
Welcome to the 2011 NW Natural
ANNUAL SHAREHOLDERS MEETING
It's about TODAY and TOMORROW
NW Natural®



GREGG KANTOR

President & Chief Executive Officer

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Forward Looking Statements



Management's presentations may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You should note that the Company's future operating results will be affected by various uncertainties and risk factors, many of which are beyond our control, including governmental policy and regulatory action, the competitive environment and economic factors, as well as weather conditions. Our expectations, beliefs and projections are expressed in good faith and we believe have a reasonable basis. But, any forward-looking statement speaks only as of this date and we have no obligation to update any forward-looking statement to reflect events or circumstances after this date. For a more complete description of these uncertainties and risk factors and how they could cause the actual results of the company to differ materially from those projected, we encourage you to review our most recent reports with the SEC on Forms 10-K, 10-Q and 8-K.

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RUSSELL TROMLEY
Chairman of the Board
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MARDILYN SAATHOFF

Chief Governance Officer & Corporate Secretary

2010 Highlights



- Earnings of $2.73 per share – 3rd highest in history
- Increased dividends paid for 55th consecutive year
- Customers now paying 10% less than in 2005
- Effectively managed capital and O&M
- 1st nationally for residential customer satisfaction
- 1st in the West for business customer satisfaction

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Priority One: Safety



- Proactive pipeline safety efforts:
  - Pipe replacement efforts began 3 decades ago
  - $12 million spent each year on system integrity work
  - Completed removal of all cast iron
- Expanded employee training in 2010:
  - 315 first responders, nearly a 50% increase from 2009
- 2011 focus:
  - Ensure we address any new federal regulations
  - Keep our program among the nation’s most proactive

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Successful Outcomes to Tough Issues



- Won property tax ruling:
  - Oregon Supreme Court unanimous decision
  - Resulted in net refund of about $6 million
- Pension Protection Act challenges addressed:
  - Regulatory agreement allows for balancing account
  - Stabilizes pension expense without increasing rates

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Investing for the Future



- Gill Ranch Storage completed:
  - 20 billion-cubic-foot facility near Fresno
  - NW Natural is 75% owner, PG&E is 25% owner
  - Well positioned to serve California as economy improves
- Palomar Pipeline's evolution:
  - Originally two sections: West and East
  - Withdrew FERC permit to drop West section
  - Without LNG, East section critical for reliability, growth

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DAVID ANDERSON

Senior Vice President & Chief Financial Officer

Strong Results in 2010



- One-year Total Shareholder Return of 7%
- 5-year Total Shareholder Return of 62%
- Increased quarterly dividend rate by 5%
- Financial returns exceeded expectations:
  - EPS of $2.73 on $72.7 million of net income
  - Strong balance sheet – investment-grade credit rating from Standard & Poor's (A+) and Moody's (A1)

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Our Corporate Strategy



- Stabilized margins through regulation
  - First to implement decoupling
  - Work well with regulators, other stakeholders
- Managing cost structure
  - Continuing to make improvements
  - Increased use of technology to improve reliability and safety
- Adding longer-term growth opportunities that fit our risk profile and leverage our strengths
  - Gill Ranch Storage in California
  - Mist storage expansion opportunity in Oregon
  - Gas reserve investment offers low-cost, long-term supplies
  - Palomar Pipeline project in Oregon

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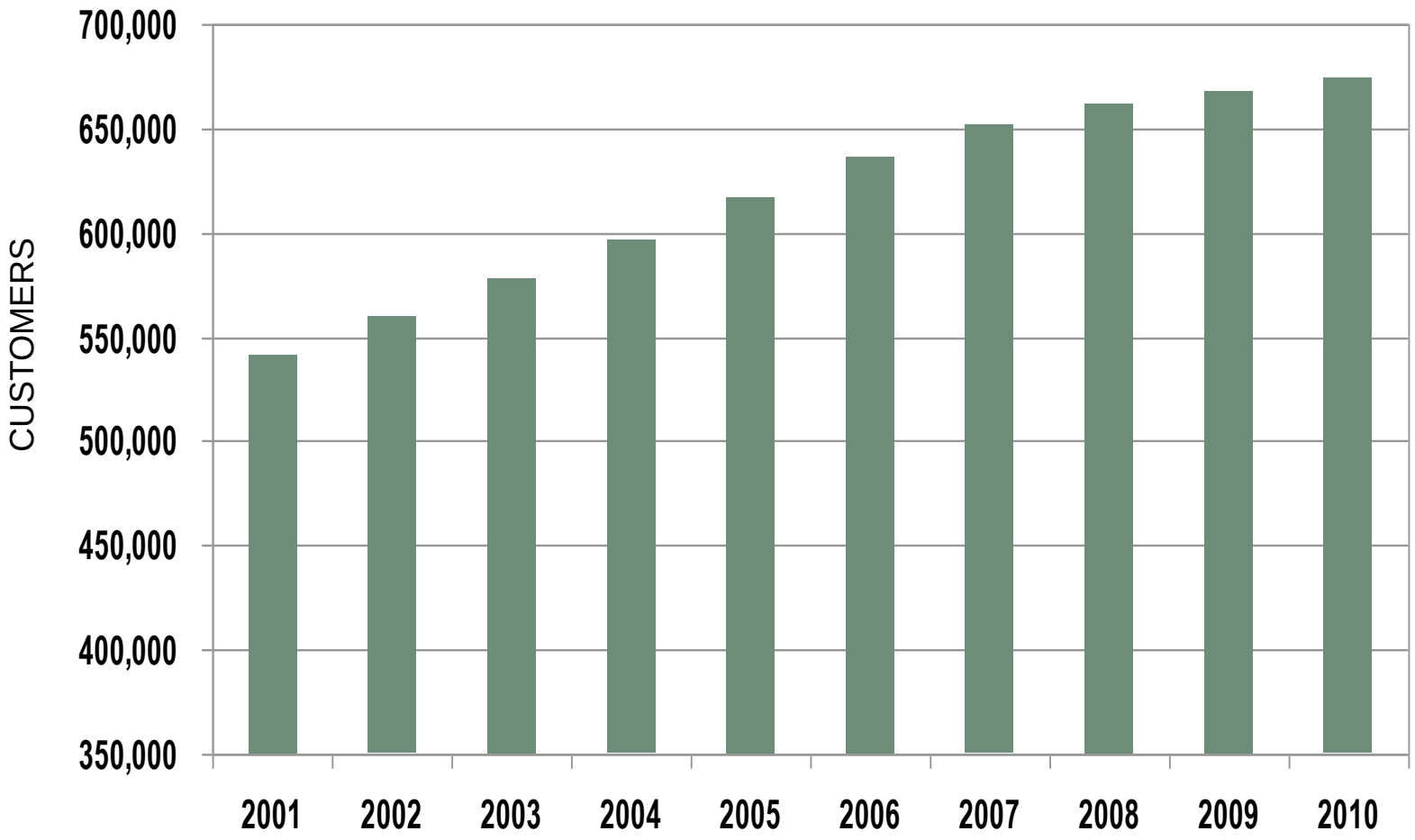
Total Customers





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Earnings Per Share





*Does not include one-time Senate Bill 967 charge.

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Net Utility Plant Investment



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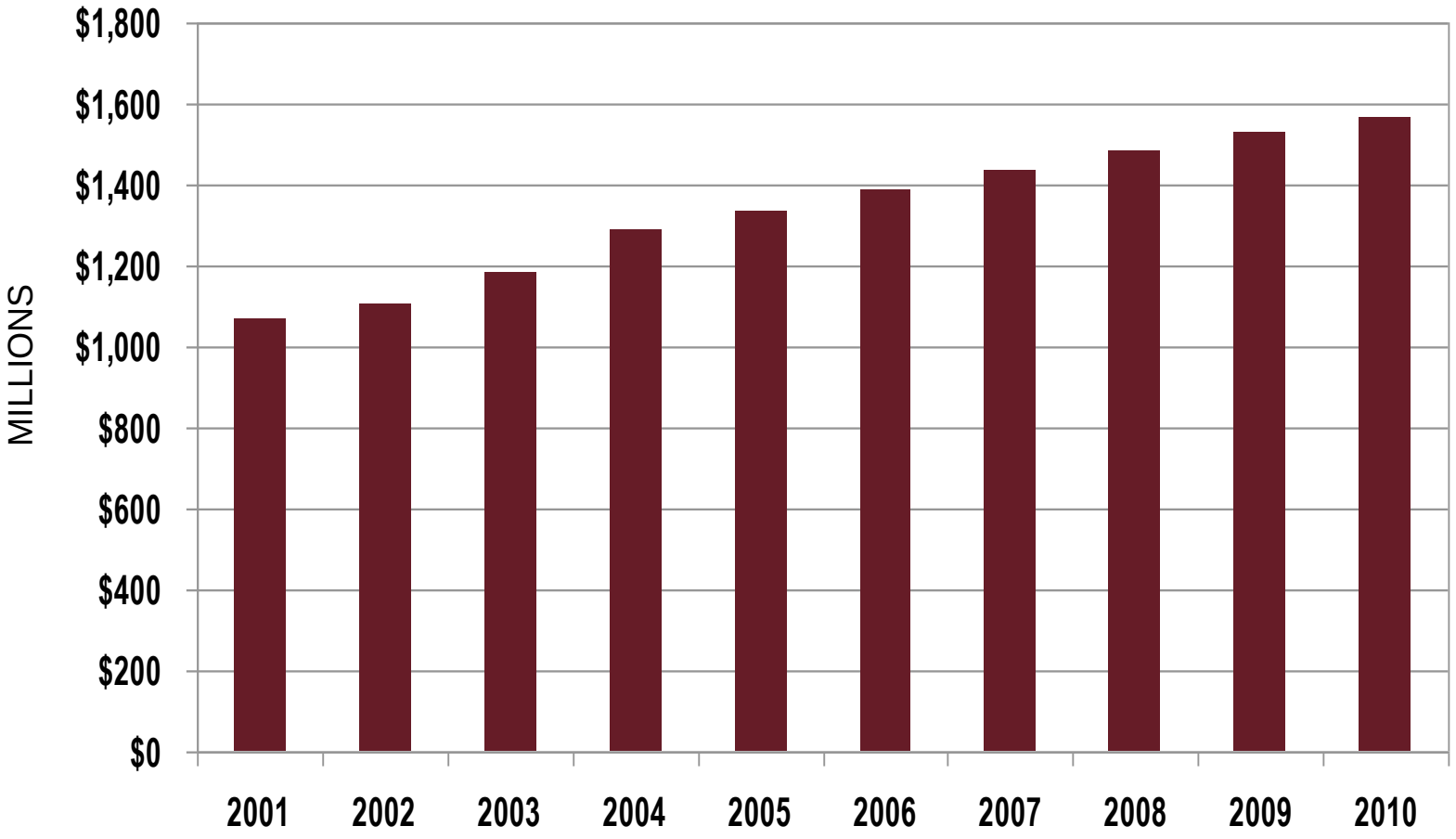
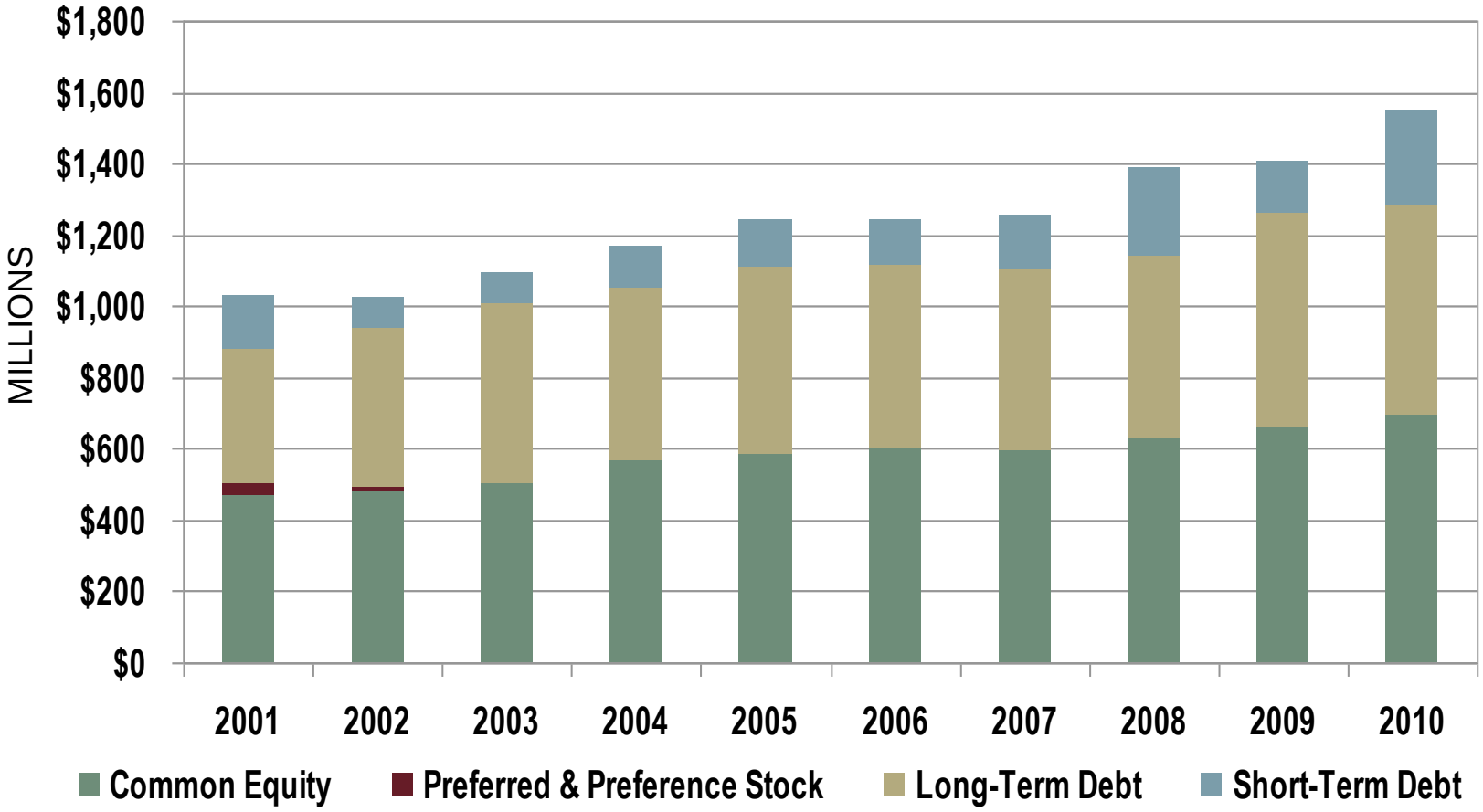


