

LEAD. INNOVATE. GROW.

Investor Presentation — March 2016

NW Natural®

FORWARD-LOOKING STATEMENTS

This and other presentations made by NW Natural from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the following: plans, objectives, goals, strategies, future events including regional third-party projects, storage, pipeline and other infrastructure investments, commodity costs, competitive advantage, customer and business growth, conversion potential, business risk, efficiency of business operations, regulatory recovery, business development and new business initiatives, environmental remediation recoveries, gas storage markets and business opportunities, gas storage development, costs, timing or returns related thereto, financial positions and performance, economic and housing market trends and performance shareholder return, capital expenditures, liquidity, gas reserves and investments and regulatory recoveries related thereto, hedge efficacy, cash flows and adequacy thereof, return on equity, capital structure, return on invested capital, revenues and earnings and timing thereof, margins, dividends, credit ratings and profile, the regulatory environment, effects of regulatory disallowance, timing or effects of future regulatory proceedings or future regulatory approvals, regulatory prudence reviews, effects of regulatory mechanisms, including, but not limited to, SRRM and the Company’s infrastructure investments, effects of legislation, including but not limited to bonus depreciation, and other statements that are other than statements of historical facts.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements, so we caution you against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed by reference to the factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” in the Company’s most recent Annual Report on Form 10-K, and in Part I, Items 2 and 3 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk”, and Part II, Item 1A, “Risk Factors”, in the Company’s quarterly reports filed thereafter.

All forward-looking statements made in this presentation and all subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.



OUR MISSION

We provide safe, reliable and affordable energy in an environmentally responsible way to better the lives of the public we serve.

OUR CORE VALUES

Integrity
Safety
Service Ethic
Caring
Environmental Stewardship

NW NATURAL LEADERSHIP PRESENTING



David H. Anderson
President and COO

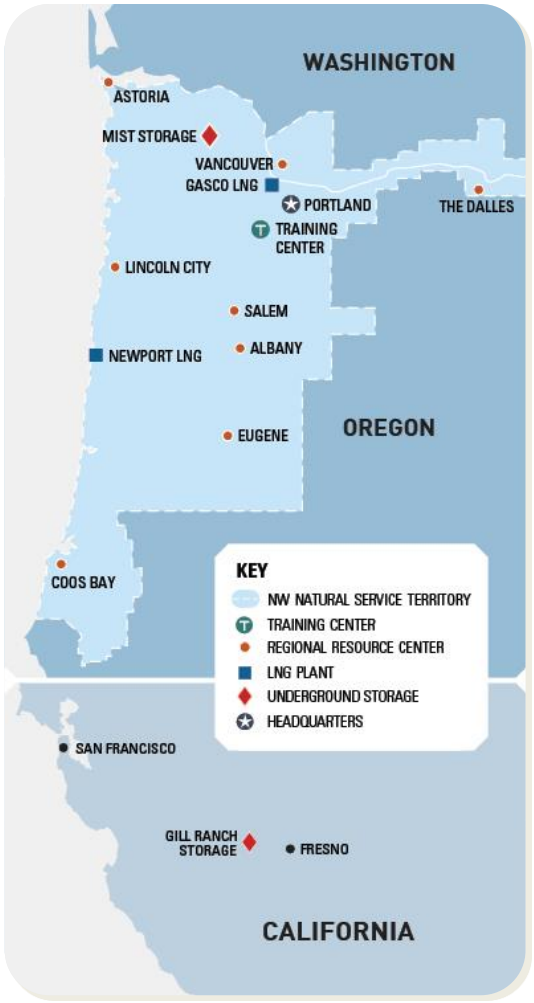
Mr. Anderson is currently NW Natural's President, and COO and the Board has appointed him successor to the CEO on August 1, 2016. Since he joined the Company in 2004, Mr. Anderson has served in various executive positions over Operations, Regulation and as CFO. Previously, Mr. Anderson held executive positions within TXU Corporate including Senior Vice President and Chief Accounting Officer. Mr. Anderson holds a BBA in Accounting from Texas Tech University and held a CPA (retired) and CGMA.



Greg C. Hazelton
Senior Vice President, CFO, and Treasurer

Mr. Hazelton is currently NW Natural's Senior Vice President, CFO, and Treasurer. Before joining NW Natural in 2015, Mr. Hazelton was Treasurer and Controller at Hawaiian Electric Industries and worked at investment banking firms including UBS Investment Bank, where he was managing director for its Global Power and Utilities Group. Mr. Hazelton holds an MBA from the University of Chicago, a bachelor's degree from Warner Pacific College, and a CPA Certificate (inactive).

INDUSTRY LEADERS



- **Largest stand-alone** LDC in Pacific Northwest serving Oregon and Washington
- Low-risk business profile with 90%+ of revenues from pure-play LDC
- One of the most **modern distribution systems** – no identified cast iron or bare steel
- **Progressive recovery** mechanisms:
  - Decoupling
  - Weather normalization
  - Environmental cost recovery
  - Pension balancing
  - Gas reserves investments
- **Growing service territory** delivering customer growth of 1.4%(1)
- **Experienced management team** with broad energy knowledge
- **Conservatively financed** business with strong credit profile
- **Stable dividends** with 60-year record of increasing dividends paid annually

(1) Customer growth measured over 12-month period ended December 31, 2015

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CONSERVATIVE BUSINESS PROFILE

Stable utility margins through progressive regulation

- Weather & decoupling mechanisms in Oregon
- Environmental cost recovery mechanism in Oregon
- Constructive relationships with regulators and customer groups

Excellent operations and efficient cost structure

- Commitment to safety, reliability, and quality service
- Continued focus on efficient business operations

Long-term growth opportunities that fit NWN's profile

- Utility: attractive and growing service territory driving above-average customer growth and investments
- Mist facility: high-value long-term contracts, asset optimization, planned expansion
- Gill Ranch facility: potential long-term storage value from California's RPS requirement and carbon reduction targets

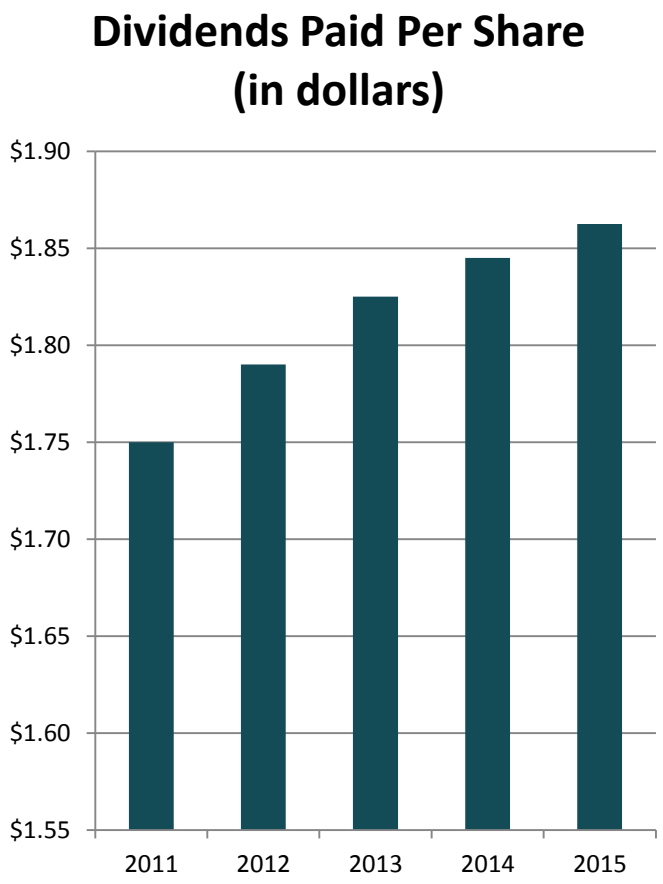


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DELIVERING SHAREHOLDER VALUE

Market capitalization	$1.4B
Enterprise value	$2.2B
Total assets at 12/31/2015	$3.1B
Total rate-base at 12/31/2015	$1.3B
Consecutive dividend increases	60 years
Dividend yield	3.7%
Total Shareholder Returns as of 12/31/2015	
One year	5.5%
Three year	29.3%
Five year	5.9%
Ten year	114.9%

Solid credit ratings with good liquidity and cash flows. Increased dividends paid to shareholders every year since 1956 – one of only three companies.



