NW Natural®

We grew up here.

Brean Murray, Carret & Co.

Investor Presentation

Nov. 30 - Dec. 1, 2010

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 668,000 customers in OR & WA
  - 90% Oregon, 10% Washington
- A distribution and transmission system totaling 13,800 miles
- 16 billion cubic feet gas storage capacity in NW Oregon with growth potential
  - Conducting further analysis
- Constructive regulatory environment
- Strong balance sheet & financial condition
- Record earnings of $2.83 per share in 2009
- Financial & operational discipline
- Experienced management team
- JD Power Customer Satisfaction – consistently top 3-rating in U.S. and #1 gas utility in 2010
- Non-utility growth projects – Gill Ranch Gas Storage, Palomar Pipeline & Mist expansion
- Indicative annual dividend rate of $1.74 per share – a 5% increase over prior year – and 55th consecutive year of increasing dividends paid



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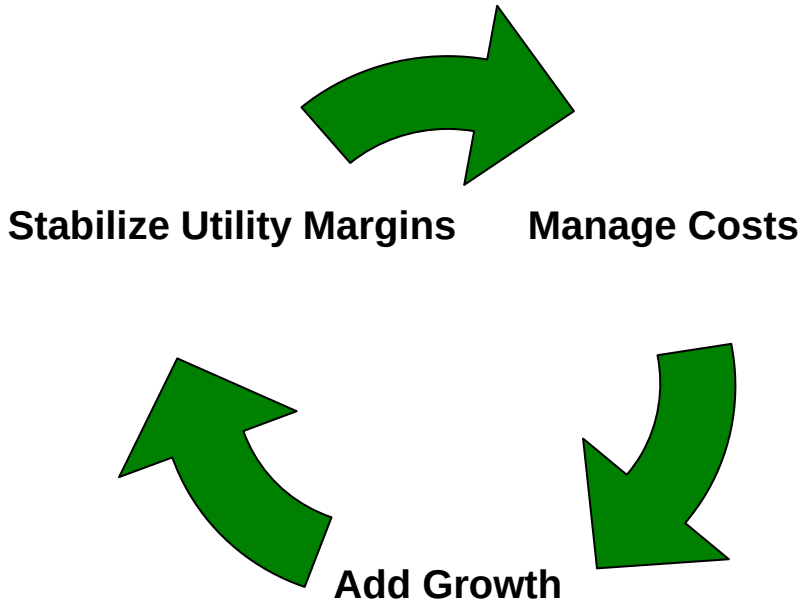
2010 YTD Highlights

- YTD financial results close to last year's record results at $1.62 per share on net income of $43.1 million through September 30, 2010 vs. $1.64 per share on net income of $43.7 million for the same period in 2009
- Q3 results included a seasonal loss of $7.4 million (28 cents per share) vs. a loss of $6.7 million (25 cents per share) last year
- Gill Ranch Storage goes into service in early October
- Company selected 90%-10% PGA incentive sharing mechanism for Oregon customers, effective November 1, 2010
- Residential rates were reduced 2 percent in Oregon and Washington for 2010-11 heating season
- NW Natural ranked as #1 gas utility in the nation for customer satisfaction, according to J.D. Power & Associates
- Reaffirmed 2010 EPS guidance of $2.60 to $2.75 per share on Nov. 5th
- Have increased dividends paid for 55 consecutive years – to an indicated annual dividend of $1.74 per share (43.5 cents per share per quarter)

