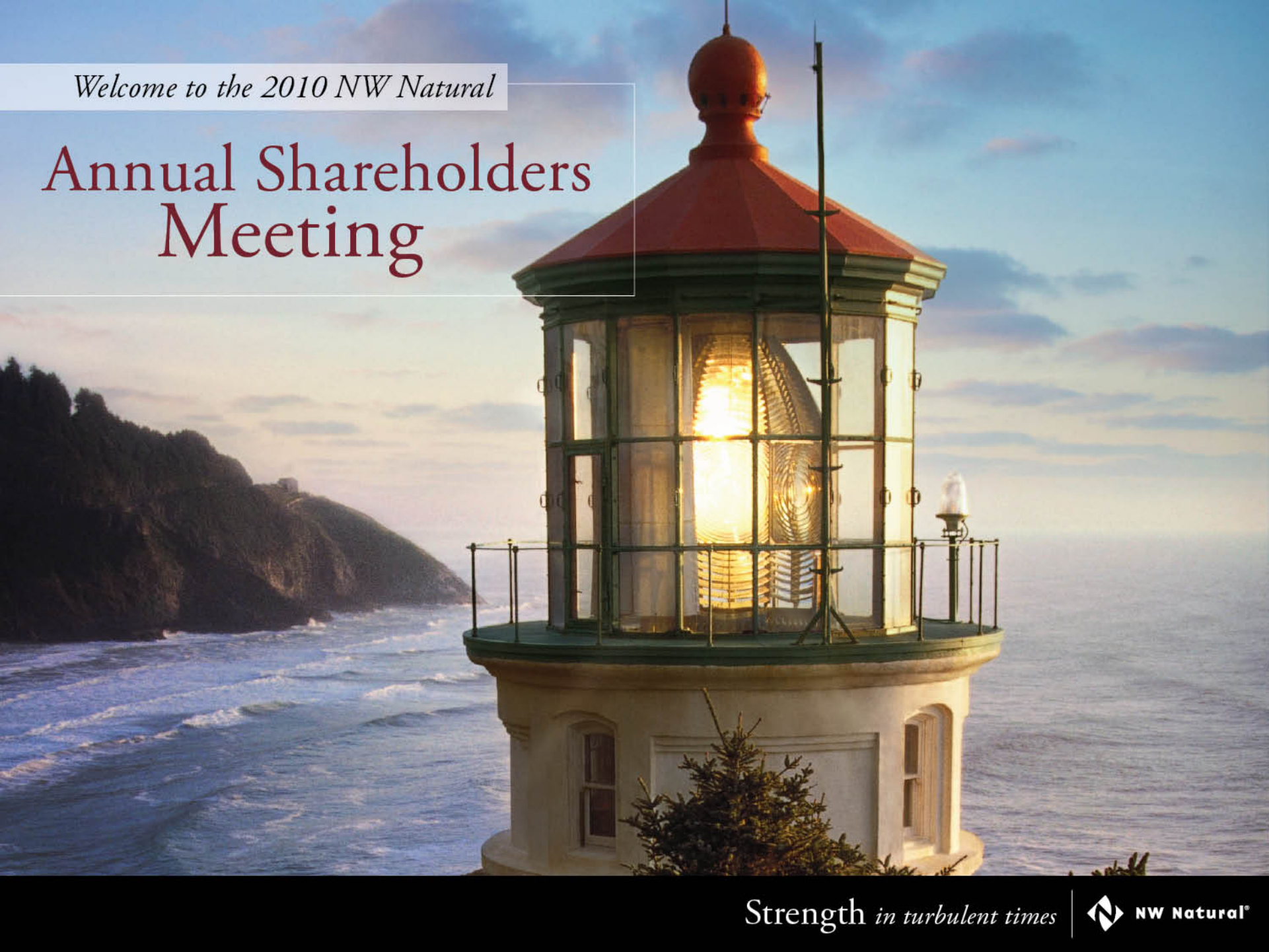

Welcome to the 2010 NW Natural
Annual Shareholders Meeting
Strength in turbulent times
NW Natural®

Gregg Kantor

PRESIDENT & CHIEF EXECUTIVE OFFICER



MardiLyn Saathoff

CHIEF GOVERNANCE OFFICER & CORPORATE SECRETARY




Strength
in turbulent times
NW Natural®
We grew up here.



2009 Accomplishments

- Provided $36 million in gas-cost savings to customers
- Reduced rates by 16% in Oregon, 22% in Washington
- Produced record earnings of $2.83 per share
- Successfully negotiated new union contract
- Completed new technology rollout
- Used attrition and severance to reduce 100 positions
- Ranked 2nd in the West and nation in customer satisfaction
- Increased dividends paid for 54th consecutive year

NW Natural®
We grew up here.

David Anderson

SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER





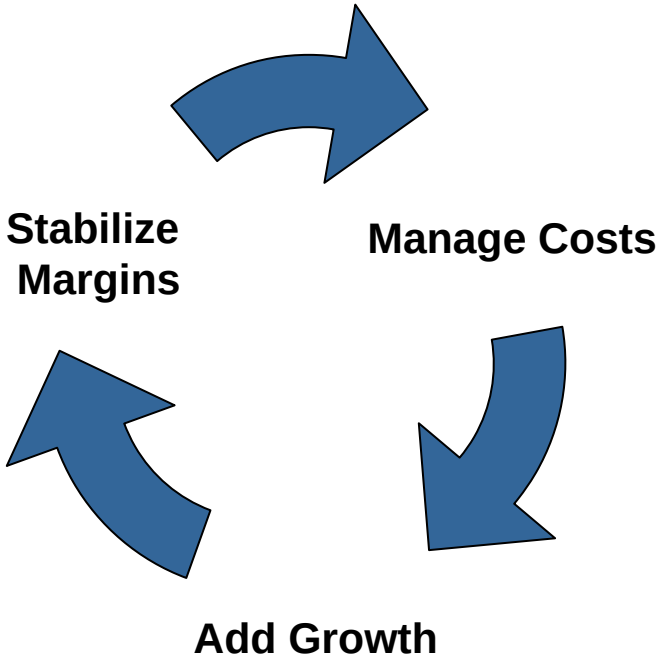
Record Results in 2009

- One-year Total Shareholder Return of 6%
- Five-year Total Shareholder Return of 59%
- Increased dividend rate by 5.1% in 2009 - 54th year
- Financial returns exceeded expectations:
  - EPS of $2.83 on $75.1 million of net income – highest in NW Natural history
  - Revenues above $1 billion – fourth year in a row
  - Strong balance sheet – strong, investment-grade credit ratings

NW Natural®
We grew up here.

