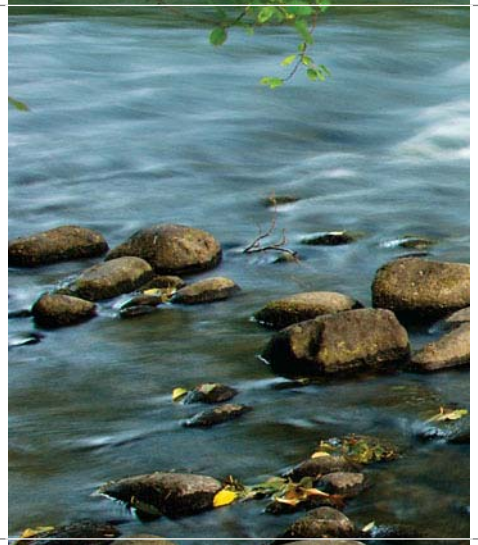


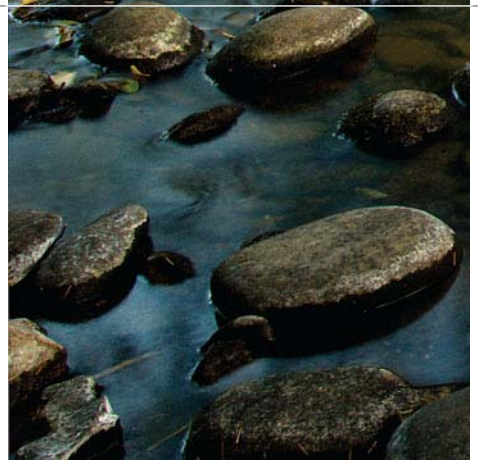
Welcome to the 2008

Annual Meeting of Shareholders

NW Natural®







Mark Dodson
Chief Executive Officer

NW Natural®

Completed a Major Restructuring

- Executed Operations Model Redesign:
  - Centralized our reporting structure
  - Outsourced more routine work
  - Completed many process improvement initiatives

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2007 Operational Highlights

- Rate decrease: 8% Oregon, 10% Washington
- Continued to outpace national average for growth
- Successfully expanded storage business
- Renewed innovative Oregon rate mechanisms
- Named to top 100 corporate citizens list
- Named to Business Journal's most admired companies list

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2007 Financial Highlights

- Total shareholder return of 18%
- Increased the quarterly dividend rate by 6%
- 52nd consecutive year of increasing dividends
- Strong credit ratings from S&P and Moody's
- Record savings from gas cost-sharing mechanism
- $6 million in revenue from new tax legislation
- Reliability/safety the focus of $5 million incremental spend

NW Natural®

Outstanding Customer Satisfaction

- JD Power Customer Satisfaction Results
  - First in the West for customer satisfaction
  - Second nationally out of 58 other utilities
  - First nationally: Field Service and Company Image



Growing responsibly

08 ANNUAL SHAREHOLDERS MEETING

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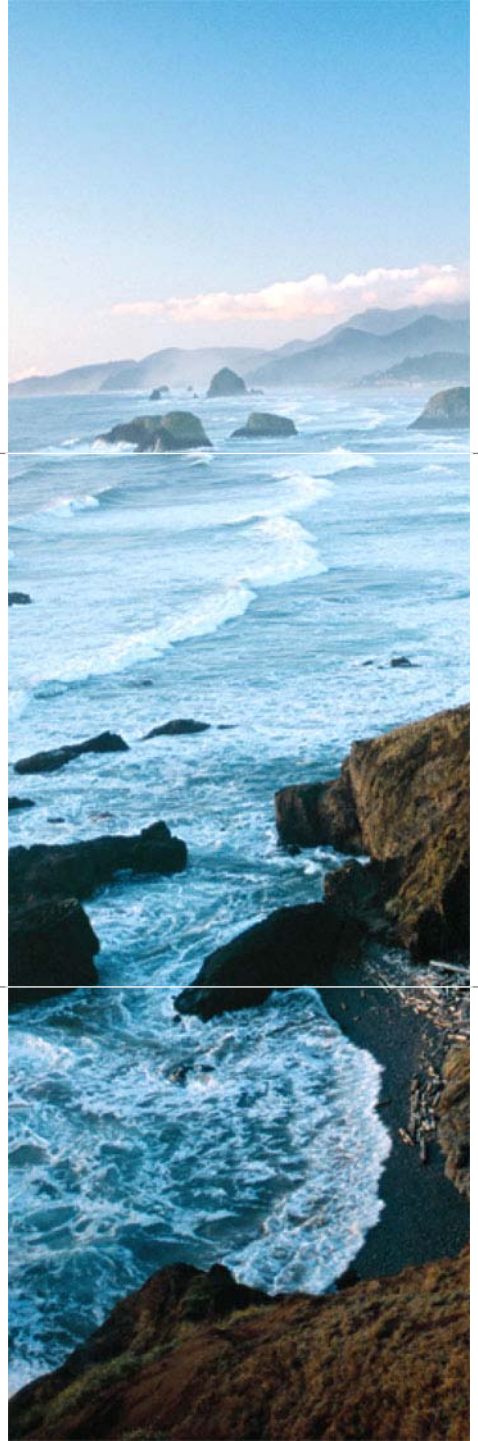

Dick Reiten
Chairman of the Board

NW Natural®



David Anderson
Senior Vice President
& Chief Financial Officer

NW Natural®

Stronger Results in 2007

- Financial returns on target
  - Earnings per share of $2.76 (record) on $74.5 million of net income
  - Revenues above $1 billion
  - Generated free cash flow of $27.5 million
  - Strong balance sheet –investment-grade credit rating from S&P and Moody's
    - One of the highest ratings in the industry

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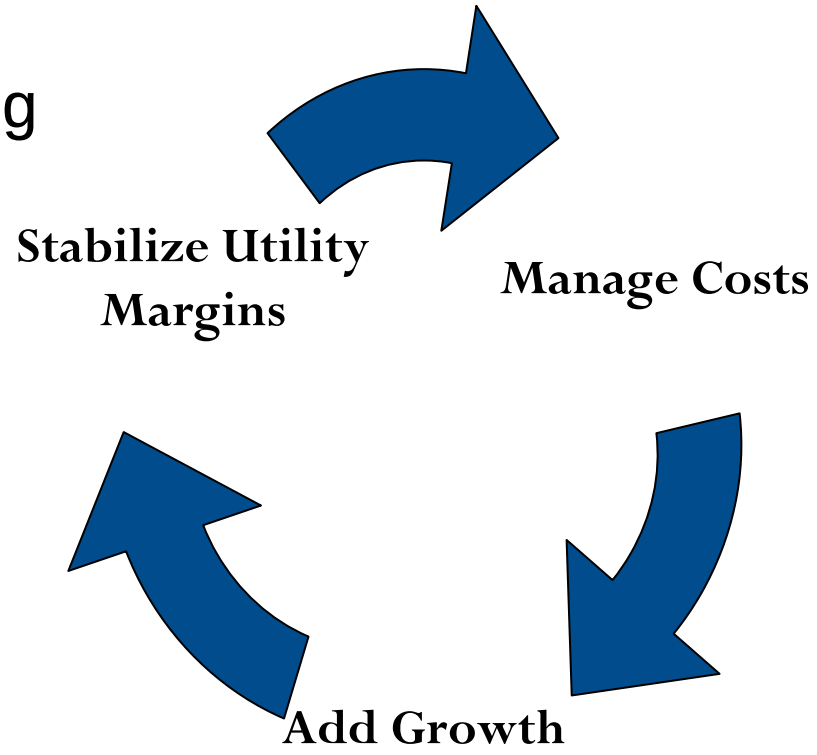
Our Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas LDCs
- Managing cost structure
  - Continue improvements to keep costs under control
- Adding long-term growth that fits our “DNA”
  - Gill Ranch Storage
  - Palomar Pipeline



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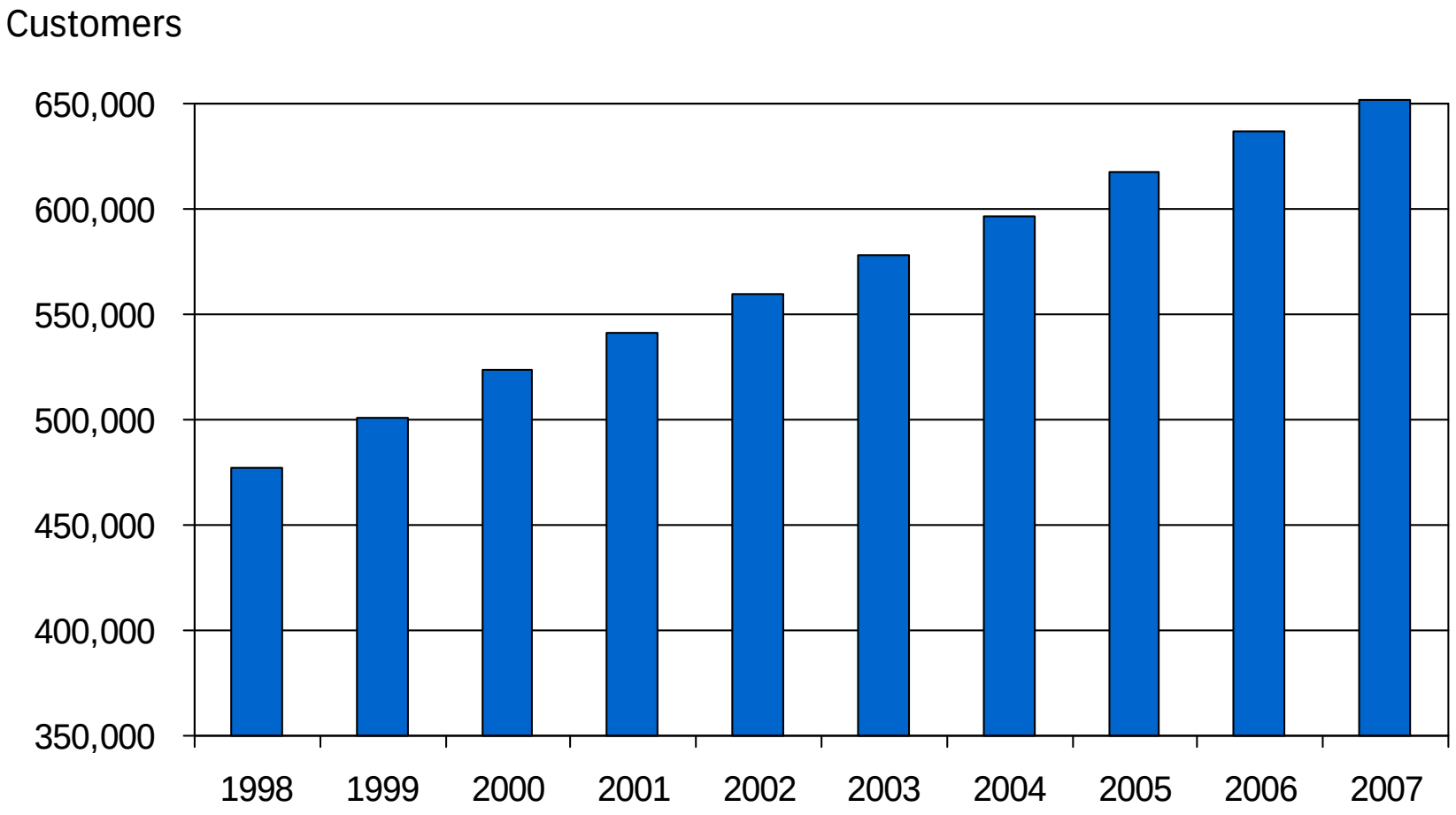
Total Customers



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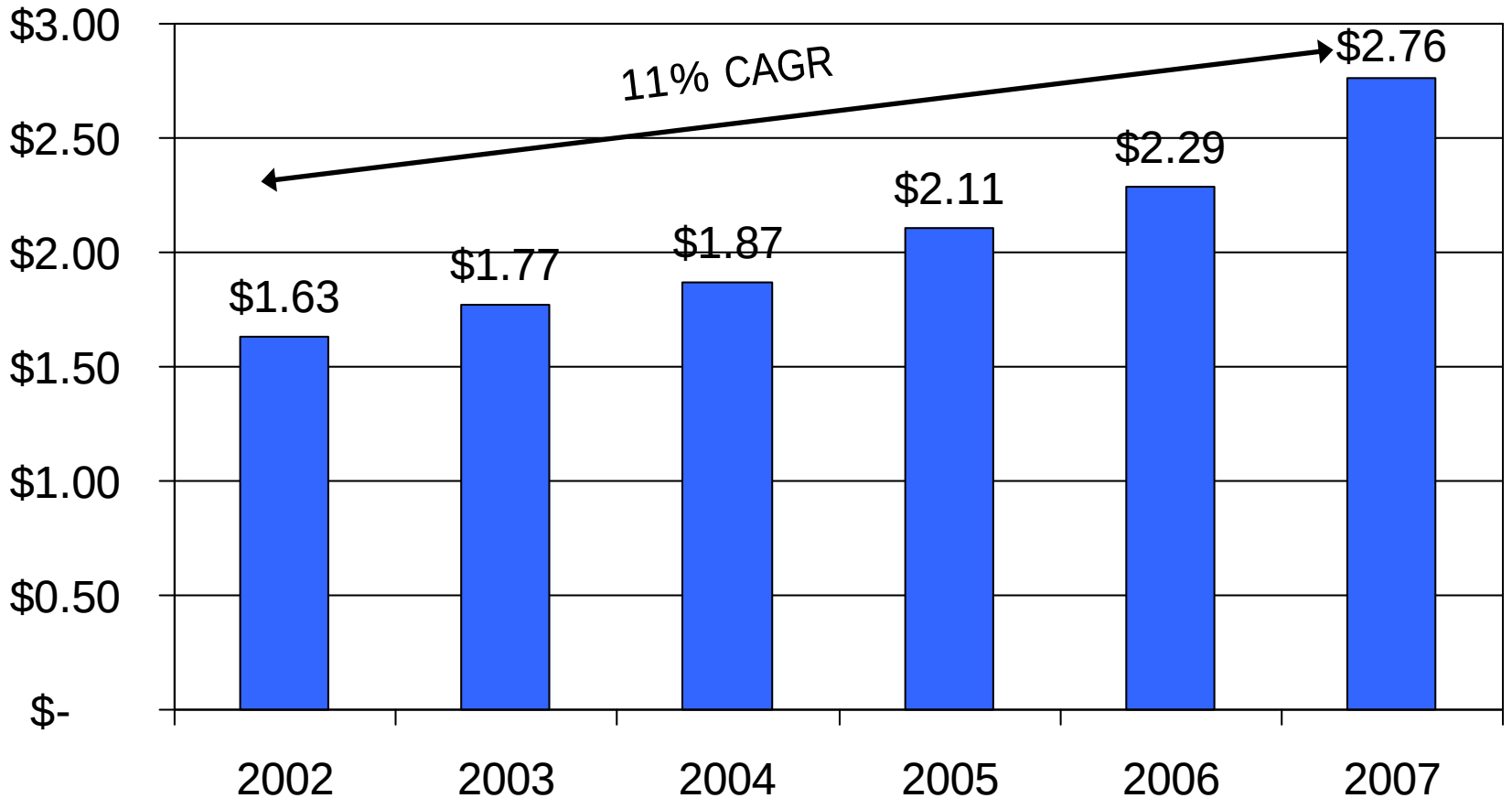
Earnings Per Share



