NW Natural®

We grew up here.



September 2011
Investor Presentation
US Capital Advisors LLC

NW Natural

Forward-Looking Statements

This report contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's future operating results will be affected by various uncertainties and risk factors, many of which are beyond the Company's control, including governmental policy and regulatory action, the competitive environment and economic factors, as well as weather conditions. The company's expectations, beliefs and projections are expressed in good faith and are believed to have a reasonable basis. Any forward-looking statement speaks only as of the date on which our statement is made, and the company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which it is made. For a more complete description of these uncertainties and risk factors, see the Company's most recent reports with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8K, that could cause the actual results of the company to differ materially from those projected.

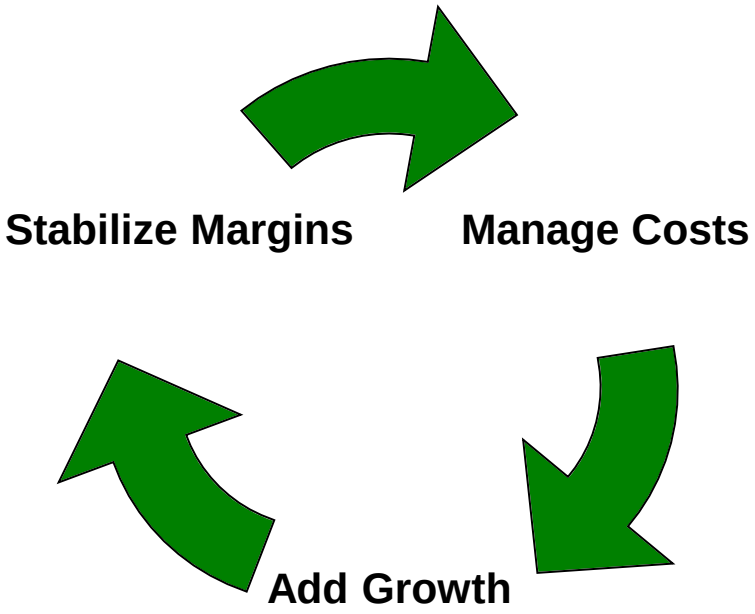
NW Natural at a Glance

- Approximately 676,000 customers in OR & WA
  - 90% Oregon, 10% Washington
  - Largest LDC in Northwest
- A distribution and transmission system totaling approximately 14,000 miles
- A total of 31 BCF of designed underground gas storage capacity (with expansion potential) in OR & CA
- Economists believe economic recession has hit bottom and will gradually improve in the Northwest
- Conversion opportunities exist due to gas coming late to the West Coast
- Constructive regulatory environment
- Gas reserves project operating as designed
- Strong balance sheet & financial condition with low refinancing risk with strong credit ratings
- Earnings of $2.73 per share in 2010
- Experienced management team
- JD Power Customer Satisfaction — consistently top 3-rating in U.S — #1 in US & West for gas utilities in 2010 among residential and commercial customers
- Indicative dividend rate of $1.74 per share & 55 years of increasing dividends paid



NW Natural Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas LDCs
  - Work well with regulators & others
- Managing cost structure
  - Continuing to make improvements
  - Increased use of technology to improve reliability & safety
- Adding longer-term growth opportunities that fit NWN's "DNA" risk profile and leverage what we do best
  - Gas reserve investment to provide low-cost, long-term gas supplies to Oregon customers
  - Gill Ranch Gas Storage in California
  - Mist Gas storage expansion opportunity in Oregon
  - Palomar pipeline project in Oregon



2010 & 2011 Highlights

- Earned $2.73 per share in 2010 on earnings of $73 million, compared to $2.83 per share on earnings of $75 million in 2009
- Gill Ranch Gas Storage facility completed and operational near Fresno
- First mover on unique gas reserves joint venture agreement to provide approximately 30-year gas supply for Oregon customers
  - First wells and gas reserves operating as expected and on schedule
- Company ranked highest in the nation in 2010 among gas utilities for residential customer satisfaction – consistently among top 3 in U.S.by J.D. Power
- Oregon and Washington customers saw a rate decline for a second year in a row for current heating season, with a projected third year of declines for 2011/12
- Strong financial position and credit ratings
- No longer subject to SB 408 volatility in Oregon with repeal in May 2011
- Bad debt expense kept to 0.24% of revenues at June 30, 2011
- Increased quarterly dividend in October 2010 to 43.5 cents per common share from 41.5 cents per share – a five percent increase – and 55th consecutive year of increasing dividends paid in late 2010 (indicated annual dividend of $1.74 per share)