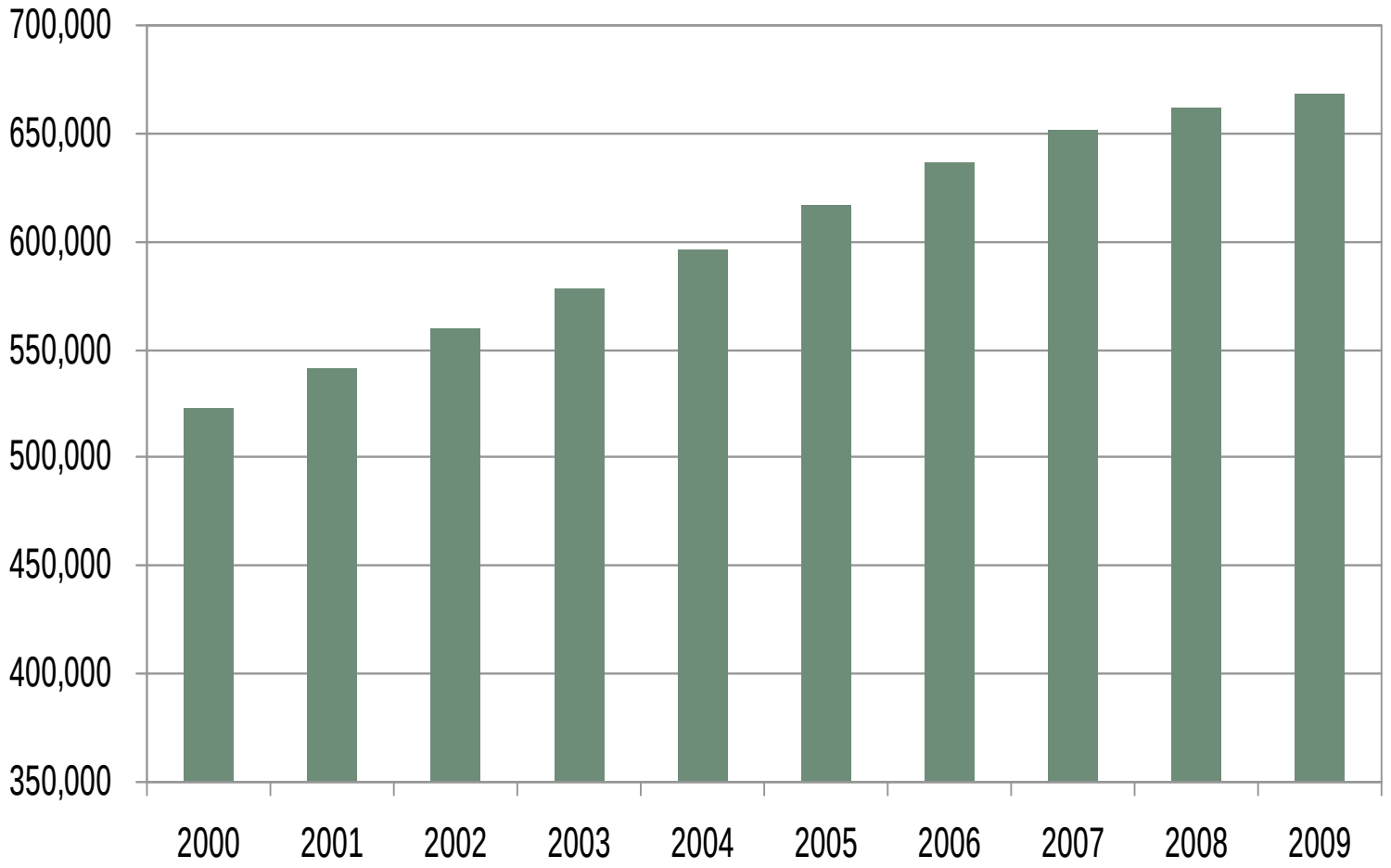
Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas utilities
- Managing cost structure
  - Continuing to make improvements to keep costs under control
- Add growth opportunities that fit NW Natural's risk profile
  - Gill Ranch, Palomar, Mist



NW Natural®
We grew up here.

Total Customers

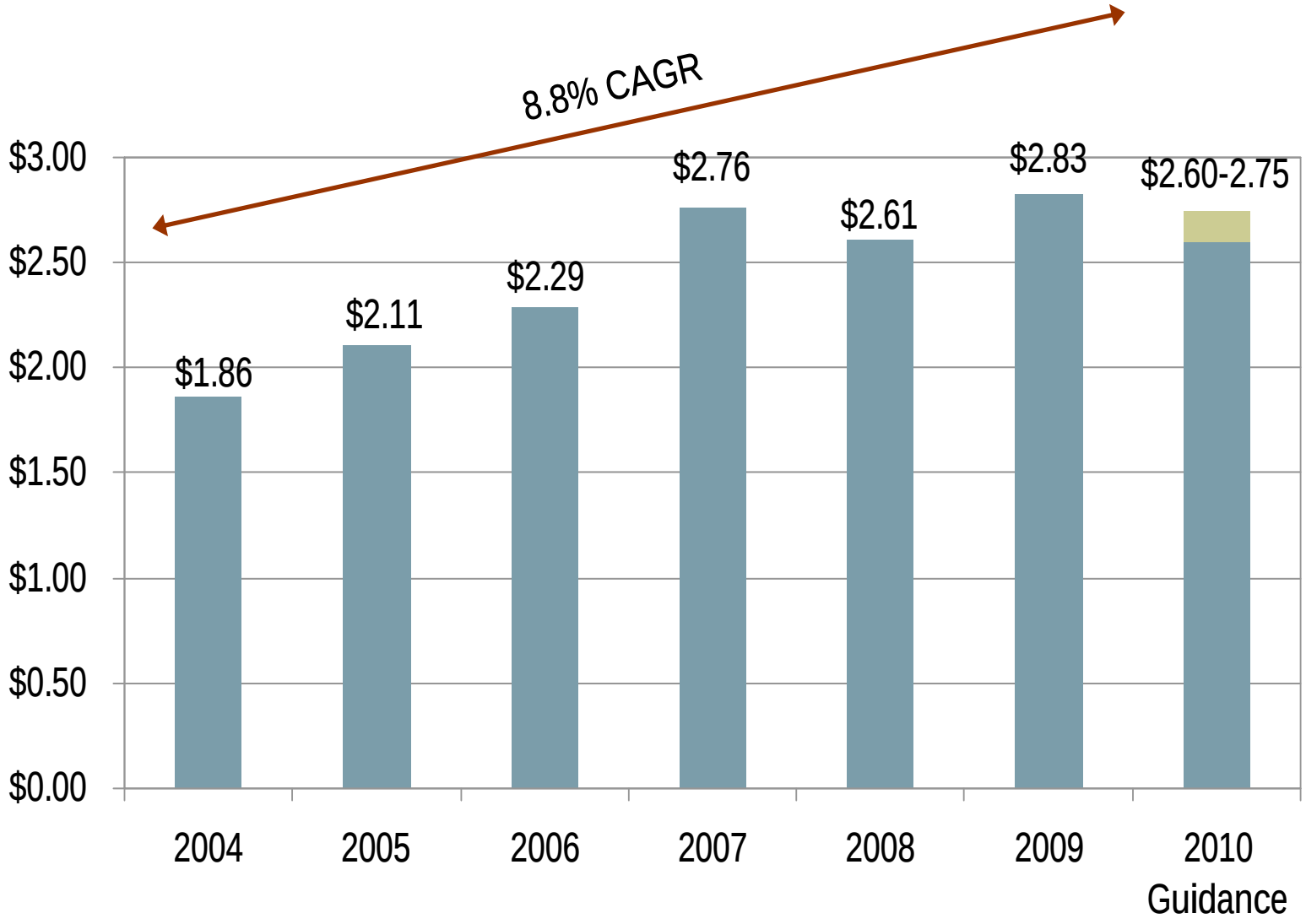


NW Natural®
We grew up here.



