

NORTHWEST NATURAL GAS CO
Form DEF 14A
April 15, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

NORTHWEST NATURAL GAS COMPANY

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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220 NW SECOND AVENUE

PORTLAND, OR 97209

April 15, 2013

To the Shareholders of Northwest Natural Gas Company:

We cordially invite you to attend the 2013 Annual Meeting of Shareholders of Northwest Natural Gas Company (NW Natural), which will be held in Meeting Rooms F 150 and F 151 at the Oregon Convention Center, 777 NE Martin Luther King Jr. Blvd., Portland, Oregon 97232 on Thursday, May 23, 2013, commencing at 2:00 p.m. Pacific Daylight Time. We look forward to greeting as many of our shareholders as are able to join us.

At the meeting you will be asked to consider and vote upon three proposals: (1) the election of three Class II directors for terms of three years; (2) an advisory vote to approve named executive officer compensation; and (3) the ratification of the appointment of PricewaterhouseCoopers LLP as NW Natural's independent registered public accountants for the fiscal year 2013. Your Board of Directors unanimously recommends that you vote **FOR** each of Proposals 1, 2 and 3.

In connection with the meeting, we enclose a notice of the meeting, a proxy statement, a proxy card and an **admission ticket for you and one guest to attend the meeting. If you plan to attend the Annual Meeting, please detach and retain the admission ticket attached to your proxy card.** As space is limited, you may bring only one guest to the meeting. If you hold your stock through a broker, bank, or other nominee, please bring a legal proxy or other evidence to the meeting that you owned NW Natural Common Stock as of the record date, **April 4, 2013, and we will provide you with an admission ticket. Please see page 2 for further instructions on attending the Annual Meeting.** Detailed information relating to NW Natural's business activities and operating performance is contained in our 2012 Annual Report, which is also enclosed.

It is important that your shares are represented and voted at the meeting. Whether or not you plan to attend, please vote your shares in one of three ways: via internet, telephone or mail. Instructions regarding internet and telephone voting are included on the proxy card. If you elect to vote by mail, please sign, date and return the proxy card in the enclosed postage-paid envelope. Your proxy may be revoked at any time before it is exercised in the manner set forth in the proxy statement.

Sincerely,

Tod R. Hamachek
Chairman of the Board

Gregg S. Kantor
President and Chief Executive Officer

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NORTHWEST NATURAL GAS COMPANY

ONE PACIFIC SQUARE

220 NW SECOND AVENUE

PORTLAND, OREGON 97209

(503) 226-4211

NOTICE OF 2013 ANNUAL MEETING OF SHAREHOLDERS

Portland, Oregon, April 15, 2013

To our Shareholders:

The 2013 Annual Meeting of Shareholders of Northwest Natural Gas Company (NW Natural) will be held in Meeting Rooms F 150 and F 151 at the Oregon Convention Center, 777 NE Martin Luther King Jr. Blvd., Portland, Oregon 97232 on Thursday, May 23, 2013, at 2:00 p.m. Pacific Daylight Time, for the following purposes:

1. to elect three Class II directors for terms of three years;
2. to conduct an advisory vote to approve the named executive officers' compensation;
3. to ratify the appointment of PricewaterhouseCoopers LLP as NW Natural's independent registered public accountants for the fiscal year 2013; and
4. to transact such other business as may properly come before the meeting or any adjournment thereof.

If you were a holder of record of NW Natural Common Stock at the close of business on April 4, 2013, the record date set for the annual meeting, you will be entitled to vote upon all matters properly submitted to shareholder vote at the meeting.

Our Board of Directors is soliciting the proxies of all holders of NW Natural Common Stock who may be unable to attend the meeting in person. These proxies also will instruct the relevant fiduciary under NW Natural's Dividend Reinvestment and Direct Stock Purchase Plan or Retirement K Savings Plan to vote any shares held for shareholders' benefit under those plans, as indicated on the proxies. A proxy and a stamped return envelope are enclosed for your use. No postage is needed if mailed in the United States. Instructions regarding internet and telephone voting also are included in the enclosed proxy card.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
SHAREHOLDER MEETING TO BE HELD ON MAY 23, 2013**

This proxy statement and our 2012 Annual Report are available at www.nwnatural.com.

Your vote is very important to us.

We urge you to vote by promptly marking, signing, dating and returning the enclosed proxy card, or by granting a proxy by the internet or telephone in accordance with the instructions in the enclosed proxy card, as soon as possible. Your prompt vote will save us the additional expense of further requests to ensure the presence of a quorum. You may vote in person at the meeting whether or not you previously have returned your proxy.

By Order of the Board of Directors,

MardiLyn Saathoff

Vice President Legal, Risk and Land;

Chief Governance Officer and Corporate

Secretary

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NORTHWEST NATURAL GAS COMPANY

April 15, 2013

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NORTHWEST NATURAL GAS COMPANY

ONE PACIFIC SQUARE

220 NW SECOND AVENUE

PORTLAND, OREGON 97209

(503) 226-4211

2013 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 23, 2013

PROXY STATEMENT

The Board of Directors of Northwest Natural Gas Company (NW Natural) is soliciting the proxies of all holders of NW Natural Common Stock who may be unable to attend in person the Annual Meeting of Shareholders to be held in Meeting Rooms F 150 and F 151 at the Oregon Convention Center, 777 NE Martin Luther King Jr. Blvd., Portland, Oregon 97232 on Thursday, May 23, 2013, at 2:00 p.m. Pacific Daylight Time. The close of business on April 4, 2013 is the record date for the determination of shareholders entitled to notice of and to vote at the meeting. We request that you sign and return the enclosed proxy card promptly. Alternatively, you may grant your proxy by the internet or telephone.

NW Natural's Annual Report for the fiscal year ended December 31, 2012, including audited financial statements, is being mailed to all shareholders, together with this proxy statement and the accompanying proxy card, commencing April 15, 2013.

HOW TO VOTE BY PROXY AND REVOKE YOUR PROXY

Voting by Proxy

You may vote your shares either in person or by duly authorized proxy. You may use the proxy card accompanying this proxy statement if you are unable to attend the meeting in person or you wish to have your shares voted by proxy, even if you do attend the meeting. If you are a registered shareholder, you may vote by internet, telephone or mail, or you may vote your shares in person at the meeting. To vote:

By internet (do not return your proxy card)

Go to www.proxyvote.com. Internet voting is available 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Daylight Time on May 22, 2013.

Have your proxy card available.

Follow the simple instructions. You will be prompted to enter your **12-digit Control Number located on your proxy card**.

By telephone (do not return your proxy card)

On a touch-tone telephone, call the toll-free number indicated on your proxy card. Telephone voting is available 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Daylight Time on May 22, 2013.

Have your proxy card available when you call.

Follow the simple recorded instructions. You will be prompted to enter your **12-digit Control Number located on your proxy card**.

By mail

Mark your choice on your proxy card. If you properly execute your proxy card but do not specify your choice, your shares will be voted FOR Proposals 1, 2 and 3, as recommended by NW Natural's Board of Directors.

Date and sign your proxy card.

Mail your proxy card in the enclosed postage-paid envelope. If your envelope is misplaced, send your proxy card to Northwest Natural Gas Company, c/o Broadridge Financial Solutions, Inc., 51 Mercedes Way, Edgewood, NY 11717.

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Revoking Your Proxy

You may revoke your proxy at any time before the proxy is exercised by: (1) delivering a written notice of revocation; (2) filing with the Corporate Secretary a subsequently dated, properly executed proxy; (3) voting after the date of the proxy by the internet or telephone; or (4) attending the meeting and voting in person. Your attendance at the meeting, by itself, will not constitute a revocation of a proxy. You should address any written notices of proxy revocation to: Northwest Natural Gas Company, 220 NW Second Avenue, Portland, OR 97209, Attention: Corporate Secretary.

Shares Held by Bank or Broker

If your shares are held in nominee or street name by a bank or broker, you should follow the directions on the instruction form you receive from your bank or broker as to how to vote, change your vote, or revoke your proxy. **If you want to vote those shares in person at the Annual Meeting, you must bring a signed proxy from the broker, bank, or other nominee giving you the right to vote the shares.** Revocation of proxies for shares held through a broker, bank, or other nominee must be made through the appropriate nominee in accordance with its instructions.

Adjournment

If an adjournment of the meeting occurs, it will have no effect on the ability of shareholders of record as of the record date to exercise their voting rights or to revoke any previously delivered proxies.

VOTING YOUR SECURITIES

The 26,947,814 shares of Common Stock outstanding on April 4, 2013 were held by 6,359 shareholders residing in 50 states, the District of Columbia and a number of foreign countries.

Each holder of Common Stock of record at the close of business on April 4, 2013 will be entitled to one vote for each share of Common Stock so held on all matters properly submitted at the meeting. Such holder will be entitled to cumulative voting for directors; that is, to cast as many votes for one candidate as shall equal the number of shares held of record multiplied by the number of directors to be elected, or to distribute such number of votes among any number of the candidates.