Capitalization





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Gas Sales & Transportation Deliveries



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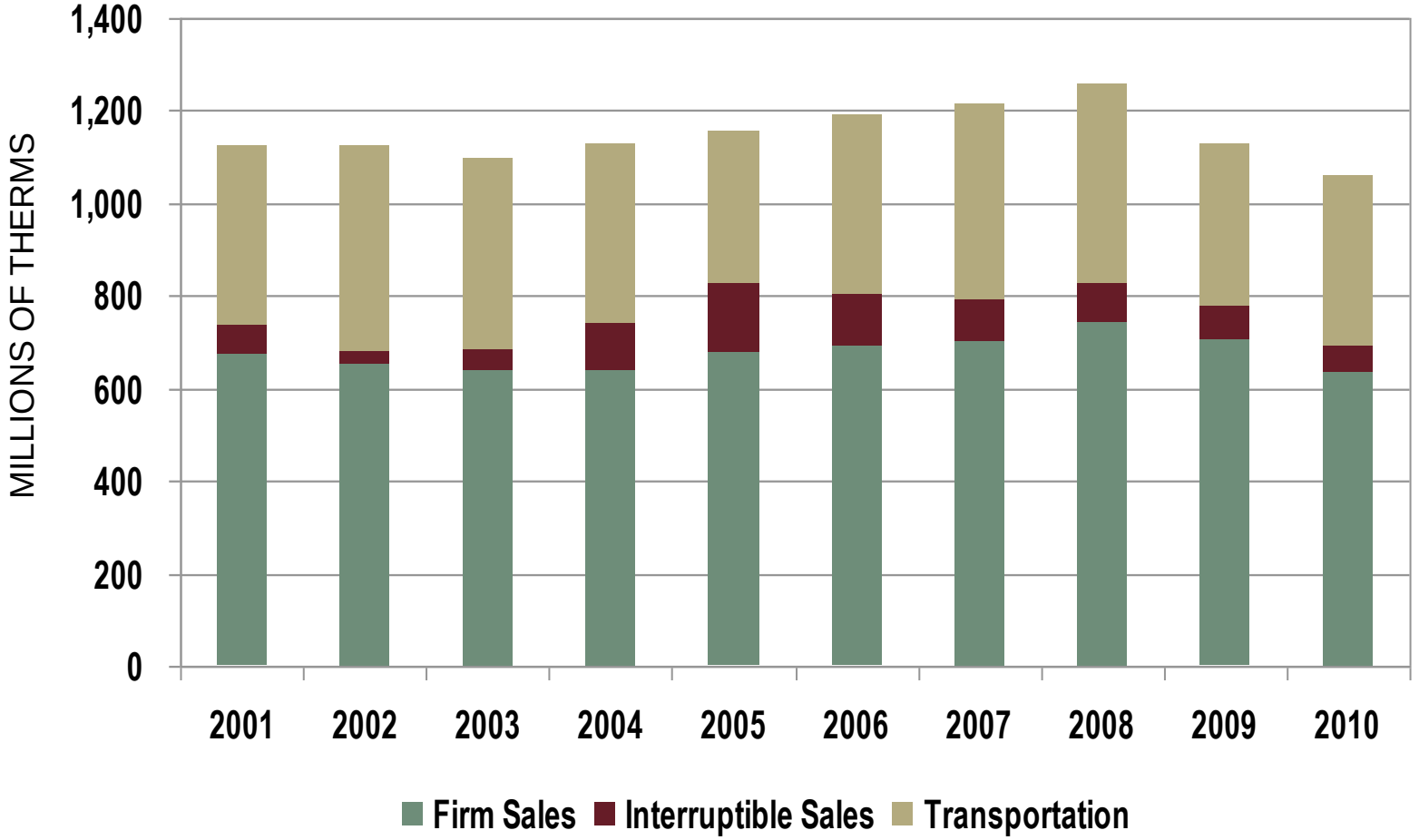
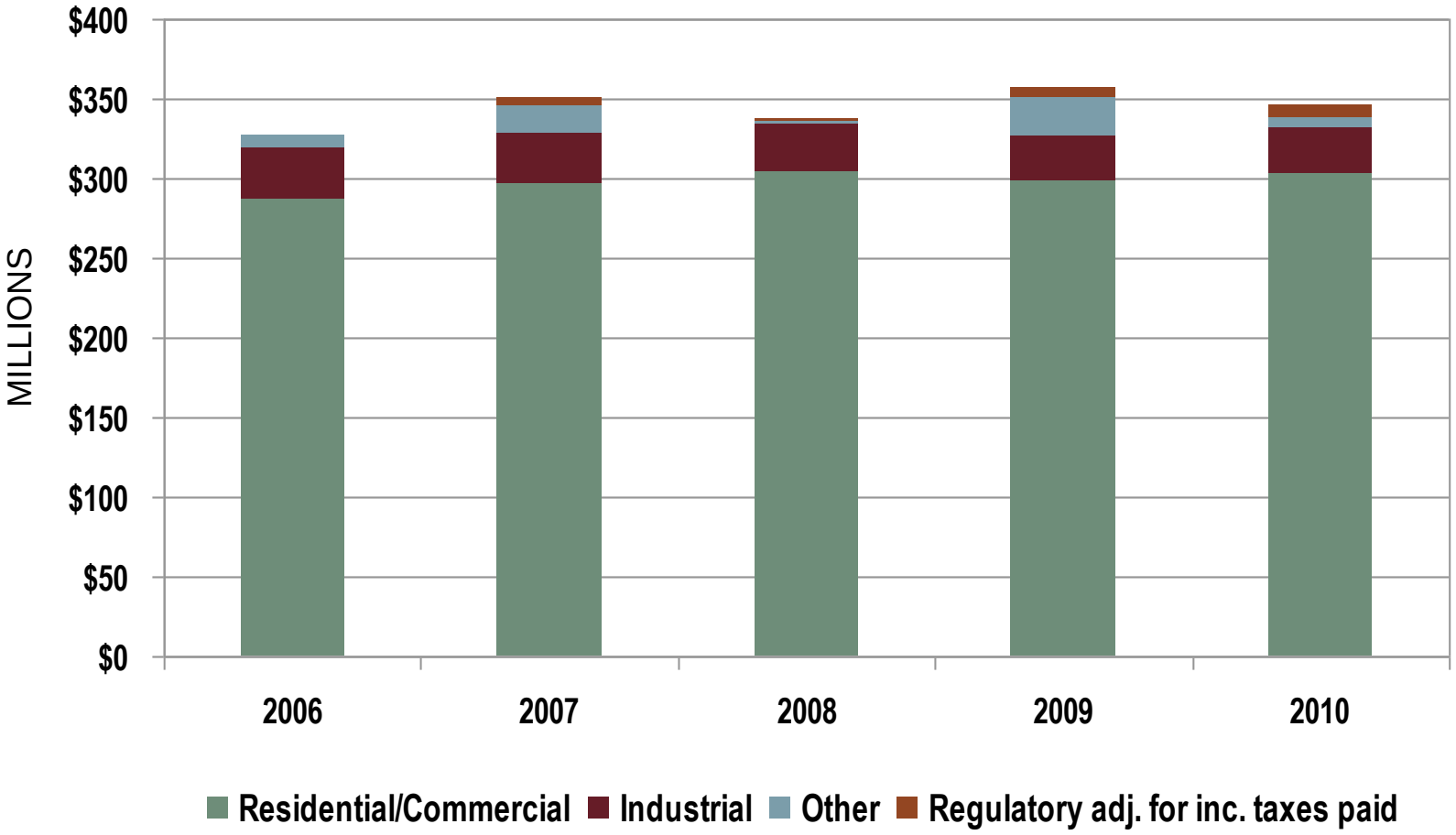


Utility Margin





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2010 Utility Revenues



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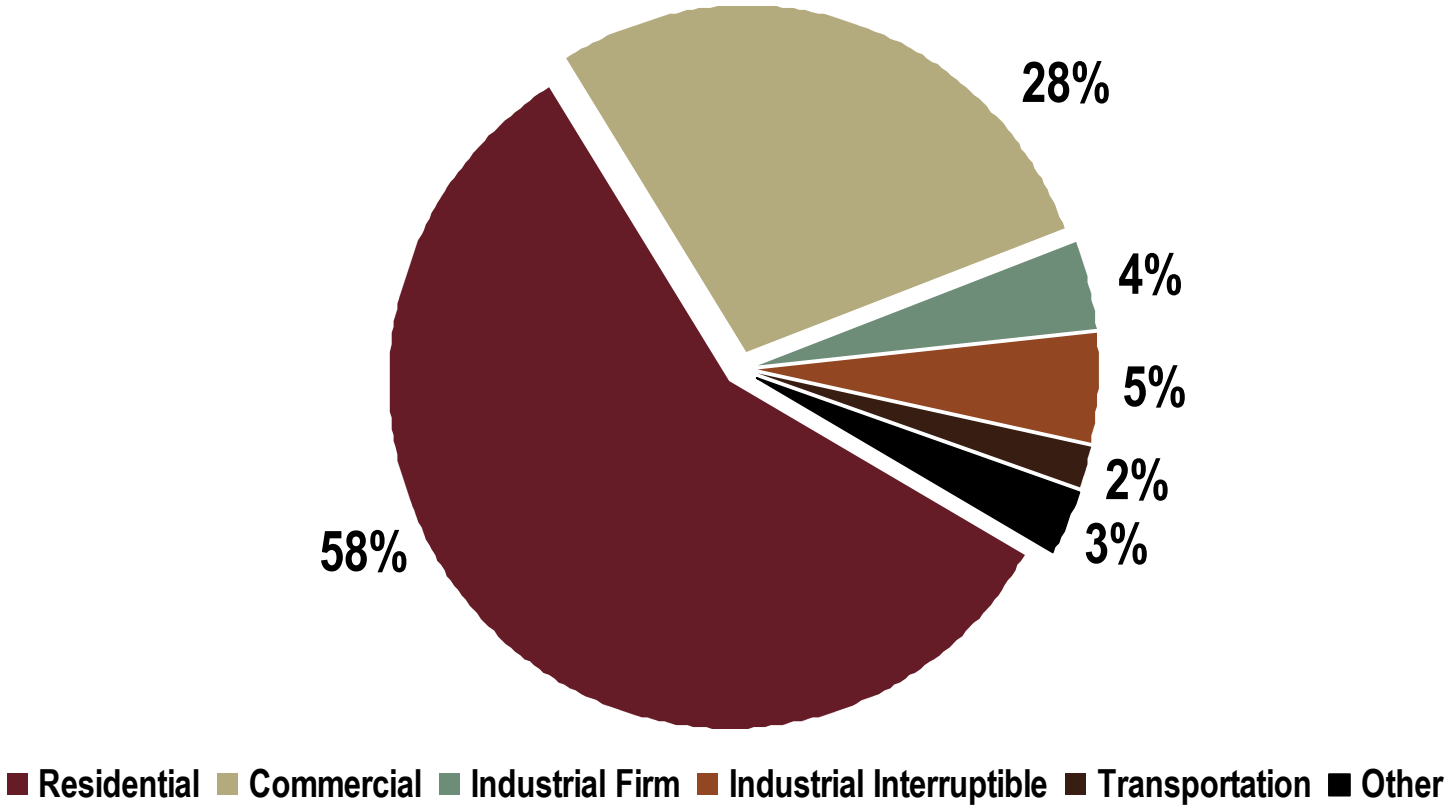