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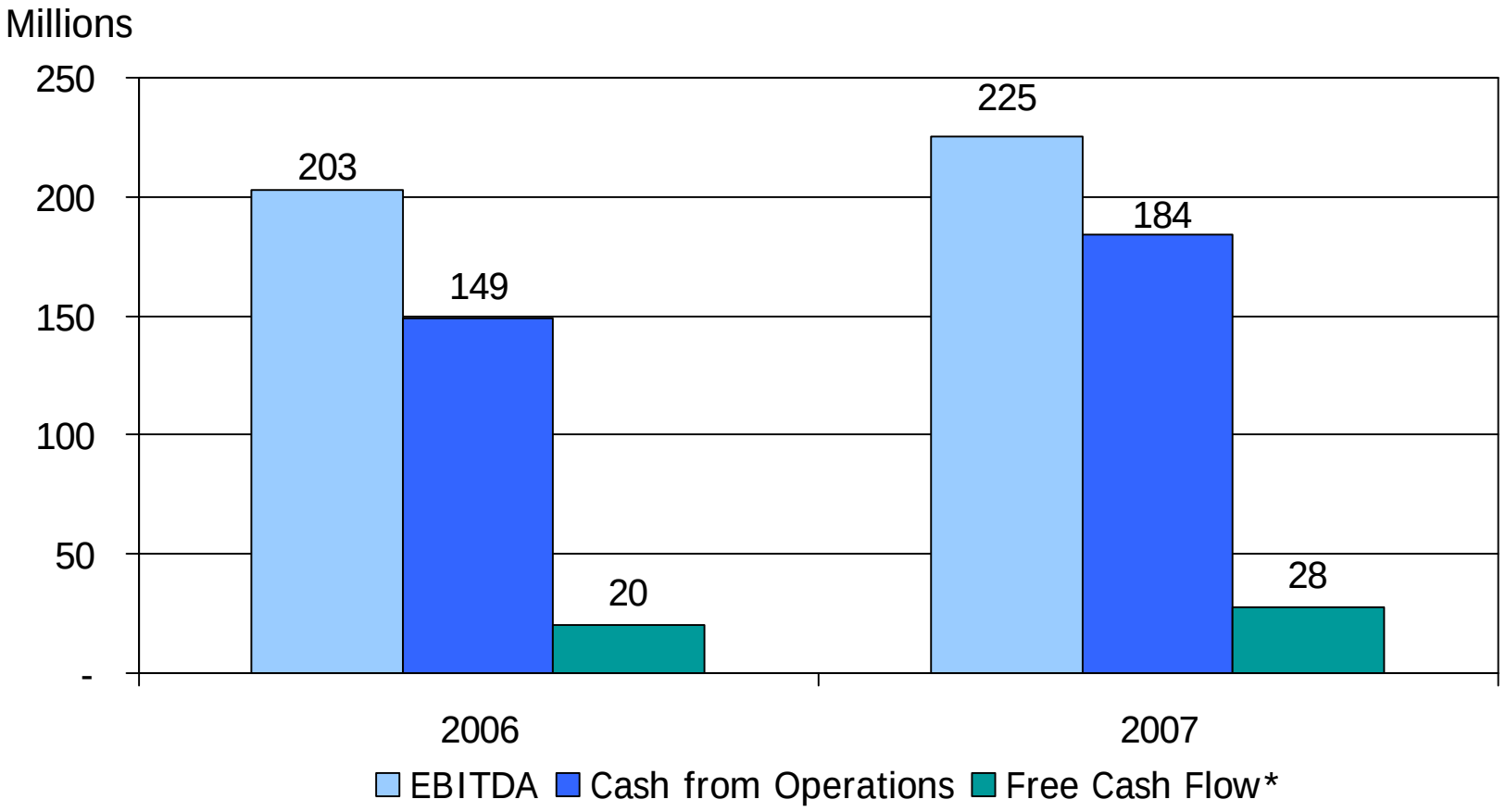
Earnings & Cash Flow



* Cash from Operations Less Cash Used for Investing and Dividends

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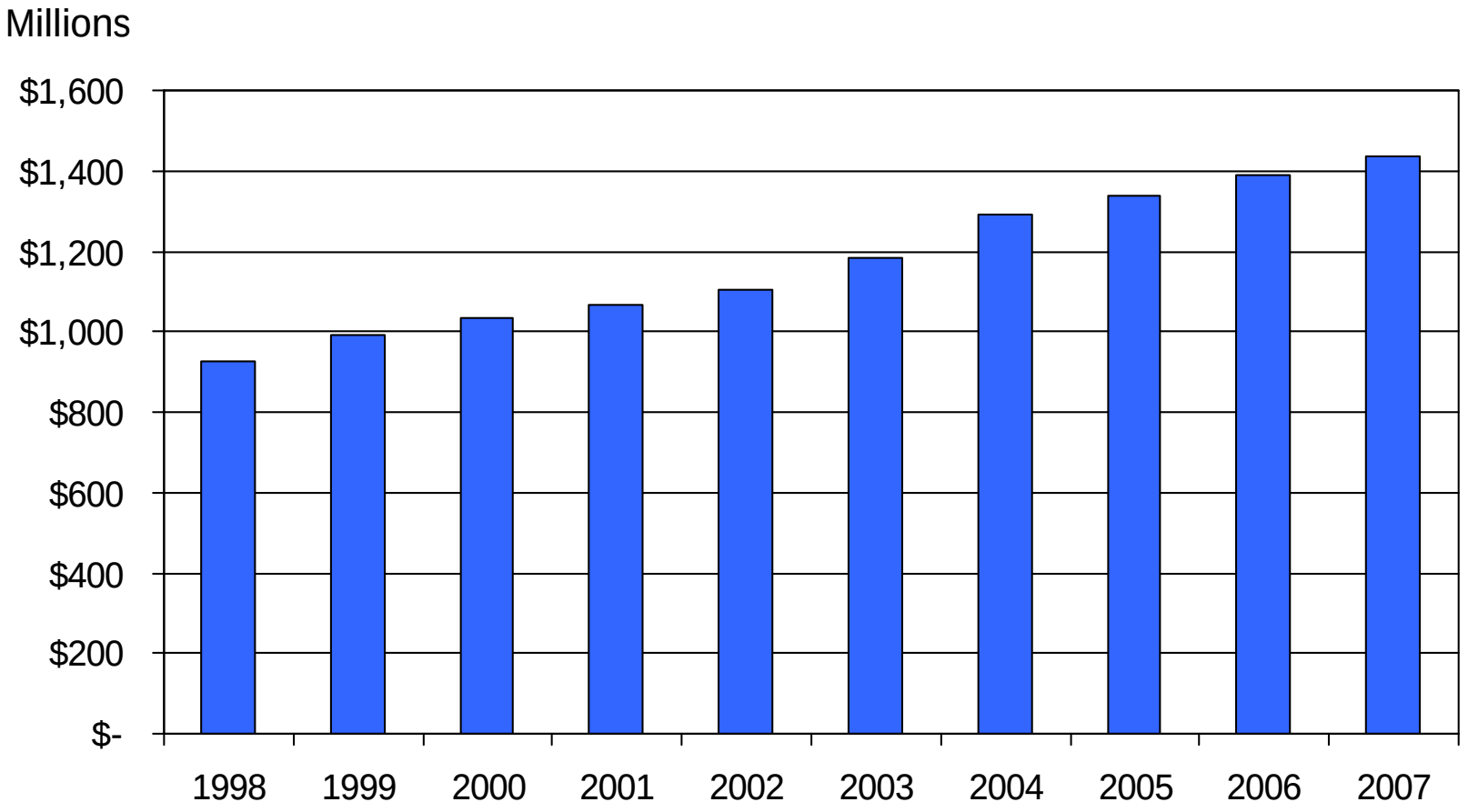
Net Utility Plant Investment



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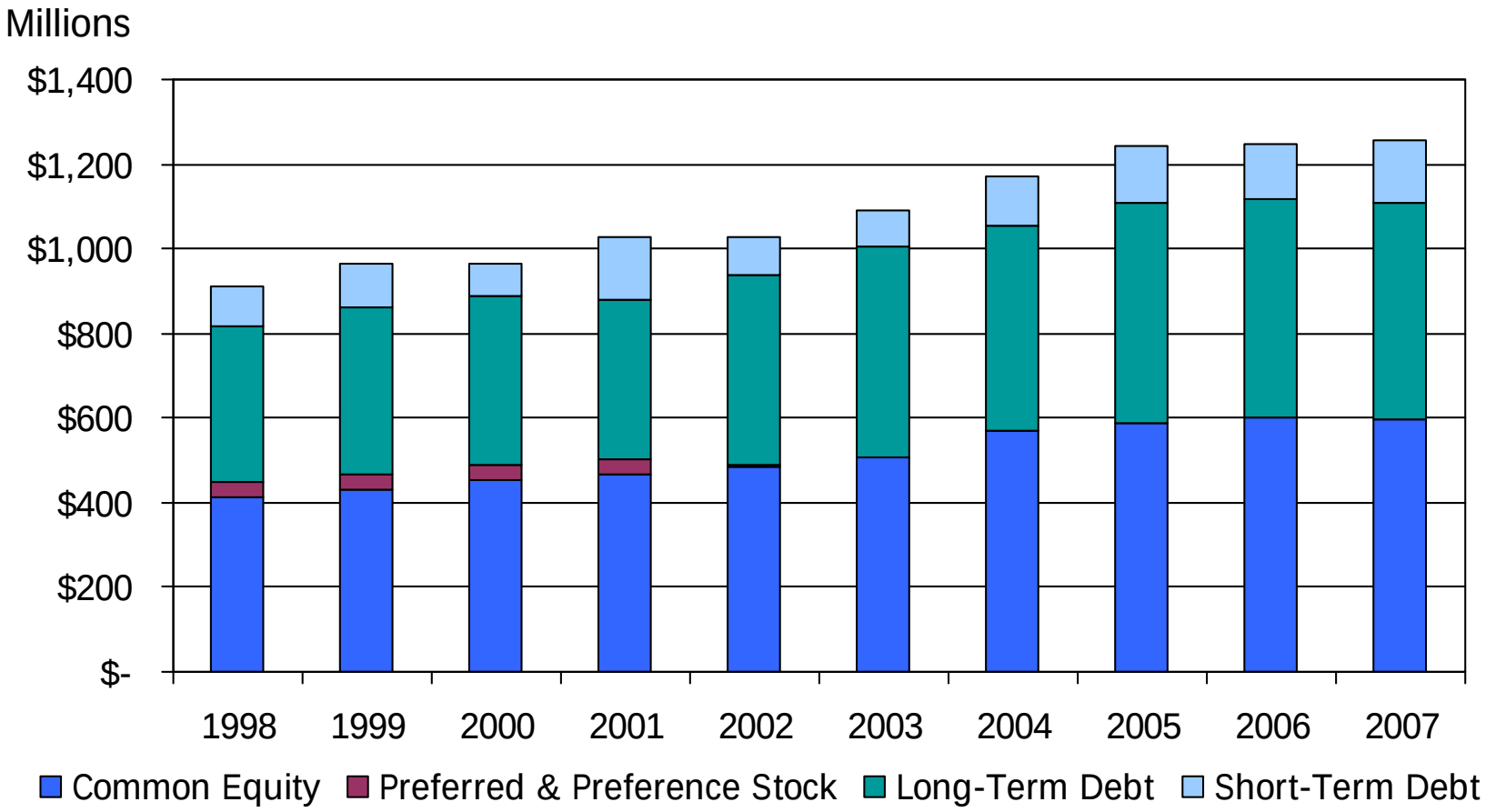
Capitalization