A majority of the shares of Common Stock outstanding at the close of business on April 4, 2013 must be represented at the meeting, in person or by proxy, to constitute a quorum for the transaction of business.

It is important that your shares be represented at the meeting. You are urged, regardless of the number of shares held, to sign and return your proxy. Alternatively, you may grant your proxy by the internet or telephone as described above.

ATTENDING THE ANNUAL MEETING

IF YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE DETACH AND RETAIN THE ADMISSION TICKET ATTACHED TO YOUR PROXY CARD. As space is limited, you may bring only one guest to the meeting. **If you hold your stock through a broker, bank, or other nominee, please bring a legal proxy or other evidence to the meeting that you owned NW Natural Common Stock as of the record date, April 4, 2013, and we will provide you with an admission ticket.** If you receive your Annual Meeting materials electronically and wish to attend the meeting, please follow the instructions provided online for attendance. A form of government-issued photograph identification will be required for both you and your guest to enter the meeting. To permit as many shareholders as possible to participate, only shareholders or their valid proxy holders may submit questions at the meeting. Large bags and packages, cameras, recording equipment, and other electronic devices will not be permitted in the meeting. A map with driving directions appears on the inside cover of this proxy statement.

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PROPOSAL 1 ELECTION OF DIRECTORS

NW Natural's Restated Articles of Incorporation provide that the Board of Directors shall be composed of not less than nine nor more than 13 directors, with the exact number of directors to be determined by the Board. The Board has fixed the number of directors at 10.

The Restated Articles also provide that the Board of Directors be divided into three classes and that the number of directors in each class be as nearly equal in number as possible. Members of each class are elected to serve a three-year term with the terms of office of each class ending in successive years. The term of Class II directors expires with this year's Annual Meeting. Ms. Jane L. Peverett and Messrs. Tod R. Hamachek and Kenneth Thrasher are nominees for election to the Board as Class II directors to serve until the 2016 Annual Meeting or until their successors have been duly qualified and elected. Ms. Peverett and Messrs. Hamachek and Thrasher were elected to the Board of Directors by the shareholders at the 2010 Annual Meeting. In case any of the nominees should become unavailable for election for any reason, the persons named in the proxy will have discretionary authority to vote for a substitute. Management knows of no reason why any of the nominees would be unable to serve if elected.

Vote Required

Under Oregon law, if a quorum of shareholders is present at the Annual Meeting, the three nominees who receive the greatest number of votes cast at the meeting shall be elected directors. Abstentions and broker non-votes are counted for purposes of determining whether a quorum exists at the Annual Meeting but are not counted and have no effect on the results of the vote for directors.

The Corporate Governance Standards adopted by the Board of Directors provide that any nominee for Director in an uncontested election who receives a greater number of votes withheld than votes for is required to tender his or her resignation for consideration by the Governance Committee. The Governance Committee will then determine whether to recommend acceptance of, and the Board of Directors will then decide whether to accept, such resignation.

The Board of Directors recommends the election of the nominees listed below.

**INFORMATION CONCERNING NOMINEES
AND CONTINUING DIRECTORS**

Set forth below is information with respect to the nominees and continuing directors, including their recent employment or principal occupation, a summary of their specific experience, qualifications, attributes or skills that led to the conclusion that they are qualified to serve as a director, the names of other public companies for which they currently serve as a director or have served as a director within the past five years, and their period of service as a NW Natural director, the committees on which they currently serve, and their age.

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NOMINEES FOR ELECTION TO BOARD OF DIRECTORS

Class II

(For a Term ending in 2016)

Tod R. Hamachek

Chairman of the Board, NW Natural, Ketchum, Idaho

Age: 67

Director since: 1986

Board Committees: Audit and Governance (Chair)

Mr. Hamachek served as Chairman and Chief Executive Officer of Penwest Pharmaceuticals Company from October 1997 to February 2005. Penwest, which was spun off from Penford Corporation in 1998, was located in Danbury, Connecticut and was engaged in the research, development and commercialization of novel drug delivery products and technologies. From 1985 until 1998, Mr. Hamachek served as President and Chief Executive Officer of Penford Corporation, a diversified producer of specialty paper, food starches and pharmaceutical ingredients. He is a director of The Seattle Times Company and The Blethen Corporation (the majority owner of The Seattle Times Company). Mr. Hamachek is a member of the board of directors of Virginia Mason Medical Center and Virginia Mason Medical System in Seattle, Washington and President of the Board of Directors of The Sun Valley Center for The Arts in Ketchum, Idaho. He is a graduate of Williams College and Harvard Business School.

Mr. Hamachek is our longest-serving director, and he brings to the NW Natural Board a broad array of institutional knowledge and historical perspective. Mr. Hamachek has served on our board for more than 27 years and has participated in a variety of our principal standing committees. Drawing on his experience as an executive and director of Penwest Pharmaceuticals Company and an executive of Penford Corporation along with his other professional experiences, Mr. Hamachek is able to provide important insights to our management and other directors on subjects ranging from corporate governance and corporate strategy to management oversight on large project development, public company operations, acquisitions, executive compensation, and media and government relations, all of which strengthen the Board's collective knowledge, capabilities and experience.

Jane L. Peverett

Former President and Chief Executive Officer, British Columbia Transmission Corporation, Vancouver, British Columbia, Canada

Age: 54

Director since: 2007

Board Committees: Organization and Executive Compensation, and Public Affairs and Environmental Policy

From 2005 to January 2009, Ms. Peverett served as President and Chief Executive Officer of British Columbia Transmission Corporation (BCTC), an electric utility in Vancouver, British Columbia. Between 2003 and 2005, she served as Chief Financial Officer of BCTC. Prior to joining BCTC, from 1988 through 2003, Ms. Peverett held various senior positions with Westcoast Energy Ltd., including serving as President and Chief Executive Officer of Union Gas Limited, a Westcoast Energy company, between 2001 and 2003. Ms. Peverett serves on the board of directors of Canadian Imperial Bank of Commerce (CIBC), Encana Corporation, AEGIS, Postmedia Network Canada Corp., British Columbia Ferry Authority and the United Way of Lower Mainland. Within the last five years, Ms. Peverett also served on the board of directors of BC

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Ferries Services, Inc. (BC Ferries) and the Canadian Electricity Association. Ms. Peverett earned a Bachelor of Commerce degree from McMaster University and a Master of Business Administration degree from Queen's University. She is a certified management accountant.

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Ms. Peverett's extensive senior management experience at Union Gas Limited of Toronto, Ontario, a natural gas distribution, storage and transmission company, and her board experience at Encana Corporation, one of the largest natural gas suppliers in North America, as well as her senior management experience at BCTC, the entity responsible for managing British Columbia's publicly-owned electrical transmission system, and her prior board experience at BC Ferries, position her to advise management on a wide range of natural gas and energy industry-specific strategic and regulatory matters as well as large project development and other business matters. In addition, Ms. Peverett's other board experiences, including as a member of the audit committee of CIBC, a leading North American financial institution with almost 11 million personal banking and business customers, Encana Corporation, and Postmedia Network Canada Corp. enable her to provide effective oversight of management and insight into a wide variety of corporate governance and financial matters. Ms. Peverett also has extensive knowledge of and training in finance and accounting matters, which strengthens the Board's collective knowledge, capabilities and experience.

Kenneth Thrasher

Chairman of the Board, Alternative Legal Solutions, Inc. (dba Compli), Portland, Oregon

Age: 63

Director since: 2005

Board Committees: Audit, Organization and Executive Compensation, and Public Affairs and Environmental Policy (Chair)

Mr. Thrasher served as Chairman and Chief Executive Officer of Alternative Legal Solutions, Inc. (dba Compli), a software solution provider for management of compliance in employment, regulatory, environmental, health and safety, and corporate governance practices from 2002 through December 2009, when he relinquished his position as Chief Executive Officer and continued to serve as Chairman of the Board. Prior to joining Compli, Mr. Thrasher served 19 years in executive positions with Fred Meyer, Inc., including serving as President and Chief Executive Officer from 1999 to 2001, as Executive Vice President and Chief Administrative Officer from 1997 to 1999, and as Senior Vice President and Chief Financial Officer from 1987 to 1997. Mr. Thrasher serves on the boards of directors of Compli, GSL Solutions, Inc., the Jensen Growth Fund, Friends of the Children, Oregon Mentors, the Children's Institute, the Portland State University Foundation, the OSU College Business Dean's Circle of Excellence, is a member of the Cradle to Career Council of All Hands Raised, and is a senior director on the Oregon Business Council. Until December 2010, Mr. Thrasher served on the board of directors of the Leaders Roundtable, until October 2011 served on the board of directors of Innovation Partnership, and during 2008 and the eight years prior, he served as a member of the board of directors for the Oregon Coast Aquarium. Mr. Thrasher earned a Bachelor of Science degree in Business Administration from Oregon State University.