Average Cost of Gas



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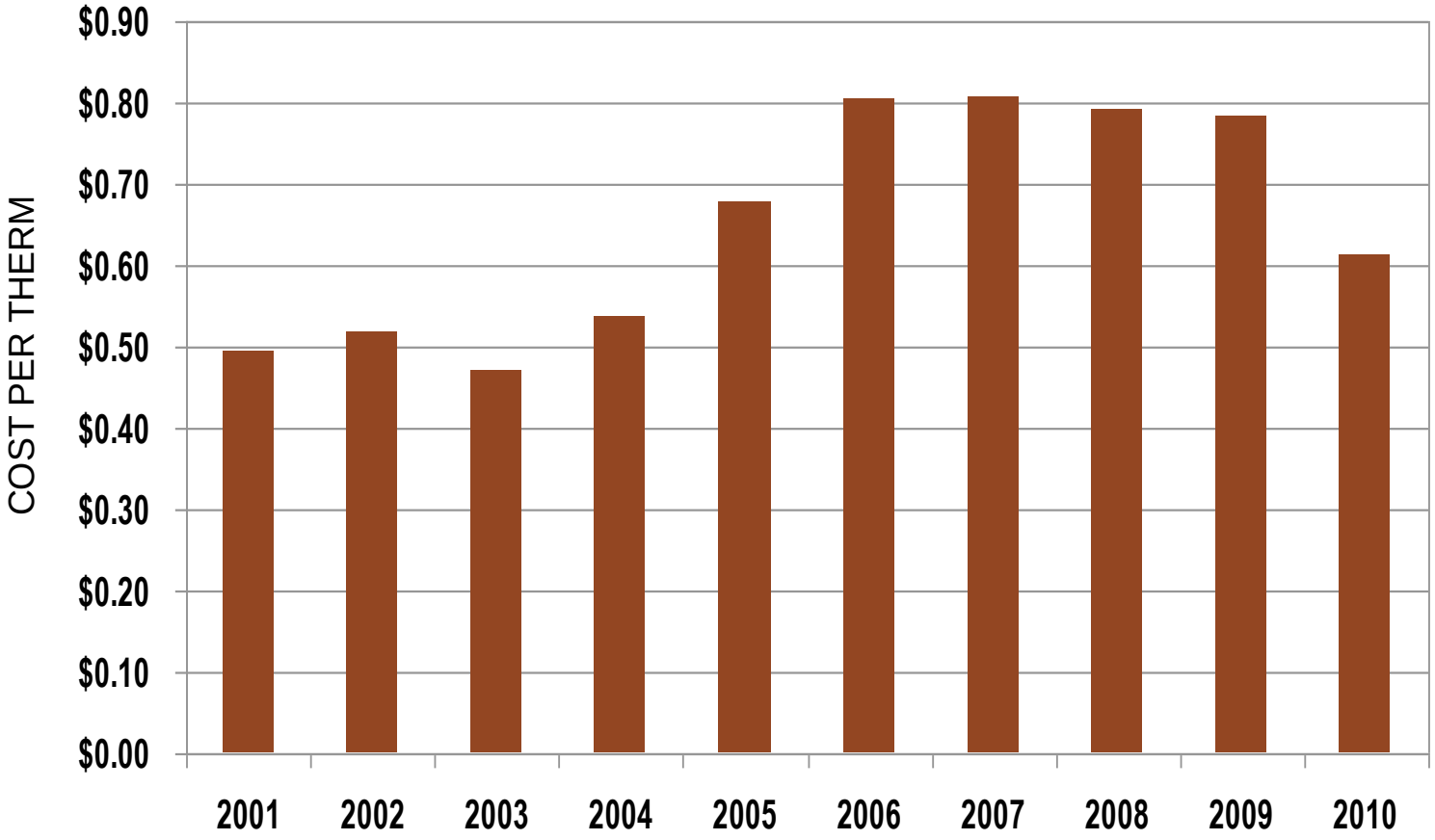
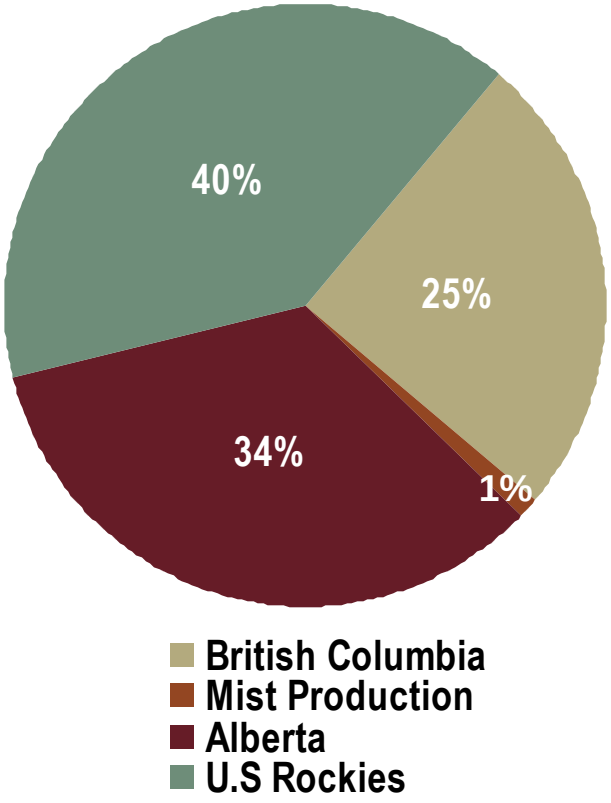
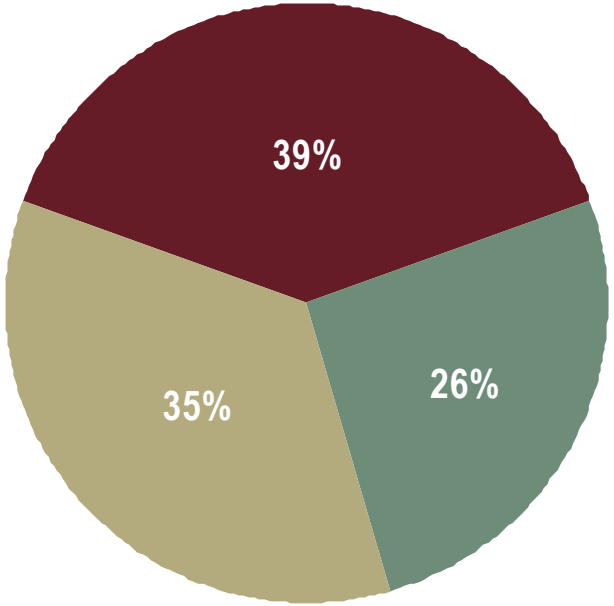


Gas Supply Diversity







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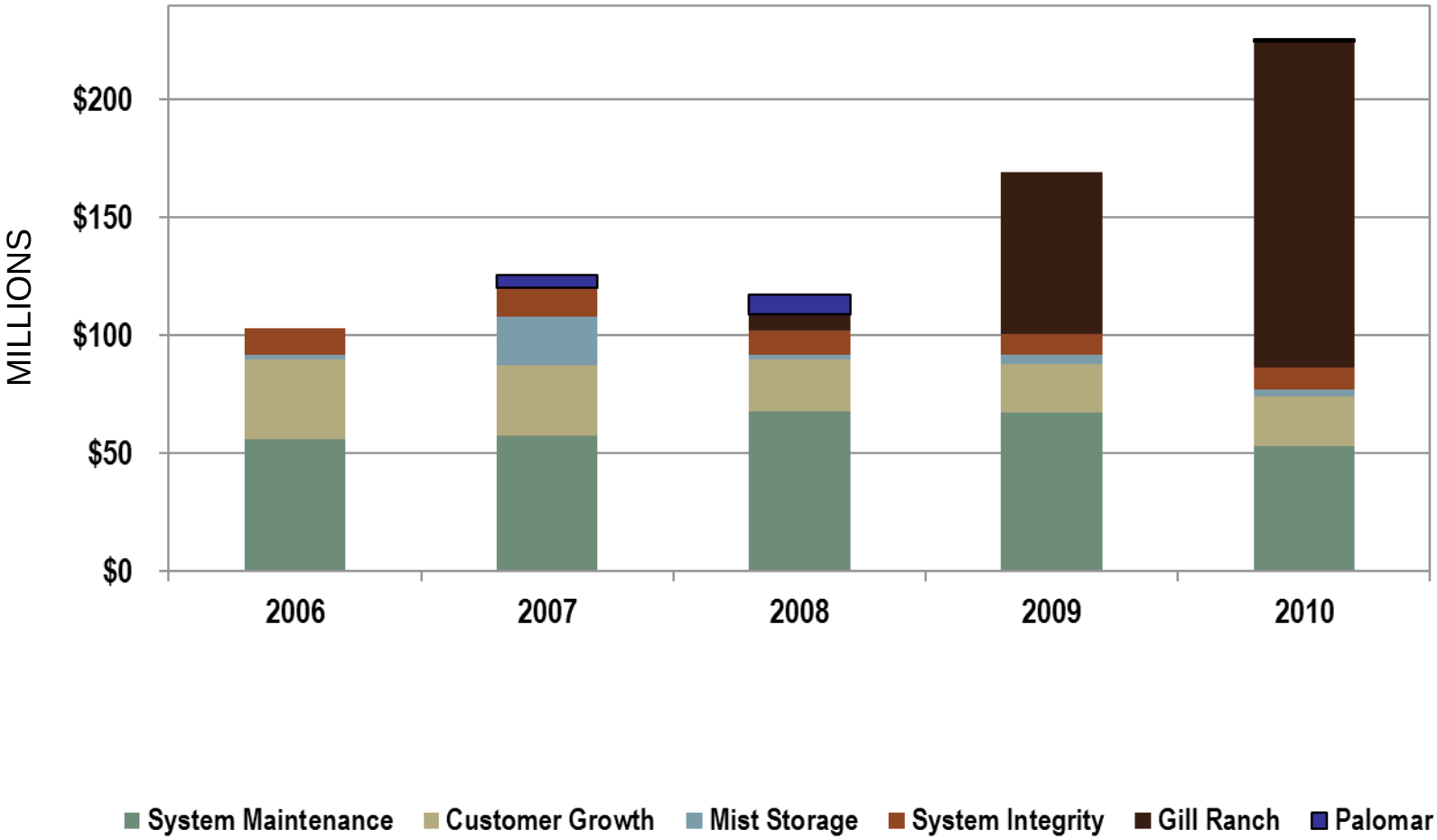
Capital Expenditures