Regulatory Activity

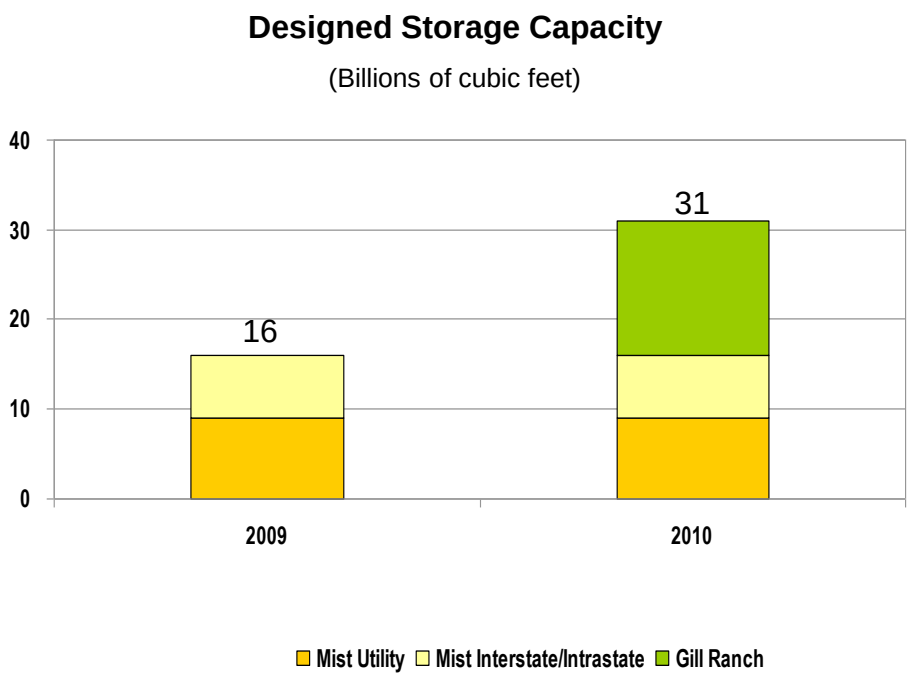
- **OPUC approval of Encana transaction on April 29, 2011**
  - Rapid turnaround and all-parties settlement important to gain approval and completion of ~$250 million gas reserves investment
- **Company plans to file general rate case in Oregon by end of 2011**
- **Customers received 2% rate decrease for current PGA year**
  - Selected 90/10 sharing mechanism for 2010/11 heating season
  - Anticipate lower rates for customers for next heating season starting in November
- **SB 967 repealed SB 408 (Oregon tax legislation)**
  - SB 967 required NWN to expense 2010 deferred amounts of $7.4 million ($4.4 million after tax or 17 cents per share), which was taken in Q2
  - No longer subject to SB 408 volatility