Mr. Thrasher brings to the NW Natural Board a wide range of leadership experiences in both the public and private sectors. Mr. Thrasher's service as an executive at Fred Meyer, Inc. positions him to provide oversight of management on a wide variety of strategic, financial, and public company matters, including, but not limited to, large project development and acquisitions. Mr. Thrasher's service as an executive and board member of Compli enables him to advise management on matters of compliance, regulation, human capital management, executive compensation and corporate governance. Mr. Thrasher's other professional experiences, particularly his community- and government-related experience, provide insight with respect to government, community and media relations, all of which strengthen the Board's collective knowledge, capabilities and experience.

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MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

Class III

(Term ending in 2014)

Martha L. Stormy Byorum

Executive Vice President, Stephens Inc., New York, New York

Age: 64

Director since: 2004

Board Committees: Audit, Finance (Chair), Governance, and Public Affairs and Environmental Policy (Ex Officio)

In 2005, Ms. Byorum became Executive Vice President of Stephens Inc., a private investment banking firm founded in 1933. In addition, from 2005 to 2012, Ms. Byorum was Senior Managing Director of Stephens Cori Capital Advisors, a division of Stephens, Inc. From 2003 to 2004, Ms. Byorum served as Chief Executive Officer of Cori Investment Advisors, LLC, which was spun off from Violy, Byorum & Partners (VB&P) in 2003. VB&P was a leading independent strategic advisory and investment banking firm specializing in Latin America. Prior to co-founding VB&P in 1996, Ms. Byorum had a 24-year career at Citibank, where, among other things, she served as Chief of Staff and Chief Financial Officer for Citibank's Latin American Banking Group from 1986-1990, overseeing \$15 billion of loans and coordinating activities in 22 countries. She later was appointed the head of Citibank's U.S. Corporate Banking Business and a member of the bank's Operating Committee and a Customer Group Head with global responsibilities. A graduate of Southern Methodist University and the Wharton School at the University of Pennsylvania, she is a board member of the publicly-traded Andina Acquisition Corporation, as well as a Life Trustee of Amherst College, and a Trustee Emeritus of the Folger Shakespeare Library. From 2001 until May of 2010, Ms. Byorum was a board member of Aeterna-Zentaris Laboratories, Inc., a publicly-traded biopharmaceutical company, and from 2007 until December 2011, she was a board member of M&F Worldwide Corp., a holding company operating four businesses that was publicly traded until December 2011.

Ms. Byorum brings to the NW Natural Board more than 35 years of extensive experience in investment banking and public and private finance. Her multiple executive leadership roles at Stephens, Inc., Stephens Cori Capital Advisors, Cori Investment Advisors, LLC, VB&P and Citibank position her to advise NW Natural on a wide range of financial, strategic and governance matters. Ms. Byorum's experience also allows her to provide insights in areas including, but not limited to, mergers and acquisitions, human capital management and diversity, and investor and media relations. Ms. Byorum's current and prior service on other boards, including on M&F Worldwide Corp., Aeterna-Zentaris Laboratories, Inc., and the Audit Committee of Andina Acquisition Corporation, enables her to provide effective oversight of management and insight into a wide variety of public company operations and governance matters. Ms. Byorum's extensive finance and banking experience strengthens the Board's collective knowledge, capabilities and experience.

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John D. Carter

Chairman of the Board, Schnitzer Steel Industries, Inc., Portland, Oregon

Age: 67

Director since: 2002

Board Committees: Audit (Chair), Finance, and Governance

Mr. Carter served as President and Chief Executive Officer of Schnitzer Steel Industries Inc. from May 2005 to December 2008 when he was appointed to his current position of Chairman of the Board. From 2002 to May 2005, Mr. Carter was engaged in a consulting practice focused primarily on strategic planning in transportation and energy for national and international businesses, as well as other small business ventures. From 1982 to 2002, Mr. Carter served in a variety of senior management capacities at Bechtel Group, Inc., including Executive Vice President and Director, as well as President of Bechtel Enterprises, Inc., a wholly-owned subsidiary of Bechtel Group, Inc., and other operating groups. Prior to his Bechtel tenure, Mr. Carter was a partner in a San Francisco law firm. He is Chairman of the Board of Schnitzer Steel Industries, and a director of FLIR Systems, Inc., and privately-owned Kuni Automotive in the United States. In the United Kingdom, he served as a director of London & Continental Railways until February 2006, and, until December 2005, served as a director of Cross London Rail Links, Ltd. Mr. Carter also serves as a Trustee of the Nature Conservancy of Oregon. He is a graduate of Stanford University and Harvard Law School.

Mr. Carter brings to the NW Natural Board a broad array of executive, leadership and board service experiences that contribute to the Board's governance of the Company. Mr. Carter's extensive executive senior management experiences including at Bechtel and as Chief Executive Officer of Schnitzer Steel Industries and his other board service, including as Chairman of the Board of Schnitzer Steel Industries, and a director of FLIR Systems, Inc. and Kuni Automotive, enable him to provide effective oversight of management and insight into a wide variety of strategic, corporate governance and financial matters, including, but not limited to, experience in large project development, acquisitions, human capital management, executive compensation, media and governmental relations, growth orientation, change management, and strategic direction. In addition, Mr. Carter's tenure as General Counsel of Bechtel Group, Inc. and prior experience as a partner in a San Francisco law firm brings to the Board substantial legal and governance expertise. Mr. Carter also has extensive knowledge of finance and accounting matters, as a result of which, the Board has determined that he is an audit committee financial expert as defined by the SEC rules. Mr. Carter's multifaceted skill set and professional experiences strengthen the Board's collective knowledge, capabilities and experience.

C. Scott Gibson

President, Gibson Enterprises, Jackson Hole, Wyoming

Age: 60

Director since: 2002

Board Committees: Governance, Organization and Executive Compensation (Chair), and Finance

Mr. Gibson has been President of Gibson Enterprises since its formation in 1992. In 1983, Mr. Gibson co-founded Sequent Computer Systems and served as its President from 1988 until March 1992. Before his tenure at Sequent, Mr. Gibson served as General Manager for the Memory Components Division of Intel Corporation. Mr. Gibson serves as Chairman of the Board of RadiSys Corporation and as a director of TriQuint Semiconductor and Pixelworks. In the past five years, Mr. Gibson served as director of Verigy Pte. Ltd. and Electroglas, Inc. He also serves as a member of the Board of Trustees of the St. Johns Medical Center and the Community Foundation of Jackson Hole in Jackson Hole, Wyoming. Mr. Gibson earned a Bachelor of Science degree in Electrical Engineering and a Masters in Business degree from the University of Illinois.

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Mr. Gibson brings to the NW Natural Board extensive experience as a director of publicly-traded companies, including RadiSys, TriQuint Semiconductor, Pixelworks and, formerly Verigy Pte. Ltd. He is a professional public company and non-profit board member, dedicating all his work hours to the boards and companies on which he serves. Based on this experience and other professional experiences, Mr. Gibson is able to deliver important insights to our management and other directors on subjects ranging from management oversight to growth orientation, change management and strategic direction. In particular, Mr. Gibson's past or present service as an audit committee member of RadiSys Corporation, TriQuint Semiconductor, Pixelworks and Verigy Pte. Ltd. highlight Mr. Gibson's substantial experience in finance and accounting matters and position Mr. Gibson to provide important guidance to the Board on matters of accounting, finance, and corporate governance. Additionally, Mr. Gibson's prior and current service on the compensation committees of RadiSys Corporation, TriQuint Semiconductor, Pixelworks, Electroglas, Inc. and Verigy Pte. Ltd. enable him to substantially contribute to Board matters involving executive compensation, human capital management, and general corporate governance. Mr. Gibson's broad and varied public company leadership service strengthens the Board's collective knowledge, capabilities and experience.

Gregg S. Kantor

President and Chief Executive Officer, NW Natural, Portland, Oregon

Age: 55

Director since: 2008

Board Committees: None

Mr. Kantor became President and Chief Executive Officer of NW Natural on January 1, 2009. Previously, Mr. Kantor served as President and Chief Operating Officer of NW Natural from May 2007 to December 2008, and as Executive Vice President from December 2006 to April 2007. He also served as Senior Vice President of Public and Regulatory Affairs from 2003 to 2006, as Vice President of Public Affairs and Communications from 1998 to 2003, and as Director of Public Affairs and Communications from 1996 to 1998. Mr. Kantor is a board member of the American Gas Association, Oregon Business Council, Greater Portland Inc., the Portland Business Alliance and is a co-chair of the Cradle to Career Council of All Hands Raised. He has also served as a board member of the Leaders Roundtable until December 2010, the Oregon Energy Planning Council, and the Oregon Global Warming Commission until January 2011, and was a co-chair of the 2012 United Way Campaign. Mr. Kantor earned a Bachelor of Arts in Geography and Environmental Studies from the University of California at Santa Barbara and a Masters of Urban Planning from the University of Oregon.