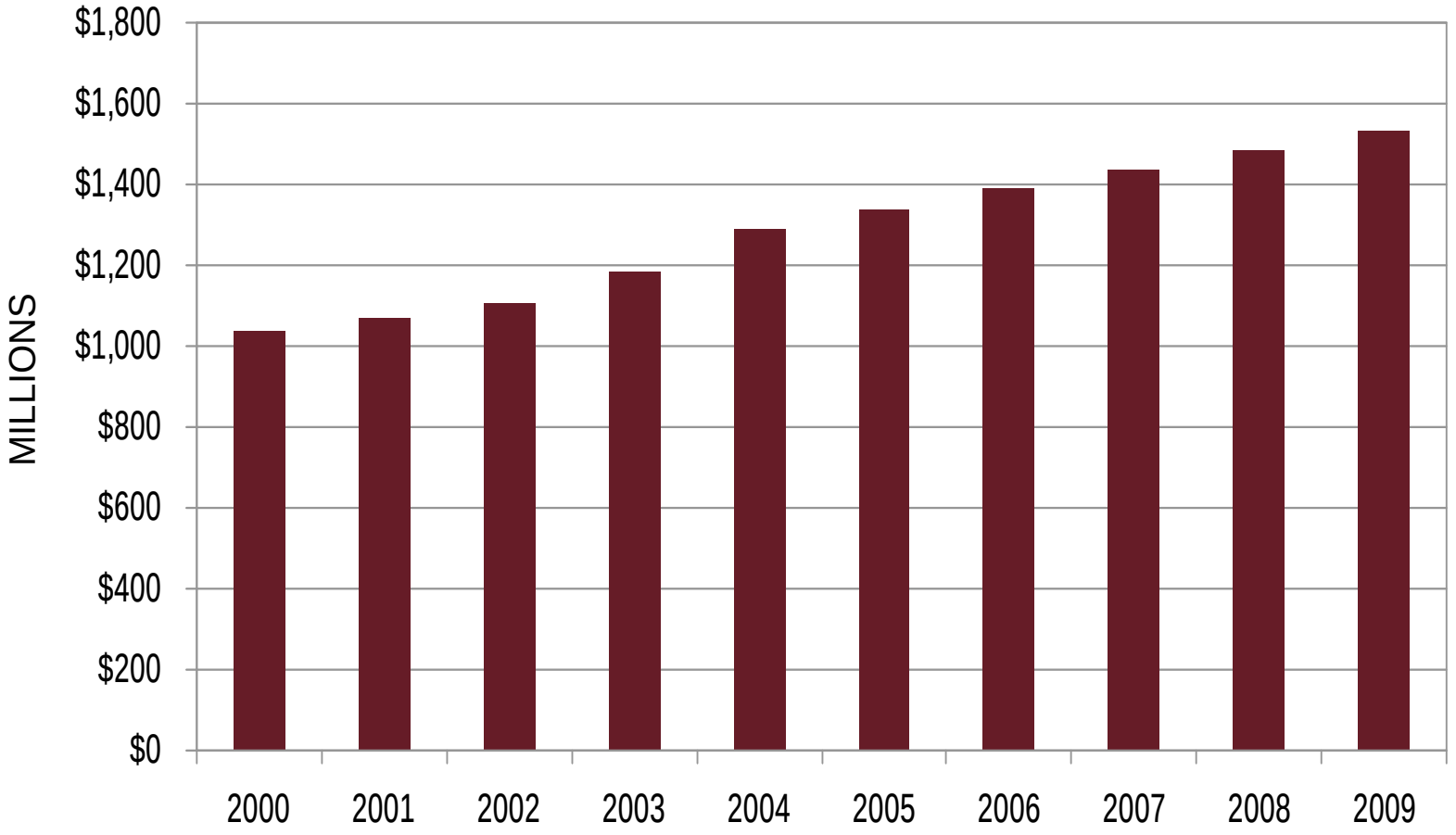
NW Natural®
We grew up here.

Earnings Per Share



Net Utility Plant Investment



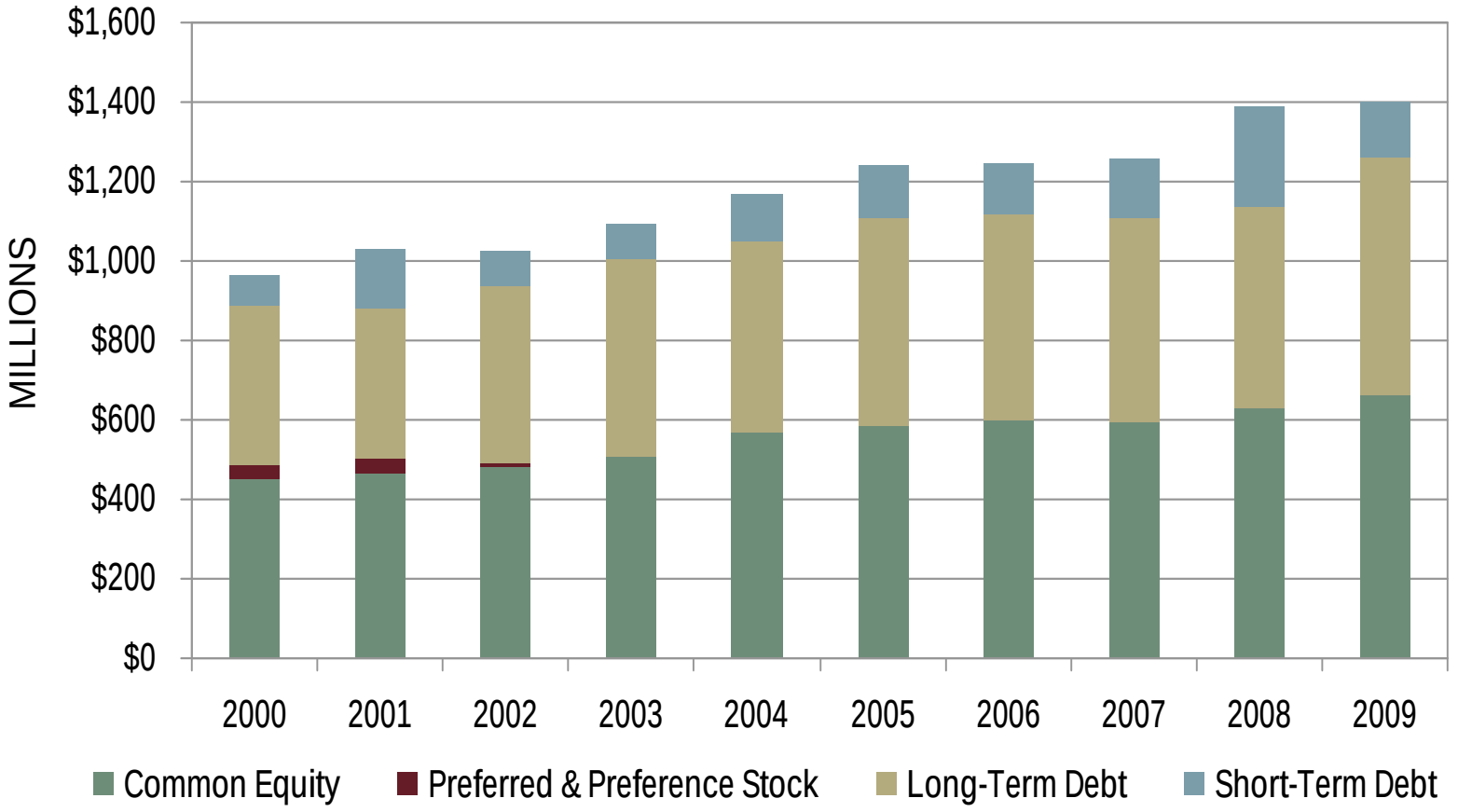


NW Natural®
We grew up here.



NW Natural®
We grew up here.