Metrics are as of March 4, 2016 unless otherwise noted.

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UTILITY SEGMENT



























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CORE UTILITY SEGMENT

Pure-play LDC with 90%+ of revenues, net income, and assets from utility

Safe, Reliable Service

- Strong safety record - modern 14,000 mile distribution and transmission system
- Outstanding customer satisfaction - #1 in West, JD Power and Associates (2015)
- Resource diversity - 11 Bcf regulated gas storage and 2 Bcf LNG storage

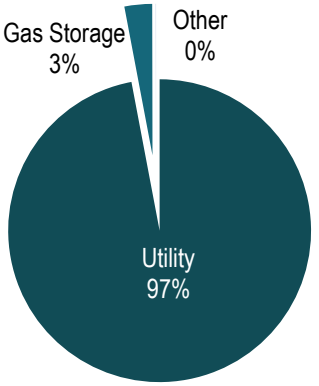
Attractive Service Territory

- Approximately 89% of customer base in Oregon and 11% in Washington
- Territory covers over 75% of Oregon's population
- Includes Vancouver (Clark County) - the fastest growing county in Washington
- Supportive regulation

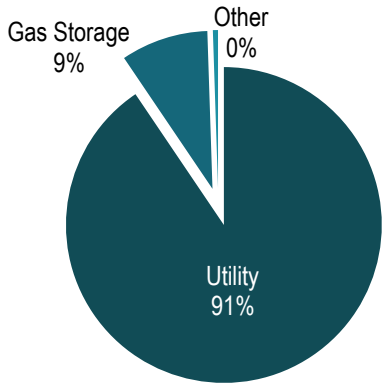
Growth Potential

- Organic opportunities - gas in approximately 60% of single-family homes
- Strong customer growth – almost 9,800 customers added in last year as of 12/31/2015 and over 714,000 total customers
- Positive economic trends and housing fundamentals in region

Operating Revenues for 2015



Assets as of 12/31/2015



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HIGH-GROWTH SERVICE TERRITORY

Solid Customer Growth Rate

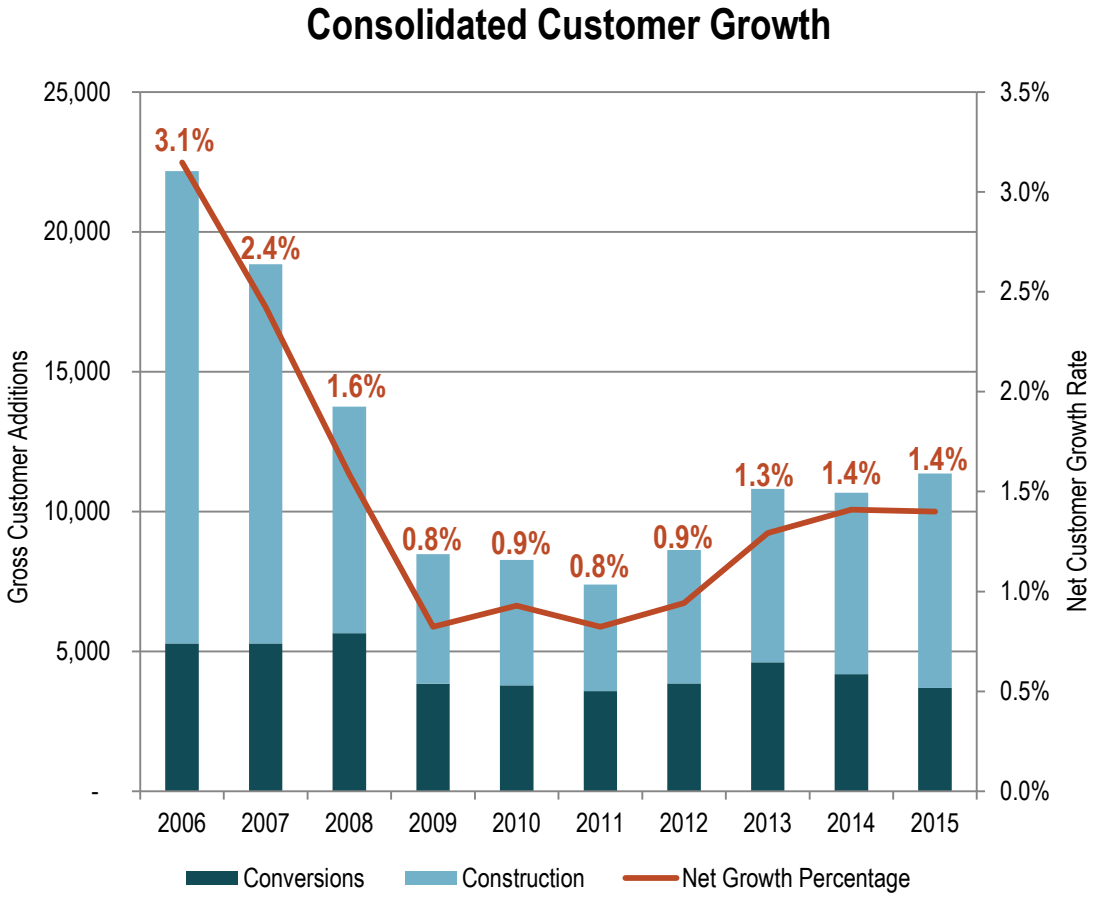
- NW Natural growth 1.4%(1)
  - Oregon growth 1.2%
  - Washington growth 2.7%
- Peer LDCs averaged 0.9% (2)

Strong Residential Growth

- Residential accounts for about 63% of utility margin
- Residential growth rate of 1.5%
- Since 2012, steady growth in single-family new construction

Steady Commercial Growth

- Commercial accounts for about 27% of utility margin
- Growth rate of 0.4%



(1) Customer growth measured over 12-month period ended December 31, 2015
(2) LDC peer group includes the following companies: NJR, SJI, OGS, PNY, WGL, LG, VVC, SWX, NFG, ATO, GAS, NI

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FOCUS ON REGULATED GROWTH







- **Innovative Customer Connections Portal** with customer acquisition platform and conversion plan
- **Rate-based investments** supporting system reliability and customer growth
- **Planned utility Mist gas storage expansion** due to location and need for flexible gas-fired generation

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INNOVATIVE CUSTOMER ACQUISITION

Competitive Advantage

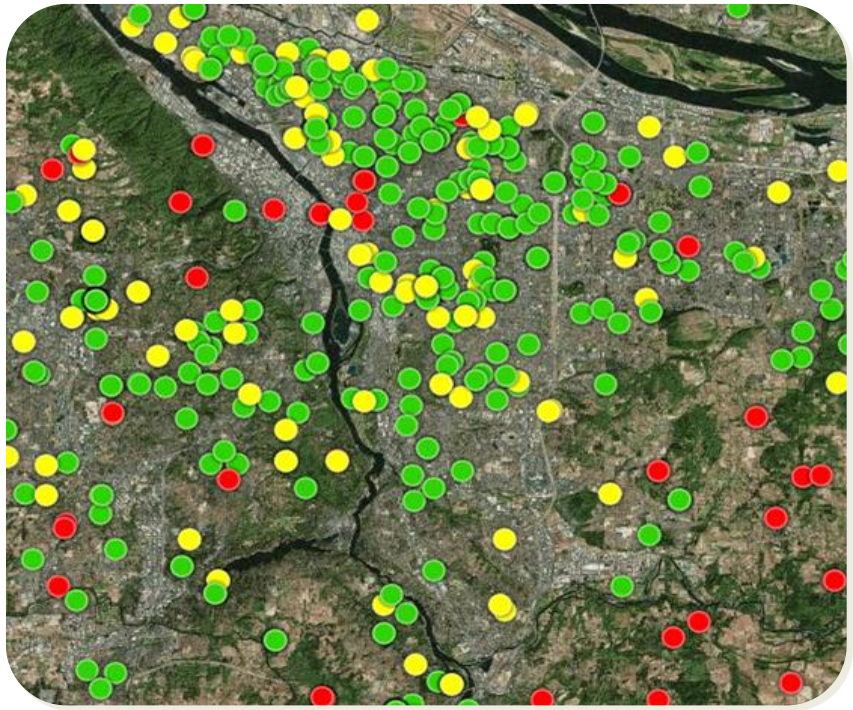
- Preferred energy source
- Low-cost, reliable, clean energy choice
- Natural gas in approximately 60% of single-family homes