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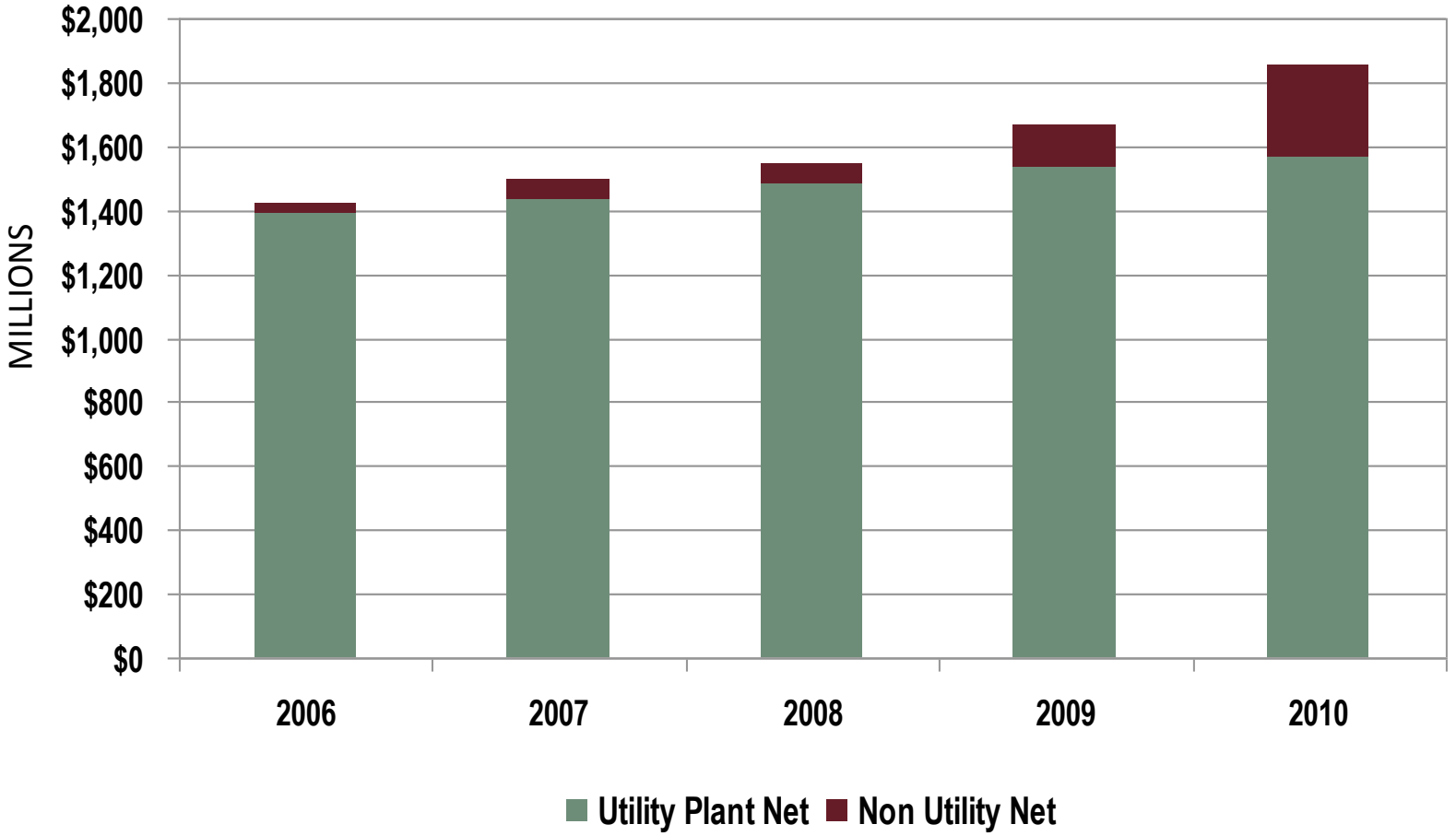
Net Plant





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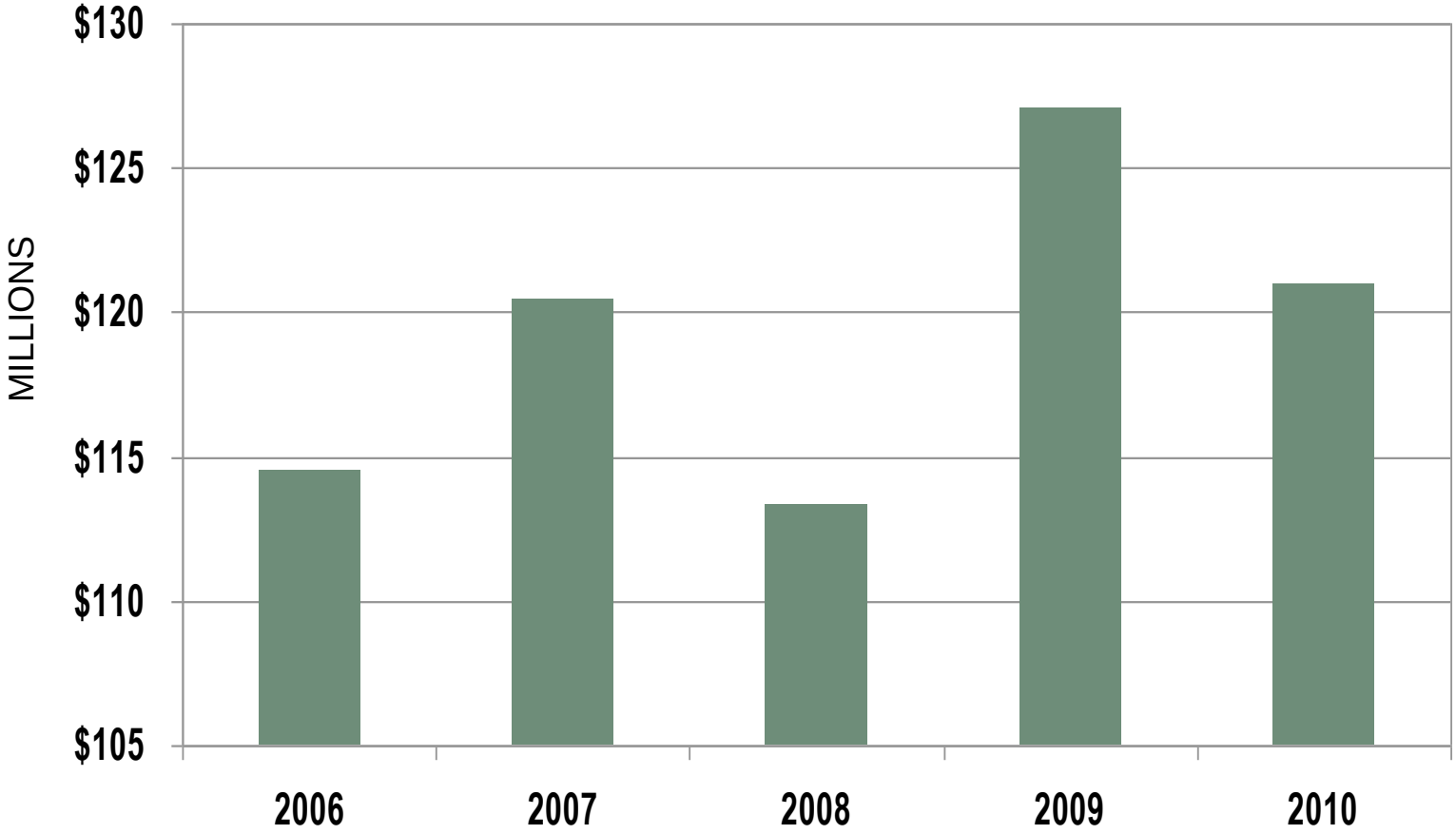
Operations & Maintenance Expense





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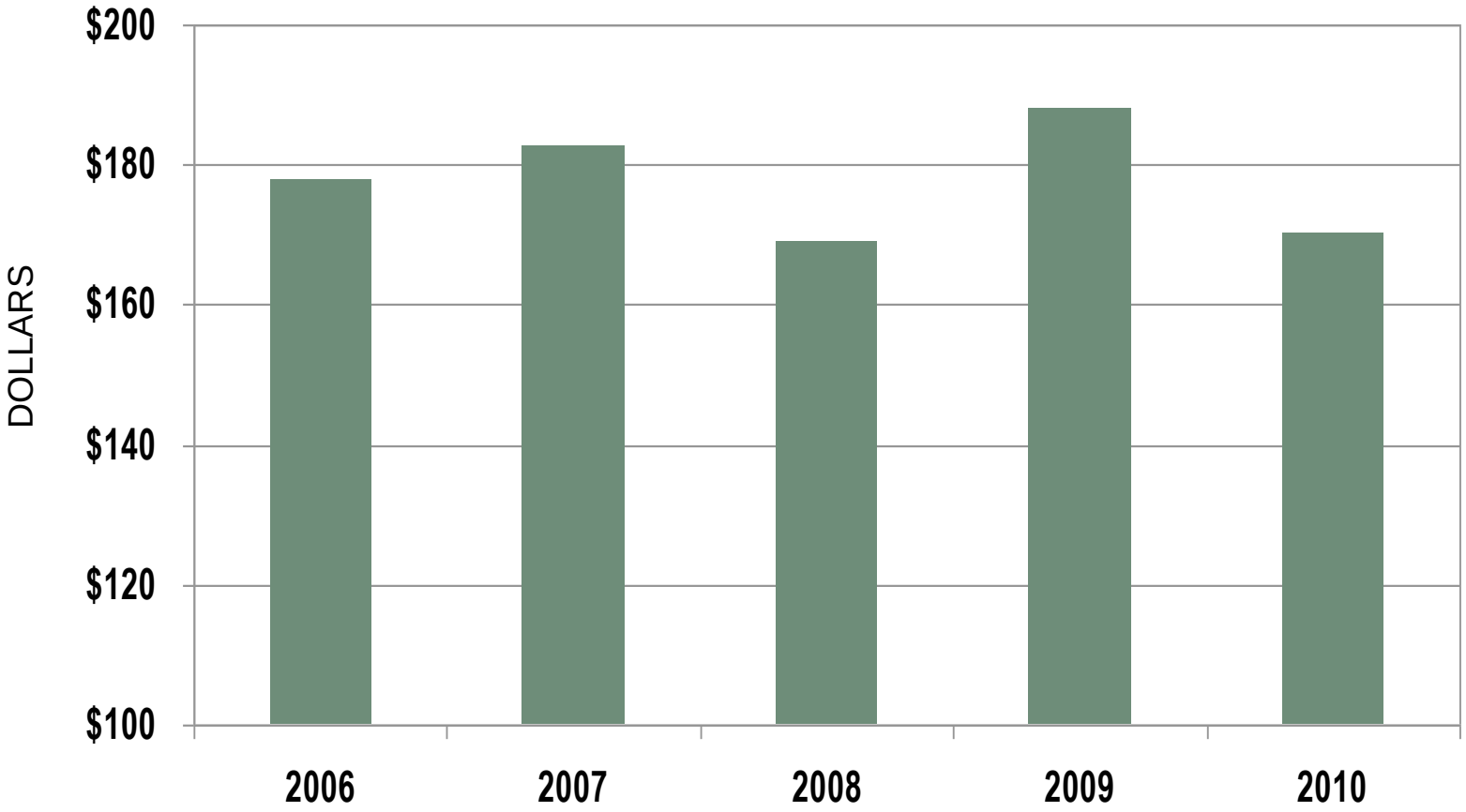
Operations & Maintenance Per Customer