Adding Growth

- **Storage**
- **Gas Reserves**
- **Palomar Pipeline**

Natural Gas Storage

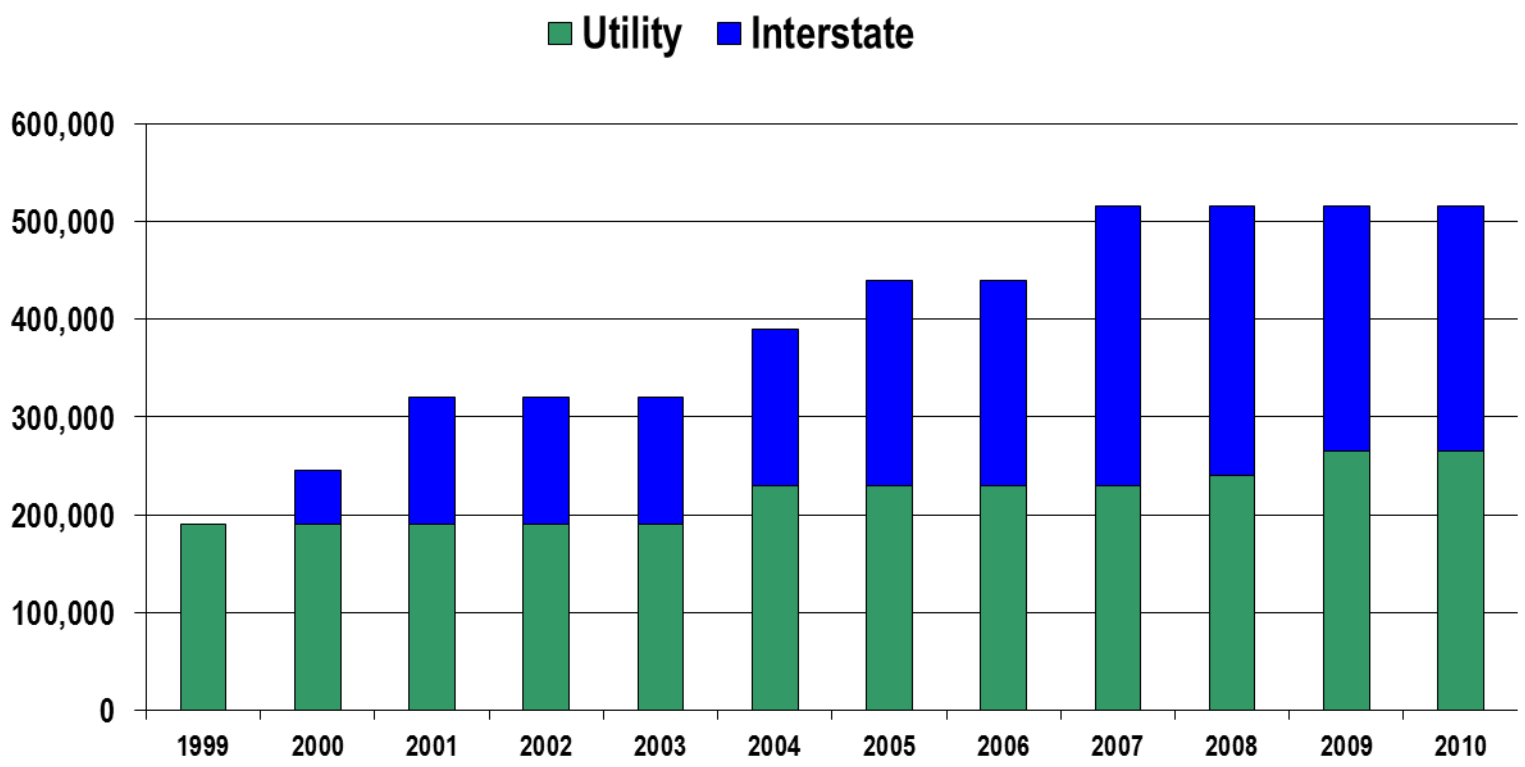
- Key utility resource at Mist (OR) – 16 Bcf
  - Least-cost seasonal peaking supply
  - Low incremental development costs
  - Investment rolled into rates as needed for core customers
- Gill Ranch Storage located near Fresno, Calif., at a prime location to serve customers – a 20 Bcf designed facility – with expansion potential
- Separate business segment – Gas Storage
- Additional storage capacity in advance of core customer needs can be developed for the interstate market
- Non-utility opportunities for interstate storage and optimization services
- Favorable optimization sharing mechanisms
  - Third party management of optimization
- High deliverability, multi-turn capability – several turns per year capability at Mist & Gill Ranch Storage