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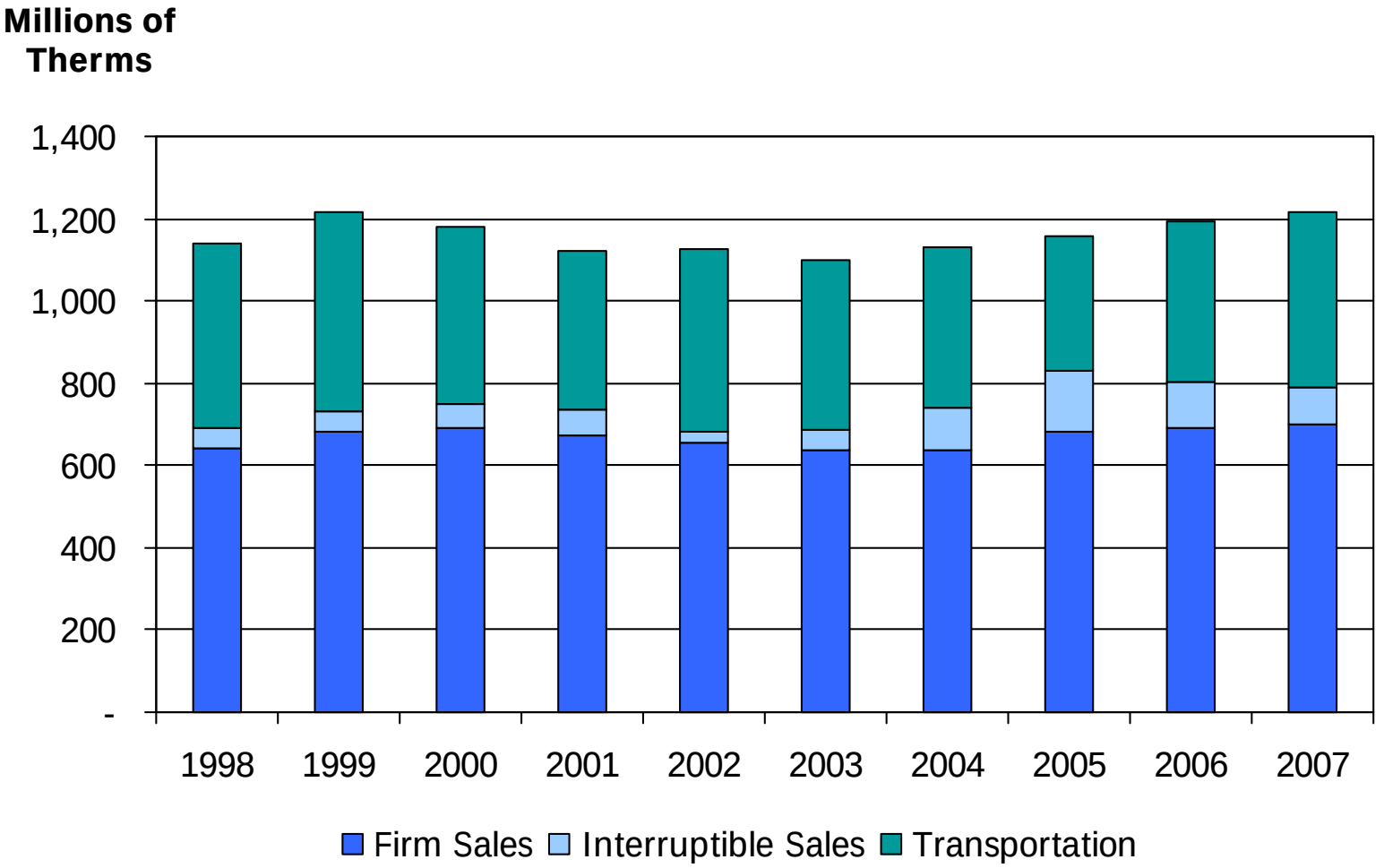
Gas Sales & Transportation Deliveries



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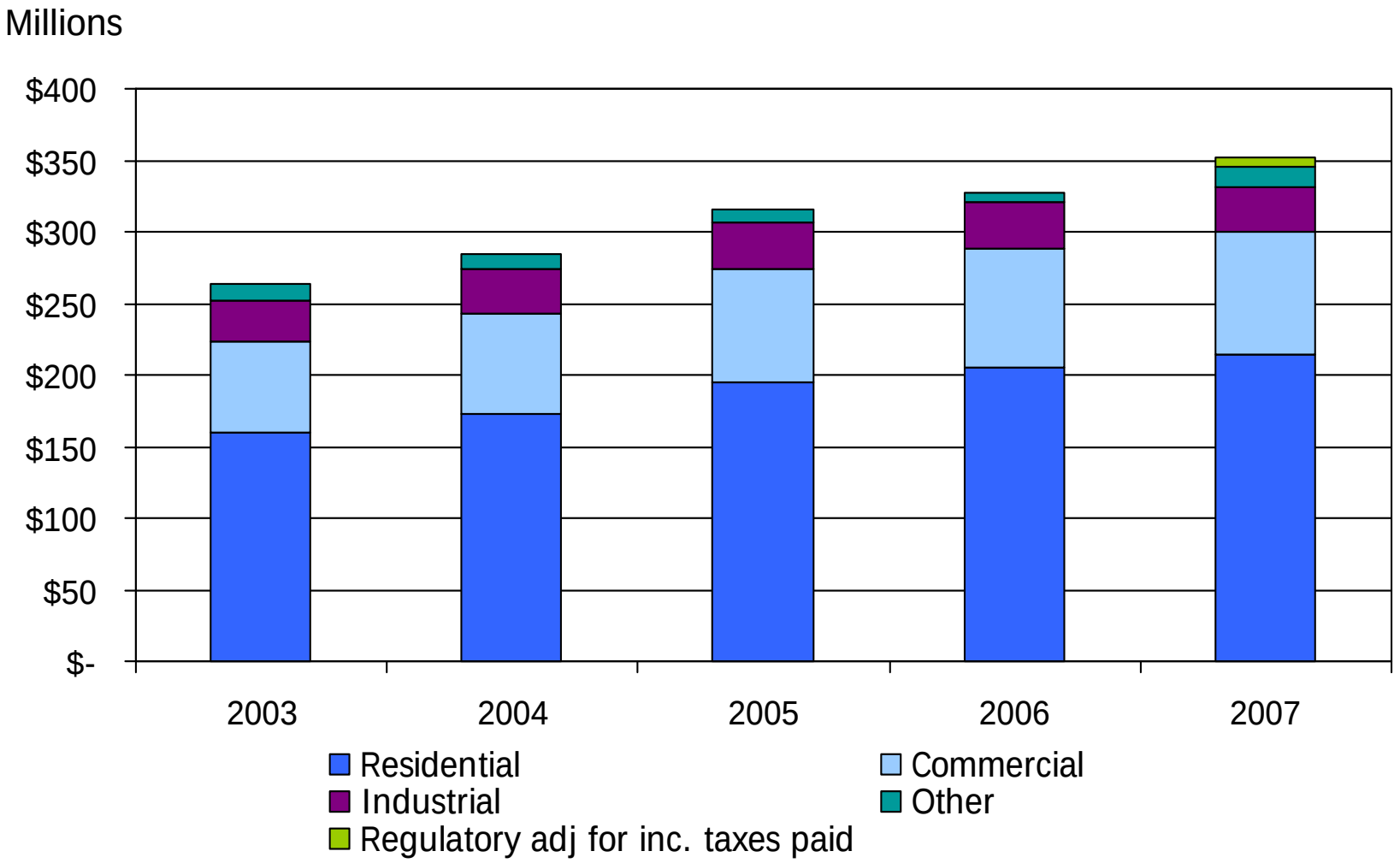
Utility Margin



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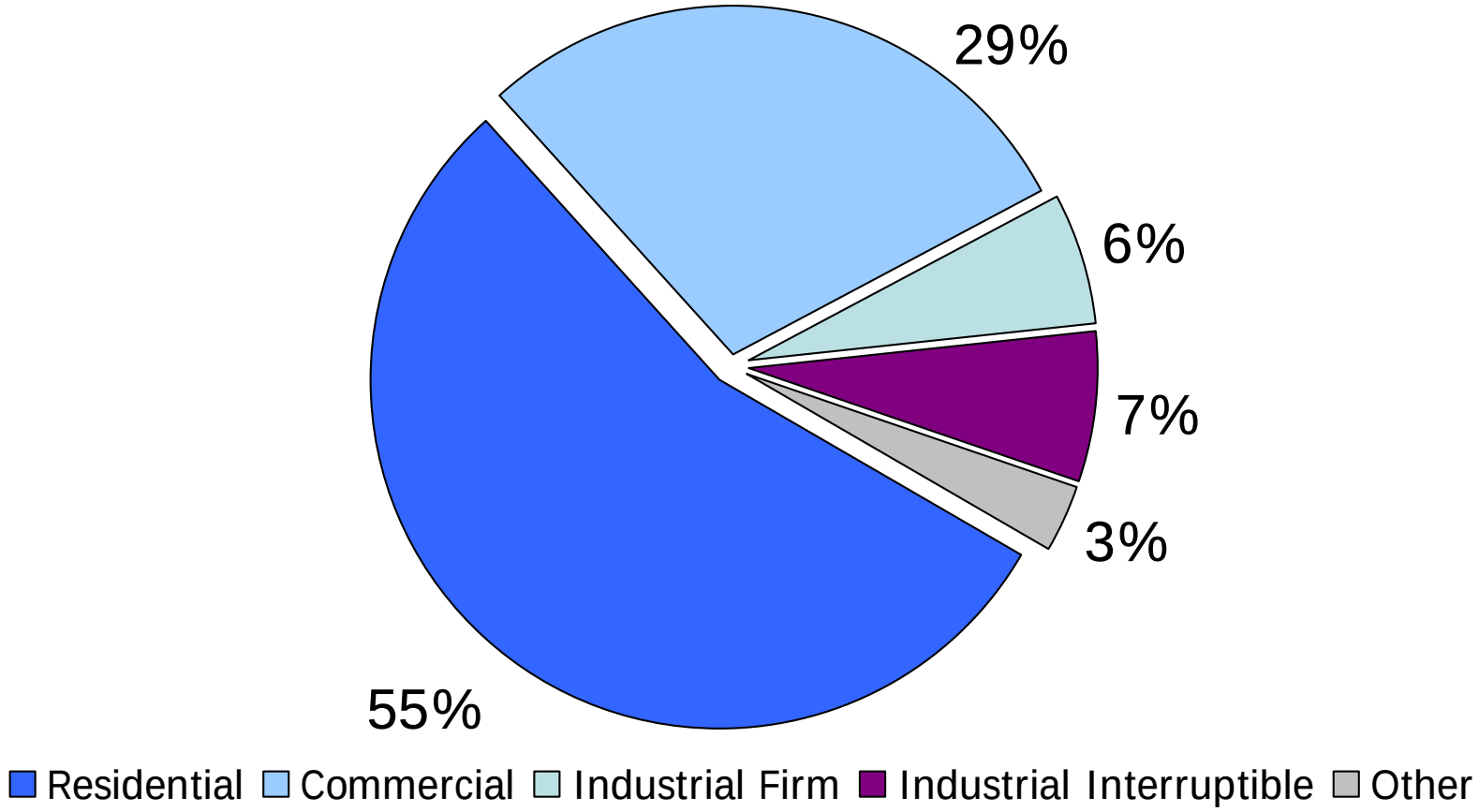
2007 Utility Revenues



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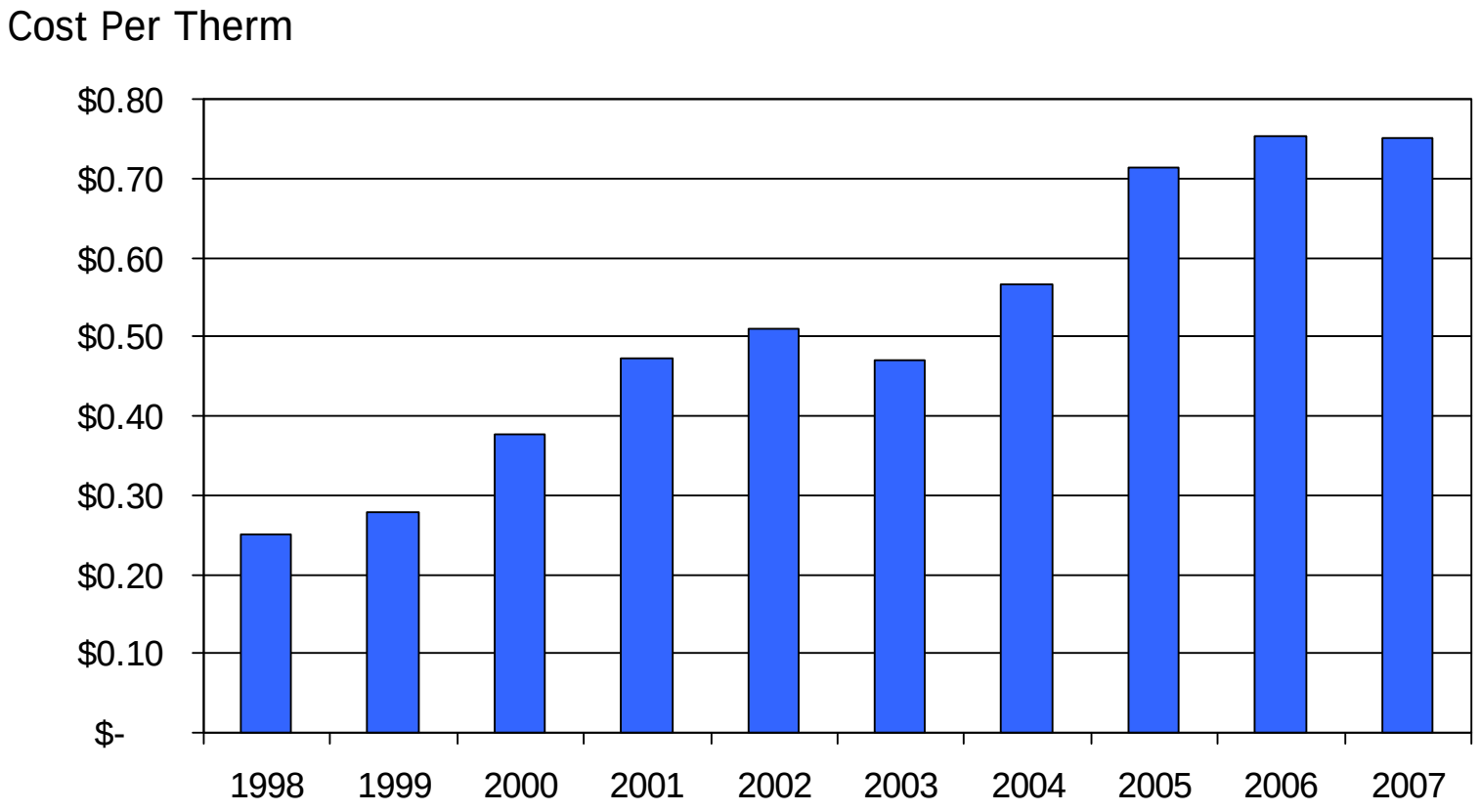
Average Cost of Gas Purchased



