FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2002-05-14** | Period of Report: **2002-03-31**
SEC Accession No. 0000950120-02-000272

FILER

NORTHWEST NATURAL GAS CO

CIK:**73020**| IRS No.: **930256722** | State of Incorp.:**OR** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-15973** | Film No.: **02646863**
SIC: **4924** Natural gas distribution

Business Address
220 NW SECOND AVE
PORTLAND OR 97209
5032264211

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition period from to _________ to _________

Commission File No. 0-994

[GRAPHIC OMITTED][GRAPHIC OMITTED] NW NATURAL

NORTHWEST NATURAL GAS COMPANY
(Exact name of registrant as specified in its charter)

OREGON	93-0256722
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

220 N.W. SECOND AVENUE, PORTLAND, OREGON 97209
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: (503) 226-4211

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

At May 8, 2002, 25,419,804 shares of the registrant's Common Stock, $3-1/6 par value (the only class of Common Stock) were outstanding.

NORTHWEST NATURAL GAS COMPANY

March 31, 2002

Summary of Information Reported

The registrant submits herewith the following information:

PART I. FINANCIAL INFORMATION

<TABLE>
<CAPTION>

</TABLE>

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(1) Consolidated Statements of Income
(Unaudited)

<TABLE>
<CAPTION>

Thousands, except per share amounts	Three Months Ended March 31, 2002	2001
<S>	<C>	<C>
Operating revenues:		
Gross operating revenues	$ 278,563	$ 217,341
Cost of sales	167,897	125,688
Net operating revenues	110,666	91,653
Operating expenses:		
Operations and maintenance	22,169	21,043
Taxes other than income taxes	12,002	9,694
Depreciation, depletion and amortization	12,814	12,128
Total operating expenses	46,985	42,865
Income from operations	63,681	48,788
Other income (expense)	(870)	606
Interest charges - net	8,149	8,260
Income before income taxes	54,662	41,134
Income taxes	20,215	15,227
Net income	34,447	25,907
Redeemable preferred and preference stock dividend requirements	595	608
Earnings applicable to common stock	$ 33,852	$ 25,299
Average common shares outstanding	25,266	25,207
Basic earnings per share of common stock	$ 1.34	$ 1.00
Diluted earnings per share of common stock	$ 1.32	$ 0.99
Dividends per share of common stock	$ 0.315	$ 0.31

</TABLE>

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(2) Consolidated Statements of Earnings Invested in the Business
(Unaudited)

<TABLE>

<CAPTION>

Thousands	Three Months Ended March 31, 2002		2001	
<S>	<C>	<C>	<C>	<C>
Earnings invested in the business:				
Balance at beginning of period	$ 147,950		$ 134,189	
Net income	34,447	$ 34,447	25,907	$ 25,907
Cash dividends paid:				
Redeemable preferred and preference stock	(594)		(608)	
Common stock	(7,953)		(7,812)	
Common stock repurchased	-		(1,801)	
Balance at end of period	$ 173,850		$ 149,875	
Accumulated other comprehensive income (loss):				
Balance at beginning of period	$ (375)		$ -	
Other comprehensive income - net of tax:				
Unrealized gain from price risk management activities	430	430	-	-
Comprehensive income		$ 34,877		$ 25,907
Balance at end of period	$ 55		$ -	

</TABLE>

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(3) Consolidated Balance Sheets

<TABLE>
<CAPTION>

Thousands	March 31, 2002 Unaudited)	March 31, 2001 (Unaudited)	Dec. 31, 2001
<S>	<C>	<C>	<C>
Assets:			
Plant and property:			
Utility plant	$ 1,478,725	$ 1,420,274	$ 1,465,079
Less accumulated depreciation	525,805	486,261	514,629
Utility plant - net	952,920	934,013	950,450
Non-utility property	18,494	8,648	18,203
Less accumulated depreciation and depletion	3,774	3,474	3,677
Non-utility property - net	14,720	5,174	14,526
Total plant and property	967,640	939,187	964,976
Other investments	25,074	14,310	23,233
Current assets:			
Cash and cash equivalents	30,084	12,196	10,440
Accounts receivable	81,503	57,876	66,684
Allowance for uncollectible accounts	(3,648)	(2,708)	(1,962)
Accrued unbilled revenue	39,860	26,591	57,749
Inventories of gas, materials and supplies	33,396	19,562	49,337
Prepayments and other current assets	24,100	20,554	28,086
Total current assets	205,295	134,071	210,334
Regulatory assets:			
Income tax asset	48,469	49,515	48,469
Deferred gas costs receivable	--	16,491	--
Unrealized loss on non-trading derivatives	48,666	--	111,641
Unamortized loss on debt redemption	6,855	7,317	6,970

Other	4,232	7,260	5,302
Total regulatory assets	108,222	80,583	172,382
Other assets:			
Investment in life insurance	53,418	49,499	53,033
Other	11,168	10,225	11,064
Total other assets	64,586	59,724	64,097
Total assets	$ 1,370,817	$ 1,227,875	$ 1,435,022

</TABLE>

See Notes To Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(3) Consolidated Balance Sheets

<TABLE>
<CAPTION>

Thousands	March 31, 2002 (Unaudited)	March 31, 2001 (Unaudited)	Dec. 31, 2001
<S>	<C>	<C>	<C>
Capitalization and liabilities:			
Capitalization:			
Common stock	$ 80,130	$ 79,595	$ 79,889
Premium on common stock	242,245	237,970	240,697
Earnings invested in the business	173,850	149,875	147,950
Accumulated other comprehensive income (loss)	55	-	(375)
Total common stock equity	496,280	467,440	468,161
Redeemable preference stock	25,000	25,000	25,000
Redeemable preferred stock	9,000	9,750	9,000
Long-term debt	438,236	400,664	378,377
Total capitalization	968,516	902,854	880,538
Current liabilities:			
Notes payable	163	22,470	108,291
Accounts payable	59,592	60,225	70,698
Long-term debt due within one year	40,000	20,000	40,000
Taxes accrued	30,280	17,818	22,539
Interest accrued	9,847	9,904	3,658
Other current and accrued liabilities	26,673	24,232	28,396
Total current liabilities	166,555	154,649	273,582
Regulatory liabilities:			
Customer advances	1,824	1,709	1,985
Deferred gas costs payable	30,262	-	10,089
Total regulatory liabilities	32,086	1,709	12,074
Other liabilities:			
Deferred income taxes	128,886	142,810	130,424
Fair value of non-trading derivatives	48,463	-	111,868
Deferred investment tax credits	8,138	9,063	8,682
Other	18,173	16,790	17,854
Total other liabilities	203,660	168,663	268,828
Total capitalization and liabilities	$ 1,370,817	$1,227,875	$1,435,022