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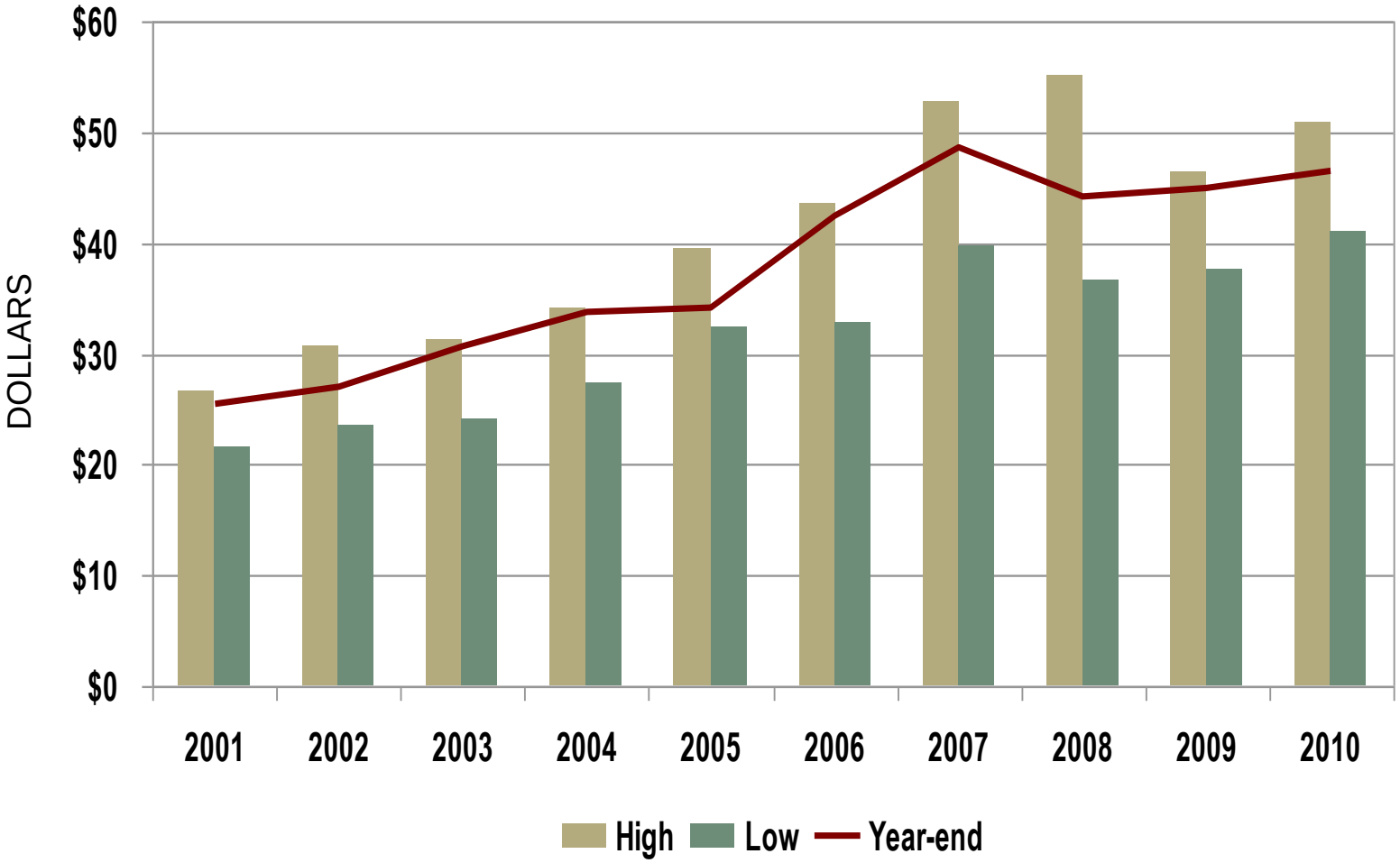
High / Low Market Price Per Share





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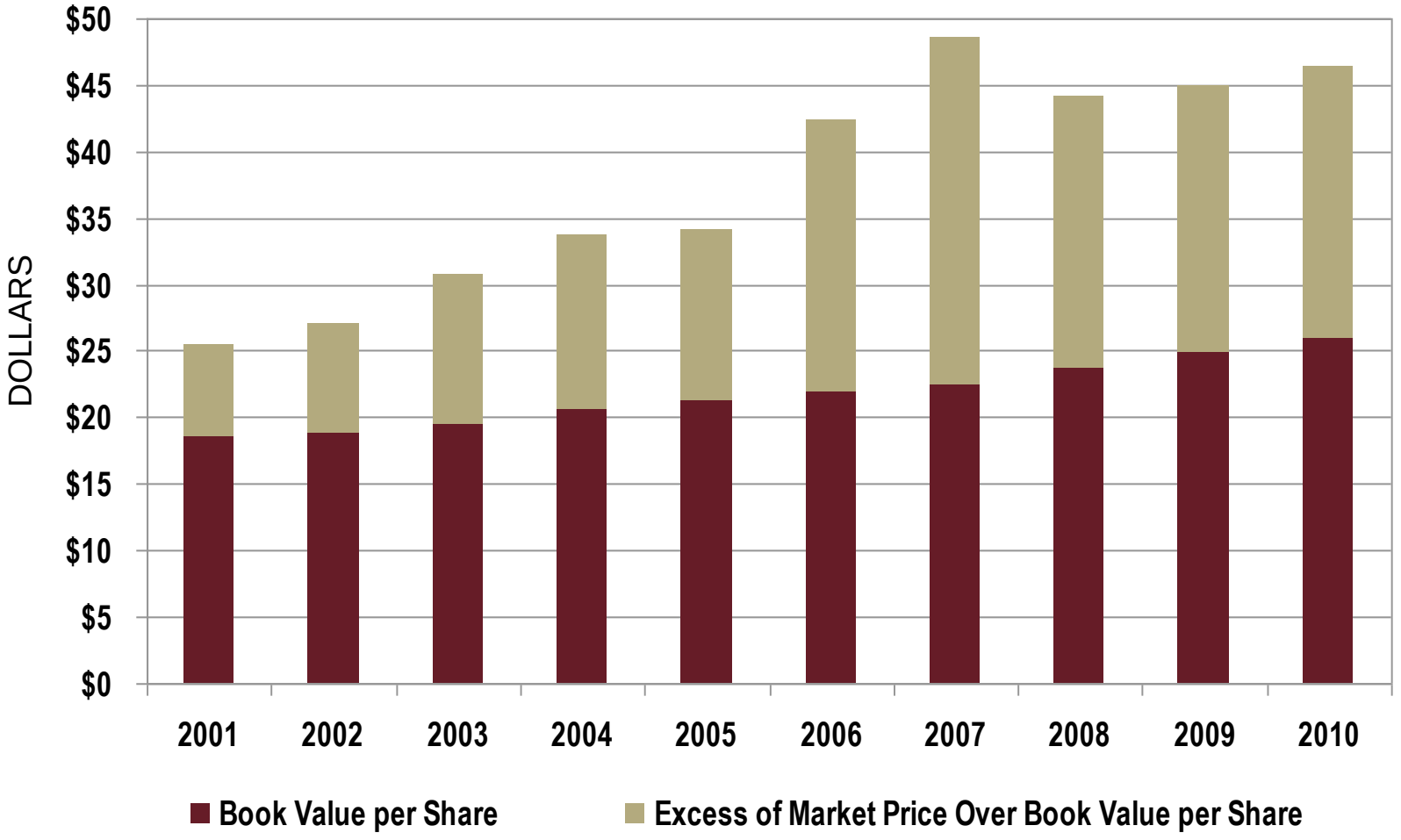
Year-End Market Price & Book Value





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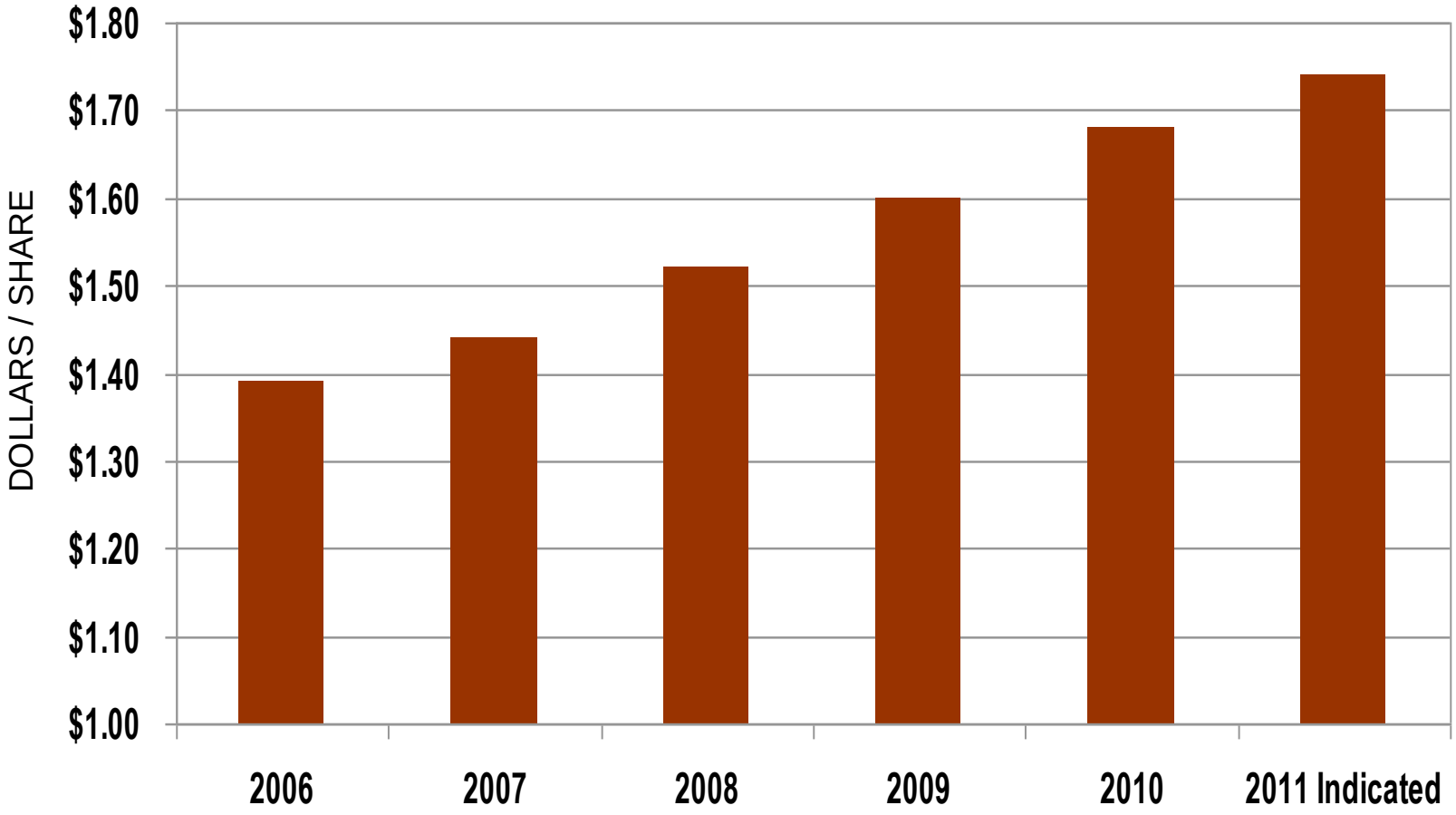
Dividend History





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Total Annualized Shareholder Return