Customer Connections Portal

- Web-based tool for targeted conversions
  - Launched in September 2013
  - Over 20,000 gas availability queries
  - Almost 30% of conversion sales used web tool
- Enhanced web services for trade allies
  - Launched in September 2014
  - Almost 2,000 online orders submitted

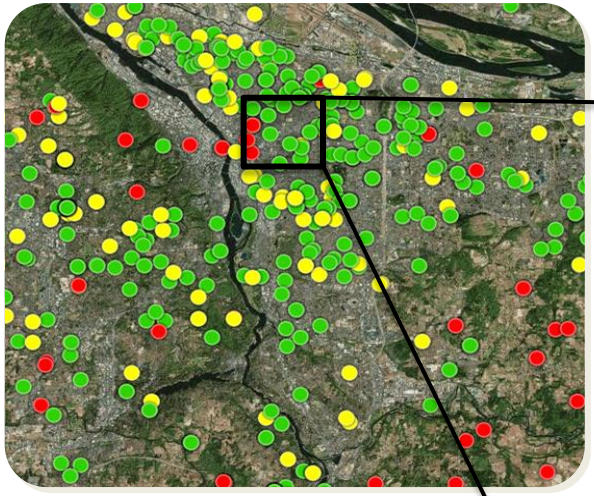
Continuing Innovation

- Strong growth in rental/multifamily housing in Portland
- Market study shows 80% of renters paying average rates and above in Portland prefer natural gas amenities
- Developing comprehensive program to target apartment developers



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LEVERAGING CUSTOMER PORTAL





Portal Analytics

- Validate customer interest
- Overlay with propensity model for targeted marketing
- Plan for paving moratoriums more effectively
- Understand construction conditions and costs

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INVESTING FOR RELIABILITY & GROWTH

LNG Facilities

Newport LNG

- Facility built in 1977 with 0.9 Bcf capacity
- Planned upgrades with capex of approx. $25 million over three years

Portland LNG

- Facility built in 1969 with 0.6 Bcf capacity
- Upgrades currently under evaluation



Vancouver, Washington Infrastructure

- Fastest growing region in service territory
- Expected investment approx. $25 million over five years

System Integrity

- New PHMSA gas safety regulation expected in 2016/2017
- Known bare steel removal completed in 2015; cast iron in 2000

Integrated Resource Plan

- Expect to file IRP in August 2016

Potential Pipeline Expansion Opportunities

- OPUC acknowledged in IRP a desire to keep Trail West Pipeline and Pacific Connector options open
- Trail West could provide a second pipeline delivery path for reliability
- Large regional projects (e.g., methanol plants) could require significant increase in pipeline capacity

UTILITY GAS STORAGE AT MIST

Overview

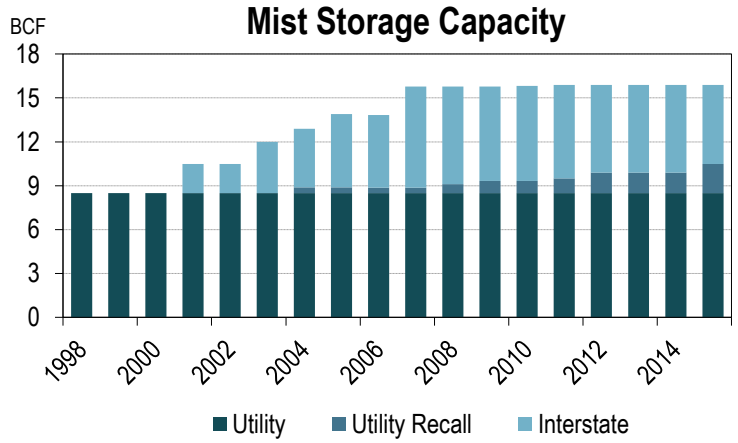
- In operation since 1989
- Interstate Storage Services (ISS) began in 2001
- Storage capacity at Mist 16 Bcf
  - 11 Bcf Core Utility
  - 5 Bcf ISS
- Recall in May 2015 of 0.7 Bcf back to utility

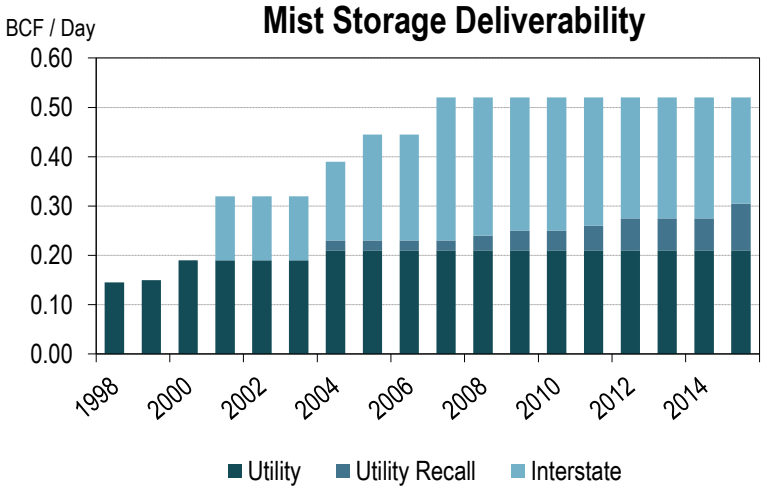
Unique Asset

- High-demand as limited storage options in Pacific NW
- Part of utility's diverse gas supply strategy for reliability
- Optimize ISS portion and share with utility customers
- Utility can recall ISS portion to fulfill core demand

Planned North Mist Expansion

- Regulated 2.5 Bcf expansion for PGE



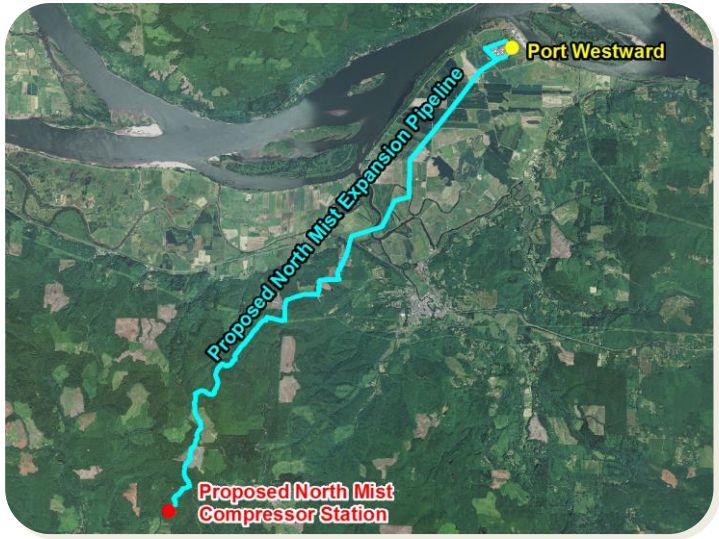


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PLANNED EXPANSION AT MIST UTILITY STORAGE

Expansion Profile

Storage Capacity	2.5 Bcf
Deliverability	120,000 Dth/day
Estimated Capex Spend	$125 million*
Current ROE	9.5%
Capital Structure	50:50
Target In-Service Date	Winter 2018/2019



Update

- Expansion to meet demand for flexible power generation in Pacific Northwest
- Innovative no-notice gas storage service with 24/7 turn capability
- Agreement with PGE to serve their Port Westward Plant, upon receiving Notice to Proceed (NTP)
- Rate schedules approved in 2014
- Permitting, land acquisition work, and EPC contract rebidding currently in progress
- Expect NTP from PGE in the second half of 2016

*Capex estimate based on 2014 bidding process. Currently rebidding EPC portion of contract, which could increase or decrease capex. Completion of rebid process and finalization of estimate expected in mid-2016.

