LEAD.
INNOVATE.
GROW.

Investor Presentation
September 2017

NW Natural®

INVESTOR INFORMATION

COMPANY INFORMATION

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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, 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: including regional third-party projects, storage, pipeline and other infrastructure investments, commodity costs and sourcing, competitive advantage, service territory, customer service, customer and business growth, conversion potential, multifamily development, 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 and value, capital expenditures, liquidity, strategic goals, carbon savings, workforce trends, 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, 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 PHMSA regulations and carbon regulations, 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.

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





INTRODUCTION

NW NATURAL LEADERSHIP



Frank Burkhartsmeyer
Senior Vice President and CFO

Mr. Burkhartsmeyer is currently NW Natural's SVP and CFO effective May 17, 2017. Previously, Mr. Burkhartsmeyer served as President and CEO of Avangrid Renewables and Senior Vice president of Finance at Iberdrola Renewables US. He also held various director-level positions at PPM Energy (a subsidiary of ScottishPower), ScottishPower and PacificCorp (a subsidiary of ScottishPower). Mr. Burkhartsmeyer has an MBA from the University of Oregon and a Bachelor of Arts in Liberal Arts from the University of Montana.

INVESTMENT HIGHLIGHTS

Stable, Regulated Earnings Profile

- Low-risk business profile with 90%+ of revenues from pure-play LDC
- Over 730,000 utility customers with nearly 14,000 miles of distribution and transmission mains
- Supportive regulatory environments in Oregon and Washington with progressive recovery mechanisms
- Modern distribution system – no identified cast iron or bare steel

Proven Financial Performance

- Stable dividends with 61-year record of increasing dividends paid annually
- Investment grade credit ratings from S&P and Moody's
- Experienced management team with broad knowledge of the energy industry

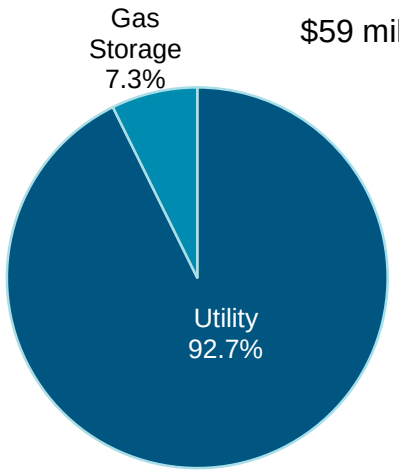
Tangible Growth Opportunities

- Projected five-year capital expenditures plan of $850 to $950 million
- Service territory experiencing above average customer growth (1.8% for the twelve months ending June 30, 2017)
- Continuous replacement of existing infrastructure to support reliability and safety
- $128 million (estimated) regulated expansion of Mist facility to support renewables in the region

HIGHLY REGULATED BUSINESS

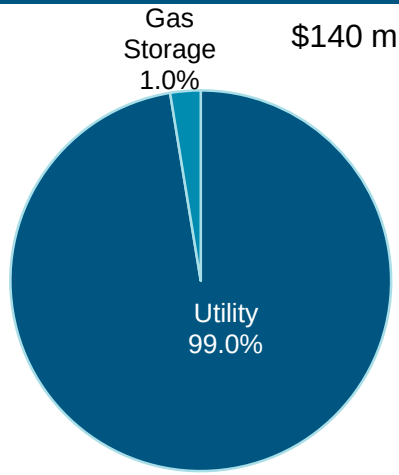
2016 Net Income

$59 million



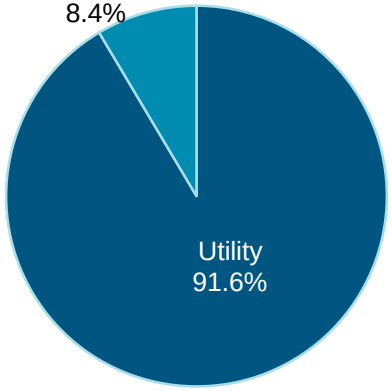
2016 Capital Expenditures

$140 million

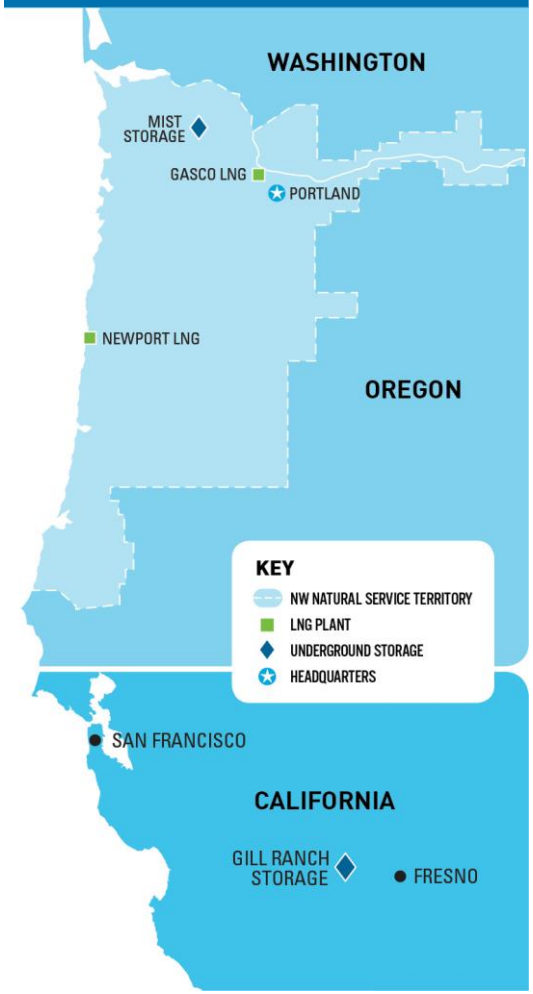


2016 Total Assets

$3.1 billion



SERVICE TERRITORY AND STORAGE FACILITIES



Note: Excludes Other segment due to values consistently less than 1.0%.

CONSERVATIVE CORPORATE STRATEGY

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 compared to peers 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

OUR STRATEGIC UTILITY GOALS



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.



Photo courtesy: Andy Bauer

CORE UTILITY SEGMENT

90%+ of net income and assets from pure-play LDC

Safe, Reliable Service

- Strong safety record
- Modern distribution and transmission system — No known cast iron and bare steel since 2015
- State of the art training facility used for hands-on scenario-based safety training
- Outstanding customer satisfaction — #1 in West, JD Power and Associates (2016)
- 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 Clark County, Washington — historically rapidly growing area that is projected to be the fastest growing county in Washington(1)
- Supportive and progressive regulation

Growth Potential

- Organic opportunities — gas in approximately 60% of single-family homes
- Strong customer growth
- Positive economic trends and housing fundamentals in region

Focus on Safety



Cap-Ex Focused on Safety, Reliability, and Growth

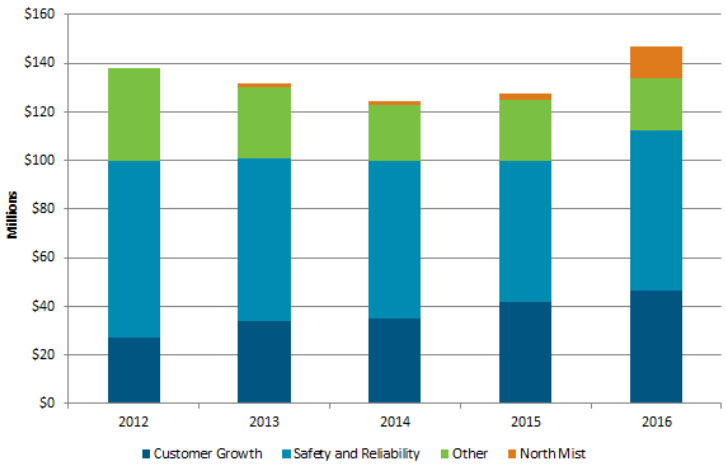


Chart above is based on accrual capital expenditure figures.

