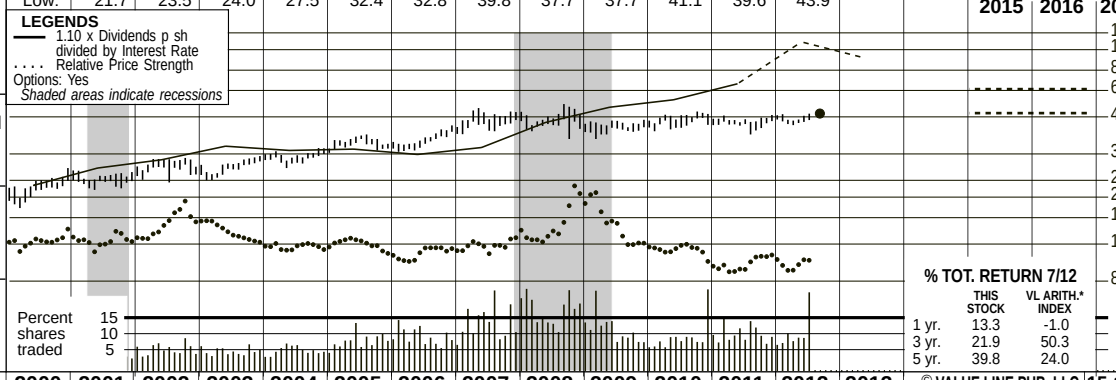
N.W. NAT'L GAS NYSE-NWN

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
49.66	19.2	(Trailing: 21.2 Median: 17.0)	1.30	3.6%	VALUE LINE

TIMELINESS 4 Lowered 5/13/11
SAFETY 1 Raised 3/18/05
TECHNICAL 3 Raised 7/20/12
BETA .55 (1.00 = Market)

High:	26.8	30.7	31.3	34.1	39.6	43.7	52.8	55.2	46.5	50.9	49.0	50.1
Low:	21.7	23.5	24.0	27.5	32.4	32.8	39.8	37.7	37.7	41.1	39.6	43.9

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	65	(+30%)	10%
Low	50	(Nil)	4%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	0	0	0	1	0	0	0
to Sell	0	2	0	2	0	1	0	0	0

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	54	72	69
to Sell	66	43	58
Hld's(000)	16264	16071	16355

% TOT. RETURN 7/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.3	-1.0
3 yr.	21.9	50.3
5 yr.	39.8	24.0

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.86	15.82	16.77	18.17	21.09	25.78	25.07	23.57	25.69	33.01	37.20	39.13	39.16	38.17	30.56	31.72	**28.35**	**28.40**	Revenues per sh	**41.95**
3.86	3.72	3.24	3.72	3.68	3.86	3.65	3.85	3.92	4.34	4.76	5.41	5.31	5.20	5.18	5.00	**5.25**	**5.50**	"Cash Flow" per sh	**6.50**
1.97	1.76	1.02	1.70	1.79	1.88	1.62	1.76	1.86	2.11	2.35	2.76	2.57	2.83	2.73	2.39	**2.45**	**2.65**	Earnings per sh A	**3.45**
1.20	1.21	1.22	1.23	1.24	1.25	1.26	1.27	1.30	1.32	1.39	1.44	1.52	1.60	1.68	1.75	**1.78**	**1.82**	Div'ds Decl'd per sh B■	**1.94**
3.70	5.07	4.02	4.78	3.46	3.23	3.11	4.90	5.52	3.48	3.56	4.48	3.92	5.09	9.35	3.76	**4.45**	**5.00**	Cap'l Spending per sh	**7.10**
15.37	16.02	16.59	17.12	17.93	18.56	18.88	19.52	20.64	21.28	22.01	22.52	23.71	24.88	26.08	26.70	**27.75**	**28.15**	Book Value per sh D	**29.10**
22.56	22.86	24.85	25.09	25.23	25.23	25.59	25.94	27.55	27.58	27.24	26.41	26.50	26.53	26.58	26.76	**27.00**	**28.00**	Common Shs Outst'g C	**31.00**
11.7	14.4	26.7	14.5	12.4	12.9	17.2	15.8	16.7	17.0	15.9	16.7	18.1	15.2	17.0	19.0	*Bold figures are*		Avg Ann'l P/E Ratio	**17.0**
.73	.83	1.39	.83	.81	.66	.94	.90	.88	.91	.86	.89	1.09	1.01	1.08	1.20	*Value Line*		Relative P/E Ratio	**1.15**
5.2%	4.8%	4.5%	5.0%	5.6%	5.1%	4.5%	4.6%	4.2%	3.7%	3.7%	3.1%	3.3%	3.7%	3.6%	3.9%	*estimates*		Avg Ann'l Div'd Yield	**3.3%**