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REGULATED GAS RESERVES PROGRAM

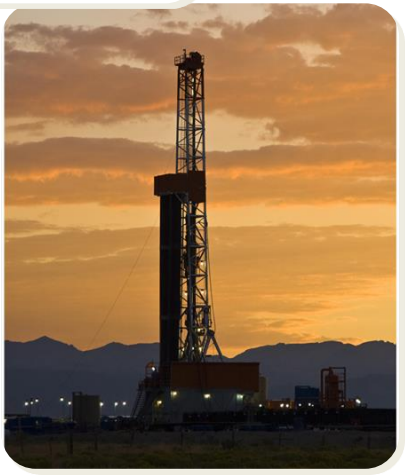
Investment Goals

- Long-term gas price hedge for utility customers
- Rate-base return on invested capital
- Recovery of costs through customer rates



Original Agreement

- Transaction with Encana in 2011; approved by OPUC
- Gas costs and ROI tracked into rates with annual PGA
- Encana investment totaled $178 million



Amended Agreement

- Field sold to Jonah Energy in 2014
- Investment on a well-by-well basis with annual prudence review
- Jonah investment totaled $10 million
- Cost recovery at $0.4725 per therm, the 10-year hedge rate at deal inception plus financing costs

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REGULATORY OVERVIEW

	Oregon	Washington
Rate Structures:		
Rate Case Year	2012	2009
ROE	9.5%	10.1%
ROR	7.8%	8.4%
Equity Ratio	50%	51%
2015 Rate Base	$1.2B	$0.1B
Key Mechanisms:		
Purchased Gas Adjustment	X	X
Incentive Sharing(1)	X	X
WARM/Decoupling	X	
Pension Balancing	X	
Environmental Cost	Recovery	Deferral(2)

(1) In Oregon, NW Natural shares PGA gains and losses. In both Oregon and Washington, NW Natural shares with customers revenues it achieves through interstate storage and optimization activities.
(2) Washington allows deferral of environmental costs, but a cost recovery mechanism or methodology has not yet been established by the Washington Commission. A carrying charge related to deferred amounts will be determined in a future proceeding.

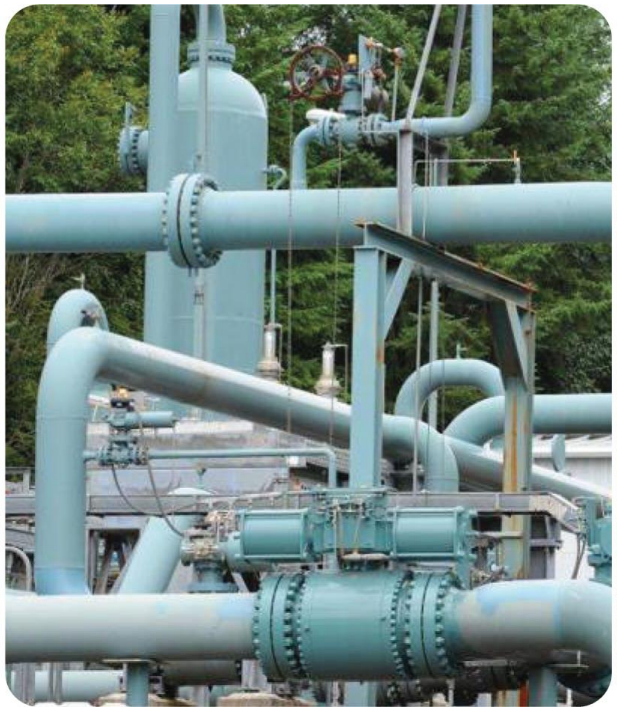
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REGULATORY UPDATE

Environmental Cost Recovery	• January 2016 order resolved open matters regarding the implementation of the environmental recovery mechanism • OPUC confirmed recovery of environmental costs allocated to Oregon rate payers • Disallowed interest earned on original charge resulting in $3.3M pre-tax charge in January 2016
Commodity Hedging	• OPUC opened all-party docket to discuss appropriate gas portfolio hedging in the state • NWN request for guidelines on long-term hedging included in docket • Expect to work through the first two phases of process during 2016 and the first half of 2017 • WUTC also engaged in review of Local Distribution Company (LDC) hedging practices
Senate Bill 844	• NWN submitted Combined Heat and Power Program under Senate Bill 844 rules to OPUC in June 2015 • Expect OPUC decision in Spring 2016
Interstate Storage Sharing	• OPUC issued order in March 2015 requiring a third-party cost study to be performed • Steering committee consisting of Company, OPUC staff, and customer groups to hire third-party to perform cost study
Senate Bill 32	• OPUC formed working group to study how utilities may expand natural gas service to areas that do not currently have access to natural gas • Expect a report in Q4 2016

GAS STORAGE SEGMENT







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GAS STORAGE OUTLOOK

Interstate Storage (ISS) Portion of Mist Facility

Designed Capacity	5 Bcf
Max Deliverability	215,000 Dth/day
In-Service Date	2001

Gill Ranch Facility

Current Ownership	Gill Ranch Storage, LLC (GRS) 75% and PG&E 25%
Designed Capacity	20 Bcf Total (GRS portion 15 Bcf)
Max Deliverability	490,000 Dth/day
In-Service Date	2010
Expansion Potential	25 Bcf Total (GRS portion 7.5 Bcf)



Gill Ranch Storage Trends

- Contracted 2014-15 with short-term contracts, relatively flat price curve & weak market conditions
- 2015-16 prices are slightly higher than 2014-15 historic lows
- Contracting for 2016-17 gas storage year
- Pursuing higher value service contracts and new market opportunities
- Reduced operating cost structure in 2015 and paid off remaining debt
- Expect flexible energy resources to be needed in California to meet state's RPS targets
- Ability to expand, but will depend on California storage market conditions

FINANCIAL PERFORMANCE













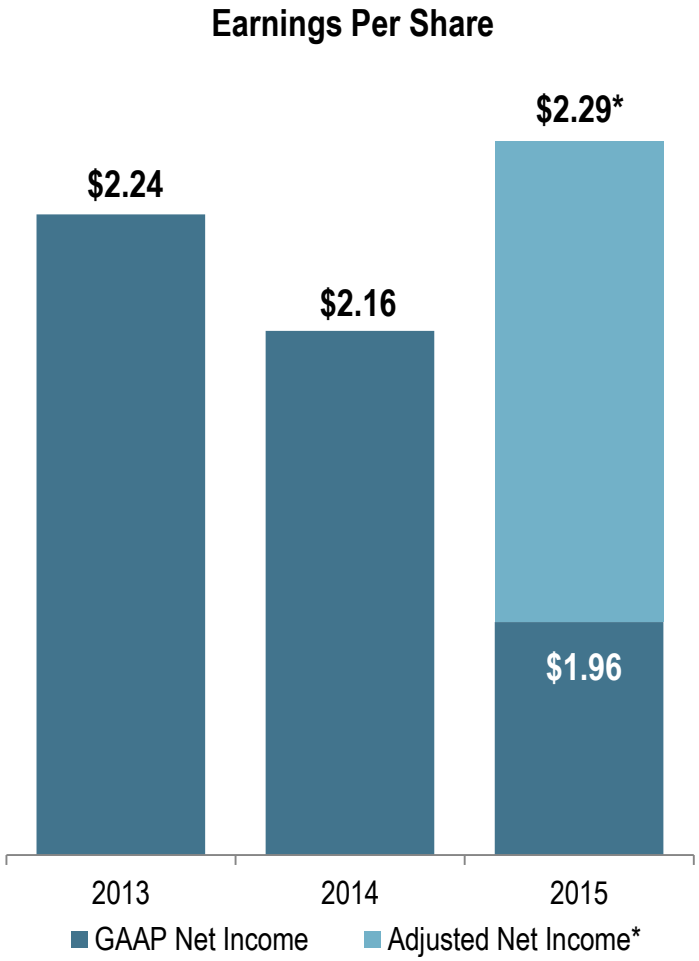
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ACHIEVED 2015 EARNINGS GUIDANCE

