



NW Natural

GAS STORAGE

CODE OF ETHICS

2011

NW NATURAL GAS STORAGE CODE OF ETHICS



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INTRODUCTION

The Code of Ethics is intended to help ensure that all employees of NW Natural Gas Storage, LLC and its subsidiaries (together, the “Company”) act ethically and legally at all times and serve stakeholders with the highest level of integrity. It is the policy of the Company to comply with the letter and spirit of all laws and governmental rules and regulations affecting the Company and its employees and to strive to achieve for itself and its employees the highest possible standard in business and personal ethics.

The Board of Directors and management care how results are obtained, not just that they are obtained. Even where laws or their enforcement are permissive, the Company chooses the course of highest integrity. The Company’s reputation is established by the actions of its employees, both on the job and during non-work hours. Each employee’s commitment to the principles embodied within this Code of Ethics will preserve our greatest asset, our reputation.

In addition to the Code of Ethics, the Company has a Standards of Conduct Policy with which employees must comply. Company employees are also subject to the Inside Information and Trading Policy, which is included with this Code. The Standards of Conduct Policy is provided to employees as part of the Company’s Employee Handbook; and the Inside Information and Trading Policy is attached as Appendix 1 to this document; each can also be found by accessing the Company’s intranet site. Each should be considered an integral part of this Code of Ethics.

Reference to these policies should not be construed to reduce the importance of other policies of the Company, which should be read and understood by employees. Certain Company executives and senior managers also are required to acknowledge and comply with the Financial Code of Ethics that governs honest and ethical disclosure of Company financial affairs. Any waiver of the Code of Ethics for board members or executive officers may be made only by the Board of Directors or their designated board committee.

Applicability

This Code of Ethics applies to all directors, officers and employees and it is important that each individual understand the critical nature of the Code. Employees who violate the Code of Ethics may be subject to appropriate discipline, up to and including termination of employment. Employees should also understand that they are obligated to report any violation of this Code of which they become aware in accordance with the procedures set forth below. An anonymous, toll free Compliance Hotline is available for reporting of any potential code violations at:

1-866-LINE-NWN (1-866-546-3696)

There will be no retaliation for good faith reports of possible violations.

The following Code of Ethics, Standards of Conduct, and other Company policies and procedures are not intended to, nor shall they be construed to, create any contractual rights or vested interests. None of the Code of Ethics, Standards of Conduct, or other Company policies and procedures shall alter the at-will relationship between the Company and its employees. This Code of Ethics and the Company’s policies and procedures may be changed from time to time at the discretion of the Company.

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KEY COMPLIANCE AREAS

Accurate Company Records

The books and records of the Company must accurately reflect all measurable transactions affecting them. False or artificial entries in any book or record will not be tolerated. Examples of false entries include, but are not limited to, approving payments or receipts where the purpose is different from that described in the supporting documentation, falsifying time records or medical records, or failing to disclose significant transactions necessary to present accurate financial statements. Records include paper documents, computer-based information such as e-mail, and any other medium that contains Company-related information. Records are to be kept and disposed of in accordance with Company records management policies, which are based on applicable laws and administrative rules. It is the employee's responsibility to report any known accounting errors or improprieties. Failure to comply may also be a violation of the Sarbanes-Oxley Act of 2002.

Regulatory and Legal Compliance

The Company will provide its services under authority of the state of Oregon and California, and any other states in which we may operate, and in accordance with federal law. The Company has a basic obligation to provide safe, reliable service to its customers. Laws and regulations relating to the Company's operations include tariffs, inspection requirements, licenses, permits, record retention, and access to records and safety matters.

The Company is subject to laws covering many aspects of its business and will at all times strive to comply with all applicable laws and regulations. All employees must be knowledgeable about all laws and regulations applicable to their job functions and should immediately report violations or suspected violations of such laws and regulations in the manner discussed in this Code of Ethics.

The Company will be forthright and courteous in responding to requests for information from representatives of government authorities (e.g., state public utility and other regulatory authorities) and will provide to them, in a timely manner, all information to which they are entitled during an inspection.