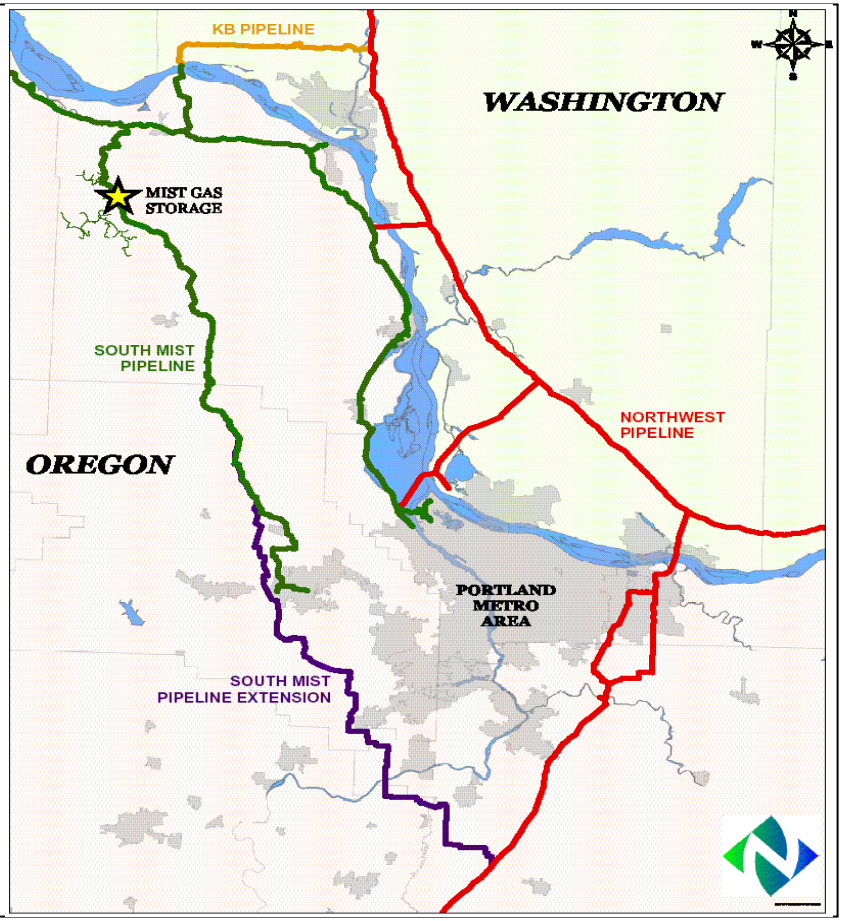
NWN Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas LDCs
- Managing cost structure
  - Continuing to make improvements
  - Increased use of technology to improve reliability & safety, etc.
  - Five-year union agreement reached last year and 20% workforce reduction achieved over past several years
- Adding longer-term infrastructure growth opportunities that fit NWN's "DNA" of what we do best
  - Gill Ranch Gas Storage in California
  - Palomar Pipeline Project in Oregon
  - Mist Gas Storage expansion in northwest Oregon



Natural Gas Storage

- Key utility resource at Mist, Ore. – 16 Bcf
  - Least-cost seasonal peaking supply
  - Investment rolled into rates as needed for core customers
- 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
- Gill Ranch Storage goes in-service in central California, near Fresno, in October 2010