</TABLE>

See Notes To Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(4) Consolidated Statements of Cash Flows
(Unaudited)

<TABLE>
<CAPTION>

Thousands	Three Months Ended March 31, 2002	2001
Operating activities:		
Net income from operations	$ 34,447	$ 25,907
Adjustments to reconcile net income to cash provided by operations:		
Depreciation, depletion and amortization	12,814	12,128
Gain on sale of assets	(221)	--
Unrealized gain from price risk management activities	430	--
Deferred income taxes and investment tax credits	(2,082)	679
Equity in (earnings) losses of investments	(138)	142
Allowance for funds used during construction	(148)	(191)
Deferred gas costs - net	20,173	482
Other	424	2,186
Cash from operations before working capital changes	65,699	41,333
Changes in operating assets and liabilities:		
Accounts receivable - net of uncollectible accounts	(13,133)	5,585
Accrued unbilled revenue	17,889	19,028
Inventories of gas, materials and supplies	15,941	27,321
Accounts payable	(11,106)	(50,473)
Accrued interest and taxes	13,930	16,960
Other current assets and liabilities	2,097	2,782
Cash provided by operating activities	91,317	62,536
Investing activities:		
Acquisition and construction of utility plant assets	(15,039)	(17,095)
Investment in non-utility property	(291)	--
Deferred costs for pending purchase of PGE	(2,334)	--
Proceeds from sale of assets	500	--
Other investments	518	167
Cash used in investing activities	(16,646)	(16,928)
Financing activities:		
Common stock issued	1,648	1,290
Common stock repurchased	--	(3,772)
Long-term debt issued	60,000	--
Change in short-term debt	(108,128)	(33,793)
Cash dividend payments:		
Redeemable preferred and preference stock	(594)	(608)
Common stock	(7,953)	(7,812)
Cash used in financing activities	(55,027)	(44,695)
Increase in cash and cash equivalents	19,644	913
Cash and cash equivalents - beginning of period	10,440	11,283
Cash and cash equivalents - end of period	$ 30,084	$ 12,196
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 1,923	$ 1,041
Income taxes	$ 14,111	$ 4,002
Supplemental disclosure of non-cash financing activities:		
Conversion to common stock:		
7-1/4 % Series of Convertible Debentures	$ 141	$ 126

</TABLE>

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(5) Consolidated Statements of Capitalization

<TABLE>
<CAPTION>

Thousands, except share amounts	March 31, 2002 (Unaudited)		March 31, 2001 (Unaudited)		Dec. 31, 2001	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Common Stock Equity:						
Common stock - par value $3-1/6 per share	$ 80,130		$ 79,595		$ 79,889	
Premium on common stock	242,245		237,970		240,697	
Earnings invested in the business	173,850		149,875		147,950	
Accumulated other comprehensive income (loss)	55		-		(375)	
Total common stock equity	496,280	51%	467,440	52%	468,161	53%
Redeemable Preference Stock:						
$6.95 Series, stated value $100 per share	25,000	3%	25,000	3%	25,000	3%
Redeemable Preferred Stock:						
$7.125 Series, stated value $100 per share	9,000	1%	9,750	1%	9,000	1%
Long-Term Debt:						
Medium-Term Notes						
First Mortgage Bonds:						
6.620% Series B due 2001	-		10,000		-	
8.050% Series A due 2002	10,000		10,000		10,000	
6.750% Series B due 2002	10,000		10,000		10,000	
5.550% Series B due 2002	20,000		20,000		20,000	
6.400% Series B due 2003	20,000		20,000		20,000	
6.340% Series B due 2005	5,000		5,000		5,000	
6.380% Series B due 2005	5,000		5,000		5,000	
6.450% Series B due 2005	5,000		5,000		5,000	
6.050% Series B due 2006	8,000		-		8,000	
6.310% Series B due 2007	20,000		-		-	
6.800% Series B due 2007	10,000		10,000		10,000	
6.500% Series B due 2008	5,000		5,000		5,000	
7.450% Series B due 2010	25,000		25,000		25,000	
6.665% Series B due 2011	10,000		-		10,000	
7.130% Series B due 2012	40,000		-		-	
8.260% Series B due 2014	10,000		10,000		10,000	
7.000% Series B due 2017	40,000		40,000		40,000	
6.600% Series B due 2018	22,000		22,000		22,000	
8.310% Series B due 2019	10,000		10,000		10,000	
7.630% Series B due 2019	20,000		20,000		20,000	
9.050% Series A due 2021	10,000		10,000		10,000	
7.250% Series B due 2023	20,000		20,000		20,000	
7.500% Series B due 2023	4,000		4,000		4,000	
7.520% Series B due 2023	11,000		11,000		11,000	
7.720% Series B due 2025	20,000		20,000		20,000	
6.520% Series B due 2025	10,000		10,000		10,000	
7.050% Series B due 2026	20,000		20,000		20,000	
7.000% Series B due 2027	20,000		20,000		20,000	
6.650% Series B due 2027	20,000		20,000		20,000	
6.650% Series B due 2028	10,000		10,000		10,000	
7.740% Series B due 2030	20,000		20,000		20,000	
7.850% Series B due 2030	10,000		10,000		10,000	
Unsecured:						
8.470% Series A due 2001	-		10,000		-	
Convertible Debentures						
7-1/4% Series due 2012	8,236		8,664		8,377	
	478,236		420,664		418,377	
Less long-term debt due within one year	40,000		20,000		40,000	
Total long-term debt	438,236	45%	400,664	44%	378,377	43%
Total Capitalization	$ 968,516	100%	$ 902,854	100%	$ 880,538	100%

See Notes to Consolidated Financial Statements

</TABLE>

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION
(6) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statements

The information presented in the consolidated financial statements is unaudited, but includes all adjustments, consisting of only normal recurring accruals, which the management of the Company considers necessary for a fair presentation of the results of such periods. These consolidated financial statements should be read in conjunction with the financial statements and related notes included in the Company's 2001 Annual Report on Form 10-K (2001 Form 10-K). A significant part of the business of the Company is of a seasonal nature; therefore, results of operations for the interim periods are not necessarily indicative of the results for a full year.