(1)Source: Woods & Poole 2015 Forecast projects Clark County to have the highest rate of population growth from 2010 to 2050 among Washington counties.

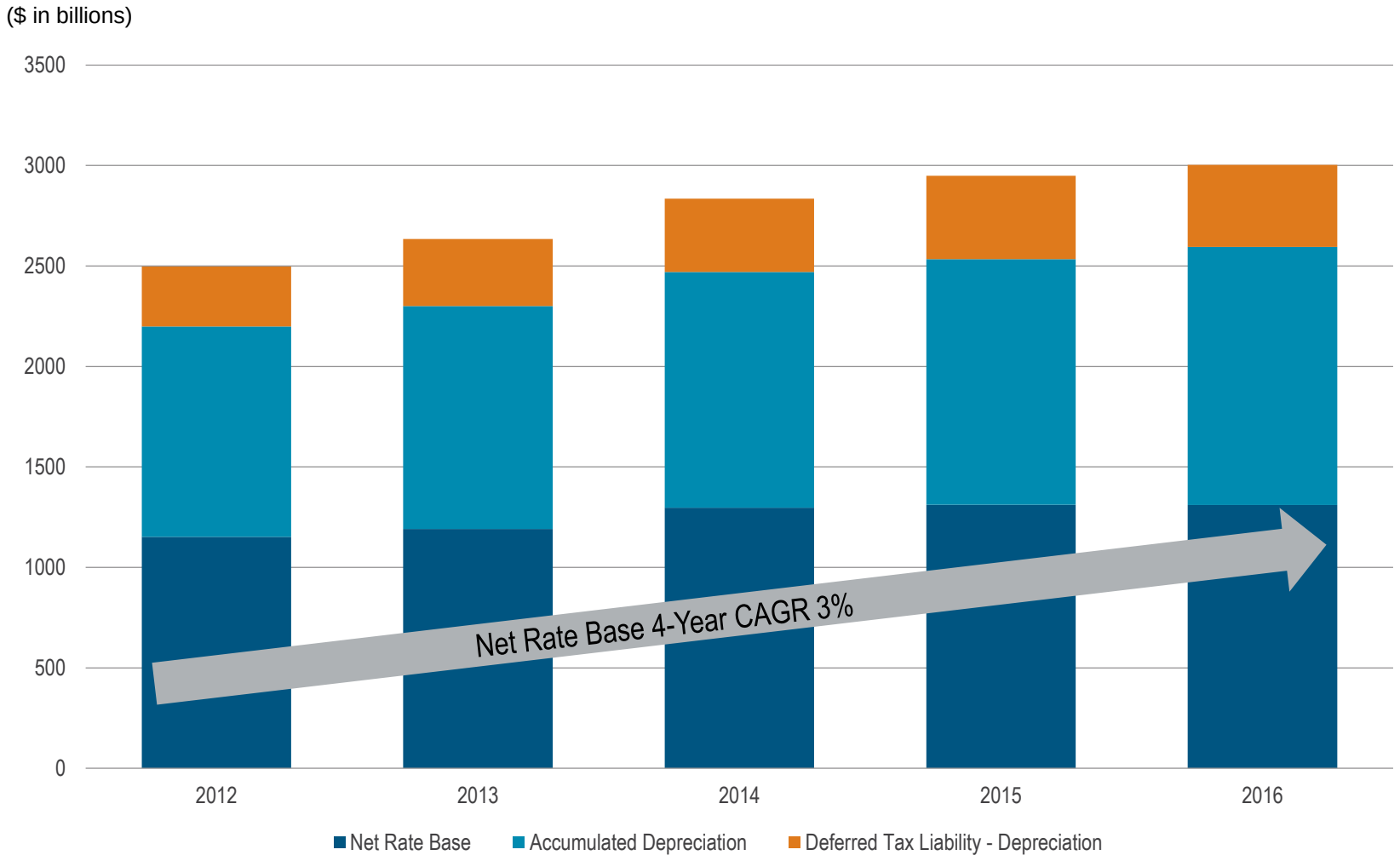
KEY REGULATORY ITEMS

	Oregon	Washington
Rate Structures:		
Rate Case Year	2012	2009
ROE	9.5%	10.1%
ROR	7.8%	8.4%
Equity Ratio	50%	51%
2016 Rate Base	$1.2B	$0.1B
Key Mechanisms:		
Decoupling/WARM	X	
Purchased Gas Adjustment	X	X
Environmental Cost	Recovery	Deferral(1)
Pension Balancing	X	
Incentive Sharing(2)	X	X

(1) 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.

(2) 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.

GROWING RATE BASE



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 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, in OR 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 recovery 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 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.