NW Natural

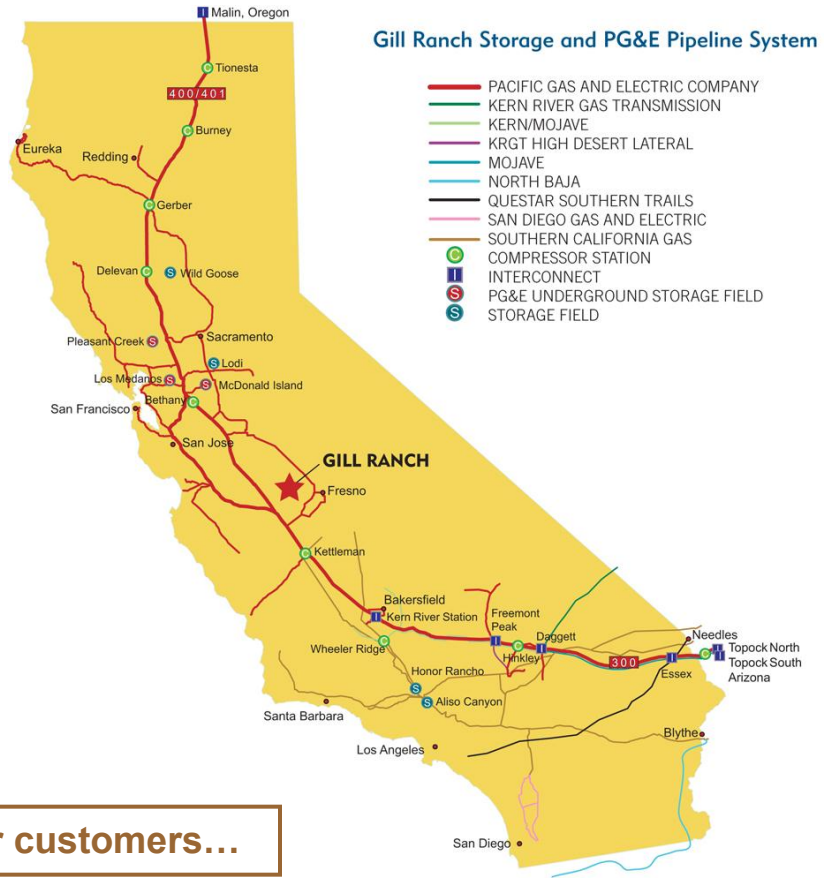
Historic Mist Integrated Development

(Deliverability/Dtherms)



Gill Ranch Storage Overview

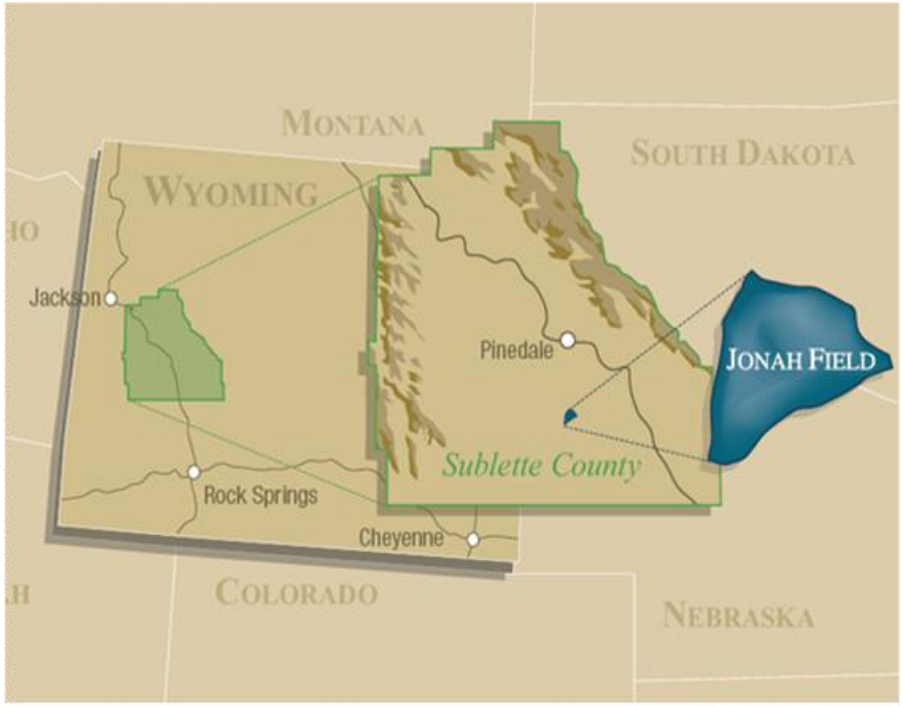
- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
- Depleted gas reservoirs
- Phased development
  - 20 Bcf designed capacity
  - Significant portion of first year's capacity contracted
  - Expandable per market needs
- GRS operational and working as designed in first season
- 75/25 venture with PG&E, with NWN owning 75% share of first phase



Strategic location for customers…

Gas Reserves Joint Venture with Encana

- **Strategic focus:**
  - NW Natural is investing in a joint venture to earn working interests in gas reserves with Encana Oil & Gas (USA)
  - JV operations with Encana in the Jonah Field in sections that include currently producing wells and future wells
  - Agreement provides gas for 30 years with the majority flowing in first 10 years
  - Venture is expected to provide approximately 8-10 percent of NWN's average annual requirements over first 10 years
  - Price will be ~$45-55 million per year, for a five-year period, totaling about $250 million
  - New investment will be tracked as rate base into rates at each PGA filing
  - Approved by Public Utility Commission of Oregon (OPUC) in May & wells producing on target

