

NW Natural



Creating Value

Welcome to the 2006 NW Natural Annual Shareholders' Meeting

Mark Dodson

President and
Chief Executive Officer

NW Natural



Creating Value

Highlights of the year

- Earned $2.11 per diluted share, up from $1.86 per share the previous year

NW Natural



Creating Value

Highlights of the year

- Earned $2.11 per diluted share, up from $1.86 per share the previous year
- Achieved 19th consecutive year of customer growth over 3 percent

NW Natural



Creating Value

Highlights of the year

- Earned $2.11 per diluted share, up from $1.86 per share the previous year
- Achieved 19th consecutive year of customer growth over 3 percent
- Renewed Conservation Tariff in Oregon

NW Natural



Creating Value

Highlights of the year

- Earned $2.11 per diluted share, up from $1.86 per share the previous year
- Achieved 19th consecutive year of customer growth over 3 percent
- Renewed Conservation Tariff in Oregon
- Marked 50th year of increasing dividends paid

NW Natural


NWN
LISTED
NYSE
NW Natural®
NWN
LISTED
NYSE
50 Years of Dividend Growth
NWN
LISTED
NYSE
OCTOBER
13
THURSDAY
NW Natural®



Creating Value

Highlights of the year

- Ranked #5 nationally, #1 in Pacific Northwest in J.D. Power survey

NW Natural



Creating Value

Highlights of the year

- Ranked #5 nationally, #1 in Pacific Northwest in J.D. Power survey
- Named to 100 Best Corporate Citizens

NW Natural



Creating Value

Highlights of the year

- Ranked #5 nationally, #1 in Pacific Northwest in J.D. Power survey
- Named to 100 Best Corporate Citizens
- Expanded Mist underground storage

NW Natural



Creating Value

Highlights of the year

- Ranked #5 nationally, #1 in Pacific Northwest in J.D. Power survey
- Named to 100 Best Corporate Citizens
- Expanded Mist underground storage
- Updated strategic plan

NW Natural



Creating Value

- Customers spared fallout from hurricanes Katrina and Rita

NW Natural



Creating Value

- Customers spared fallout from hurricanes Katrina and Rita
- Many utilities passed on gas cost increases of 50 percent or more

NW Natural



Creating Value

- Customers spared fallout from hurricanes Katrina and Rita
- Many utilities passed on gas cost increases of 50 percent or more
- NW Natural: 15 percent increase in Oregon, 12 percent in Washington

NW Natural



Creating Value

- Customers spared fallout from hurricanes Katrina and Rita
- Many utilities passed on gas cost increases of 50 percent or more
- NW Natural kept increases to 15 percent in Oregon and 12 percent in Washington
- Help to manage bills: Web site tools, equal payment plans

NW Natural

Richard Woolworth

Chairman of the Board

NW Natural



NW Natural

David Anderson

Senior Vice President &
Chief Financial Officer

NW Natural



Creating Value

Another great year for growth

- Growth in customers
- Growth in earnings and assets
- Growth in capitalization and net worth
- Growth in stock price
- Growth in dividend