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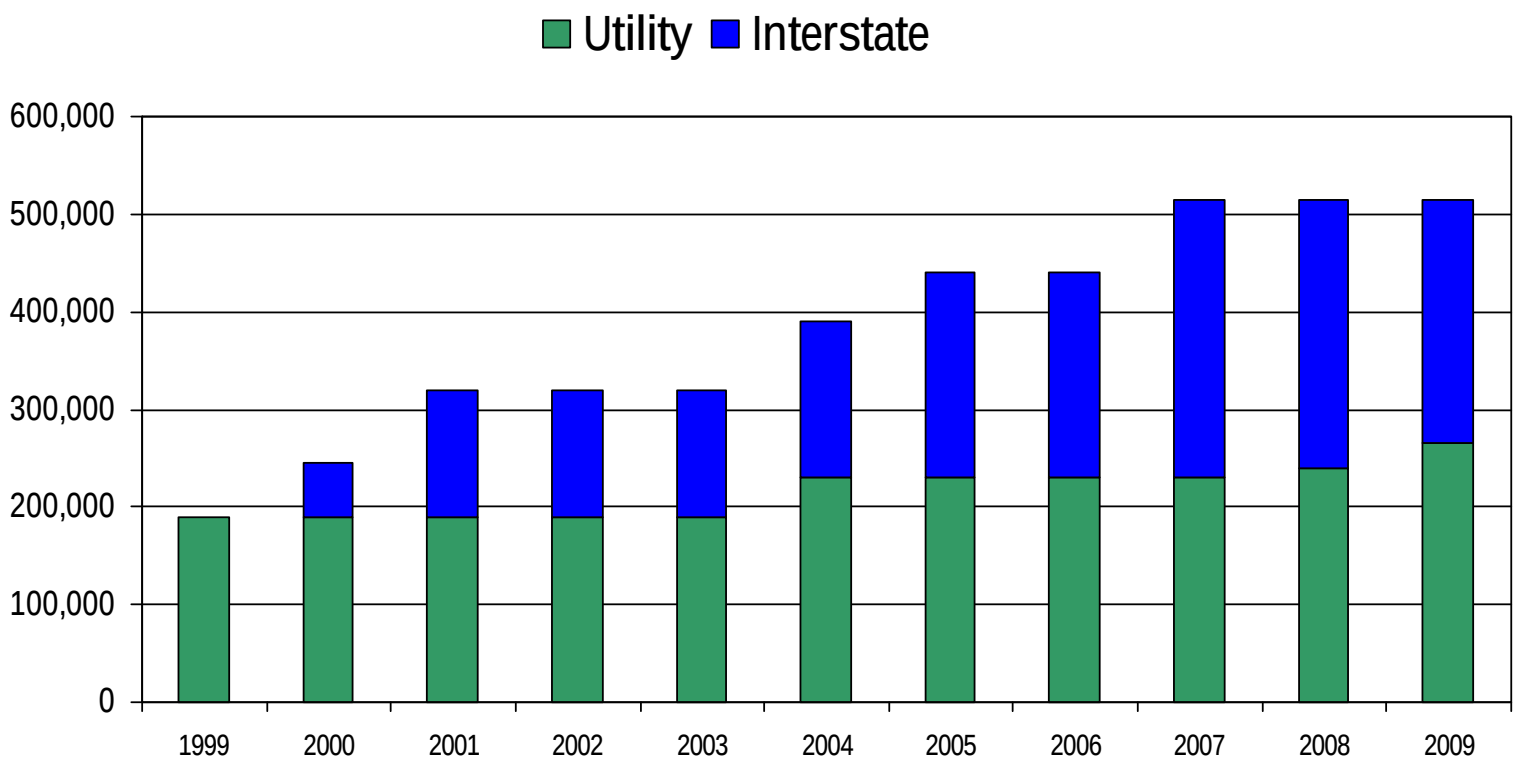
Historic Mist Integrated Development

(Deliverability/Dtherms)