Capitalization

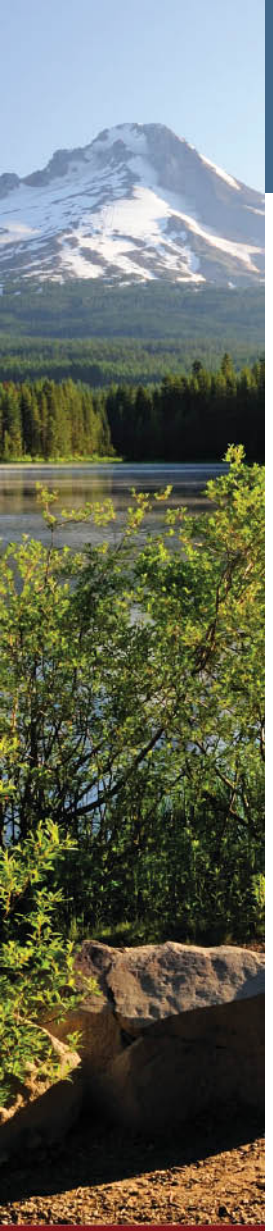


Gas Sales & Transportation Deliveries



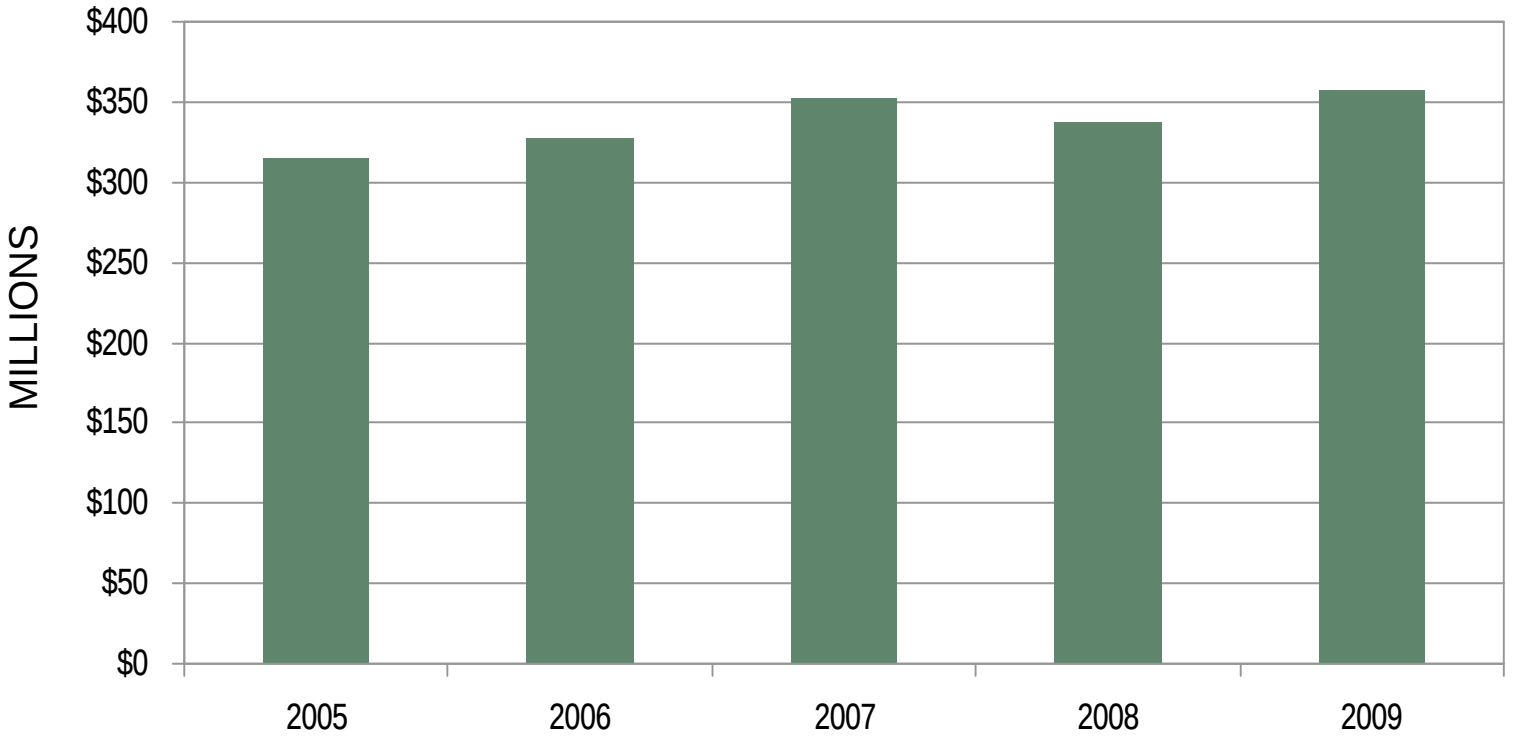


NW Natural®
We grew up here.



NW Natural®
We grew up here.

