

# INVESTOR PRESENTATION

Virtual Investor Meetings  

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September 2020



# INVESTOR INFORMATION

## COMPANY INFORMATION

NW Natural Holdings  
250 SW Taylor Street  
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nwnaturalholdings.com

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## FORWARD LOOKING STATEMENTS

This and other presentations made by NW Natural Holdings from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, which are subject to the safe harbors created by such Act. 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, estimates, timing, goals, strategies, future events, projections, expectations, acquisitions and timing, completion and integration thereof, storage, pipeline and other infrastructure investments, safety, system modernization and reliability, commodity costs and sourcing, competitive advantage, marketing success, service territory, customer service, customer and business growth, customer satisfaction ratings, weather, customer rates and timing and magnitude of potential rate changes, customer preference, conversion potential, business risk, efficiency of business operations, regulatory recovery, business development and new business initiatives, water and wastewater industry and investments including timing, completion and integration of such investments, environmental initiatives and remediation recoveries, gas storage markets and business opportunities, gas storage development, costs, timing or returns related thereto, dispositions and timing, completion and outcomes thereof, financial positions and performance, economic and housing market trends and performance, shareholder return and value, capital expenditures, technological innovations and investments, availability and sources of liquidity, strategic goals and visions, decarbonization and the role of natural gas and the gas delivery system, including use of renewables, carbon emissions and savings, renewable natural gas projects or investments and timing related thereto, procurement of renewable natural gas for customers, workforce trends, diversity, equity and inclusion initiatives, hedge efficacy, cash flows and adequacy thereof, return on equity, capital structure, return on invested capital, revenues and earnings and timing thereof, margins, net income, operations and maintenance expense, dividends, credit ratings and profile, debt and equity issuances, the regulatory environment, effects of regulatory disallowance, timing or effects of future regulatory proceedings or future regulatory approvals, regulatory prudence reviews or deferrals, timing, outcome and effects of regulatory dockets or mechanisms or approvals, including, but not limited to, OPUC approval of the Oregon general rate case comprehensive stipulation, effects of legislation and changes in laws and regulations, including but not limited to carbon, renewable natural gas and renewable hydrogen regulations, effects, extent, severity and duration of COVID-19 and resulting economic disruption, the impact of efforts to mitigate risks posed by its spread, ability of our workforce, customers or suppliers to operate or conduct business, COVID-19 expenses and financial impact and cost recovery including through regulatory deferrals, impact on capital projects, governmental actions and timing thereof, including actions to reopen the economy, 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.

# LEADERSHIP

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## **DAVID H. ANDERSON • President and Chief Executive Officer**

Mr. Anderson is currently NW Holding's President and CEO effective October 2018 and NW Natural's President and CEO effective August 2016. Since he joined NW Natural in 2004, Mr. Anderson has served in various executive positions over Operations, Regulation and Financial Matters, as COO and 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.



## **FRANK BURKHARTSMEYER • SVP and Chief Financial Officer**

Mr. Burkhartsmeier is currently NW Natural Holdings' Senior Vice President and CFO effective October 2018 and NW Natural's Senior Vice President and CFO effective May 2017. Previously, Mr. Burkhartsmeier served as President and CEO of Avangrid Renewables and Senior Vice President of Finance at Iberdrola Renewables Holdings US and also held various positions at PPM Energy, ScottishPower and PacificCorp. Mr. Burkhartsmeier has an MBA from the University of Oregon and a Bachelor of Arts in Liberal Arts from the University of Montana.

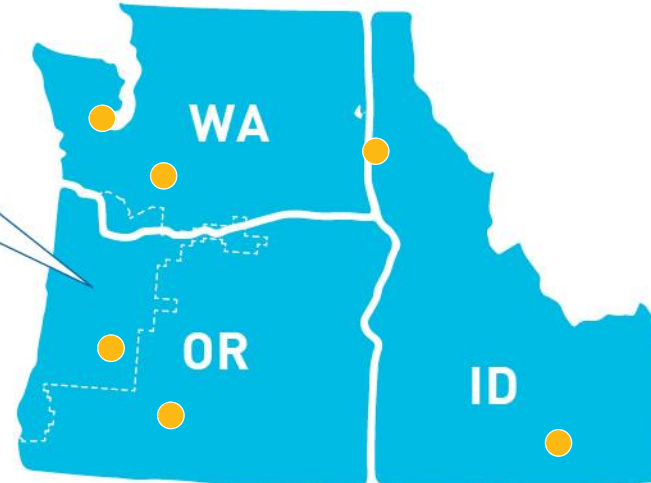


## **KIMBERLY A. HEITING • SVP Operations and Chief Marketing Officer**

Ms. Heiting is currently serving as NW Natural's Senior Vice President of Operations effective April 2018 in addition to her duties as Chief Marketing Officer (2013). Since she joined the Company in 1998, Ms. Heiting has served in various executive and director positions over Marketing, Communications, and Consumer Information. Previously, Ms. Heiting held management positions at Alltel and Bank of America. Ms. Heiting holds a Bachelor of Arts in Communications from the University of Iowa and a Master of Science in Communications from Northwestern University in Illinois.

# INTRODUCTION

# NWN AT A GLANCE

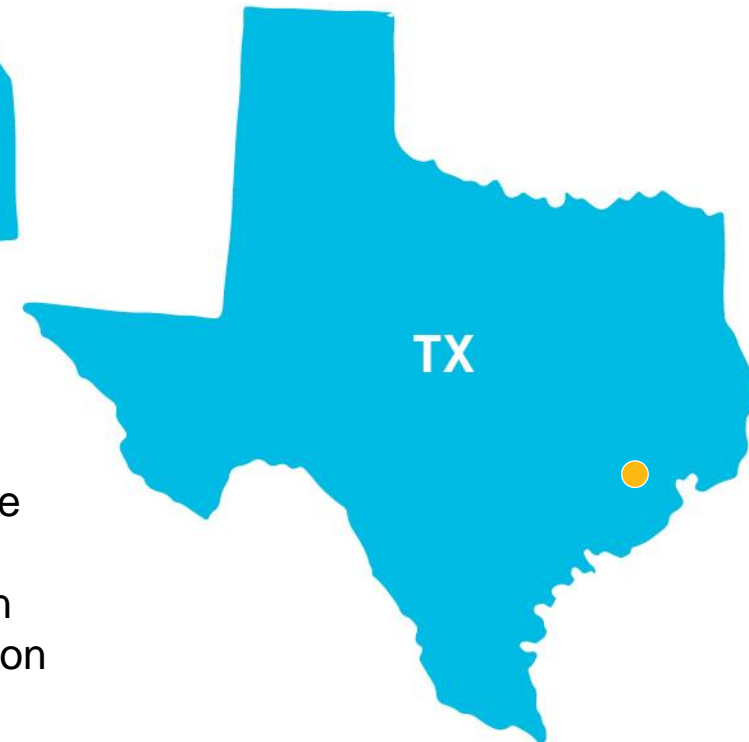


## Gas Utility

- 2.5 million people served
- 770,000+ connections
- 14,000 miles of modern pipeline
- \$3.5 billion in assets
- Fast-growing service territory in Oregon & Southwest Washington

## Water & Wastewater Utilities

- 62,000 people served
- 25,000 connections
- \$110 million committed to date
- Fast-growing service territories
- Continued disciplined expansion



# KEY THEMES AND YTD Q2 2020 RESULTS

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- Continued to provide customers with essential natural gas and water utility services during COVID-19
- Ongoing focus on safe and reliable service and assisting our most vulnerable community members
- Provided a record \$17.1 million credit to Oregon customers related to a revenue sharing mechanism
- Reported lower earnings reflecting higher O&M and financial effects resulting from COVID-19
- Added more than 13,000 natural gas meters over 12 months equating to a 1.7% growth rate
- Invested about \$122 million in our utility infrastructure and on track for the year
- Filed a comprehensive all-party settlement in the Oregon general rate case, which is subject to OPUC Commission review and approval
- Completed rulemaking for Senate Bill 98 enabling our gas utility to procure renewable natural gas (RNG)
- Closed four water and wastewater utility transactions, including first transaction in Texas

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**Executing on Strategy**



# CORPORATE STRATEGY



## Our Mission

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

## Our Values

Safety

Integrity

Service Ethic

Caring

Environmental Stewardship



# CONSERVATIVE STRATEGY

## Stable gas and water utility margins through progressive regulation

- Gas utility: weather, decoupling, and environmental cost recovery mechanisms in Oregon
- Constructive relationships with regulators and customer groups benefit both gas and water utilities

## Excellent operations and efficient cost structure

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

## Long-term growth opportunities that fit NWN's profile

- GAS UTILITY: strong cap-ex profile with attractive and growing service territory driving above-average customer growth compared to peers
- MIST FACILITY: high-value long-term contracts, asset management revenues, North Mist expansion
- WATER & WASTEWATER: long-term, disciplined strategy to acquire water utilities and wastewater businesses in a highly fragmented industry with ample infrastructure investment opportunities



# OUR ESG STAKEHOLDERS & GOALS

<b>Safety</b>	<ul style="list-style-type: none"> <li>• Continue to operate one of the most modern natural gas systems in the nation safely &amp; reliably</li> <li>• Invest in people, processes and technology to enhance safety</li> <li>• Strive for zero system and employee safety incidents</li> </ul>	<b>Employees</b>	<ul style="list-style-type: none"> <li>• Foster a culture of accountability, creativity and collaboration that is inclusive and supports opportunities for cross-functional effectiveness</li> <li>• Promote our Diversity, Equity and Inclusion vision, which is to acknowledge, embrace and value differences so that everyone may thrive</li> <li>• Provide meaningful opportunities for career development and advancement</li> </ul>
<b>Environment</b>	<ul style="list-style-type: none"> <li>• Meet voluntary carbon savings goal of 30% by 2035<sup>1</sup></li> <li>• Leverage renewables in our existing modern system along with other innovations to further our decarbonization efforts</li> <li>• Our north star and vision forward is being a carbon neutral energy provider by 2050</li> </ul>	<b>Governance</b>	<ul style="list-style-type: none"> <li>• Continue to maintain well-qualified, diverse, independent and active Board of Directors that provide appropriate business and risk oversight</li> <li>• Continue to foster a culture that mitigates risk and promotes integrity and ethical behavior</li> <li>• Maintain policies that align director and officer interests with shareholder interests</li> </ul>
<b>Customers &amp; Communities</b>	<ul style="list-style-type: none"> <li>• Continue to deliver essential energy &amp; water safely and reliably with excellent customer service</li> <li>• Communicate frequently and transparently with stakeholders</li> <li>• Invest time and resources to improve the communities in which we live and serve</li> </ul>	<b>Water</b>	<ul style="list-style-type: none"> <li>• Provide safe, clean, reliable and affordable water and wastewater service to our customers</li> <li>• Continue to pursue additional acquisitions in a disciplined manner</li> </ul>

<sup>1</sup> This is an annual emissions savings goal equivalent to 30% of the carbon emissions from our customers' gas use and company operations in 2015

# INITIATIVES TO DRIVE SUCCESS



## Low-Carbon Pathway

Effectively position our Company for a low-carbon future

- Target: 30% carbon emissions savings associated with current and new customers by 2035, from a 2015 baseline
- Build public policy coalitions to support this goal



## Constructive Regulation

Further a successful regulatory agenda that serves the interests of customers, benefits the company, meets the duties of regulators and furthers stakeholders' missions



## Enable Growth

Channel our organizational energies around revenue growth so we can succeed in an increasingly competitive and complex marketplace

- Simplify processes and leverage technology
- Examine our tariffs to meet new market demands and a low-carbon business model



## Superior Customer Experience

Improve processes, deploy new technology and use metrics to continually improve and meet evolving customer expectations

Continue to drive operational priorities that ensure we are delivering safe, reliable and superior service