During a government inspection or investigation, an employee must never conceal, destroy or alter any documents, lie or make misleading statements to the government representative, nor should any employee ever encourage anyone else to do so. If an employee receives a request for information from an attorney or any law enforcement officer and it concerns Company business, the employee should refrain from responding to such request and refer the request to the Legal Department immediately. If an employee's area is the subject of an inspection or an investigation by a governmental agency, the employee should notify Company management immediately.

Conflict of Interest

Employees must avoid situations where personal interest could interfere, conflict, or appear to conflict, with the interests of the Company. Conflicts of interest can arise in many forms, but often involve personal gain apart from an employee's normal compensation. Examples include: significant personal investments in competing companies; outside employment or activities that

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interfere with job performance, engaging in activities that threaten the Company's reputation; and personal use of Company assets to provide gain either for the employee or others. Other conflict of interest situations may involve outside work or activities that might seriously embarrass or discredit the Company. Employees must not take for themselves or personally gain from opportunities that are discovered through use of Company property, information or their position with the Company. In addition, employees may not compete with the Company for business.

A conflict of interest also arises in most circumstances where a dating or other romantic personal relationship exists between a manager or supervisor and an employee over whom the manager or supervisor has direct or indirect supervisory authority. Managers and supervisors are strongly cautioned that the existence of such a relationship may jeopardize a manager's or supervisor's ability to continue to act as a manager or supervisor over the affected employee. In some circumstances, this may result in the termination of the manager or supervisor's employment. Any manager or supervisor who engages in a romantic, dating, or sexual relationship of any kind with an employee over whom the manager or supervisor has direct or indirect supervisory authority is required to immediately disclose the existence of the relationship to the Human Resources / Corporate Services Manager. A failure to make such disclosure may result in immediate discipline, up to and including termination of employment.

Relationships with Customers, Suppliers and Government Officials

The Company will obtain business and keep it because of the value it provides and the respect and confidence it earns. Doing business with third parties, such as suppliers, customers, and government officials, can raise ethical and legal issues. Therefore, all Company activities with third parties should be conducted in compliance with federal, state and local laws and regulations, should promote good business practices and fair competition, and should avoid even the appearance of favoritism or bias.

Business and personal activities must be kept separate. Having both a personal and business involvement with a supplier or contractor may create a conflict of interest or the appearance of partiality. Employees should advise their immediate supervisors of any relationships with third parties who conduct business with the Company and disclose any relationships in the Company's annual ethics questionnaire. Employees should not interfere with suppliers, customers or government agencies to further such employee's personal interest.

No gift, favor or entertainment may be accepted or offered if there is a return favor implied or expected. No employee or family member of an employee may accept bribes, kickbacks, rebates (whether cash or credit) or gifts of money under any circumstances. Employees must not encourage or solicit gifts or entertainment from anyone with whom the Company does business. An employee may offer or accept entertainment only if it is reasonably adjunct to a business relationship, infrequent, and does not involve excessive expenditures. Subject to the Company's Gifts and Gratuities Policy, employees may give or accept a gift only if no return favor is implied and it is of nominal value. Employees should notify their supervisor of any substantial gift or favor to determine whether acceptance of the gift is appropriate.

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Selection of Suppliers and Contractors

The Company's policy is to manage its contractor and supplier relationships in a fair and reasonable manner, consistent with all applicable laws and regulations and to award and accept business without favoritism. Suppliers and contractors should be selected based upon objective criteria, including quality, technical excellence, price, delivery, adherence to schedules, experience, service, reputation and maintenance of adequate resources. Purchasing decisions will be made on the basis of a supplier's ability to meet our needs and not on the basis of personal relationships or friendships. Employees with responsibility for procurement of goods and services must not use their positions to favor individuals or organizations providing such goods or services to the Company. Independence of judgment is essential to maintain this policy.

Loyalty

The Company encourages and promotes the highest level of ethical and professional conduct within its organization and community. The Company strives to communicate matters concerning the Company and its customers in a truthful and accurate manner. All employees should maintain their loyalty to the Company and pursue the Company's objectives in ways that are consistent with the public interest and that are fair to the Company's customers. Employees should strive to continually keep the Company informed of matters that may adversely affect its relationship with employees, customers, contractors and vendors, or the Company's ability to compete in the marketplace.