As referred to herein, the "Company" consists of Northwest Natural Gas Company (NW Natural), a regulated utility, and non-regulated subsidiary businesses, NNG Financial Corporation (Financial Corporation), a wholly-owned subsidiary, and Northwest Energy Corporation (Northwest Energy or Holding Company), which was formed in 2001 to serve as the holding company for NW Natural and Portland General Electric Company (PGE) if the acquisition of PGE is completed (see Note 6).

Certain amounts from prior periods have been reclassified to conform with the 2002 presentation. These reclassifications had no impact on prior year results of operations.

2. Use of Financial Derivatives

NW Natural utilizes derivative instruments to manage commodity price risks related to natural gas purchases, foreign currency exchange rate risks related to gas purchase commitments from Canada, oil or propane commodity price risks related to gas sales and transportation services under rate schedules pegged to these commodities, and interest rate risks related to long-term debt maturing or expected to be issued in less than five years. NW Natural does not enter into derivative instruments for trading purposes. See Part II, Item 7., "Accounting for Derivative Instruments and Hedging Activities," and Part II, Item 8., Notes 1 and 11, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K.

At March 31, 2002, NW Natural had the following derivatives outstanding covering its exposures to commodity and foreign currency prices: a series of 18 natural gas price swap contracts and five foreign currency forward contracts. Each of these contracts was designated as a cash flow hedge. The estimated fair values and the notional amounts of derivative instruments outstanding were as follows:

<TABLE>
<CAPTION>

	Jan. 1, 2002		March 31, 2002	
	Fair value Gain (loss)	Notional Amount	Fair value Gain (loss)	Notional Amount
<S>	<C>	<C>	<C>	<C>
Thousands				
Fixed-price natural gas commodity price swaps	(110,935)	$ 254,209	$ (48,428)	$ 264,031
Fixed-price natural gas call options	(832)	6,390	-	-
Foreign currency forward purchase contracts	(101)	10,223	(35)	8,353
Total	$ (111,868)	$ 270,822	$ (48,463)	$ 272,384

</TABLE>

3. Recent Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143, which is effective for fiscal years beginning after June 15, 2002, requires that obligations associated with the retirement of a tangible long-lived asset be recorded as a liability when those obligations are incurred, with the amount of the liability initially measured at

fair value. The liability for the asset retirement obligation is recorded as a capitalized cost increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. The Company is currently evaluating the impact of this statement upon its financial position and results of operations.

4. Adoption of New Accounting Standards

Effective Jan. 1, 2002, the Company adopted SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires business combinations initiated after June 30, 2001 to be accounted for using the purchase method of accounting. It also specifies the types of acquired intangible assets that are required to be recognized and reported separately from goodwill. SFAS No. 142 requires goodwill, of which the Company had none as of March 31, 2002, and other intangibles with indefinite lives to be tested for impairment at least annually rather than being amortized as previously required. The adoption of SFAS No. 141 and SFAS No. 142 did not have a material impact on the Company's financial position or results of operations.

The Company also adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," effective Jan. 1, 2002. SFAS No. 144 establishes a single accounting model for recognition and measurement of the impairment of long-lived assets to be held and used, the measurement of long-lived assets to be disposed of by sale and for segments of a business to be disposed of. SFAS No. 144 also expands the scope of discontinued operations to include all components of an entity that can be distinguished from the rest of the entity and will be eliminated from the ongoing operations of the entity in a disposal transaction. The adoption of SFAS No. 144 did not have a material impact on the Company's financial position or results of operations.

5. Segment Information

The Company principally operates in a segment of business, "Utility", consisting of the distribution of natural gas. Another segment, "Gas Storage", represents natural gas storage services provided to upstream customers using storage capacity not required from time to time for service to core utility customers. The remaining segment, "Other", primarily consists of non-regulated investments in alternative energy projects in California, a Boeing 737-300 aircraft leased to Continental Airlines and deferred costs in the pending purchase of PGE.

The following table presents information about the reportable segments for the three months ended March 31, 2002 and 2001. Inter-segment transactions are insignificant.

<TABLE>
<CAPTION>

	Three Months Ended March 31,			
Thousands	Utility	Gas Storage	Other	Total
2002				
Net operating revenues	$ 108,838	$ 1,774	$ 54	$ 110,666
Depreciation, depletion and amortization	12,723	91	--	12,814
Other operating expenses	33,900	249	22	34,171
Income from operations	62,221	1,428	32	63,681
Income from financial investments	--	--	138	138
Net income	33,453	786	208	34,447
Assets	1,326,968	14,453	29,396	1,370,817
2001				
Net operating revenues	$ 90,384	$ 1,223	$ 46	$ 91,653
Depreciation, depletion and amortization	12,104	24	--	12,128
Other operating expenses	30,795	31	(89)	30,737
Income from operations	47,485	1,168	135	48,788
Income (loss) from financial investments	--	--	(142)	(142)
Net income	25,059	693	155	25,907
Assets	1,201,355	4,895	21,625	1,227,875

</TABLE>

6. Commitments and Contingencies

Acquisition of Portland General Electric Company

On Oct. 5, 2001, NW Natural and Enron Corp., an Oregon corporation (Enron), entered into an agreement (the Stock Purchase Agreement) providing for the acquisition, by a wholly-owned subsidiary of NW Natural formed to serve as a holding company (Holding Company), of all of the issued and outstanding common stock of PGE, an Oregon corporation and wholly-owned subsidiary of Enron. See Part I, Item 1., "Acquisition of Portland General Electric Company," and Part II, Item 8., Note 12, in the 2001 Form 10-K, and Part I, Item 2., "Acquisition of Portland General Electric Company," in this Form 10-Q.

The Stock Purchase Agreement provides that, if the closing has not occurred by Dec. 8, 2002, NW Natural and Holding Company have the obligation to use their best efforts to obtain an extension of the Financing Commitment or enter into or extend a new financing commitment which provides for similar financing, and Holding Company shall accept any such extended Financing Commitment or new financing commitment if the funding conditions and other terms are not materially adverse to Holding Company in comparison to the Financing Commitment originally issued.

Environmental Matters

NW Natural has accrued all material loss contingencies relating to environmental matters which it believes to be probable of assertion. See Part II, Item 8., Note 12, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K. However, due to the preliminary nature of these environmental investigations, the range of any additional possible loss cannot be currently estimated. NW Natural expects that its costs of further investigation and remediation for which it may be responsible with respect to the Linnton site, the Wacker site and the Portland Harbor Superfund site, if any, should be recoverable, in large part, from insurance. In the event these costs are not recovered from insurance, NW Natural will seek recovery through future rates.