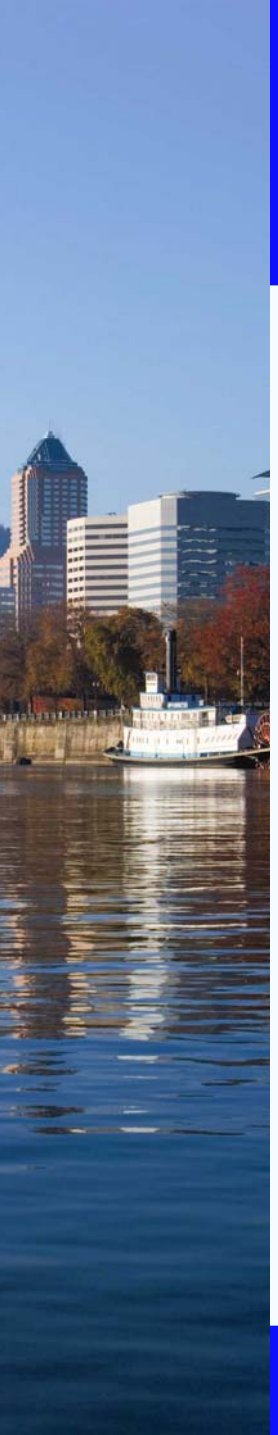
NW Natural

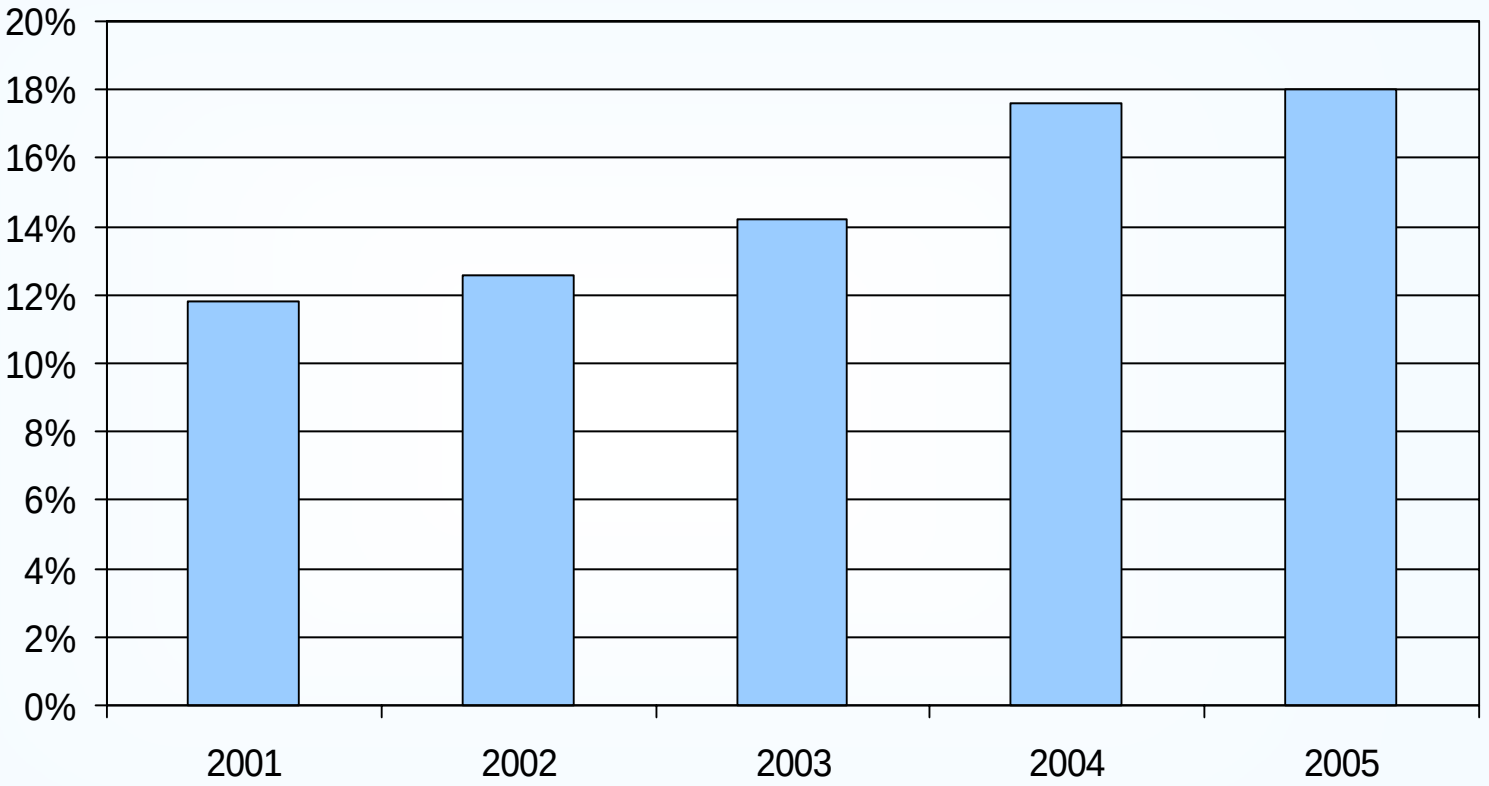
Customer Growth



NW Natural

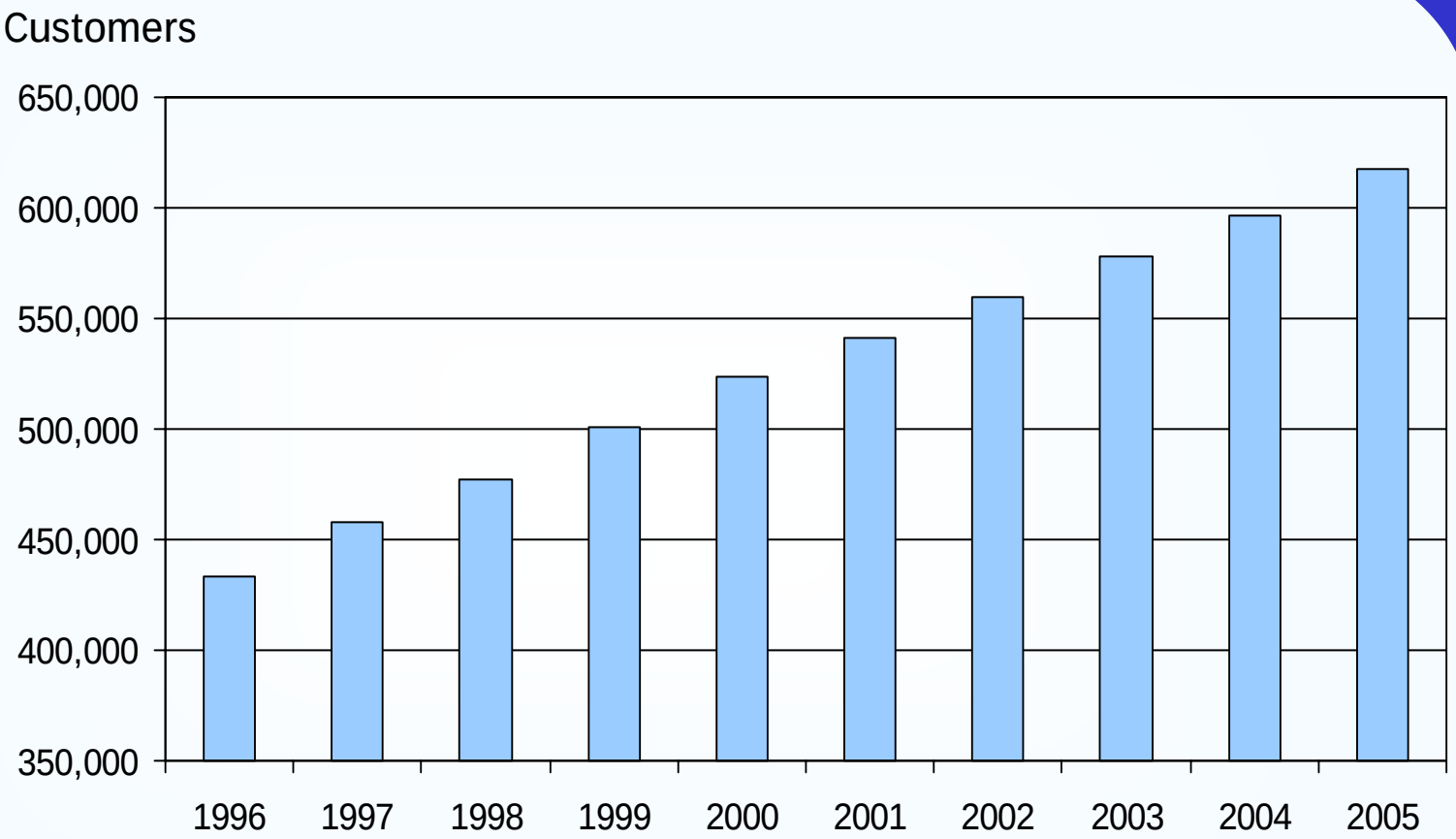
Return on New Residential Customer Investments