FOCUS ON

REGULATED GROWTH

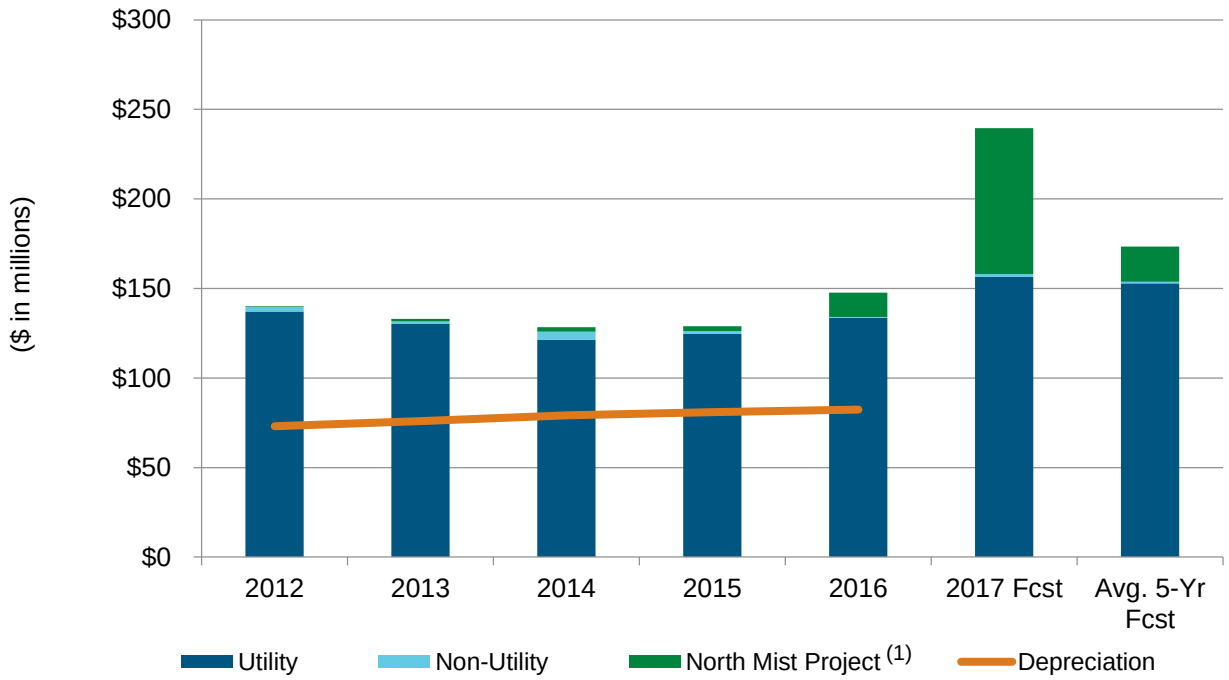


INVESTING IN GROWTH

Projecting Investment of $850 to $950 million in Core Utility over Five Years

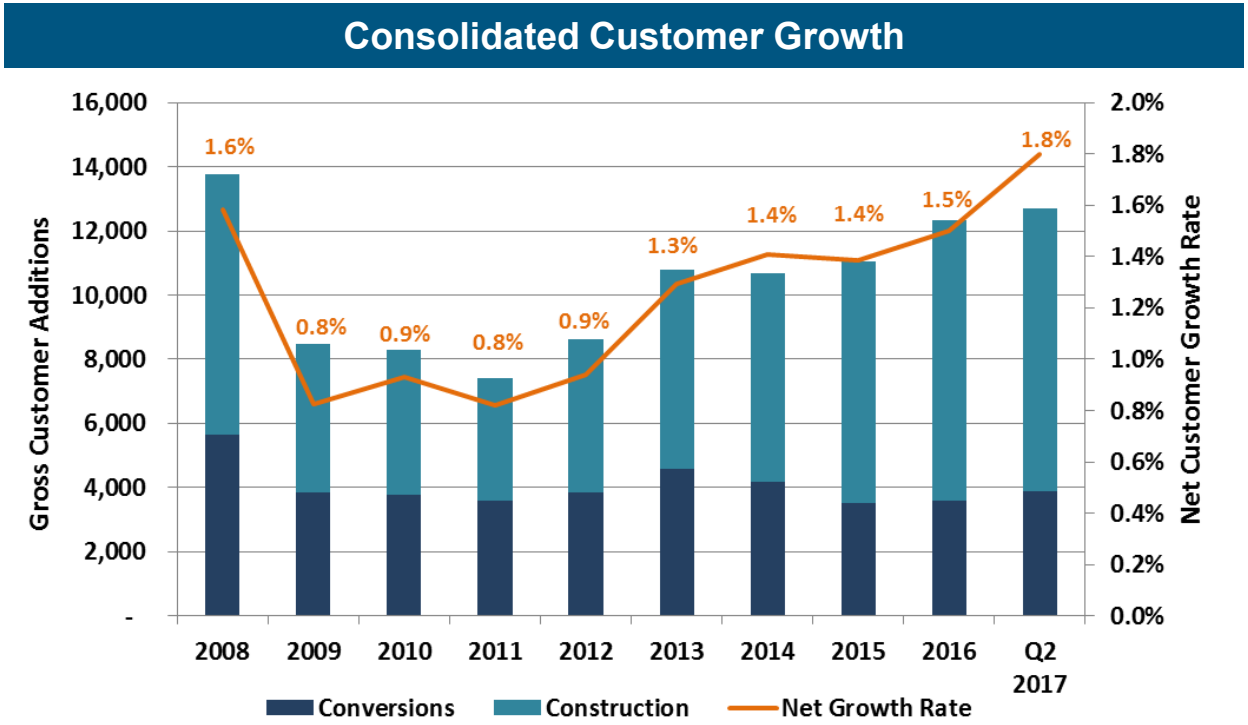
- Strong utility customer growth: Clark County Washington upgrades to support fast growing county
- Customer acquisition growth: Current 60% penetration level provides room for organic growth
- Key utility reliability and asset management projects: Newport and Portland LNG and Mist gas storage facility
- Critical regional project: North Mist gas storage expansion in Oregon to support gas-fired electric generation

Projected Capital Spend



(1) Total project spend is currently estimated at $128 million.

HIGH-GROWTH TERRITORY



Solid Total Customer Growth Rate of 1.8% over twelve months ended June 30, 2017

Strong Residential Growth

- Over 60% of utility margin with growth rate of 1.8% for twelve months ended June 30, 2017
- Strong preference by new and future homeowners for natural gas; local survey shows willing to pay $50k more for a home with all natural gas appliances

Steady Commercial Growth

- Over 25% of utility margin with growth rate of 1.5% for twelve months ended June 30, 2017

Industrial

- Less than 10% of utility margin with growth rate of 0.9% for twelve months ended June 30, 2017

INNOVATIVE ACQUISITION TOOL

Competitive Advantage

- Preferred energy source with recent survey showing 9 out of 10 new or future homeowners primarily in the Portland/Vancouver area would pick a home with all natural gas appliances versus electric
- Low-cost, reliable, clean energy choice
- Natural gas in approximately 60% of single-family homes

Customer Connections Portal

- Cutting edge web-based tool for targeted conversions, validates customer interest
- Enhanced web services for trade allies

Leveraging the Portal

- Ability to identify potential main extensions
- Beginning to identify targets and analyze cost profiles



FOCUSING ON MULTIFAMILY

Market activity

- Increase in multifamily construction, especially mixed-use developments in urban areas
- In-migration and local economic growth have lead to record low vacancy rates in Portland area
- Despite some cooling, still a landlords' market, with undersupply on a regional level

Executing on the Opportunity

- See apartments as an untapped growth opportunity and a priority segment moving forward
- Analyzed renter preferences and natural gas availability - showing a competitive opportunity
- Created comprehensive marketing program, including a streamlined piping design, technical support and financial incentives to target apartment developers and pursue sector
- Multifamily tariff approved in July 2017



INVESTING FOR RELIABILITY & GROWTH

LNG Facilities

Newport LNG

- Upgrades underway totaling approx. $25 million with construction from 2015 – 2018

Portland LNG

- Upgrades totaling approx. $10 million with completion in 2018

Vancouver, Washington Infrastructure

- Fastest growing region in service territory
- Upgrades underway totaling approx. $25 million with construction from 2015 – 2019

System Integrity, Replacement, and Betterments

- General system replacements and betterments at Mist, operating facilities, and information technology enhancements
- Proposed PHMSA gas safety regulations in April 2016; comment phase in 2016; expect final rules in 2018

Integrated Resource Plan Update

- Filed IRP in August 2016; acknowledged by OPUC and letter of compliance from WUTC