Trade Secrets and Confidential Information

The Company does business in an increasingly competitive marketplace. Confidential information about the Company's strategies and operations is a valuable asset. Information shared with other firms is also confidential. Examples of such confidential information include, but are not limited to, business plans, customer and supplier information, and financial and salary data. Confidential information is typically information that is marked confidential, or which is not available to the public at large but becomes available to an employee because of his or her employment with the Company. Information should be considered private unless it has been made public by authorized personnel of the Company. Unless specifically authorized by management according to established policies and procedures, including any information management policy, employees may not disclose to any outside party any confidential business information acquired during their employment with the Company. This obligation continues even after termination of employment. In addition to the Company's policies, inappropriate use of confidential information may be in violation of federal, state or local law.

Inside Information

In the course of an employee's job at the Company, he or she may become aware of material information about the Company that is not generally available to the public. The use of this information for an employee's benefit or that of a friend, acquaintance, spouse or relative is strictly forbidden and against the Company's policy. Inappropriate use of material non-public information may also be a violation of state or federal securities laws. The type of information covered by these laws includes any information that might influence a reasonable investor to buy or sell Northwest Natural Gas Company ("NW Natural") stock or the stock of another company with which NW

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Natural may be doing or considering doing business. See Appendix 2 for the Inside Information and Trading Policy.

Employment Practices

The Company supports an environment that creates opportunities, encourages respect and trust and values diversity and an inclusive teamwork approach. Such an environment contributes to the success of the organization and its employees and is essential to the service the Company provides to its customers and communities.

The Company strives to maintain a work environment free from discrimination or harassment on the basis of race, age, color, religion, gender, national origin, disability, marital status, sexual orientation, gender identity, genetic information, or any other status or characteristic protected by applicable law. The Company works to provide equal opportunity in all aspects of the employment relationship, including, for example, recruitment, hiring, work assignment, promotion, transfer, termination, wage and salary administration and selection for training.

The Company's Prohibition on Discrimination and Harassment policy defines discrimination and harassment and explains the process for reporting and investigating such behavior.

Retaliation against any employee for reporting concerns regarding discrimination or harassment or for participating in any investigation into such concerns is also strictly prohibited, as further explained in the Company's Prohibition on Discrimination and Harassment policy provided to all employees as part of the Company's Employee Handbook.

Use of Company Resources

Employees are expected to use good judgment to conserve Company, customer and supplier resources. Use of Company resources for non-Company purposes is appropriate only when authorized by Company policy or procedure and when those resources remain under Company control. Company and supplier resources must not be used for outside business activities or unauthorized non-Company purposes. Any personal use of Company resources must not result in significant added costs, disruption of business processes, any illegal activity or any other disadvantage to the Company. Employees must ensure that proper measures are taken for the storage and safeguarding of Company data and personal confidential information to prevent unauthorized access or removal.

Electronic Communications

Employees are expected to comply with the Company's expectations and any policies, guidelines or procedures governing the use of the Company's electronic systems. Employees should always use Company computers or other communications equipment in ways that ensure consideration and respect for others. Employees are expected to ensure the security of customer, shareholder, and employee personal or private information entrusted to the Company. Company information and electronic systems may not be used to:

- Steal or commit criminal acts;

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- Commit or facilitate identity theft or other misuse of any individual's personal identifying information;
- Harm or harass other employees or non-employees;
- Interfere with Company work assignments;
- Access unauthorized computer files or systems;
- Initiate unauthorized access to another employee's computer files or systems;
- View materials that, pursuant to Company policy or in the judgment of the Company's management, could be considered inappropriate in a workplace including but not limited to, any material that could be considered lewd or sexually explicit.

Employees have a responsibility to assist the Company in its efforts to protect the integrity of its computer network and the information that is stored on that network by following all Company protocols and taking steps to secure all electronic devices containing Company information. Communications such as e-mail, voicemail or text messages received or sent on electronic equipment provided by the Company are NOT PRIVATE. These communications, as well as any files stored on the Company's property, may be reviewed or recorded by the Company at any time without notice or other restriction.

