



NORTHWEST NATURAL GAS COMPANY

Audit Committee

Purpose

The Audit Committee (Committee) of Northwest Natural Gas Company (Company) shall, through regular or special meetings with management, the Director of Internal Auditing, and the Company's independent auditor: (i) provide oversight to ensure the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the independent auditor's qualifications, performance and independence, and the performance of the Company's internal audit function; and (ii) prepare the report required by law to be included in the Company's annual proxy statement.

Membership and Organization

The Committee shall be comprised of three or more directors, each of whom shall be independent directors in accordance with applicable law, the listing standards of the New York Stock Exchange and the Company's Director Independence Standards. The Board of Directors shall designate one member of the Committee as Chair. Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee. At least one member of the Committee must have accounting or related financial management expertise, as the Board, in its business judgment, interprets the foregoing qualifications in accordance with applicable law.

The Committee shall meet at least four times per year. The Committee will also meet on other occasions on an as needed basis as determined by the Committee Chair or by a majority of the Committee members. The Committee shall meet privately (without members of management present) and separately with the Director of Internal Auditing and the independent auditor periodically and, when deemed appropriate, with the Company's General Counsel.

Responsibilities of the Committee

Independent Auditor

The Committee shall:

- have the direct and sole authority and responsibility to select, evaluate and terminate the firm of independent certified public accountants to serve as the Company's independent auditor, which firm shall report directly to the Committee;
- establish audit engagement fees payable to the independent auditor and other

terms of the engagement;

- establish policies and procedures for the Committee's pre-approval of permitted non-audit services to be provided by the independent auditor;
- ensure that the independent auditor provides annually to the Committee a formal written statement delineating: (i) its internal quality control procedures; (ii) any material issues raised by the most recent internal quality-control review, peer review or any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to one or more independent audits carried out by the firm and any steps taken to address such issues; and (iii) all relationships between the independent auditor and the Company;
- review annual audit plans of the independent auditor;
- review with the independent auditor any audit problems or difficulties and management's response;
- actively engage in a dialogue with the independent auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent auditor and take appropriate action deemed necessary in response to the independent auditor's report to satisfy itself of the independent auditor's independence;
- review the performance, qualifications and independence of the independent auditor on an annual basis, including communicating to the independent auditor that it is ultimately accountable to the Committee;
- review the appointment and replacement not less frequently than every five years of the lead audit engagement partner of the independent auditor;
- establish hiring policies for employees or former employees of the independent auditor; and
- review any allegations of fraudulently influencing, coercing, manipulating or misleading the independent auditor for the purpose of rendering the financial statements materially misleading.

Internal Audit

The Committee shall:

- approve the appointment and evaluation, in consultation with executive management, of the Director of Internal Auditing;

- review the organization, staffing, scope, results, and effectiveness of the Company's internal audit function; and
- review annual audit plans of the Director of Internal Auditing.

Financial Reporting

The Committee shall:

- assist the Board with establishing procedures to ensure the integrity of the Company's financial statements;
- review the results of the internal auditor's and the independent auditor's activities, including major conclusions, findings and recommendations, and related management responses;
- review the adequacy and effectiveness of the Company's internal controls, including computerized information system controls and security;
- review the adequacy of the Company's disclosure controls and procedures;
- review the Company's accounting and financial reporting practices, policies and procedures, including its critical accounting policies;
- review accounting, legal, tax and other developments of major significance to the Company, including any alternative treatment of information within Generally Accepted Accounting Principles;
- review the Company's annual audited financial statements and quarterly financial statements, including disclosures under "Management's Discussion and Analysis of Results of Operations and Financial Condition" to be included in the Company's annual and quarterly reports on Forms 10-K and 10-Q, and discuss with management and the independent auditor prior to filing the report matters required to be discussed by relevant auditing standards, including the quality, not just the acceptability, of the accounting principles and underlying estimates used in the financial statements;
- discuss generally earnings press releases and other financial information and earnings guidance provided to analysts and rating agencies, including the types of information to be disclosed and the types of presentations to be made; and
- establish and maintain procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable auditing or

accounting practices.

Annual Assessments

Annually, the Committee shall:

- conduct a performance evaluation of the Committee;
- review the continued adequacy of this Audit Committee Charter.

Other Responsibilities

The Committee shall review, pursuant to a schedule developed by the Committee Chair in consultation with management:

- material litigation involving the Company and litigation involving officers and directors;
- an internal audit report regarding the total annual compensation of each executive officer of the Company for consistency with Board approved compensation levels and applicable law;
- transactions with related parties;
- the Company's policies with respect to risk assessment and risk management of major financial risk exposures and the steps management has taken to monitor and control such exposures;
- periodic reports from management, the General Counsel, the Director of Internal Auditing, and the independent auditor on matters relating to accounting, financial reporting, internal control, auditing, litigation and compliance with legal and regulatory requirements;
- progress or results relating to major capital projects or contingency issues, as the Committee considers appropriate; and
- the Company's policies relating to delegation of management authority.

The Committee shall also undertake such additional activities as required by law or as the Committee or the Board of Directors may from time to time determine.

Reporting

The Committee shall have separate direct lines of communication between itself and the independent auditor, the Director of Internal Auditing, management and, with

regard to litigation and legal and regulatory compliance, the General Counsel. The Committee Chair shall make regular reports to the Board on the Committee's activities. In addition, the Committee shall:

- report to the Board, based on its reviews and discussions, whether it recommends to the Board that the most recent year's audited financial statements be included in the Company's Form 10-K to be filed with the SEC; and
- prepare and approve the Audit Committee report to be included in the Company's proxy statement as required by the relevant regulations which shall state (i) whether it has reviewed and discussed the audited financial statements with management; (ii) whether it has discussed with the Company's independent auditor the matters required to be discussed under relevant auditing standards; (iii) whether it has received the written disclosures and the letter from the Company's independent auditor with respect to the auditor's independence; and (iv) whether it has discussed the independent auditor's independence with the auditor.

Independent Advisors

The Committee may cause an investigation to be made into any matter within the scope of its responsibility. The Committee shall have the authority to retain its own independent counsel and other advisors and determine and ensure provision for appropriate funding to compensate the independent auditors, counsel and advisors.

Effective Dates

As approved by the Board of Directors on May 25, 2000.

As Amended: May 23, 2002
 February 27, 2003
 September 25, 2003
 July 22, 2004