CAPITAL STRUCTURE as of 6/30/12
Total Debt $754.9 mill. **Due in 5 Yrs** $200 mill.
LT Debt $641.7 mill. **LT Interest** $45.0 mill.

(Total interest coverage: 2.0x)

Pension Assets-12/11 $216 mill. **Oblig.** $391.1 mill.

Pfd Stock None

Common Stock 26,831,575 shares

MARKET CAP $1.3 billion (Mid Cap)

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013		15-17
641.4	611.3	707.6	910.5	1013.2	1033.2	1037.9	1012.7	812.1	848.8	**765**	**895**	Revenues ($mill)	**1300**
43.8	46.0	50.6	58.1	65.2	74.5	68.5	75.1	72.7	63.9	**66.0**	**74.0**	Net Profit ($mill)	**105**
34.9%	33.7%	34.4%	36.0%	36.3%	37.2%	36.9%	38.3%	40.5%	40.4%	**30.0%**	**30.0%**	Income Tax Rate	**30.0%**
6.8%	7.5%	7.1%	6.4%	6.4%	7.2%	6.6%	7.4%	8.9%	7.5%	**8.7%**	**9.3%**	Net Profit Margin	**8.2%**
47.6%	49.7%	46.0%	47.0%	46.3%	46.3%	44.9%	47.7%	46.1%	47.3%	**45.5%**	**43.0%**	Long-Term Debt Ratio	**37.5%**
51.5%	50.3%	54.0%	53.0%	53.7%	53.7%	55.1%	52.3%	53.9%	52.7%	**54.5%**	**57.0%**	Common Equity Ratio	**62.5%**
937.3	1006.6	1052.5	1108.4	1116.5	1106.8	1140.4	1261.8	1284.8	1356.2	**1370**	**1390**	Total Capital ($mill)	**1440**
995.6	1205.9	1318.4	1373.4	1425.1	1495.9	1549.1	1670.1	1854.2	1893.9	**1985**	**2090**	Net Plant ($mill)	**2375**
5.9%	5.7%	5.9%	6.5%	7.1%	8.5%	7.7%	7.3%	7.0%	6.2%	**6.5%**	**7.0%**	Return on Total Cap'l	**8.5%**
8.9%	9.1%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	**9.0%**	**9.5%**	Return on Shr. Equity	**12.0%**
8.5%	9.0%	8.9%	9.9%	10.9%	12.5%	10.9%	11.4%	10.5%	8.9%	**9.0%**	**9.5%**	Return on Com Equity	**12.0%**
1.9%	2.6%	2.7%	3.7%	4.5%	6.0%	4.5%	5.0%	4.0%	2.4%	**2.5%**	**3.0%**	Retained to Com Eq	**5.0%**
79%	72%	69%	63%	59%	52%	59%	56%	61%	73%	**73%**	**69%**	All Div'ds to Net Prof	**56%**

CURRENT POSITION ($MILL.)	2010	2011	6/30/12
Cash Assets	3.5	5.8	4.0
Other	326.8	342.9	182.8
Current Assets	330.3	348.7	186.8
Accts Payable	93.2	86.3	48.4
Debt Due	267.4	181.6	113.2
Other	107.6	146.6	103.3
Current Liab.	468.2	414.5	264.9
Fix. Chg. Cov.	366%	334%	285%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	4.5%	1.0%	*4.0%*
"Cash Flow"	3.0%	3.5%	*4.0%*
Earnings	4.0%	4.5%	*4.5%*
Dividends	3.0%	4.5%	*2.5%*
Book Value	4.0%	4.0%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	437.4	149.1	116.9	309.3	1012.7
2010	286.5	162.4	95.1	268.1	812.1
2011	323.1	161.2	93.3	271.2	848.8
2012	317.5	106.6	**90.0**	**250.9**	**765**
2013	**305**	**145**	**125**	**220**	**795**