Gas Reserve Investments

- Future investments contingent upon additional direction from OPUC, market conditions, and tax appetite





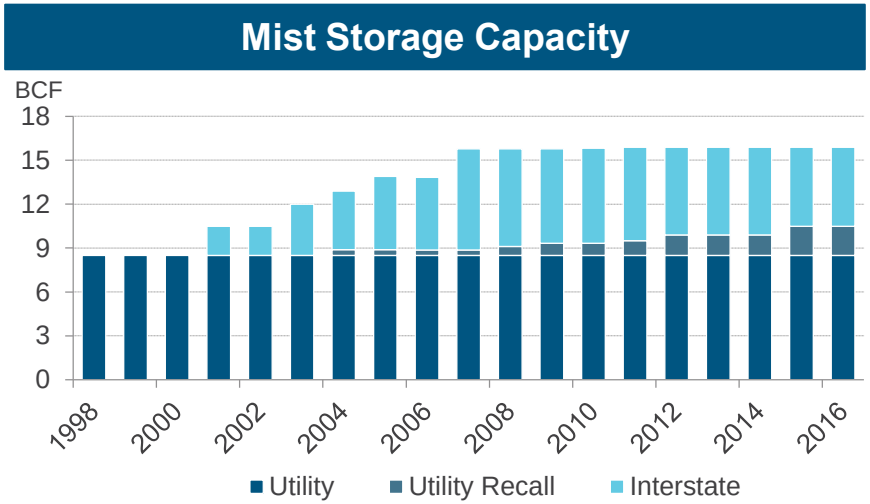
UTILITY STORAGE AT MIST

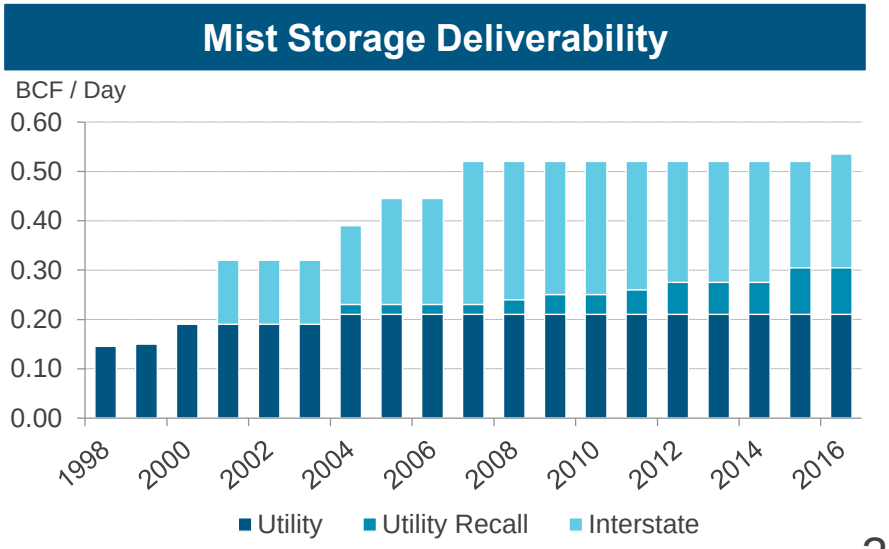
Overview

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

Unique 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 Interstate portion and share with customers

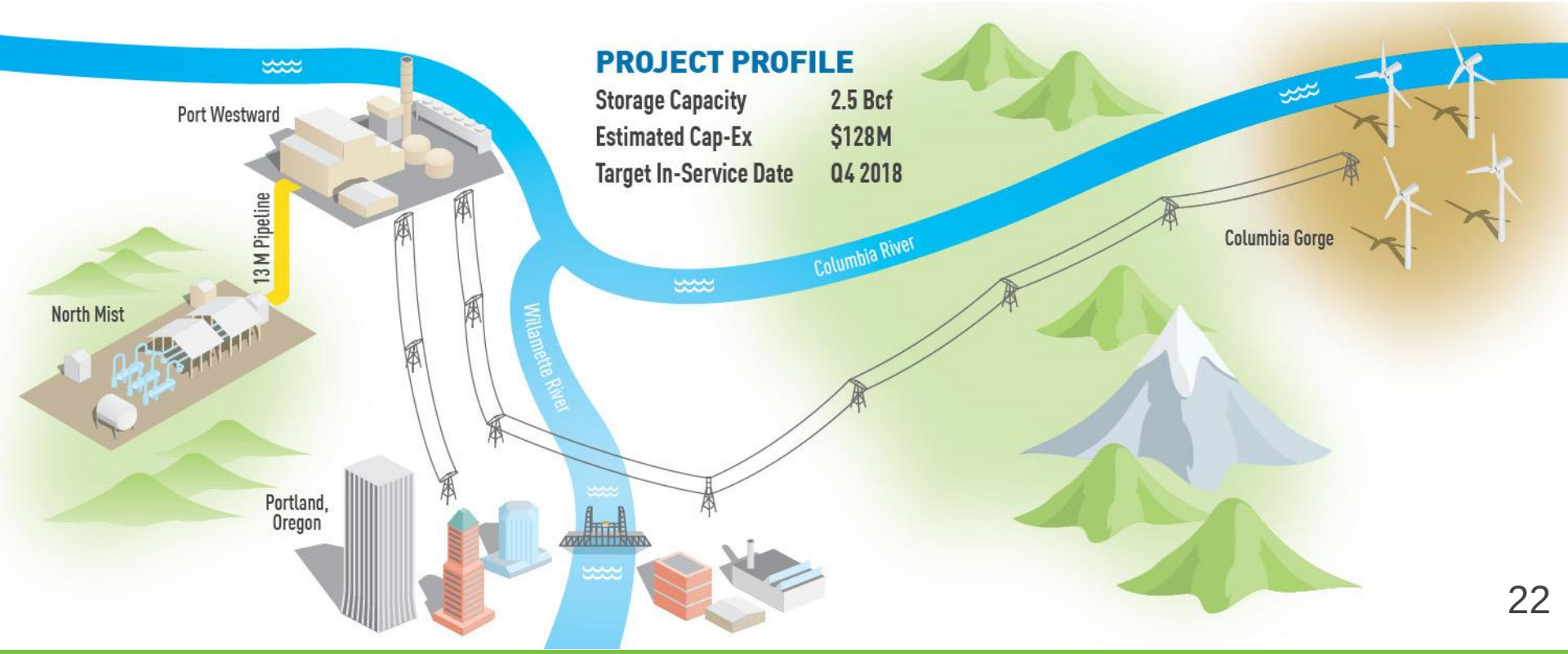




BUILDING THE FUTURE

North Mist gas storage expansion supporting the integration of renewables

- Innovative no-notice 24/7 storage service supporting gas-fired electric generating facilities that are integrating wind into energy generation mix
- Contracted under long-term agreement with single-customer: Portland General Electric
- Rate-based under established tariff schedule when placed into service