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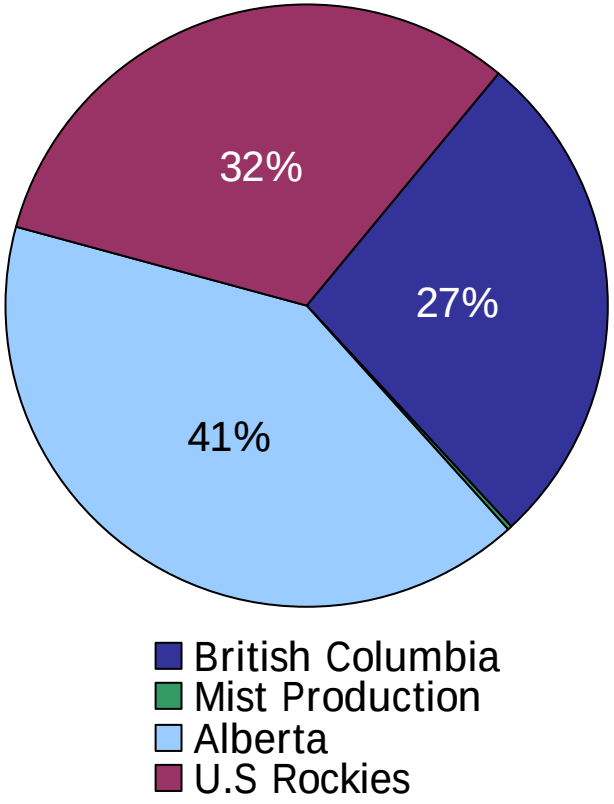
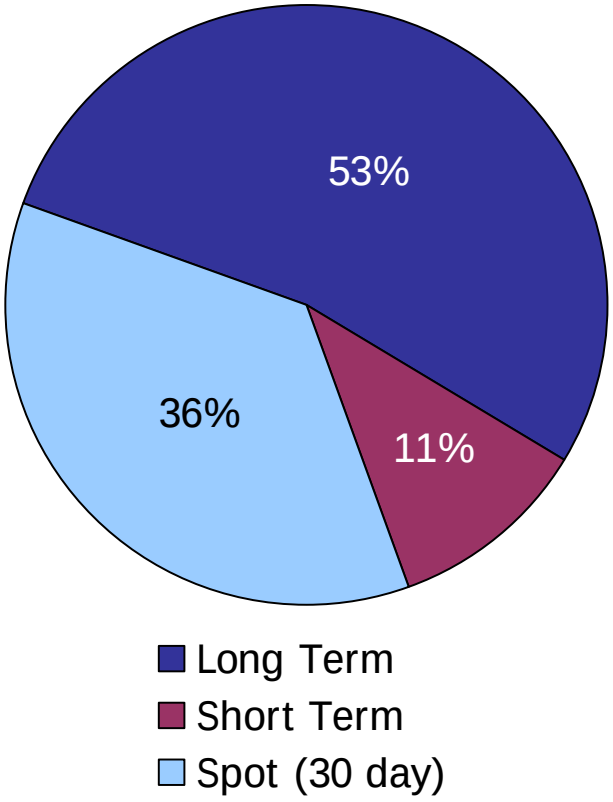
Gas Supply Diversity

Supply Source



Original Contract Length



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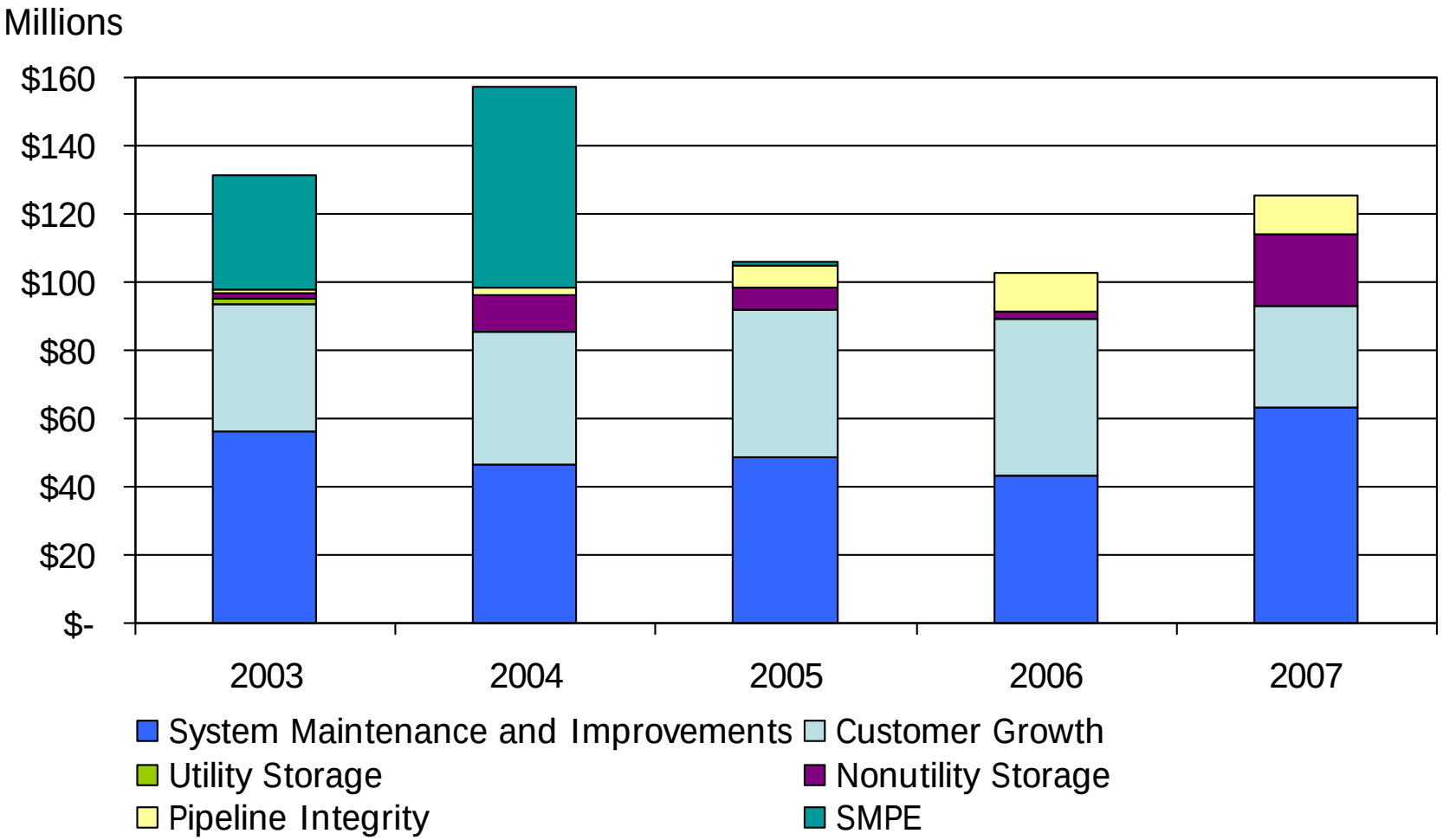
Capital Expenditures



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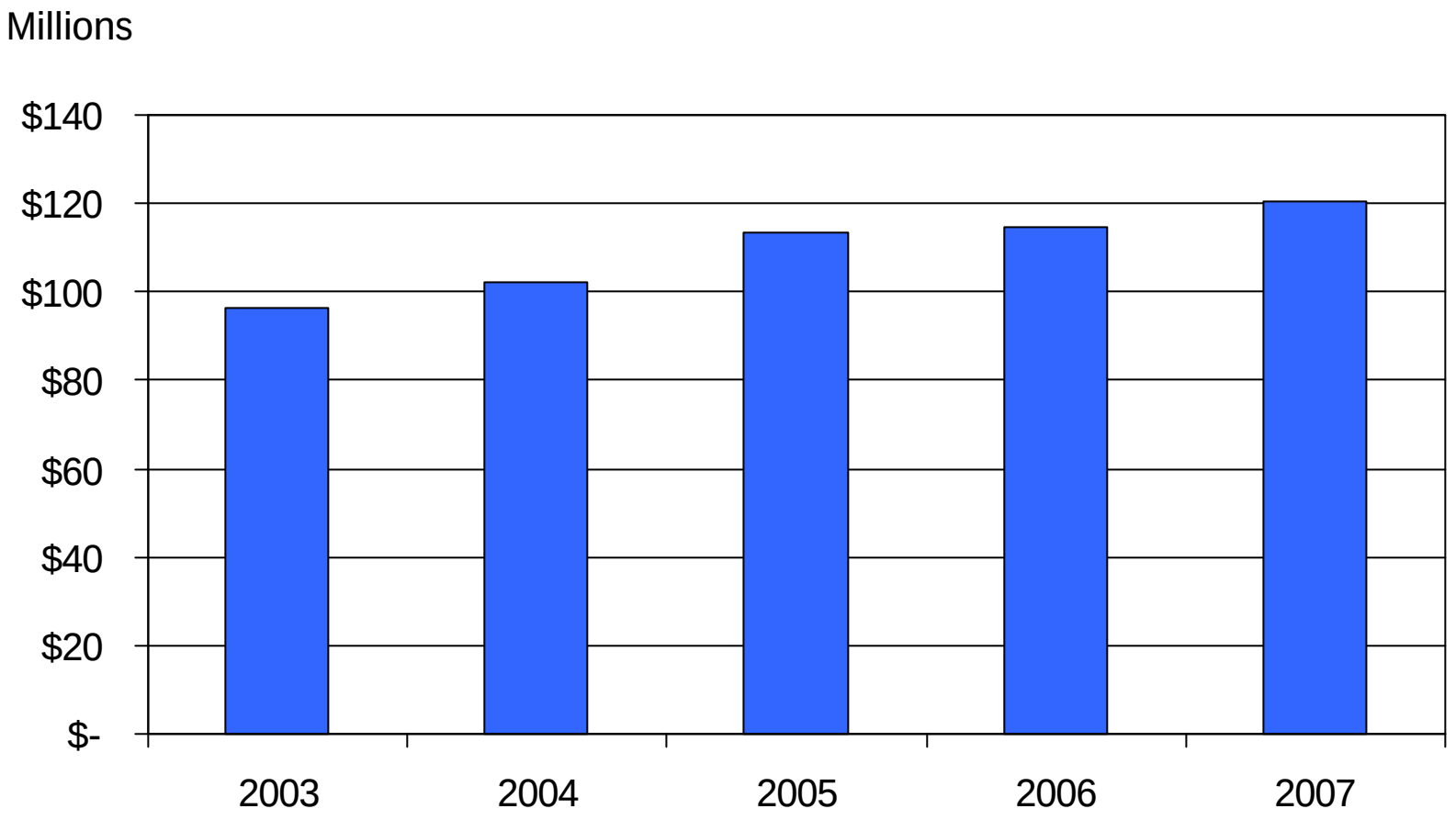
Operations & Maintenance Expense



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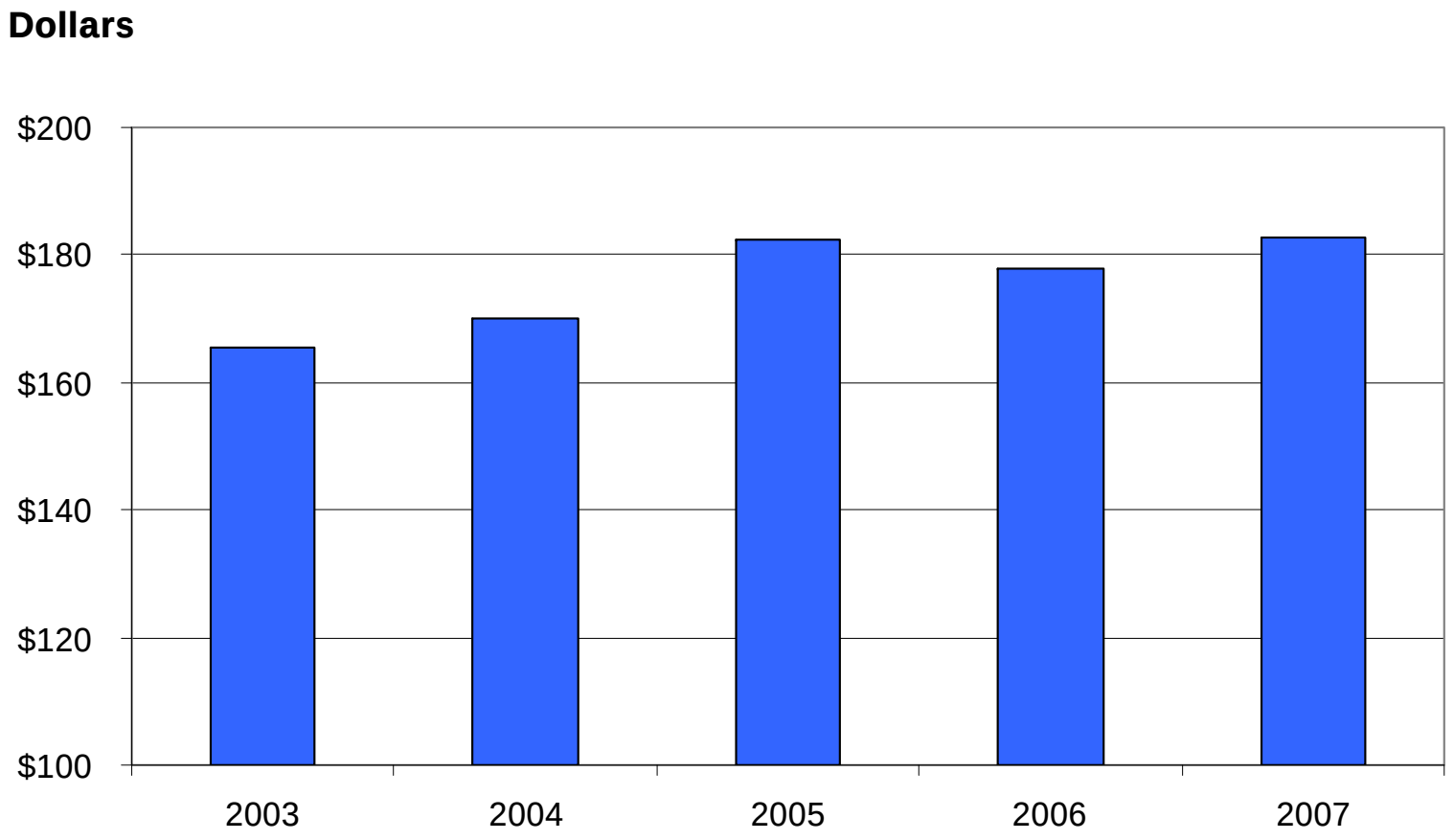
Operations & Maintenance Per Customer



