N.W. NAT'L GAS NYSE-NWN

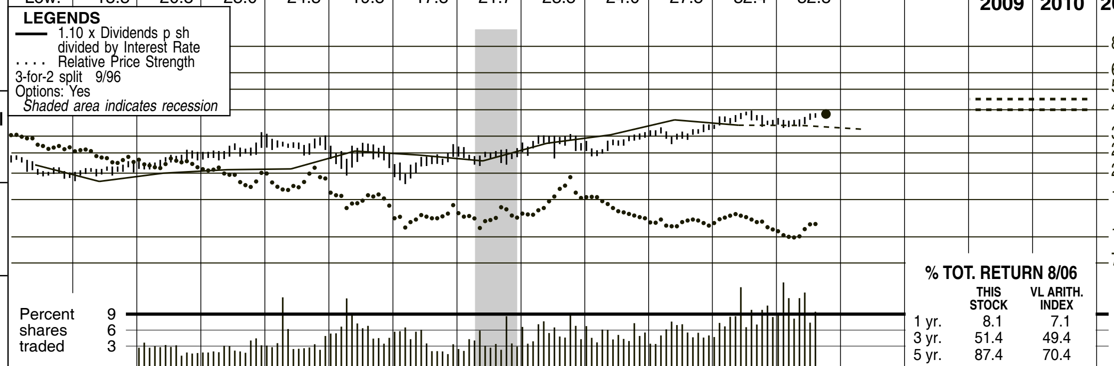
RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
38.19	16.7	(Trailing: 17.6 Median: 15.0)	0.98	3.6%	VALUE LINE

TIMELINESS **3** Raised 8/25/06
SAFETY **1** Raised 3/18/05
TECHNICAL **2** Raised 9/15/06
BETA .75 (1.00 = Market)

High:	22.8	25.9	31.4	30.8	27.9	27.5	26.8	30.7	31.3	34.1	39.6	38.8
Low:	18.3	20.8	23.0	24.3	19.5	17.8	21.7	23.5	24.0	27.5	32.4	32.8

Target Price Range

2009	2010	2011



2009-11 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+20%)	*8%*
Low	40	(+5%)	*5%*

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	1	1	0	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	1	0	0	0	0	1	0

Institutional Decisions

	4Q2005	1Q2006	2Q2006
to Buy	59	62	77
to Sell	54	59	59
Hld's(000)	12922	13095	14328

% TOT. RETURN 8/06

	THIS STOCK	VL ARITH. INDEX
1 yr.	8.1	7.1
3 yr.	51.4	49.4
5 yr.	87.4	70.4

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
17.02	16.74	14.10	18.15	18.30	16.02	16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	*39.65*	*42.25*	Revenues per sh	*51.80*
3.22	2.57	3.25	3.74	3.50	3.41	3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	*4.60*	*4.75*	"Cash Flow" per sh	*5.10*
1.62	.67	.74	1.74	1.63	1.61	1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	*2.22*	*2.40*	Earnings per sh A	*2.85*
1.10	1.13	1.15	1.17	1.17	1.18	1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	*1.38*	*1.42*	Div'ds Decl'd per sh B■	*1.70*
3.85	3.58	3.73	3.61	4.23	3.02	3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	*3.70*	*3.60*	Cap'l Spending per sh	*3.60*
12.61	12.23	12.41	13.08	13.63	14.55	15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	*22.10*	*22.95*	Book Value per sh	*25.55*
17.41	17.68	19.46	19.77	20.13	22.24	22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	*27.75*	*27.80*	Common Shs Outst'g C	*28.00*
10.2	28.1	27.0	12.9	13.0	12.9	11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.76	1.79	1.64	.76	.85	.86	.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	*Value Line*		Relative P/E Ratio	*.95*
6.7%	5.9%	5.7%	5.2%	5.5%	5.7%	5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	*estimates*		Avg Ann'l Div'd Yield	*4.3%*

CAPITAL STRUCTURE as of 6/30/06
Total Debt $577.3 mill. **Due in 5 Yrs** $204.2 mill.
LT Debt $492.0 mill. **LT Interest** $31.0 mill.

(Total interest coverage: 3.4x)

