NW Natural®

We grew up here.



Investor Presentation

Paulsen Investments

Portland, Oregon

February 2007

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. For a more complete description of these uncertainties and risk factors, see the Company's filings with the Securities and Exchange Commission on Forms 10-K and 10-Q.

NW Natural

NW Natural at a Glance

- Over 636,000 customers – 90% in Oregon and 10% in Washington
- NYSE-listed (NYSE: NWN)
- Strong total shareholder return – 28.9% in 2006
- Experienced management
- Increasing dividends paid for 51 years in a row
- 14 billion cubic feet gas storage facility with growth potential
- One of 100 “most respected” companies in America – seventh year in a row



NW Natural

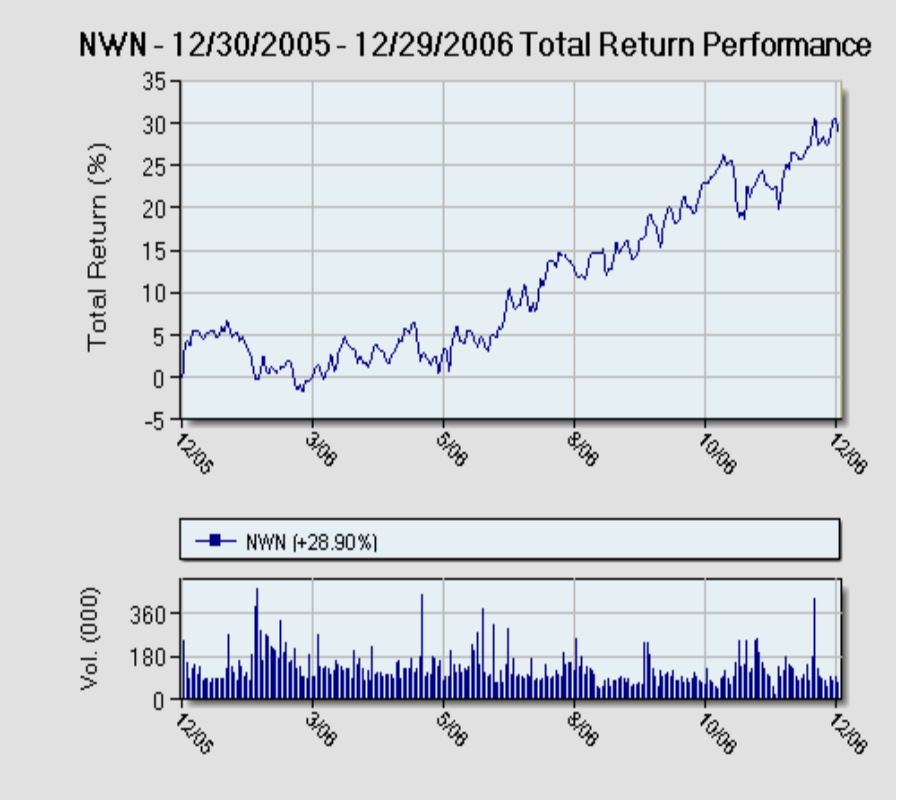
Investor Highlights



- 52-week share price range: $32.83 to $43.69
- Indicated annual dividend rate of $1.42 per share (3.5% yield)
- Total annual average shareholder return of ~11% the past decade
- TSR of nearly 29% in 2006
- 148-year-old company – formed before Oregon was a state
- S&P Small Cap 600 member company (and other indices)

2006 Highlights

- 12-month 2006 EPS of $2.29 per share ($63.4 million) vs. $2.11 per share ($58.1 million)
  - a 9% increase
- Continued to add customers at a rate of twice the national growth rate for new customers
- Strong credit agency ratings – investment grade (one of only 3 LDCs to be AA rated)
- Strategic initiatives underway to reduce costs and improve efficiencies
- Current yield of ~3.5% on $1.42 indicative annual dividend (as of 2/12/07)



