Election, in whole or in part, in October or November, 2005.

“WUTC” means the Washington Utilities and Transportation Commission.

TERMS AND CONDITIONS

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the Parties agree as follows:

1. Incorporation of Recitals; Definitions. The recitals stated above are incorporated in this Agreement and made a part of this Agreement as if fully set forth herein. Capitalized terms shall have the meanings given unless undefined.

2. Payment Terms.

(c) For the one-year period beginning November 1, 2005 and ending October 31, 2006, Customer shall receive the following monetary compensation, to the extent applicable, for transportation services based upon Permanent Margin under the then-current NWN rate for accounts in which the Customer had submitted, and NWN had received, signed Election forms for sales service:

(i) Monthly credit equivalent to 20% of Permanent Margin for accounts, if any, in which Customer's signed Election form was received by NWN after September 24, 2005; or

(ii) Monthly credit equivalent to 30% of Permanent Margin for accounts, if any, in which Customer's signed Election form was received by NWN on or before September 24, 2005.

The amounts applicable under this paragraph 2(c) shall be applied as credits to invoices issued by NWN to Customer after December 2005 and as cash payments for sums owed from November through December 2005, as shown on Exhibit A, attached hereto, to be paid within seven (7) days of the date of this Agreement. For any Customer that elected to take sales service for only a portion of its load, the discounts set forth above shall be applied to the first natural gas transportation service provided in the month under NWN's declining block rate structure for the provision of transportation service.

(d) NWN shall pay to Customer the sum calculated on Exhibit A, attached hereto, within seven (7) days of the date of this Agreement.

3. Request for Tariff Modification. NWN shall submit a request to OPUC and WUTC to amend Rate Schedule 32 or 42 as appropriate, and to Schedule T to its tariff. The requested amendment shall generally be designed to permit transportation customers to submit Election forms for sales service at WACOG prices by giving notice on or before May 31 of the given year, with 12-month term for sales service to begin October 1 or November 1 of that year, as appropriate. Additionally, the requested amendment will leave in place the current terms of Rate Schedule 32, Schedule T, permitting sales service Elections after May 31 of a given year, and subject to incremental costs per the tariff. NWN will pursue implementation of this tariff change with its best efforts to effectuate tariff approval before the respective commissions. Notwithstanding this provision:

(a) Nothing in this Agreement shall prohibit, prevent or prejudice NWN's right to file a request with the OPUC and/or WUTC for a determination, construction or interpretation of its tariff, including but not limited to Rate Schedule 32 or 42 and Schedule T thereto. In that event, any such determination, construction or interpretation shall have no effect on the terms of this Agreement;

(b) Nothing in this Agreement shall prohibit, prevent or prejudice NWN's right to seek future amendments to the tariff.

5. Mutual Releases. NWN, on the one hand, and Customer, on the other, in consideration of paragraph 2 and the other terms and conditions stated herein, hereby release and forever discharge each other from any and all Claims, including Unknown Claims, which they now have, may hereafter have, or claim to have against each other with respect to the Disputes and Claims. It is the intent of the Parties to this Agreement to give the broadest release and discharge possible under the law with respect to the particular Disputes and Claims between the Parties that are the direct subject of this Agreement. This mutual release is binding upon and for the benefit of each of the Parties and their respective subsidiaries, affiliates, successors and predecessors, and their respective current and/or former shareholders, members, partners, principals, directors, officers, employees, agents, servants, counsel, and insurers to the extent of the Disputes and Claims between the Parties; provided, however, that this mutual release does not affect any claims or disputes arising from performance of the terms and conditions in this Agreement or any other matter that is not a Claim or Dispute.

8. Regulatory Filing. Each Party will cooperate with the other in developing the regulatory filing required to implement paragraph 3 in a timely fashion and in obtaining regulatory approval of paragraph 3.

9. Non-Admission. The settlement of Claims and Disputes between the Parties is voluntary and does not constitute an admission of negligence, breach of contract or any other basis for liability by any of the Parties, or an admission of the existence of any facts upon which liability could be based.

13. Conditions Precedent / Regulatory Approval. This Agreement is expressly conditioned on final approval, without any modification, of this Agreement as a confidential special contract filing by the WUTC. Each Party will cooperate with the other in obtaining regulatory approval of this Agreement as a special contract as expeditiously as possible. In the event the WUTC does not approve this Agreement as a special contract without modification, either Party shall have five (5) business days following receipt of written notice of disapproval to rescind or modify this Agreement. In the case of rescission, all monies paid and credits given by NWN to Customer under the Agreement shall be promptly returned. Notice of rescission shall be provided in writing to the other Party to this Agreement, pursuant to the Notice provision in paragraph 19.

17. Choice of Law. This Agreement shall be construed and interpreted under the laws of the State of Oregon.

18. Counterparts. This Agreement may be executed in two or more separate but identical counterparts, and by facsimile, each of which, when executed, shall be an original, and all of which together shall constitute one and the same Agreement, notwithstanding that all Parties may not have executed the same counterpart, and each Party may execute a separate signature page which may be appended to form one or more duplicate originals of this Agreement.

20. Authority. Each of the signatories hereto represents and warrants that he, she or it is fully authorized to enter into this Agreement on behalf of the person or entity for which they execute the Agreement. Customer represents and warrants the Customer is the sole owner of the Claims released herein, and that Customer has not assigned or transferred, or purported to assign or transfer, any of the Customer's released Claims herein, except to the extent (if any) of any fee interest of Customer's counsel, which is also released herein to the extent it relates to the Claims released herein (but not otherwise).

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IN WITNESS WHEREOF, intending to be legally bound hereby, the Parties have executed this Agreement as of the day and year written above.

NORTHWEST NATURAL GAS COMPANY

By: *Mark S. Dodson*

Mark S. Dodson

President and Chief Executive Officer

CUSTOMER

WAFERTECH LLC

Company: _____

By: _____

Title: _____

NWNA/102489.5

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NORTHWEST NATURAL GAS COMPANY

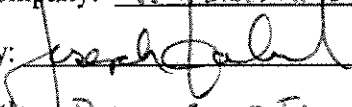
By: _____

Mark S. Dodson

President and Chief Executive Officer

CUSTOMER

WAFERTECH LLC

⑤
1/6/06
Company: WAFERTECH L.L.C.
By:  1/6/06
Title: DIRECTOR OF FACILITIES

NWNA/102489.5

**Exhibit A
Settlement Agreement
WaferTech LLC
January 6, 2006**

Applicable Accounts

Account #

Service Address: 5509 N.W. Parker Street, Camas

**Cash Payment
To Customer**

Description

Payment

Section Reference