GAS STORAGE

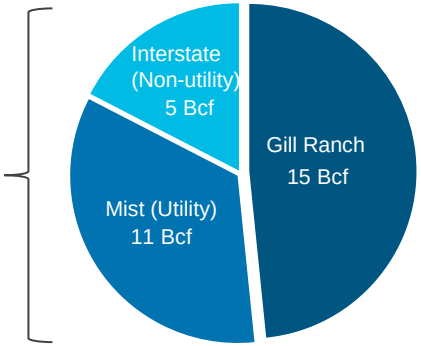
NON-UTILITY STORAGE SEGMENT

- NWN owns and operates non-utility storage assets that are reported in the gas storage segment:
  - **Interstate Portion of Mist Facility** – 5 Bcf of capacity at the Mist storage facility is non-utility (Interstate). The remaining 11 Bcf of the Mist gas storage facility is dedicated to serving utility customers and is reported in the Utility Segment.
  - **Gill Ranch** – 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.
  - **Asset Management Revenues** – an independent energy marketing company provides asset management services for both utility and non-utility capacity, which is included in the storage segment.
- 2016 gas storage revenues were $25.3 million

	Mist (Interstate Portion)	Gill Ranch (NWN Portion)
Designed Capacity (Bcf)	5	15
Max Deliverability (Dth/day)	230,000	490,000
In-Service Year	2001	2010

31 Bcf Total Gas Storage Capacity with 20 Bcf in Gas Storage Segment

16 Bcf Total Mist Storage





GAS STORAGE OUTLOOK

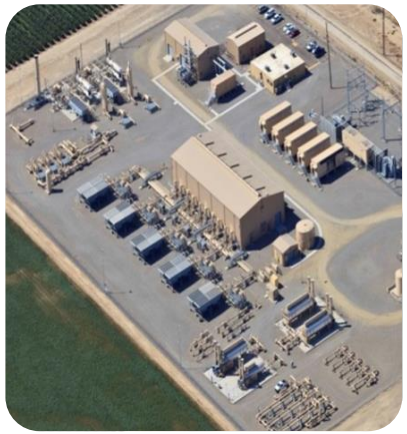
Mist Interstate Storage Trends

- High-value asset in premium geographic location with limited competition from other Pacific Northwest storage facilities
- Facility fully contracted with longer-term, multi-year contracts
- Strong and stable operating results
- Interstate capacity is fully recallable by the utility in the future

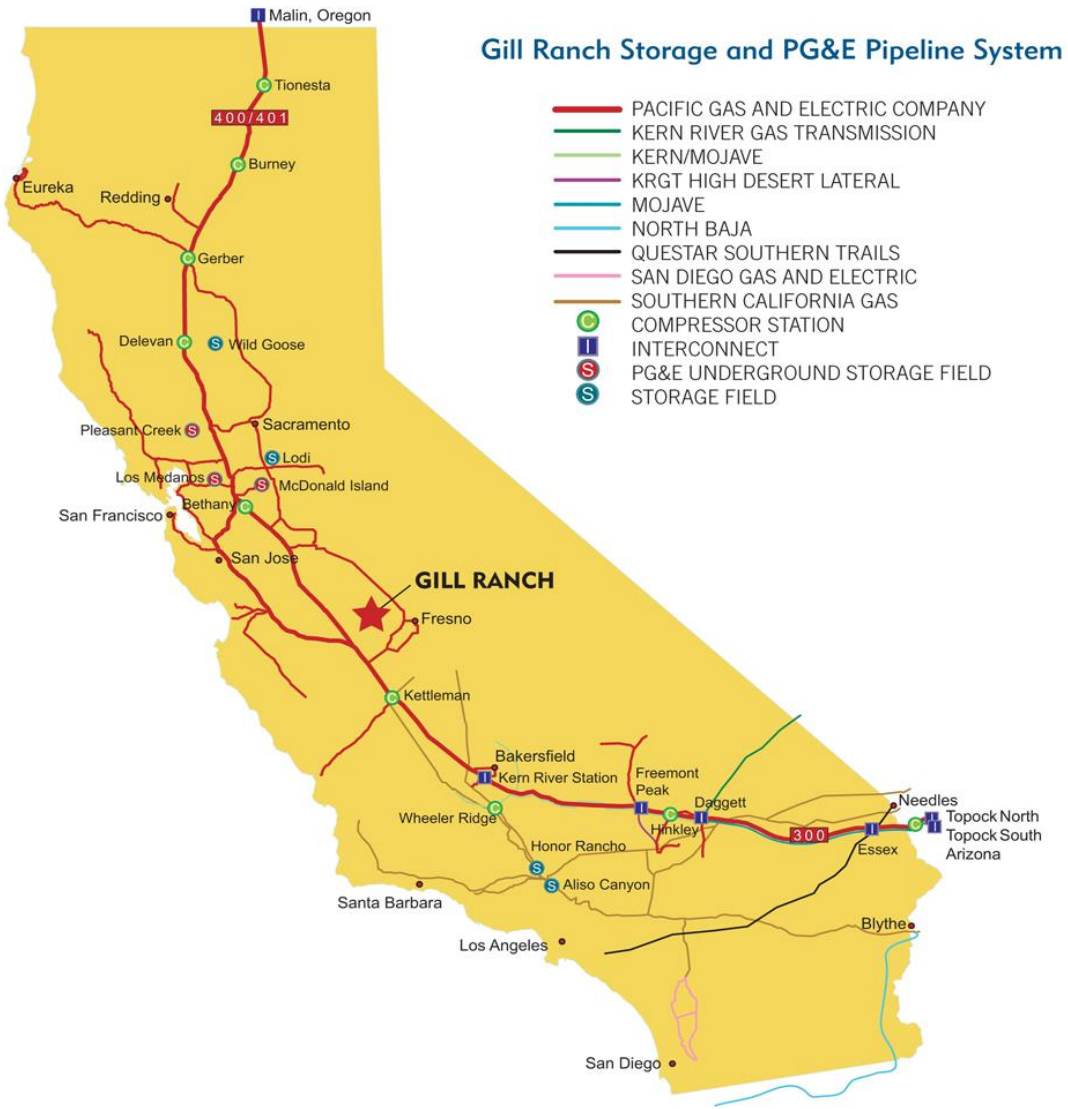


Gill Ranch Storage Trends

- Contracted for 2017-18 gas storage year with ~50% of capacity in firm contracts at slightly higher prices than 2016-17; remaining facility under third-party asset management contracts (subject to market prices)
- Overall prices remain low relative to our original contracts for the facility
- Anticipating greater storage needs in near future as regulations impact overall deliverability and capacity in the market
- Pursuing higher value service contracts and strategic market opportunities
- No asset-level debt
- Ability to expand, but will depend on California storage market conditions



GILL RANCH STORAGE FACILITY



FINANCIAL PERFORMANCE



DELIVERING SHAREHOLDER VALUE

Delivered on 2016 Guidance

- GAAP EPS of $2.12 within 2016 guidance range of $1.98 to $2.18 per share
- Non-GAAP EPS of $2.19, which excludes environmental disallowance, within non-GAAP guidance range of $2.05 to $2.25 per share(1)
- Increased utility margin and steady customer growth
- Higher gas storage revenues primarily from Mist gas storage capacity and transportation
- Resumed sustainable O&M expense levels after temporary cost savings in 2015