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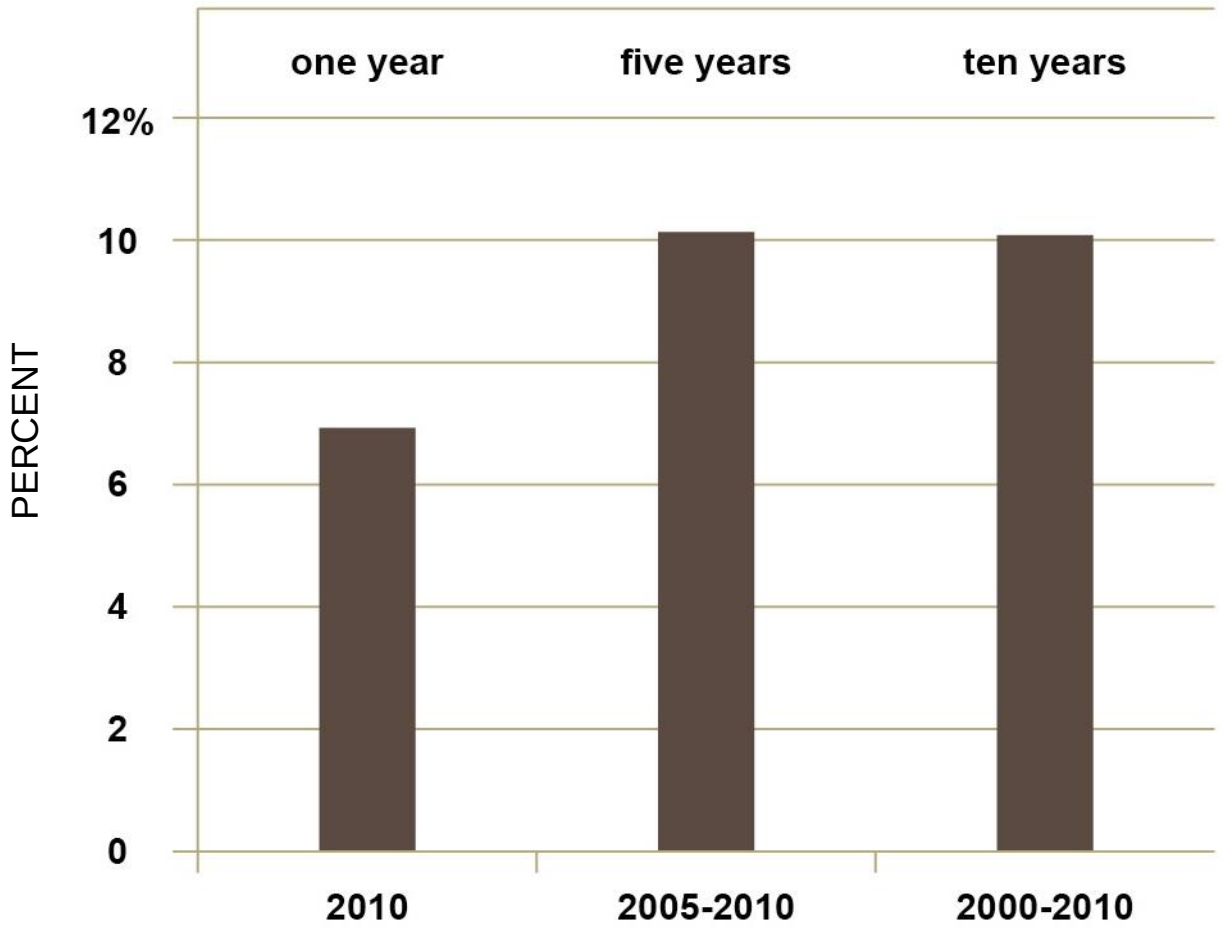
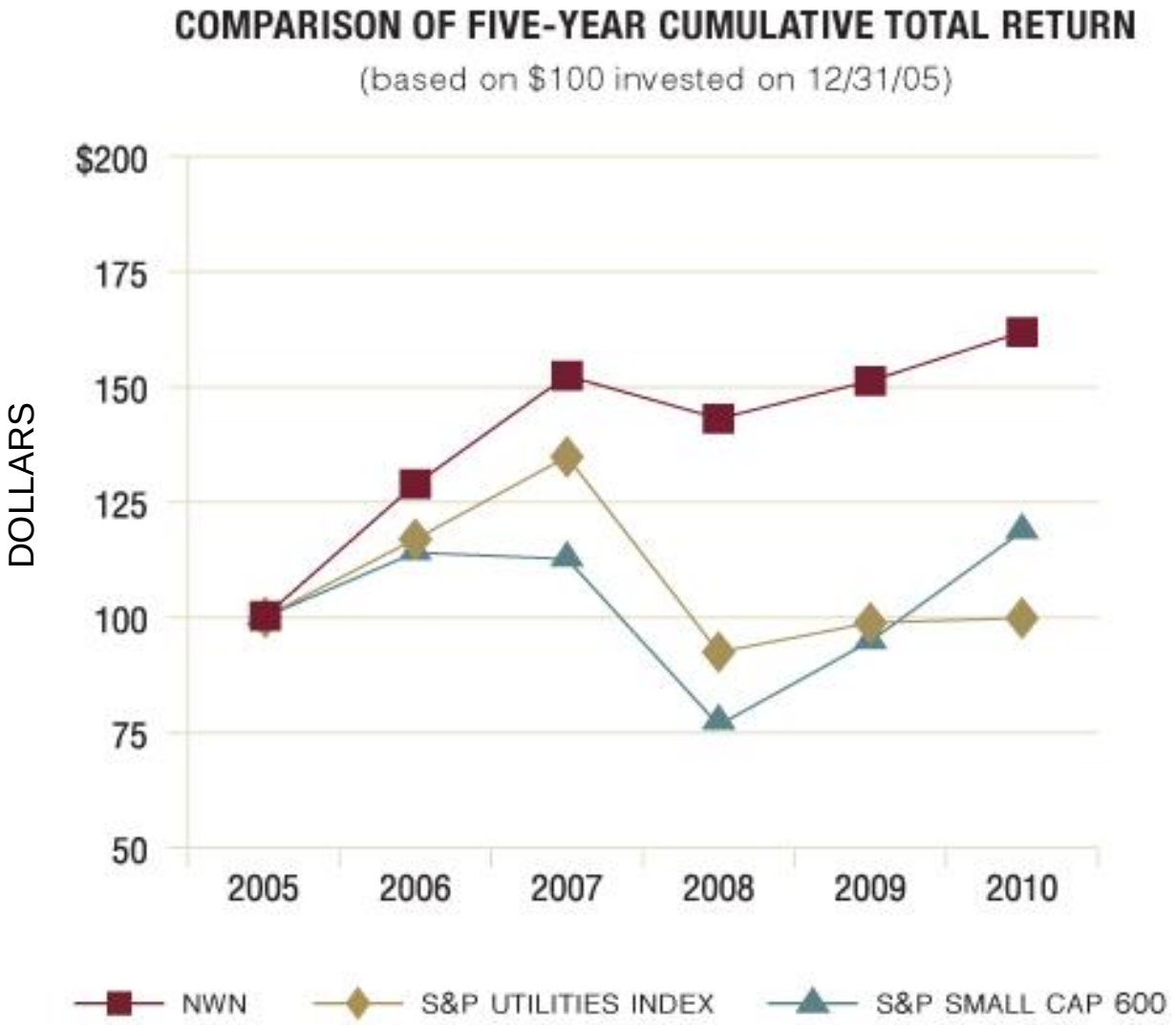
Annualized as a Percent, Including Reinvestment of Dividends



Total Shareholder Return





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Analyst Remark



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"**Relatively Low-Risk Business and Good Financial Strength Increase with the Quality of this Utility"**

"With roughly equal amounts of debt and equity in the capital structure, we believe the company has solid financial strength. Also, the company gets its earnings from the traditional gas utility and gas storage operations, which we consider to be good businesses and relatively low risk. In our opinion, these characteristics help make NWN one of the highest-quality utilities in the sector."

— **Paul Franzen*, Edward Jones***



DAVE WILLIAMS

Vice President, Utility Services

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Focus on the Customer



"Quality in a service or product is not what you put into it. It is what the client or customer gets out of it."

- Peter Drucker

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Customer Feedback



"You have a group of outstanding customer service representatives. Keep up the good work!"

- ***Andrea H., Portland***

"They came out the same day, took care of the issue, no problem. The tech was nice and the bill was reasonable. He got right to it and got the work done."

- ***Brady M., Salem***

"We are going through some hard times and they worked really well with me. That helped relieve a lot of stress. They are really good at getting me into a payment plan, and that type of program is terrific!"

- ***Gary W., Gresham***

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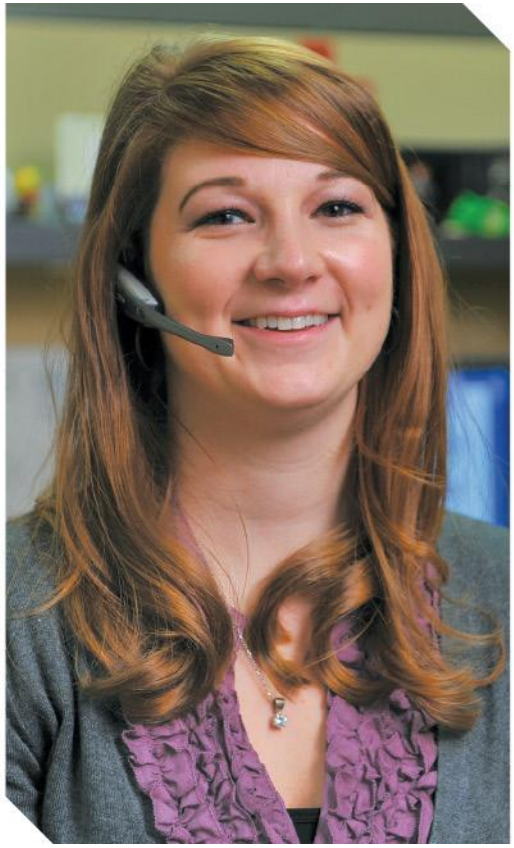
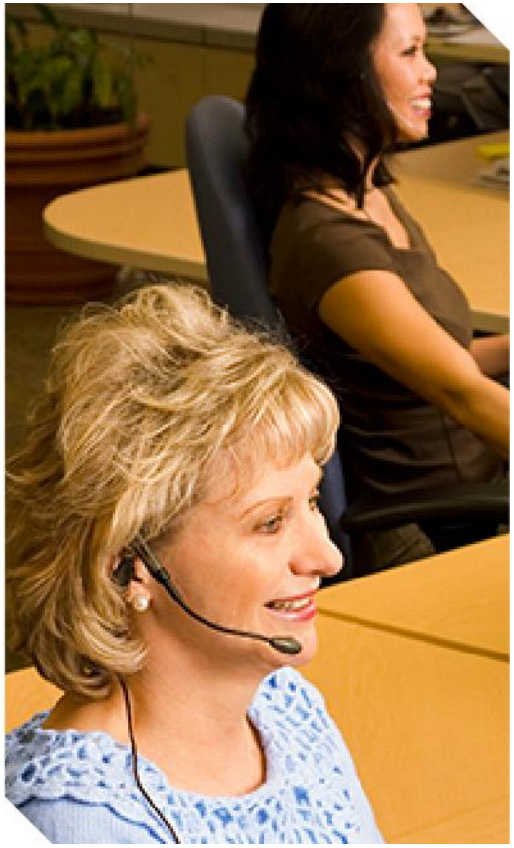
Excellence in the Call Center







Excellence in the Field









Excellence in the Office









Customer Ratings Continue to Climb



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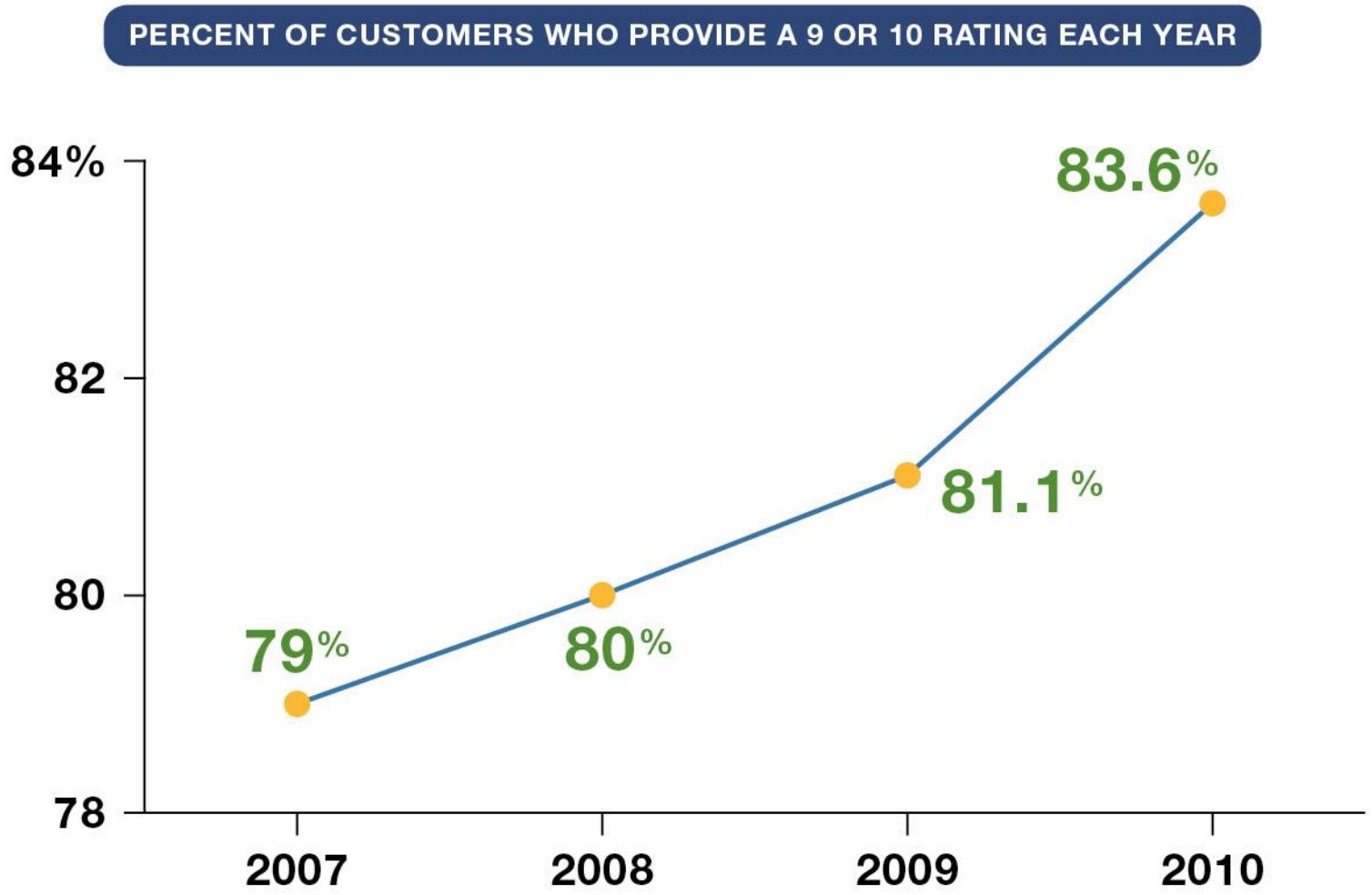