Blogs are subject to the Company's Prohibition on Discrimination and Harassment Policy, Standards of Conduct and this Code of Ethics as well as other applicable Company policies. Employees are responsible for the statements they make in any blog or similar public Website and such statements may result in disciplinary action in the same manner as statements made by the employee in the workplace. In addition, communications an employee makes on any blog could give rise to legal claims against the employee, including, for example, claims for breach of privacy, defamation or libel, breach of loyalty or confidentiality, violation of trade secret protections or copyright claims. Employees should be aware that the blogs they visit and the content they contribute to those blogs are not private and may be monitored by the Company.

Employees should assume that every electronic communication could be read or reviewed by persons other than the intended recipient. Employees should take the same care and use the same sensitivities in preparing e-mails as they would use in preparing hard copy versions of the same messages.

Passwords ensure the privacy of individual accounts and protect the integrity of Company information. Accordingly, it is each employee's obligation to refrain from sharing passwords and to use only the accounts and authorizations to which that employee has been assigned access. Each employee is responsible for all actions within his or her account, so access should not be provided to others. Misuse of information or access will subject an employee to disciplinary action as described in the Consequences of Ethics Violations section of this Code of Ethics, and as otherwise deemed appropriate in the judgment of Company management.

Safety and Health

The Company is committed to providing a safe and healthy workplace for all employees, customers and others involved in our operations. Employees are responsible for attaining and maintaining a safe work environment, including performance of duties in accordance with all safety and health laws, regulations and Company policies. Employees are obligated to bring to

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their supervisor's attention any hazardous condition in the workplace, violations of established safety work rules or practices, and to report any work-related injury or illness immediately.

Environmental Compliance

It is the policy of the Company to fully comply with all federal, state and local laws relating to the protection of the environment and to operate all of our facilities with the necessary permits, approvals and controls. Employees are expected to employ proper procedures in the handling, use and storage of potentially hazardous chemicals or materials.

All wastes, which are generated, must be stored, recycled or disposed of as required by federal, state or local law and at state or federally approved facilities, which have also been approved by the Company. Employees seeking guidance in this area should contact their supervisor or the Human Resources/Corporate Services Manager. Employees must immediately report to their supervisor all circumstances in which they believe hazardous materials or waste disposal have been improperly handled or where a potential violation of law exists.

Political Activities and Contributions

An employee's political involvement may not be in the interest of the Company, or the Company may take a position in opposition to an employee's personal interests. The Company is also subject to strict regulations regarding contributions to political activities and could be penalized for inappropriate contributions to political campaigns or political action committees. It is illegal for any corporation to make political contributions to any federal election campaign. No such contribution, whether by cash, donation of property or services, the purchase of tickets to fundraising events or otherwise, may be made by or in the name of the Company.

State and local political contribution by the Company may be permitted. All such contributions, whether cash, property or services, must be reported by the Company. To ensure compliance with state and local laws and regulations and Company policy, state and local political contributions made by or on behalf of the Company must receive the prior written approval of one of the managers responsible for state and local affairs. Employees must consult with those managers prior to using any Company resources with respect to political activities to determine if a contribution is involved. Employees will not be reimbursed for contributions to political action committees.

The Company does not condone political coercion in the workplace. Employees are not required to make contributions to any political party, candidate or issue, nor may an employee require or unduly pressure a fellow employee to make a contribution.

Antitrust Laws (Rules for Fair and Legal Competition)

Antitrust laws were established to promote economic competition among businesses. Activities that limit competition, restrict trade or otherwise dominate a market may violate federal or state antitrust laws. Such violations can expose the Company and individual employees to criminal penalties, large fines and civil lawsuits.

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Even though the Company's regulated services are provided in an allocated territory, it still has exposure to antitrust issues in many respects. To avoid potential problems, employees are encouraged to follow the guidelines listed below.

