LEAD.
INNOVATE.
GROW.

Investor Presentation
March 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. 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, competitive advantage, 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, 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, operations and maintenance expense, 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 PHMSA 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.


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

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INTRODUCTION

NW NATURAL LEADERSHIP



David H. Anderson
President and CEO

Mr. Anderson is currently NW Natural's President and CEO effective August 1, 2016. Since he joined the Company in 2004, Mr. Anderson has served in various executive positions over Operations, Regulation, 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.



Brody J. Wilson
Interim CFO & Interim Treasurer and Chief Accounting Officer & Controller

Mr. Wilson is currently serving as NW Natural's Interim CFO and Interim Treasurer effective September 2, 2016. Mr. Wilson was appointed Chief Accounting Officer and Assistant Treasurer in 2016 and has been serving as NW Natural's Controller since 2013. Prior to joining the Company in 2012, he was a Senior Manager at PricewaterhouseCoopers LLP where he worked in PwC's Energy & Utility Group in Portland, Oregon and London, England. Mr. Wilson holds a Bachelor of Science in Accounting from George Fox University and is a CPA in Oregon.

INVESTMENT HIGHLIGHTS

Stable, Regulated Earnings Profile

- Low-risk business profile with 90%+ of revenues from pure-play LDC
- Over 725,000 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

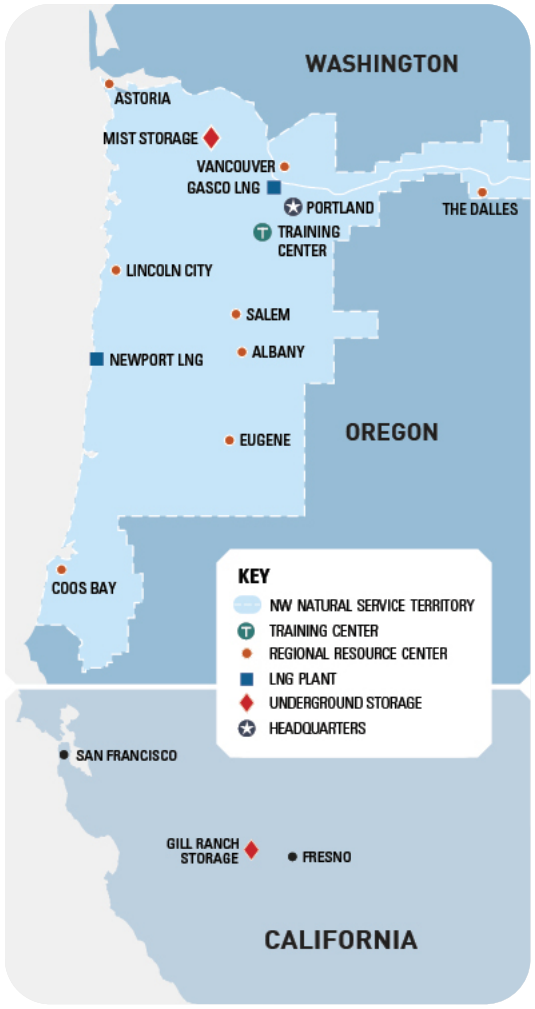
- Stable dividends with 61-year record of increasing dividends paid annually
- Investment grade credit ratings of AA- and A1 at S&P and Moody's, respectively (1)
- Experienced management team with broad knowledge of the energy industry

Tangible Growth Opportunities

- Projected five-year capital expenditures plan of $850 to $950 million
- Service territory experiencing above average customer growth (1.5% for the year ending December 31, 2016)
- Continuous replacement of existing infrastructure to ensure reliability and safety
- $128 million regulated expansion of Mist facility to support renewables in the region

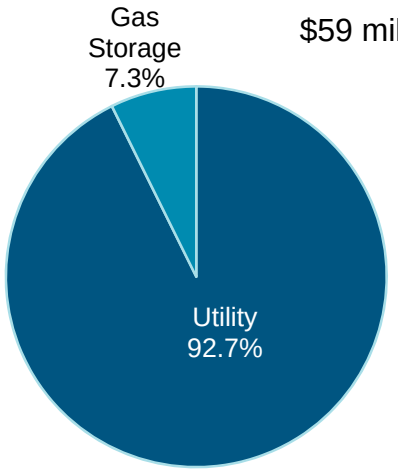
(1) The above credit ratings are dependent upon a number of factors, both qualitative and quantitative, and are subject to change at any time. The disclosure of these credit ratings is not a recommendation to buy, sell or hold NW Natural securities.

HIGHLY REGULATED BUSINESS



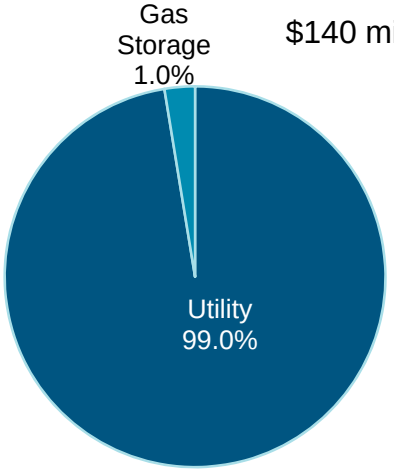
2016 Net Income

$59 million



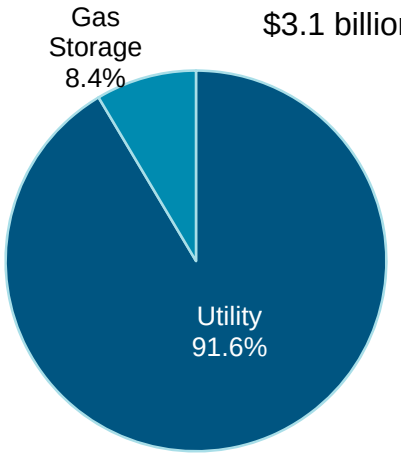
2016 Capital Expenditures

$140 million



2016 Total Assets

$3.1 billion

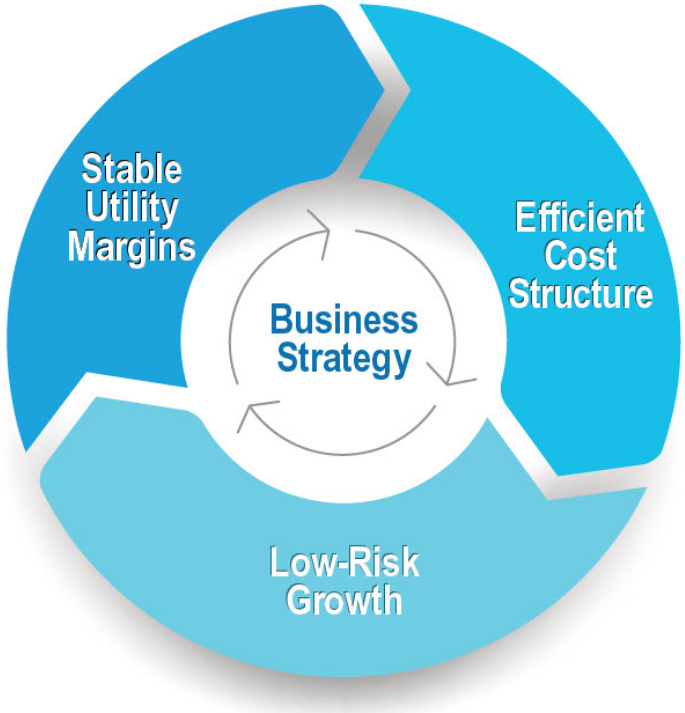


Note: Excludes Other segment due to values consistently less than 1.0%.