Delivered on 2015 Guidance
- GAAP guidance range $1.77 to $1.97
- Non-GAAP guidance* range $2.10 to $2.30
- EPS at high end of guidance range

Headwinds from
- Regulatory environmental write-off $15 million Q1 2015
- Record warm winter
- Responded with temporary cost savings initiatives ~$5 million savings

Strong Metrics
- Higher utility margin
- Steady customer growth
- Reduced Gill Ranch expense structure and early redemption of debt



*Non-GAAP adjusted net income and EPS excludes the after-tax regulatory disallowance related to the OPUC's Feb. 2015 environmental order. See page 27 for additional information.

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CONSOLIDATED FINANCIAL RESULTS

YTD 2015 compared to YTD 2014

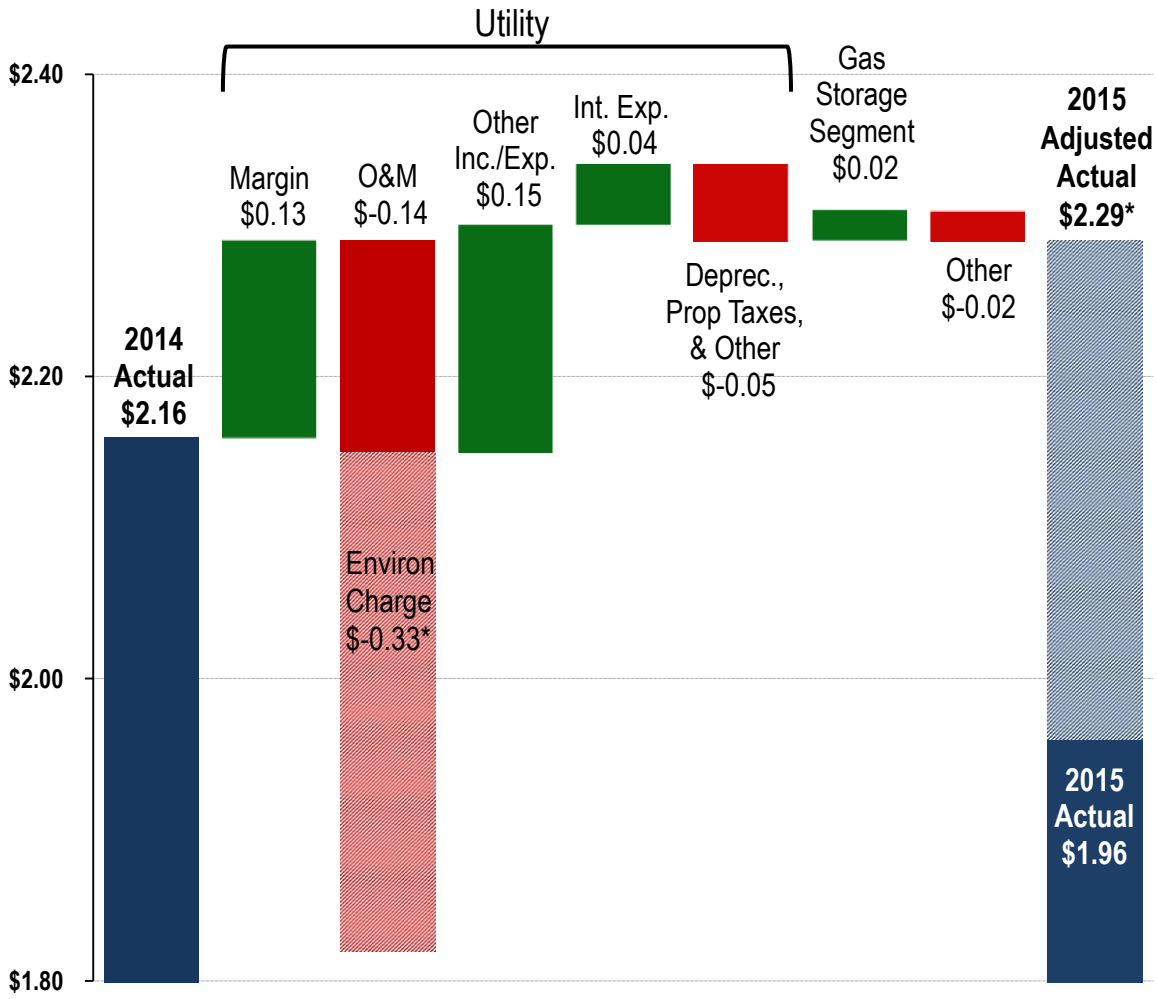
- Net income $53.7M in 2015 vs. $58.7M in 2014
- Adjusted net income* $62.8M excluding $15M charge

Utility

- Margin up on customer growth and gas cost sharing
- O&M up on higher compensation and benefits with $5 million of cost savings
- Other income reflects equity earnings on environmental assets
- Interest expense down due to debt redemptions
- Depreciation increase on additional utility plant investments

Gas storage

- Mist facility continues to show strong, stable performance comparable to prior year
- Gill Ranch revenue down on lower market prices
- Lower repair costs and O&M reductions at Gill Ranch
- Early debt redemption in December 2015



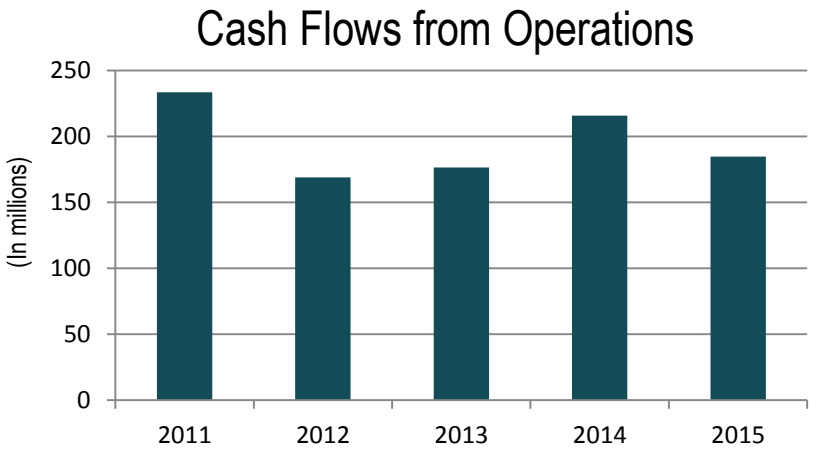
*Non-GAAP adjusted net income, EPS, and O&M excludes the after-tax regulatory disallowance related to the OPUC's Feb. 2015 environmental order. See page 27 for additional information.

