

Mark S. Dodson  
President & Chief Executive Officer



December 12, 2006

Governor Theodore Kulongoski  
State of Oregon  
State Capitol Building  
Salem, Oregon

Dear Governor Kulongoski,

NW Natural appreciates the opportunity to provide additional comments on the work of the Carbon Allocation Task Force.

Our company takes seriously our responsibility to partner with our customers to reduce the carbon footprint of the natural gas sector. Besides working closely with our customers to drive efficiency, this means engaging in the policy making arena to drive for appropriate carbon constraints in our sector and for other sources of greenhouse gases. NW Natural has been pleased to take a leadership role in your Advisory Group on Global Warming and then to engaged in the follow-on efforts of the Carbon Allocation Task Force. While it is not perfect, the report you are receiving from the Task Force represents the hard work of many stakeholders and should provide a solid basis for future action to address climate change.

NW Natural believes fair greenhouse gas regulation of the gas industry should promote the efficient, direct use of natural gas and provide incentives to find cost-effective on-system reductions. The proposal of the Carbon Allocation Task Force is very much headed in the right direction to promote both of these goals and NW Natural strongly supports the development of a program in this area where it can be supported by our customers. Large natural gas customers have been clear, in these Task Force deliberations, that they are uniquely situated and that the specific issues facing these customers have not yet been adequately analyzed by the group. For this reason, NW Natural stands with these customers believing further data gathering and analysis is necessary before fair and meaningful regulations can be developed for this sector. The Citizen's Utility Board, in representing our residential customers, has been supportive of a program designed largely as proposed to address climate change with efficiency and on-system reductions.

Once again we appreciate the opportunity to provide additional comments on the Task Force report and we are prepared to engage with you and others as we work to refine these recommendations into a technically sound and politically viable legislative proposal.

Sincerely,



Mark S. Dodson