Mr. Kantor serves a key leadership role on the NW Natural Board and provides the Board with in-depth knowledge of each area of NW Natural's business, the energy industry generally, and the Company's challenges and opportunities. Mr. Kantor acts as the principal intermediary between management and the independent directors of our Board, and communicates to the Board management's perspective on important matters brought before the Board. Mr. Kantor's 17 years with NW Natural and his involvement with the American Gas Association enable him to bring to the Board a comprehensive understanding of the Company's business operations as well as matters relating to the energy industry generally. Mr. Kantor's service on local business, educational, charitable and public service boards provide an important connection between NW Natural and the communities it serves. Additionally, Mr. Kantor's extensive experience in public affairs and communications contributes to the Board important perspectives on governmental and regulatory relations and advocacy, and community and media relations. Mr. Kantor's combined professional skills and insights from his position as President and Chief Executive Officer strengthen the Board's collective knowledge, capabilities and experience.

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Class I
(Term ending in 2015)

Timothy P. Boyle

President and Chief Executive Officer, Columbia Sportswear Company, Portland, Oregon

Age: 63

Director since: 2003

Board Committees: Public Affairs and Environmental Policy

Since 1989, Mr. Boyle has served as President and Chief Executive Officer of Columbia Sportswear Company, an active outdoor apparel and footwear company headquartered in Portland, Oregon. He began working with Columbia Sportswear Company in 1970. Mr. Boyle is a member of the boards of directors of Columbia Sportswear Company, Craft Brewers Alliance, Inc. and Freshwater Trust and is a trustee of Reed College, the Youth Outdoor Legacy Fund and a past member of the Young Presidents Organization. He also is a past trustee of the University of Oregon Foundation and Vice Chairman of its capital campaign committee. He earned a Bachelor of Science degree in Journalism from the University of Oregon.

Mr. Boyle's professional experiences, including his service as President and Chief Executive Officer and member of the board of directors of Columbia Sportswear Company and his service as a director of Craft Brewers Alliance, Inc., as well as his prior service on the NW Natural Board, and his community and public service, enable Mr. Boyle to provide valuable insight to the Board and management regarding public company operations, acquisitions, human capital management, executive compensation, investor and media relations, government relations, and growth and strategic direction, all of which strengthen the Board's collective knowledge, capabilities and experience.

Mark S. Dodson

Former Chief Executive Officer, NW Natural, Vancouver, Washington

Age: 68

Director since: 2003

Board Committees: Public Affairs and Environmental Policy

Mr. Dodson served as President and Chief Executive Officer of NW Natural from January 1, 2003 to April 30, 2007, when he relinquished his position as President and continued to serve as Chief Executive Officer until his retirement on December 31, 2008. From 2001 to January 2003, Mr. Dodson served as President, Chief Operating Officer and General Counsel of NW Natural. Mr. Dodson joined NW Natural in 1997 as Senior Vice President of Public Affairs and General Counsel, following a 17-year career with the Portland law firm Ater Wynne Hewitt Dodson & Skerriitt LLP. Mr. Dodson previously served as a director of the American Gas Association, the Energy Insurance Mutual, the Oregon Business Council and the Nature Conservancy of Oregon. Mr. Dodson currently serves on the board of directors of Medical Teams International. He also has worked on affordable housing issues as a board member and Chairman of the Neighborhood Partnership Fund. Mr. Dodson was formerly the Chair of the Portland Business Alliance and the Oregon State Board of Higher Education. He headed the Oregon Governor's Task Force on Scholarship and Student Aid. He earned an undergraduate degree from Harvard University and a law degree from Boalt College of Law at the University of California, Berkeley.

Mr. Dodson brings a seasoned perspective and comprehensive knowledge of the natural gas industry to our Board. Mr. Dodson's 16 years of service at NW Natural, including six years as Chief Executive Officer and ten years as a member of the Board of Directors, combined with a 17-year career as a regulatory attorney at a

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Portland law firm, allow Mr. Dodson to contribute substantial expertise to NW Natural's Board and management. Mr. Dodson's professional experiences enable him to provide insight on a wide variety of matters affecting NW Natural, including, but not limited to: local, state and federal regulatory matters; large project development; gas storage projects; large pipeline projects; acquisitions; public company matters; human capital management; executive compensation; investor, media and government relations; legal matters; environmental issues; and strategic direction. Mr. Dodson's many years of experience serving NW Natural and his prior years serving as an outside legal advisor to NW Natural strengthen the Board's collective knowledge, capabilities and experience.

George J. Puentes

Former President, Don Pancho Authentic Mexican Foods, Inc., Salem, Oregon

Age: 65

Director since: 2007

Board Committees: Finance, and Public Affairs and Environmental Policy

Mr. Puentes served as President of Don Pancho Authentic Mexican Foods, Inc., a manufacturer of tortillas and other foods, which he founded in Salem, Oregon in 1979, until December 2009, and is now an Advisor to the President of Don Pancho Authentic Mexican Foods. Mr. Puentes serves as a Director of StanCorp Financial Group, Inc., and as a trustee of the Meyer Memorial Trust. In the last five years, Mr. Puentes also served on the board of directors of the Federal Reserve Bank of San Francisco, Portland branch, and Regence Blue Cross/Blue Shield Community Board. Mr. Puentes earned a Bachelor of Science degree in business management from San Jose State University.

Mr. Puentes' extensive experience as founder and President of Don Pancho Authentic Mexican Foods, Inc., beginning in 1979, enables him to bring a broad range of executive experience to the NW Natural Board, including, but not limited to, human capital management, diversity, executive compensation, governmental and community relations, and environmental issues. In addition, Mr. Puentes' experience on the boards of StanCorp Financial Group, Inc., the Federal Reserve Bank of San Francisco, Portland branch, and Regence Blue Cross/Blue Shield Community Board allow him to provide insights to management related to regulatory issues, acquisitions, growth strategy, strategic direction and change management, all of which strengthen the Board's collective knowledge, capabilities and experience.

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CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Meeting Attendance

The Board of Directors conducts its annual organization meeting on the same date as the Annual Meeting of Shareholders, which all of the directors are encouraged to attend. In 2012, all of our directors attended the Annual Meeting of Shareholders.

During 2012, there were seven meetings of our Board, each of which included an executive session of non-management directors. No director attended fewer than 75 percent of the aggregate meetings of our Board and Committees on which he or she served.

Independence

The Board of Directors has adopted Director Independence Standards to comply with New York Stock Exchange (NYSE) rules. The Director Independence Standards, amended July 28, 2011, are available at www.nwnatural.com and are available in print to any shareholder who requests them. No director is deemed independent unless the Board affirmatively determines that the director has no material relationship with NW Natural either directly or as a partner, shareholder or officer of an organization that has a relationship with NW Natural. The Board applies NW Natural's Director Independence Standards as well as additional qualifications prescribed under the listing standards of the NYSE and applicable state and federal statutes. Annually, the Board determines whether each director meets the criteria of independence. As of February 28, 2013, the Board determined that nine of the ten directors met the independence criteria. They are directors Boyle, Byorum, Carter, Dodson, Gibson, Hamachek, Peverett, Puentes and Thrasher.

Board Nominations

The Board is responsible for selecting candidates for Board membership and the Governance Committee has been assigned the responsibility of recommending to the Board of Directors nominees for election as directors. The Governance Committee, with recommendations and input from the Chairman of the Board, the Chief Executive Officer and other directors, evaluates the qualifications of each director candidate in accordance with the Director Selection Criteria established by the Board. Candidates for director nominees are reviewed in the context of the current composition of the Board, the operating requirements of NW Natural, the existing and prospective business environment faced by NW Natural and the long-term interests of shareholders. Such director candidates must be able to make a significant contribution to the governance of NW Natural by virtue of their business and financial expertise, educational and professional background, and current or recent experience as a chief executive officer or other senior leader of a public company or other relevant organization. The business discipline that may be sought at any given time will vary depending on the needs and strategic direction of our Company and the disciplines represented by our incumbent directors. In addition, the Governance Committee looks at the overall composition of the Board and how a candidate would contribute to the overall synergy and collaborative process of the Board. In conducting its assessment, the Governance Committee considers a variety of criteria, including the following:

Integrity. Directors should have proven integrity and be of the highest ethical character and share NW Natural's values.

Reputation. Directors should have reputations, both personal and professional, consistent with NW Natural's image and reputation.

Judgment. Directors should have the ability to exercise sound business judgment on a broad range of issues.

Knowledge. Directors should be financially literate and have a sound understanding of business strategy, business environment, corporate governance and board functions.

Experience. Directors should be or have been in a generally recognized position of leadership in the nominee's field of endeavor and have a proven track record of excellence in their field.

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Maturity. Directors should value board and team performance over individual performance, possess respect for others and facilitate superior board performance.

Commitment. Directors should be able and willing to devote the required amount of time to NW Natural's affairs, including preparing for and attending meetings of the Board and its committees. Directors should be actively involved in the Board and its decision-making responsibilities.

Skills. Directors should be selected so that the Board has an appropriate mix of skills in core areas such as: accounting, finance, government relations, technology, management, compensation, crisis management, strategic planning and industry knowledge.

Diversity. Directors should be selected so that the Board of Directors is a diverse body. Diversity in this context includes considerations of geographic location, gender, race and professional background.

Age. The Board's retirement age is 70, unless otherwise determined by the Board.