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 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.


UTILITY

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

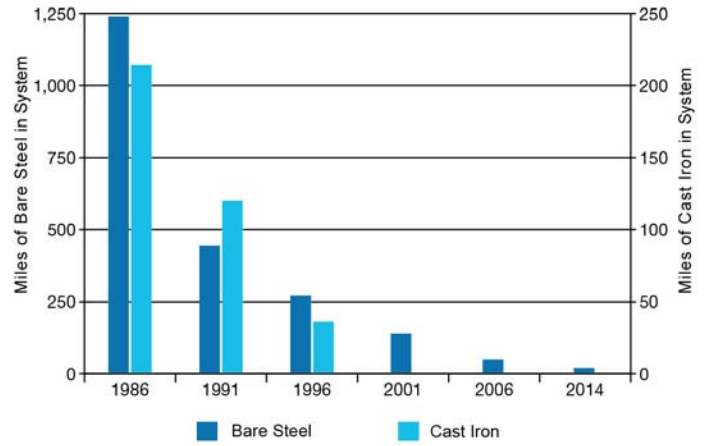
Attractive Service Territory

- Approximately 89% of customer base in Oregon and 11% in Washington
- Territory covers over 75% of Oregon's population
- Includes Clark County, Washington — an 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

Cast Iron & Bare Steel Removed



Cap-Ex Focused on Safety, Reliability, and Growth

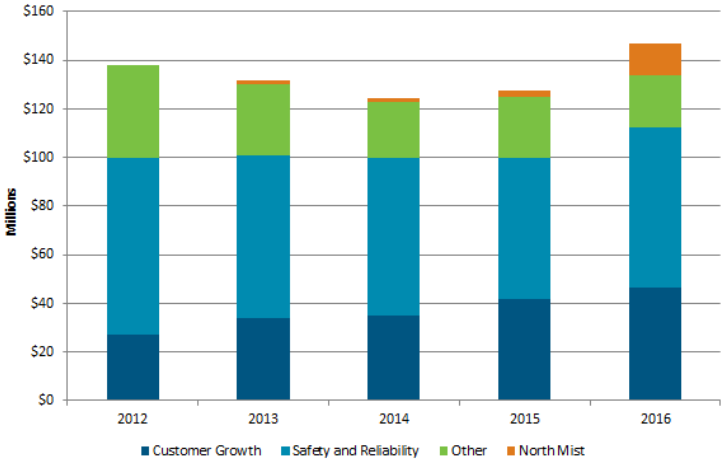


Chart above is based on accrual capital expenditure figures.

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

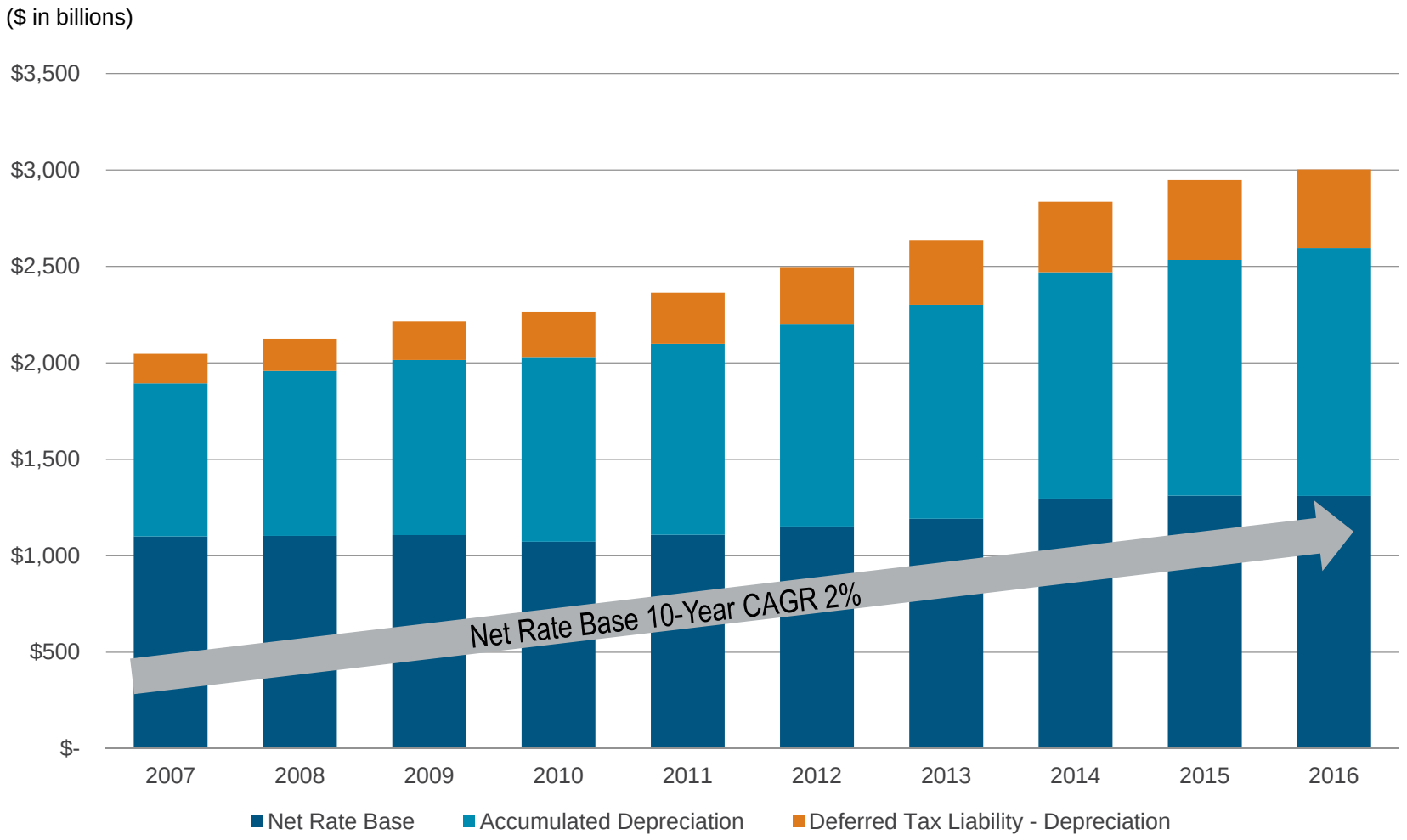
KEY REGULATORY ITEMS

	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.