Litigation

The Company is party to certain legal actions in which claimants seek material amounts. Although it is impossible to predict the outcome with certainty, based upon the opinions of legal counsel, management does not expect disposition of these matters to have a materially adverse effect on the Company's financial position, results of operations or cash flows.

NORTHWEST NATURAL GAS COMPANY
PART I. FINANCIAL INFORMATION

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The consolidated financial statements include:

Regulated utility:
  Northwest Natural Gas Company (NW Natural)
Non-regulated subsidiary businesses:
  NNG Financial Corporation (Financial Corporation), a wholly-owned subsidiary
  Northwest Energy Corporation (Northwest Energy or Holding Company), a wholly-owned subsidiary formed in 2001

Together these businesses are referred to herein as the "Company" (see "Non-utility Operations," below, and Part II, Item 8., Note 2, "Notes to Consolidated Financial Statements," in the Company's 2001 Annual Report on Form 10-K (2001 Form 10-K)).

The following is management's assessment of the Company's financial condition including the principal factors that affect results of operations. The discussion refers to the consolidated activities of the Company for the three months ended March 31, 2002 and 2001.

Earnings and Dividends

The Company's earnings applicable to common stock were $33.9 million in the quarter ended March 31, 2002, up from $25.3 million in the quarter ended March 31, 2001.

Earnings per diluted share from consolidated operations were $1.32 a share in the first quarter of 2002, compared to 99 cents a share in last year's first quarter.

NW Natural earned $1.28 a diluted share from gas utility operations in the first quarter of 2002, compared to 96 cents in the same period in 2001. Weather conditions in NW Natural's service territory in the first quarter of

2002 were 5 percent colder than the 20-year average and 2 percent colder than the first quarter of 2001. Residential and commercial customers' consumptions per heating degree day were an estimated 8 percent and 12 percent lower, respectively, during the first quarter of 2002 than average consumptions prior to significant increases in gas commodity prices during 2000 and 2001. The Company estimates that the lower consumptions per degree day reduced residential and commercial sales in the first quarter of 2002 by about 21 million therms and margin revenues (gross revenues minus cost of sales) by about $6.0 million, equivalent to 14 cents a share.

Non-utility operating results for the first quarter of 2002 were earnings of 4 cents a share, compared to earnings of 3 cents a share from these operations in the first quarter of 2001. See "Non-utility Operations," below.

Dividends paid on common stock were 31.5 cents a share for the three-month period ended March 31, 2002 and 31 cents a share for the three-month period ended March 31, 2001. In April 2002, the Company's Board of Directors declared a quarterly dividend of 31.5 cents a share on the common stock, payable May 15, 2002, to shareholders of record of April 30, 2002. The current indicated annual dividend rate is $1.26 a share.

Application of Critical Accounting Policies

In preparing the Company's financial statements using generally accepted accounting principles in the United States of America (GAAP), management exercises judgment in the selection and application of accounting principles, including making estimates and assumptions. Management considers its critical accounting policies to be those which are most important to the representation of the Company's financial condition and results of operations and which require management's most difficult and subjective or complex judgments, including those which could result in materially different amounts if the Company reported under different conditions or using different assumptions. Management considers its current critical accounting policies to be in the areas of regulatory accounting, revenue recognition and derivative and hedging activities (see "Part II, Item 7., "Critical Accounting Policies - Regulatory Accounting, Revenue Recognition and Accounting for Derivative Instruments and Hedging Activities," in the Company's 2001 Form 10-K). There have been no material changes in the policies management considers its critical accounting policies.

In addition to the accounting policies referred to above, management believes that Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations," SFAS No. 142, "Goodwill and Other Intangible Assets," and SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," could become critical accounting policies in the event that NW Natural completes its acquisition of Portland General Electric Company (PGE).

Acquisition of Portland General Electric Company

On Oct. 5, 2001, NW Natural and Enron Corp., an Oregon corporation (Enron), entered into an agreement (the Stock Purchase Agreement) providing for the acquisition, by a wholly-owned subsidiary of NW Natural formed to serve as a holding company (Holding Company), of all of the issued and outstanding common stock of PGE, an Oregon corporation and wholly-owned subsidiary of Enron. See Part I, Item 1., "Acquisition of Portland General Electric Company," in the 2001 Form 10-K.

On Dec. 2, 2001, Enron, along with certain of its subsidiaries, filed petitions for reorganization under Chapter 11 of the United States Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of New York. PGE has not filed for reorganization under Chapter 11.

At this time, it continues to be difficult to assess the impact of Enron's bankruptcy filing on PGE. It is possible that Enron's situation could adversely affect PGE, because, as a subsidiary of Enron, PGE has relationships with Enron that could expose PGE to liabilities. At this time, the potential magnitude of any such liabilities has not been determined.

Notwithstanding Enron's bankruptcy, the Stock Purchase Agreement remains a valid contractual obligation of Enron to sell, and for Holding Company to acquire, the common stock of PGE. However, in the Enron bankruptcy case, Enron must decide to either assume or reject the Stock Purchase Agreement. If Enron elects to reject the Stock Purchase Agreement, Enron could either retain ownership of PGE or sell PGE to another party. Enron's determination whether to assume or reject the Stock Purchase Agreement is a business judgment to be made by Enron on the basis of the best interests of the bankruptcy estate and Enron's creditors. Furthermore, the decision is subject to approval by the Bankruptcy

Court.

On May 3, 2002, Enron publicly announced that it had presented a process to its Unsecured Creditors' Committee which contemplated the establishment of a new energy infrastructure company focused on the transportation, distribution, generation and production of natural gas and electricity. Enron disclosed that the new company, currently called OpCo Energy Company, would be a holding company which may own PGE. Although Enron has stated that it believes the OpCo Energy Company process is feasible whether or not PGE is owned by such company, Enron has indicated its preference to retain PGE as part of such company.

NW Natural understands that the Unsecured Creditors' Committee is reviewing Enron's proposal and has not determined whether or not it will support the OpCo Energy Company process.

NW Natural is in discussions with Enron to seek to determine whether the parties should agree to mutually terminate the Stock Purchase Agreement or should continue to pursue the transaction. NW Natural understands that Enron will consult with its debtor-in-possession lenders and the Unsecured Creditors' Committee in reaching such a determination. Any agreement by Enron and NW Natural to terminate the Stock Purchase Agreement would be subject to approval by the Bankruptcy Court.