## Workforce of the Future

Foster a culture of accountability, creativity and collaboration that is inclusive and supports opportunities for cross-functional effectiveness

# INVESTMENT TARGETS

Growth targets over the next five years include:

## Financial Targets

- EPS growth of 3% - 5%<sup>1</sup>
- Strong and growing dividend<sup>2</sup>

## Gas Utility Growth

- Customer growth 1.7%+ per year
- Capital plan of \$950 million - \$1.1 billion
- Rate base growth of 4% - 6%<sup>1</sup>

## Water Growth

- Long-term strategy, incremental earnings growth and diversity
- Deliberate and disciplined roll-up strategy
- Maintenance cap-ex plan \$30 - \$40 million<sup>3</sup>

<sup>1</sup> EPS and rate base growth forecasted for period 2020 – 2024; EPS growth rate uses mid-point of 2019 guidance range as base year

<sup>2</sup> Future dividends are subject to Board of Director discretion and approval

<sup>3</sup> Water cap-ex plan is based on projected needs of water and wastewater utilities acquired as of 12/31/19

**Stable and Growing Return Proposition**



**NW Natural  
HOLDINGS™**

# COVID-19 RESPONSE

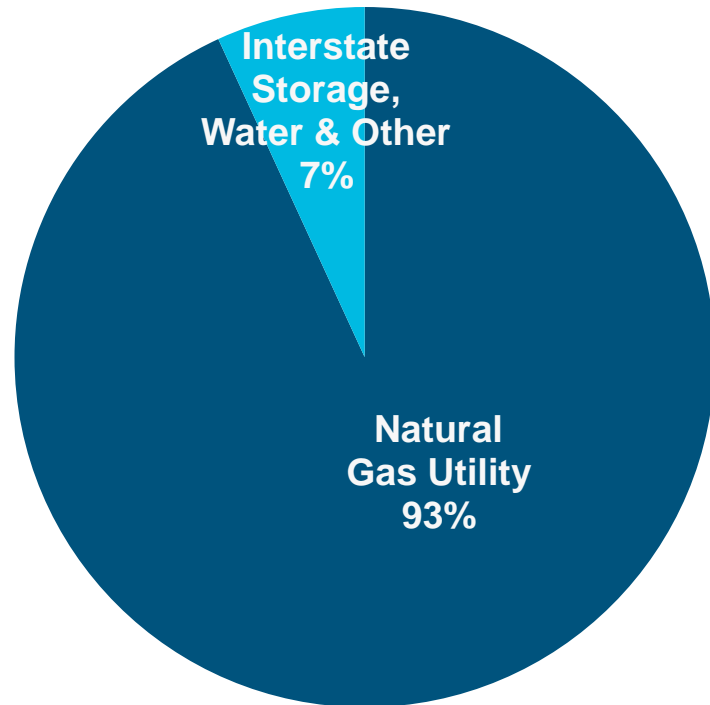
# COVID-19

- **Stay-At-Home Orders** – Late March OR, WA, & ID Governors issued stay-at-home executive orders with TX following in early April. NW Natural and NW Natural Water are considered essential and continue to operate and serve customers without interruption
- **Operations** – Initiated incident command and business continuity plans in early March with a focus on customer & employee safety following CDC, OSHA, & state specific guidance
- **Customers** – Voluntarily suspended disconnections and late fees, watching commercial and industrial meters closely, working with customers on payment plans and provided our annual June bill credit totaling \$17 million – a record amount
- **Supply Chain** – No significant disruptions experienced or currently expected, contingency plans in place, continue to secure necessary PPE
- **Capital Expenditures** – Work continues without significant delays or meaningful impacts
- **Regulatory** – Applied for deferrals related to COVID costs such as bad debt, lost revenue from disconnection fees, PPE, and other items
- **Liquidity** – To strengthen liquidity amid COVID crisis, in March secured additional financings, which were subsequently partially repaid as markets calmed

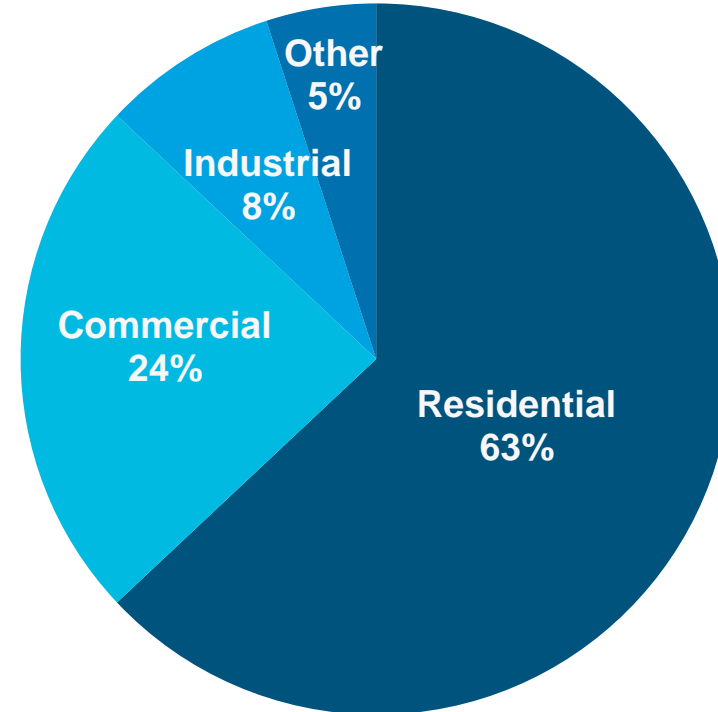


# RESILIENT BUSINESS MODEL

Pure-Play Utility Business Model  
2019 Net Income

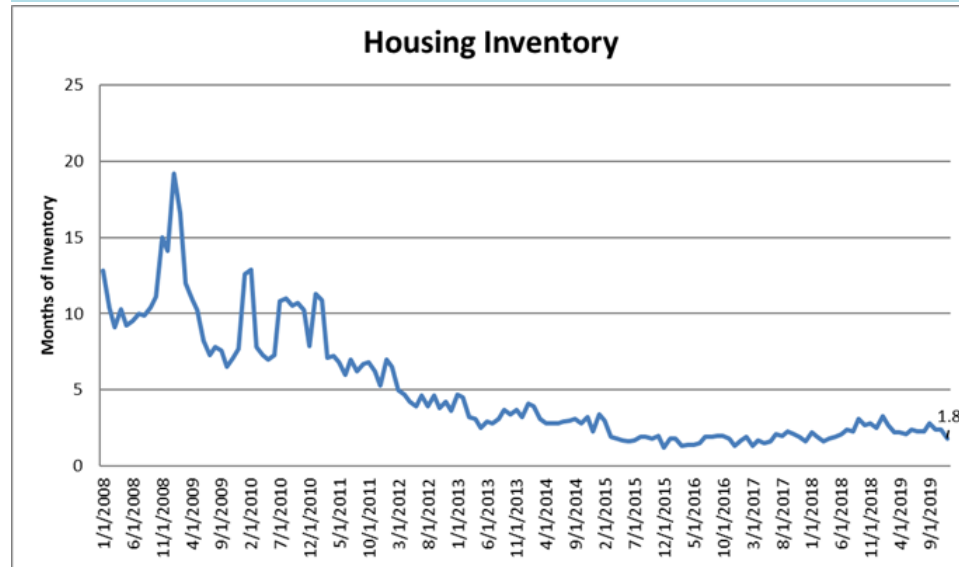


Favorable Customer Mix  
2019 Natural Gas Utility Margin



# MITIGATING FACTORS

## Tight Residential Real Estate Market Leads to Fewer Losses



RMLS Data for Portland Metro

## 80% of Natural Gas Utility Margin is Decoupled

	% of Volumes	% of Margin	% of Margin Decoupled
Residential	38%	63%	89%
Commercial	22%	24%	79%
Industrial	40%	8%	-%
Other	N/A	5%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>80%</b>

Based on 2019 SEC financials

## 68% of Gas Utility Margin Earned During Heating Season

	Q1	Q2	Q3	Q4
Volumes (weather normalized)	39%	18%	9%	34%
Utility Margin	36%	19%	13%	32%
Net Income	72%	2%	-28%	54%

Based on 2019 SEC financials



# NATURAL GAS UTILITY

# GAS UTILITY OVERVIEW

- More than 160 years of service in our communities
- Largest stand-alone local distribution company in the Pacific Northwest
- Serve 2.5 million people in more than 140 communities through more than 770,000 meters in Oregon and southwest Washington
- Consistently recognized for high-quality customer service by J.D. Power
- One of the safest, most modern distribution systems in the country



# SOPHISTICATED MARKETING

## Affordable, Preferred, Growing

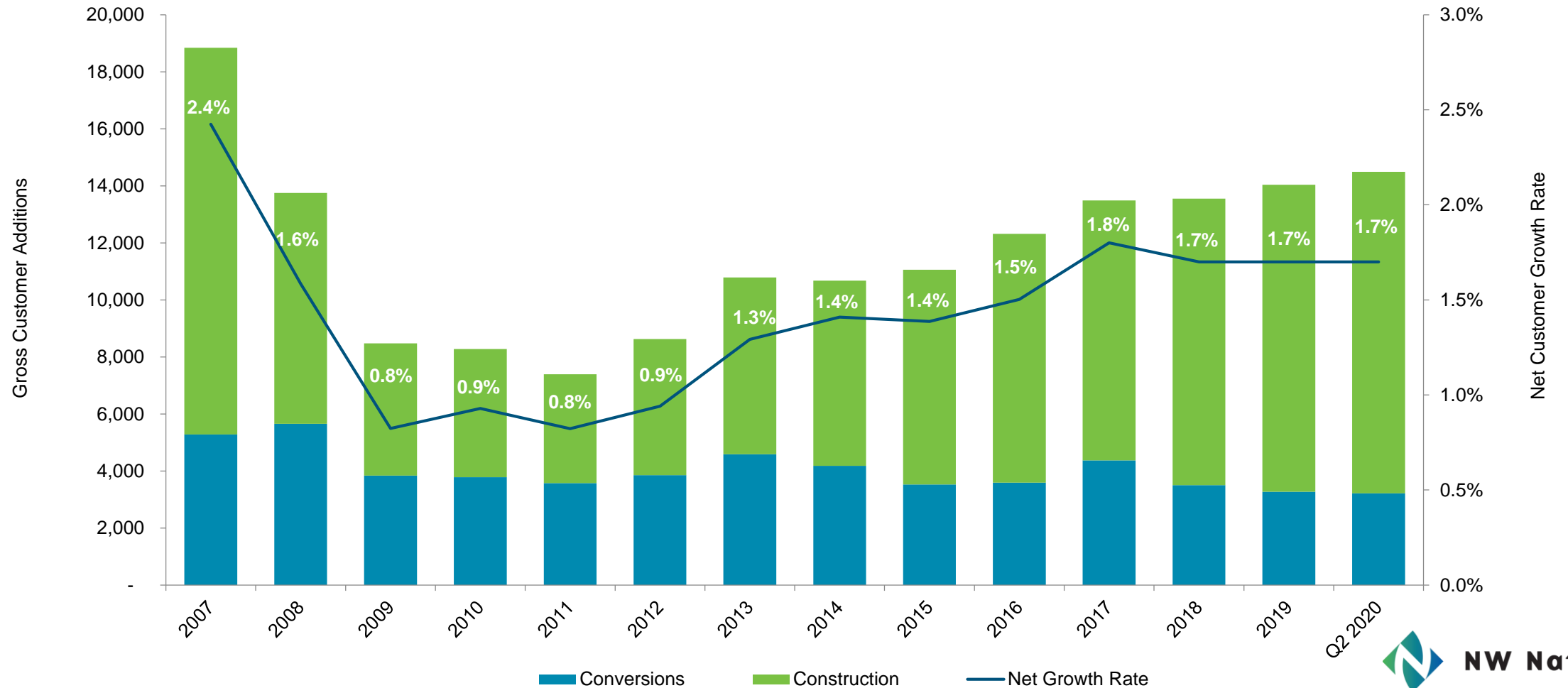
- Growing communities with healthy permitting levels
- Natural gas price advantage
  - Up to 70% advantage over electric or oil furnace
  - Up to 20% advantage over high-efficiency heat pumps
- Preferred by 9 out of 10 homeowners
- Strong trade ally network that rate NW Natural 9 out of 10 for satisfaction