Independence. Directors should neither have, nor appear to have, a conflict of interest that would impair the director's ability to represent the interests of all NW Natural's shareholders and to fulfill the responsibilities of a director.

Ownership stake. Directors should be committed to having a meaningful, long-term equity ownership stake in NW Natural and be willing to comply with our stock ownership guidelines.

Shareholder Nominations

Shareholders' recommendations for director-nominees may be submitted to NW Natural's Corporate Secretary for consideration by the Governance Committee. In evaluating shareholder recommendations for director-nominees, the Governance Committee applies the same Director Selection Criteria discussed above. NW Natural's Restated Articles of Incorporation provide that no person, except those nominated by the Board, shall be eligible for election as a director at any annual or special meeting of shareholders unless a written request that his or her name be placed in nomination, together with the written consent of the nominee, shall be received from a shareholder of record entitled to vote at such election by the Corporate Secretary of NW Natural on or before the later of (a) the thirtieth day prior to the date fixed for the meeting, or (b) the tenth day after the mailing of the notice of that meeting.

Diversity

As indicated above, NW Natural's Director Selection Criteria includes a consideration of diversity as one factor in evaluating candidates for Board membership. The Board believes that diversity with respect to factors such as background, experience, skills, geographic location, race and gender are important considerations in Board composition. The Governance Committee discusses diversity considerations in connection with each director candidate, as well as on a periodic basis in connection with the composition of the Board as a whole. In addition, the Governance Committee and the Board conduct formal self-evaluations each year that include an assessment of whether the Governance Committee and the Board have adequately considered diversity, among other factors, in identifying and discussing director candidates. The Governance Committee believes that, as a group, the nominees contribute to the Board's diverse range of backgrounds, experiences and perspectives.

Board Leadership Structure

The current Board leadership structure separates the role of Chairman and Chief Executive Officer (CEO). The Board evaluates its leadership structure and role in risk oversight on an ongoing basis. The decision to combine or separate the Chairman and CEO role is determined on the basis of what the Board considers to be best for NW Natural at any given point in time. Currently, the independent Chair of the Board meets regularly with the CEO and the Corporate Secretary to discuss appropriate business to come before the Board and its committees and actively recommends agenda items for Board meetings. NW Natural's Board is structured to promote independence. The directors of the Board meet regularly in executive sessions at which only the non-management directors are present and the independent Board Chairman presides at these sessions. Under NW Natural's bylaws, the Governance Committee, Audit Committee and Organization and Executive Compensation Committee (OECC) must be composed entirely of independent directors and, under its charter, the Finance Committee must have a majority of independent directors. All committees have an independent chair that works

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with the executive officer primarily responsible for work with that committee and the Corporate Secretary to discuss appropriate business to come before the committee, and to recommend agenda items for that committee. The Board of Directors believes its leadership structure provides for appropriate independence between the Board and management.

The Governance Committee and the Board annually review the Corporate Governance Standards, which can be accessed electronically in the Corporate Governance section of NW Natural's website at www.nwnatural.com, and the performance of the Board is reviewed annually by the members of the Board. The Corporate Governance Standards describe the Board's primary responsibilities, which include oversight of NW Natural's mission, and key programs that enable the Board to assess and manage material risks, including ethics and compliance, operational risk, strategic planning, financial performance, compensation and CEO succession.

Committees

There are five standing committees of the Board: Audit, Finance, Governance, Organization and Executive Compensation, and Public Affairs and Environmental Policy. Each of the standing committees operates according to a formal written charter, all of which are reviewed annually and are available at www.nwnatural.com. Copies of the charters are also available in print to any shareholder upon request. The performance of each committee is reviewed annually. Each committee may obtain advice and assistance from internal or external legal, accounting or other advisors, when appropriate. Each committee has the opportunity to meet in executive session with non-management directors at the end of each committee meeting; the independent chair of the committee presides at these sessions. Each committee regularly reports to the full Board of Directors.

Board and Committees ¹

Director	Board	Audit	Organization and Executive Compensation	Governance	Finance	Public Affairs
Timothy P. Boyle	X					X
Martha L. Byorum	X	X		X	Chair	Ex Officio ²
John D. Carter	X	Chair ³		X	X	
Mark S. Dodson	X					X
C. Scott Gibson	X		Chair	X	X	
Tod R. Hamachek	Chair	X		Chair		
Gregg S. Kantor	X					
Jane L. Peverett	X		X			X
George J. Puentes	X				X	X
Kenneth Thrasher	X	X	X			Chair
Number of Total Meetings in 2012	7	5	4	5	4	2

(1) The Company previously maintained a Strategic Planning Committee, which met one time during 2012. In May 2012, the Board dissolved the Committee and the full Board assumed the responsibilities previously held by the Committee.

(2) Ms. Byorum also serves as a voting member of the Public Affairs and Environmental Policy Committee for purposes of its oversight of the Company's environmental liability and insurance recovery matters.

(3) Based on its review of relevant information, the Board has determined that Mr. Carter is an audit committee financial expert and independent as those terms are defined under applicable Securities and Exchange Commission (SEC) rules.

Audit Committee

The Audit Committee is responsible for overseeing matters relating to accounting, financial reporting, internal control, auditing, NW Natural's Enterprise Risk Management process, and the Company's Business Integrity Hotline. The Audit Committee is also responsible for the appointment, compensation, oversight and review of the independent registered public accounting firm, and reviews the audit findings and other internal accounting control matters with the independent auditor. A more detailed description of the Audit Committee's responsibilities is included in the Report of the Audit Committee, below.

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Finance Committee

The Finance Committee is responsible for reviewing strategies and making recommendations to the Board with respect to NW Natural's financing programs, financial policy matters and material regulatory issues.

Governance Committee

The Governance Committee is empowered, during intervals between Board meetings, to exercise all of the authority of the Board in the management of NW Natural, except as otherwise may be provided by law. The Governance Committee, which serves as the nominating committee, regularly receives reports from the Chief Compliance Officer regarding the Company's Business Integrity Program, makes recommendations to the Board regarding nominees for election to the Board, establishes criteria for Board and committee membership and policies that govern the Board's activities, including the Corporate Governance Standards discussed below, and evaluates Board and individual director performance. It also considers any questions of possible conflicts of interest of Board members and senior executives and, jointly with the Organization and Executive Compensation Committee, considers CEO succession plans.

Organization and Executive Compensation Committee

The Organization and Executive Compensation Committee (OECC) reviews the performance of the CEO and other executive officers, makes recommendations to the Board relating to executive compensation programs and benefit plans, and monitors risks related to such programs and plans. The OECC also makes recommendations to the Board regarding Board compensation, and organization and executive succession matters. Each member of the OECC meets the criteria for a non-employee director under applicable SEC rules and the criteria for outside directors under Section 162(m) of the Internal Revenue Code of 1986, as amended (Internal Revenue Code). For additional information regarding the OECC, see Executive Compensation Compensation Discussion and Analysis Overview Organization and Executive Compensation Committee, below.

Public Affairs and Environmental Policy Committee

The Public Affairs and Environmental Policy Committee reviews NW Natural's policies and practices relating to significant public and political issues that may impact our business operations, financial performance or public image. The Public Affairs and Environmental Policy Committee oversees our programs and policies relating to civic, charitable and community affairs, safety, and equal employment opportunities. It also reviews and recommends to the Board appropriate environmental policies and informs the Board concerning the status of our compliance with environmental regulations, as well as oversees our administrative and litigation matters related to our environmental liabilities. The Public Affairs and Environmental Policy Committee makes recommendations to the Board to ensure that we fulfill our objectives in a manner consistent with the responsibilities of good corporate citizenship.

Board's Role in Risk Oversight

NW Natural's management is responsible for the day-to-day management of risks faced by the Company, while the Board of Directors, collectively and through its committees, has responsibility for the oversight of risk management. The Board periodically reviews its committee risk oversight structure to ensure the Board has adequate visibility and oversight coverage of the Company's key areas of risks. NW Natural's independent Audit Committee, which regularly reports to the full Board, has primary responsibility for oversight and evaluation of the Company's policies with respect to significant risks and exposures faced by the Company and the procedures for assessing, monitoring and managing those risks. Under the terms of its charter, the Audit Committee's duties include responsibility for oversight of the independent auditor, internal audit, financial reporting, including the Code of Ethics and its system for review and treatment of hotline complaints regarding accounting or financial irregularities as well as all other compliance and integrity violations. The Audit Committee also reviews NW Natural's annual and quarterly financial filings, including the disclosure of NW Natural's risk factors. The Audit Committee also has oversight responsibility for the Company's annual enterprise risk management assessment process. In fulfilling its risk oversight function, the Audit Committee periodically, and as needed, discusses key risks with NW Natural's Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, legal counsel, internal auditors, and with its independent registered public accounting firm.