SIGNIFICANT OPEN PROCEEDINGS

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 continuing working through the docket during 2017 with resolution in the second half of 2017
- WUTC engaged in review of Local Distribution Company (LDC) hedging practices during 2016 and continues to review comments from all parties

Carbon Solutions Program

- NWN submitted Combined Heat and Power Program under Senate Bill 844 to OPUC in June 2015
- OPUC declined program in April 2016 as filed & provided guidance on program structure for future submission
- Currently working with stakeholders and contemplating next steps for this program

Interstate Storage Sharing

- OPUC issued order in March 2015 requiring a third-party cost study to be performed
- Steering committee (NWN, OPUC staff, and customer groups) selected a third-party consultant in January 2017
- Third-party consultant to perform cost study in 2017

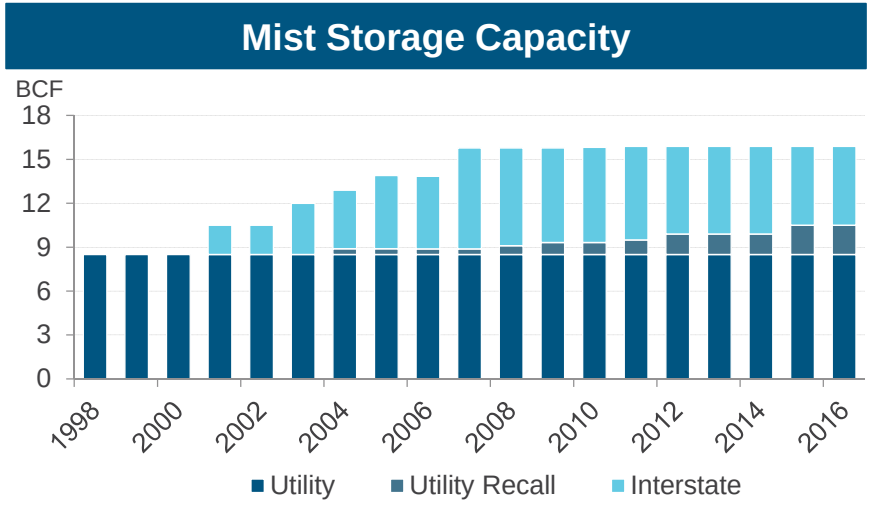
UTILITY STORAGE AT MIST

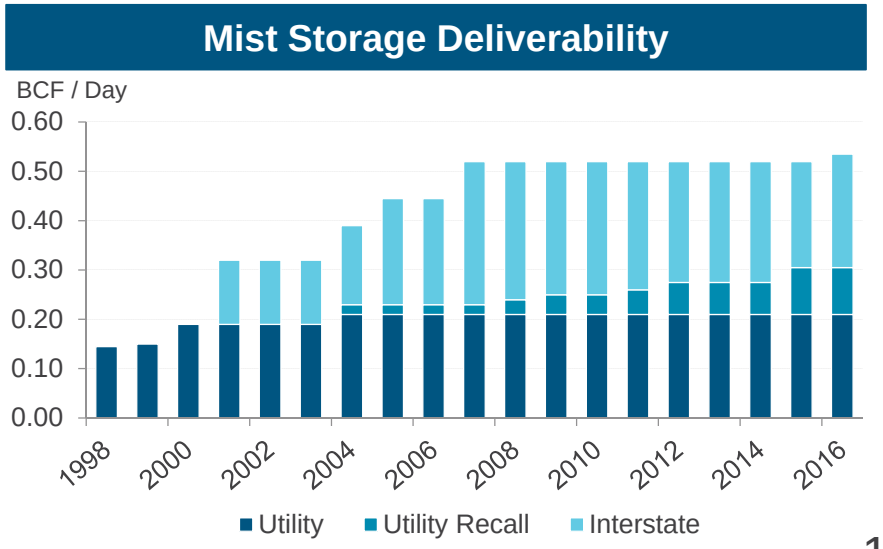
Overview

- 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





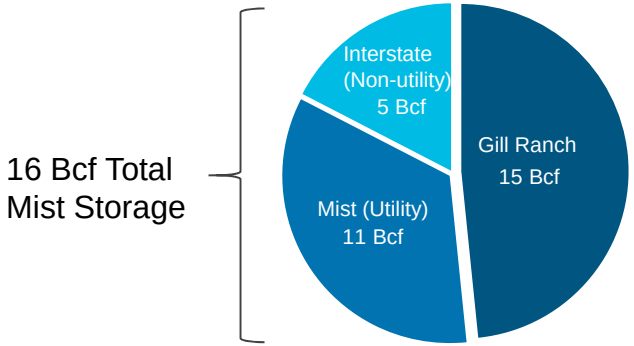

GAS STORAGE

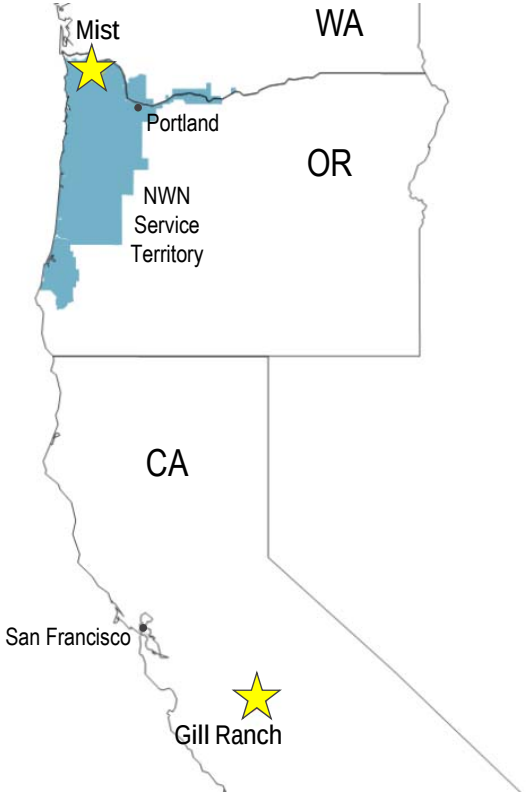
NON-UTILITY STORAGE SEGMENT

- 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





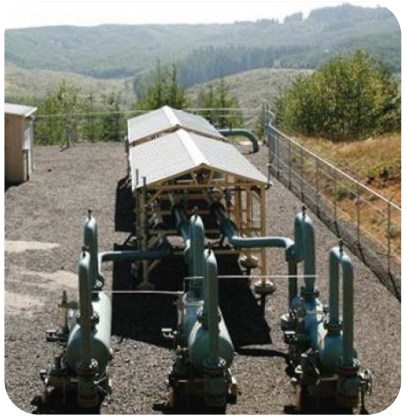
GILL RANCH STORAGE FACILITY



GAS STORAGE OUTLOOK

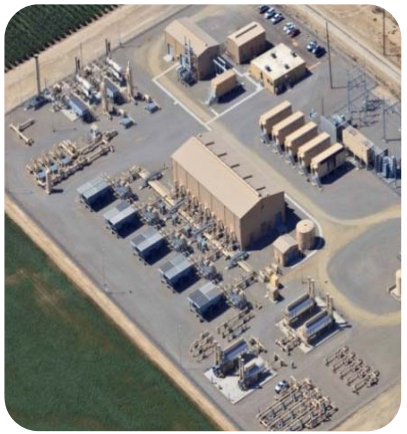
Mist Interstate Storage Trends

- 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

- Fully contracted for 2016-17 gas storage year with slightly higher prices than 2015-16; however, prices remain low relative to our original contracts for the facility
- Unlevered asset
- Pursuing higher value service contracts and new market opportunities
- Expect flexible energy resources to be needed in California to meet state's RPS
- Additional regulations currently underdevelopment for gas storage facilities, which could result in higher capital expenditures and on-going maintenance expenses
- Ability to expand, but will depend on California storage market conditions