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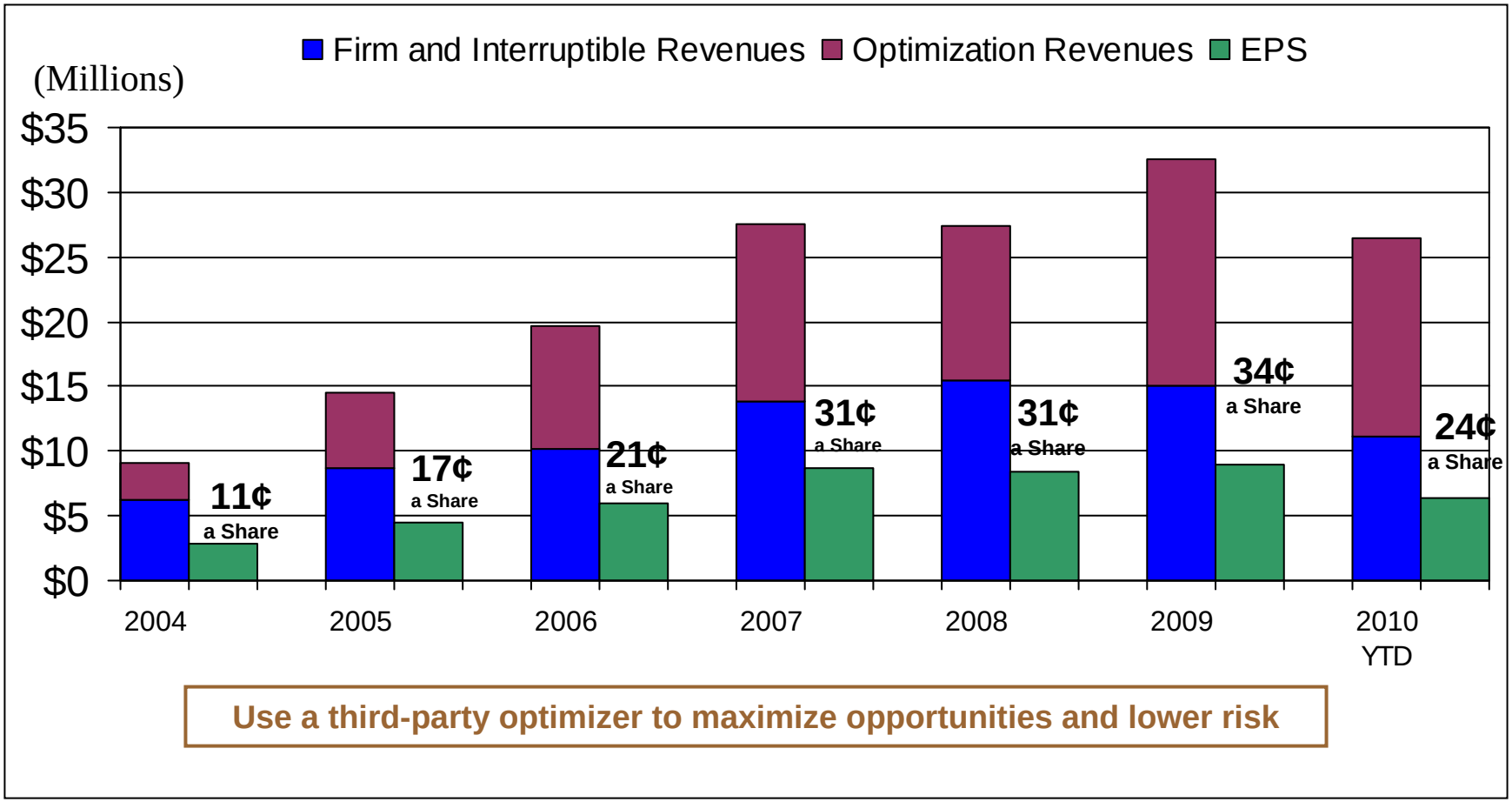
Gas Storage Revenues & EPS

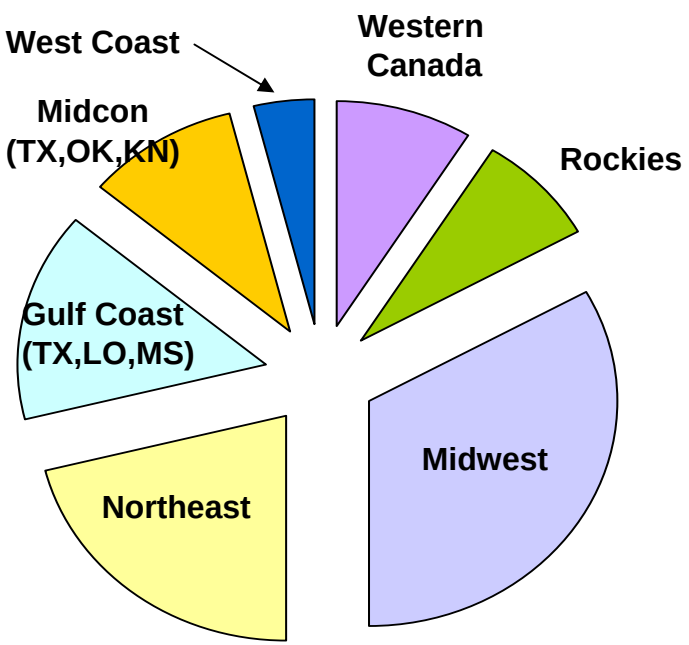
(through Sept. 30, 2010)