Mission and Values



Consistently High Performance in West



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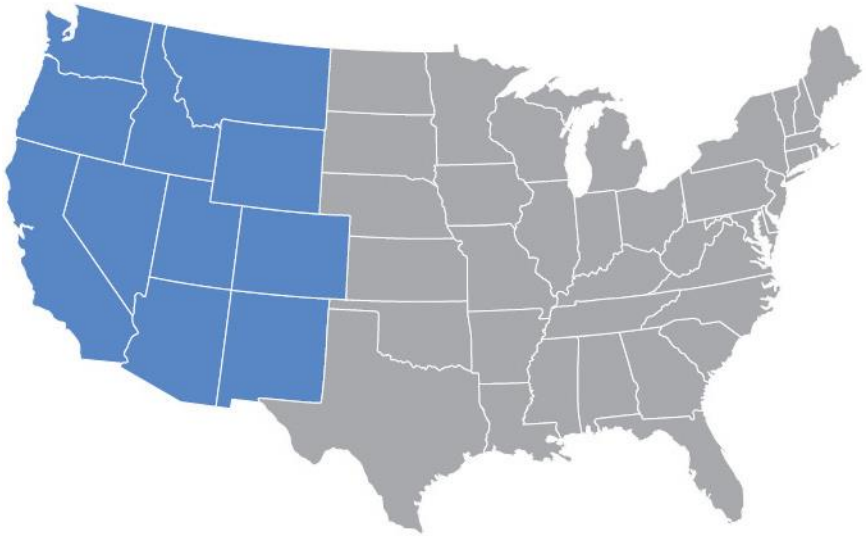
J.D. Power Residential Gas Utility Survey
WEST RANKINGS BY YEAR

OVERALL CUSTOMER SATISFACTION





Consistently High Performance Nationally



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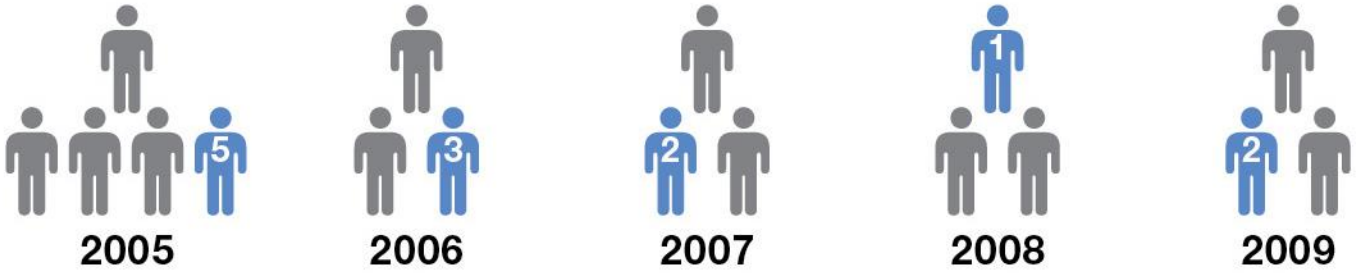
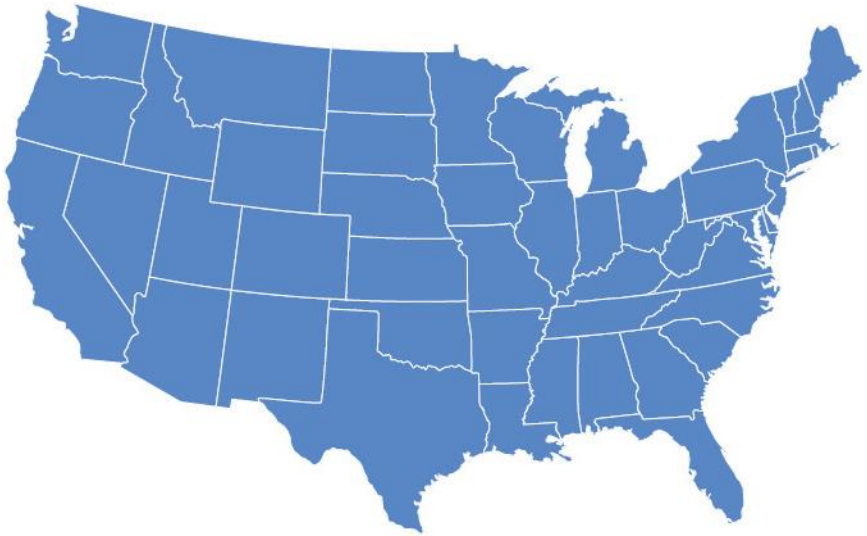
J.D. Power Residential Gas Utility Survey
NATIONAL RANKINGS BY YEAR

OVERALL CUSTOMER SATISFACTION





2010 J.D. Power - #1 in the Nation





Customer Billing Preferences



- Customers like bill pay options:
  - Equal Pay – equal payments that reduce the impact of higher winter bills
  - Auto Pay – automatic payments from a checking or savings account
  - Online payment – debit or credit card payments at our website
  - Adjusted billing dates – a custom solution for customers struggling to pay
- Paperless Billing:
  - 15 percent of our customers use it
  - National average is 12 percent

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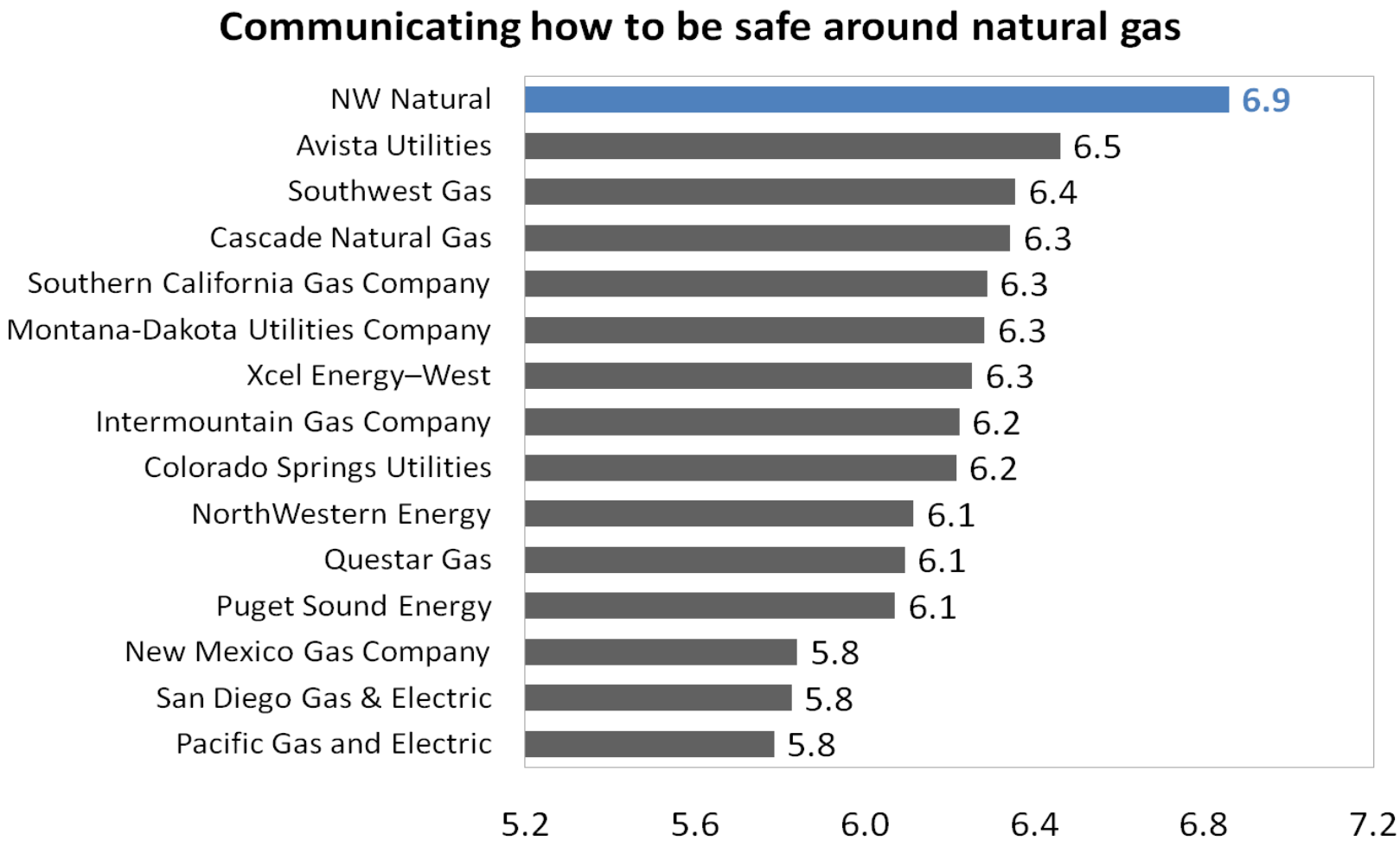
Top in Safety Communications in West - 2010





(Source: JD Power and Associates 2010 Residential Gas Customer Satisfaction Survey)

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#1 in Safety Communication Nationally Since 2006