FOCUS ON

REGULATED GROWTH

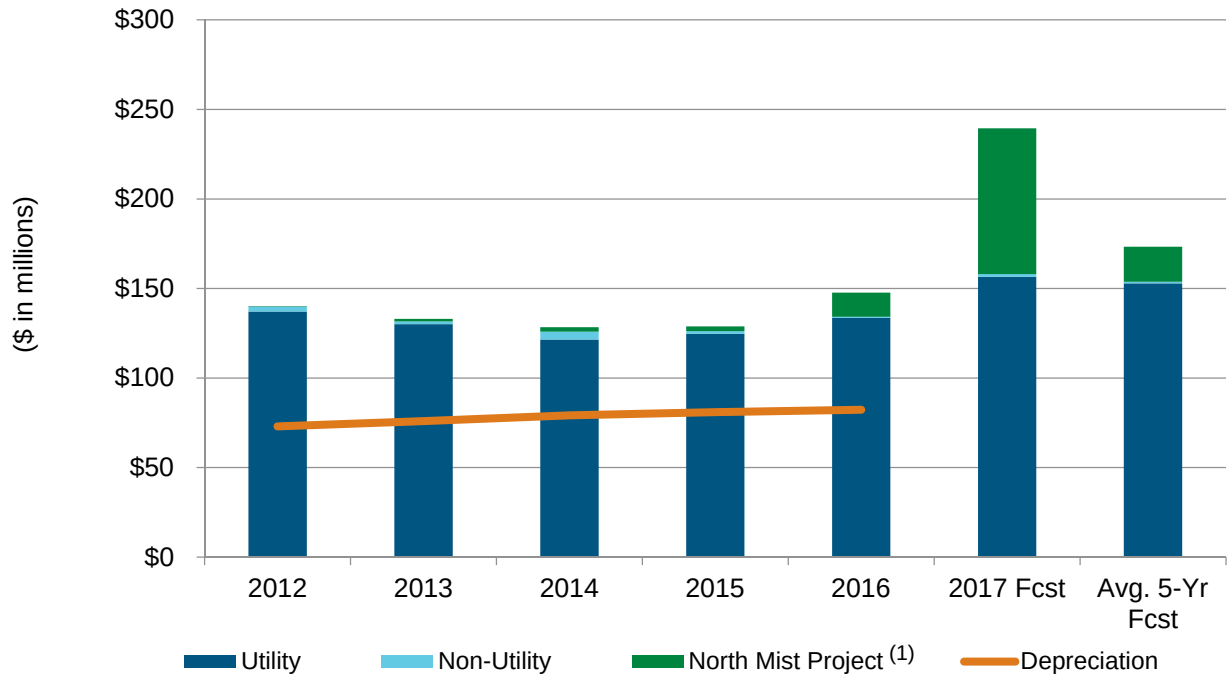


INVESTING IN GROWTH

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

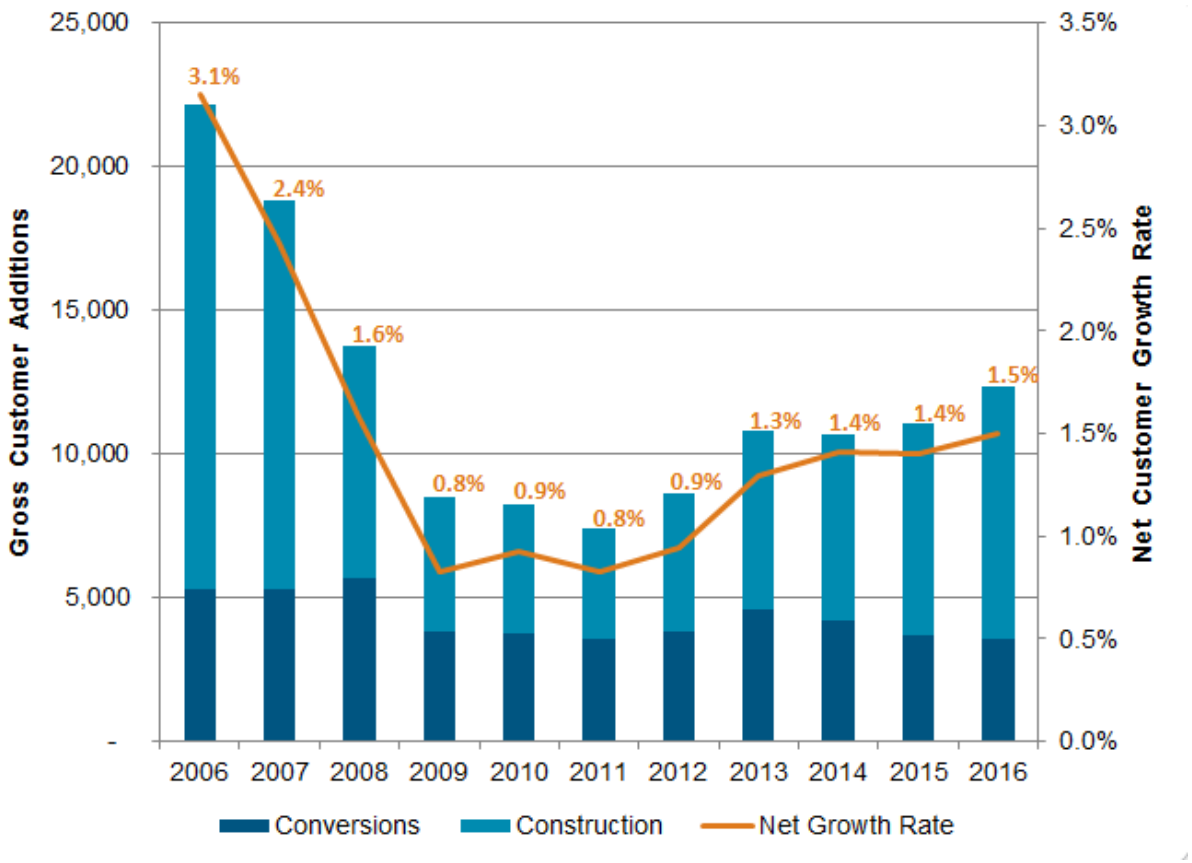
Solid Customer Growth Rate
- NW Natural growth 1.5%(1)