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NW Natural's Board also manages its executive compensation oversight risk responsibility through the independent OECC, which regularly reports to the full Board. Under the terms of its charter, the OECC is responsible for overseeing the Company's executive compensation programs and plans to ensure consistency with corporate objectives and its compensation philosophy. In fulfilling its compensation risk oversight function, the OECC discusses with its outside consultant key compensation design elements of the Company's compensation plans and awards, including, but not limited to, whether those plans and awards properly incentivize executive performance, promote retention of valuable executives, and disincent in appropriate risk-taking. For additional information regarding the OECC oversight of executive compensation, see Executive Compensation Compensation Discussion and Analysis Overview Organization and Executive Compensation Committee, below.

In addition to receiving regular reports from the Audit Committee and the OECC with respect to its risk oversight responsibilities, the Board reviews key risks associated with the Company's strategic plan at its annual strategic planning session and periodically throughout the year. Other committees having a significant risk oversight role include the Finance Committee, which has primary responsibility for the financial strategy and policies of the Company, including risk oversight of its capital structure and liquidity, and the Public Affairs and Environmental Policy Committee, which has primary responsibility for overseeing the Company's strategy related to the Company's current and potential environmental liabilities, as well as legislative and regulatory risks. In addition, management attends Board and committee meetings and regularly discusses with the Board and the committees various risks confronting the Company.

OECC Engagement of Compensation Consultant

The OECC has engaged an independent executive compensation expert (Consultant) from Towers Watson, a compensation consulting firm, to assist in the evaluation of the competitiveness of our executive compensation programs and to provide overall guidance to the OECC in the design and operation of executive compensation programs. The Consultant reports directly to the OECC chair. At the direction and under the guidance of the OECC chair, the Consultant provides data and analysis that is used by both management and the OECC to develop recommendations for executive compensation and executive programs to submit to the OECC for its consideration. Although Towers Watson provides other services to NW Natural, the Consultant who works with the OECC does not provide any services to NW Natural other than compensation consulting.

Towers Watson provided the following additional services in 2012: investment advisory services for NW Natural's Pension Plan Trust and 401(k) Plan; retiree medical plan strategy analysis; and general salary survey data for the energy sector. The salary survey data is used by the Consultant in completing competitive compensation market analysis for the OECC as well as by NW Natural for non-executive positions. The table below identifies the executive and non-executive compensation consulting fees paid by us to Towers Watson for services provided during the fiscal year ended December 31, 2012.

Executive Compensation Consulting Fees	\$ 89,930
Fees for Services Other Than Executive Compensation Consulting	\$ 259,923

The decision to engage Towers Watson for these non-executive compensation services was recommended by management as part of the normal course of business and pre-approved by the OECC or the Chair of the OECC. The OECC reviews the engagement of its independent executive compensation consultant on a periodic basis, and as part of that process reviews a summary of all services provided to NW Natural by the Consultant and Towers Watson, the percentage of the total fees paid by NW Natural in relation to Towers Watson's total revenues, any business or personal relationships Towers Watson or the Consultant may have with any member of the Committee or any executive officer of NW Natural, NW Natural stock owned by the Consultant or Towers Watson, and internal policies and procedures of Towers Watson in place to maintain the objectivity, independence and separation between compensation consulting and investment advisory services, including, but not limited to Towers Watson's code of ethics requirement that all Towers Watson associates must report any potential conflict of interest.

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The OECC has concluded that the limited services provided by separate groups of Towers Watson, on discrete projects for the benefit of NW Natural's general employee population, do not affect the independent advice that the OECC receives from Consultant, and the OECC has also concluded that the independent consulting advice received from the Consultant was objective and not influenced by Towers Watson's other relationships with NW Natural.

CORPORATE GOVERNANCE STANDARDS

The Board of Directors maintains Corporate Governance Standards that provide NW Natural and its Board of Directors with guidelines designed to ensure that business is conducted with the highest level of integrity. The Corporate Governance Standards are reviewed annually by the Governance Committee to determine if changes should be recommended to the Board of Directors. The Corporate Governance Standards, amended December 20, 2012, are available at www.nwnatural.com, and in print to any shareholder who requests a copy. Among other matters, the Corporate Governance Standards include the following guidelines:

Incentive compensation plans link pay to measured financial and other goals set in advance by the Board.

Open and complete director access to NW Natural's senior management; Board and committee access to independent counsel, accountants or other advisors, as appropriate.

Annual assessment of the performance and effectiveness of the Board and its committees, and annual peer reviews of directors prior to the end of their term of office.

Director orientation and continuing education expectations to familiarize and enable directors to develop and maintain skills necessary or appropriate for the performance of their duties.

The Board and committee structure and function, including expectations for meeting attendance and preparation.

The Governance Committee recommends committee members for appointment by the Board and committee membership is periodically rotated.

The CEO reports at least annually to the Board regarding succession planning and management development. The OECC is responsible for succession planning and submitting its recommendations to the Board of Directors with respect to CEO selection, and is responsible, in consultation with the Governance Committee, for selecting the CEO.

The OECC recommends to the Board director compensation. Directors who are also employees of NW Natural receive no additional compensation for their service as directors.

Stock ownership guidelines for directors that provide for ownership of NW Natural shares, including shares credited to the directors deferred compensation accounts, valued at least \$300,000 within five years of becoming a director.

Stock ownership guidelines for executives. See Executive Compensation Discussion and Analysis Stock Ownership Guidelines, below. Annually, the Board reviews and approves the strategic plan and one-year capital expenditure plans.

The Board provides an opportunity for an executive session of non-management directors at the end of each Board meeting; the Chair of the Board presides at these executive sessions.

A substantial majority of the Board should be independent as determined annually by the Board in accordance with NW Natural's Director Independence Standards.

The Governance Committee, the Audit Committee and the Organization and Executive Compensation Committee consist entirely of independent directors, as that term is defined by NYSE listing standards and NW Natural's Director Independence Standards.

The Governance Committee recommends director nominees to the full Board in accordance with the Director Selection Criteria.

Unless otherwise determined by the Board, directors must retire from the Board at the first annual meeting of shareholders after reaching age 70.

In 2012, as part of its annual governance review, the Governance Committee recommended and the Board approved an amendment to the Corporate Governance Standards to provide that any nominee for Director in an

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uncontested election who receives a greater number of votes withheld than votes for is required to tender his or her resignation for consideration by the Governance Committee. The Governance Committee will then determine whether to recommend acceptance of, and the Board of Directors will then decide whether to accept, such resignation.

The Code of Ethics is available at www.nwnatural.com. Copies are also available in print to any shareholder who requests a copy. In addition, the Board of Directors has adopted procedures for the receipt, retention and treatment of concerns of our employees, shareholders, customers and other interested parties regarding accounting, financial reporting, internal controls, auditing or other matters. Concerns may be submitted in writing to the non-management directors of NW Natural, c/o Corporate Secretary, 220 NW Second Avenue, Portland, OR 97209. Employees and other third parties may also submit concerns anonymously pursuant to the Integrity Hotline at NWNIntegrity.com or 1-866-546-3696, also located at our external and internal website. Our Director of Internal Audit handles matters reported on the hotline in coordination with our Chief Compliance Officer and both regularly report to the Audit Committee regarding hotline activity and the Chief Compliance Officer regularly reports to the Governance Committee regarding the Business Integrity program.

The Corporate Secretary will refer concerns that come directly before the Corporate Secretary or Chief Compliance Officer relating to accounting, financial reporting, internal controls or auditing matters to the chair of the Audit Committee. The Corporate Secretary also regularly reports to the Governance Committee regarding concerns submitted to the non-management directors of NW Natural, if any.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires NW Natural's directors and executive officers to file initial reports of ownership and changes in ownership of NW Natural Common Stock with the SEC. Based solely on a review of the copies of reports furnished to us and written representations that no other such reports were required, we believe that all directors and executive officers timely filed all reports required under Section 16(a) of the Securities Exchange Act of 1934, as amended.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There are no Compensation Committee interlocks or insider participation, which SEC regulations or NYSE listing standards require to be disclosed in this proxy statement.

TRANSACTIONS WITH RELATED PERSONS

The Board adopted a written policy on the review of related person transactions (Transactions with Related Persons Policy) specifying that certain transactions involving directors, nominees, executive officers, significant shareholders and certain other related persons in which NW Natural is or will be a participant, and are of the type required to be reported as a related person transaction under Item 404(a) of SEC Regulation S-K, shall be reviewed by the Audit Committee. Pursuant to its charter, the Audit Committee is responsible for reviewing related person transactions.

Under the Transactions with Related Persons Policy, the Audit Committee reviews the material facts and circumstances of any transaction that may require reporting under Item 404(a) of SEC Regulation S-K to determine: (i) whether or not the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party; or (ii) whether or not the transaction is otherwise in the best interest of the Company. Upon review of a transaction, the Audit Committee may approve or disapprove the transaction and direct the officers of the Company to take appropriate action. In the event the Audit Committee is not otherwise convening, the transaction may be approved or ratified by the majority of disinterested members of the Board of Directors. We are not aware of any transactions entered into during the last fiscal year that did not follow the procedures outlined in the policy.