Through March 31, 2002, NW Natural has recorded approximately $11.9 million of costs relating to the acquisition as deferred costs for the purchase of PGE. If the acquisition is not completed, NW Natural would recognize these costs incurred as current expense.

Results of Operations

Comparison of Gas Operations

The following table summarizes the composition of gas utility volumes and revenues for the three months ended March 31:

<TABLE>
<CAPTION>

(Thousands, except customers and degree days)	2002		2001	
Gas Sales and Transportation Volumes - Therms:				
<S>	<C>	<C>	<C>	<C>
Residential and commercial sales	262,937		258,873	
Unbilled volumes	(18,622)		(24,223)	
Weather-sensitive volumes	244,315	62%	234,650	61%
Industrial firm sales	23,755	6%	23,464	6%
Industrial interruptible sales	14,375	4%	13,798	4%
Total gas sales	282,445	72%	271,912	71%
Transportation deliveries	110,732	28%	112,473	29%
Total volumes sold and delivered	393,177	100%	384,385	100%
Utility Operating Revenues - Dollars:				
Residential and commercial sales	$ 259,491		$ 198,232	
Unbilled revenues	(17,895)		(5,690)	
Weather-sensitive revenues	241,596	88%	192,542	89%
Industrial firm sales	17,865	6%	13,658	6%
Industrial interruptible sales	9,896	4%	7,225	3%
Total gas sales	269,357	98%	213,425	98%
Transportation revenues	6,452	2%	4,419	2%
Other revenues	173	--	(1,782)	--
Total utility operating revenues	$ 275,982	100%	$ 216,062	100%
Cost of gas sold	$ 167,144		$ 125,678	

Total number of customers (end of period)	546,806	528,008
Actual degree days	1,920	1,890
20-year average degree days	1,836	1,827

</TABLE>

Residential and Commercial

NW Natural continues to experience rapid customer growth, with 18,798 customers added since March 31, 2001 for a growth rate of 3.6 percent. In the three years ended Dec. 31, 2001, more than 63,000 customers were added to the system, representing an average annual growth rate of 4.4 percent.

Typically, 80 percent or more of NW Natural's annual operating revenues are derived from gas sales to weather-sensitive residential and commercial customers. Accordingly, variations in temperatures between periods will affect volumes of gas sold to these customers. Average weather conditions are calculated from the most recent 20 years of temperature data measured by heating degree-days. Weather conditions were 5 percent colder than average in the first quarter of 2002 and 2 percent colder than average in the first quarter of 2001.

Volumes of gas sold to residential and commercial customers were 9.7 million therms, or 4 percent, higher in the first quarter of 2002 than in the first quarter of 2001. Related revenues increased $49.1 million, or 25 percent, partially due to higher sales volumes but more significantly due to rate increases effective Oct. 1, 2001. (See Part II, Item 7, "Results of Operations - Regulatory Matters," in the 2001 Form 10-K.) Customer growth in the residential and commercial segments since March 31, 2001, contributed an estimated 7 million therms in sales volumes and $2.7 million in additional margin during the first quarter of 2002.

NW Natural believes that reductions in recent years in its customers' gas consumptions per degree day (see "Earnings and Dividends," above) were caused by the higher cost of purchased gas, which is passed on to customers as rate increases, and to efforts throughout the region to conserve energy. NW Natural filed with the Oregon Public Utility Commission (OPUC) in 2001 for approval of a new regulatory mechanism that is intended to stabilize margin revenues in the face of variable consumption patterns. The proposed regulatory mechanism is intended to stabilize margin revenues to assure NW Natural of fixed cost recovery and more predictable shareholder earnings. NW Natural has proposed that this be accomplished through a balancing account that would compare actual usage of residential and commercial customers against their normal usage levels and treat any variations as refunds or collections of revenues. In February 2002, the administrative law judge in this proceeding issued a memorandum to the parties advising them that the OPUC has decided to hold the docket regarding NW Natural's proposed regulatory mechanism in abeyance, along with a docket involving a similar filing by PGE, pending its review of NW Natural's application to acquire PGE. NW Natural estimates that if customers' gas consumption patterns as experienced in 2001 and early 2002 were to continue for the full year 2002, but a margin stabilization mechanism were not approved, it could reduce margin revenues for the last nine months of this year by the equivalent of 13 to 18 cents a share compared to results with such a mechanism in place.

In order to match revenues with related purchased gas costs, NW Natural records unbilled revenues for gas delivered but not yet billed to customers through the end of the period. Amounts reported as unbilled revenues reflect the increase or decrease in the balance of unbilled revenues over the prior year end. End of period balances are affected by weather conditions, rate changes and customer billing dates from one period to the next.

Industrial, Transportation and Other Revenues

Total volumes delivered to industrial and electric generation customers in the first quarter of 2002 were 148.1 million therms, down 1 percent from the same period of 2001. Combined margin from these customers increased, however, from $11.7 million in the first quarter of 2001 to $14.7 million in the first quarter of 2002.

In the industrial market, volumes delivered to industrial sales and transportation customers in the first quarter of 2002 were 144.9 million therms. This was 30.6 million therms, or 27 percent, higher than in the first quarter of 2001. Several large customers switched back to gas after having used oil during the same period last year. Related margins in the industrial market increased from $11.3 million to $12.4 million.

In the electric generation market, volumes delivered in the first quarter of 2002 were 3.2 million therms. This was 31.3 million therms, or 91 percent, lower than in the first quarter of 2001. Margin in this market increased, however, from $0.4 million in the first quarter of 2001 to $2.3 million in the first quarter of 2002. A customer served on a contract with low fixed charges and relatively high volumetric charges used 34.5 million therms during the first quarter of 2001 but only about 3 million therms during the first quarter of 2002. On the other hand, two new electric generation customers added in mid-2001 used only about 0.3 million therms in the first quarter of 2002, but generated $2.3 million in margin because they are served on contracts with high fixed charges and low volumetric charges. The contracts with these two customers will continue in place at least through the end of the second quarter of 2002.

Other revenues include amortizations from regulatory accounts and miscellaneous fee income (see Part II, Item 8., Note 1, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K). Other revenues amounted to a net increase to utility operating revenues of $0.2 million during the first quarter of 2002, inluding increased revenues from customer late payment and collection fees ($1.1 million) and miscellaneous revenues ($0.4 million), partially offset by amortizations from regulatory accounts covering conservation programs ($0.8 million) and Year 2000 costs ($0.5 million). Amortizations of regulatory accounts for conservation programs amounted to $2.4 million for the three months ended March 31, 2002, which accounted for the $2.0 million increase in other revenues from the three months ended March 31, 2001.