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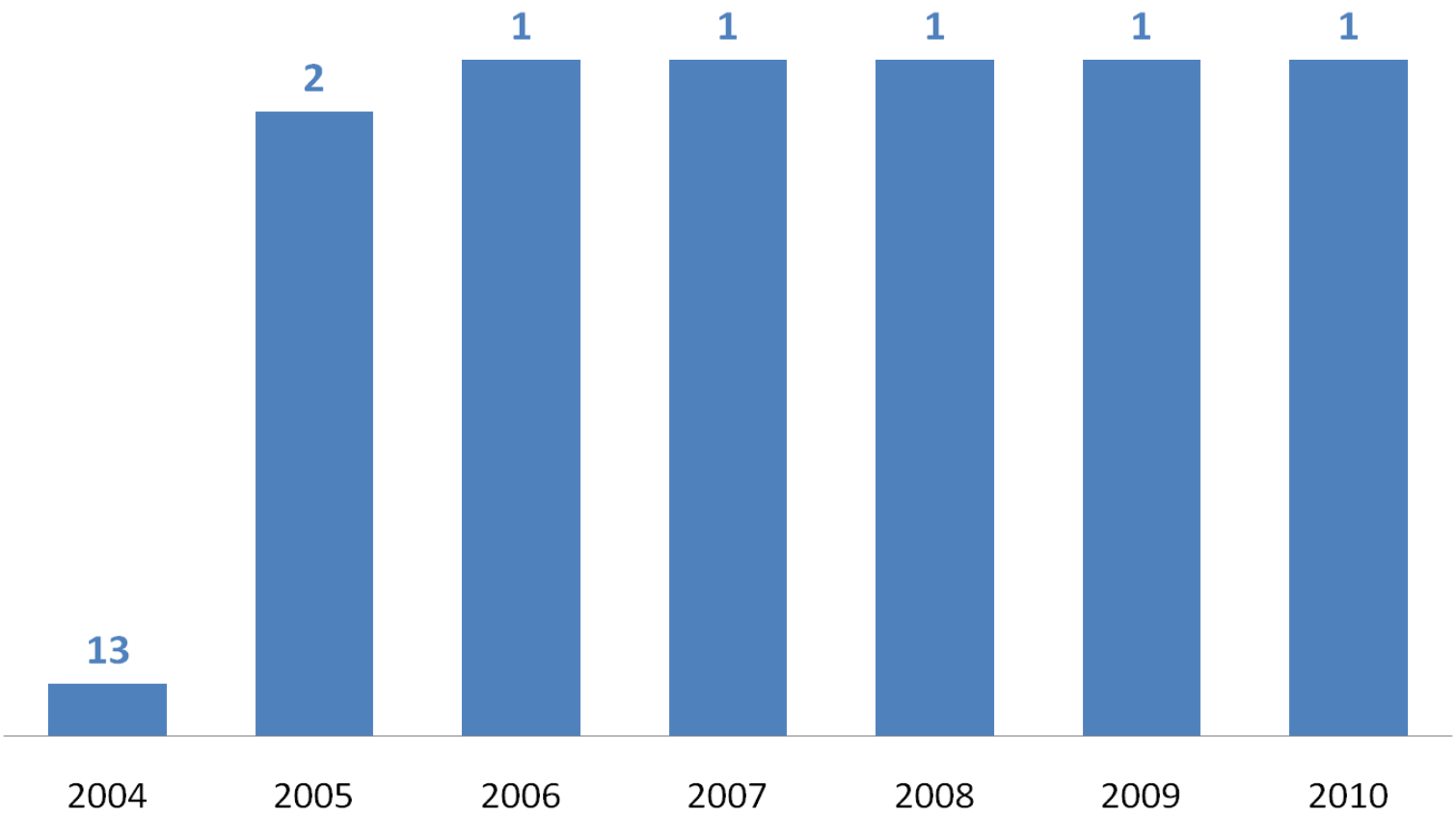
NW Natural Annual Ranking for Safety Message Recall



(Source: JD Power and Associates Residential Gas Customer Satisfaction Survey)

Comparative Performance Metrics



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	NW Natural®	WESTERN PEERS
Reported hold time	2.5 minutes	4.7 minutes
Met estimated hold time	100%	73%
First call resolution	76%	66%
Number of clicks in IVR	2.6	3.4

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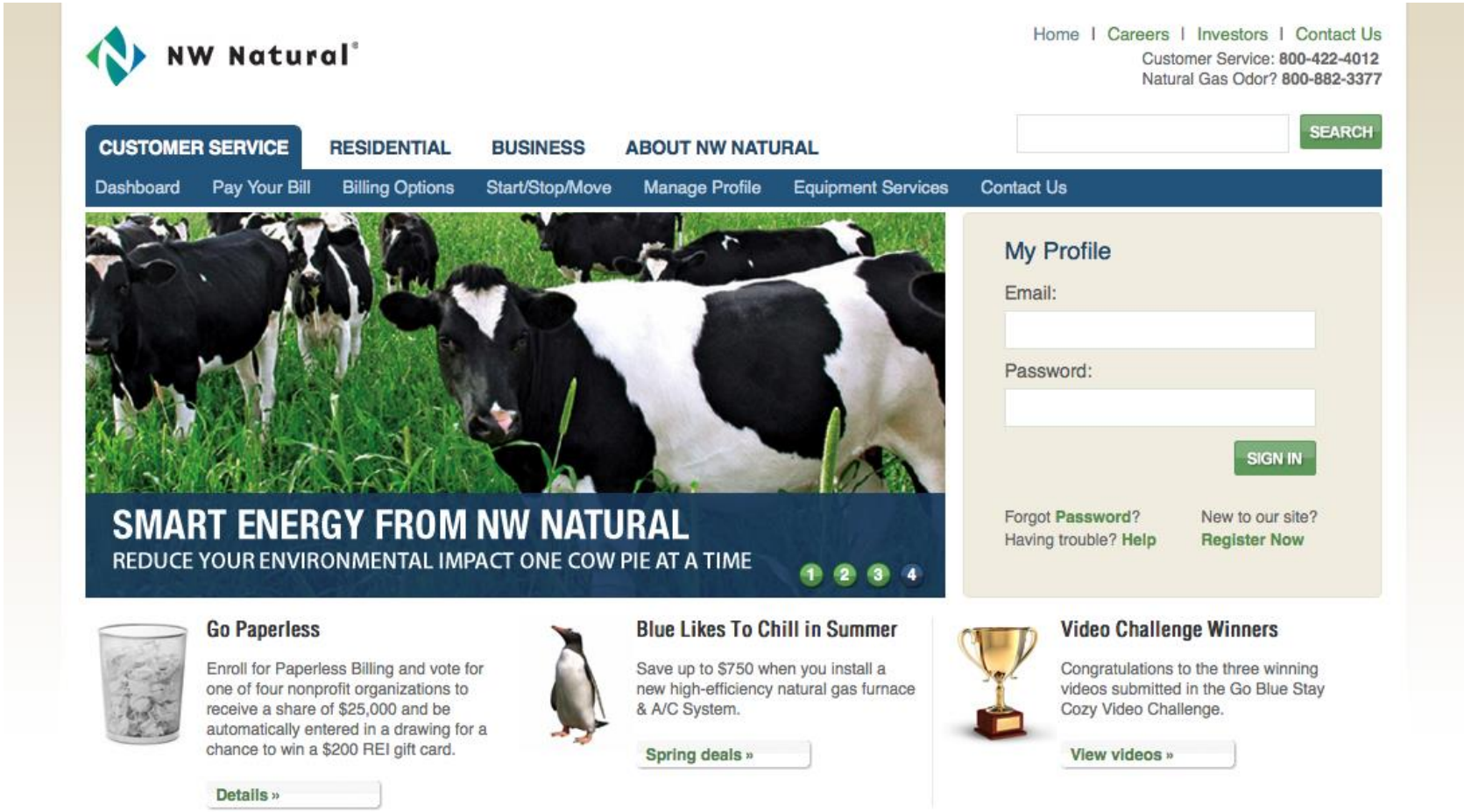
33% of Customers Registered to Use Web Self-Service



What Customers Have to Say



"They help me out with what I need, they answer my questions if I have them, and they provide timely service."

- Bruce H., Salem

"The service tech was polite, thorough, timely, and everything you could ask for."

- Franklin S., Eugene

"They are always sustaining our warmth and comfort for the past 36 years."

- David H., Portland

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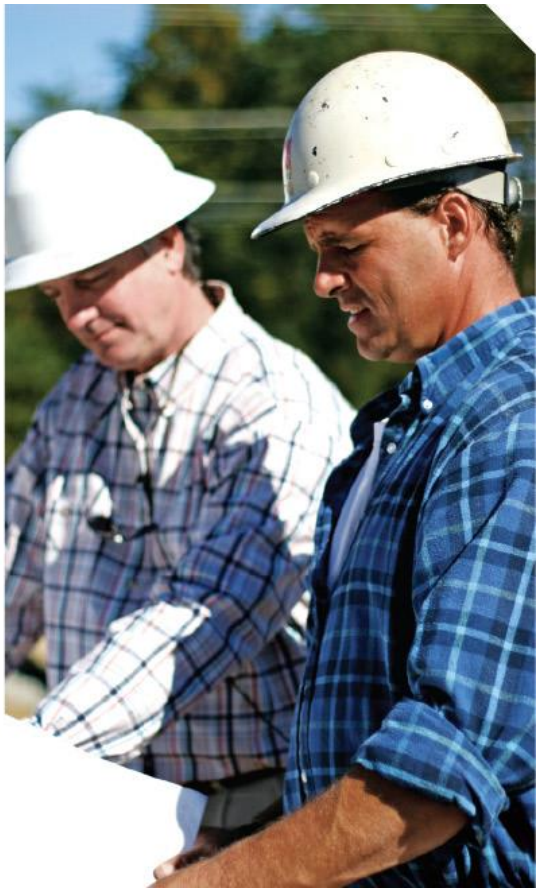
Focus on Operational Excellence









Gill Ranch Storage Completed









Infrastructure Investments Key for Future

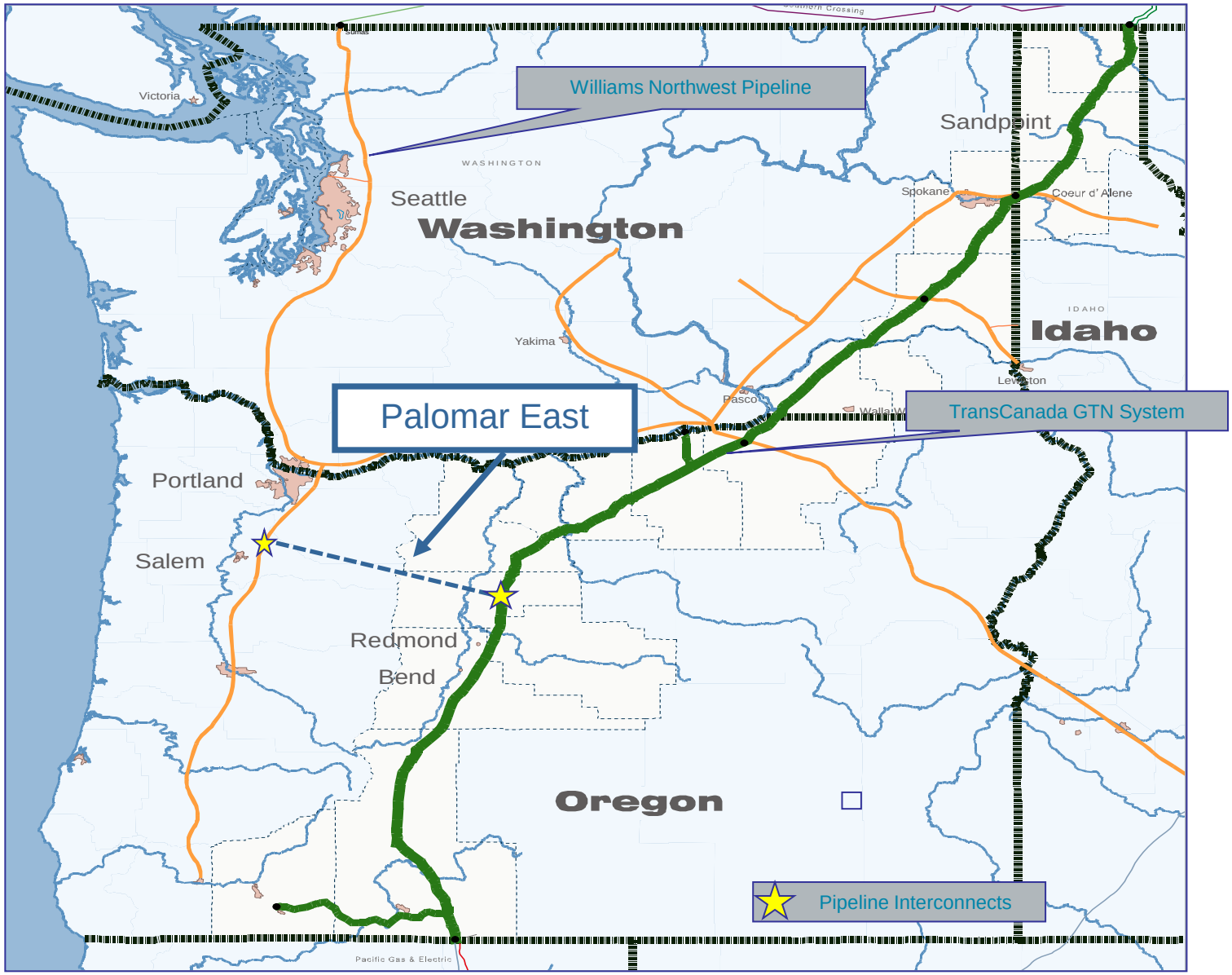








Palomar East



Innovative Solution: Gas Reserves









Gas Reserve Investment Summary



- Gas reserve investment over 30 years
- First 10 years, provides 8% to 10% of average annual supplies
- Estimated to save customers $50 million
- Support from regulators and customer groups on this innovation
- Total rate-based investment over 5 years is approximately $250 million
- Jonah Field: 2 trillion cubic feet of proven reserves

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