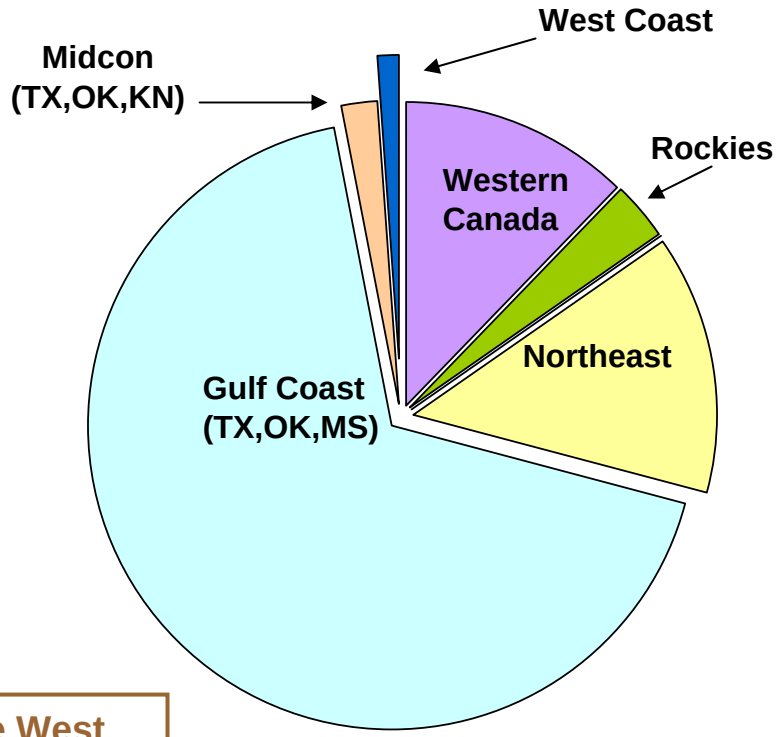
Use a third-party optimizer to maximize opportunities and lower risk

Need for Additional Storage in West

Existing Storage (4,395 Bcf)



Proposed Storage (403 Bcf)



Lack of storage in the West

Source: EIA

Gill Ranch Project Overview

- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
  - CPCN permit approved & construction started in January
- Wettest winter in Fresno area in many years; wildlife issues
- Depleted gas reservoirs
- Phased development

  ~20 Bcf to start
- October 2010 in-service date met
- 75/25 venture with PG&E
- ~$210-220m construction costs (NWN portion)



Strategic location for customers…

Gill Ranch Storage Completed





- ~ 20 Bcf facility to start
- 27 miles of gas transmission line
- In-service early October