Constructive Regulation

- Constructive regulatory relationships highly valued by commissions, staff and investors
- NWN had the smallest rate increase in past four years
  - OR (3.5%) and WA (3.0%) – implemented in November
  - NWN does not make money on the cost of gas to residential customers, only on new investments in the system
- Oregon Conservation Tariff
  - NW Natural was the first gas utility in the nation to break the link between profitability and customer consumption
  - Program renewed through September 2009
- Weather adjusted rate mechanism (WARM) in place in Oregon

NW Natural

Growth Drivers

- Single- and multi-family new residential construction – continuing to capture majority of the market (>90%)
- Cost control measures in place to achieve targeted results – efficiency improvements underway
- Gas storage – opportunities for expansion
- Continue targeting EPS growth of 5% or more



Core Business Growth Potential

Residential single-family market

- Gas is still well positioned in Northwest energy market
- 53% market share means large conversion market potential
- Gas came late to Portland (1956)
- Leader in new construction market – single and multi-family
- Urban Growth Boundary



NW Natural

Core Business Growth Potential

Residential multi-family market

- Large number of new multi-family developments in Portland
- Regional desire for fireplaces, gas in kitchens and other amenities
- NWN capturing large percentage of new multi-family market



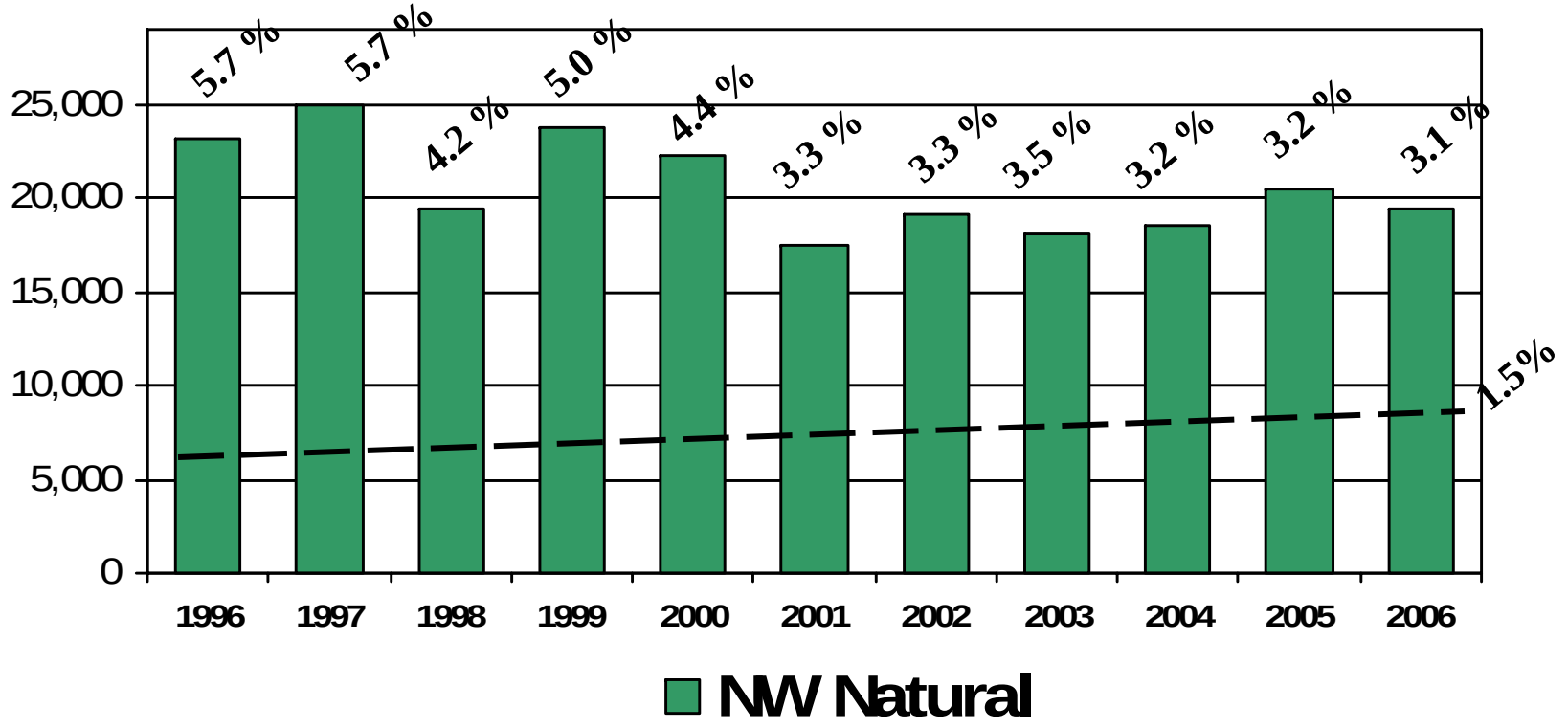
Core Business Growth Potential

Residential conversion market

- Large market that has not been fully tapped
- Strong demand for fireplaces, gas in kitchens and other amenities
- 300,000 customer potential in existing territory – strong organic growth potential



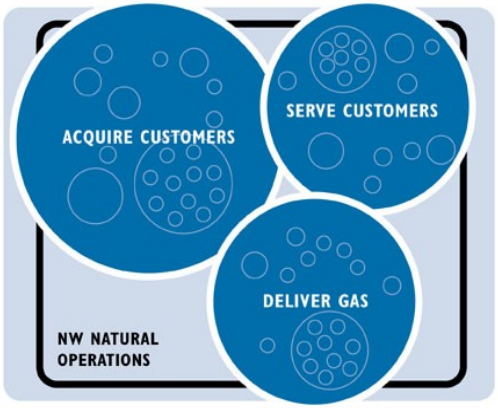
Net Customer Gains and Annual Growth %



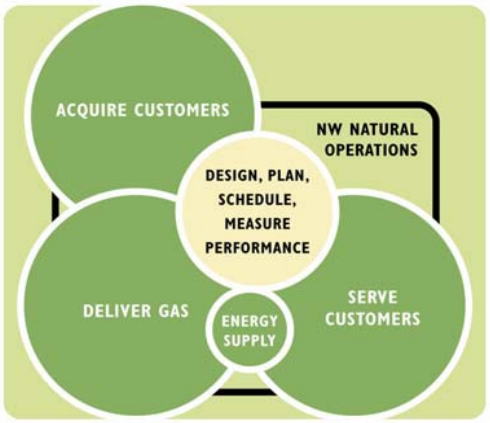
Natural Gas Distribution Industry Average Annual Growth : ~1.5 %

Operations Business Model Review

Old Model



New Model



What's new?

- Simple / process orientation
- Move from "a construction company" to a "gas delivery company"
- Centralized decision-making
- Less customization and more standardization