Pension Assets-12/05 $218.6 mill.
Oblig. $267.9 mill.
Pfd Stock None

Common Stock 27,548,346 shs.
as of 7/31/06
MARKET CAP $1.1 billion (Mid Cap)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007		09-11
380.3	361.8	416.7	455.8	532.1	650.3	641.4	611.3	707.6	910.5	*1025*	*1050*	Revenues ($mill)	*1450*
46.8	43.1	27.3	44.9	47.8	50.2	43.8	46.0	50.6	58.1	*62.0*	*66.5*	Net Profit ($mill)	*80.0*
36.9%	32.9%	31.0%	35.4%	35.9%	35.4%	34.9%	33.7%	34.4%	36.0%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
12.3%	11.9%	6.6%	9.9%	9.0%	7.7%	6.8%	7.5%	7.1%	6.4%	*5.7%*	*5.7%*	Net Profit Margin	*5.5%*
41.4%	46.0%	45.0%	46.0%	45.1%	43.0%	47.6%	49.7%	46.0%	47.0%	*47.0%*	*47.0%*	Long-Term Debt Ratio	*47%*
52.8%	49.0%	50.6%	49.9%	50.9%	53.2%	51.5%	50.3%	54.0%	53.0%	*53.0%*	*53.0%*	Common Equity Ratio	*53%*
657.4	748.0	815.6	861.5	887.8	880.5	937.3	1006.6	1052.5	1108.4	*1150*	*1200*	Total Capital ($mill)	*1350*
745.3	827.5	894.7	895.9	934.0	965.0	995.6	1205.9	1318.4	1373.4	*1375*	*1400*	Net Plant ($mill)	*1500*
8.9%	7.4%	5.0%	6.8%	6.7%	6.9%	5.9%	5.7%	5.9%	6.5%	*7.0%*	*7.0%*	Return on Total Cap'l	*7.0%*
12.1%	10.7%	6.1%	9.7%	9.8%	10.0%	8.9%	9.1%	8.9%	9.9%	*10.0%*	*10.5%*	Return on Shr. Equity	*10.5%*
12.7%	11.0%	6.0%	9.9%	10.0%	10.2%	8.5%	9.0%	8.9%	9.9%	*10.0%*	*10.5%*	Return on Com Equity	*10.5%*
5.0%	3.6%	NMF	2.8%	3.1%	3.5%	1.9%	2.6%	2.7%	3.7%	*3.7%*	*3.7%*	Retained to Com Eq	*3.8%*
63%	70%	118%	74%	70%	67%	79%	72%	69%	63%	*62%*	*59%*	All Div'ds to Net Prof	*60%*

CURRENT POSITION ($MILL.)	2004	2005	6/30/06
Cash Assets	5.2	7.1	6.6
Other	231.9	316.6	191.5
Current Assets	237.1	323.7	198.1
Accts Payable	102.5	135.3	76.8
Debt Due	117.5	134.7	85.3
Other	47.3	56.6	53.0
Current Liab.	267.3	326.6	215.1
Fx. Chg. Cov.	316%	340%	NMF

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	4.5%	8.0%	*11.0%*
"Cash Flow"	1.5%	2.5%	*4.5%*
Earnings	1.5%	5.0%	*7.0%*
Dividends	1.0%	1.0%	*4.0%*
Book Value	4.0%	3.5%	*3.5%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	206.5	117.5	69.5	217.8	611.3
2004	254.5	109.7	81.4	262.0	707.6
2005	308.7	153.7	106.7	341.4	910.5
2006	390.4	171.0	*130*	*333.6*	*1025*
2007	*375*	*185*	*140*	*350*	*1050*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1.01	.17	d.25	.83	1.76
2004	1.24	d.03	d.30	.95	1.86
2005	1.44	.04	d.31	.94	2.11
2006	1.48	.07	*d.30*	*.97*	*2.22*
2007	*1.55*	*.05*	*d.30*	*1.10*	*2.40*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.315	.315	.315	.315	1.26
2003	.315	.315	.315	.325	1.27
2004	.325	.325	.325	.325	1.30
2005	.325	.325	.325	.345	1.32
2006	.345	.345	.345		

BUSINESS: Northwest Natural Gas Co. distributes natural gas at retail to 90 communities, 624,000 customers, in Oregon (90% of custs.) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.4 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system to bring gas to market. Owns local underground storage. Rev. breakdown: residential, 53%; commercial, 27%; industrial, gas transportation, and other, 20%. Employs 1,305. Barclays owns 6.2% of shares; insiders, 1% (4/06 proxy). CEO: Mark S. Dodson. Inc.: OR. Address: 220 NW 2nd Ave., Portland, OR 97209. Tel.: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural's second-quarter earnings turned out a bit better than expected, despite weather that was 16% warmer than average and 12% warmer than last year's. The company's share of commodity cost savings added about $0.03 a share in the June period, and profits from interstate gas storage contributed an additional $0.02. Operations and maintenance expenses were up 3% but would have risen 2% without increased bad debt costs, due to higher gas prices.

We anticipate roughly normal earnings growth over the balance of the year. Northwest Natural increased its customer count by 3.3% in the 12 months ended in June, and the new accounts should boost earnings through 2006 and 2007. While the national economy is definitely slowing, Portland seems to be doing better than the nation as a whole, with little decline in new home construction. (Northwest's share of new home heating fuel is over 90%.) But the company plans to lay off 50 to 100 employees in the second half of the year, and severance costs will probably add up to around $0.04 a share in the fourth quarter.

Earnings in 2007 will likely benefit from new efficiency and cost-cutting efforts. Northwest has begun to implement a companywide plan to reduce costs by consolidating some operations, standardizing functions, and outsourcing some operations, such as new construction. The plan will take a few years to implement completely and will probably result in a workforce reduction of 200 to 250 employees, some by normal attrition.

Northwest's earnings will probably grow faster than its industry's, thanks to above-average customer growth. The area to the southeast of Portland will soon be zoned for higher density, permitting profitable installation of gas mains and significant customer growth. And the company serves less than 60% of its market at present, allowing it to pick up new customers as old oil tanks need replacing.

These neutrally ranked shares have below-average total return potential at their recent quotation. Although we like Northwest's prospects, we think investors will have an opportunity to invest at a better price.

Sigourney B. Romaine September 15, 2006

(A) Diluted earnings per share. Excludes nonrecurring gain: '98, $0.15; '00, $0.11. Next earnings report due early November.
(B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November.
■ Div'd reinvestment plan available.
(C) In millions, adjusted for stock split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	75