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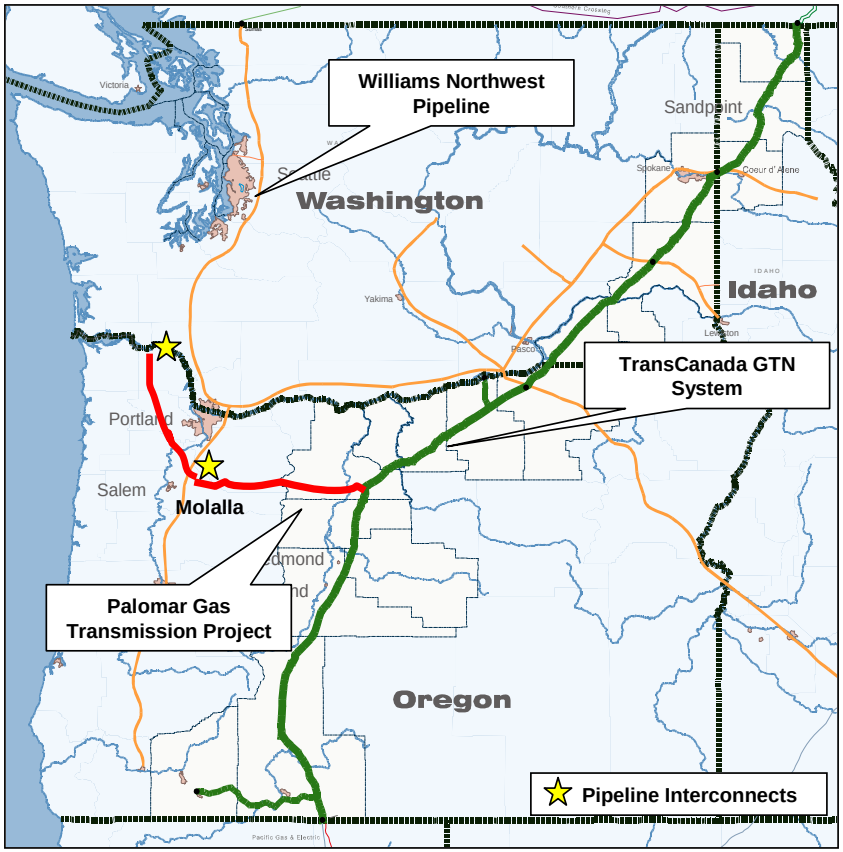
Palomar Pipeline Project Overview



Project Purposes

- Palomar East
  - Access increasing domestic supplies for regional growth
  - Provide a second pipeline delivery path to NW Natural for reliability
  - Non-binding MOU with third party
  - Agreement with Warm Springs Tribe on route alternative
  - Actively talking with shippers & workshops proposed
- Palomar West
  - Unlikely to proceed without LNG

Project Review

- JV with TransCanada and a non-binding MOU with Northwest Pipeline
- FERC filing made in December 2008
- Draft EIS expected to be amended, given changes in project scope

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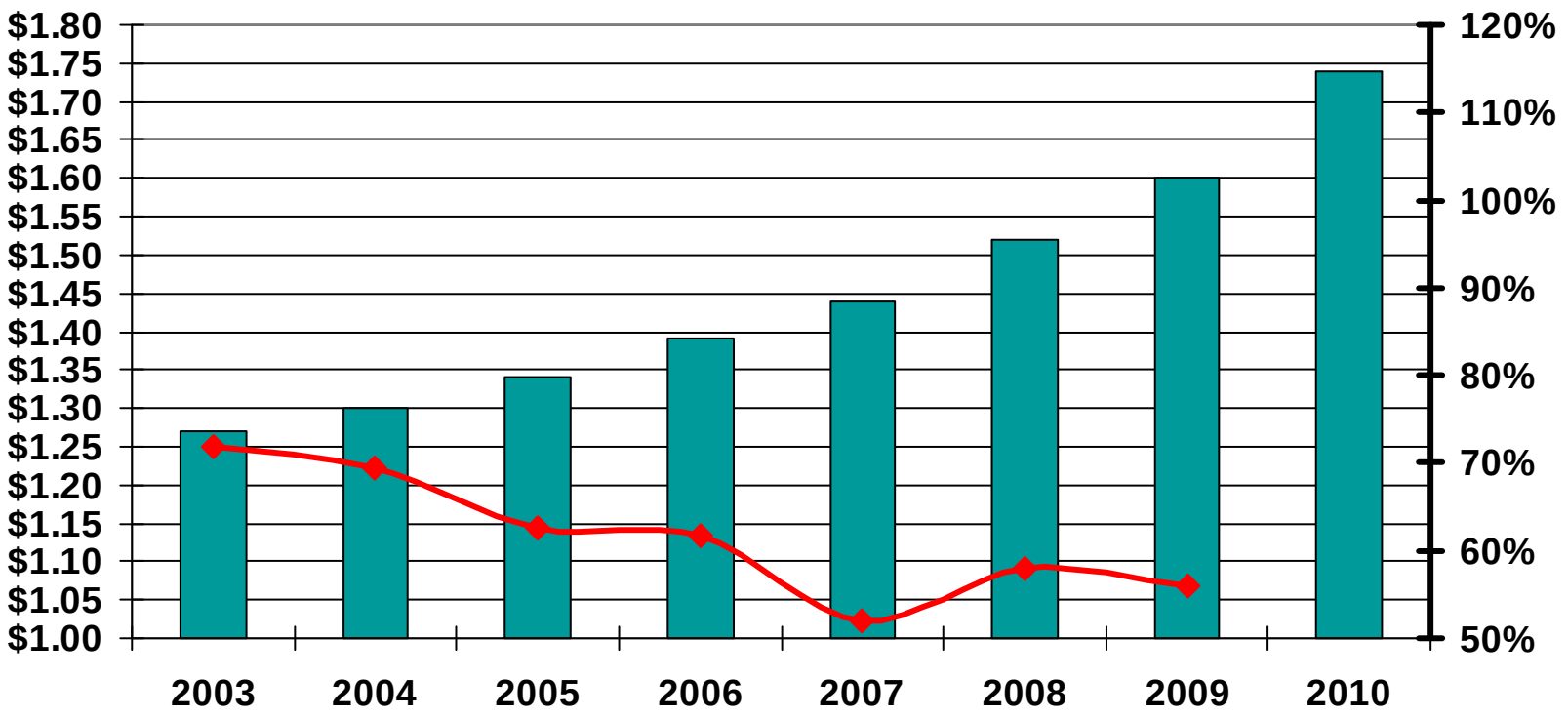
Dividend Payout History