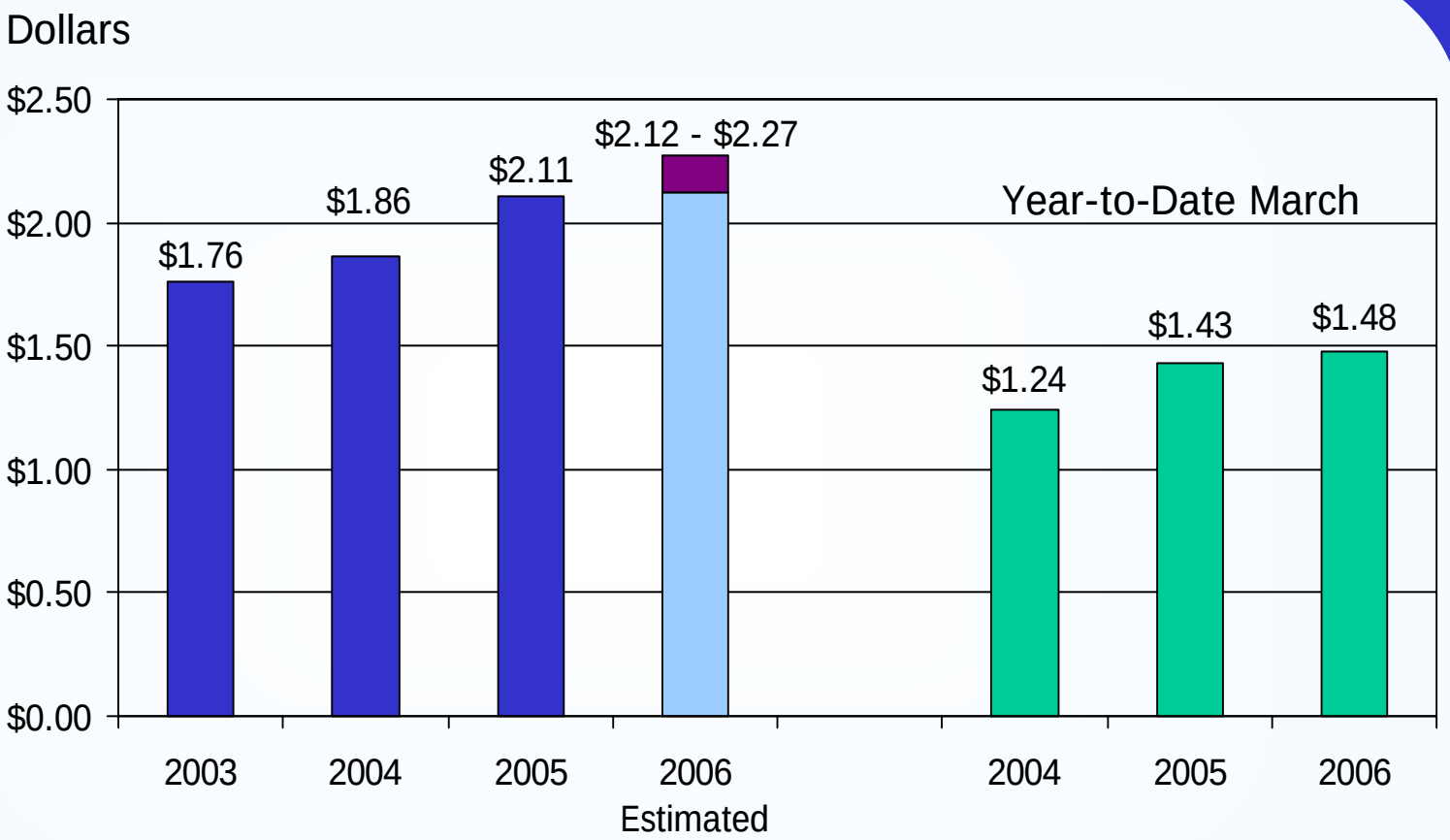
NW Natural

Total Customers



NW Natural

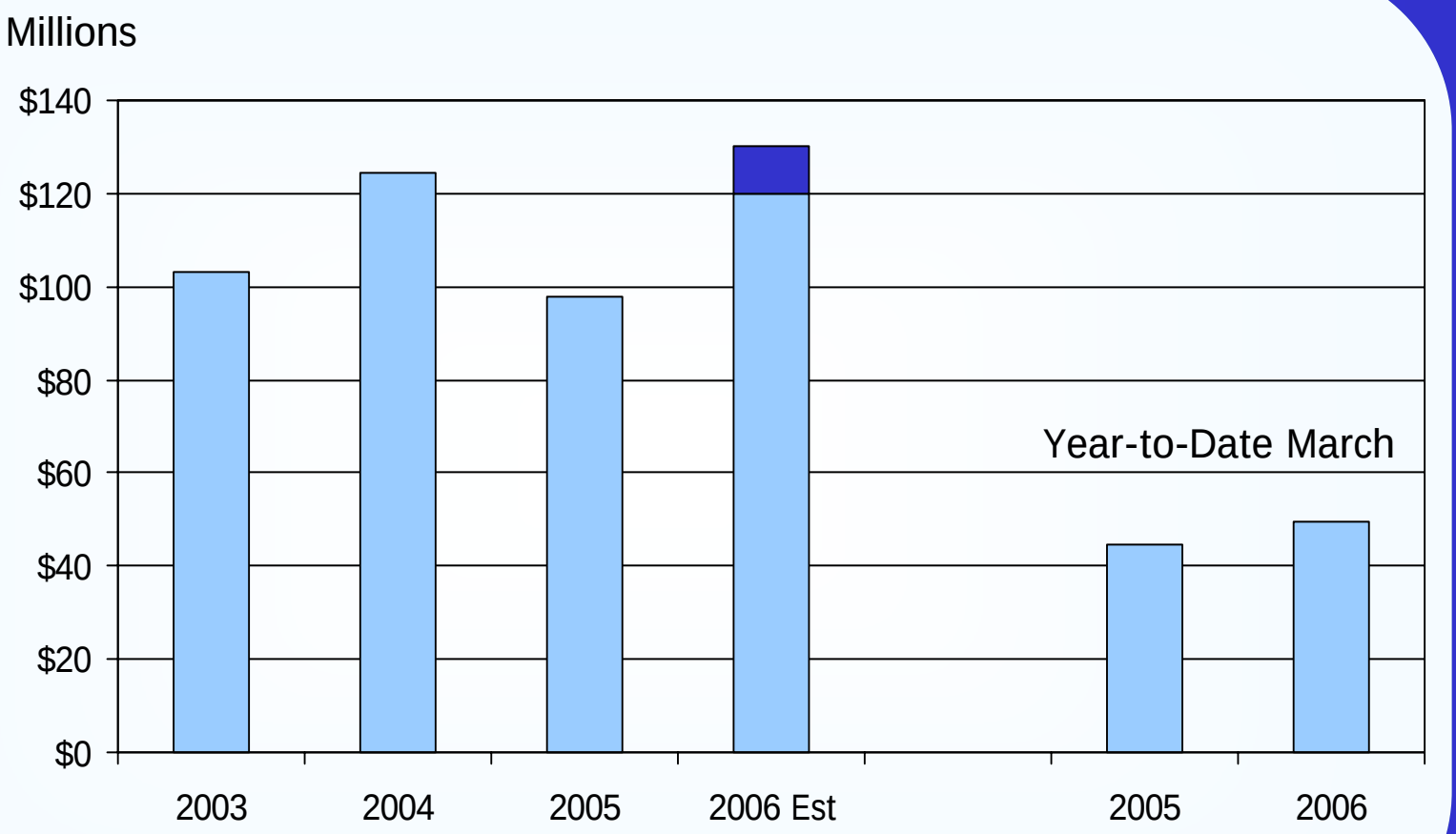
Earnings Per Share



NW Natural

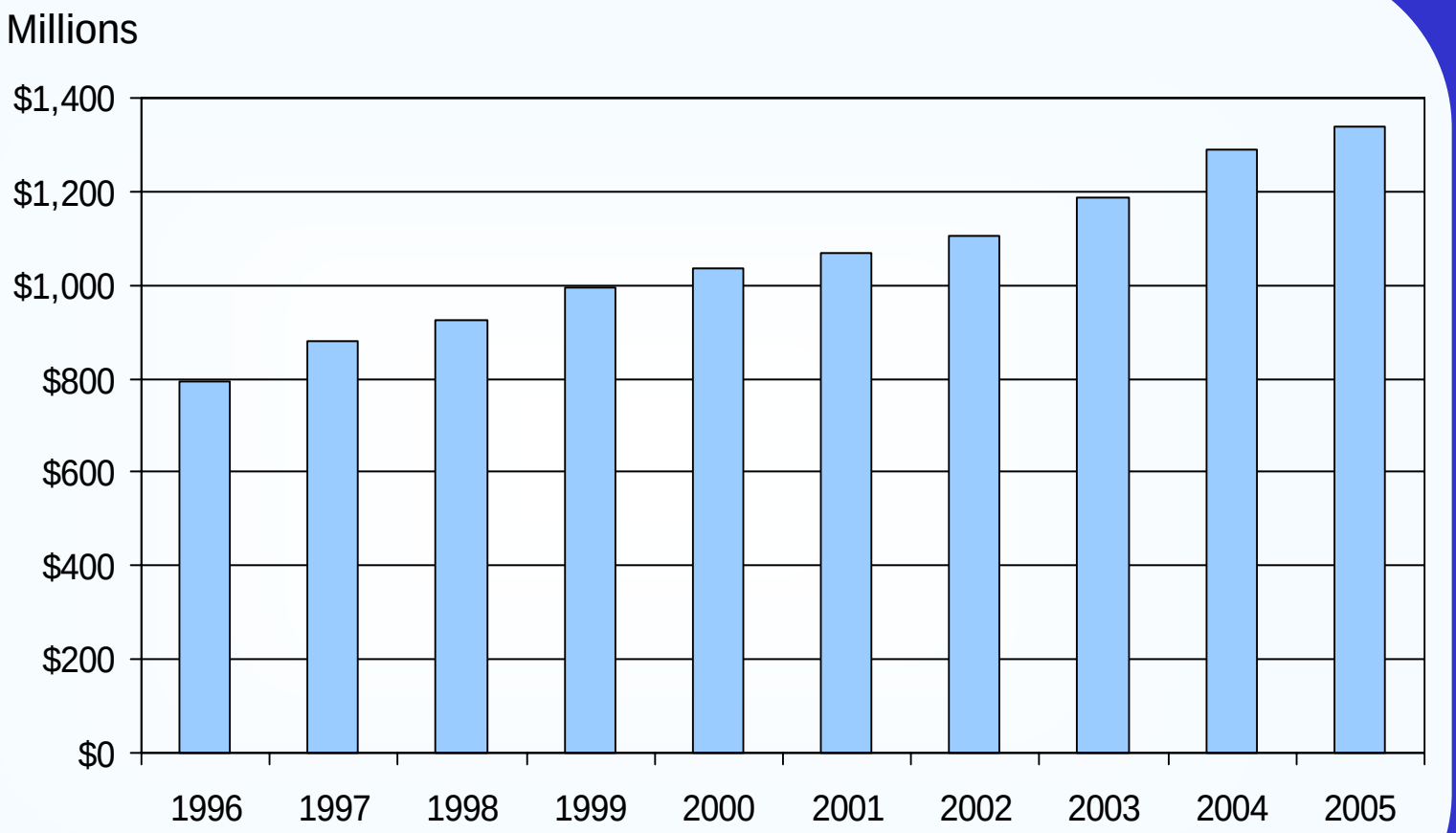
Cash Flow from Operations

(Before Working Capital Changes)