Solid Earnings Q2 and Year-to-Date 2017

- GAAP EPS of $1.50 for the six months ended June 30, 2017, compared to $1.40 for the same period last year
- Solid earnings from utility
  - Higher utility margin from customer growth and effects of colder weather offset by lower gains from gas cost incentive sharing
  - Higher other income due to 2016 results including an environmental disallowance from closing out environmental docket and implementing environmental recovery mechanism
  - Higher O&M expense levels from additional headcount, general pay increases, and health care costs
  - Higher depreciation expenses for planned capital expenditures for system reinforcement, facilities, and technology
- Gas storage results lower
  - Decrease in asset management revenues from our Mist facility and transportation capacity and increase in operating expenses for maintenance at Gill Ranch

(1) 2016 non-GAAP adjusted EPS excludes the $3.3 million pre-tax or $2.0 million after-tax regulatory disallowance related to the OPUC's Jan. 2016 environmental order. Amounts per share are calculated using the combined federal and state statutory tax rate of 39.5% and divided by 27.8 million diluted shares.

DELIVERING SHAREHOLDER VALUE CONTINUED

Strong Cash Flows and Liquidity

Cash Flows

- Operating cash flows support capital needs
- New environmental mechanism providing ongoing cash flow for environmental cost recovery

Equity and Debt Offerings in Q4 2016

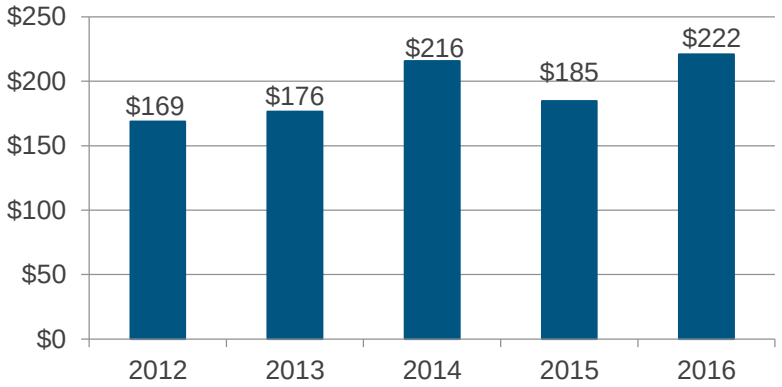
- Successful equity offering generated net proceeds of over $50 million
- Strong $150 million medium-term note issuance under shelf:
  - $40 million 30-year debt at 4.136% (115 bps over treasury);
  - $35 million 10-year debt at 3.211% (90 bps over treasury); and
  - $75 million 2-year debt at 1.545% (45 bps over treasury)
- Proceeds used for general corporate purposes, to fund utility capital expenditures, including the North Mist gas storage expansion, and to reduce short-term debt balances

Liquidity

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

Cash Flow from Operations

($ in millions)



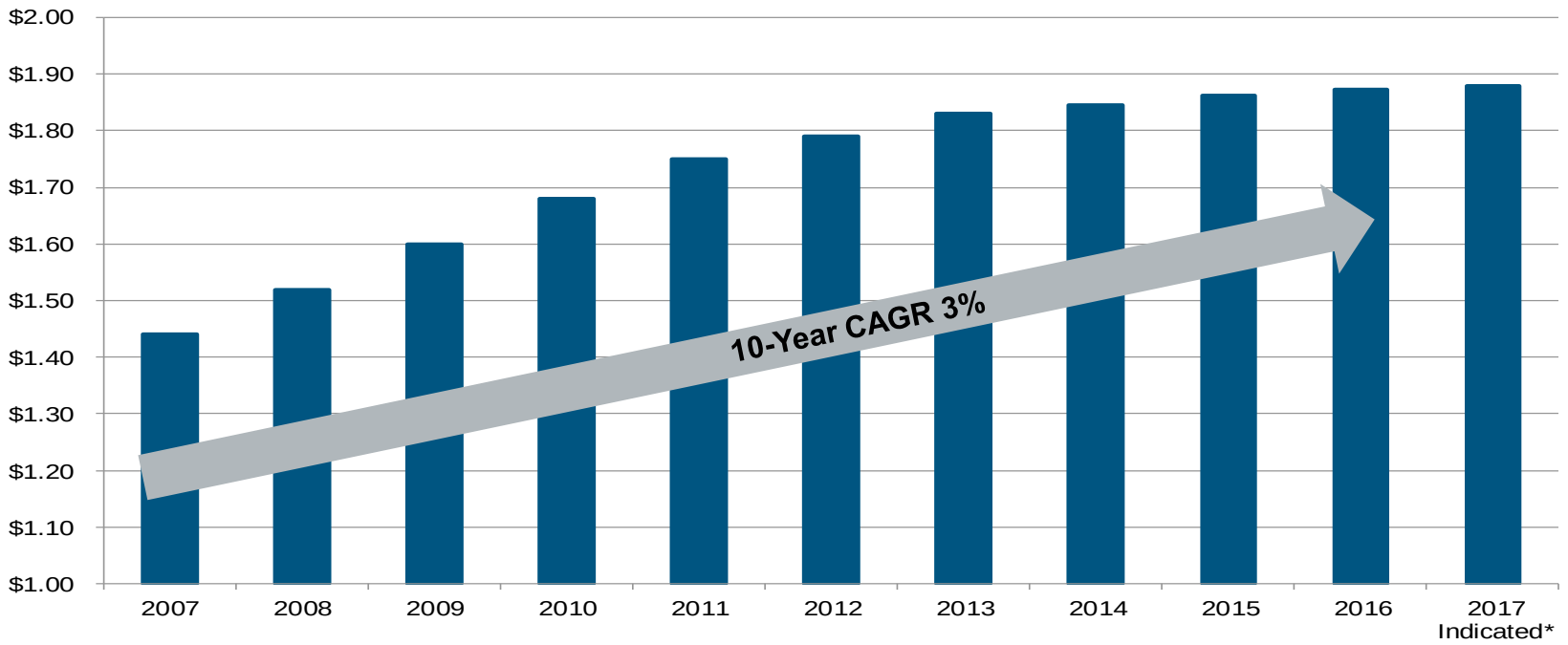
Credit Ratings(1)

	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.

LEGACY OF INCREASING DIVIDENDS

- 2016 marked the 61st consecutive year of increased dividends paid to shareholders
- Supported by strong and stable cash flows



* Future dividends are subject to Board of Director discretion and approval.