- Do not fix prices or divide markets with competitors;
- When attending meetings or social events with competitors or potential competitors, avoid discussing any of the following information if it is not publicly available:
 - Prices, pricing policy, contract terms or conditions;
 - Costs, inventories, marketing and service plans, market surveys and studies;
 - Capacity plans and capabilities, territorial agreements; or
 - Any other proprietary or confidential information;
- Do not suggest or imply to any vendor that it must purchase services from the Company in order to sell products or services to the Company.

CONSEQUENCES OF ETHICS VIOLATIONS

The Code of Ethics is important and must be taken seriously by all directors, officers and employees. No employee should tolerate violations of this Code of Ethics. Appropriate disciplinary action, up to and including termination of employment, will result for those individuals who fail to comply with the Code of Ethics as set forth herein. The Company may also, in its discretion, pursue any and all available civil, criminal and administrative remedies available to it. In addition, if the Company, in its judgment, determines that a director, officer or employee has engaged in fraud, embezzlement or intentional misconduct related to or materially affecting the Company's business operations, the Company may, in its discretion and to the extent permitted by law, (i) seek repayment of, (ii) reduce future payments of, and/or (iii) eliminate future payments of, in each case, amounts paid pursuant to Company benefits or compensation plans, programs, awards or salaries. These actions are in addition to, and not in lieu of, any other remedy available to the Company under the law.

EMPLOYEE RESPONSIBILITIES

This Code of Ethics not only reflects the Company's commitment to integrity, but also carries with it certain general responsibilities of each employee. The following describes certain basic obligations common to all employees of the Company.

Each employee must learn the details of policies applicable to the employee's job.

The Code of Ethics is not an all-inclusive reference to, or substitute for, Company policies. Each employee is responsible for understanding all Company policies as they apply to his or her job. If an employee is unsure whether his or her actions or planned actions are in compliance with the Company's Code of Ethics, the Company's Standards of Conduct, or other Company policies, the following sources are available for guidance:

- Relevant policies, including but not limited to the Company's Employee Handbook (you can access these policies by contacting the Human Resources / Corporate Services Manager or by accessing the Company's Intranet sites)
- Employee's supervisor or manager
- Human Resources / Corporate Services Manager

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- The Company's Corporate Secretary
- NW Natural Chief Compliance Officer
- NW Natural Internal Auditing Department

In addition, the Code of Ethics and Company policies do not attempt to describe all applicable laws and regulations or address every possible situation. Any employee with a question about a specific situation should seek assistance from the above sources.

Employees must report conduct that they, in good faith, believe to be in violation of the Company's Code of Ethics or Company policies. Employees who act in good faith, either to comply with or to assure that others comply with this Code of Ethics and all Company policies will not be subject to discipline or retaliation. Any form of retaliation is strictly prohibited. However, an employee making an accusation that he or she knows to be false will be subject to discipline.

HOW TO REPORT QUESTIONABLE ACTIVITIES

Employees are strongly encouraged to work through normal management channels on questions and concerns related to complying with the Code of Ethics. An employee's immediate supervisor is the first person to contact with any concerns. However, if an employee feels that he or she cannot report concerns to that individual, the matter may be reported to your department's manager, a Human Resources / Corporate Services Manager, the Company's Corporate Secretary, the NW Natural Chief Compliance Officer or the Director of NW Natural's Internal Auditing Department. If an employee feels that there was no adequate response to his or her concern, he or she should contact one of the other designated persons.

If an employee believes that there is a violation and is uncomfortable reporting the violation, the employee may leave an anonymous message on the Compliance Hotline regarding the matter for the Director of NW Natural's Internal Auditing Department at **1-866-LINE-NWN (1-866-546-3696)**. The Compliance Hotline is a message line only and is accessed only by the Director of NW Natural's Internal Auditing Department or the NW Natural Chief Compliance Officer. If preferred, an employee may write a letter to:

Director – Internal Auditing
NW Natural
220 NW Second Avenue
Portland, Oregon 97209

The Company strives to keep communications regarding potential violations of the Code of Ethics confidential to the extent it is able to while resolving all reported incidents. If an employee wishes to remain anonymous, but would like a response, the employee should remember to indicate how he or she prefers to be contacted. All reports on the hotline are summarized and reported to the Audit Committee of the NW Natural Board of Directors as well as the Company's Board of Directors.