Natural Gas Storage

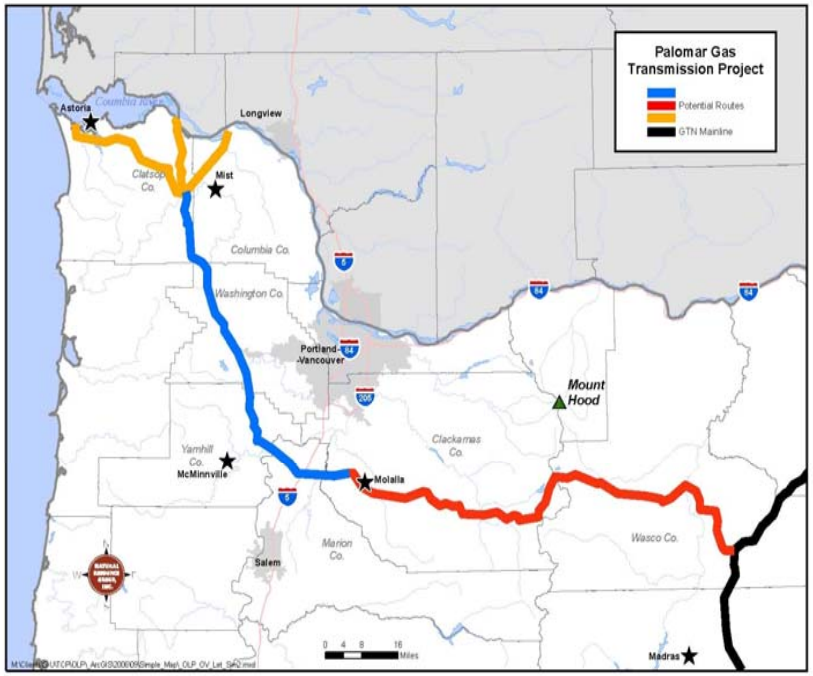
- Separate business segment
  - Interstate storage services
  - 3rd party optimization of assets
- Key utility resource in NE Oregon – 14.0 billion cubic feet (BCF)
  - Least-cost seasonal peaking supply
  - Low incremental development costs
- Additional storage above needs of core customers is available for the interstate market; sharing mechanism