## Significant Conversion Potential

- Serve approximately 63% of single-family homes in service territory
- About 400,000 potential conversions
- Targeted marketing campaign using innovative, proprietary tool supporting strong conversion pipeline



# LEADING IN CUSTOMER GROWTH



# INVESTING IN GAS SYSTEM

## Customer growth

- New construction & conversions
- Main extensions

## Safety & Reliability

- Recurring replacements
- Enhanced system reliability to support customer growth

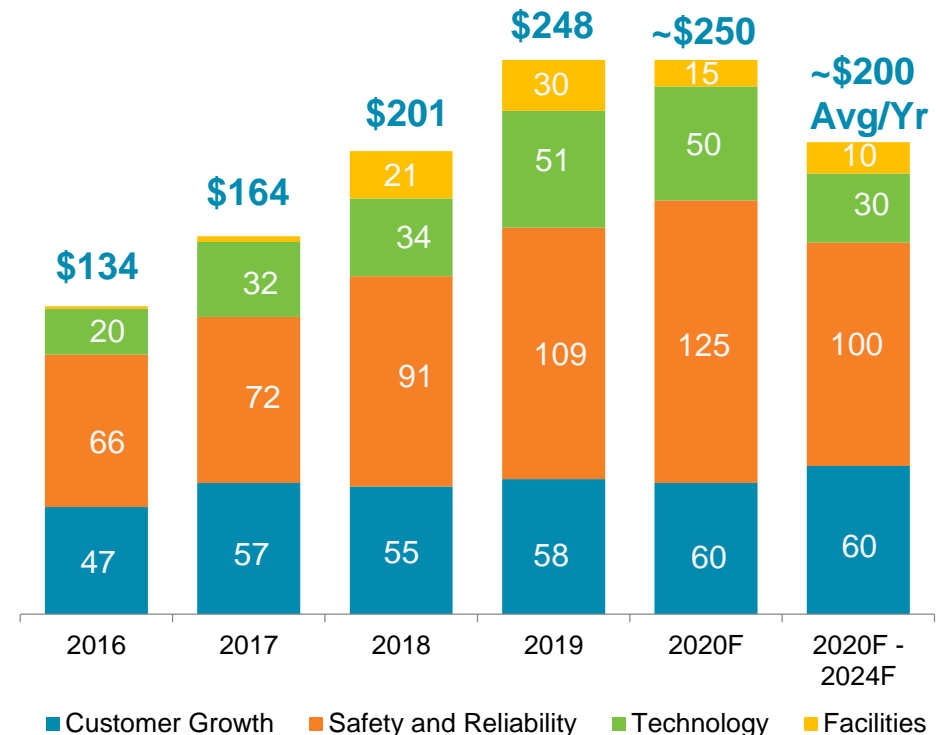
## Facilities

- Resource and operations center renovations

## Technology

- Data center & cybersecurity
- Efficiencies & enterprise resource planning system
- Customer facing technology

System Capital Expenditures\*  
(In millions)



\*Chart is based on accrual cap-ex figures and excludes North Mist Project

The timing and amount of the core capital expenditures and projects for 2020 and the next five years could change based on regulation, growth, and cost estimates. Additional investments in our infrastructure during and after 2020 that are not incorporated in the estimates provided will depend largely on additional regulations, growth, and expansion opportunities. Required funds for the investments are expected to be internally generated and/or financed with long-term debt or equity, as appropriate.

Five-Year Cap-Ex Approximately \$1 Billion



# PROGRESSIVE REGULATION

	OREGON	WASHINGTON
<b>KEY MECHANISMS:</b>		
Decoupling/WARM	✓	
Purchased Gas Adjustment	✓	✓
Environmental Cost	✓	✓
Incentive Sharing <sup>(1)</sup>	✓	
<b>RATE CASE TEST YEAR</b>	Forward	Historical <sup>(2)</sup>
<b>RATE STRUCTURES:</b>		
ROE	9.4%	9.4%
ROR	7.317%	7.161%
Equity Ratio	50%	49%
2019 Rate Base <sup>(3)</sup>	\$1.4B	\$0.2B

(1) In Oregon, NW Natural shares PGA gains and losses

(2) In 2019, SB 5116 was passed granting the WUTC authority to incorporate costs and capital up to 48 months after the rate effective date

(3) Oregon rate base includes gas reserves and North Mist gas storage facility

# OREGON 2020 RATE CASE

- **December 2019 Request Filed** – Reached comprehensive settlement in July 2020, which is subject to OPUC approval. If approved, new rates are expected to take effect Nov. 1, 2020
- **Rate Base Growth** – Settlement includes \$248.9 million increase in rate base related to capital that strengthens and reinforces the natural gas system, necessary system maintenance and operational resiliency, and technology upgrades
- **Cost Recovery** – Higher costs associated with new union contract, facilities, inflationary increases in payroll and benefits, and technology expenses

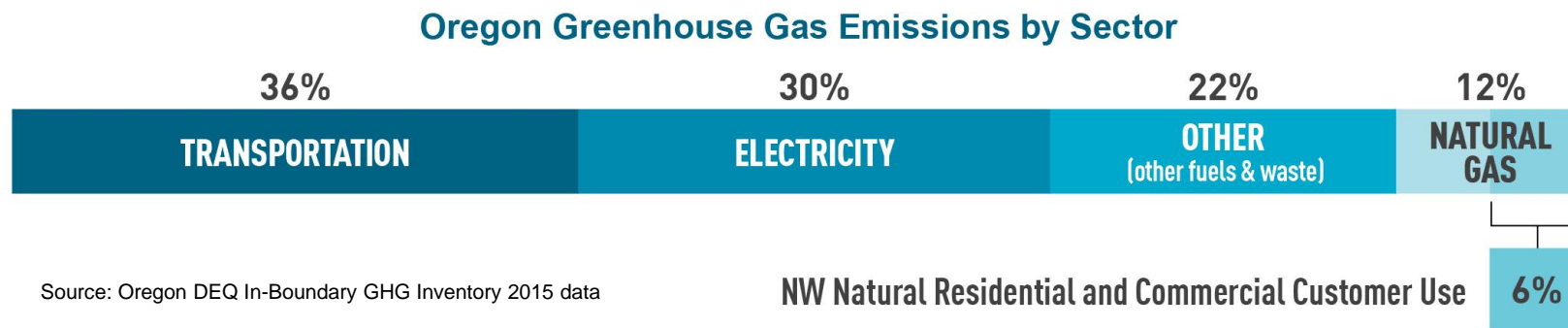
	2018-19 RATE CASE	2020 RATE CASE	
	Settled	Original Request	Settled <sup>1</sup>
ROE	9.4%	10.0%	9.4%
ROR	7.317%	7.298%	6.965%
Equity/Debt Ratio	50 / 50	50 / 50	50 / 50
Rate Base	\$1.20B	\$1.46B	\$1.45B
Revenue Requirement	+\$24.8M	+\$71.4M	+\$45.8M

<sup>1</sup> Settlement is subject to OPUC review and approval

# ROLE OF OUR SYSTEM TODAY

## NW Natural's System

- Delivers more energy than any other utility in Oregon
- Heats 74% of residential square footage in the areas we serve
- Provides 90% of energy needs for our residential space and water heat customers on the coldest winter days
- One of the tightest, newest systems in the country
- Our residential and commercial customers' emissions account for just 6% of Oregon's total carbon emissions



Source: Oregon DEQ In-Boundary GHG Inventory 2015 data

NW Natural Residential and Commercial Customer Use



# NEW THINKING IS REQUIRED FOR FUTURE

## What is the goal?

- Emission reductions – as fast and affordably as possible

## How are we driving to a lower carbon electric system?

- We didn't "cut the wires," we set out to decarbonize what went over them
  - From coal, to natural gas to more wind and solar

## The same holds true for the gas delivery system

- We deliver energy through pipes, what goes through them will change
  - From natural gas, to renewable natural gas and renewable hydrogen

## We're committed to decarbonization

- Using a variety of tools and supportive policy, we see a path to carbon neutrality by 2050. This is our vision forward:
  - RNG and renewable hydrogen,
  - Deep energy efficiency, and
  - End-use innovation