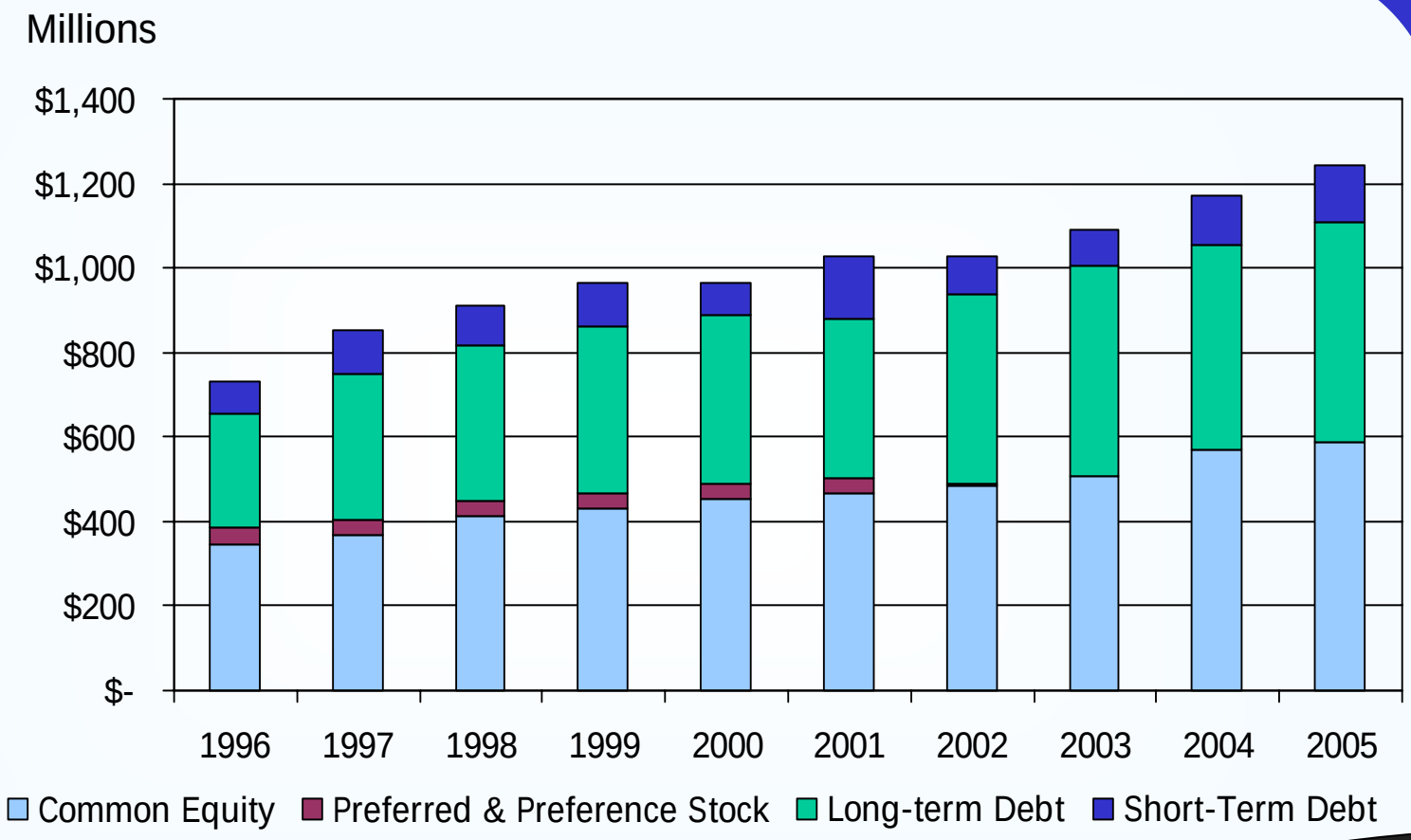
NW Natural

Net Utility Plant Investment

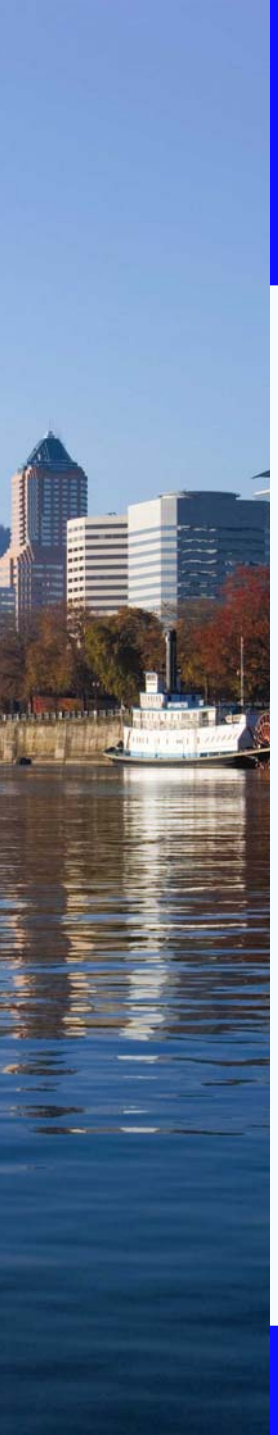


NW Natural

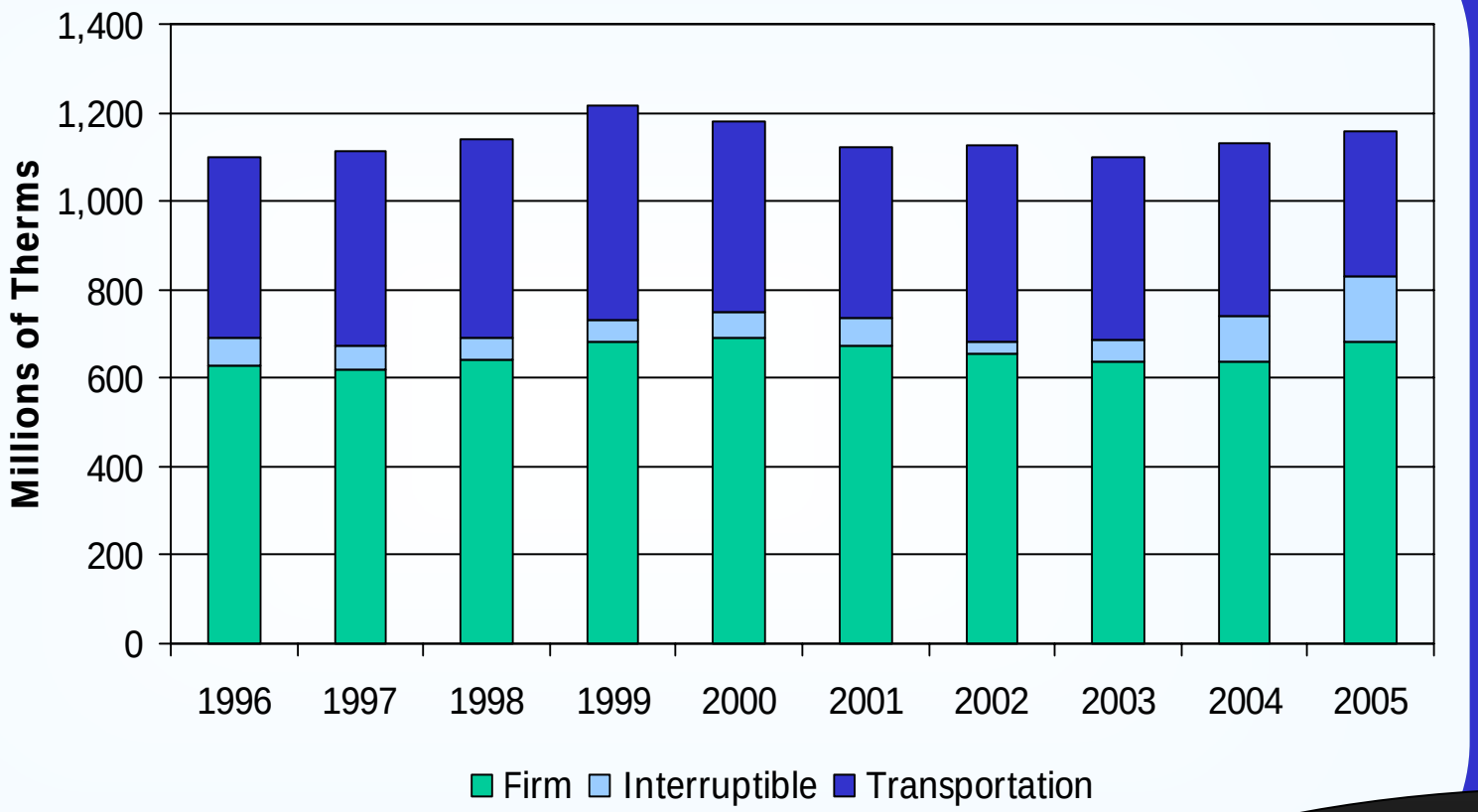
Capitalization



NW Natural

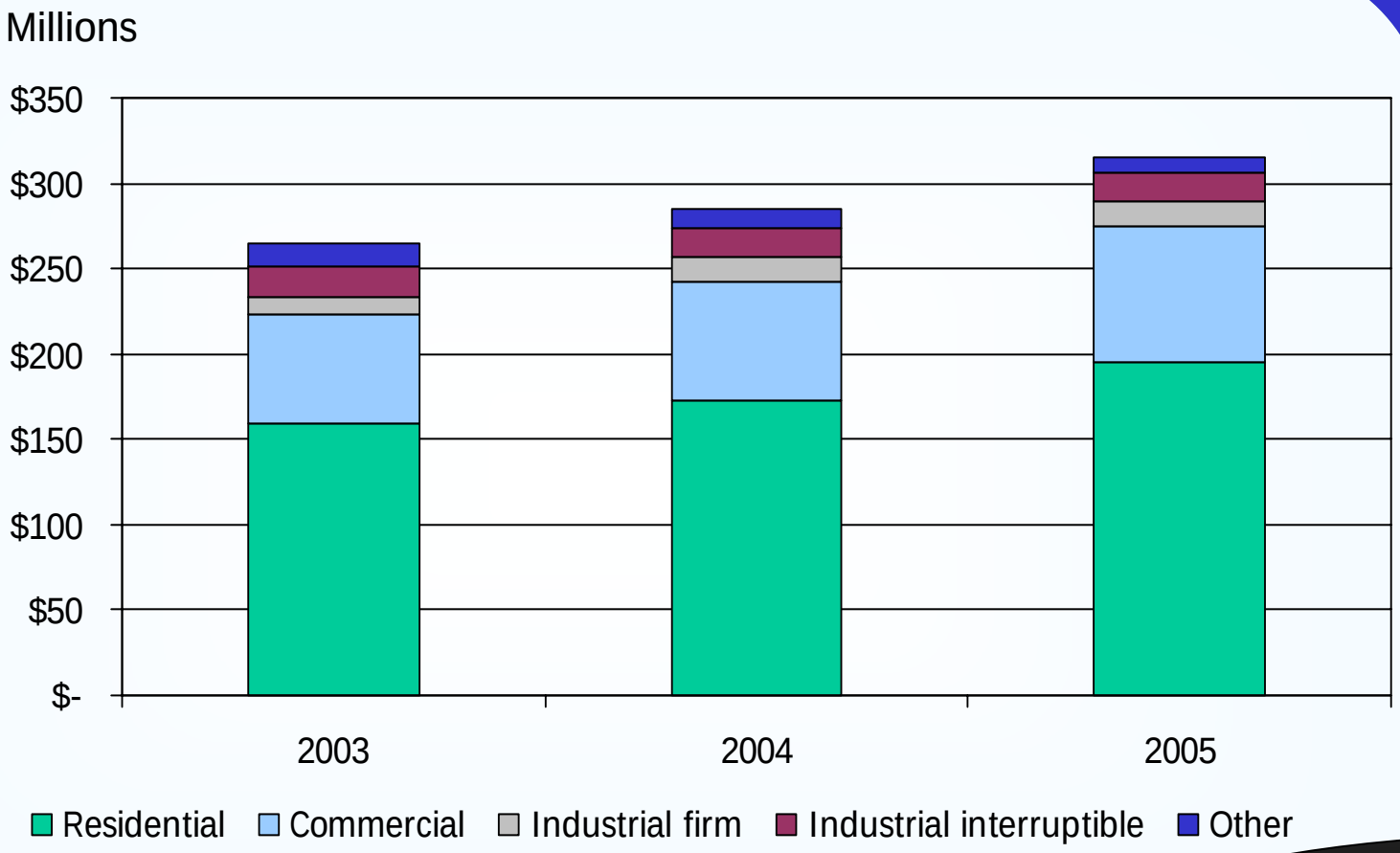


Gas Sales & Transportation Deliveries