NW Natural

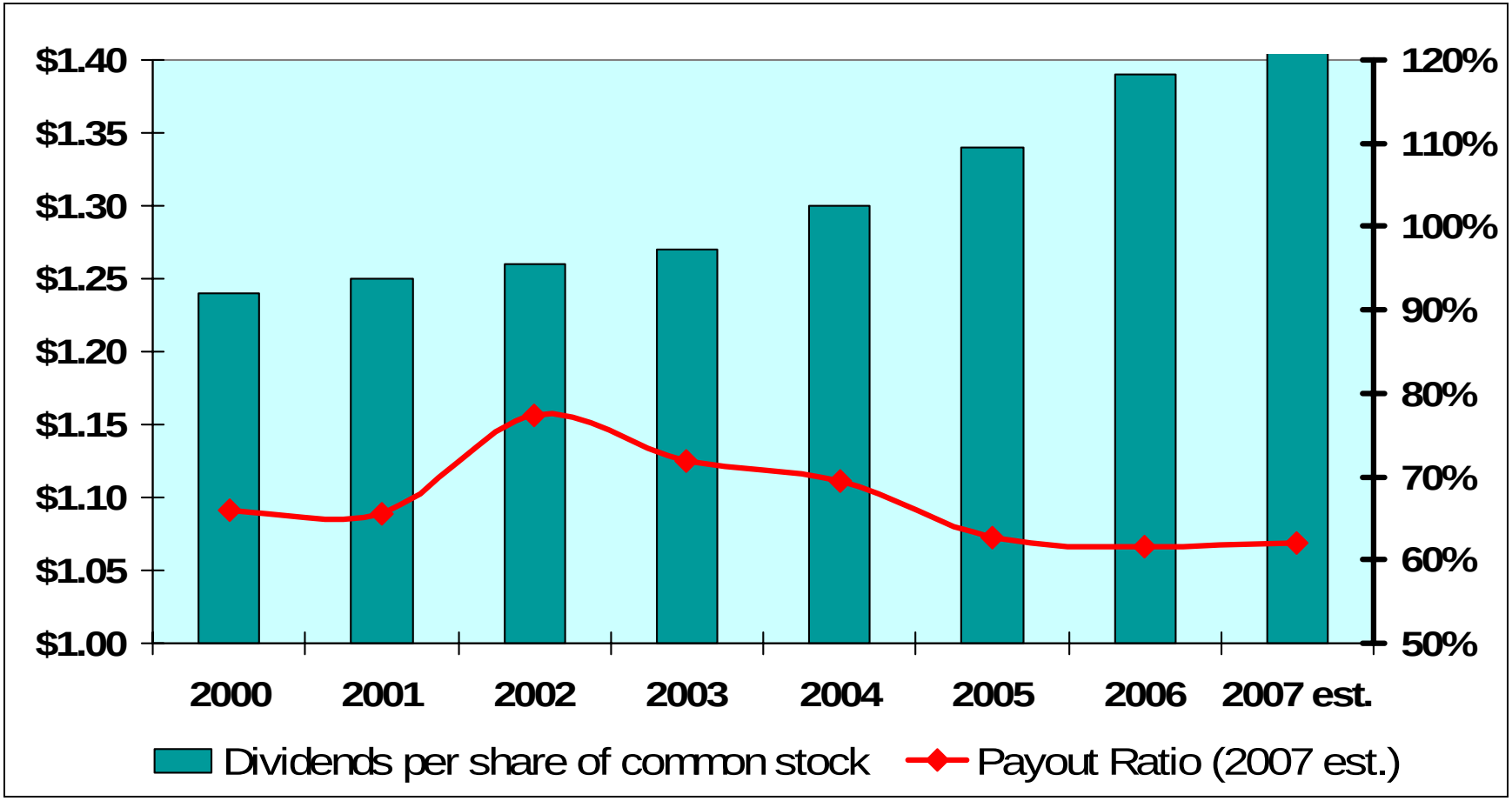
Gas Pipeline Potential

- Well-positioned as resource for potential LNG terminal on Columbia River if it occurs
- Non-utility opportunities for interstate storage and optimization services
  - Third party management of optimization
- Flexible facility
- Further expansion planned at NWN's Mist field in 2007
- Exploring new potential pipeline



NW Natural

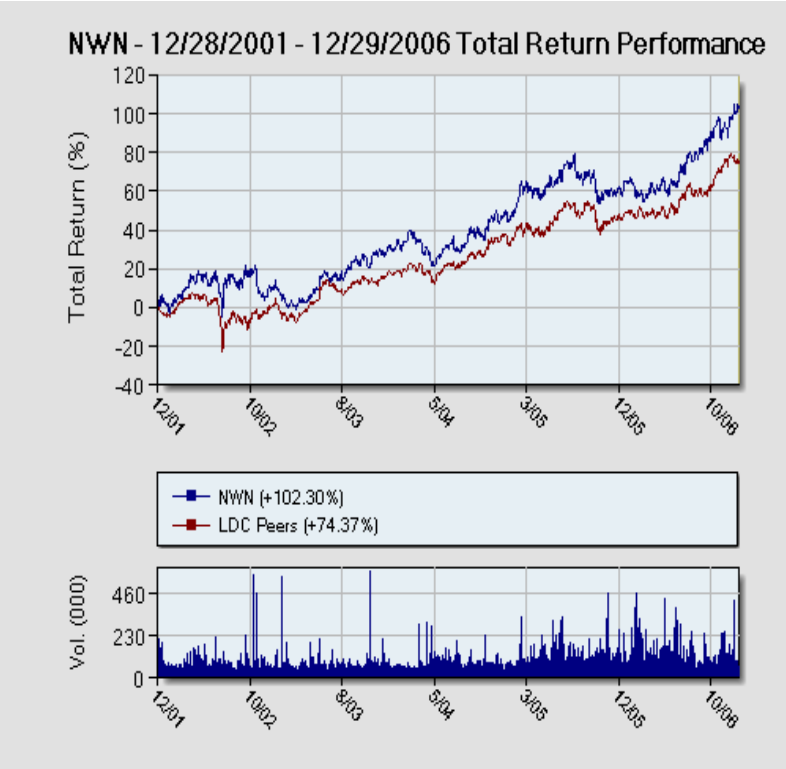
Dividend History



5-Year Total Return Analysis (in %)

(5 years ended December 31, 2006)