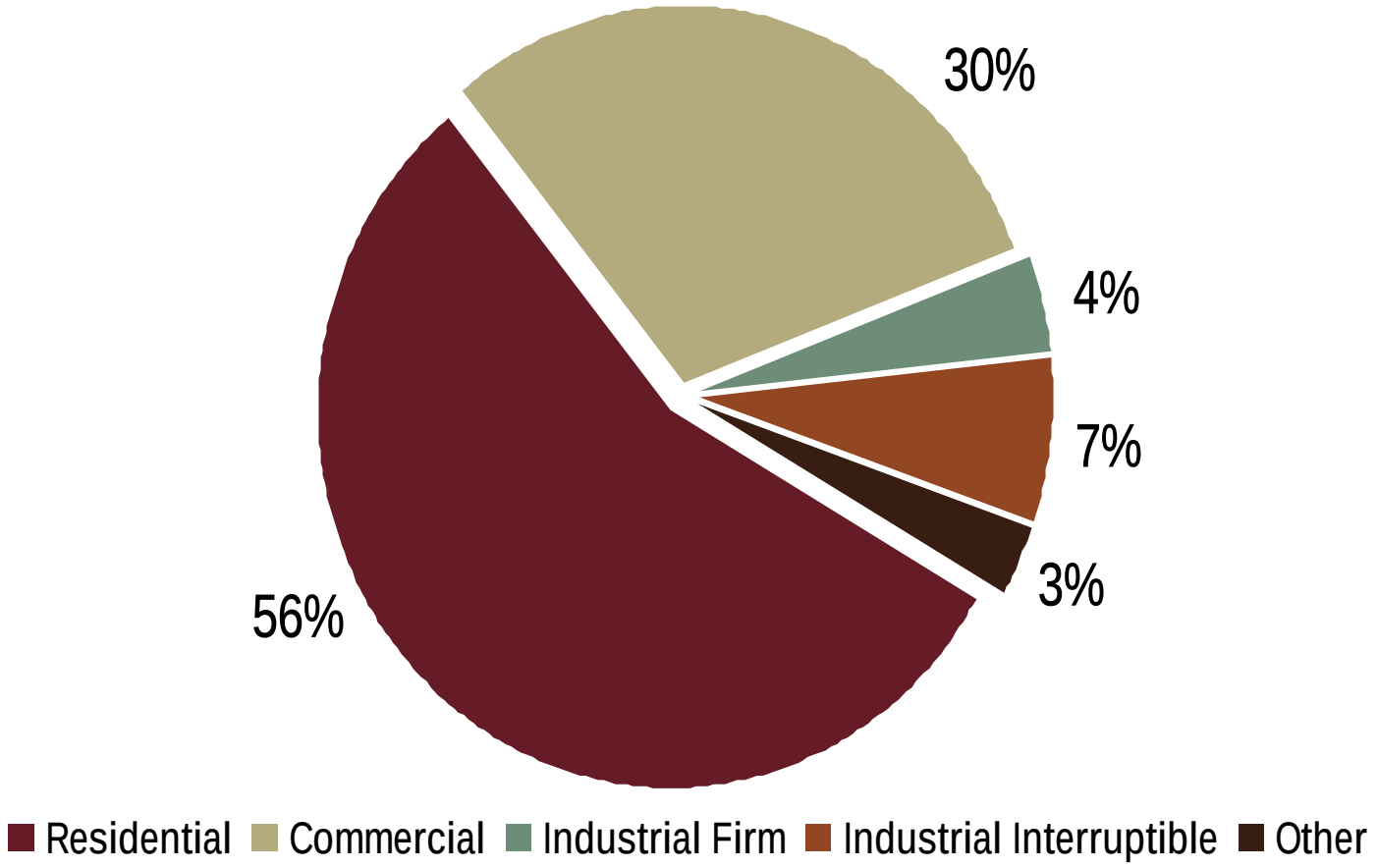
Utility Margin Revenue





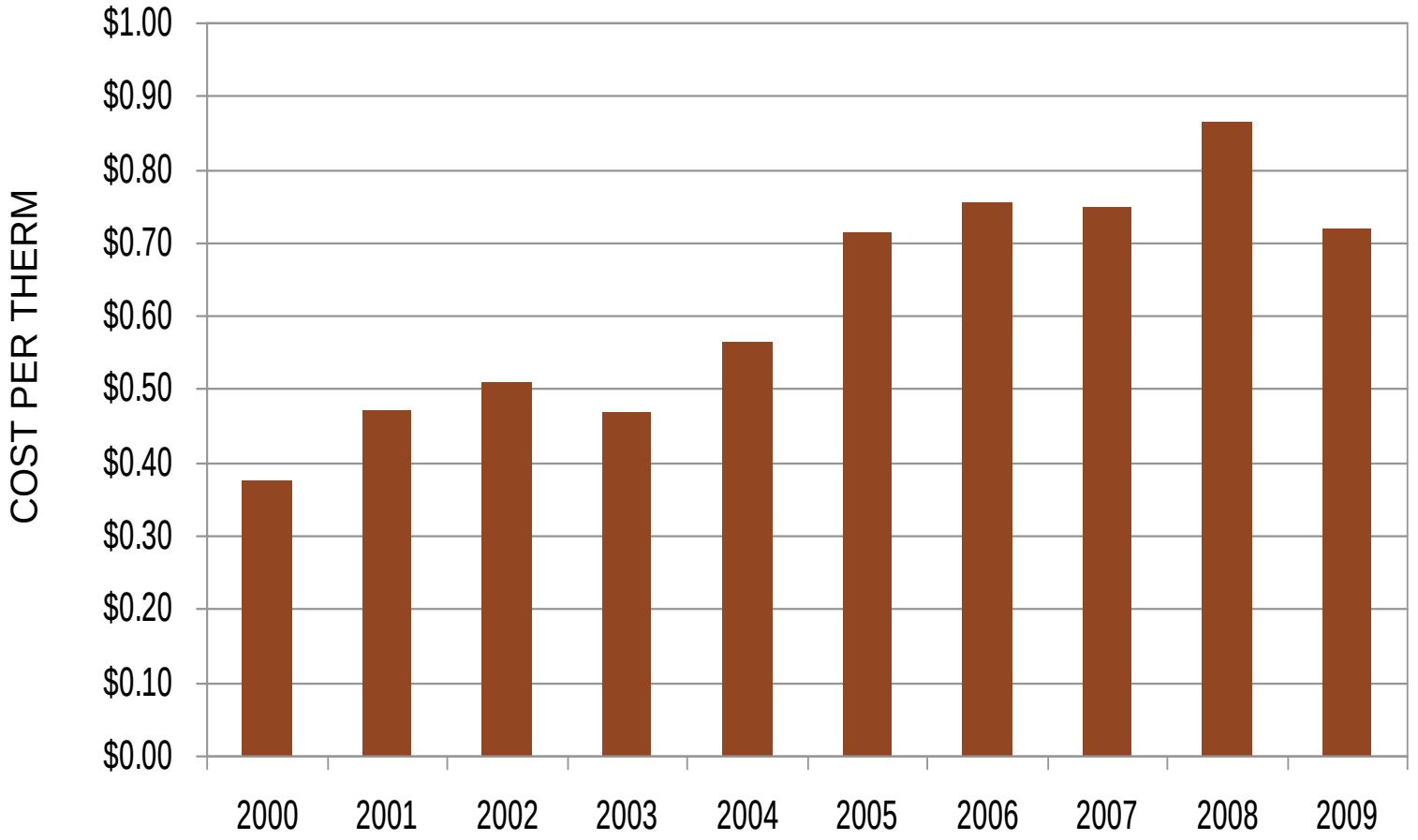
NW Natural®
We grew up here.

2009 Utility Revenues



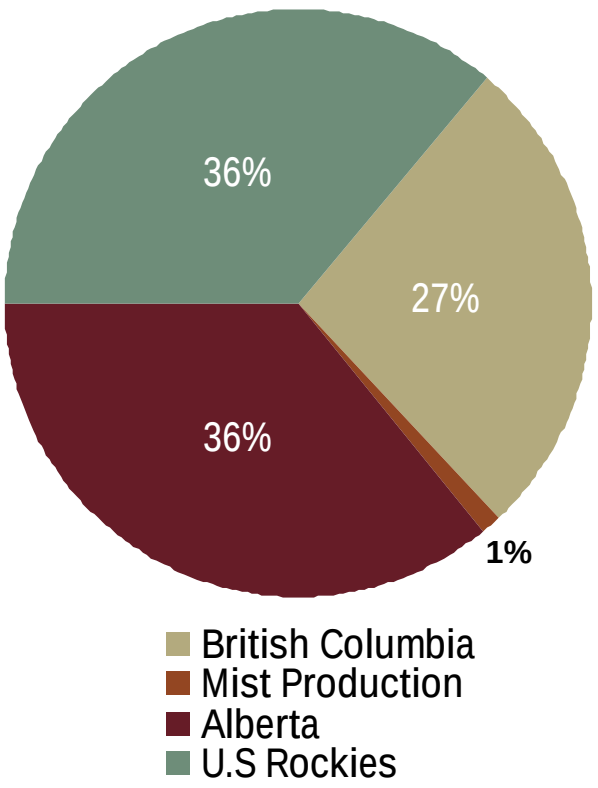


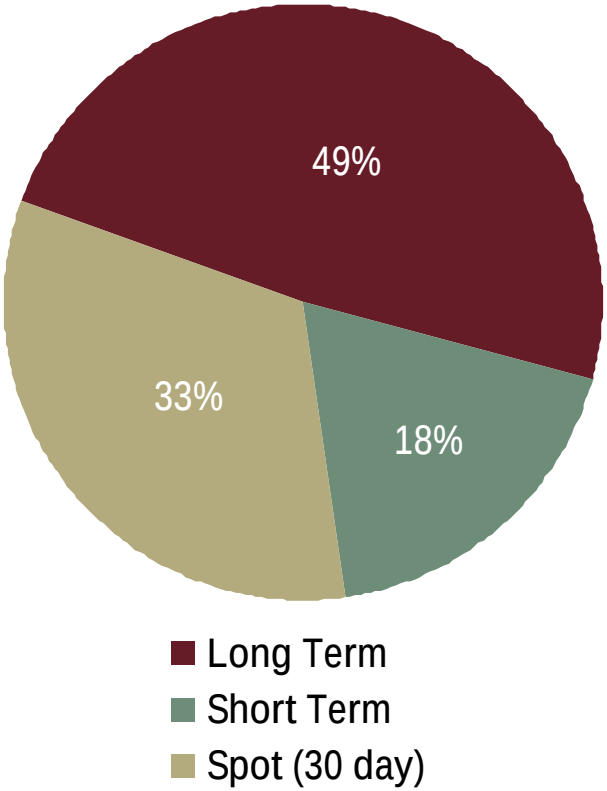
Average Cost of Gas Purchased



NW Natural®
We grew up here.