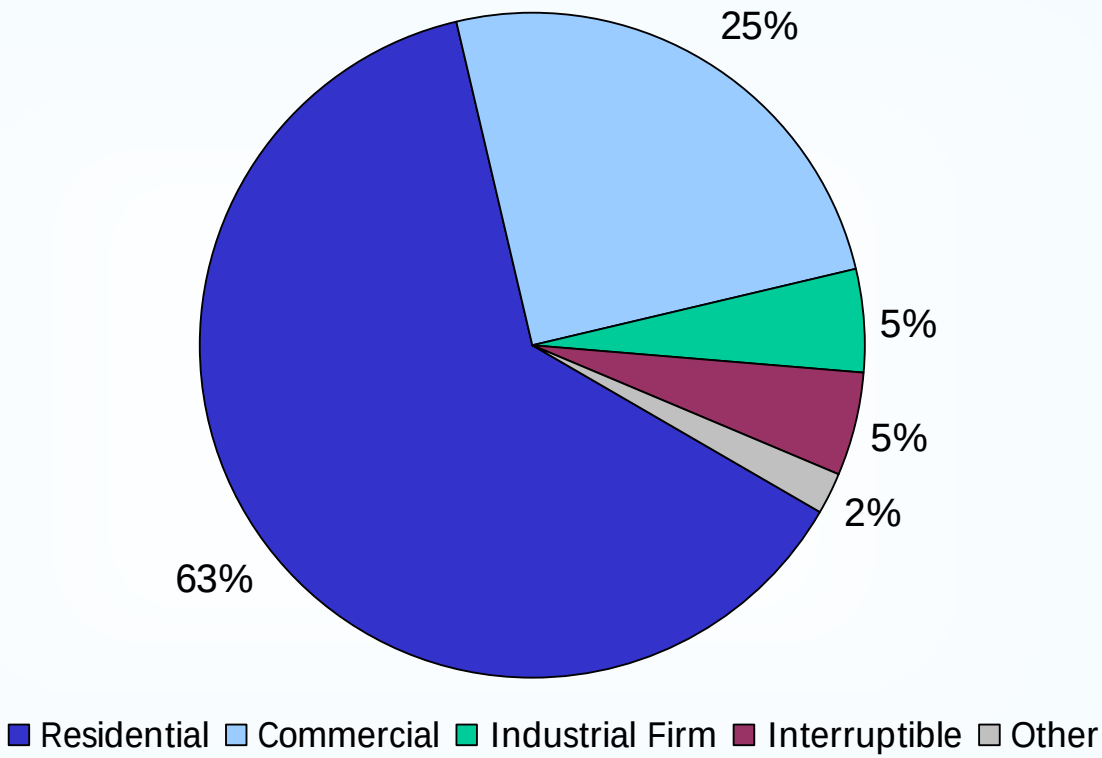
NW Natural

Utility Margin



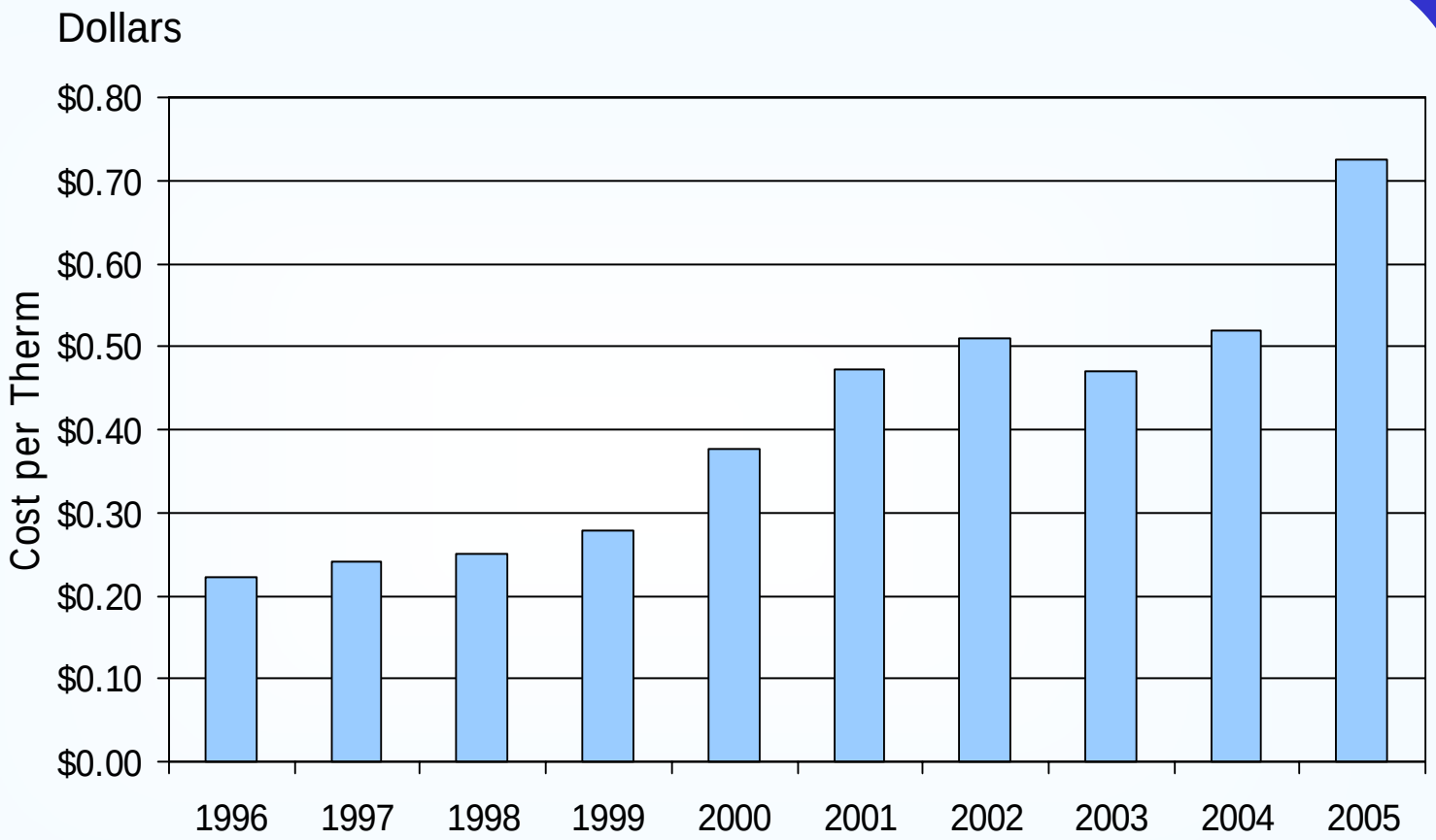
NW Natural

2005 Utility Revenues

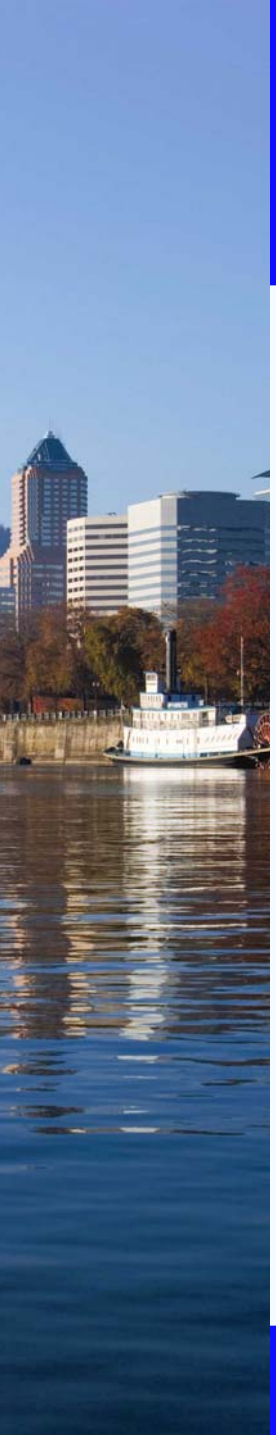


NW Natural

Cost of Purchased Gas

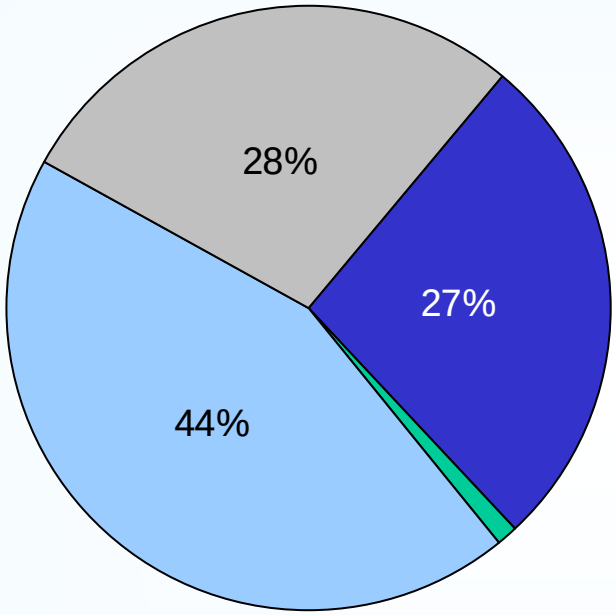


NW Natural