Strong Residential Growth
- Over 60% of utility margin
- Growth rate of 1.5%(1)
- Since 2012, steady growth in single-family new construction
- 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
- Growth rate of 1.0%(1)
- Higher margins on commercial customers

Industrial
- Less than 10% of utility margin
- Growth rate of 1.0%
- Spread across diverse manufacturing and industrial sectors

Consolidated Customer Growth



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

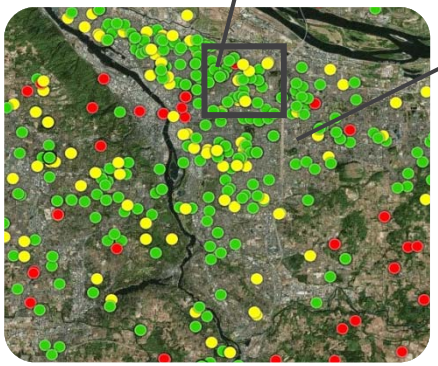
Customer Connections Portal

- 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

Uptick in Construction

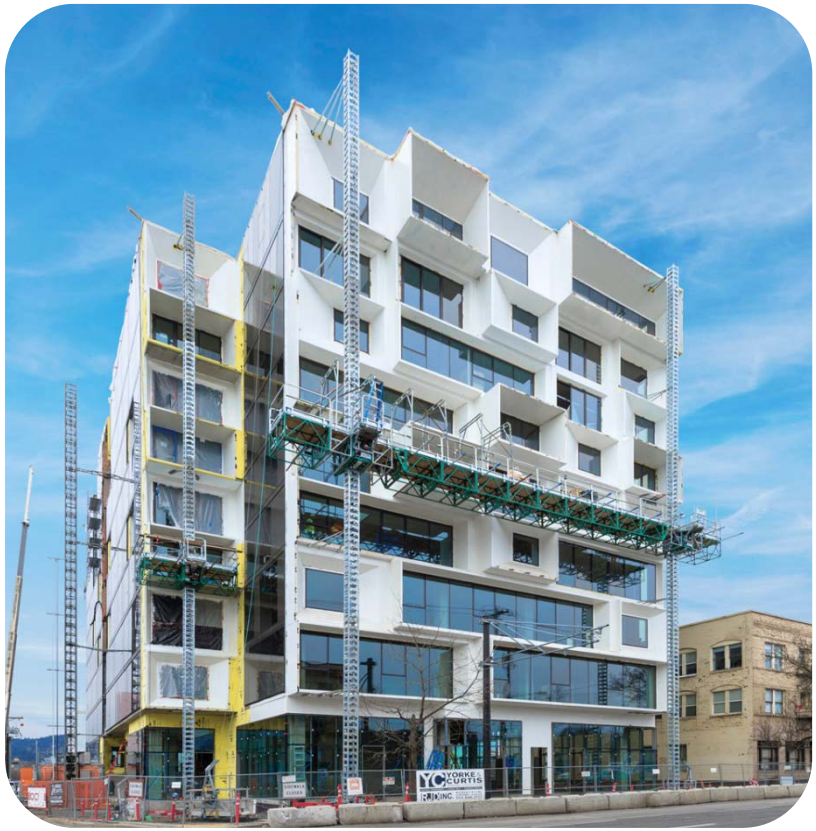
- Increase in multifamily construction
- Low vacancy rates in Portland area compared to national rate

Preference for Natural Gas Amenities

- Recent study shows 80% of Portland area renters paying market rates or above prefer gas amenities such as cooktops, water heating and fireplaces

Executing on the Opportunity

- See apartments as an untapped growth opportunity and a priority segment for NW Natural moving forward
- Analyzed renter preferences and natural gas availability
- Created comprehensive marketing program, including an innovative incentive program to target apartment developers and pursue sector



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 late 2017

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



EXPANDING MIST UTILITY STORAGE

Planned Expansion Profile

Storage Capacity	2.5 Bcf
Deliverability	120,000 Dth/day
Estimated Project Spend	$128 million(1)
Target In-Service Date	Winter 2018/2019