## RENEWABLE NATURAL GAS

Turning the problem of waste into renewable energy

Wastewater  
Treatment Plants

Municipal  
Solid Waste

Landfills

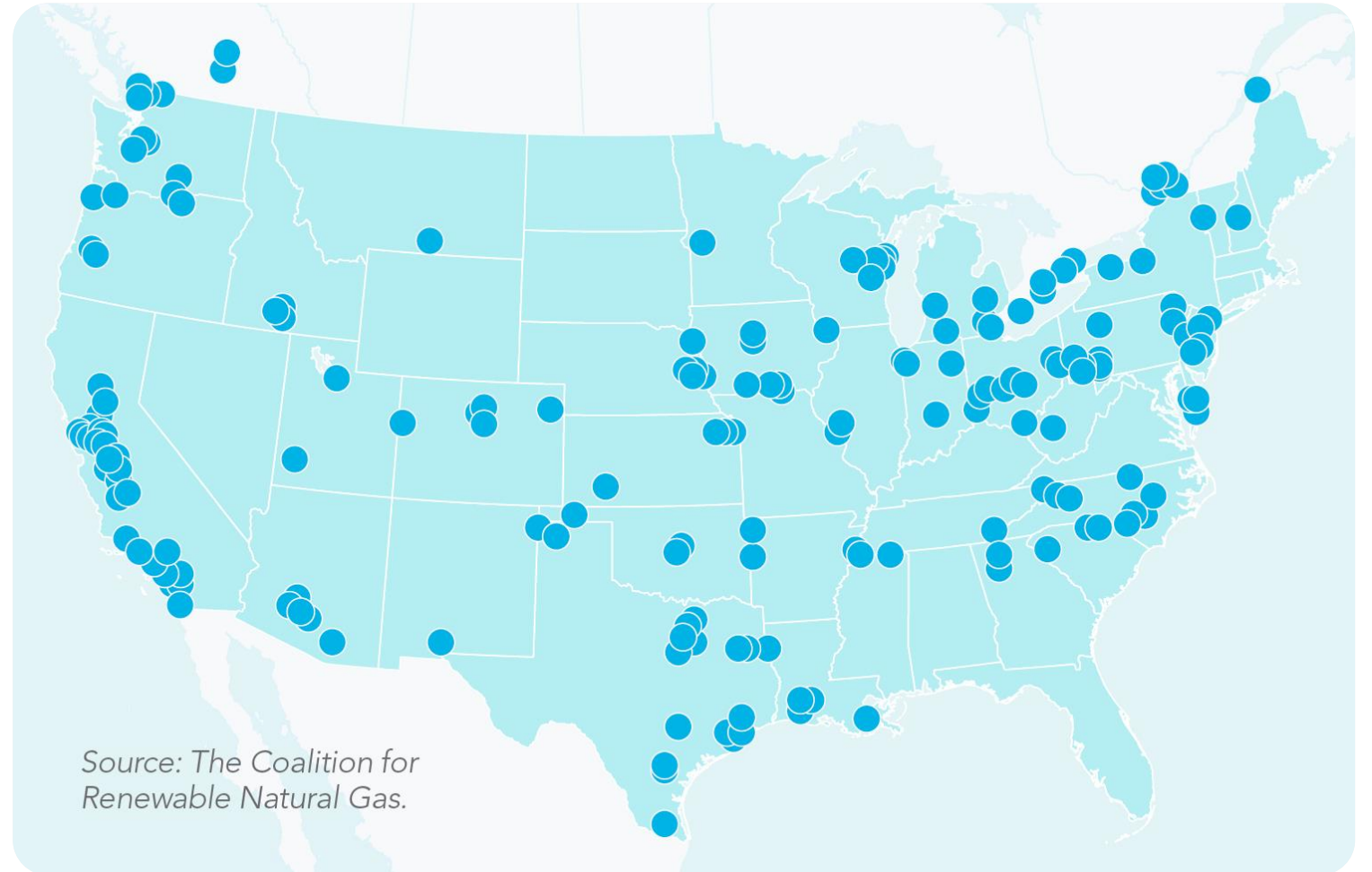
Dairies

Wood and  
Agricultural  
Residues



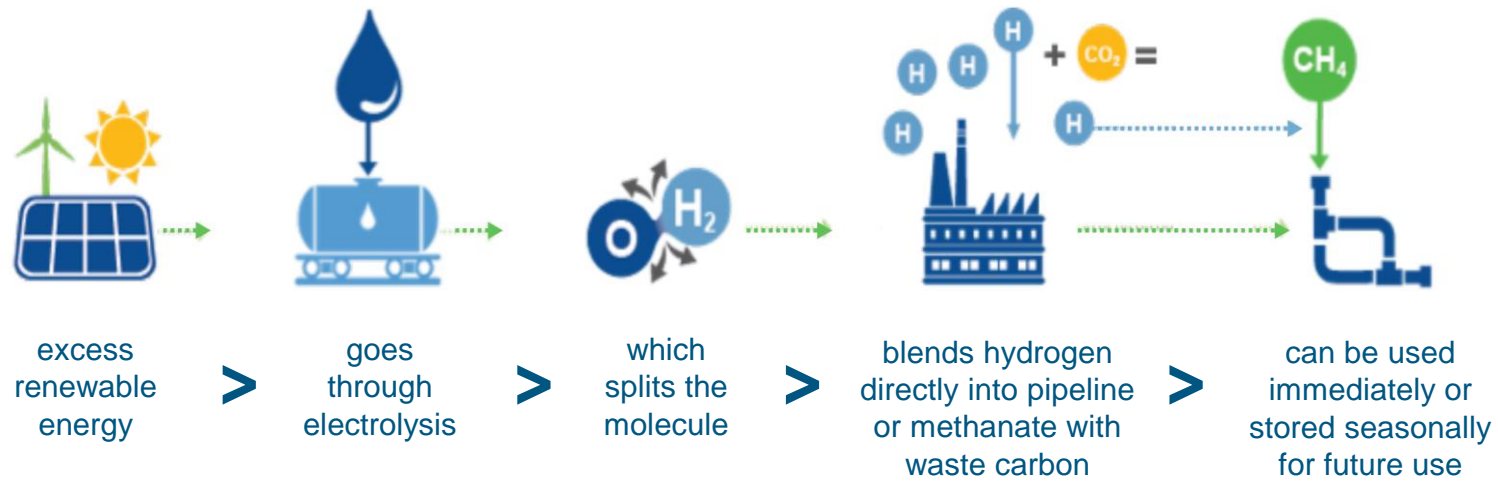
# FROM WASTE TO RENEWABLES

- 130 RNG facilities operating today in the U.S. and Canada
- Nearly 110 more are in development or under construction
- We are working to interconnecting 3 projects onto our system in the next 12 months
- More in process



# POWER TO GAS

Excess wind, solar, or hydro converted to renewable hydrogen for use in our pipeline system



**100+** projects in Europe

**3** projects in North America

# GROUNDBREAKING RNG BILL

- Oregon law (SB 98) first-of-its-kind legislation that supports gas utilities purchasing renewable natural gas (RNG). Passed in 2019 and rulemaking completed in July 2020
- Creates another path for RNG to become an increasing part of the Oregon's energy supply, one of the most effective ways to reduce emissions
- Allows natural gas utilities to acquire RNG and hydrogen
- Sets voluntary RNG portfolio targets for Oregon's natural gas utilities
- Allows up to 5% of a utility's annual revenue requirement to be used to cover the incremental cost of RNG
- Allows for investments related to RNG infrastructure, including production facilities, cleaning and conditioning equipment, and pipeline interconnections
- Potential revenue source for communities to turn their waste into energy

Oregon Senate Bill 98 supports RNG targets: **2030** **15%** **2035** **20%** **2050** **30%**

# 2020 ENVIRONMENTAL INITIATIVES

## Purchasing RNG

### SB 98 Rulemaking

- OPUC rulemaking completed and actively working to procure RNG for customers
- NW Natural initiated a Request for Proposal for the immediate procurement of RNG in July 2020

### IRP

- Provides for NW Natural to procure RNG that is deemed cost effective using an evaluation methodology that considers social costs

## RNG Interconnects

- Separately and ahead of SB 98, RNG projects being developed on our system
- Building interconnections for these projects

## Voluntary Tariffs

- Working to create voluntary tariffs that would allow customers in Oregon and Washington to buy more RNG beyond what is currently being delivered under SB 98
- Washington House Bill 1257 requires a voluntary tariff
- Oregon customers are requesting a tariff

## Up-Stream

- Developed proprietary program to analyze methane emissions from up-stream suppliers
- Current suppliers among most stringently regulated
- Completed pilot in 2019
- In 2020, will strive to procure natural gas from most responsible, lowest emitting producers

**WATER**

# GROWING WATER UTILITIES

## Tripled # of People Served in <3 Years

- NW Natural Water has tripled the number of people it serves since its initial transactions in Dec. 2017
- Today NW Natural Water serves 62,000 people through 25,000 water and wastewater connections

## Expanding Footprint

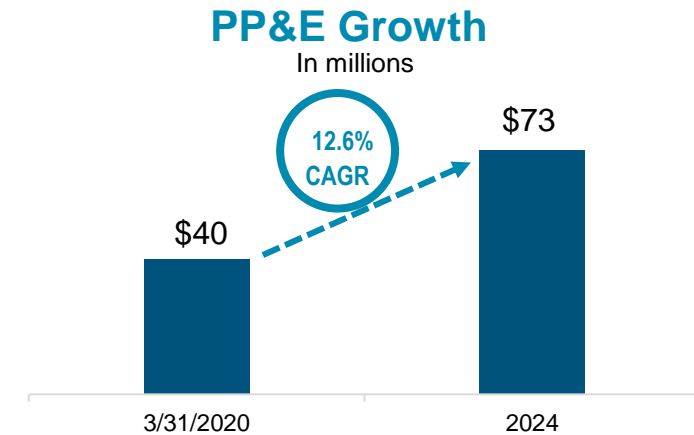
- Began strategy with two acquisitions in Pacific Northwest
- Today also own a water utility in Texas, proving transaction capability beyond legacy service territory

## Strong Organic Growth

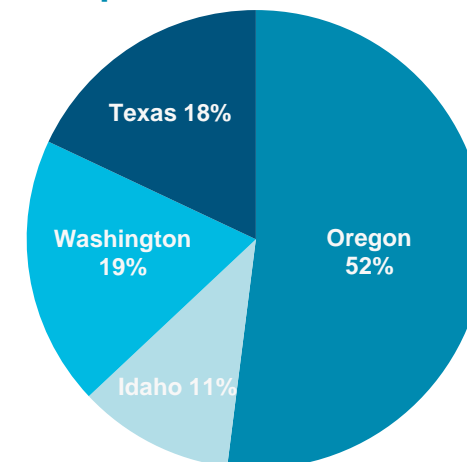
- Utilities in fast-growing areas with tuck-in potential
- Organic customer growth of 2.4% in 2019

## Continued Disciplined Acquisition Strategy

- Will continue rolling up utilities near existing platform, while also exploring other high growth regions West of the Mississippi