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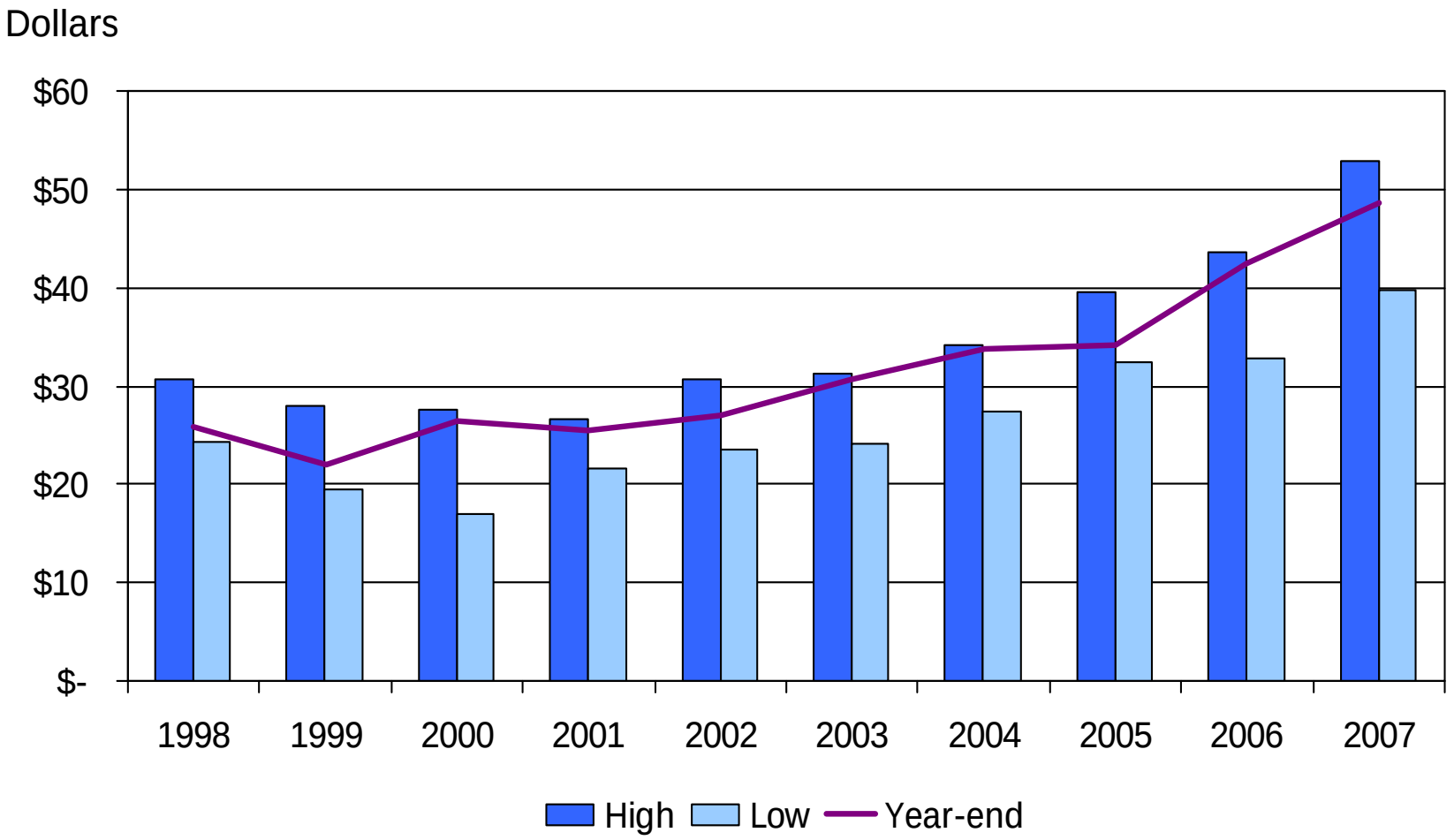
High / Low Market Price Per Share



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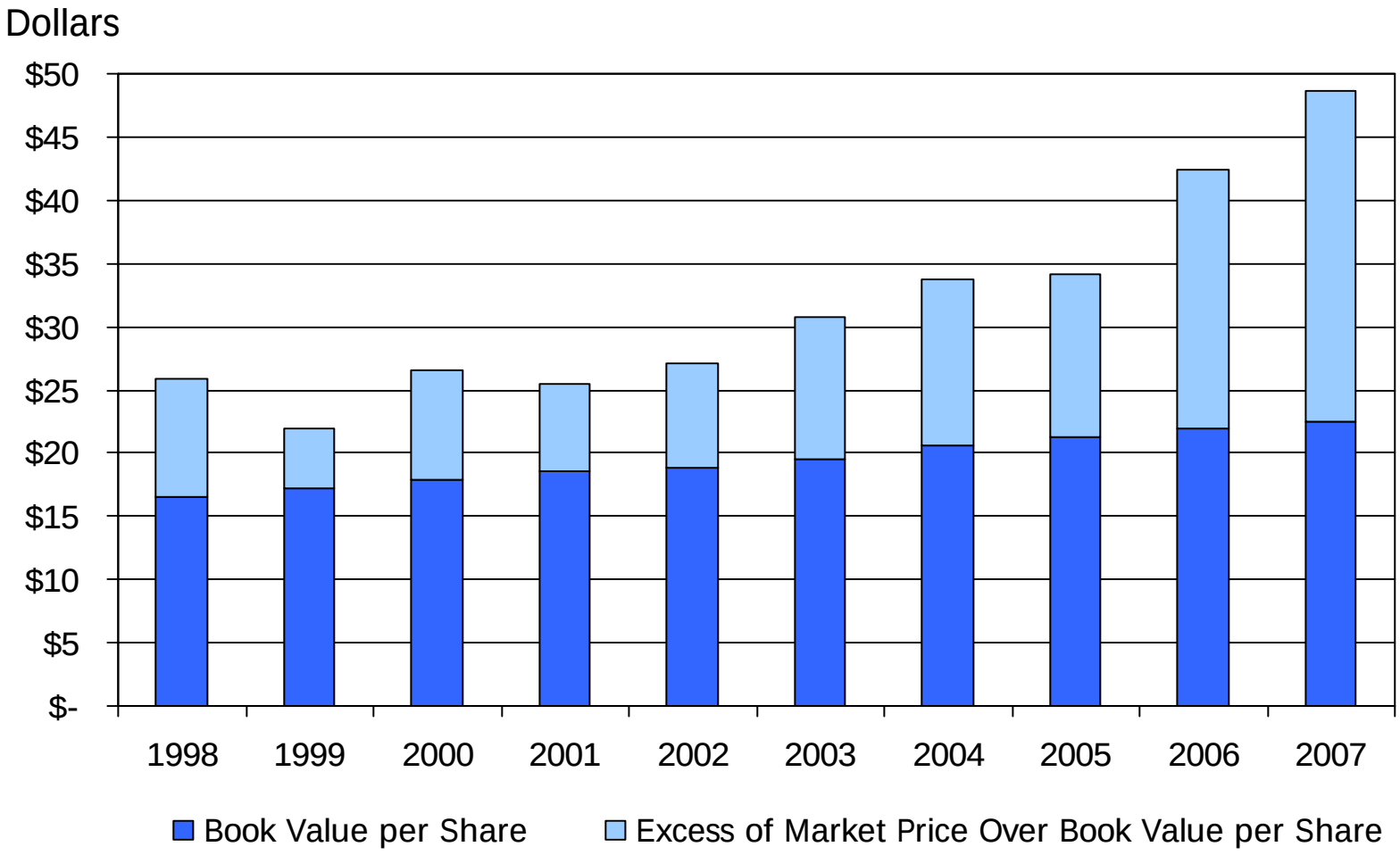
Year-End Market Price & Book Value



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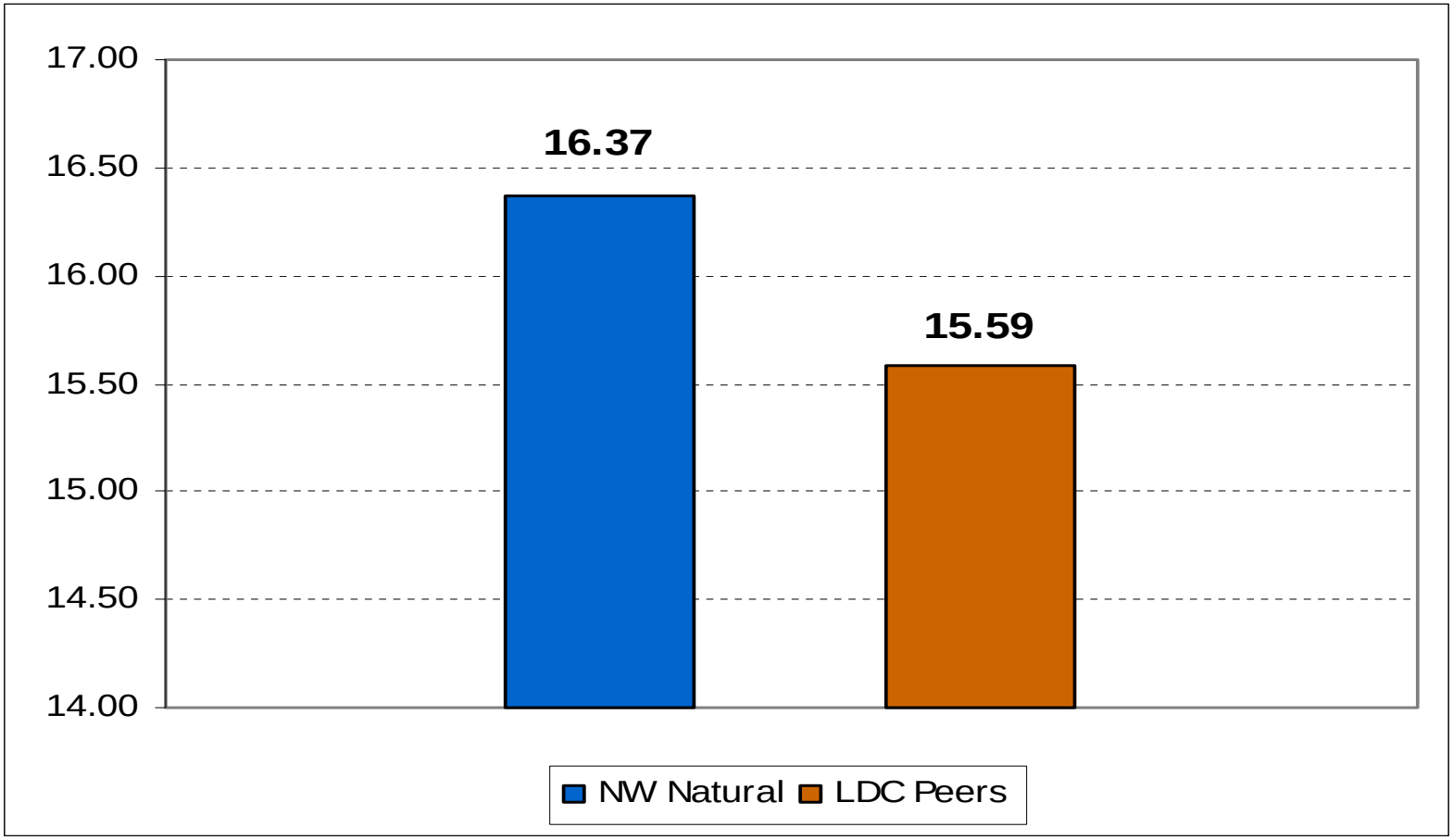
Current Valuation – P/E Multiple



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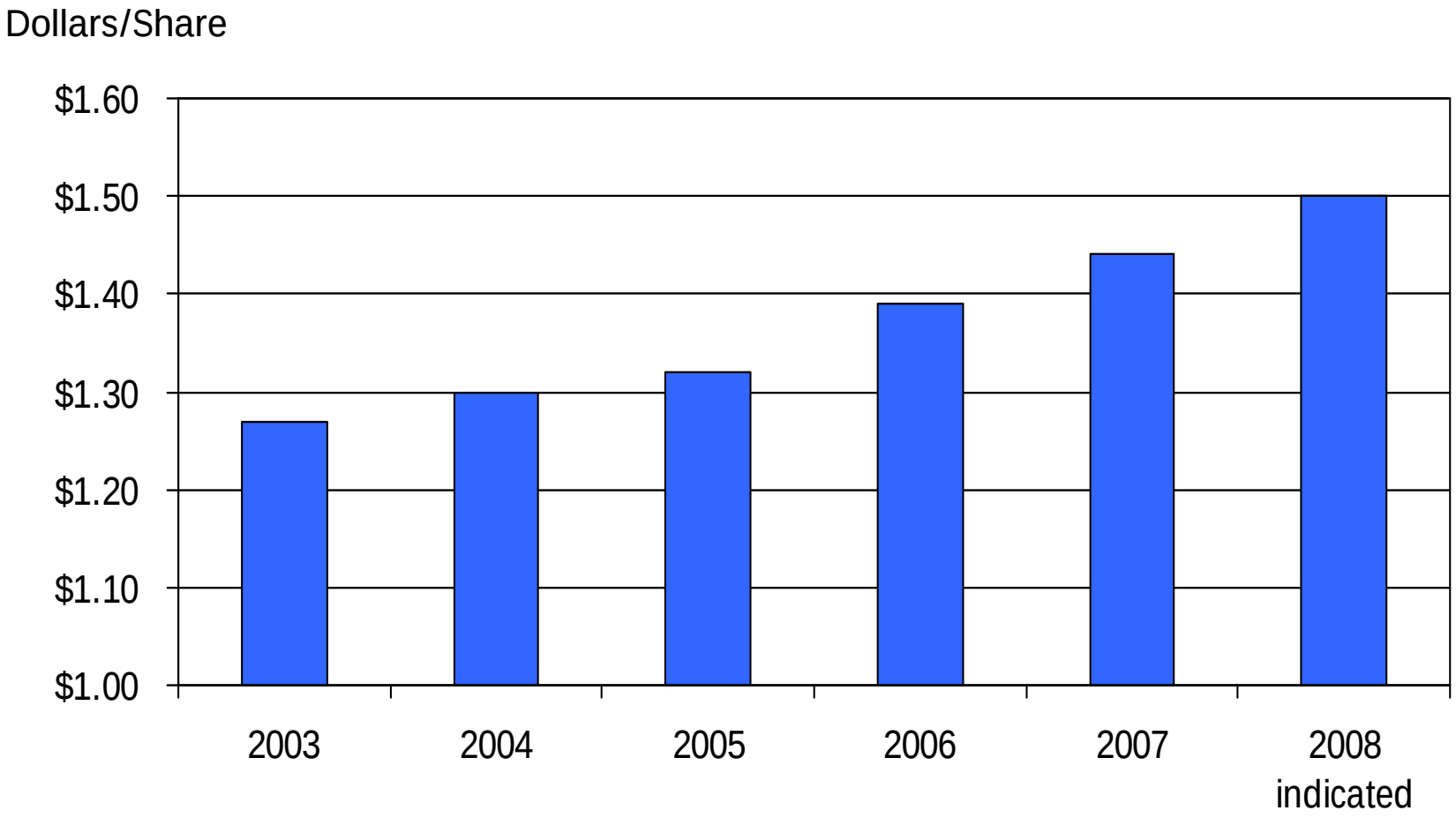
Dividend History