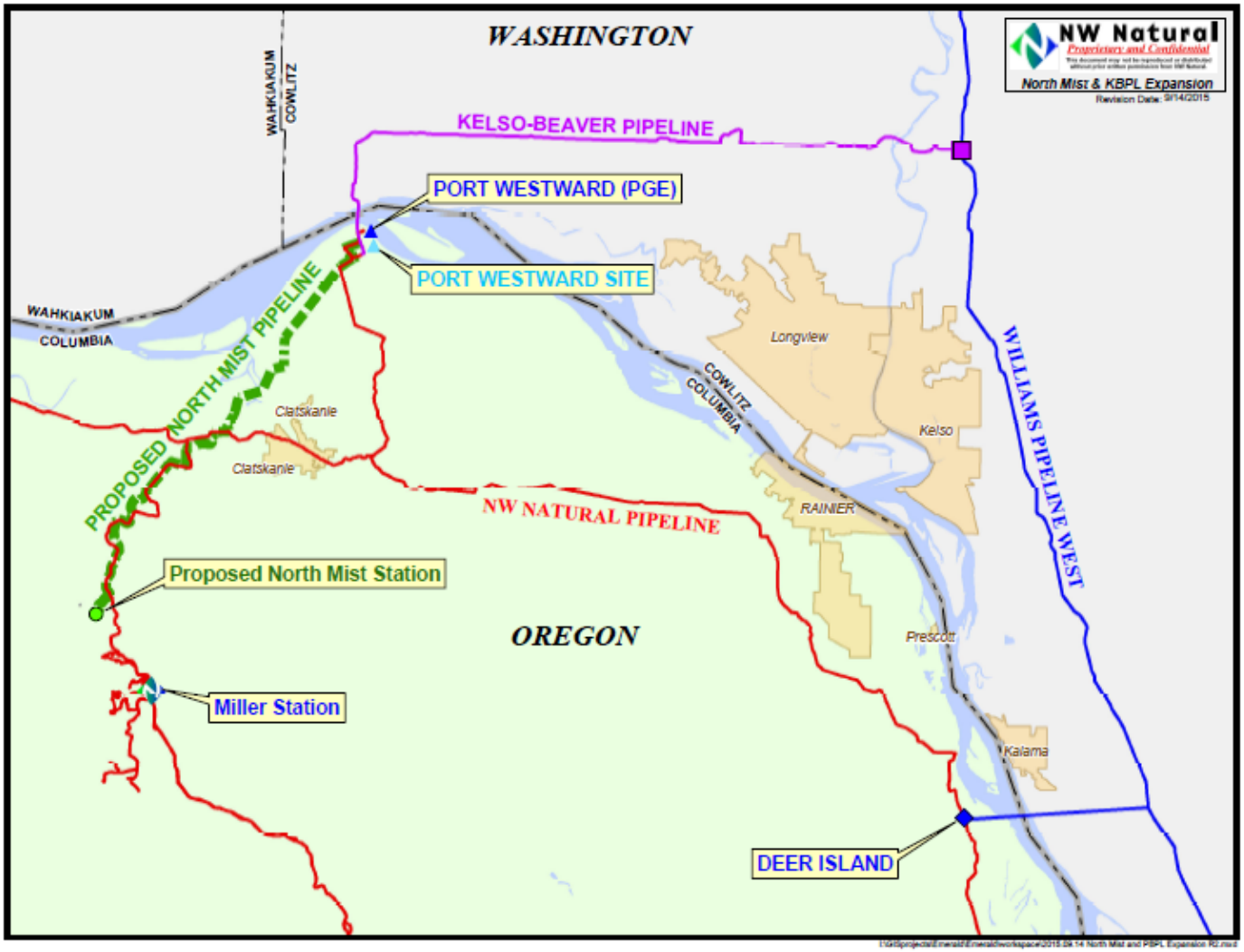


Planned Expansion Project Update

- Innovative no-notice 24/7 storage service integrates renewables into the power system for RPS
- Agreement with PGE to serve their Port Westward Plant
- Received critical permit from Oregon Energy Facilities Siting Council in April 2016
- Received Notice to Proceed on September 30, 2016 allowing NW Natural to move forward with construction
- Expansion for single long-term customer; no rate case required for cost recovery; revenues recovered under established tariff schedule

(1) Total project spend based on 2016 notice to proceed estimate.

NORTH MIST GAS STORAGE



FINANCIAL PERFORMANCE



DELIVERING SHAREHOLDER VALUE

- Solid balance sheet and investment grade credit ratings
- Sustainable dividend
- 61 consecutive years of increased dividends paid

Key Statistics[1] [3]	
Listed	NYSE / “NWN”
52 Week Trading	$48.90 to $66.17
Market Cap	$1.7 Billion
Enterprise Value	$2.4 Billion
Book Value Per Share	$29.71
Shares Outstanding	28,630,000
Forward Dividend Yield	3%
2017 Indicated Annual Dividend	$1.88

Returns[2]		
Period Ended December 31, 2016	Beginning Stock Price	Total Shareholder Return
One year	$50.61	22.2%
Five year	$47.93	51.3%
Ten year	$42.44	103.9%

(1) Stock and financial metrics are as of December 31, 2016 unless otherwise noted.
(2) Source: SNL Financial
(3) Source: Yahoo Finance

SOLID EARNINGS

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

(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.

STRONG CASH FLOWS AND LIQUIDITY

Cash Flows

- Operating cash flows support capital needs
- Ongoing cash flow strengthening through new environmental mechanism

Equity and Debt Offerings in Q4 2016

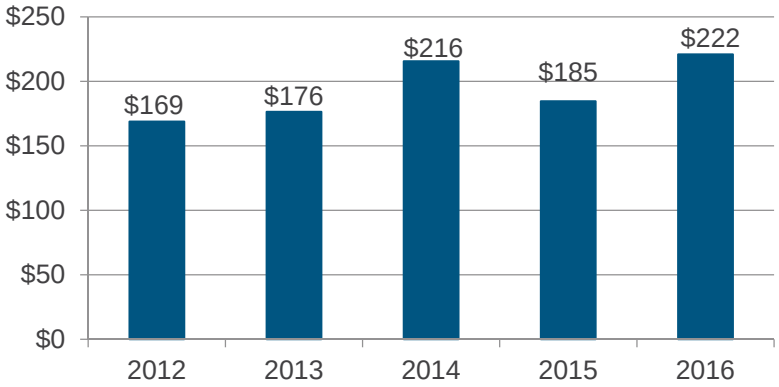
- Successful equity offering generated net proceeds of over $50 million
- Strong $150 million medium-term note issuance under shelf:
  - $40 million 30-year debt at 4.136% (115 bps over treasury);
  - $35 million 10-year debt at 3.211% (90 bps over treasury); and
  - $75 million 2-year debt at 1.545% (45 bps over treasury)
- Proceeds will be 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)



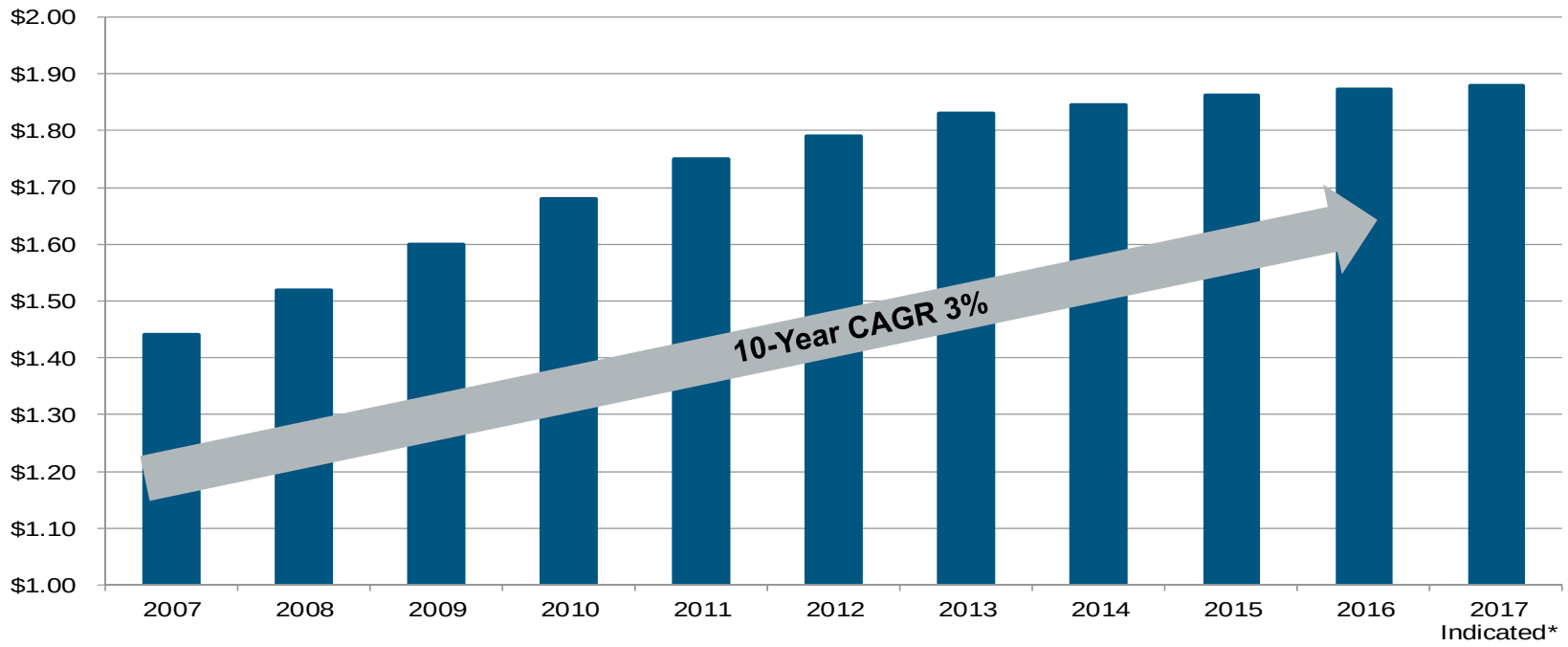
Credit Ratings(1)