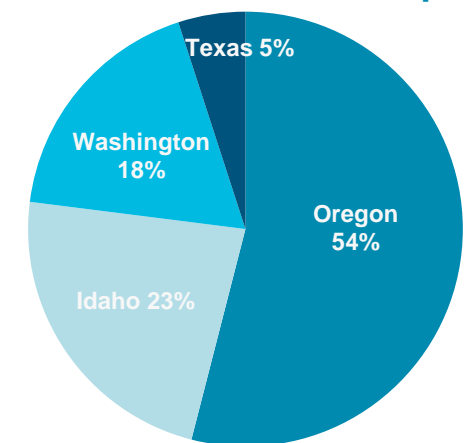


## Acquisition Investment



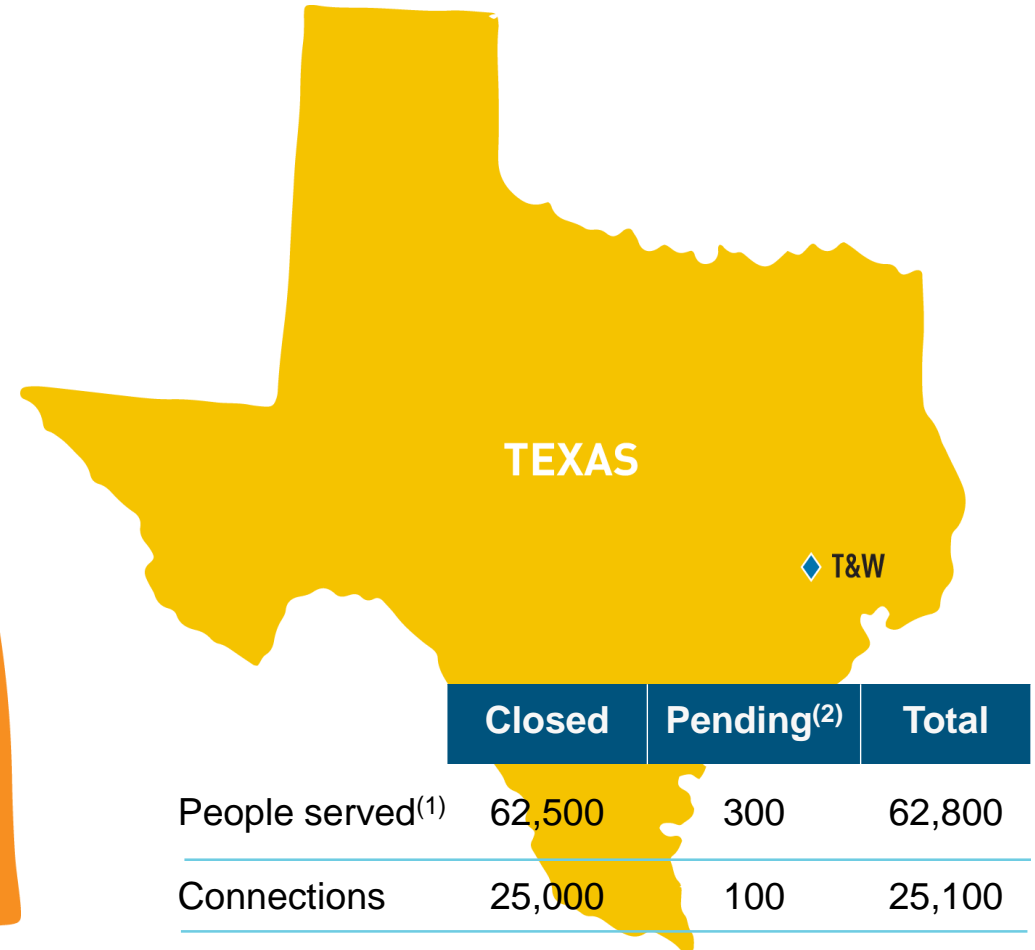
~\$110 Investment To-Date

## 2020-2024 Planned Cap-Ex



\$30 - \$40 Million Planned

# NW NATURAL WATER AT A GLANCE



◆ WATER UTILITIES    ● WASTEWATER    \* PENDING

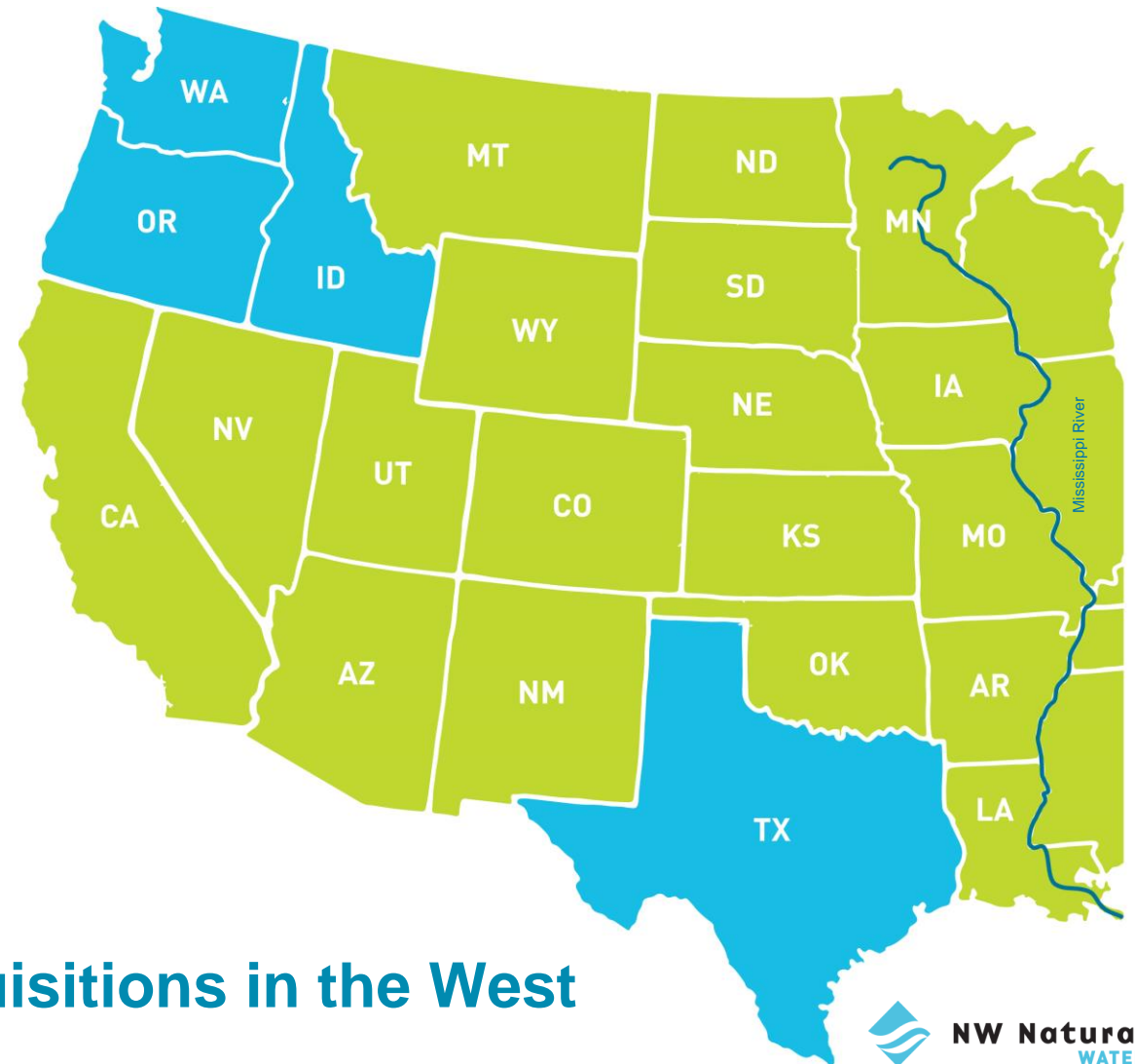
(1) People served is based on estimated average household size for service territory  
 (2) Pending transaction is expected to close in 2020



# WATER & WASTEWATER OPPORTUNITIES

	All Water and Wastewater Systems		Privately Owned Systems	
	Systems	Connections	Systems	Connections
Pacific Northwest	4,700	5.6M	2,760	511,000
Texas	5,739	17.3M	2,400	400,000
West of Mississippi	36,500	77.3M	16,700	9.1M
United States	77,000	188.6M	30,160	20.5M

Numbers in table above represent permanent community water and wastewater systems  
 Source: Bluefield



## Opportunities for Acquisitions in the West

# STRATEGIC RATIONALE FOR WATER

The water and wastewater sector aligns well with NWN's conservative risk profile and offers diversification, stable cash flows, and substantial long-term investment opportunities

## Conservative Business Profile

- Demand for water and wastewater is relatively inelastic
- Stable, predictable cash flows

## Aligns with Core Competencies

- Aligns with our core competencies including:
  - Customer service
  - Developing and managing critical distribution infrastructure safely and reliably
  - Environmental stewardship
  - Constructive regulatory engagement

## Supportive Regulatory Environment

- Existing constructive relationships with regulators that can be extended to water sector
- Federal and state agencies driving upgrades to water and wastewater infrastructure

## Need for Substantial Investment

- EPA estimates over \$775 billion in water and wastewater capital needs nationally through 2040
- Over long term, growing water business targeted to be an earnings driver and opportunity to deploy capital at attractive rates of return for infrastructure needs

**Deliberate and Disciplined Roll-Up Strategy**

# FINANCIAL PERFORMANCE

# FOCUS ON EARNINGS

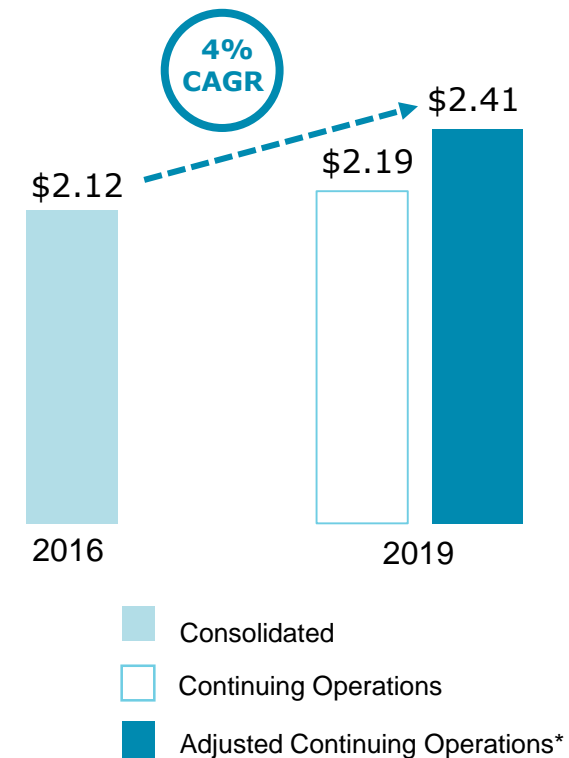
## Executing on LT Strategy, Providing Growth

- Actions taken since 2016
  - ✓ Announced sale of Gill Ranch in June 2018
  - ✓ Completed successful rate cases in OR & WA
  - ✓ Added ~38,000 customers
  - ✓ Invested over \$650 million in gas infrastructure
  - ✓ Brought North Mist online
  - ✓ Launched water utility strategy

## 2020 Year of Transition

- Continued customer growth and robust capital plan
- Higher costs related to union contract, payroll, facilities, and technology
- Led to rate case filing with new rates expected on Nov. 1, 2020 in Oregon
- Financial impacts from COVID-19

## Earnings Per Share Growth



\*Adjusted 2019 EPS from continuing operations excludes regulatory disallowance of \$10.5 million pre-tax (\$6.6 million after-tax or \$0.22 per share) from GAAP net income from continuing operations of \$65.3 million or \$2.19 per share. See appendix for non-GAAP reconciliation.



**NW Natural**  
**HOLDINGS™**

# STRONG LIQUIDITY

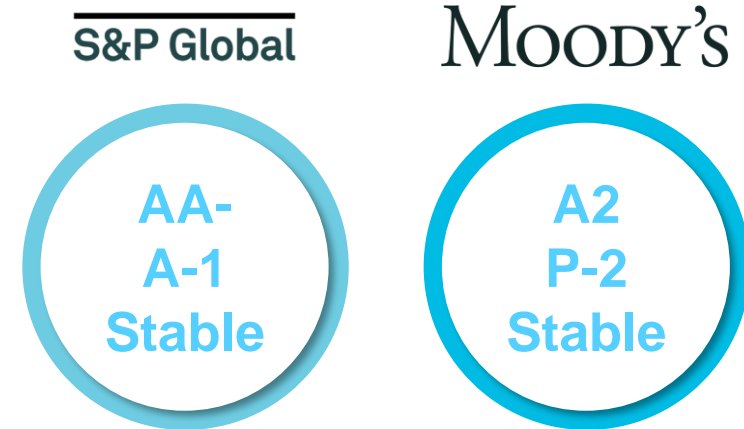
## NW Holdings

- \$100 million credit facility
- Expires in 2023
- Extension for two additional one-year periods
- Access to capital markets

## NW Natural

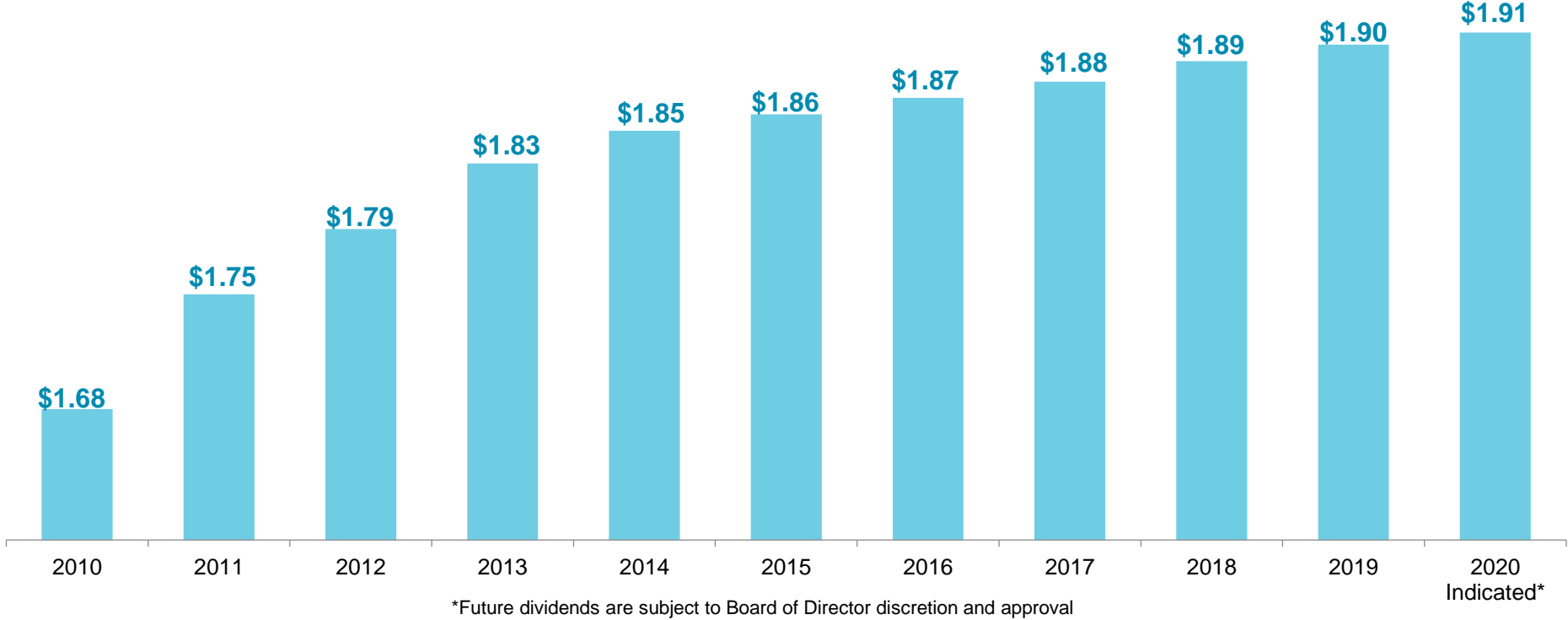
- \$300 million credit facility
- Expires in 2023
- Extension for two additional one-year periods
- \$150 million 364-day term loan to strengthen liquidity position amid COVID-19
- Access to capital markets
- Solid credit ratings<sup>(1)</sup>