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STRONG CASH FLOWS AND LIQUIDITY

Cash Flows

- Operating cash flows support capital needs
- Higher CFFO from insurance proceeds:
  - ~$100 million in 2014 and ~$40 million in 2011
  - Began environmental cost collection:
    - $3.5 million in Nov-Dec 2015
    - $9.9 million in Jan-Oct 2016
    - Future collections each PGA year



Bonus Deprecation

- Expect cash tax savings of $90 million 2016-19
- Evaluating impact on investments

Liquidity

- $300 million credit facility through 2019
- Access to capital markets
- Solid credit ratings(1)

Credit Ratings(1)

	S&P	Moody's
Secured Debt	AA-	A1
Commercial Paper	A-1	P-2
Outlook	Stable	Stable

(1) The above credit ratings are dependent upon a number of factors, both qualitative and quantitative, and are subject to change at any time. The disclosure of these credit ratings is not a recommendation to buy, sell or hold NW Natural securities.

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CONSISTENT STRATEGY

Stable utility margins

- Company results continue to show steady growth from utility
- Utility-focused business with stable core customer revenues
- Organic growth potential with strong economics driving single and multifamily construction

Excellent operations and efficient cost structure

- Consistently high customer satisfaction ratings and system reliability
- Strong balance sheet and cash flows
- 60-year history of increasing dividends paid to shareholders

Long-term growth opportunities

- Innovative ideas and new programs
- Storage development opportunities to support flexible energy resource needs
- Regional pipeline expansion opportunity



NW NATURAL AT A GLANCE

About NW Natural

NW Natural (NYSE: NWN) is headquartered in Portland, Ore., and provides natural gas service to over 714,000 residential, commercial, and industrial customers through approximately 14,000 miles of mains and service lines in western Oregon and southwestern Washington. It is the largest independent natural gas utility in the Pacific Northwest, with $3.1 billion in total assets. NW Natural and its subsidiaries currently own and operate underground gas storage facilities with designed storage capacity of approximately 31 Bcf in Oregon and California. Additional information is available at www.nwnatural.com.

Key Indicators:	2015	2014
Total customers	714,428	704,644
Total common equity ($000)	$ 780,972	$ 767,321
Average diluted common shares outstanding (000)	27,417	27,223
Consolidated tax rate	40.0 %	41.5 %
Institutional ownership	63 %	62 %
Dividends paid	$ 1.86	$ 1.85
Diluted earnings per share	$ 1.96	$ 2.16
Book value per share	$ 28.47	$ 28.12
Composition of Utility Revenues:		
Residential	59 %	59 %
Commercial	31 %	31 %
Industrial	9 %	9 %
Other	1 %	1 %

Non-GAAP Financial Information

Non-GAAP adjusted net income, EPS, and O&M excludes the $9.1 million after-tax regulatory disallowance related to the OPUC's February 2015 environmental order. Amounts per share are calculated using the combined federal and state statutory tax rate of 39.5% and divided by 27,417 thousand diluted shares.

For Investor information, please contact:
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Phone: 503-721-2530

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APPENDIX

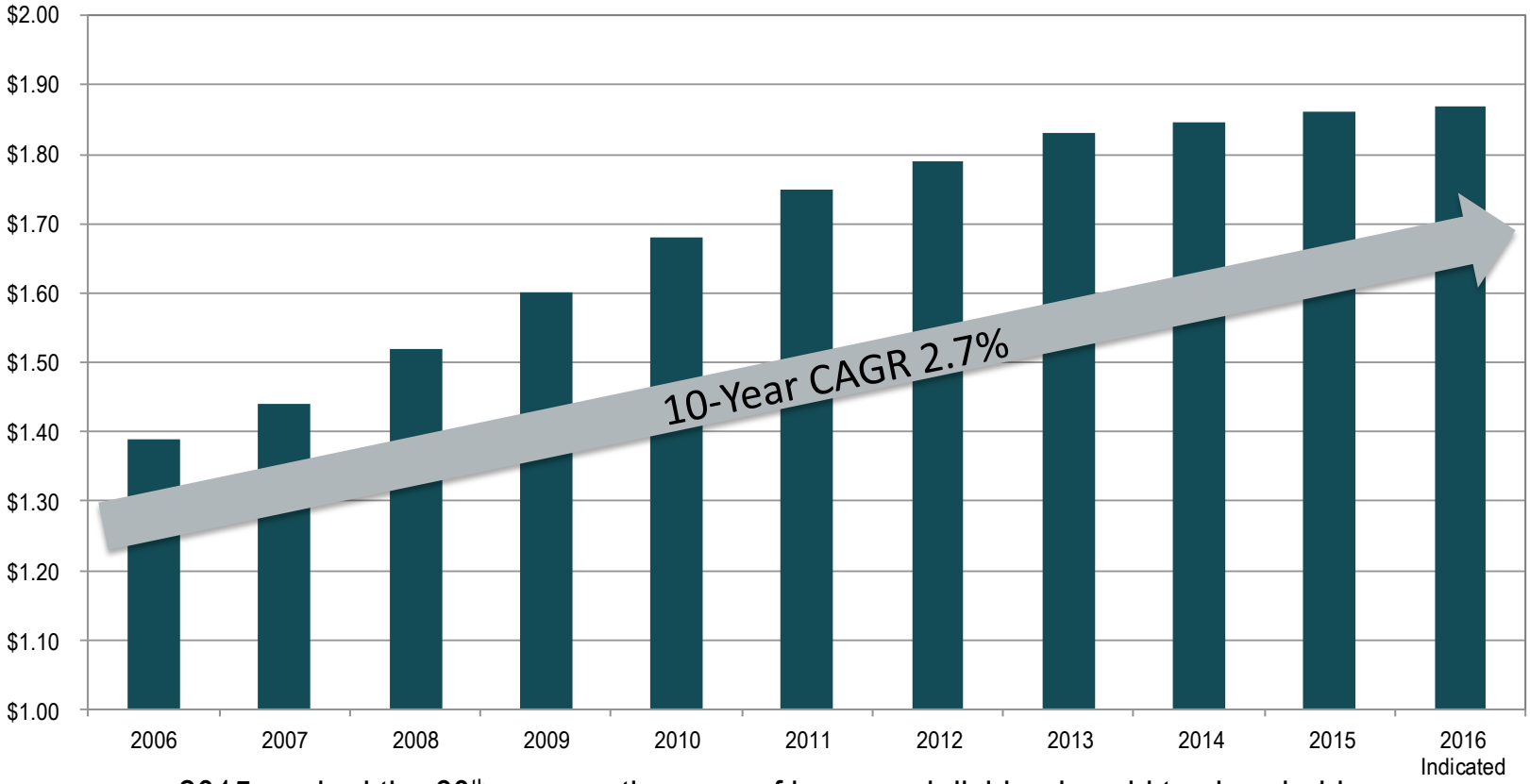






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DIVIDEND HISTORY



- 2015 marked the 60th consecutive year of increased dividends paid to shareholders
- Dividend yield of 3.7% at December 31, 2015
- Supported by strong and stable cash flows
- One of the longest running dividend increase records of companies on the NYSE

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CAP-EX SPEND

	Actuals				Forecast[1]	
(In millions)	2012	2013	2014	2015	One Year 2016	Five Year 2016-2020
Utility Capex	$137	$132	$124	$127	$145 to 160	$725 to $825
Gas Reserves	$54	$54	$27	$1	—	—
North Mist Expansion	—	—	—	—	$10 to 15	$125[2]
Utility Total	**$191**	**$186**	**$151**	**$128**	**$155 to 175**	**$850 to $950**
Gas Storage	$3	$1	$4	$2	$0 to 5	$0 to 5
Total	**$194**	**$187**	**$155**	**$130**	**$155 to 180**	**$850 to $955**

[1] Additional potential investments for bonus depreciation extension not considered in forecast

[2] Capex estimate based on 2014 bidding process. Currently rebidding EPC portion of contract, which could increase or decrease capex. Completion of rebid process and finalization of estimate expected in mid-2016.