	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



INVESTMENT HIGHLIGHTS

Stable, Regulated Earnings Profile

- Low-risk business profile with 90%+ of revenues from pure-play LDC
- Over 725,000 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 of AA- and A1 at S&P and Moody's, respectively (1)
- Experienced management team with broad knowledge of the energy industry

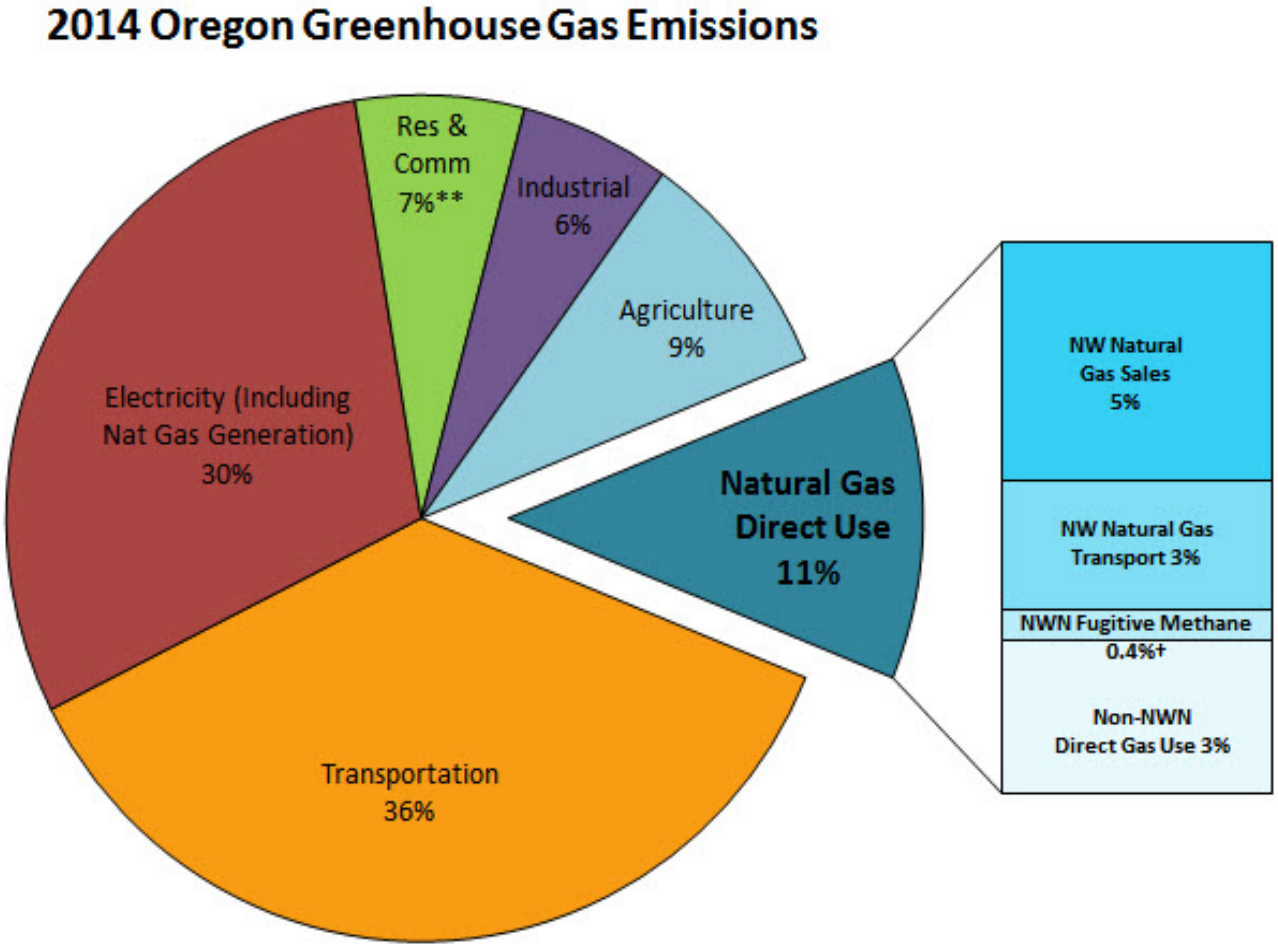
Tangible Growth Opportunities

- Projected five-year capital expenditures plan of $850-950 million
- Service territory experiencing above average customer growth (1.5% for the year ending December 31, 2016)
- Continuous replacement of existing infrastructure to ensure reliability and safety
- $128 million regulated expansion of Mist facility to support renewables in the region

(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.