Table of Contents**Compensation to Spouse of a Named Executive Officer**

Ted Smart, the husband of Lea Anne Doolittle, Senior Vice President and Chief Administrative Officer, has been an employee of NW Natural since February 2006. In November 2006, Mr. Smart moved from his position as a senior auditor to purchasing manager. Ms. Doolittle was not involved in decisions regarding Mr. Smart's hiring, promotion or compensation. Cash compensation paid to Mr. Smart in 2012 was approximately \$133,000 and is expected to be approximately \$131,600 in 2013. Mr. Smart reports to the Senior Vice President and Chief Financial Officer. Compensation paid to Mr. Smart is reviewed periodically by the Audit Committee in accordance with our Transactions with Related Persons Policy.

SECURITY OWNERSHIP OF COMMON STOCK OF CERTAIN BENEFICIAL OWNERS

The following table shows ownership of Common Stock of NW Natural on December 31, 2012 by each person who, to our knowledge, owned beneficially more than 5 percent of NW Natural Common Stock, as set forth in a Schedule 13G filed with the SEC:

Name and Address of Beneficial Owner	Amount and Nature of	Percent
	Beneficial Ownership	of Class
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	2,197,092 ¹	8.18%
Parnassus Investments 1 Market Street, Suite 1600 San Francisco, CA 94105	1,563,129 ²	5.82%
The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	1,633,211 ³	6.07%

(1) Based on information set forth in Schedule 13G/A filed February 1, 2013, with the SEC by BlackRock, Inc., the reporting person has sole voting power and sole dispositive power as to the total amount of beneficial ownership.

(2) Based on information set forth in Schedule 13G filed February 8, 2013 with the SEC by Parnassus Investments, the reporting person has sole voting power and sole dispositive power as to the total amount of beneficial ownership.

(3) Based on information set forth in Schedule 13G/A filed February 11, 2013 with the SEC by The Vanguard Group, Inc., the reporting person reports that it has sole power to dispose of or to direct the disposition of 1,592,127 shares, shared power to dispose of or to direct the disposition of 41,084 shares, and sole power to vote or direct the vote of 46,084 shares. The filing does not clarify whether the reporting person has sole or shared power to vote with respect to the remaining 1,587,127 shares reported on the Schedule 13G/A.

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**BENEFICIAL OWNERSHIP OF COMMON STOCK BY DIRECTORS
AND EXECUTIVE OFFICERS**

Set forth below is certain information with respect to beneficial ownership of NW Natural's Common Stock as of December 31, 2012 by all directors and nominees, each of the Named Executive Officers named in the Summary Compensation Table below and all directors and executive officers as a group. If a person's options are not exercisable within 60 days of December 31, 2012, or the person holds shares in a deferred compensation account and those shares are not scheduled for distribution within 60 days of December 31, 2012 in the event they terminated their service on December 31, 2012, or they hold any other rights to acquire NW Natural Common Stock that are not vested and will not vest by 60 days after December 31, 2012, such options, shares or rights are not included in the table, but are included in the footnotes below.

Name of Beneficial Owners	Number of Shares ¹	Percent of Outstanding Common Stock
Named Executive Officers		
Gregg S. Kantor (also a director)	88,160 ²	*
David H. Anderson	93,203 ³	*
Lea Anne Doolittle	31,541 ⁴	*
J. Keith White	20,176 ⁵	*
Margaret D. Kirkpatrick	34,169 ⁶	*
Directors		
Timothy P. Boyle	16,512 ⁷	*
Martha L. Stormy Byorum	7,948 ⁸	*
John D. Carter	49,094 ⁹	*
Mark S. Dodson	9,464 ¹⁰	*
C. Scott Gibson	4,165 ¹¹	*
Tod R. Hamachek	7,805 ¹²	*
Jane L. Peverett	11,515 ¹³	*
George J. Puentes	11,878 ¹⁴	*
Kenneth Thrasher	7,500 ¹⁵	*
All directors and officers as a group (20 in number)	493,558 ¹⁶	1.83

* The total for each individual is less than 1.0 percent.

Based on the total number of shares beneficially owned on December 31, 2012 (including shares owned as of December 31, 2012, options exercisable within 60 days after December 31, 2012, shares underlying the restricted stock units that vested within 60 days after December 31, 2012, and shares held in deferred compensation accounts that would be received by directors and officers within 60 days of December 31, 2012, if the director or officer ceased service with NW Natural on that date).

(1) Unless otherwise indicated, beneficial ownership includes both sole voting power and sole investment power. Shares under the Directors Deferred Compensation Plan (DDCP), the Executive Deferred Compensation Plan (EDCP) and the Deferred Compensation Plan for Directors and Executives (DCP) that would be received by directors, Named Executive Officers and all directors and officers as a group within 60 days of December 31, 2012, if the director, Named Executive Officer or all officers and directors as a group ceased service with NW Natural on that date are included in the table. Unexercisable options and the remaining shares under the DDCP, EDCP and DCP are not included in the table as they represent under the terms of the plans, rights to receive shares that would not be distributed until a date that is later than 60 days after December 31, 2012; such shares are more fully disclosed in the footnotes below with respect to each beneficial owner named in table.

(2) Includes 18,813 shares held directly by Mr. Kantor, 4,506 shares held jointly with Mr. Kantor's spouse, 59,250 shares which Mr. Kantor has the right to acquire within 60 days through the exercise of options under the Restated Stock Option Plan (Restated SOP), 1,400 restricted stock units (RSUs) which Mr. Kantor has the right to acquire within 60 days at vesting under the Long Term Incentive Plan (LTIP), 3,422 shares held indirectly under the Restatement K Savings Plan (RKSP), and 770 shares held by Mr. Kantor's parent, with respect to which Mr. Kantor is power of attorney and a potential beneficiary. Does not include 43,750 unexercisable shares under the Restated SOP, 4,200 unvested RSUs under the LTIP and 2,997 shares credited to the DCP.

(3) Includes 535 shares held directly by Mr. Anderson, 39,760 shares held jointly with Mr. Anderson's spouse, 51,750 shares which Mr. Anderson has the right to acquire within 60 days through the exercise of options under the Restated SOP, 550 RSUs which Mr. Anderson

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has the right to acquire within 60 days at vesting under the LTIP, 608 shares held indirectly under the RKSP. Does not include 14,250 unexercisable shares under the restated SOP, 1,650 unvested RSUs under the LTIP and 3,063 shares credited to the DCP.

(4) Includes 2,752 shares held directly by Ms. Doolittle, 209 shares held by Ms. Doolittle's spouse, 7,063 shares held indirectly under the RKSP, 196 shares held indirectly under the RKSP by her spouse, 29 shares credited to the EDCP, 18,000 shares which Ms. Doolittle has the right to acquire within 60 days through the exercise of options under the Restated SOP, 3,050 shares which Ms. Doolittle's spouse has the right to acquire within 60 days through the exercise of options under the Restated SOP, 225 RSUs which Ms. Doolittle has the right to acquire within 60 days at vesting under LTIP and 17 RSUs which Ms. Doolittle's spouse has the right to acquire within 60 days at vesting under the LTIP. Does not include 6,000 unexercisable shares under the Restated SOP, 675 unvested RSUs under the LTIP, 430 shares credited to EDCP, 1,058 shares credited to the DCP; and 750 unexercisable shares under the Restated SOP for Ms. Doolittle's spouse and 53 unvested RSUs under the LTIP for Ms. Doolittle's spouse.

(5) Includes 2,640 shares held directly by Mr. White, 16,625 shares which Mr. White has the right to acquire within 60 days through the exercise of option under the restated SOP, 225 RSUs which Mr. White has the right to acquire within 60 days at vesting under the LTIP and 686 shares held indirectly under the RKSP. Does not include 6,375 unexercisable shares under the Restated SOP, 675 unvested RSUs under the LTIP and 3,196 shares credited to the DCP.

(6) Includes 7,671 shares held directly by Ms. Kirkpatrick, 25,625 shares which Ms. Kirkpatrick has the right to acquire within 60 days through the exercise of options under the Restated SOP, 362 RSUs which Ms. Kirkpatrick has the right to acquire within 60 days at vesting under the LTIP and 511 shares held indirectly under the RKSP. Does not include 7,875 unexercisable shares under the Restated SOP and 1,088 unvested RSUs under the LTIP.

(7) Includes 453 shares held directly by Mr. Boyle, 15,689 shares credited to the DCP and 370 shares credited to the DDCP. Does not include 3,337 shares credited to the DDCP.

(8) Includes 273 shares held directly by Ms. Byorum, 6,551 shares credited to the DCP and 1,124 shares credited to the DDCP.

(9) Includes 17,584 shares held directly by Mr. Carter, 25,428 shares credited to the DCP and 6,082 shares credited to the DDCP.

(10) Includes 7 shares held directly by Mr. Dodson, 6,152 shares held in a trust for Mr. Dodson's spouse and 3,305 shares credited to the DCP. Does not include 16,527 shares credited to the DCP.

(11) Includes 1,090 shares held directly by Mr. Gibson, 110 shares held by Mr. Gibson's spouse, 2,736 shares credited to the DCP and 229 shares credited to the DDCP. Does not include 9,718 shares credited to the DCP and 2,070 shares credited to the DDCP.