## NW Natural Credit Ratings<sup>(1)</sup>



(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 Holdings securities. AA- and A2 are secured debt ratings and A-1 and P-2 are commercial paper ratings

# 64 YEARS OF GROWING DIVIDENDS



1 of only 3 Companies on NYSE with this Legacy



# CONCLUSION

# INVESTMENT THESIS

Stable and growing utility margins driven by targets over the next five years projections including:

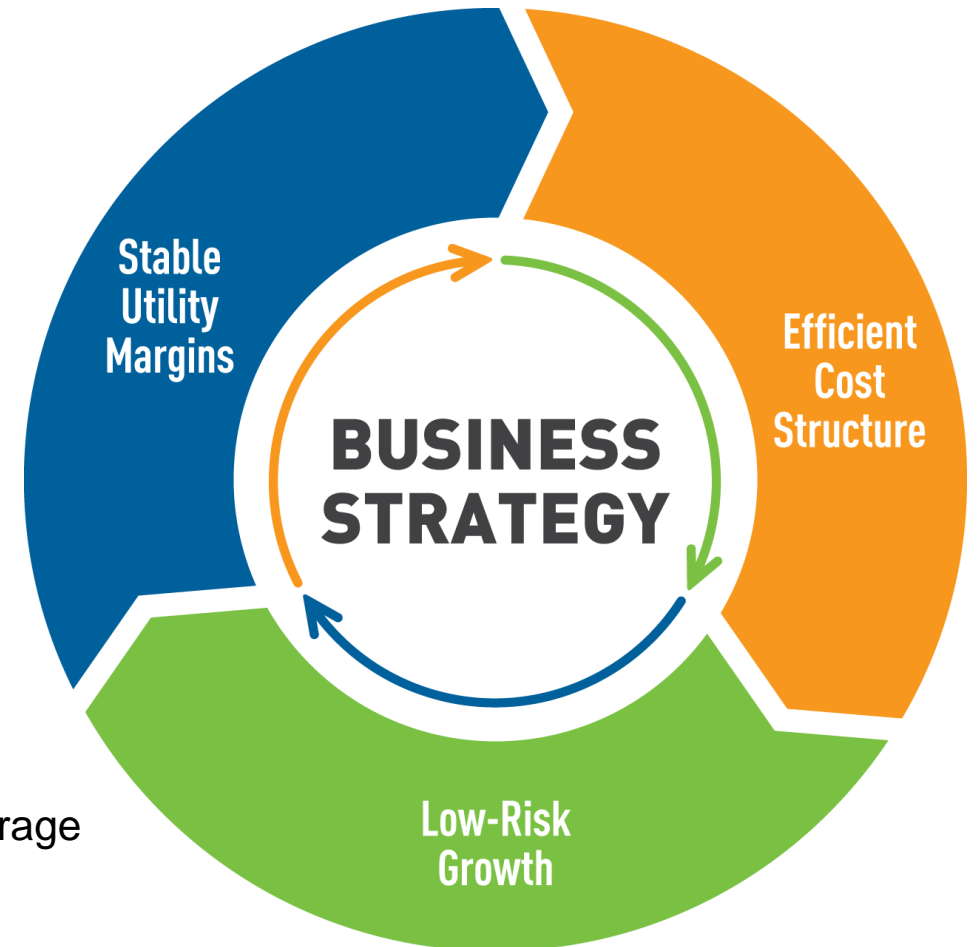
- EPS growth of 3% – 5%
- Gas utility customer growth 1.7%+
- Gas utility cap-ex \$950 million – \$1.1 billion, projecting rate base growth of 4% – 6%

## Excellent operations and efficient cost structure

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

## Lower-Risk Growth

- North Mist in gas utility segment provides additional regulated storage
- Water strategy provides earnings diversity



Stable and Growing Return Proposition



# APPENDIX

# NET INCOME FROM CONTINUING OPERATIONS

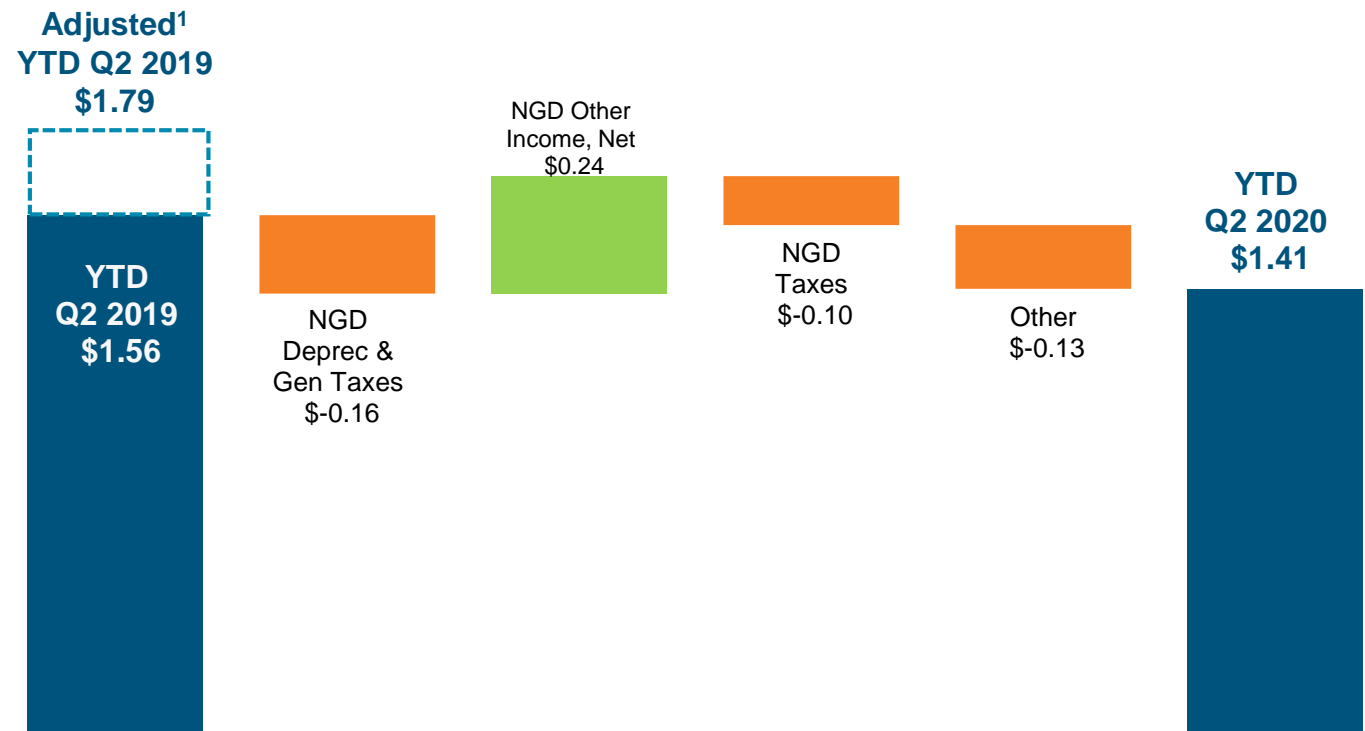
## YTD Q2 2020 vs. Q2 2019

### Natural Gas Distribution (NGD)

- Higher investment in system led to increased depreciation & general taxes
- Higher other income, net and lower tax benefits are related to pension disallowance in PY and recovering pension expenses through rates

### Other

- Mist lower asset management revenues
- Impact of 1.4 million share issuance



<sup>(1)</sup>Adjusted 2019 net income from continuing operations is non-GAAP and excludes the regulatory pension disallowance of \$10.5 million pre-tax or \$6.6 million and 23 cents per share after-tax. See "Non-GAAP Reconciliation" for additional information in Appendix

Investing in our Systems

# NON-GAAP RECONCILIATION

	YTD 2Q 2020		YTD 2Q 2019		FY 2019		FY 2018	
	\$	EPS	\$	EPS	\$	EPS	\$	EPS
(In millions)								
Net income from continuing operations	\$43.1	\$1.41	\$45.5	\$1.56	\$65.3	\$2.19	\$67.3	\$2.33
Regulatory pension disallowance <sup>(1)</sup>	-	-	10.5	0.36	10.5	0.35	-	-
Income tax effect of disallowance <sup>(1)</sup>	-	-	(3.9)	(0.13)	(3.9)	(0.13)	-	-
<b>Adjusted net income from continuing operations</b>	<b>\$43.1</b>	<b>\$1.41</b>	<b>\$52.1</b>	<b>\$1.79</b>	<b>\$71.9</b>	<b>\$2.41</b>	<b>\$67.3</b>	<b>\$2.33</b>
Diluted Shares		30.6		29.2		29.9		28.9

(1) Regulatory pension disallowance recognized in Q1 2019. Tax effect of adjustment is calculated using a combined federal and state statutory rate of 26.5% as well as a \$1.1 million deferred tax asset specifically associated with the pension balancing account.

# SUPPORTIVE 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 • 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, in OR gas reserves
- Includes temporary rate adjustments amortizing deferred regulatory account balances

## OREGON • WASHINGTON Environmental Cost Recovery

- Recovers environmental costs attributed to Oregon and Washington
- Costs are subject to an annual prudence review and in Oregon an earnings test<sup>1</sup>
- Allows for deferral of environmental costs and in Oregon the accrual of carrying costs

(1) To the extent the utility earns more than its authorized ROE in Oregon 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

# CURRENT UTILITY COMMISSIONERS

	OREGON COMMISSION (OPUC)	WASHINGTON COMMISSION (WUTC)	IDAHO COMMISSION (IUTC)	TEXAS COMMISSION (PUCT)
Chair	<p><b>Megan Decker (D)</b></p> <ul style="list-style-type: none"> <li>Appointed April 2017</li> <li>Term ends March 2021</li> </ul>	<p><b>David Danner (D)</b></p> <ul style="list-style-type: none"> <li>Appointed chair Feb 2013</li> <li>Current term ends Jan 2025</li> </ul>	<p><b>Paul Kjellander (R)</b></p> <ul style="list-style-type: none"> <li>Appointed 2011</li> <li>Term ends Jan 2023</li> </ul>	<p><b>DeAnn Walker (R)</b></p> <ul style="list-style-type: none"> <li>Appointed Sep 2017</li> <li>Term ends Sept 2023</li> </ul>
Commissioners	<p><b>Letha Tawney (D)</b></p> <ul style="list-style-type: none"> <li>Appointed May 2018</li> <li>Term ends May 2024</li> </ul>	<p><b>Ann Rendahl (D)</b></p> <ul style="list-style-type: none"> <li>Appointed Dec 2014</li> <li>Current term ends Jan 2021</li> </ul>	<p><b>Kristine Raper (D)</b></p> <ul style="list-style-type: none"> <li>Appointed Feb 2015</li> <li>Term ends Jan 2021</li> </ul>	<p><b>Arthur D'Andrea (R)</b></p> <ul style="list-style-type: none"> <li>Appointed Nov 2017</li> <li>Term ends Aug 2023</li> </ul>
	<p><b>Mark Thompson (R)</b></p> <ul style="list-style-type: none"> <li>Appointed Dec 2019</li> <li>Term ends Nov 2023</li> </ul>	<p><b>Jay Balasbas (R)</b></p> <ul style="list-style-type: none"> <li>Appointed Feb 2017</li> <li>Term ends Jan 2023</li> </ul>	<p><b>Eric Anderson (R)</b></p> <ul style="list-style-type: none"> <li>Appointed Dec 2015</li> <li>Term ends Jan 2025</li> </ul>	<p><b>Shelly Botkins (R)</b></p> <ul style="list-style-type: none"> <li>Appointed June 2018</li> <li>Term ends Sept 2025</li> </ul>