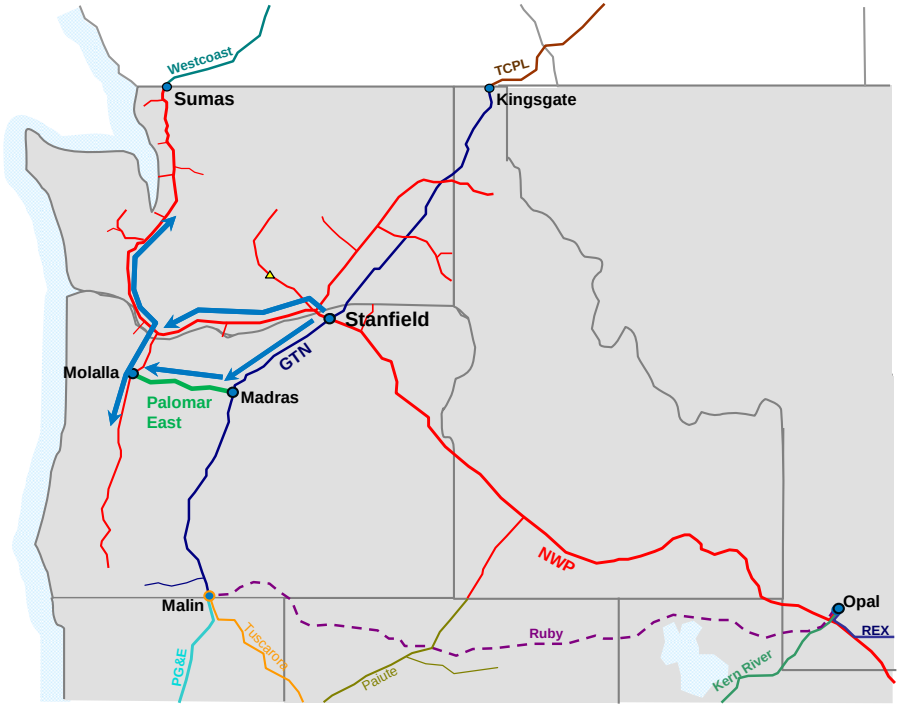


The Jonah Gas Field

- One of top 10 U.S. producing gas fields by reserves
- Located north of Rock Springs, Wyoming, in proven field
- Field contains an estimated 2 Trillion cubic feet equivalent of proved reserves, and produces the equivalent of 1.5 percent of total U.S. daily consumption
- Operations will be in sections that include currently producing wells and future wells
  - First wells and gas reserves on target – drilling started in May
- Proven successful development results and track record



Palomar Pipeline Project Overview



Project Purposes

- Palomar East
  - – Access natural gas supplies for regional growth
  - – Provide a second pipeline delivery path to NW Natural for reliability

Project Review

- 50/50 JV with TransCanada, but have signed non-binding MOU with Williams to potentially become part owners
- Held workshop with WUTC and OPUC in February 2011 to discuss regional infrastructure needs
- Will re-file the FERC application to address changes in the project