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.78	.12	d.25	1.18	2.83
2010	1.64	.26	d.28	1.11	2.73
2011	1.53	.08	d.31	1.09	2.39
2012	1.51	.05	**d.30**	**1.19**	**2.45**
2013	**1.65**	**.09**	**d.30**	**1.21**	**2.65**

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.375	.375	.375	.395	1.52
2009	.395	.395	.395	.415	1.60
2010	.415	.415	.415	.435	1.68
2011	.435	.435	.435	.445	1.75
2012	.445	.445	.445		

BUSINESS: Northwest Natural Gas Co. distributes natural gas to 90 communities, 668,000 customers, in Oregon (90% of customers) and in southwest Washington state. Principal cities served: Portland and Eugene, OR; Vancouver, WA. Service area population: 2.5 mill. (77% in OR). Company buys gas supply from Canadian and U.S. producers; has transportation rights on Northwest Pipeline system. Owns local underground storage. Rev. breakdown: residential, 57%; commercial, 26%; industrial, gas transportation, and other, 17%. Employs 1,061. BlackRock Inc. owns 7.8% of shares; officers and directors, 1.7% (4/12 proxy). CEO: Gregg S. Kantor. Inc.: Oregon. Address: 220 NW 2nd Ave., Portland, OR 97209. Telephone: 503-226-4211. Internet: www.nwnatural.com.

Northwest Natural Gas' bottom line is set to advance marginally in 2012, with a projected 2.5% rise from 2011 year-end. The slow incline can be attributed mainly to increased operational expenses that have been plaguing the company since the beginning of the year. Therefore, we have lowered our 2012 and 2013 share-net estimates by a nickel each, to $2.45 and $2.65, respectively.

Customer growth might be relatively flat for the year, as a result of the slow economic recovery. The main segment impacted by this weak rebound is the construction segment, where new customer additions were under 1% from the previous quarter. We do not foresee a sudden reversal of this trend, and growth is likely to remain weak for the next few quarters.

Oregon remains a major focus at this time. The company has reached a partial settlement with the Oregon Public Utilities Commission (OPUC) on various miscellaneous items. However, several key issues, including ROE, recovery of pension expenses, and Northwest's environmental cost recovery proposal, remain on the table. The case might encounter several obstacles over the remainder of the year, as both the OPUC and the company have filed rebuttal and surrebuttal testimonies for various items on the agenda. A decision is scheduled for the end of the third quarter. A favorable outcome would provide a moderate boost to the top and bottom lines (an increase of $35 million annually), as well as strengthen Northwest Natural Gas' position in the state (as many of the proposed changes would benefit customers as well). Finally, management is keeping an eye on Oregon Governor Kitzhaber's 10-year energy plan for the state, which would provide various opportunities for new natural gas facilities over the next decade.

The long-term outlook is modestly upbeat at this juncture. Indeed, several major projects are set to moderately boost the top and bottom lines over the 3- to 5-year period. Eventually, too, the regional economy should pick up and boost growth.

Performance-minded investors should give this untimely equity a pass. For a utility, the shares are an average selection for income and total return potential.

Sahana Zutshi *September 7, 2012*

(A) Diluted earnings per share. Excludes nonrecurring items: '98, $0.15; '00, $0.11; '06, ($0.06); '08, ($0.03); '09, 6¢. Next earnings report due late October.

(B) Dividends historically paid in mid-February, May, August, and November.
■ Dividend reinvestment plan available.
(C) In millions.

(D) Includes intangibles. In 2011: $371.4 million, $13.90/share.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	65
Earnings Predictability	90

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