(55-year history of annually increasing dividends paid)



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

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Conclusion

- YTD financial results close to last year's record results at $1.62 per share on net income of $43.1 million through September 30, 2010 vs. $1.64 per share on net income of $43.7 million for the same period in 2009
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- Residential rates were reduced about 2 percent in Oregon and Washington for 2010-11 heating season, starting November 1, 2010
- NW Natural ranked as #1 gas utility in the nation for customer satisfaction, according to J.D. Power & Associates
- Reaffirmed 2010 EPS guidance of $2.60 to $2.75 per share on Nov. 5th
- Have other infrastructure projects in development – Mist & Palomar
- Have increased dividends paid to shareholders for 55 consecutive years – to an indicated annual dividend of $1.74 per share
- Strong credit ratings and low refinancing risk –
  - Secured LT Debt: S&P (A+) and Moody's (A1)
  - Commercial paper: S&P (A-1) and Moody's (P-1)

NW Natural

NW Natural (NYSE: NWN) is a 151-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, a feat matched by few publicly traded companies. 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, is looking to expand the Mist storage facility in Oregon, and has plans to develop a new gas transmission pipeline called Palomar in Oregon to provide enhanced gas deliverability and reliability for the region.

KEY INDICATORS:	SEPT. 2010 YTD	2009 Y/E
Total customers	666,903	667,794
Total common equity	$675,321	$660,105
Avg. diluted common shares outstanding (000)	26,641	26,576
Number of registered common shareholders	7,202	7,418
Institutional ownership	60%	58%
Annual Dividends (ttm)	$1.66	$1.60
Diluted earnings per share	$1.62	$2.83
Book value per share	$25.35	$24.88

COMPOSITION OF UTILITY REVENUE:		
Residential	56%	56%
Commercial	29	30
Industrial & Transportation	12	11
Other	3	3

CURRENT BOND RATINGS:	S&P	MOODY'S
Secured long-term debt	A+	A1
Commercial paper	A-1	P-1
Outlook	Stable	Stable

For more information on NW Natural, contact:
Bob Hess, Director of Investor Relations
Phone: 503-220-2388 or 1-800-422-4012, ext 2388
Email: bob.hess@nwnatural.com