Cost of Gas

The cost per therm of gas sold was 28 percent higher during the first quarter of 2002 than in the first quarter of 2001, primarily due to higher natural gas commodity prices. The cost per therm of gas sold includes current gas purchases, gas drawn from storage inventory, gains or losses from commodity hedges, demand costs, regulatory deferrals and company use.

NW Natural uses an active natural gas commodity hedge program under the terms of its Derivatives Policy (see Part II, Item 7., "Critical Accounting Policies -- Accounting for Derivative Instruments and Hedging Activities," in the Company's 2001 Form 10-K) to help manage its gas commodity costs. NW Natural recorded net losses from commodity swap and call option contracts of $28 million in the first quarter of 2002, compared to net gains of $74 million in the first quarter of 2001. Gains (losses) from commodity hedges are recorded as reductions (increases) to the cost of gas.

NW Natural has a Purchased Gas Adjustment (PGA) tariff under which its net income from Oregon operations is affected within defined limits by changes in purchased gas costs. NW Natural absorbs 33 percent of the higher cost of gas sold, or retains 33 percent of the lower cost, in either case as compared to projected costs built into rates. The remaining 67 percent of the higher or lower gas costs are recorded as deferred debits or credits (regulatory assets or liabilities) for recovery from or refund to customers in future rates. Net savings realized from gas commodity purchases in the first quarter of 2002 contributed $8.7 million of margin, equivalent to 21 cents a share of earnings. The Company credited the remaining portion of its first quarter 2002 purchased gas costs savings, about $17.4 million, plus interest, to a deferred account for future refund to Oregon customers. In the first quarter of 2001, NW Natural absorbed $1.4 million of excess gas costs, generating a loss of 3 cents a share.

Under an agreement with the OPUC, revenues from off-system gas sales are treated as a reduction of gas costs. These sales reduced the cost of gas sold by $0.7 million and $0.6 million for the first quarters of 2002 and 2001, respectively.

Non-utility Operations

At March 31, 2002 and 2001, the Company had one active wholly-owned subsidiary, Financial Corporation. Northwest Energy, which was formed in 2001 to serve as the holding company for NW Natural and PGE if the acquisition of PGE is completed, has had no active operations since its inception in 2001.

Financial Corporation

Financial Corporation's operating results for the three months ended March 31, 2002 were net income of $0.2 million, compared to income of $0.1 million for the first quarter of 2001. Earnings were equivalent to 1 cent a share for each of the three-month periods ended March 31, 2002 and 2001. Financial Corporation's net assets at March 31, 2002 and 2001 were $8.1 million and $7.4 million, respectively.

Gas Storage Services

NW Natural realized net income, after regulatory sharing and income tax, from gas storage services of $0.8 million, or 3 cents a share, in the three months ended March 31, 2002, up from $0.7 million, or 2 cents a share, in the three months ended March 31, 2001. Gas storage services are provided to customers using storage capacity not required from time to time for utility services. NW Natural retains 80 percent of the income before tax from storage services and credits the remaining 20 percent to a deferred regulatory account for refund to its core utility customers.

Operating Expenses

Operations and Maintenance

Consolidated operations and maintenance expenses were $1.1 million, or 5 percent, higher in the first quarter of 2002 compared to the same period in 2001. The increase was caused primarily by higher net pension costs ($0.7 million) due to reduced earnings on pension assets; higher uncollectible expense ($0.5 million) due to economic conditions in the Northwest and the impact of higher customer gas bills resulting from recent rate increases; and higher payroll costs ($0.3 million) due to wage and salary increases.

Taxes Other than Income Taxes

Taxes other than income, which are comprised of property, franchise, payroll and other taxes, were $2.3 million, or 24 percent, higher in the first quarter of 2002 compared to the same period in 2001. Franchise taxes, which are based on gross revenues, increased $1.7 million, or 35 percent, reflecting higher revenues due to an increase in NW Natural's customer base and rate increases effective in late 2001. Property tax expense increased $0.6 million, or 22 percent, due to higher property tax rates and an increase in utility plant.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense increased $0.7 million, or 6 percent, compared to the first quarter of 2001. The increase was primarily due to a 5 percent increase in plant in service. As a percentage of average plant and property, depreciation, depletion and amortization expense was approximately 1 percent for each of the three months ended March 31, 2002 and 2001.

Other Income (Expense)

Other income (expense) decreased $1.5 million in the first quarter of 2002 compared to the first quarter of 2001. The decrease was primarily due to a change in interest income on deferred regulatory account balances. The first quarter of 2002 included interest expense of $0.9 million on deferred gas cost liability balances totaling $30.3 million as of March 31, 2002, compared to interest income of $0.2 million on receivable balances of $16.5 million as of March 31, 2001. The change in deferred gas cost balances, from an asset as of March 31, 2001 to a liability at March 31, 2002, resulted in a combined decrease of $1.2 million in interest on deferred regulatory accounts. The first quarter of 2001 also included interest income on short-term investments of $0.4 million.

Interest Charges - net

The Company's net interest expense decreased $0.1 million, or 1 percent, in the first quarter of 2002 compared to the first quarter of 2001. Interest expense on commercial paper was $0.2 million lower due to a lower average balance of commercial paper outstanding during the period.

Income Taxes

The effective corporate income tax rate from continuing operations was 37.0 percent for both three-month periods ended March 31, 2002 and 2001.

Financial Condition

Capital Structure

The Company's goal is to maintain a capital structure comprised of 45 to 50 percent common stock equity, 5 to 10 percent preferred and preference stock and 45 to 50 percent short-term and long-term debt. When additional capital is required, debt or equity securities are issued depending upon both the target capital structure and market conditions. These sources also are used to meet long-term debt and preferred and preference stock redemption requirements (see Part II, Item 8., Notes 3 and 5, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K).

Liquidity and Capital Resources

At March 31, 2002, the Company had $30.1 million in cash and cash equivalents compared to $12.2 million at March 31, 2001. Short-term liquidity is provided by cash from operations and from the sale of the Company's commercial paper notes, which are supported by commercial bank lines of credit (see Part II, Item 8., Note 6, "Notes to Consolidated Financial Statements," in the Company's 2001 Form 10-K). The Company has available through Sept. 30, 2002, committed lines of credit totaling $170 million (see "Cash Flows - Lines of Credit," below). The Company's lines of credit are renewed annually.