# OREGON 2018/19 RATE CASE

- **Oct. 2018 Order Resolved Majority of Items –** Revenue requirement and sharing allocations for utility asset management revenue with customers resolved
- **March 2019 Order Resolved Remaining Items in Case –** Addressed how to provide tax reform savings to customers and recovery of the pension balancing account, which are primarily cash flow related matters. Resulted in regulatory disallowance of certain pension costs
- **Customer Rate Impacts –** Oregon customers' rates declined 1.6% from the combined effect of the Oregon general rate case and annual Purchase Gas Adjustment (PGA) for the 2018-19 gas year

	2012 Rate Case	Final 2018/19 Rate Case Outcome
ROE	9.5%	9.4%
ROR	7.78%	7.317%
Equity/Debt Ratio	50 / 50	50 / 50
Rev. Requirement		+\$24.8M
Net Income		+\$11.4M
Cash Flows		+\$21.3M
Rate Base	\$886M	\$1,201M
Non-Cash Charge (After-tax)		-\$6.6M

# WASHINGTON 2019 RATE CASE

- **Order in October 2019** – Resolves all items in rate case with rates effective Nov. 1, 2019
- **Tax Reform** – Provide customers with \$2.1M benefits in first year with \$0.5M benefit each year thereafter
- **Environmental Mechanism** – Recovery of remediation expenses associated with historical manufactured gas plant clean-ups attributable to Washington

	2009 Rate Case	Final 2019 Rate Case Outcome
ROE	10.1%	9.4%
ROR	8.4%	7.161%
Equity/ LT Debt/ ST Debt Ratio	51 / 44 / 5	49 / 50 / 1
Rev. Requirement		+\$5.1M
Net Income		+\$3.8M
Rate Base	\$127.8M	\$173.7M

# DIVERSE RESOURCE PORTFOLIO

## Gas Supply

- 60% supply from Canada
- 40% supply from the Rockies
- Natural gas serves territory through one bi-directional pipeline

## LNG Peaking Facilities

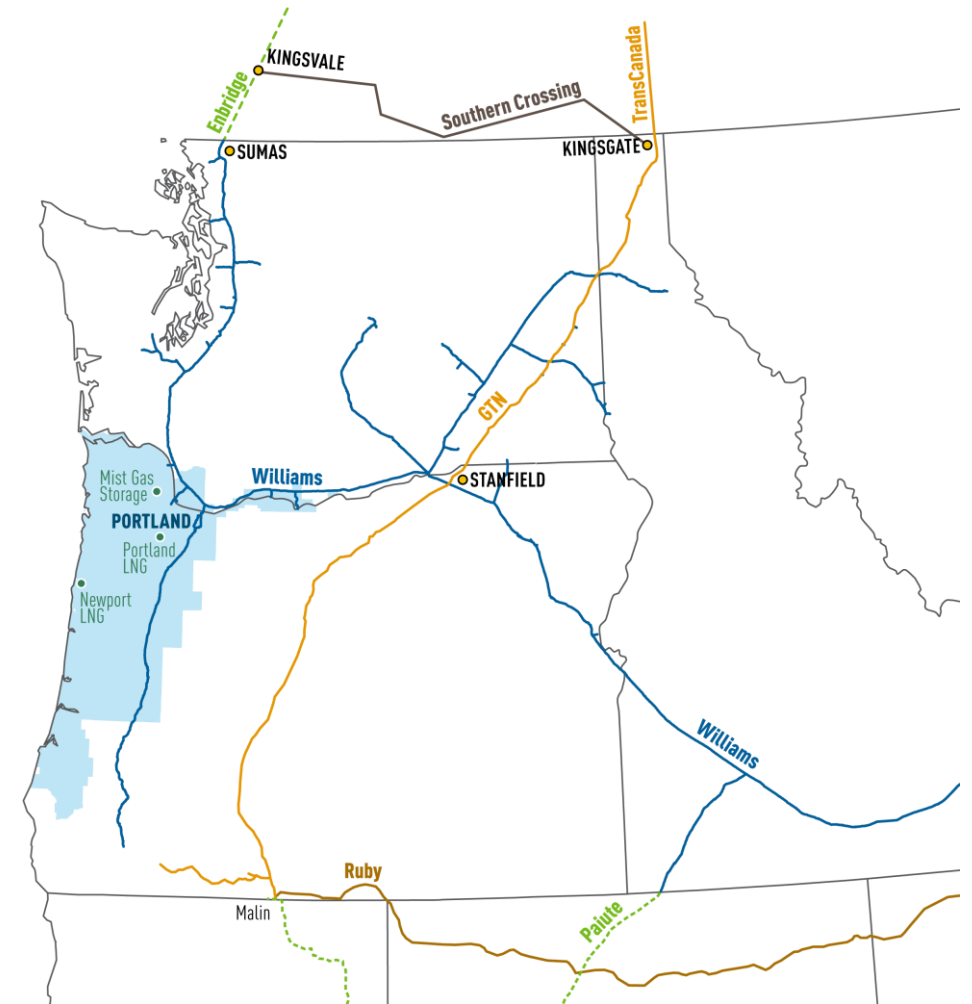
- Portland LNG – 0.6 Bcf
- Newport LNG – 1.0 Bcf

## Mist Gas Storage Facility

- Valuable asset – limited storage in the Pacific Northwest
- 16 Bcf facility with 11 Bcf serving utility customers and 5 Bcf under long-term contracts
- Utility can recall 5 Bcf to support customer demand

## North Mist Storage Expansion

- 4 Bcf expansion serves a single customer under long-term contract





# MIST STORAGE FACILITY

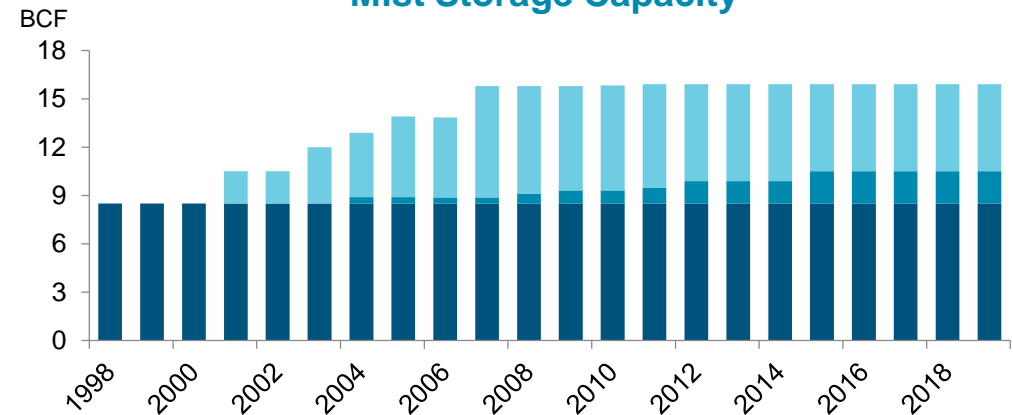
## Overview

- In operation since 1989
- Storage capacity at Mist 16 Bcf
  - 11 Bcf Core Utility
  - 5 Bcf Interstate Storage Services

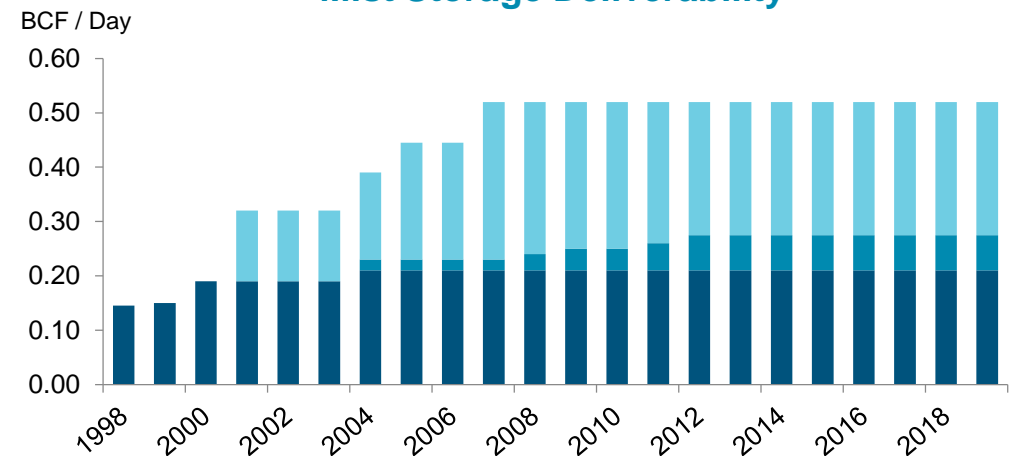
## Unique, Valuable Asset

- Limited storage options in Pacific Northwest
- Part of utility's diverse, reliable gas supply strategy
- Utility can recall Interstate portion for Core Utility demand
- Optimize non-utility portion and share revenues with utility customers
- 5 Bcf under long-term high-value contracts