CONCLUSION

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
- 61-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



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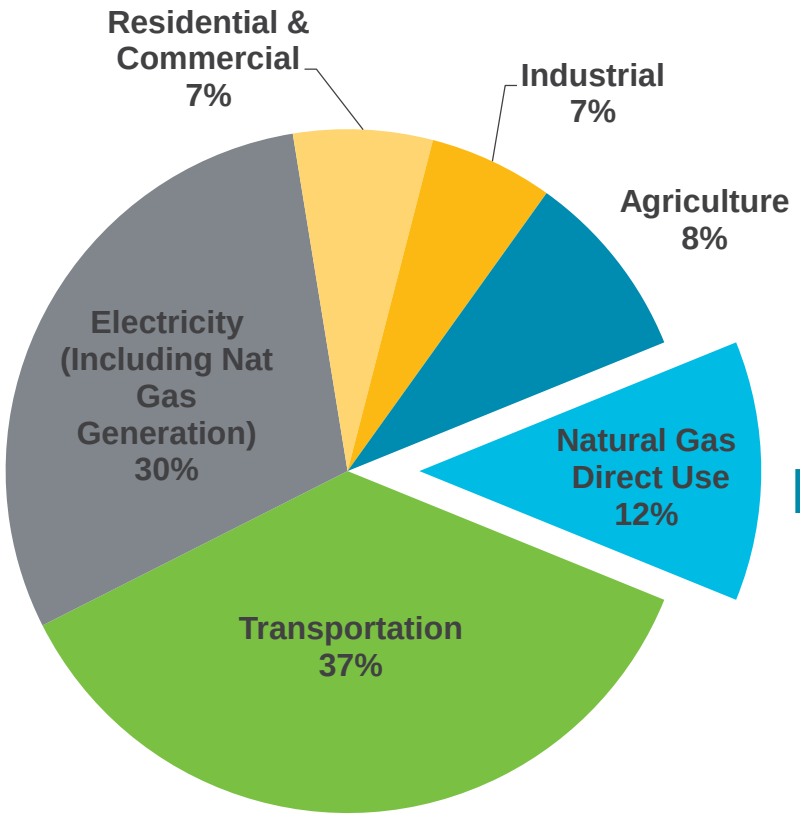
APPENDIX

NWN SYSTEM HIGHLY EFFICIENT

Oregon's GHG Emissions



NW Natural's System

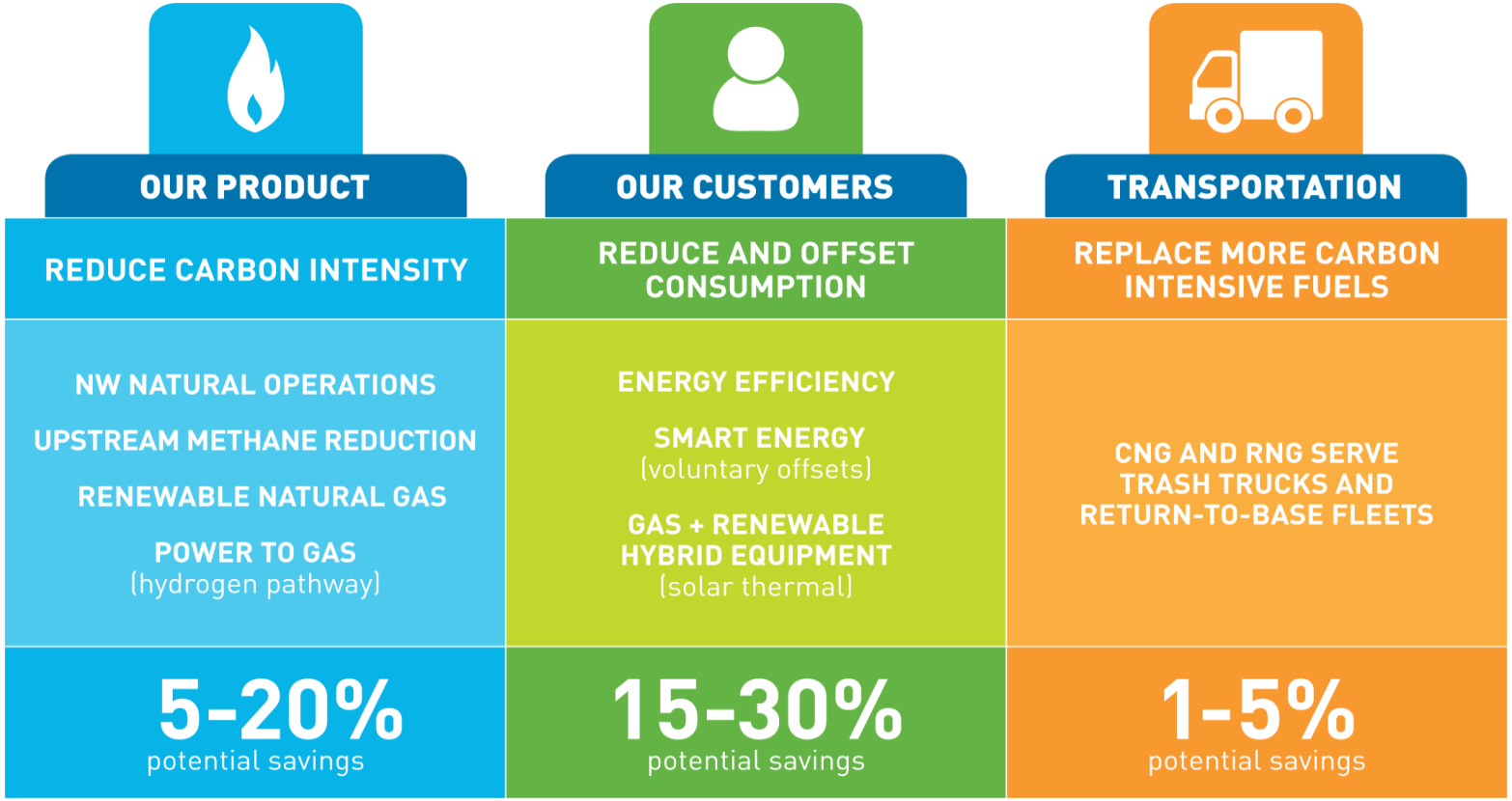
- **Heats 74%** of residential square footage in the areas we serve
- **Provides 90%** of peak day energy needs for our residential space and water heat customers
- Yet, of the total 12% in the state our customers' emissions **account for just 8%** of Oregon's total carbon emissions

Source: State of Oregon DEQ In-Boundary GHG Inventory 2015 Preliminary Data

Residential, Commercial, and Industrial emissions included are those that are not from electricity or natural gas use (trash, other waste, etc.)

OUR LOW-CARBON PATHWAY

VOLUNTARY GOAL: 30% CARBON SAVINGS BY 2035



Baseline: 2015 emissions associated with customer use.