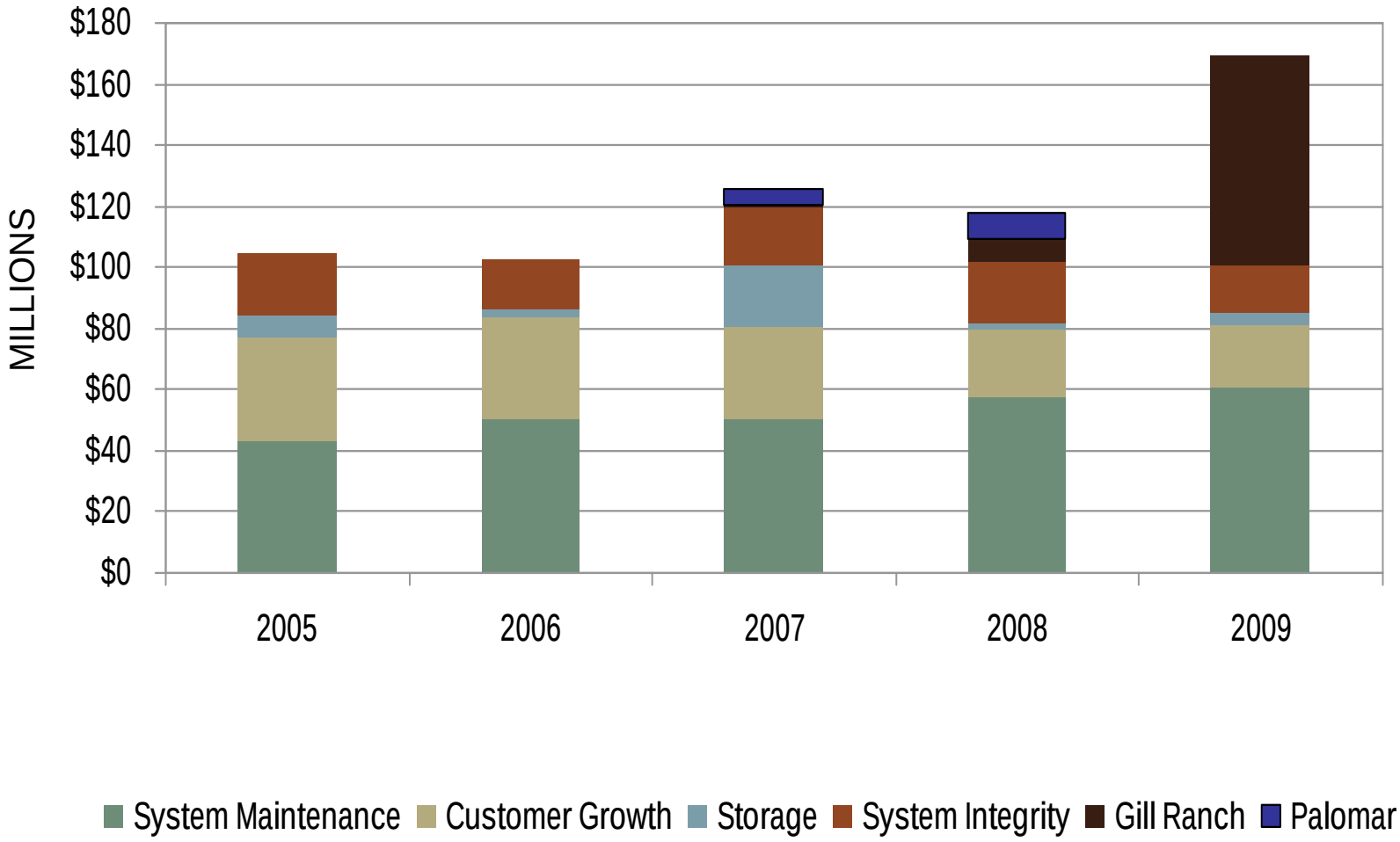
Gas Supply Diversity





NW Natural®
We grew up here.

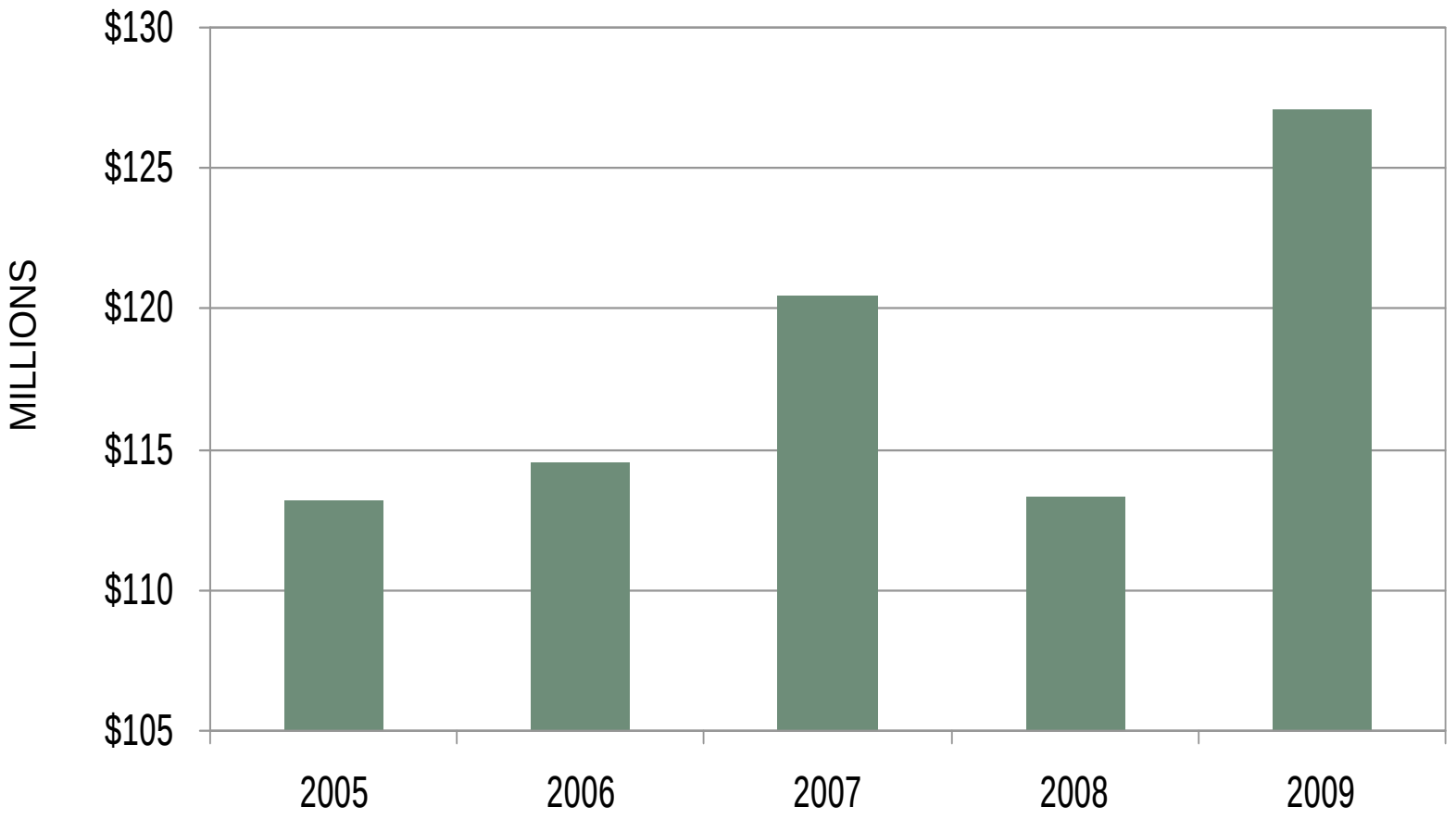
Capital Expenditures



NW Natural®
We grew up here.