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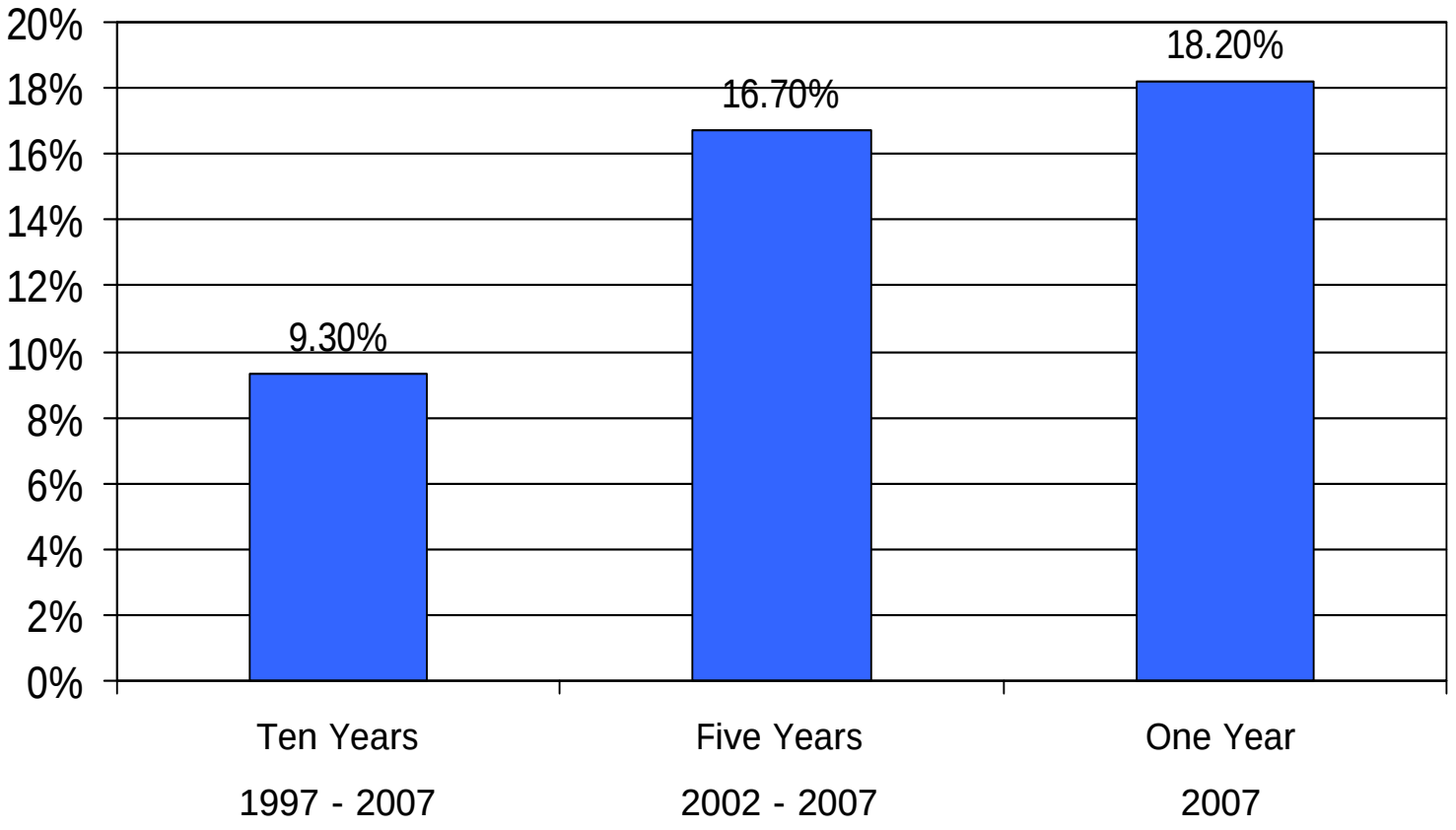
Total Shareholder Return



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Analysts Remarks

"NW Natural's long-term earnings growth goal of 5% appears achievable, supported by its stable natural gas distribution operations and regulatory mechanisms. These offer protection from abnormal weather patterns and conservation effects, enhanced by its proposed unregulated projects, which include the 20-Bcf Gill Ranch Storage project in Fresno, California and the Palomar Pipeline. We believe NW Natural is attractive for conservative investors."

-- Joanne M. Fairechio, *Janney Montgomery Scott*

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Analysts Remarks

"We view Northwest Natural Gas as one of the best positioned names in the gas utility space, embodying many of the attributes we assign to our Optimal Model ... We view NWN's forward growth strategy as optimal and look for the company to outperform its peers over the next several years. Given the combination of current yield and our fair value estimate, we believe NWN shares are attractive at current prices."

-- Daniel M. Fidell, *Brean Murray, Carret & Co., LLC*

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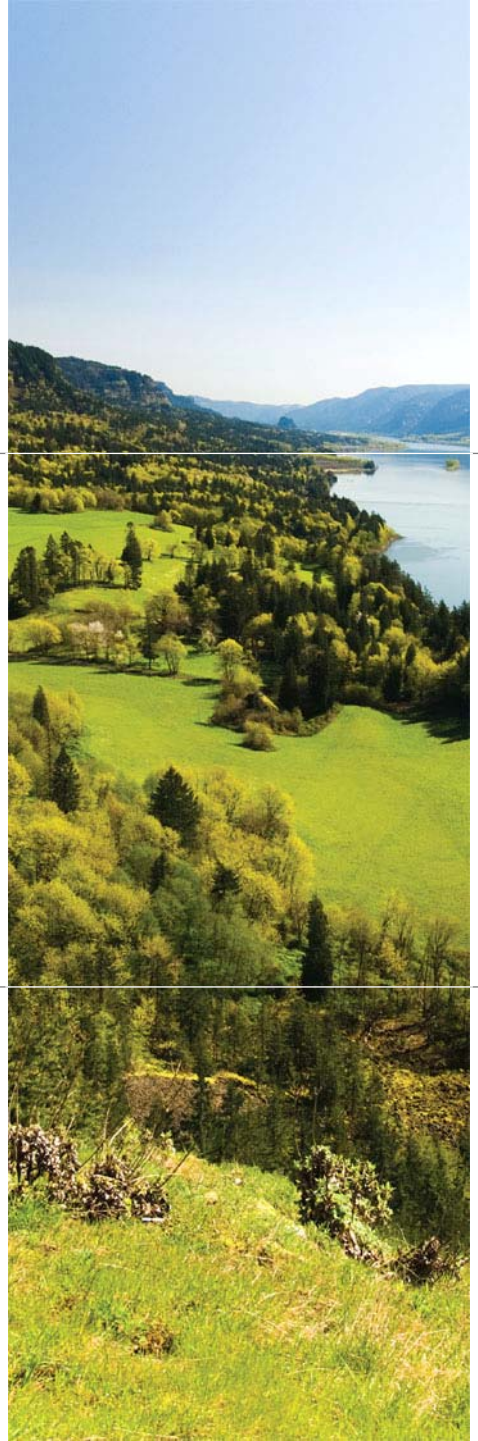

Gregg Kantor
President &
Chief Operating Officer

NW Natural®

The Three Hard Truths

1. Rising Demand
2. Strained Supplies
3. Climate Change



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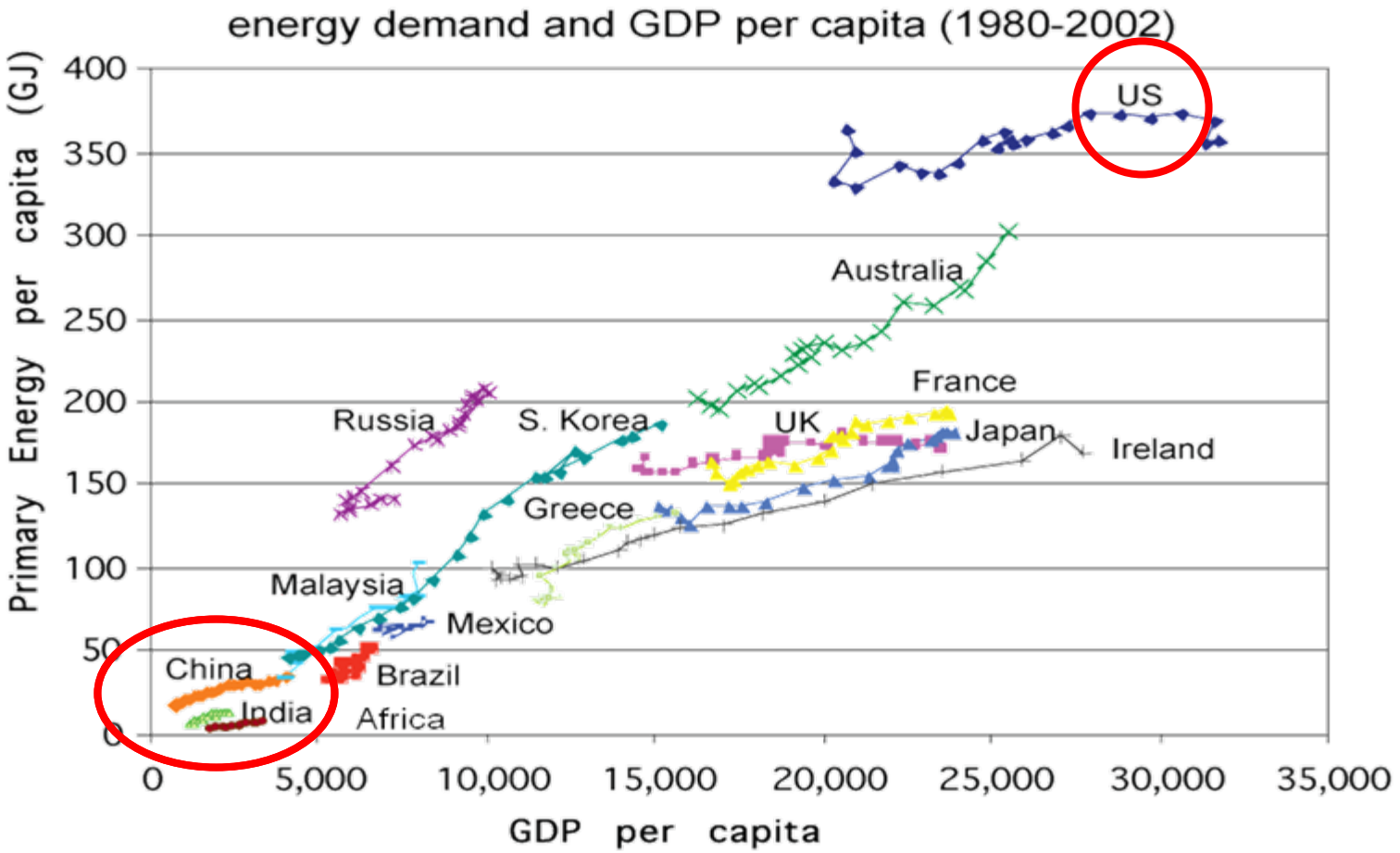
Energy Consumption Intensity



Source: UN and DOE EIA

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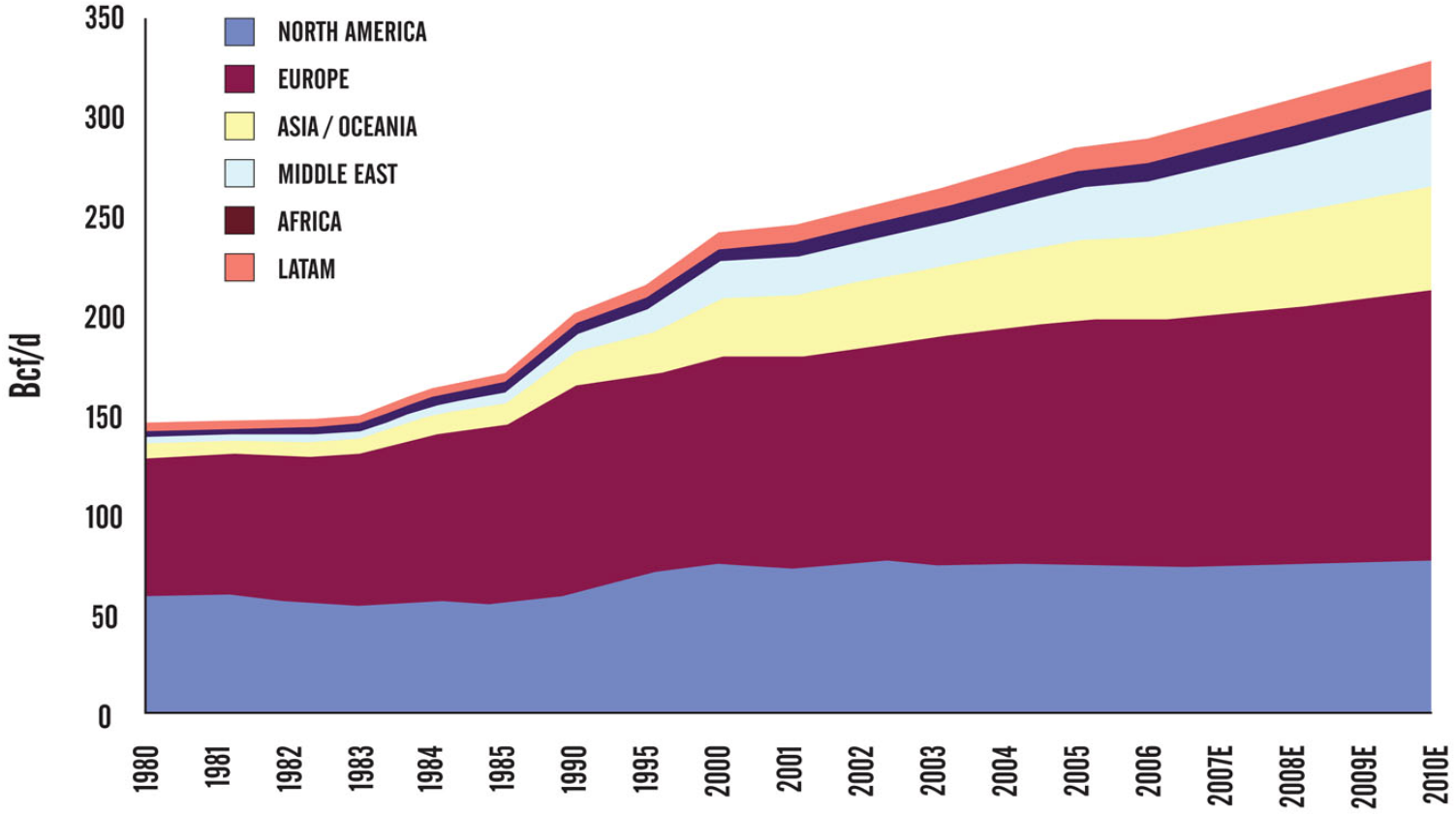
Rising Demand