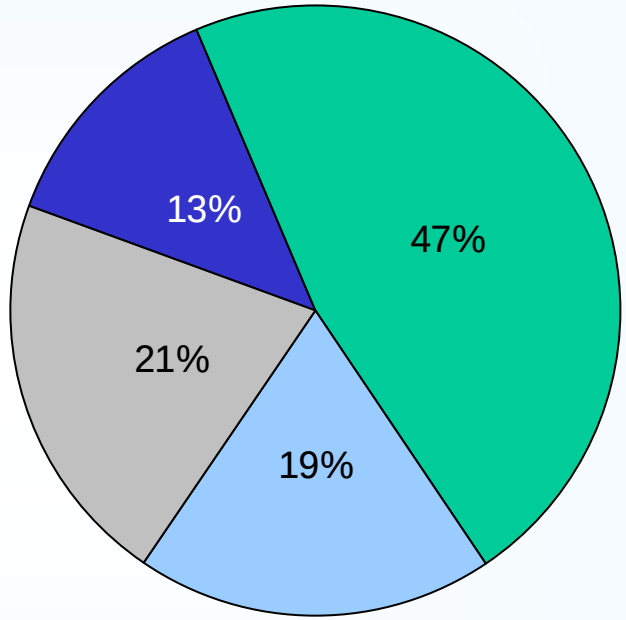
Gas Supply Diversity

Supply Source



- British Columbia
- Mist Production
- Alberta
- U.S Rockies

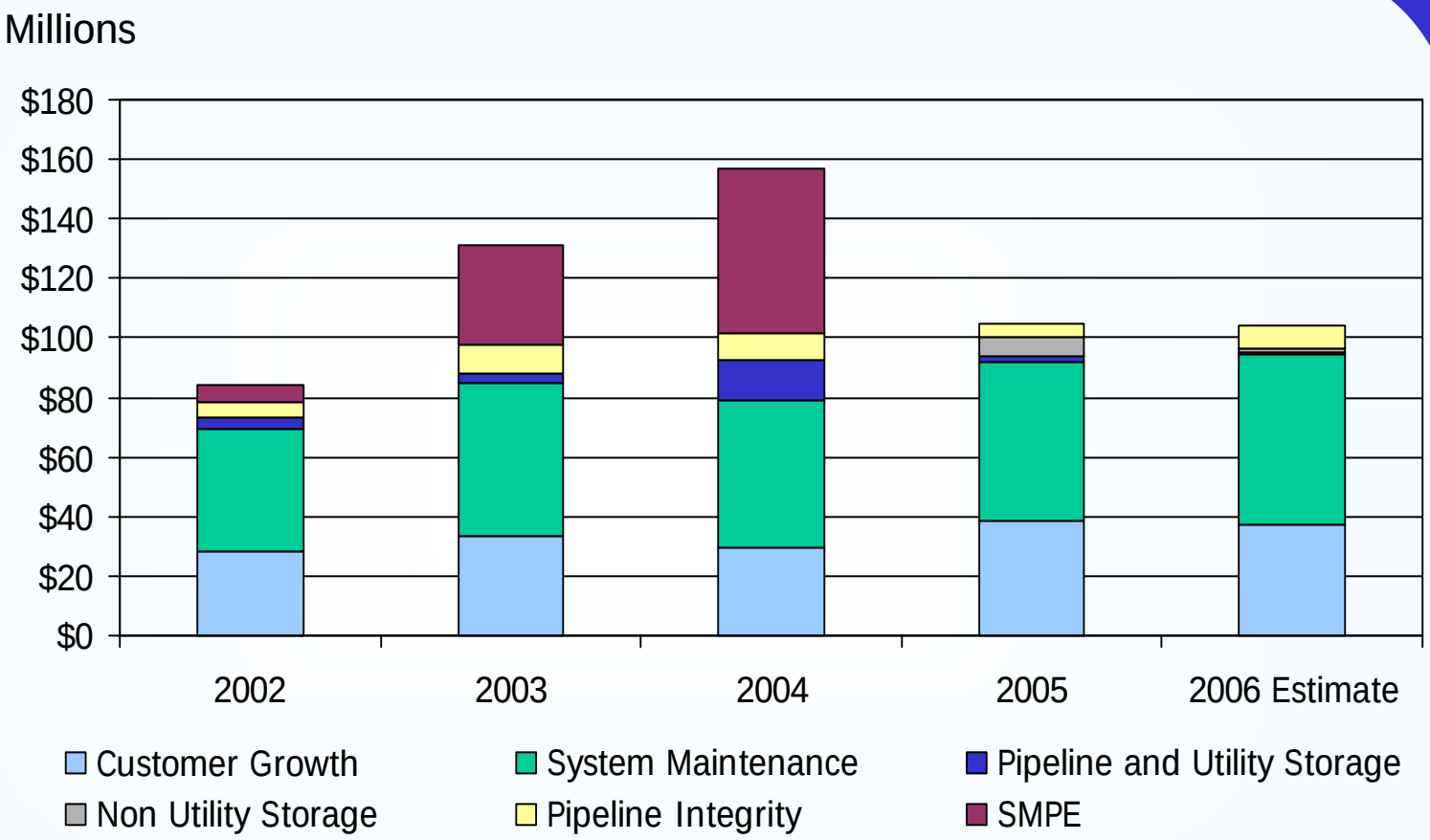
Original Contract Length



- Long-term (10+ years)
- Medium-term (1-9 years)
- Short-term (1-12 months)
- Spot (30 day)