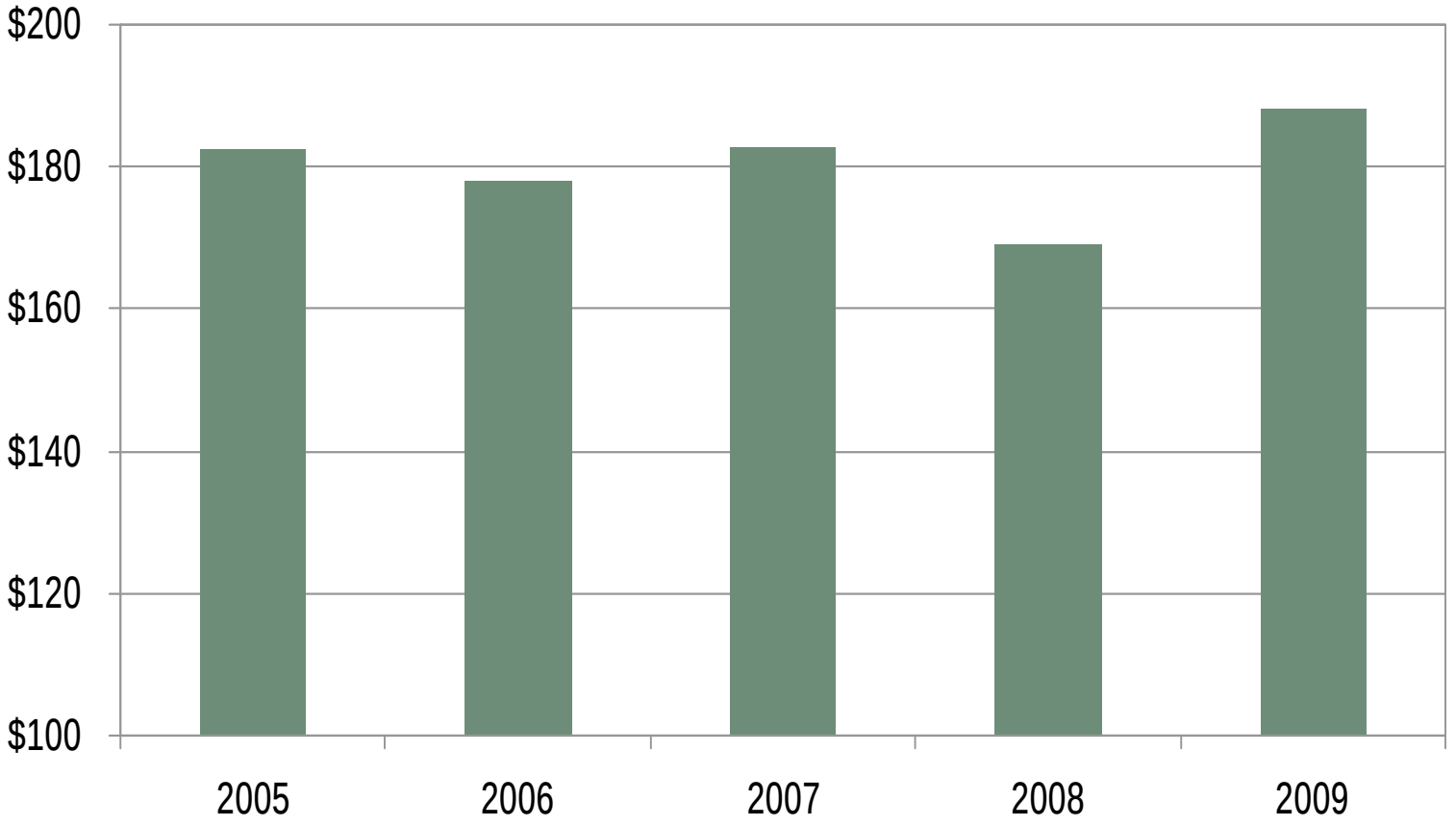
Operations & Maintenance Expenses



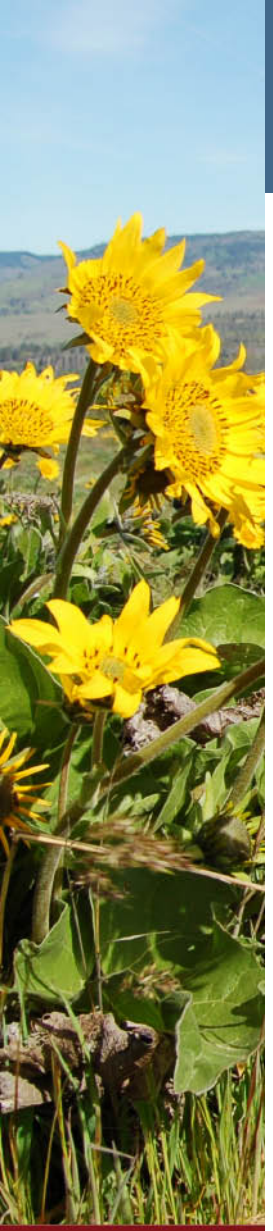
NW Natural®
We grew up here.

Operations & Maintenance Per Customer

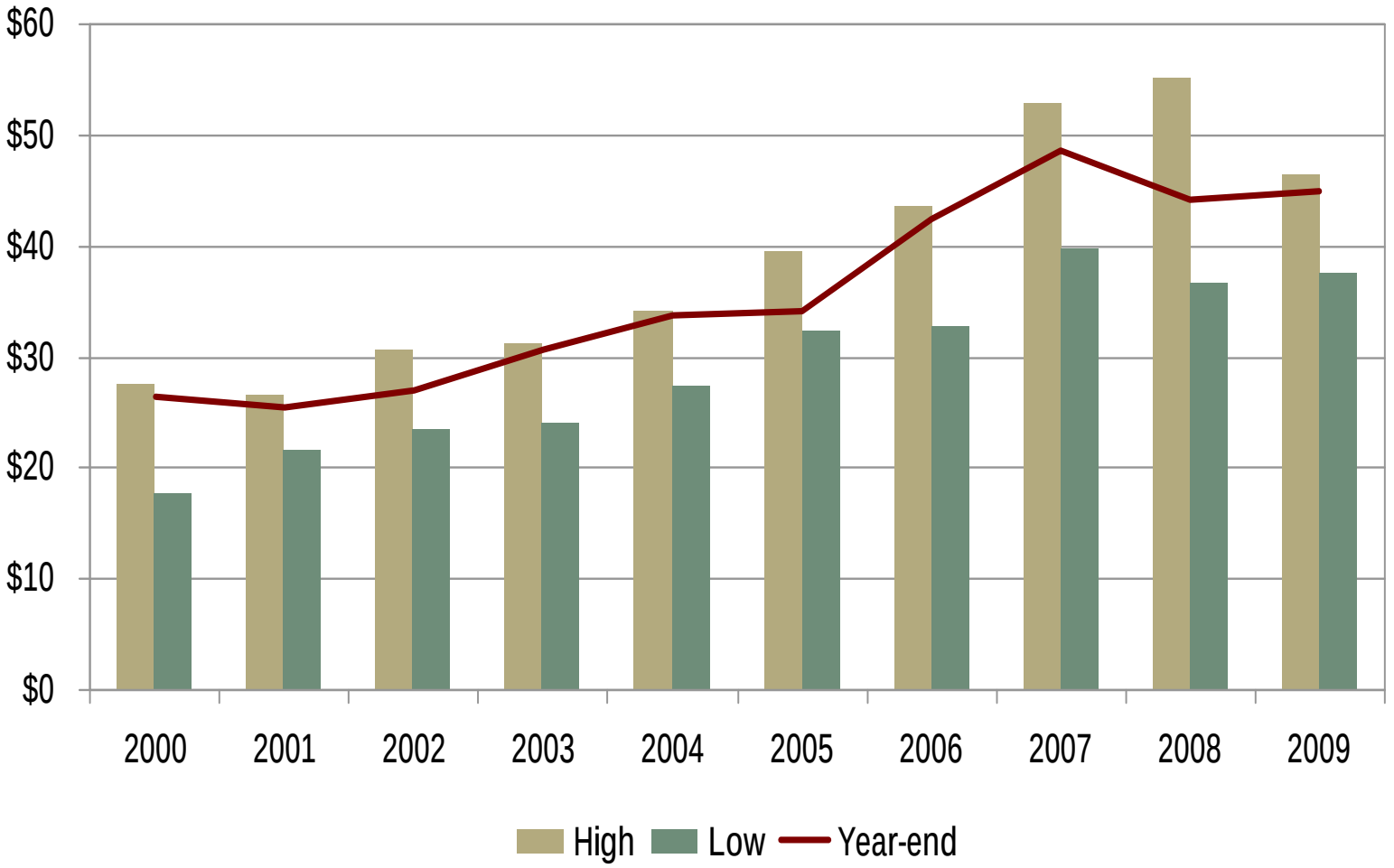




NW Natural®
We grew up here.