Projected Growth in Global Natural Gas Demand



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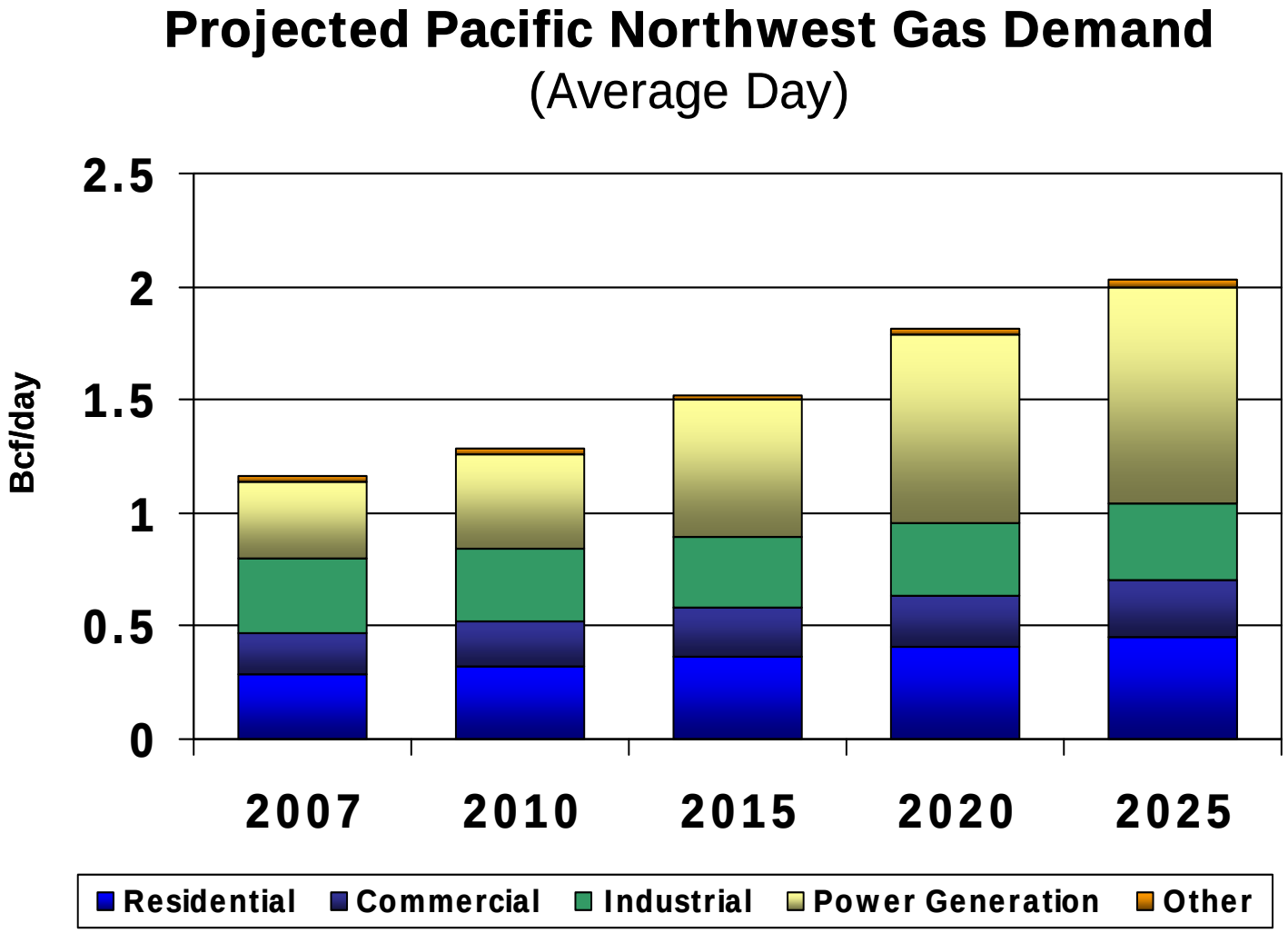
Rising Demand



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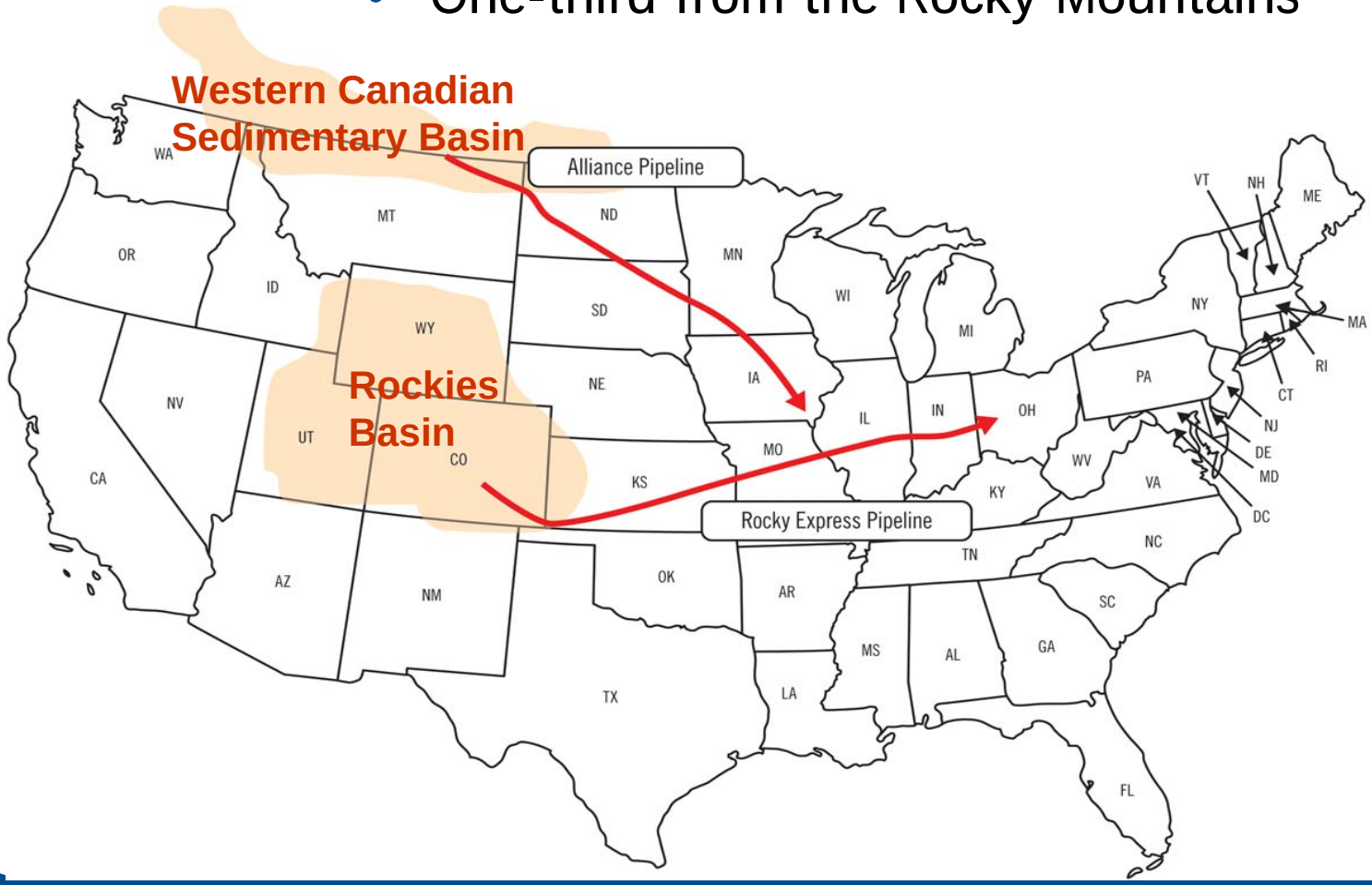
Strained Supply

Oregon imports virtually all its gas supplies

- Two-thirds from Canada
- One-third from the Rocky Mountains



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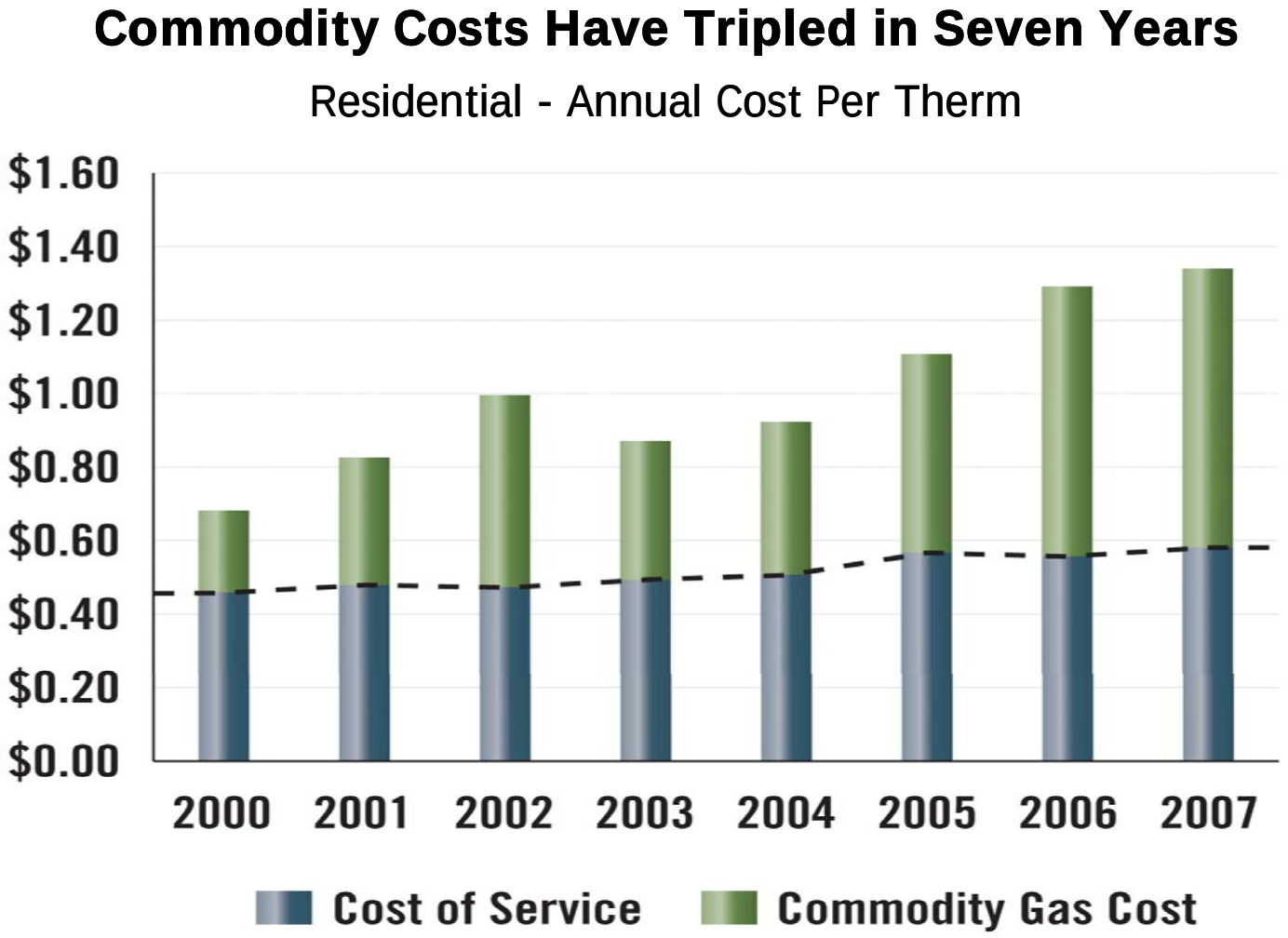
Impact of High Demand & Tight Supplies



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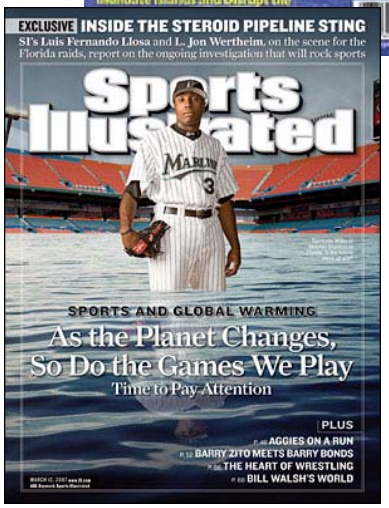
Climate Change













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No Alternatives to Gas for Decades

Renewables

- 4% of Oregon's electricity is generated by solar, wind, biomass
- Enough for about 14 days' worth of power over a year

Hydro, Coal and Nuclear

- No plans for more hydro, in fact, pressure to remove facilities
- OR, WA, CA prohibited development of new coal power plants
- Politically we can't build nuclear in the West

Natural Gas

- Emits half the CO_2 as coal, 30% less than oil, and no toxins
- Is the only clean, reliable resource that can meet demand