CURRENT COMMISSIONERS

Oregon Commission (OPUC)

Lisa Hardie, Chair



- Appointed June 2016
- Current term ends May 2020

Stephen Bloom, Commissioner



- Originally appointed December 2011
- Reappointed May 2016
- Current term ends November 2019

Megan Walseth Decker, Commissioner



- Appointed April 2017
- Term ends March 2021

Washington 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

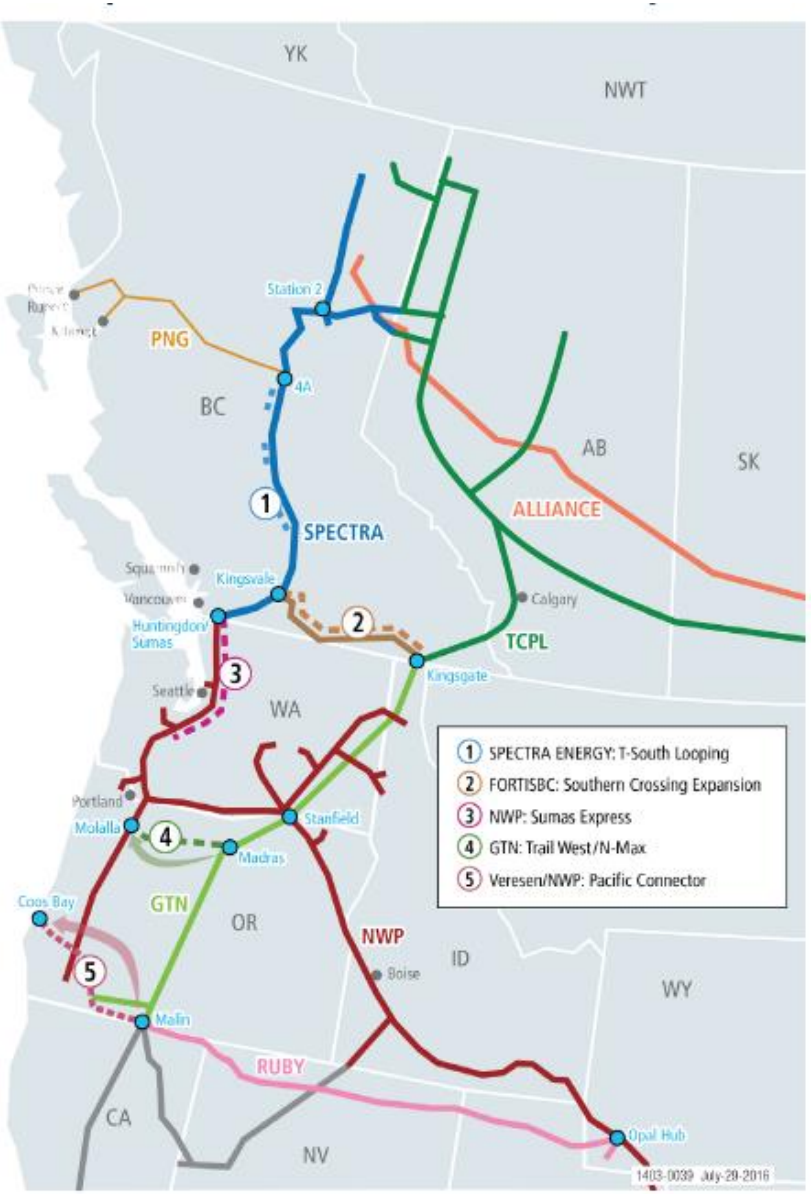
Jay Balasbas, Commissioner



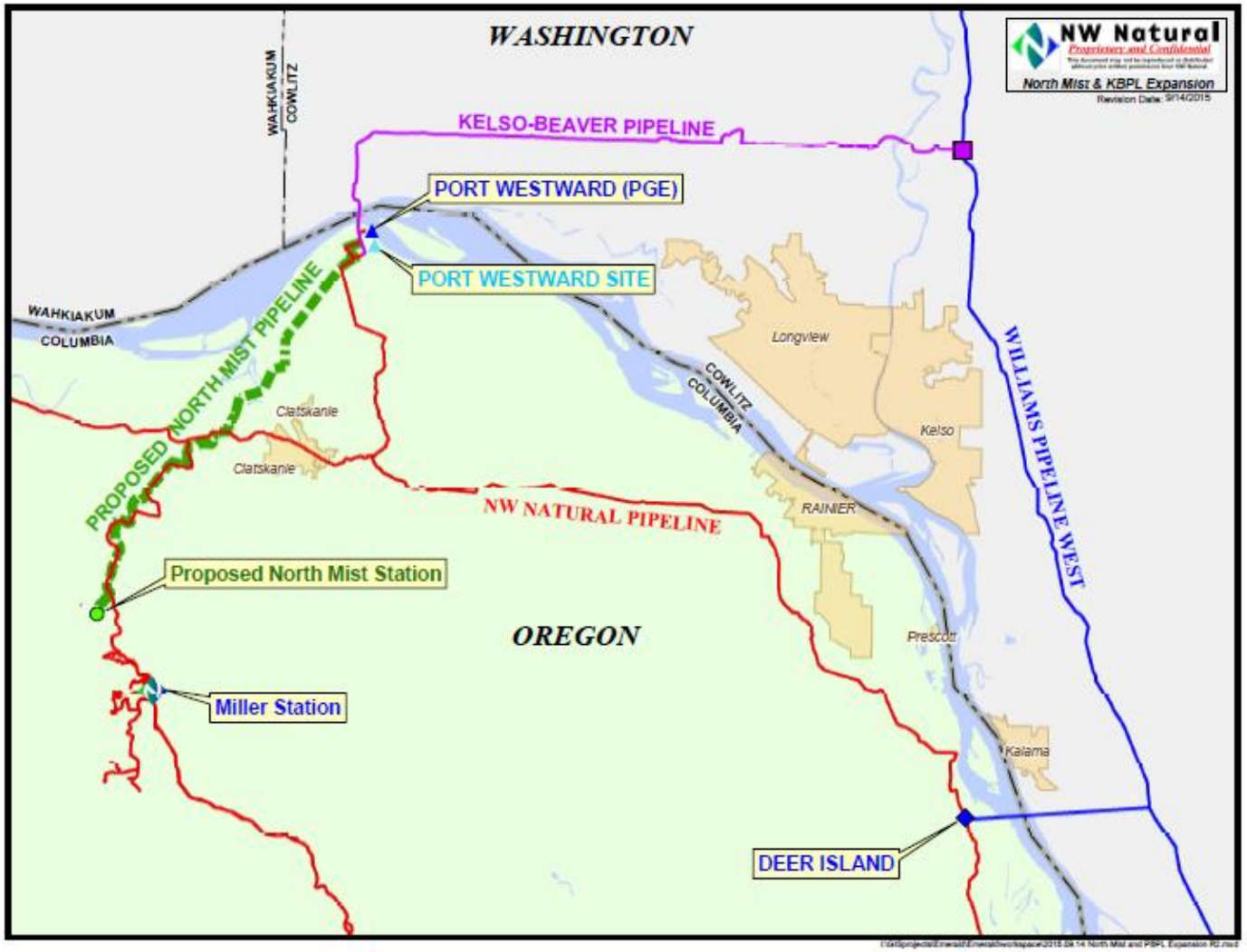
- Appointed May 2017
- Term ends January 2023

POTENTIAL TRAIL WEST PIPELINE

- Regional pipeline expansion opportunities
- NWN owns 50% of Trail West Holdings (TWH)
- TWH is pursuing development of Trail West gas transmission pipeline
- Continue to evaluate Trail West for development
- NWN investment in TWH is $13.4 million at June 30, 2017



NORTH MIST GAS STORAGE



LEAD. INNOVATE. GROW.