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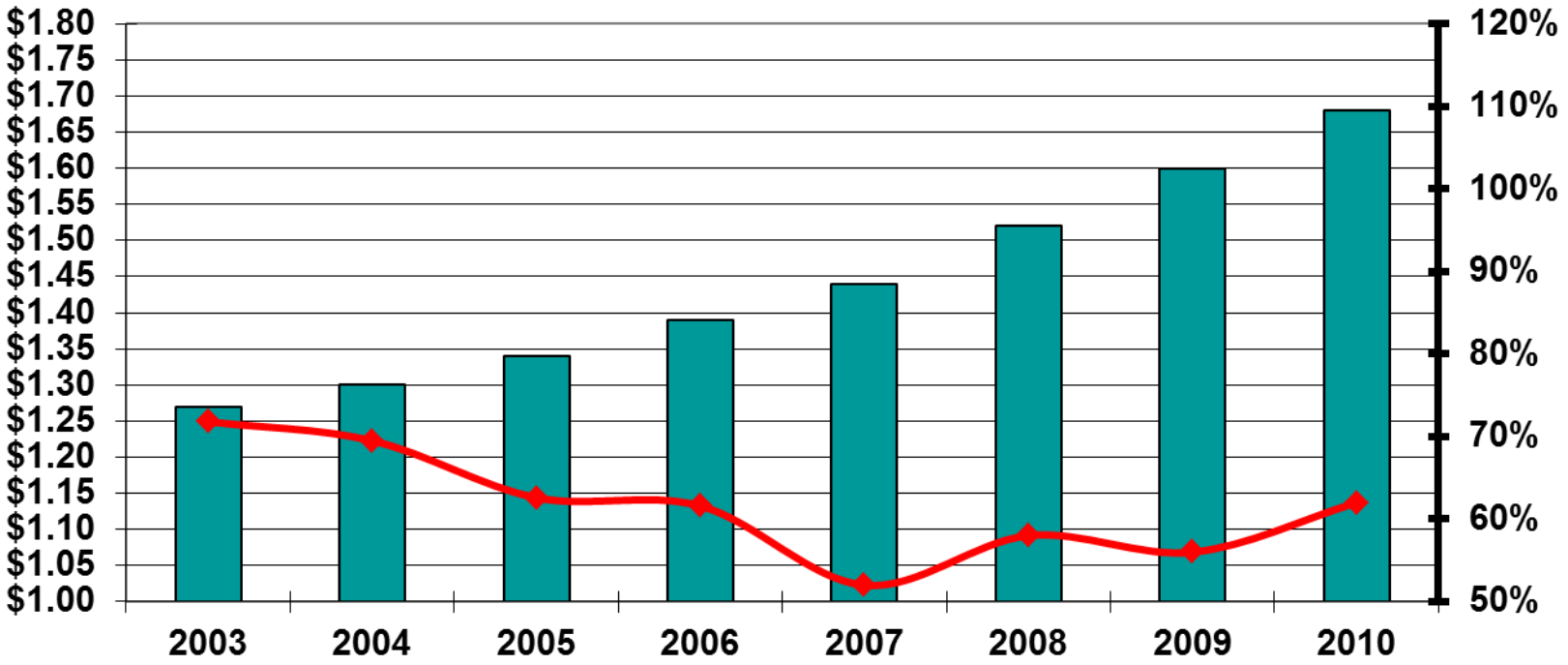
Remains Important Project for Region

Dividend Payout History

(55-year history of increasing dividends paid)



Dividend raised 5% in October 2010 to $1.74 per share annually on an indicative basis

Conclusion

- Gill Ranch Storage facility completed in 2010 and operational
  - NW Natural now operates and controls 31 BCF of designed gas storage capacity
- Company completes and gains approval of unique $250 million gas investment
  - Wells and production on target
- Full-year 2010 earnings were the third-highest in company's history at $2.73 per share on net income of $73 million per share
- Dividends increased in October 2010 by 5 percent – to 43.5 cents per common share quarterly and an indicative annual rate of $1.74 per year
- Economists believe Pacific Northwest's severe recession has bottomed out and expect slow recovery over next several years
- Conversion opportunities exist due to gas coming late to the Northwest (in the mid-1950s)
- Oregon general rate case to be filed by end of 2011 (first since 2003)
- Low-growth plan implemented before it was needed to better align the company with the current, slow-growth economy
- Strong financial and liquidity positions with low refinancing risk
- Strong credit ratings –
  - Secured LT Debt: S&P (A+) and Moody's (A1)
  - Commercial paper: S&P (A-1) and Moody's (P-1)
  - Outlook: S&P (Stable) and Moody's (Stable)

NW Natural

NW Natural (NYSE: NWN) is a 152-year-old natural gas local distribution and storage company headquartered in Portland, Oregon, with a customer growth rate consistently above the national average. NW Natural serves customers in Oregon, Southwest Washington and California. In keeping with its steady growth, the company has increased dividends paid to shareholders for 55 consecutive years. NW Natural operates gas storage facilities in its service territory and provides gas storage services to other energy companies. NW Natural has developed a new gas storage facility at Gill Ranch near Fresno, California, and is looking at other opportunities to add value for customers and shareholders.

KEY INDICATORS:	2011 Q2	2010 Y/E
Total customers	675,002	673,997
Total common equity	$714,628	$693,101
Avg. diluted common shares outstanding (000)	26,727	26,657
Number of registered common shareholders	7,135	7,135
Institutional ownership	60%	58%
Annual Dividends (ttm)	$1.74	$1.68
Diluted earnings per share	$1.61	$2.73
Book value per share	$26.79	$25.99
COMPOSITION OF UTILITY REVENUE:		
Residential	60%	57%
Commercial	29	29
Industrial Firm	6	5
Industrial Interruptible	4	6
Other	2	3
CURRENT BOND RATINGS:	**MOODY'S**	**S&P**
Secured long-term debt	A1	A+
Commercial paper	P-1	A-1
Outlook	Stable	Stable

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