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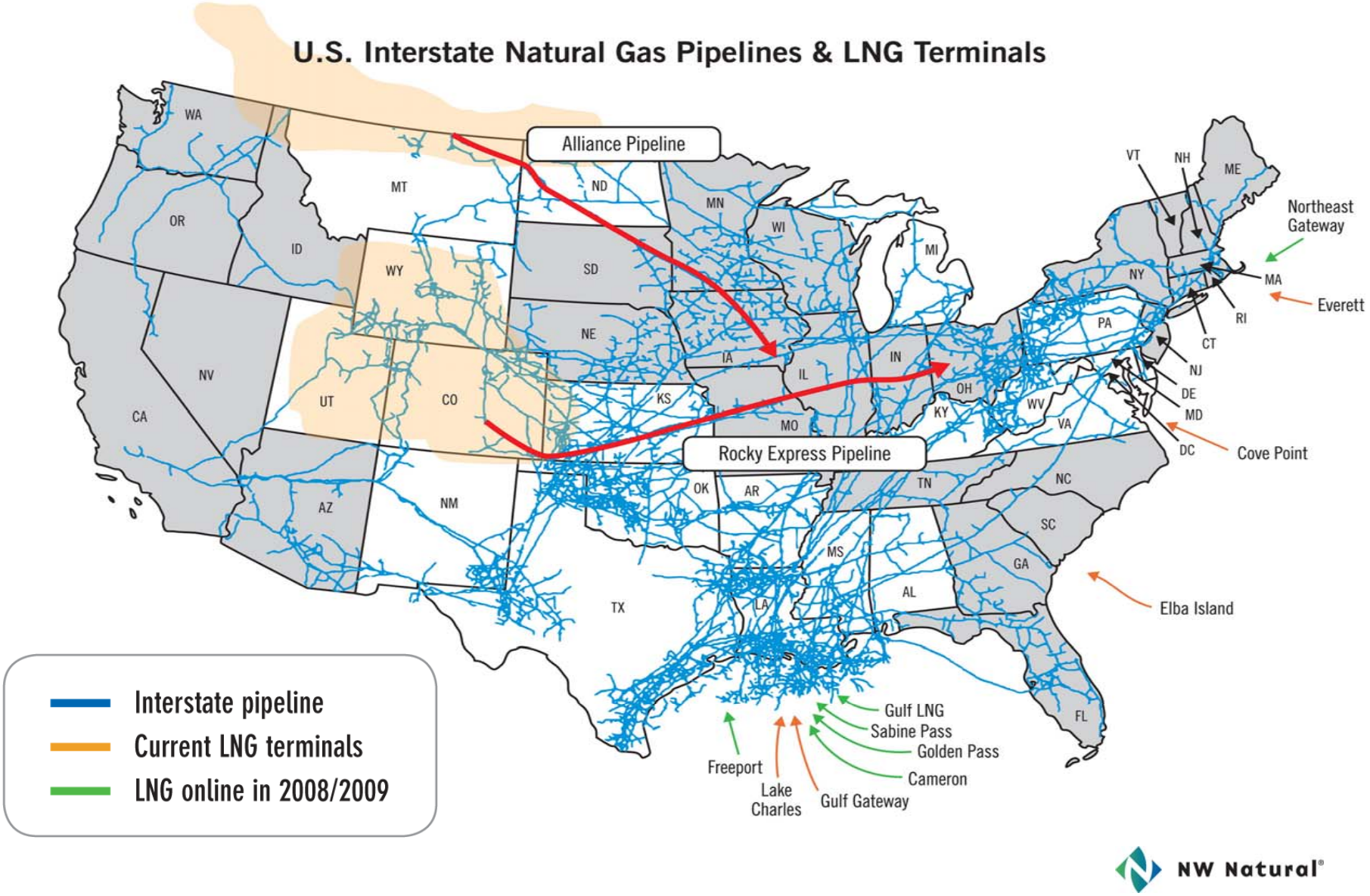
Is the West ready for the rush to gas?



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What can be done?

1. Focus on energy efficiency
2. Continue renewable development
3. Efficient, direct use of gas
    - Greenhouse gas emissions from residential use are **below 1970's levels**, while gas households have **increased** from 40 million to over 60 million
    - Customers have saved 6 million therms and reduced CO_2 emissions by 74 million pounds in 5 years
4. Need a diversity of supply options, including LNG

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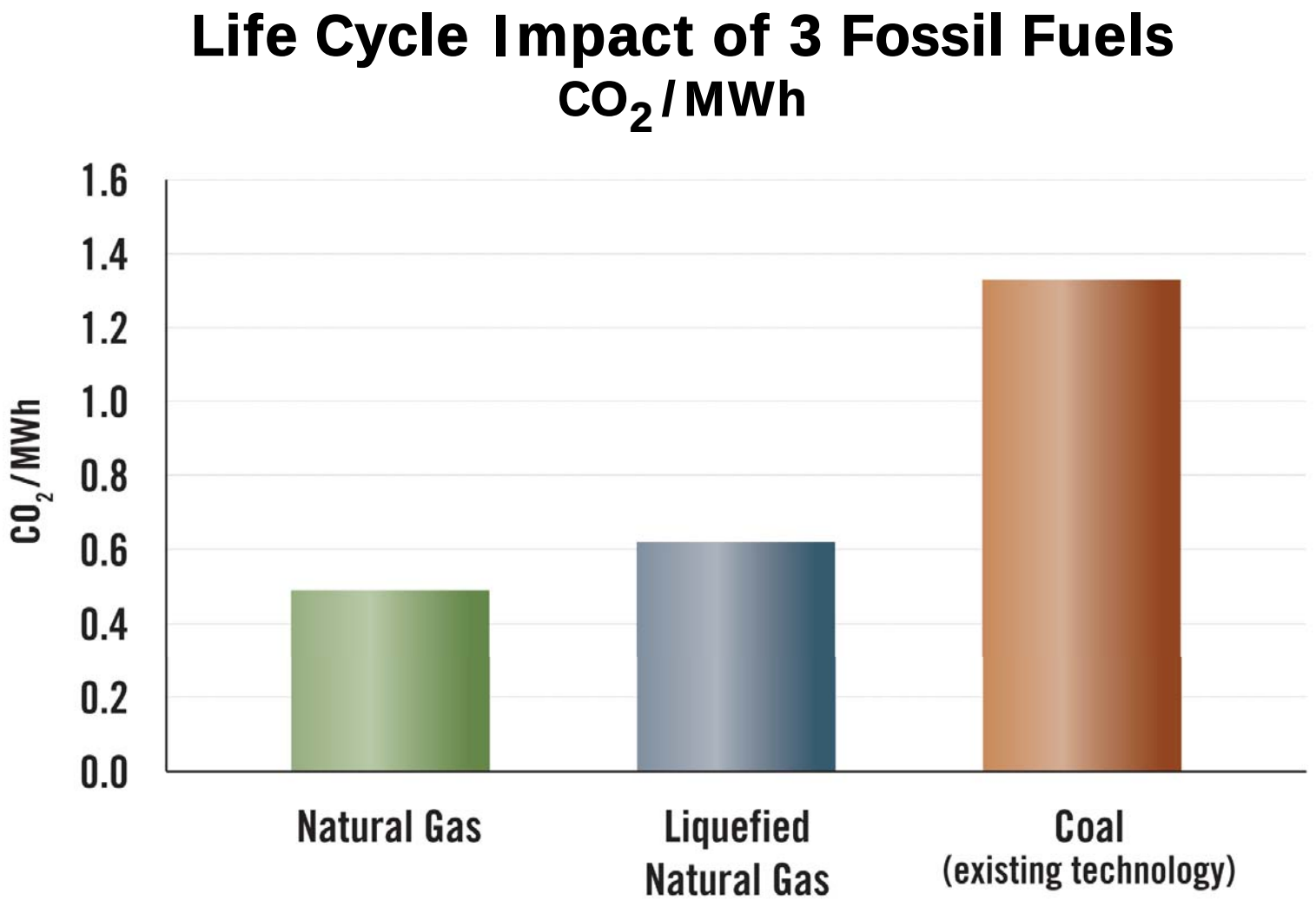
Greenhouse Gas Comparison



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LNG's Outstanding Safety Record

- NW Natural has operated two LNG facilities safely in Oregon for more than 40 years
- Four U.S. terminals have operated safely for more than 30 years
- One terminal right in the middle of Boston Harbor

NW Natural®



Growing responsibly

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NW Natural®

The Three Hard Truths

1. Rising Demand
2. Strained Supplies
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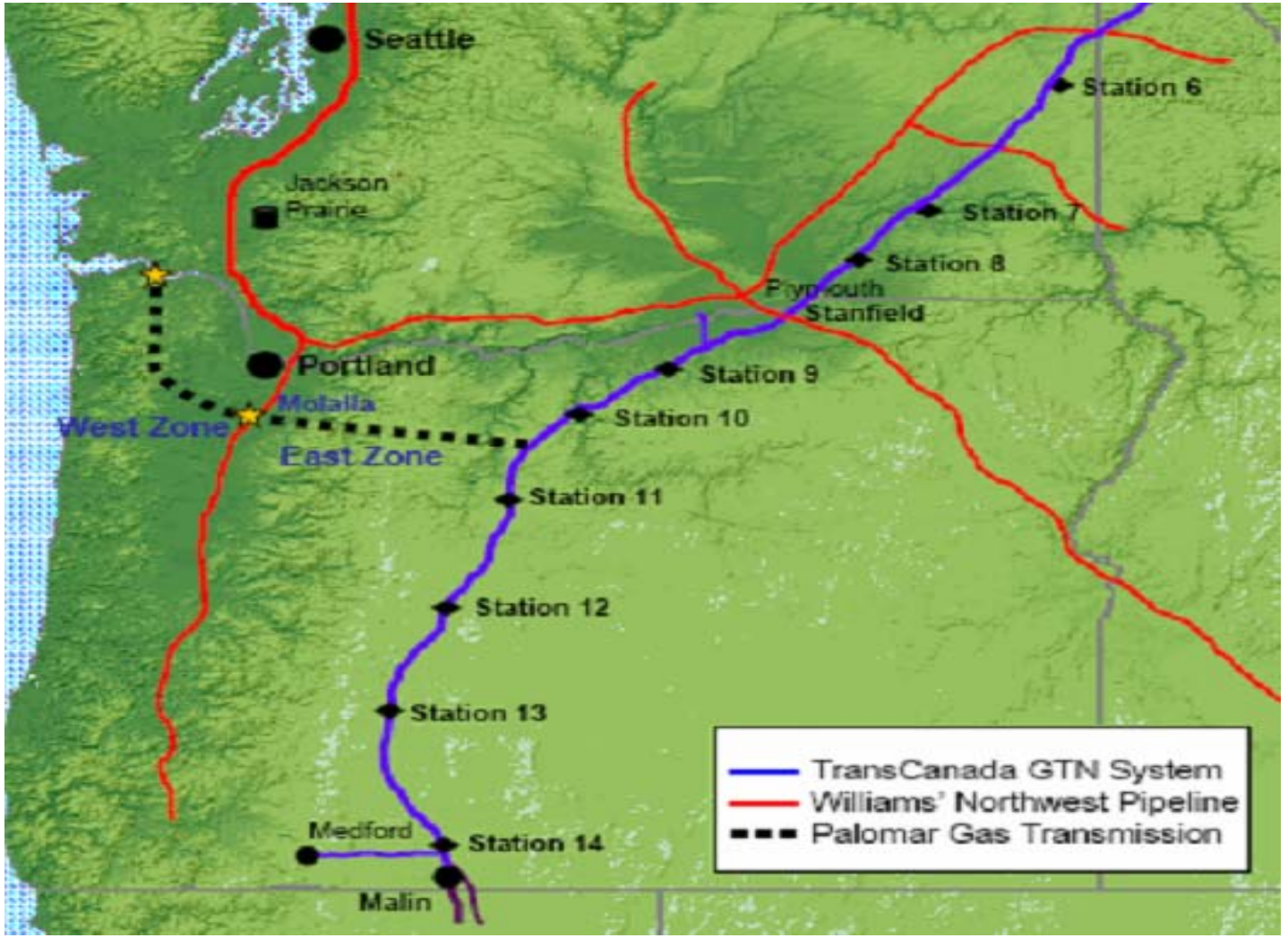
Mark Dodson
Chief Executive Officer

NW Natural®

Palomar Pipeline



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Gill Ranch Storage



GILL RANCH STORAGE

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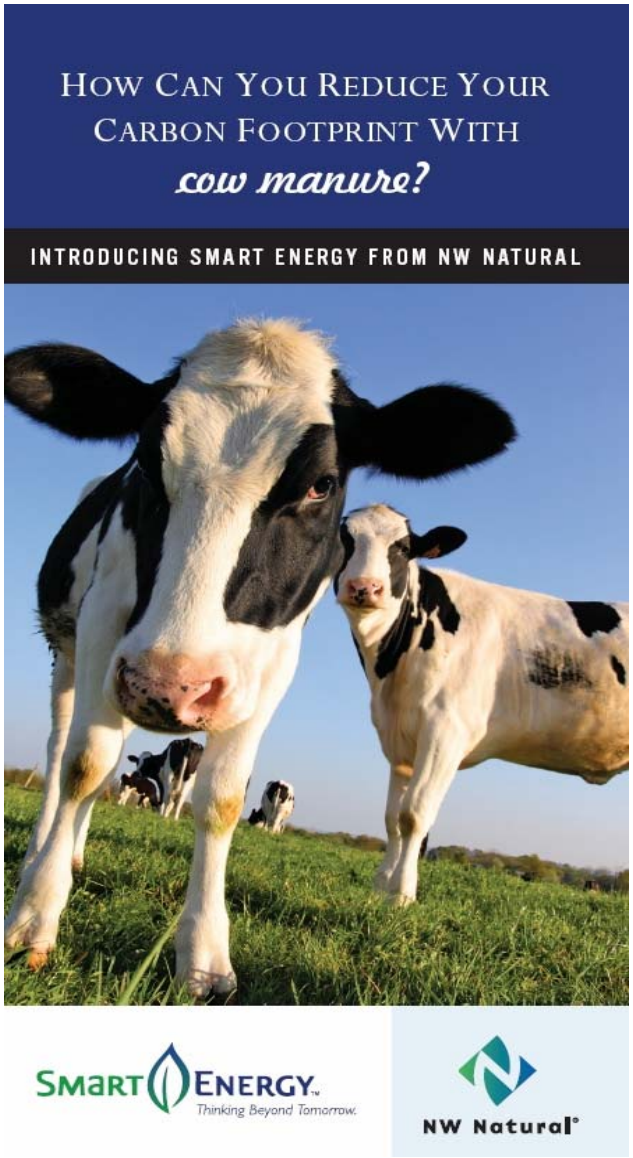
New Environmental Program Launched

- First stand-alone gas company to offer carbon offset product
- Internationally renowned, nonprofit partner: Climate Trust
- Focused on the development of biogas in our region
- Today, more than 3,100 Smart Energy participants



New Board Members



Jane Peverett

President & CEO, British Columbia Transmission Corporation



George Puentes

President, Don Pancho Authentic Mexican Foods

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