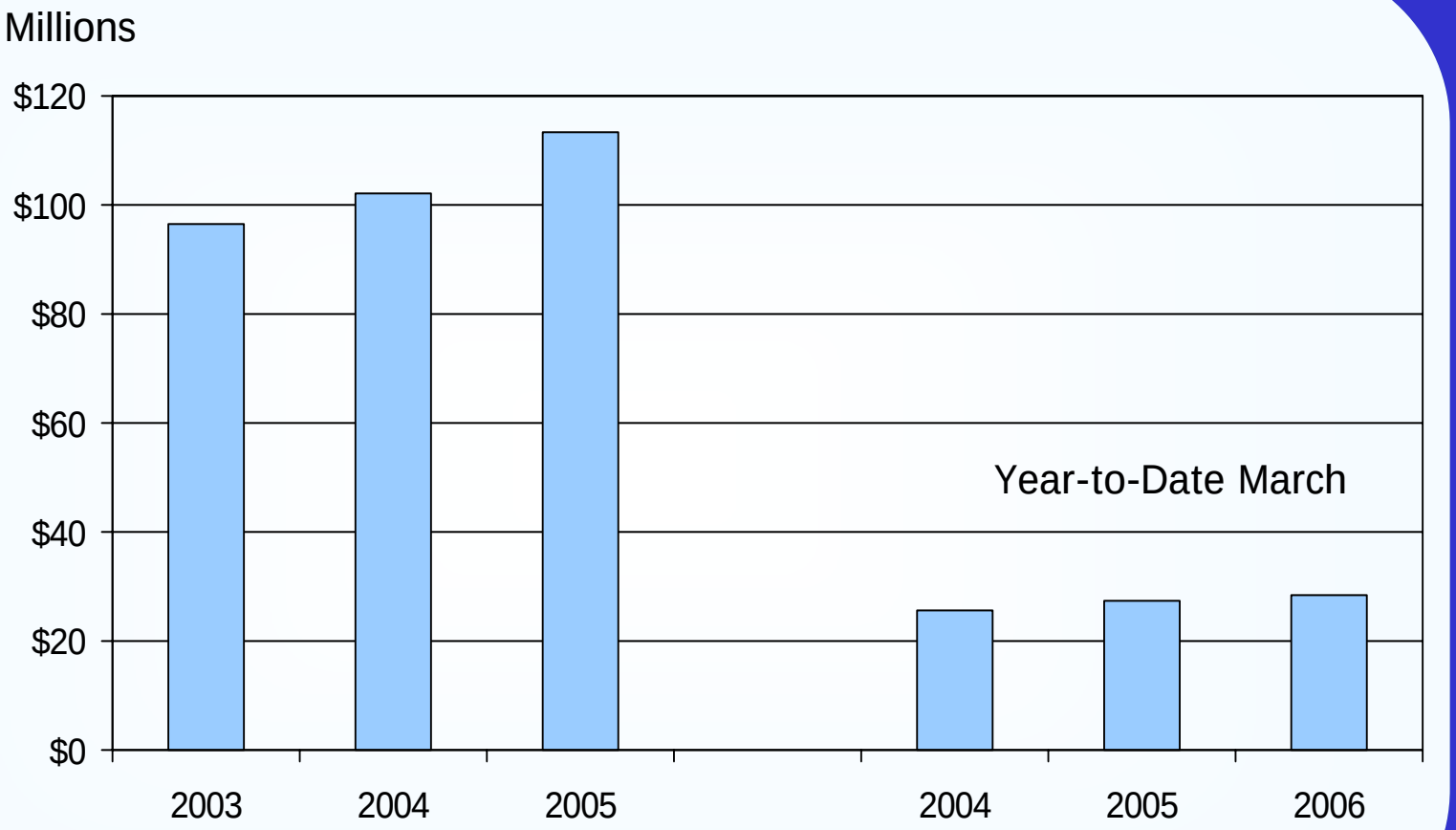
NW Natural

Capital Expenditures



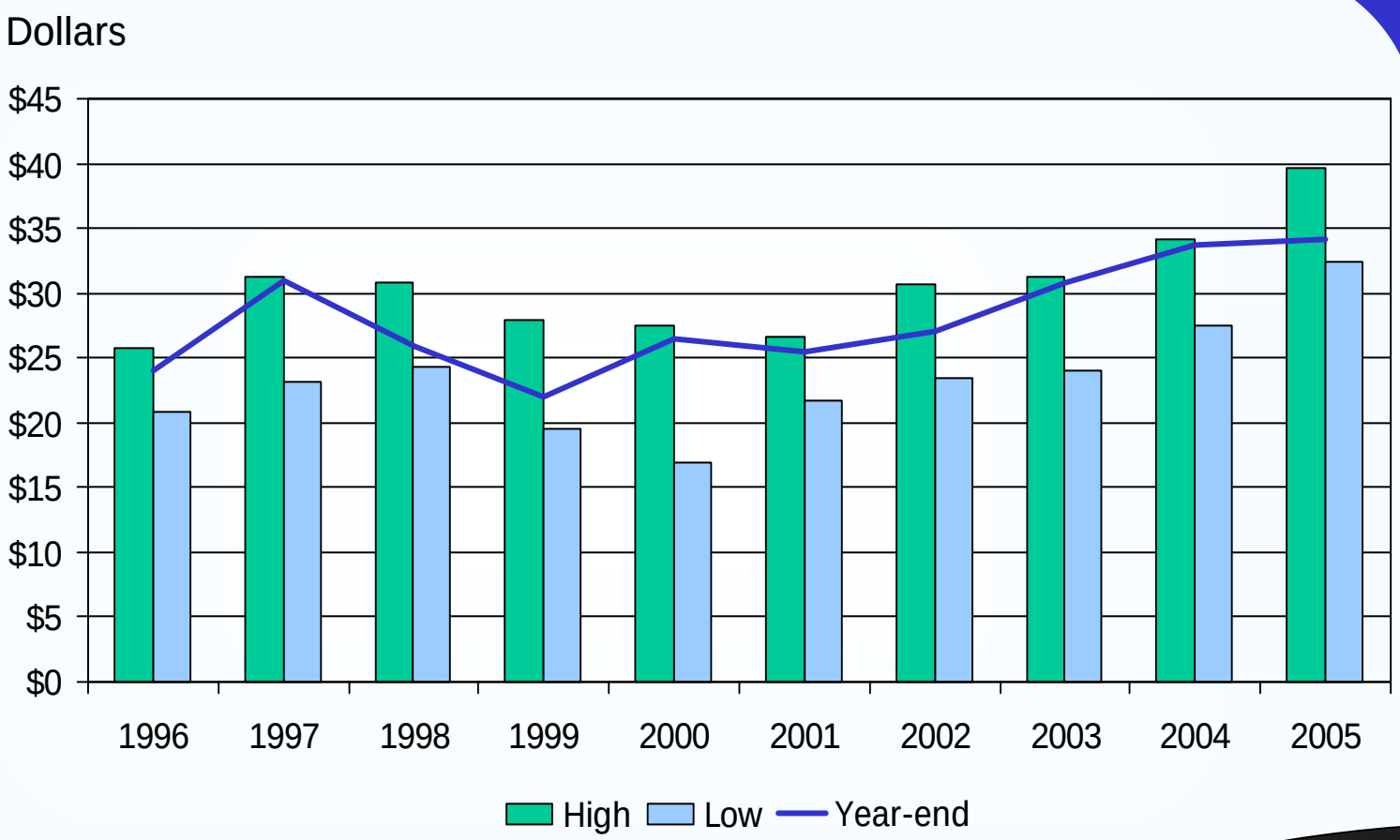
NW Natural

Operations & Maintenance Expenditures



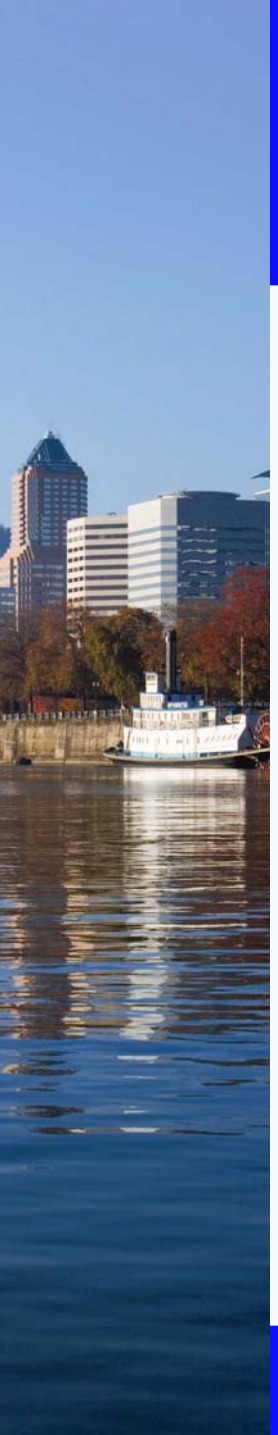
NW Natural

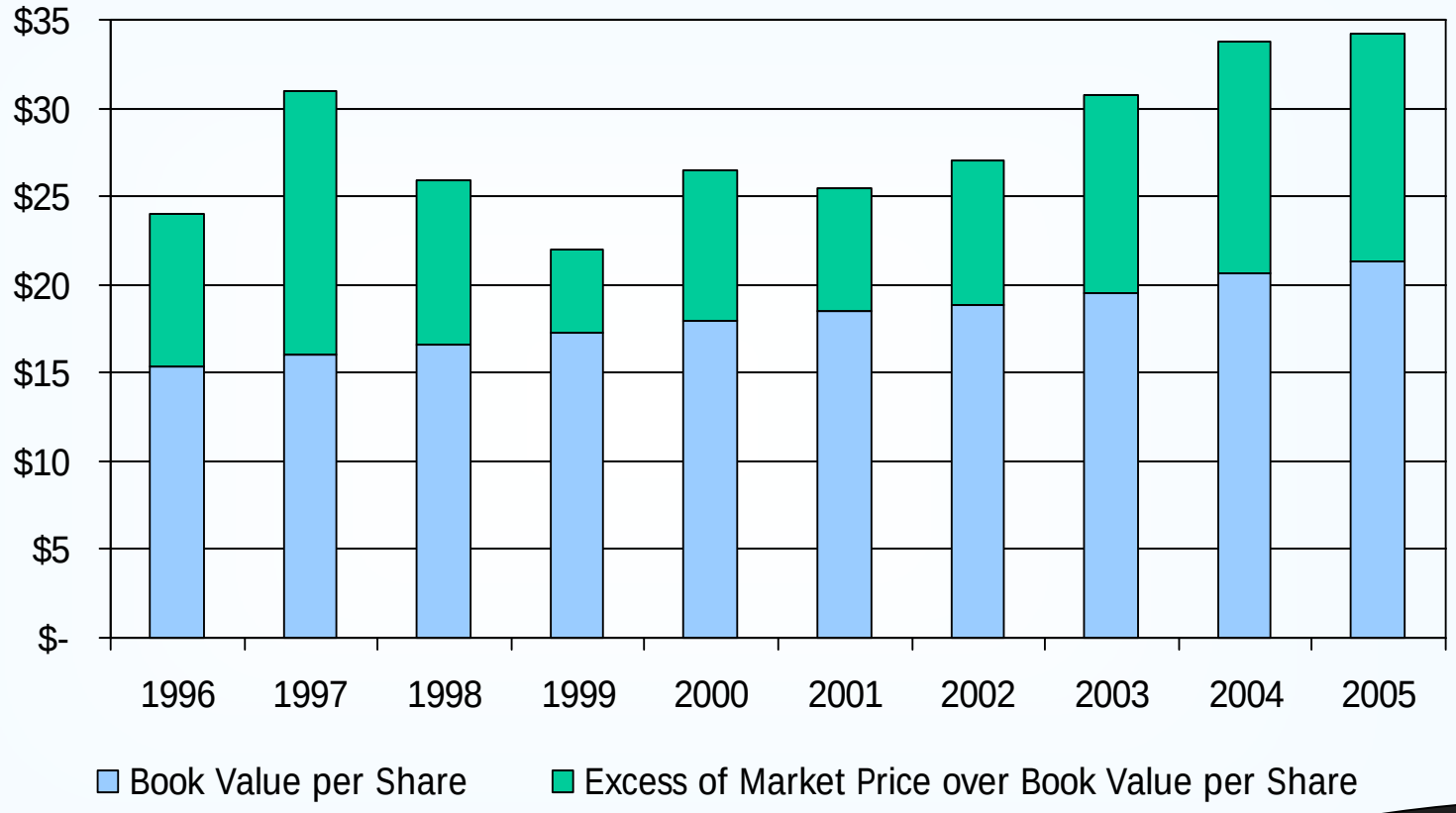
High/Low Market Price per Share



NW Natural

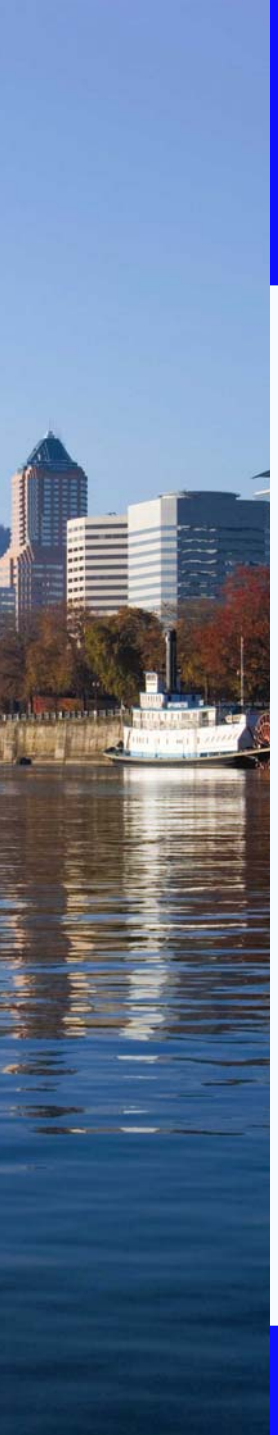
Year-End Market Price & Book Value per Share