APPENDIX

STATE EMISSIONS BY SECTOR



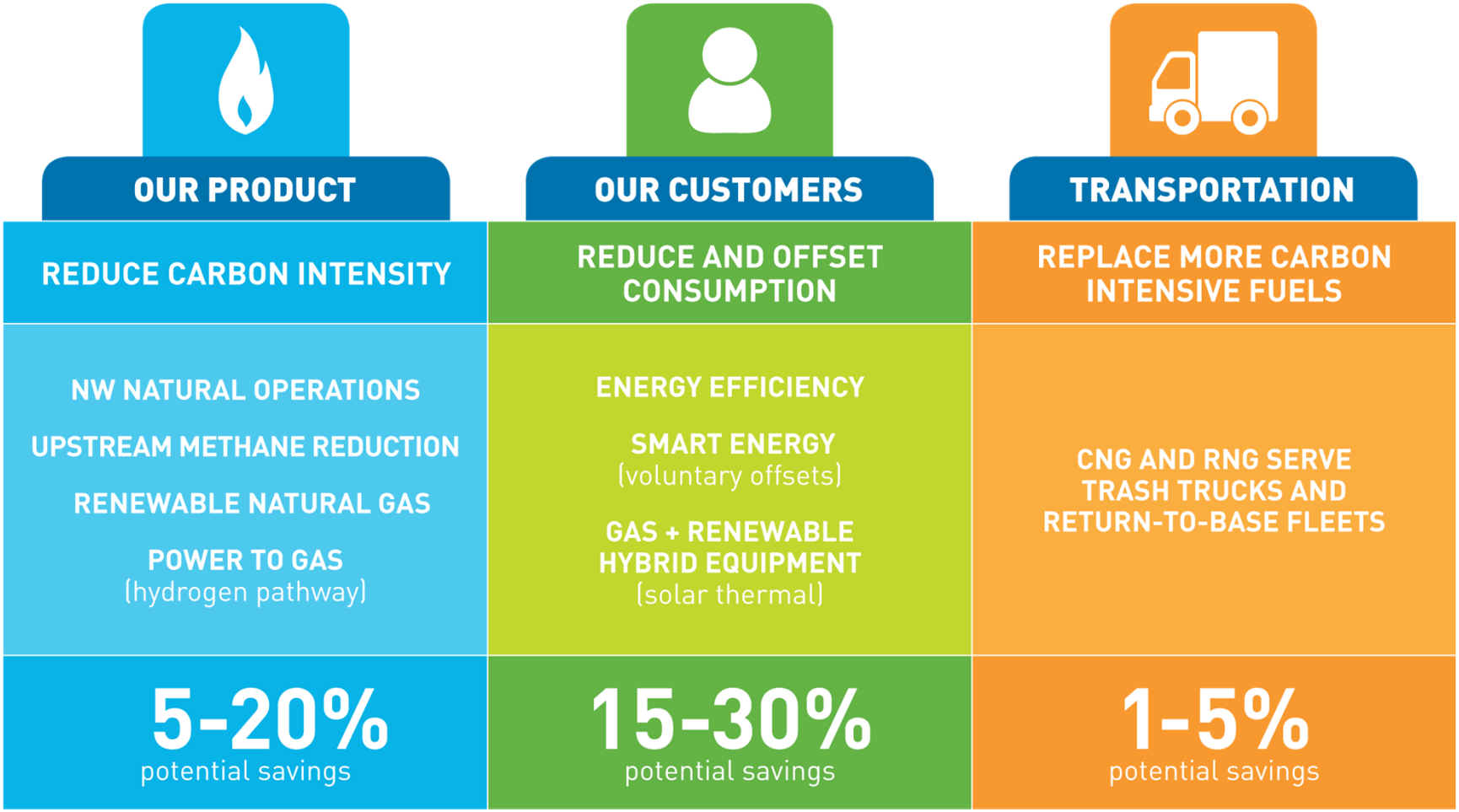
* Source: State of Oregon DEQ In-Boundary GHG Inventory.

** Residential & Commercial emissions included are those that are not from electricity or natural gas use

***** Washington is currently under development.**

GOAL: 30% SAVINGS BY 2035

Based on carbon emissions savings associated with current and new customers by 2035, from a 2015 baseline.



COMMISSIONERS

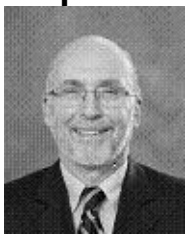
Oregon Commission (OPUC)

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

John Savage, Commissioner



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

Megan Walseth Decker, Commissioner



- Appointment begins April 2017
- Term ends March 2021

Washington Commission (WUTC)

David Danner, Chair



- Appointed chair February 2013
- Current term ends January 2019

Ann Rendahl, Commissioner



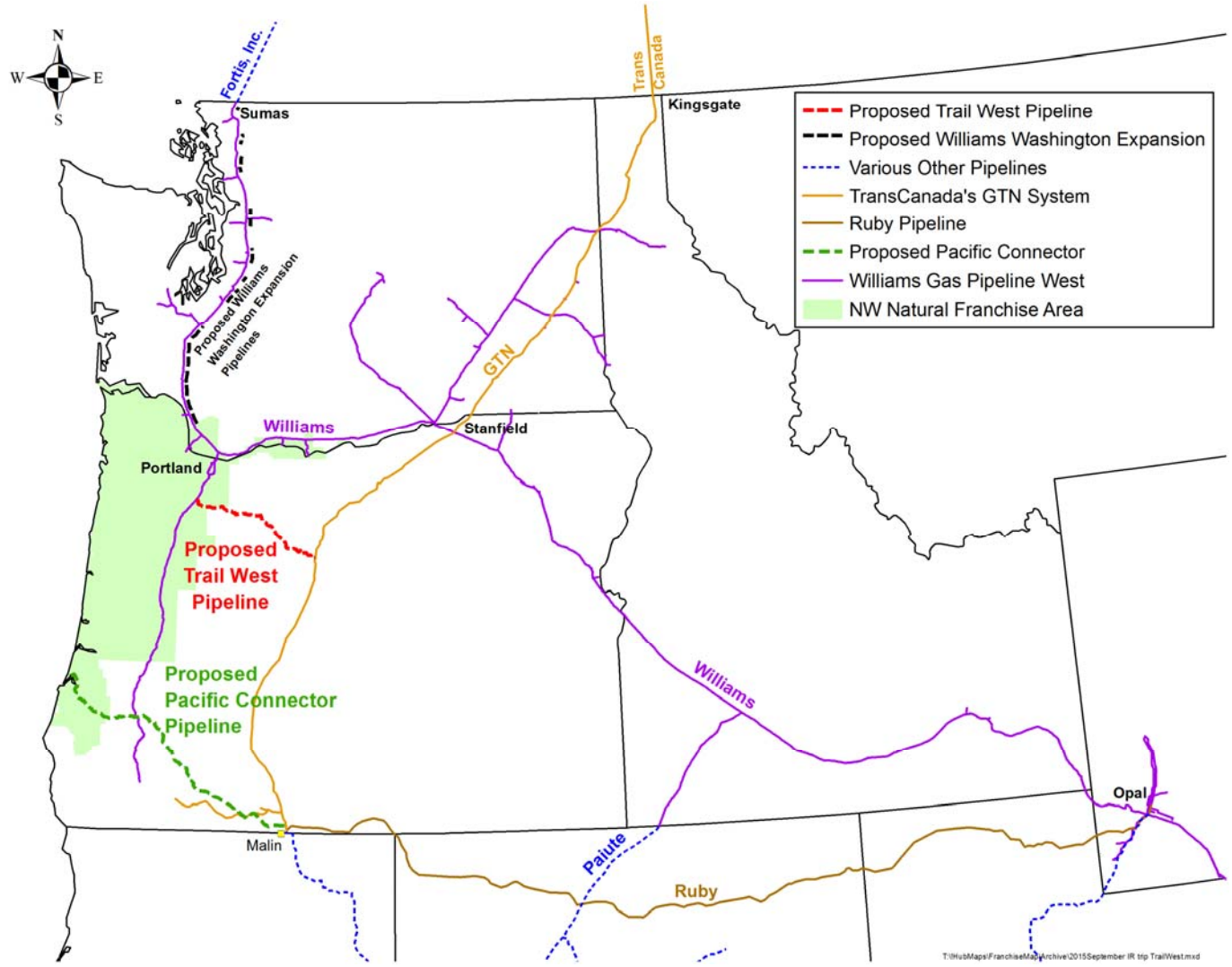
- Appointed December 2014
- Current term ends November 2020

Jay Balasbas, Commissioner



- Appointment begins May 2017
- Term ends January 2023

POTENTIAL TRAIL WEST PIPELINE



LEAD. INNOVATE. GROW.