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SUPPORTIVE REGULATORY MECHANISMS

Oregon	Decoupling	• Breaks link between earnings and consumption by removing incentive to increase usage • Employs use-per-customer decoupling calculation, which adjusts margin revenues to account for the difference between actual and expected customer volumes
Oregon	Weather Normalization (WARM)	• Stabilizes collection of fixed costs for residential and commercial customers • Adjusts billings based on temperature variances compared to average weather • Applied from December through May of each heating season
Oregon and Washington	Purchased Gas Adjustment (PGA)	• Adjusts annual rates to reflect changes in expected cost of gas commodity purchases • Includes spot purchases, contract supplies, derivatives, storage inventories, gas reserves • Includes temporary rate adjustments amortizing deferred regulatory account balances
Oregon and Washington	Environmental Cost Deferral	• Allows for deferral of environmental costs and in OR the accrual of carrying costs • Recovers environmental costs allocated to OR through a site remediation mechanism (SRRM), subject to an annual prudence review and earnings test(1) • Defer costs in WA, recovery & carrying charge to be determined in future proceeding
Oregon	Pension Balancing	• Defers annual FAS 87 pension expenses above the amount set in rates • Expect deferral account to come to zero after nearer-term years of higher pension costs are balanced with future years of lower pension costs

(1) To the extent the utility earns more than its authorized ROE in a year, the utility is required to cover environmental expenses and interest on expenses greater than $10 million (plus interest from insurance proceeds) with those earnings that exceed its authorized ROE.

OREGON & WASHINGTON COMMISSIONS

Public Utility Commission of Oregon (OPUC)

Susan Ackerman, Chair



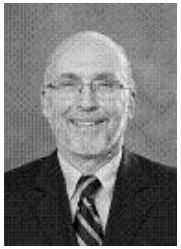
- Originally appointed March 2010
- Reappointed March 2012
- Appointed chair June 2012
- Current term ends March 2016

John Savage, Commissioner



- Originally appointed September 2003
- Reappointed three consecutive times
- Current term ends March 2017

Stephen Bloom, Commissioner



- Appointed December 2011
- Current term ends November 2015 (remains on Commission until reappointed or replaced)

Washington Utilities and Transportation Commission (WUTC)

David Danner, Chair



- Appointed chair February 2013
- Current term ends January 2019

Ann Rendahl, Commissioner



- Appointed December 2014
- Current term ends November 2020

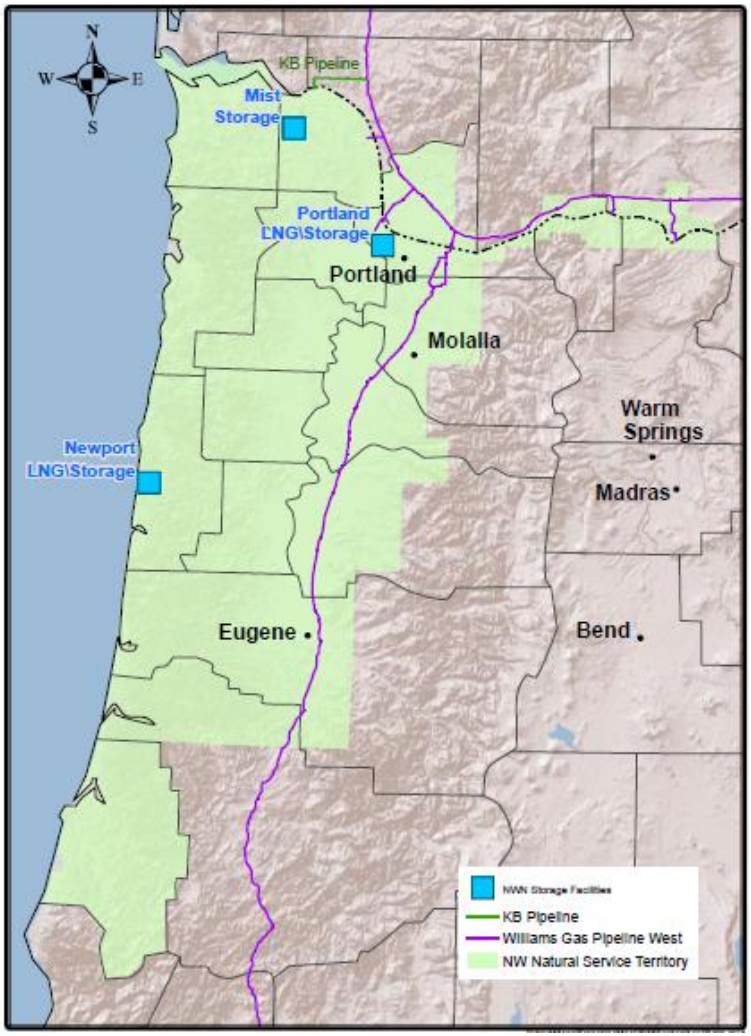
Philip Jones, Commissioner



- Originally appointed March 2005
- Reappointed March 2011
- Current term ends February 2017

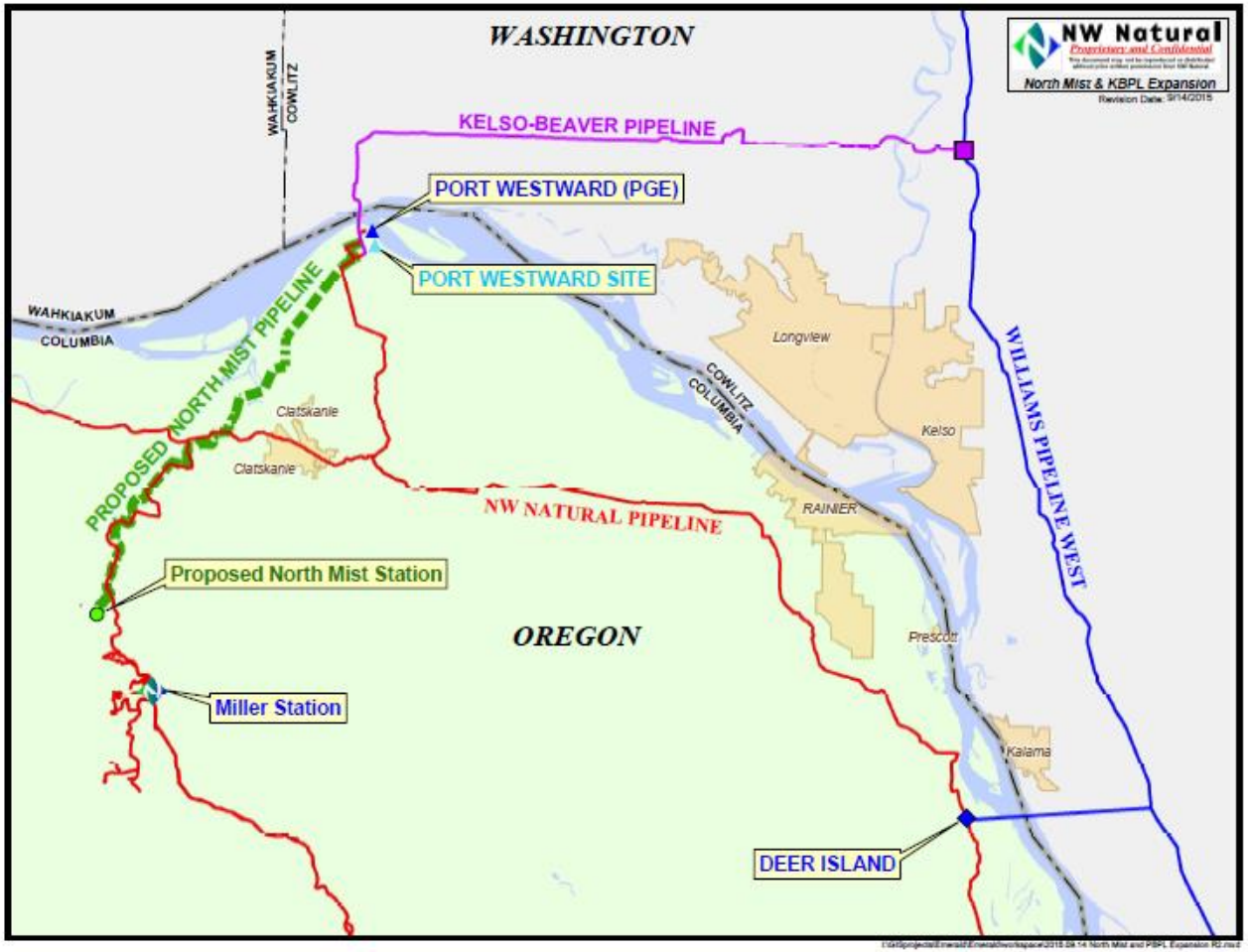
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UTILITY SERVICE TERRITORY