NW Natural's lines of credit require that credit ratings be maintained in effect at all times and that notice be given of any change in its commercial paper ratings. A change in NW Natural's commercial paper rating is not an event of default, nor is the maintenance of a specific minimum level of credit rating a condition to drawing upon the lines of credit. However, interest rates on any loans outstanding under NW Natural's bank lines are tied to credit ratings, which would increase or decrease the cost of bank debt, if any, when ratings are changed. The lines of credit require NW Natural to maintain a specified ratio of indebtedness to total capitalization. Failure to comply with this covenant would entitle the banks to terminate their lending commitments and to accelerate the maturity of all amounts outstanding. At March 31, 2002, NW Natural was in compliance with this covenant.

The following table shows NW Natural's contractual obligations by maturity and type of obligation:

<TABLE>
<CAPTION>

Thousands Payments Due in Years Ending March 31,	Commercial Paper Supported by Lines of Credit	Preferred and Preference Stock	Long-term Debt	Capital Lease Obligations	Operating Leases	Long-term Gas Supply Purchase Obligations	Total Contractual Cash Obligations
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2002	$ 163	$ 25,750	$ 40,000	$ 569	$ 2,966	$ 82,104	$ 151,552
2003	-	750	20,000	132	2,753	67,391	91,026
2004	-	750	-	5	2,641	46,467	49,863
2005	-	750	15,000	-	2,585	43,926	62,261
2006	-	750	28,000	-	365	41,912	71,027
Total 2002 - 2006	163	28,750	103,000	706	11,310	281,800	425,729
Thereafter	-	5,250	375,236	-	3,423	239,940	623,849
Less: imputed interest	-	-	-	(32)	-	(111,540)	(111,572)
Total	$ 163	$ 34,000	$ 478,236	$ 674	$ 14,733	$ 410,200	$ 938,006

</TABLE>

One of Financial Corporation's lines of credit in the amount of $10 million, which is guaranteed by NW Natural, provides that it is an event of default if any governmental authority takes action which the bank believes has a material adverse effect on NW Natural's financial condition or ability to repay, or if a material adverse change occurs in NW Natural's business condition.

NW Natural's capital expenditures are primarily related to utility construction resulting from customer growth and system improvements (see "Cash Flows - Investing Activities," below). In addition, NW Natural has certain long-term contractual obligations such as capital lease obligations, operating leases and long-term gas supply purchase obligations that require an adequate source of funding. These capital and contractual expenditures are financed through cash from operations and from the issuance of short-term debt, which is periodically refinanced through the sale of long-term debt or equity securities.

Cash Flows

Operating Activities

Operations provided net cash of $91.3 million in the three months ended March 31, 2002, compared to $62.5 million in the first three months of 2001. The $28.8 million, or 46 percent, increase was due to increased cash from operations before working capital changes ($24.4 million) and lower working capital requirements ($4.4 million). The increase in cash from operations before working capital changes was due to an increase in deferred gas costs payable in the first quarter of 2002 ($19.7 million), an increase in income from operations ($8.5 million) and an increase in depreciation, depletion and amortization ($0.7 million), partially offset by a decrease in deferred investment tax credits and income taxes ($2.8 million) and a decrease in other adjustments ($1.8 million). The decrease in working capital requirements was primarily due to a smaller decrease in accounts payable ($39.4 million), partially offset by an increase in accounts receivable ($18.7 million), a smaller increase in accrued interest and taxes ($3.0 million), and a smaller decrease in inventories ($11.4 million).

The Company has lease and purchase commitments relating to its operating activities which are financed with cash flows from operations (see Part II, Item 8., Note 12, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K).

Investing Activities

Cash requirements for investing activities in the first quarter of 2002 totaled $16.6 million, down from $16.9 million in the same period of 2001. Cash requirements for utility construction totaled $15.0 million, down $2.1 million from the first quarter of 2001. The decrease in cash requirements for utility construction in 2002 was primarily the result of the completion of another phase in the expansion of NW Natural's Mist gas storage system in December 2001.

NW Natural's utility construction expenditures are estimated to total $83 million for 2002. Over the five-year period 2002 through 2006, these expenditures are estimated at between $450 million and $500 million. The level of capital expenditures over the next five years reflects projected customer growth, system replacement and reinforcement projects, and the development of additional gas storage facilities including the extension of a pipeline that moves gas from NW Natural's Mist Storage Field into growing portions of its service area. An estimated 60 percent of the required funds is expected to be internally generated over the five-year period, with the remainder funded through a combination of long-term debt and equity securities with short-term debt providing liquidity and bridge financing.

Investments in non-utility property during the first quarter of 2002 totaled $0.3 million and were negligible during the first quarter of 2001.

Investing activities during the first three months of 2002 also included $2.3 million in cash used for financial advisory and legal fees, loan arrangement fees and other costs relating to the Company's contract for the purchase of PGE. In the event that the acquisition is not completed, the Company would recognize costs accumulated to date of $11.9 million as current expenses.

Financing Activities

Cash used in financing activities in the first quarter of 2002 totaled $55.0 million, compared to $44.7 million in the first quarter of 2001.

NW Natural sold $60 million of its secured Medium-Term Notes, Series B (MTNs) in March 2002 and used the proceeds, together with internally generated cash to reduce short-term debt by $108.1 million in the first quarter of 2002. Internally generated cash was used to reduce short-term debt by $33.8 million in the first quarter of 2001.

In May 2000, the Company commenced a program to repurchase up to 2 million shares, or up to $35 million in value, of NW Natural's common stock through a repurchase program which has been extended through May 2003. The purchases are made in the open market or through privately negotiated transactions. The Company used $5.8 million for the repurchase of 246,700 shares under the program in 2001. No shares were repurchased during the six months ended Dec. 31, 2001, while the Company was negotiating the purchase of PGE, or the three months ended March 31, 2002. Since the program's inception in 2000, the Company has repurchased 355,400 shares of common stock at a total cost of $8.2 million.

Commercial Paper

The Company's primary source of short-term funds is commercial paper notes payable. Both NW Natural and Financial Corporation issue commercial paper under agency agreements with a commercial bank. NW Natural's commercial paper is supported by its committed bank lines of credit (see below), while Financial Corporation's commercial paper is supported by committed bank lines of credit and the guaranty of NW Natural (see Part II, Item 8., Note 6, "Notes to Consolidated Financial Statements," in the 2001 Form 10-K). NW Natural had $0.2 million of commercial paper notes outstanding at March 31, 2002, compared to $22.5 million and $108.3 million at March 31 and Dec. 31, 2001, respectively. Financial Corporation had no commercial paper notes outstanding at March 31, 2002.