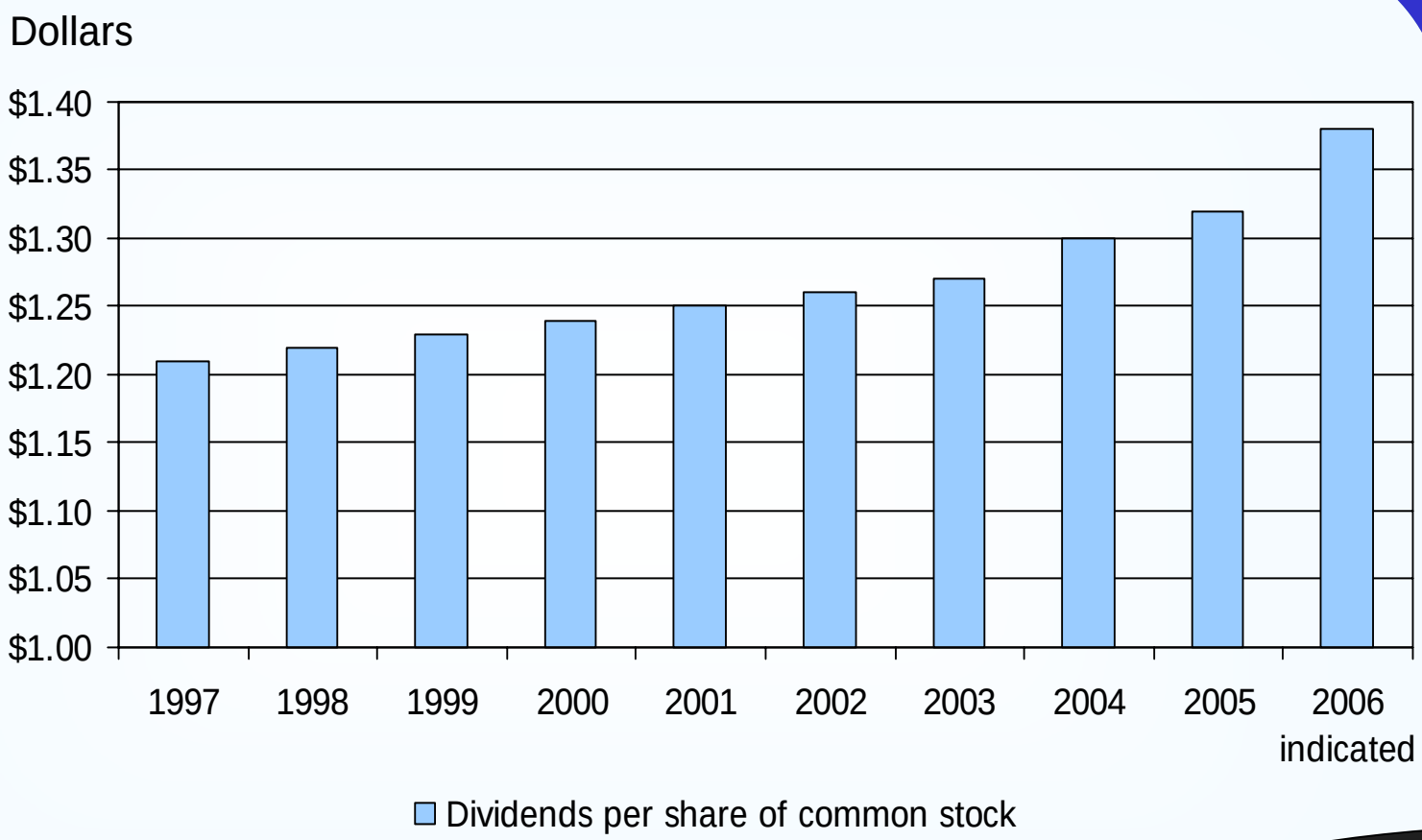




NW Natural

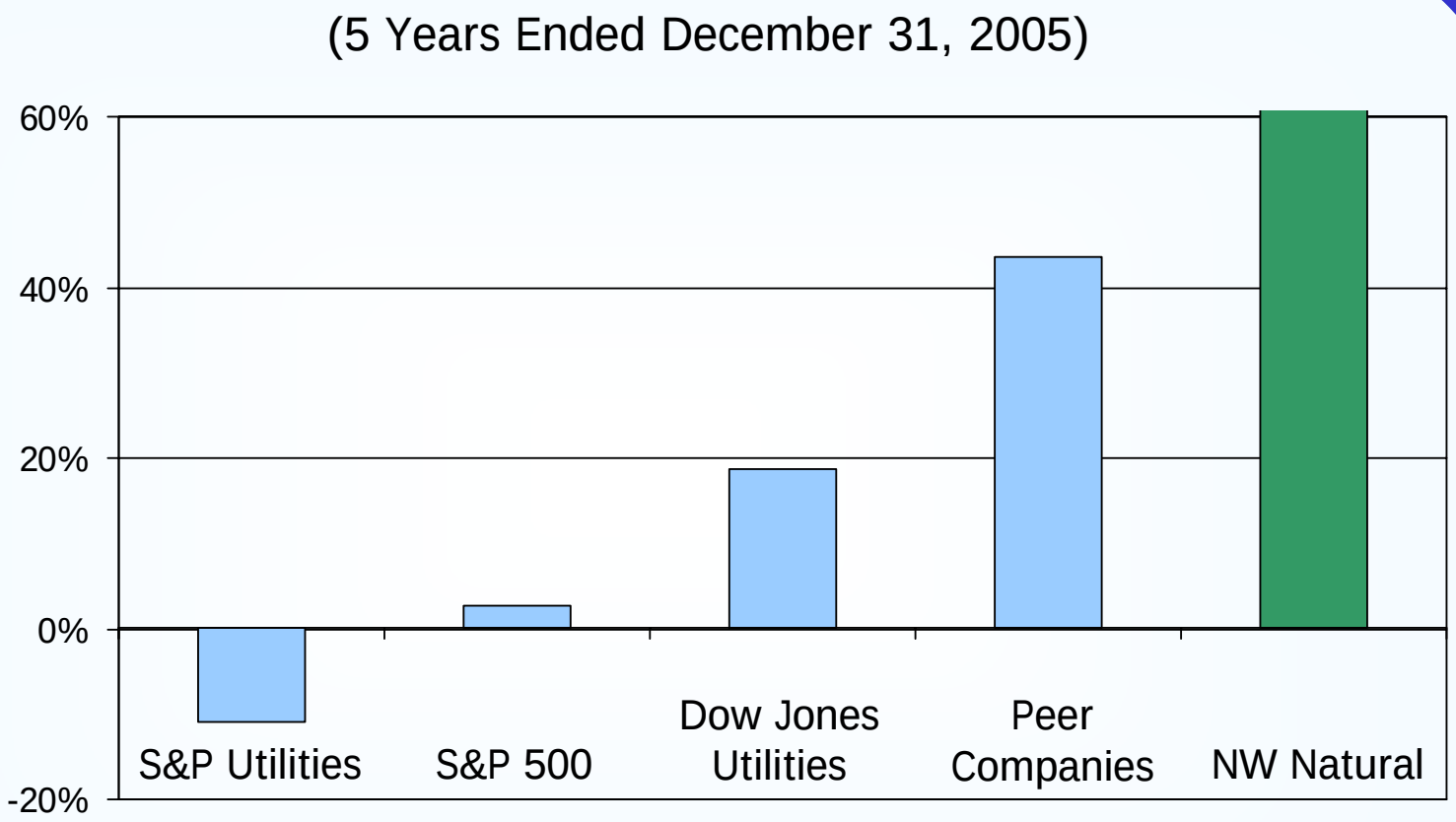
Dividend History





NW Natural

Total Shareholder Return



NW Natural



Valuation

- **Bank of America – January 9, 2006**

  "We believe Northwest Natural Gas is well positioned as a safe haven for investors...we believe its unique regulatory framework is weather agnostic and conservation-friendly, resulting in a low-risk business mix and underpinning a solid yield."

  - Anatol Feygin, Zach Berger & Wade Suki

- **Hilliard Lyons – May 5, 2006**

  "The company is capturing basically all of a thriving new construction market in a local economy that continues to grow...Oregon's innovative regulatory mechanisms have proven to be such a success that many other states are now looking to mimic what the state has done. We continue to rate the stock Long-term Buy."

  - Jim Lykins

NW Natural

Grant Yoshihara

Managing Director of Utility Services

NW Natural



NW Natural

AMR Transmission Device

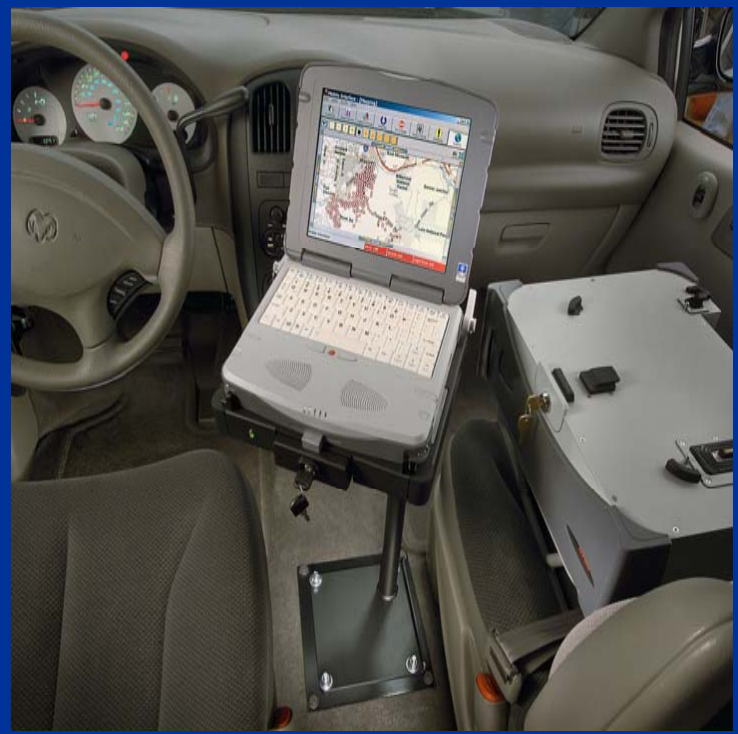
- Battery-powered, electronic encoder-receiver-transmitter (ERT) that sends meter data on a radio frequency signal



NW Natural

AMR Mobile Collection Device

- Bringing data collection into the 21st century
- Ability to transmit meter readings from gas meter directly to a mobile terminal



NW Natural

AMR Installation

- Installation of the AMR device usually does not require interruption of the gas service and takes only a few minutes



NW Natural



Meter Reading Progression

1990's	Monitor and test AMR technology
2000-1	Begin Joint Meter Reading with PGE
2005	Decision to implement AMR in non-Joint Meter Reading areas
2006-7	Implementation of AMR Phase 1
2007+	Potential AMR Phase 2 in Joint Meter Reading areas

NW Natural



AMR Phase 1 Project Summary

Total Project Cost	$15.3 million
Total Net Annual O&M Savings	$2.5 million
Project Term	Jan 2006 – June 2007

NW Natural

AMR Benefits

- More meter reads per day per meter reader
- More accurate reads
- Fewer missed reads due to weather
- Fewer access-to-meter problems



NW Natural



AMR Phase 1 Employee Impact

Reduction in meter reading positions due to AMR Phase 1	27
Current number of temporary meter readers	21
New mobile collection driver positions	3

NW Natural



NW Natural

Mark Dodson

President and
Chief Executive Officer

NW Natural



Creating Value

- AMR begins in Clark County, The Dalles and Eugene

NW Natural



Creating Value

- AMR begins in Clark County, The Dalles and Eugene
- Service Order Scheduling reduces overtime costs, improves service

NW Natural



Creating Value

- AMR begins in Clark County, The Dalles and Eugene
- Service Order Scheduling reduces overtime costs, improves service
- Service Solutions increases efficiency, helps customer satisfaction, adds value

NW Natural



Creating Value

- High gas prices continue to present challenges

NW Natural



Creating Value

- High gas prices continue to present challenges
- 2005 Energy Policy Act: a step in the right direction

NW Natural



Creating Value

- High gas prices continue to present challenges
- 2005 Energy Policy Act: a step in the right direction
- Customer expectations grow as rates increase

NW Natural



Creating Value

- High gas prices continue to present challenges
- 2005 Energy Policy Act: a step in the right direction
- Customer expectations grow as rates increase
- Improve efficiency and look for additional growth opportunities

NW Natural


Above & Beyond
Recognizing the
Spirit of NW Natural

Above & Beyond Individuals



Randy Boespflug



Tim Beatty



Jorge Moncayo



Lori Russell



Robert Wyatt

Above & Beyond Teams



OPS Remodel Tech Team



Paperless Billing



Pipeline Services Support



Pipeline Services


After 147 years, one thing never changes…
…our commitment to delivering value for
all those who have placed their confidence in us.



NW Natural