(12) Includes 5,587 shares held directly by Mr. Hamachek, 352 shares credited to the DCP and 1,866 shares credited to the DDCP. Does not include 3,192 shares credited to the DCP and 16,802 shares credited to the DDCP.

(13) Includes 1,000 shares held directly by Ms. Peverett and 10,515 shares credited to the DCP.

(14) Includes 1,030 shares held directly by Mr. Puentes and 10,848 shares credited to the DCP. Does not include 921 shares credited to the DCP.

(15) Includes 3,500 shares held directly by Mr. Thrasher and 4,000 shares held jointly with Mr. Thrasher's spouse and that secure a personal line of credit.

(16) Includes 100,428 shares held by executive officers not named above, of which 15,476 shares held directly by these executive officers, 8,974 shares are held jointly with spouse, 14,942 shares are held indirectly under the RKSP, 59,900 shares that the executive officers not named above have the right to acquire within 60 days through exercise of options under the Restated SOP and 1,137 RSUs that the executive officers not named above have the right to acquire within 60 days at vesting under the LTIP. Does not include 23,325 unexercisable shares under the Restated SOP and 3,413 unvested RSUs under the LTIP and 2,731 shares credited to the DCP for executive officers not named above.

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**TOTAL OWNERSHIP OF COMMON STOCK BY DIRECTORS
AND EXECUTIVE OFFICERS**

Set forth below is the total number of shares of NW Natural's Common Stock owned, directly or indirectly, as of December 31, 2012 by all directors and nominees, each of the Named Executive Officers named in the Summary Compensation Table below and all directors and executive officers as a group. This supplemental table is provided to illustrate each specified individual's total ownership in NW Natural, specifically including all shares subject to unexercised options, all unvested RSUs, and credited to deferred compensation plan accounts that are excluded from the above table entitled Beneficial Ownership of Common Stock by Directors and Executive Officers, as referenced in the footnotes to that table. **Amounts included in this table are a different representation of the amounts included in the above table and footnotes entitled Beneficial Ownership of Common Stock by Directors and Executive Officers, and are not in addition to amounts included in that table.**

Name of Owner	Total Number of Shares
Named Executive Officers	
Gregg S. Kantor (also a director)	139,108
David H. Anderson	112,165
Lea Anne Doolittle	40,507
J. Keith White	30,422
Margaret D. Kirkpatrick	43,132
Directors	
Timothy P. Boyle	19,849
Martha L. Stormy Byorum	7,948
John D. Carter	49,094
Mark S. Dodson	25,991
C. Scott Gibson	15,953
Tod R. Hamachek	27,799
Jane L. Peverett	11,515
George J. Puentes	12,799
Kenneth Thrasher	7,500
All directors and officers as a group (20 in number)	673,680

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EXECUTIVE COMPENSATION

REPORT OF ORGANIZATION AND EXECUTIVE COMPENSATION COMMITTEE

The Organization and Executive Compensation Committee of the Board of Directors (OECC) is responsible for discharging the responsibilities of the Board of Directors relating to the compensation of executives by ensuring that the Chief Executive Officer and other senior executives are compensated appropriately and in a manner consistent with the stated compensation philosophy of NW Natural and the requirements of the appropriate regulatory authorities.

The OECC is responsible for producing this report and for providing input and guidance to management in the preparation of the Compensation Discussion and Analysis following this report. In fulfilling its responsibilities, the OECC has reviewed and discussed the Compensation Discussion and Analysis with management.

In reliance on the review and discussion referred to above, the OECC recommended to the Board of Directors (and it has approved and directed) that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into NW Natural's Annual Report on Form 10-K for the year ended December 31, 2012.

Respectfully submitted on February 27, 2013 by the Organization and Executive Compensation Committee of the Board of Directors:

C. Scott Gibson, Chair
Jane L. Peverett

Kenneth Thrasher

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

Organization and Executive Compensation Committee

The Organization and Executive Compensation Committee (OECC) operates pursuant to a written charter that is available at www.nwnatural.com. Under the charter, the OECC is primarily responsible for:

- discussing and reviewing the management and affairs of NW Natural relating to its organization and to executive personnel and their compensation;
- producing an annual compensation committee report for inclusion in NW Natural's proxy statement; and
- providing input and guidance to management in the preparation of the Compensation Discussion and Analysis also to be included in NW Natural's proxy statement.

The OECC also reviews with the Chief Executive Officer and the Senior Vice President and Chief Administrative Officer NW Natural's succession planning, including the identification of potential internal and external candidates for executive positions. The OECC's policies and decisions applicable to the compensation of all of the Named Executive Officers (listed below) are generally similar in all material respects.

Delegation of Authority. The Board of Directors has delegated to the OECC its full authority to grant equity awards under the terms of the Long Term Incentive Plan, which has been approved by shareholders. With respect to other components of the Named Executive Officers compensation, the OECC submits its recommendations to the Board for approval. Day-to-day administration of director and executive compensation plans has been delegated, under the terms of the plans, which have been approved either by shareholders or the Board of Directors, to certain officers, with oversight by the OECC.

Management's Role. Management provides support to the OECC in a number of ways to facilitate executive compensation decisions, including working with counsel on plan design changes, preparing reports and materials, communicating with outside advisors, administering plans on a day-to-day basis and implementing the Board's and OECC's decisions. The Senior Vice President and Chief Administrative Officer is the primary management contact for the OECC. The Chief Executive Officer makes recommendations to the OECC regarding plan design, salary increases, incentive awards and other executive compensation decisions for executives other than himself.

Use of Consultants. The OECC has engaged an executive compensation expert (Consultant) from Towers Watson, a compensation consulting firm, to assist in the evaluation of the competitiveness of our executive compensation programs and to provide overall guidance to the OECC in the design and operation of these programs. The Consultant reports directly to the OECC chair, and the chair reviews all invoices submitted by the Consultant. At the direction and under the guidance of the OECC chair, the Consultant provides data and analysis that is used by both management and the OECC to develop recommendations for executive compensation and executive programs to submit to the OECC for its consideration.

Our Compensation Philosophy

The OECC has adopted a total compensation philosophy centered on pay for performance to guide its decisions with respect to executive compensation. Each year, including 2012, the OECC reviews, makes changes or corrections as necessary, and reaffirms, or modifies as needed, its compensation philosophy. The guiding principles of this philosophy are to design executive compensation programs that:

- ensure that we have the ability to attract, retain and motivate talented and qualified executives critical to the achievement of our annual goals, our long-term business strategy, and enhancement of shareholder value by providing total remuneration, including base salary, incentive compensation, benefits and retirement income, at a level that is competitive with that of other energy service and general industry companies, as applicable, of comparable size and circumstances;

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motivate high levels of performance by linking a significant portion of each executive's total direct compensation opportunity, which includes base salary and annual and long-term incentives, to Company performance by including components of compensation opportunity that are at risk subject to the achievement of established performance criteria;

promote creation of shareholder value by: (i) requiring meaningful stock ownership by officers (see Stock Ownership Guidelines, below), and (ii) providing a significant component of compensation that is based on earnings growth, dividend growth and stock price performance (see Compensation Programs Long-Term Incentives, below), to align executives' long-term interests with those of our shareholders;

pay for performance and the right results by: (i) driving the achievement of our business strategy while operating within the established risk profile of NW Natural, (ii) providing a significant portion of pay through incentive compensation programs that are tied to NW Natural strategies, objectives and performance, and (iii) appropriately balancing short- and long-term incentive measures, and using multiple incentive measures where appropriate;

achieve the correct balance of providing compensation that is attractive to executives, affordable to NW Natural, proportional to the executive's contribution, and fair to shareholders and employees; and

align pay practices with shareholder interests, remain competitive, and use risk analysis and mitigation to provide compensation practices that motivate appropriate risk-taking; for example, provide compensation incentives for achieving identified Company objectives and goals, but disincent inappropriate risk-taking with design tools like clawbacks for executive officers under certain plans and awards in the event of misconduct.

The OECC has taken a number of actions in recent years in furtherance of its total compensation philosophy, including, but not limited to:

eliminating perquisites for executives;

eliminating change-in-control severance gross-up payments;

establishing a policy whereby potential change-of-control severance payments decline in amount as an executive nears retirement age;

reducing the interest crediting rate on compensation deferred after 2004 to a variable market rate;

modifying the Executive Supplemental Retirement Income Plan (ESRIP) and Supplemental Executive Retirement Plan (SERP) to reduce benefits and expenses, including limiting the amount of an executive's annual bonus that is included in final average compensation for purposes of those plans and eliminating the annual payment of ESRIP-related FICA tax on behalf of ESRIP participants;

closing new participation in the ESRIP and SERP Tier I;

establishing guidance to discontinue use of employment contracts and provide limited use and duration of non-change-in-control severance;

adding requirements to clawback from executive officers certain benefits under annual and long-term incentive awards in the event of misconduct, pending further evaluation as new regulations are adopted; and

increasing the percentage of total target direct executive compensation that is at-risk, particularly for the Chief Executive Officer.

Highlights