Lines of Credit

NW Natural has available through Sept. 30, 2002, committed lines of credit with four commercial banks totaling $150 million. In addition, Financial Corporation has available through Sept. 30, 2002, committed lines of credit with two commercial banks totaling $20 million. Financial Corporation's lines are supported by the guaranty of NW Natural.

Under the terms of these lines of credit, NW Natural and Financial Corporation pay commitment fees but are not required to maintain compensating bank balances. The interest rates on borrowings under these lines of credit are based on current market rates as negotiated. There were no outstanding balances on either the NW Natural or Financial Corporation lines of credit as of March 31, 2002 or 2001.

Ratios of Earnings to Fixed Charges

For the 12 months ended March 31, 2002, and Dec. 31, 2001, the Company's ratios of earnings to fixed charges, computed using the Securities and Exchange Commission method, were 3.52 and 3.14, respectively. For this purpose, earnings consist of net income before taxes plus fixed charges, and fixed charges consist of interest on all indebtedness, the amortization of debt expense and discount or premium and the estimated interest portion of rentals charged to income.

Forward-Looking Statements

This report and other presentations made by the Company from time to time may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and other statements that are other than statements of historical facts. The Company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. However, each such forward-looking statement involves uncertainties and is qualified in its entirety by reference to the following important factors that could cause the actual results of the Company to differ materially from those projected in such forward-looking statements: (i) prevailing governmental policies and regulatory actions, including those of the OPUC and the WUTC, with respect to allowed rates of return, industry and rate structure, purchased gas and investment recovery, acquisitions and dispositions of assets and facilities, operation and construction of plant facilities, present or prospective wholesale and retail competition, changes in tax laws and policies and changes in and compliance with environmental and safety laws and policies; (ii) risks and uncertainties relating to delays in obtaining, or adverse conditions contained in, regulatory approvals necessary for the plan of reorganization and acquisition of PGE; (iii) failure to realize the synergies and other benefits expected from the acquisition of PGE, if completed; (iv) risks relating to the interest rate environment as it may affect the financing commitment and interest rates borne by the debt financing for the PGE transaction, if completed; (v) weather conditions and other natural phenomena; (vi) unanticipated population growth or decline, and changes in market demand and demographic patterns; (vii) competition for retail and wholesale customers; (viii) pricing of natural gas relative to other energy sources; (ix) changes in customer consumption patterns due to gas commodity price changes; (x) unanticipated changes in interest or foreign currency exchange rates or in rates of inflation; (xi) economic factors that could cause a severe downturn in certain key industries, thus affecting demand for natural gas; (xii) unanticipated changes in operating expenses and capital expenditures; (xiii) capital market conditions; (xiv) competition for new energy development opportunities; (xv) legal and administrative proceedings and settlements; and (xvi) the impact of Enron's bankruptcy filing on PGE and on the proposed acquisition of PGE. All subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, also are expressly qualified by these cautionary statements.

Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time and it is not possible for the Company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information provided in Part II, Item 7A., "Quantitative and Qualitative Disclosures About Market Risk," in the 2001 Form 10-K.

PART II. OTHER INFORMATION

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 11 - Statement re: Computation of Per Share Earnings

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K

On March 1, 2002, the Company filed its Current Report on Form 8-K relating to: 1) a litigation decision adverse to the Company; 2) the Company's 2001 earnings; 3) a regulatory development; and 4) the status of the Company's proposed acquisition of Portland General Electric Company.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHWEST NATURAL GAS COMPANY
(Registrant)

Dated: May 14, 2002

/s/ Stephen P. Feltz

Stephen P. Feltz
Principal Accounting Officer
Treasurer and Controller

NORTHWEST NATURAL GAS COMPANY

EXHIBIT INDEX
To
Quarterly Report on Form 10-Q
For Quarter Ended
March 31, 2002

Document	Exhibit Number
Statement re: Computation of Per Share Earnings	11
Computation of Ratios of Earnings to Fixed Charges	12

EXHIBIT 11

NORTHWEST NATURAL GAS COMPANY
Statement re: Computation of Per Share Earnings
(Unaudited)

Thousands, except per share amounts	Three Months Ended March 31, 2002	2001
Earning Applicable to Common Stock	$ 33,852	$ 25,299
Debenture Interest Less Taxes	91	96
Net Income Available for Diluted Common Stock	$ 33,943	$ 25,395
Average Common Shares Outstanding	25,266	25,207
Stock Options	54	41
Convertible Debentures	414	435
Diluted Common Shares	25,734	25,683
Diluted Earnings per Share of Common Stock	$ 1.32	$ 0.99

EXHIBIT 12

NORTHWEST NATURAL GAS COMPANY
Computation of Ratio of Earnings to Fixed Charges
January 1, 1997 - March 31, 2002
(Thousands, except ratio of earnings to fixed charges)
(Unaudited)

<TABLE>
<CAPTION>

	Year Ended December 31, 1997	1998	1999	2000	2001	12 Months Ended March 31, 2002	Three Months Ended March 31, 2002
Fixed Charges, as Defined:							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest on Long-Term Debt	$ 24,904	$ 27,389	$ 27,728	$ 29,987	$ 30,224	$ 30,047	$ 7,343
Other Interest	4,500	4,909	2,778	3,628	3,772	3,812	769
Amortization of Debt Discount and Expense	730	714	699	735	768	751	185
Interest Portion of Rentals	2,111	1,986	1,707	1,628	1,572	1,558	393
Total Fixed Charges, as defined	$ 32,245	$ 34,998	$ 32,912	$ 35,978	$ 36,336	36,168	$ 8,690
Earnings, as Defined:							
Net Income	$ 43,059	$ 27,301	$ 45,296	$ 50,224	$ 50,187	58,727	$ 34,447
Taxes on Income	21,034	14,604	24,591	26,829	27,553	32,541	20,215
Fixed Charges, as above	32,245	34,998	32,912	35,978	36,336	36,168	8,690

Total Earnings, as defined	$ 96,338	$ 76,903	$ 102,799	$ 113,031	$ 114,076	$ 127,436	$ 63,352
	========	========	=========	=========	=========	=========	========
Ratio of Earnings to Fixed Charges	2.99	2.20	3.12	3.14	3.14	3.52	7.29
	========	========	=========	=========	=========	=========	========

</TABLE>