- Dividends + share price appreciation
- NWN compares favorably to peers and key indices
- TSR of more than 100% over past five years



Direct Stock Purchase Plan & DRIP

- $250 initial investment
- Increase investment by making optional cash payments of not less than $25 or more than $100,000 per year
- Reinvest cash dividends paid in additional shares of common stock
- Prospectus available
- AST&T is plan administrator
- More information at www.nwnatural.com



NW Natural

Sell-Side Coverage

Firm	Analyst
A.G. Edwards	Dan Fidell
Bank of America	Zach Berger
Edward Jones	Brian Youngberg
Hilliard Lyons	James Lykins
JP Morgan	Brooke Glenn Mullin
Janney Montgomery Scott	Joanne Fairechio
Stifel Nicolaus	Selman Akyol
UBS	Ron Barone
Value Line	Ron Romaine

NW Natural

LDC Competitors

- AGL Resources (ATG)
- Atmos Energy (ATO)
- Cascade Natural Gas (CGC)*
- Laclede Group Holding (LG)
- New Jersey Resources Corp. (NJR)
- NICOR Inc. (GAS)
- Peoples Energy Corp (PGL)*
- Piedmont Natural Gas (PNY)
- Southwest Gas Corp (SWX)
- WGL Holdings, Inc. (WGL)
- South Jersey Industries, Inc. (SJI)
- Keyspan Corporation (KSE)*
- Vectren Corporation (VVC)

* *Acquisition underway*

Experienced Senior Management

- Mark Dodson, President & CEO
- Gregg Kantor, Executive Vice President
- David Anderson, Chief Financial Officer & Senior VP
- Margaret D. Kirkpatrick, Vice President & General Counsel
- Lea Anne Doolittle, Vice President of Human Resources
- Dave Williams, Vice President of Utility Services
- Grant Yoshihara, Vice President of Utility Operations
- Keith White, Vice President of Business Development & Energy Supply
- Stephen P. Feltz, Treasurer & Controller
- C. J. Rue, Secretary and Assistant Treasurer
- Richelle T. Luther, Assistant Secretary

NW Natural

Conclusion

- Strong 2006 results – 9% EPS growth
- A strong Northwest utility in business for 148 years (1859)
- Consistent and solid financial returns – public since 1951
- S&P Small Cap 600 member + other indices
- One of “100 Most Respected Companies” in America – for seven years
- DSPP& DRIP program
- Increased dividend to $1.42 per share annual indicative rate
  - 51-year history of dividend increases
- Sound regulatory relationships continuing – imperative for a utility
- Earnings per share guidance of $2.30 to $2.45 per share for 2007
- Non-utility opportunities from gas storage & optimization
- Strong credit ratings and low refinancing risk –
  - LT Debt: S&P (AA-) and Moody’s (A2)
  - Commercial paper: S&P (A-1+) and Moody’s (P1)

NW Natural

NW Natural and its predecessors have supplied gas service to customers since 1859 and has been publicly traded since 1951. The Company's service area, which now spans western Oregon and southwestern Washington, includes the greater Portland metropolitan area, which has a population of more than 2.7 million people. NW Natural trades on the New York Stock Exchange under the symbol "NWN." The company web site is www.nwnatural.com.

Investor Relations contact:
Bob Hess
Director of Investor Relations
Direct Ph: 503-220-2388
e-mail:
Bob.Hess@nwnatural.com
Mailing address:
Bob Hess, c/o
NW Natural
220 N.W. Second Ave.
Portland, OR 97209

NWN LISTED NYSE

S&P SmallCap 600

Shareholder Services contact:
Carol Frary
Shareholder Services
Direct Ph: 503-220-2590 or (800) 422-4012, ext. 3412
e-mail:
cmf@nwnatural.com
Mailing address:
Carol Frary, c/o
NW Natural
220 N.W. Second Ave.
Portland, OR 97209

Q&A Session



NW Natural®