Mist Storage Capacity



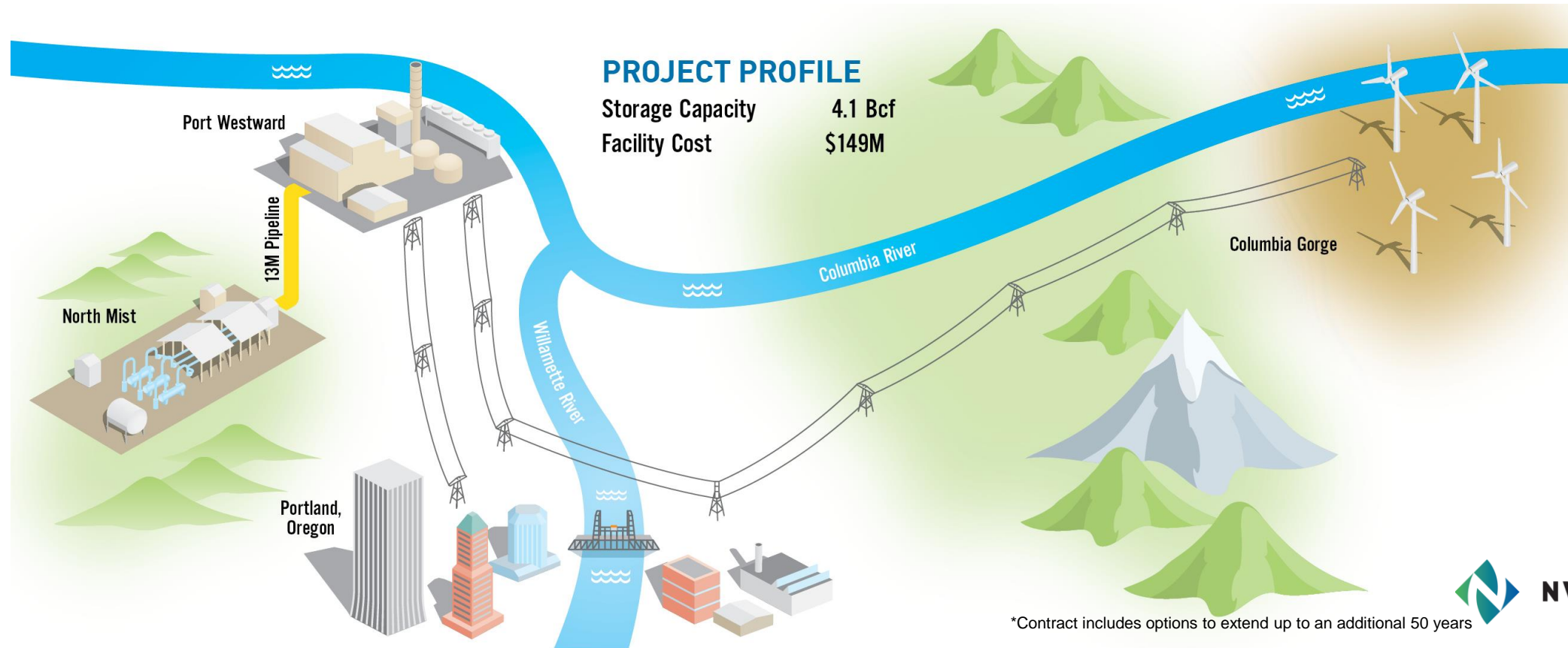
Mist Storage Deliverability



■ Utility ■ Utility Recall ■ Interstate

# NORTH MIST FACILITY

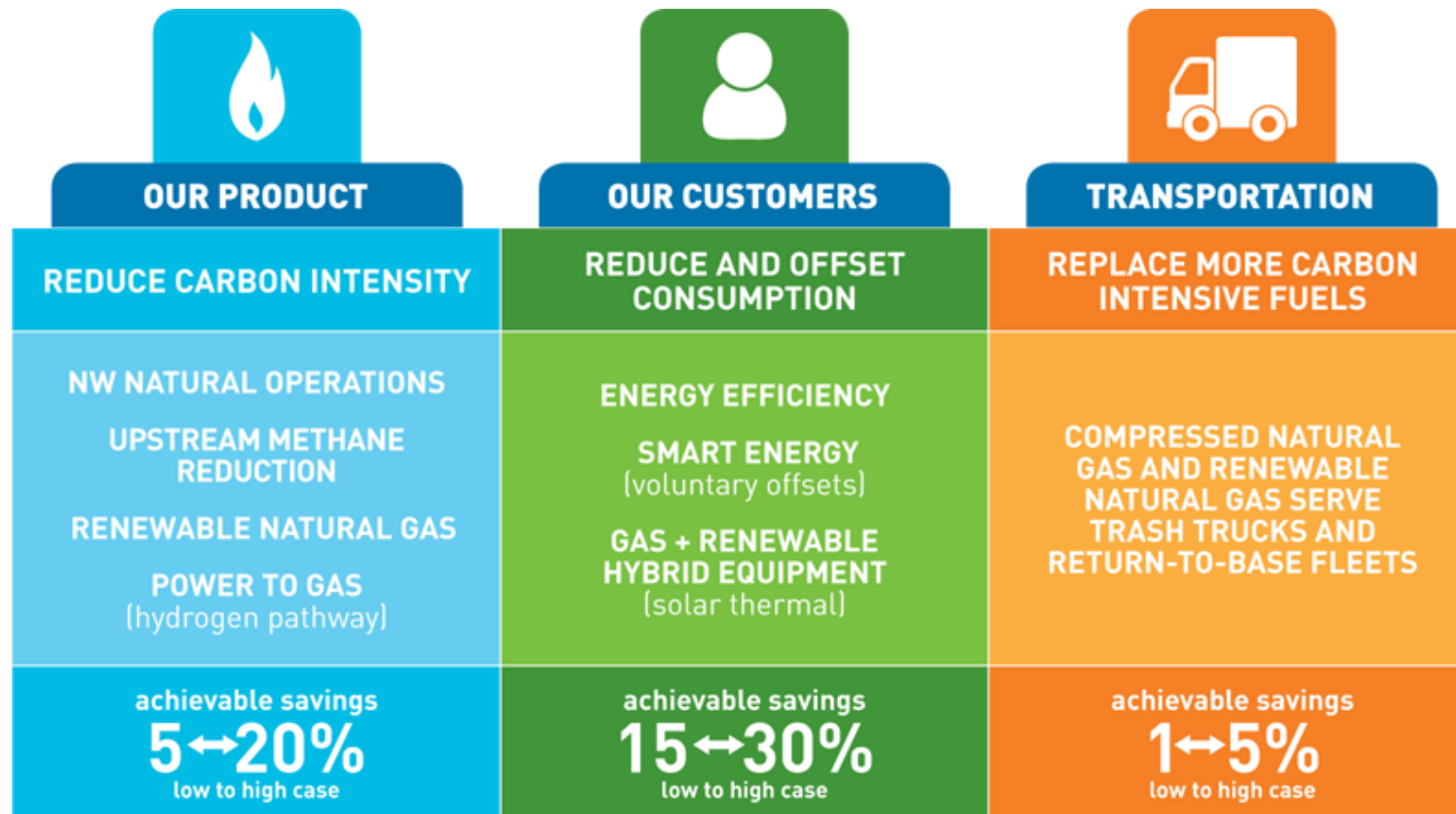
- Unique no-notice 24/7 storage service supporting gas-fired electric generating facilities that are integrating wind into energy generation mix
- \$149 million investment was immediately included in rate base once placed into service in May 2019
- Contracted under 30-year agreement with single-customer (Portland General Electric)\*



\*Contract includes options to extend up to an additional 50 years

# OUR LOW-CARBON PATHWAY

VOLUNTARY GOAL: 30% CARBON SAVINGS BY 2035



Baseline: 2015 emissions associated with customer use

# DEEP DECARBONIZATION

**How does the Pacific Northwest achieve an 80% reduction in economy-wide GHG emissions by 2050 from a 1990's baseline? What pathways are possible and what are the trade offs?**



## **Believe natural gas will be critical to achieving deep decarbonization**

- All four separately commissioned Northwest studies show natural gas is pivotal to achieving deep decarbonization most affordably and reliably
- NW Natural commissioned a study by premier environmental consultant, E3, to analyze how to achieve the goal while also serving peak energy needs on the coldest winter days

## **E3 study shows direct use of gas offers a viable, pragmatic path toward 2050 targets**

- Study showed that with a 25% blend of renewable natural gas, the region can achieve deep decarbonization more affordably by using the existing gas system already in place
  - Recent Oregon Department of Energy study identified nearly 50 Bcf of RNG technical potential
  - Assumes commercialization of gas heat pumps
- Full electrification of heating would require:
  - Perfect adoption and proper installation of “cold climate” heat pumps in 2 million existing homes and businesses
  - The equivalent energy of 38 new large gas-fired peaker plants to serve 17 Gigawatts of new electric winter load
  - At an estimated incremental cost that grows to \$3 billion more annually by 2050
  - Other electric scenario with more typical heat pump installations had an estimated incremental cost of \$9.5 billion annually

# WATER TRANSACTIONS

Company	People Served	Connections	Location	Date Signed	Date Closed	Transaction Details
Salmon Valley Water Company	1,850	921	Welches, OR	12/18/2017	11/1/2018	
Falls Water Company	19,004	5,960	Idaho Falls, ID	12/19/2017 6/28/2019	9/13/2018 8/3/2020	Falls Water Taylor Mountain
Cascadia	5,211	1,757	Whidbey Island, WA	5/15/2018 1/22/2019	11/2/2018 5/1/2019	Lehman & Sea View Estates/Monterra
Sunriver Water & Environmental	19,030	8,909	Sunriver, OR	10/12/2018	5/31/2019	
Gem State	2,050	820	Coeur d'Alene, ID	12/18/2018 3/21/2019 9/12/2019	7/31/2019 10/1/2019 4/2/2020	Spirit Lake East/Lynnwood Diamond Bar/Bar Circle S Happy Valley/Bitterroot
Suncadia Water & Environmental	6,131	2,883	Cle Elum, WA	10/12/2019	1/31/2020	Suncadia
T&W Water	9,265	3,706	Conroe, TX	10/31/2019	3/2/2020	T&W Water
<b>Total Closed at 6/30/20</b>	<b>62,541</b>	<b>24,956</b>				
Morningview Water	295	118	Rigby, ID	7/2/2020		Will be part of Falls Water
<b>Total Pending</b>	<b>295</b>	<b>118</b>				
<b>Total Closed &amp; Pending</b>	<b>62,836</b>	<b>25,074</b>				

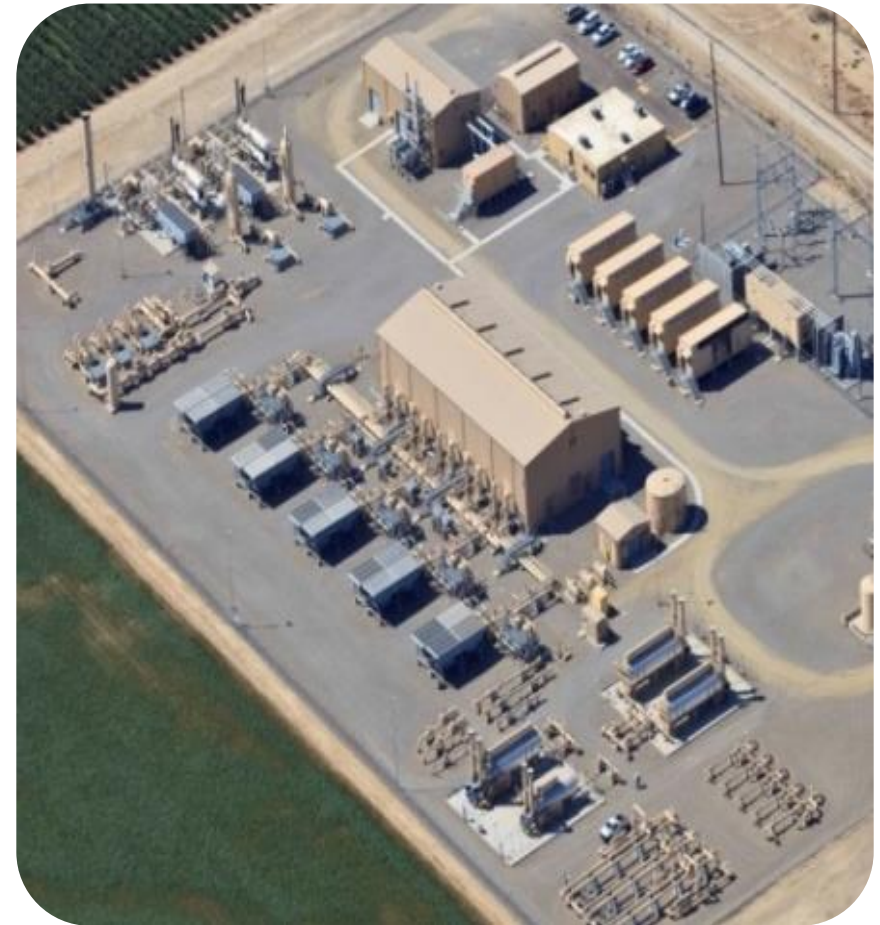
# GILL RANCH STORAGE

## Status

- Determined Gill Ranch is no longer central to our long-term regulated growth strategy
- At Dec. 31, 2017 recognized non-cash impairment of \$192.5 million pre-tax (\$141.5 million after-tax)
- On June 20, 2018 signed a purchase and sale agreement to sell Gill Ranch
- Working toward closing transaction in September 2020
- Gill Ranch presented in discontinued operations in financial statements beginning Q2 2018

## Background

- NW Natural owns 15 Bcf or 75% of the 20 Bcf Gill Ranch storage facility near Fresno, CA. PG&E owns the remaining 5 Bcf or 25% of the Gill Ranch facility
- California storage challenged by low market prices and low price volatility due to abundant supply of natural gas and storage facilities in region



RELIABLE  
RESILIENT  
RENEWABLE



NW Natural  
HOLDINGS™