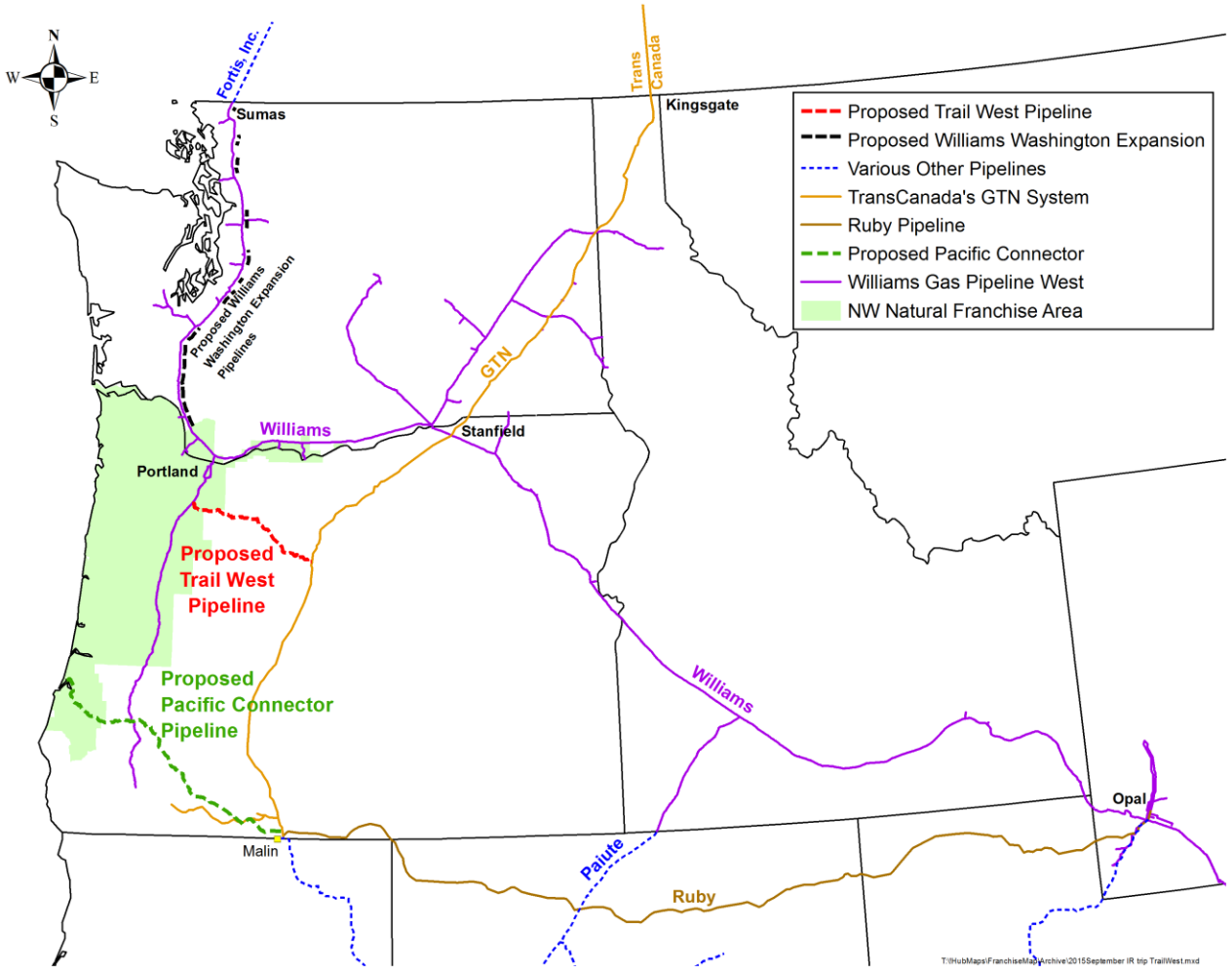
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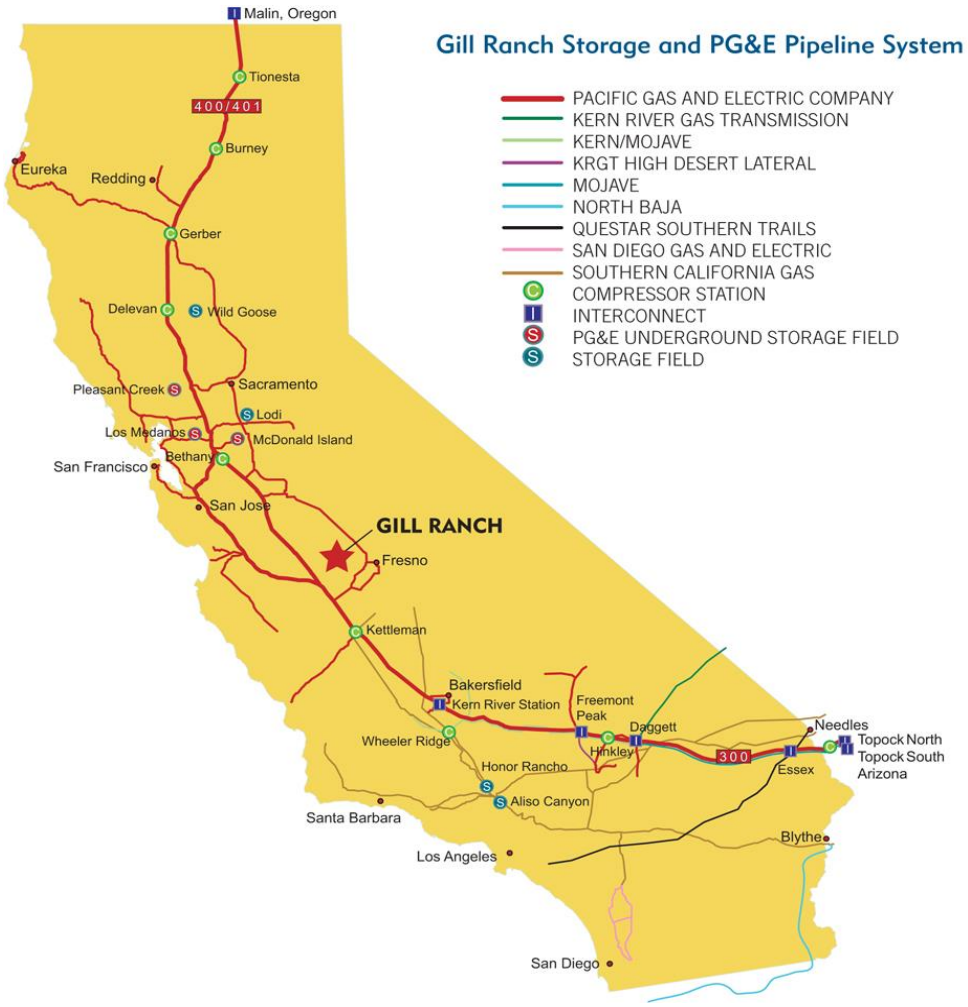
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