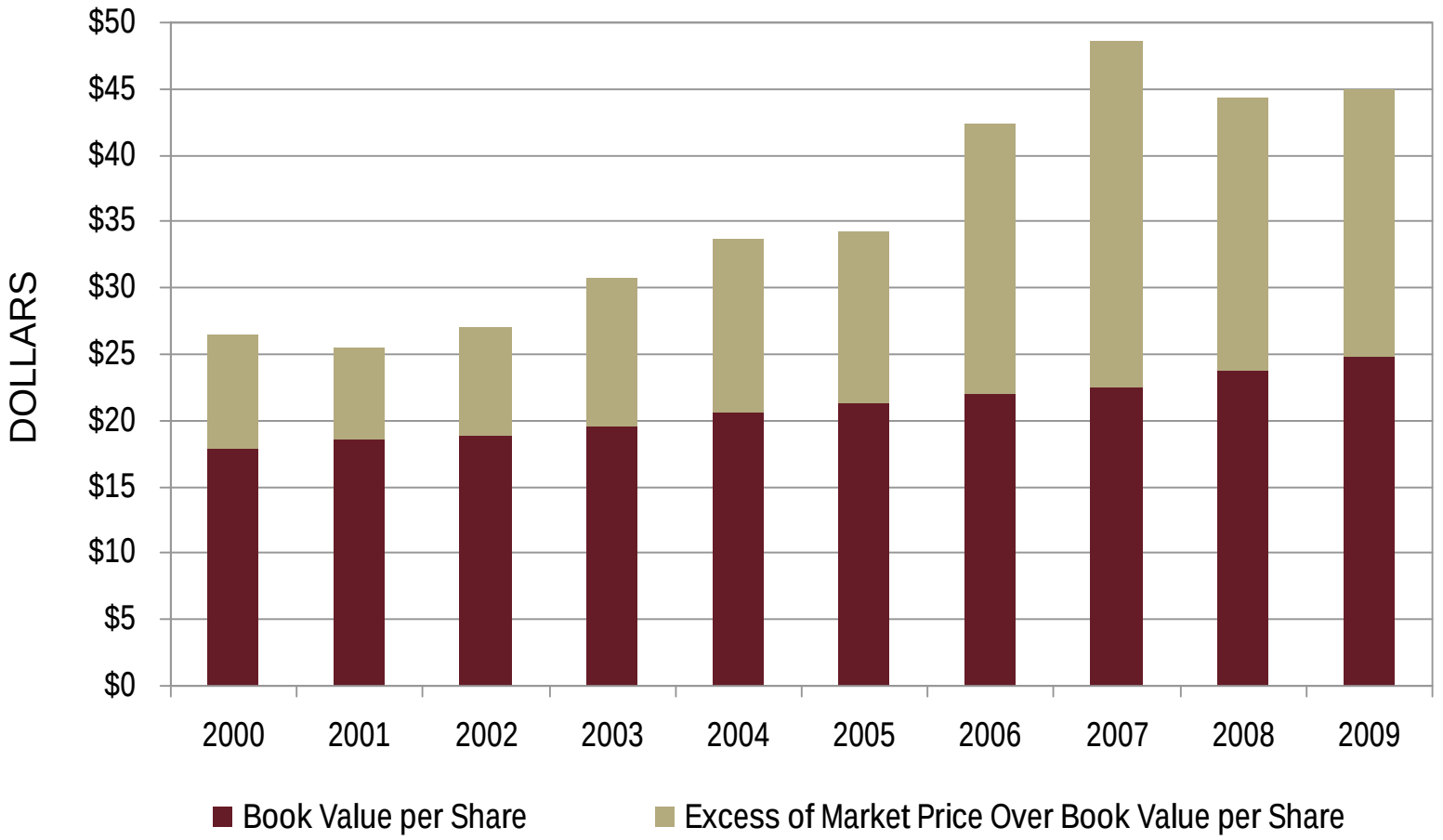
High/Low Market Price Share



NW Natural®
We grew up here.

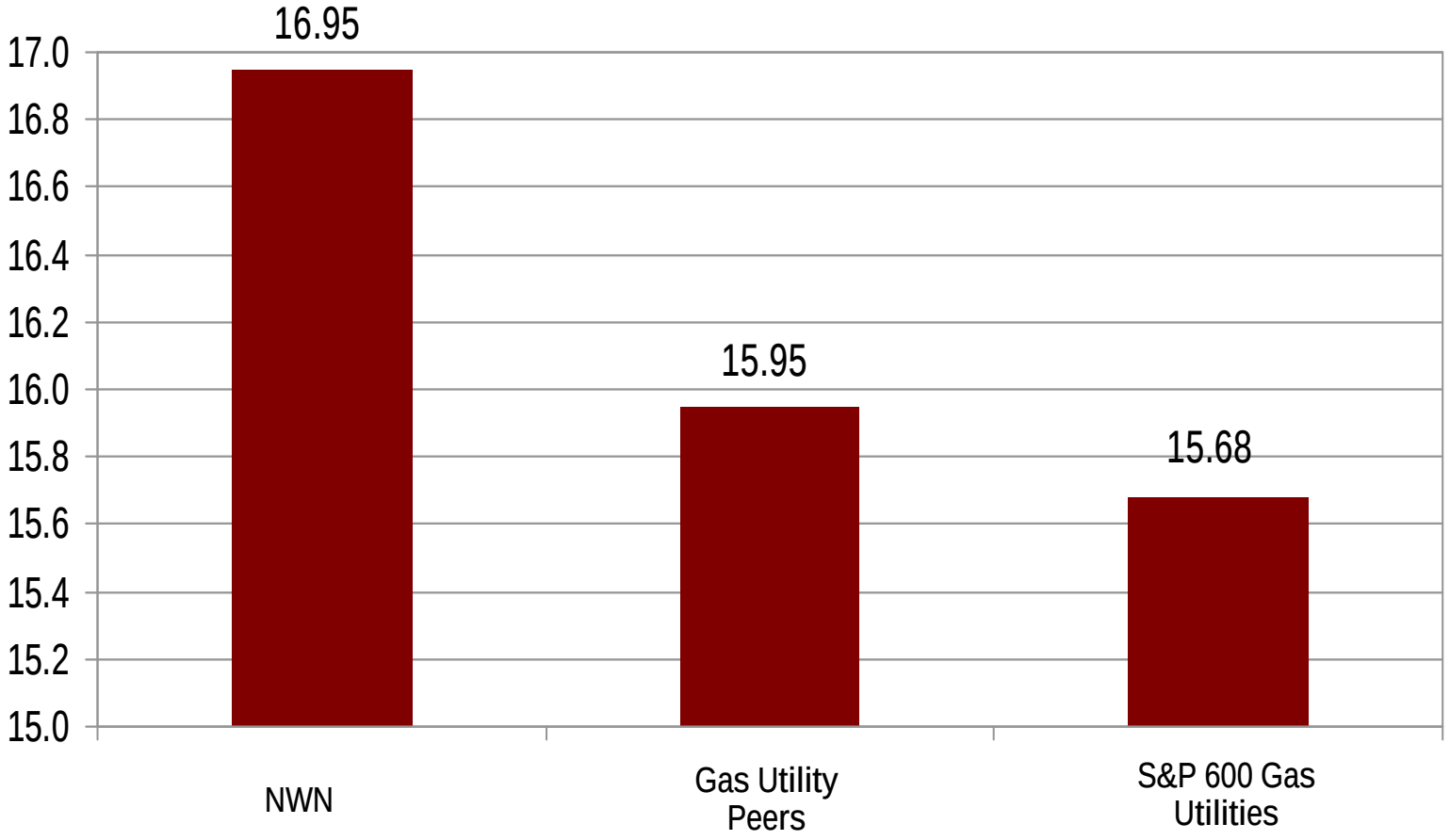


Year-End Market Price & Book Value



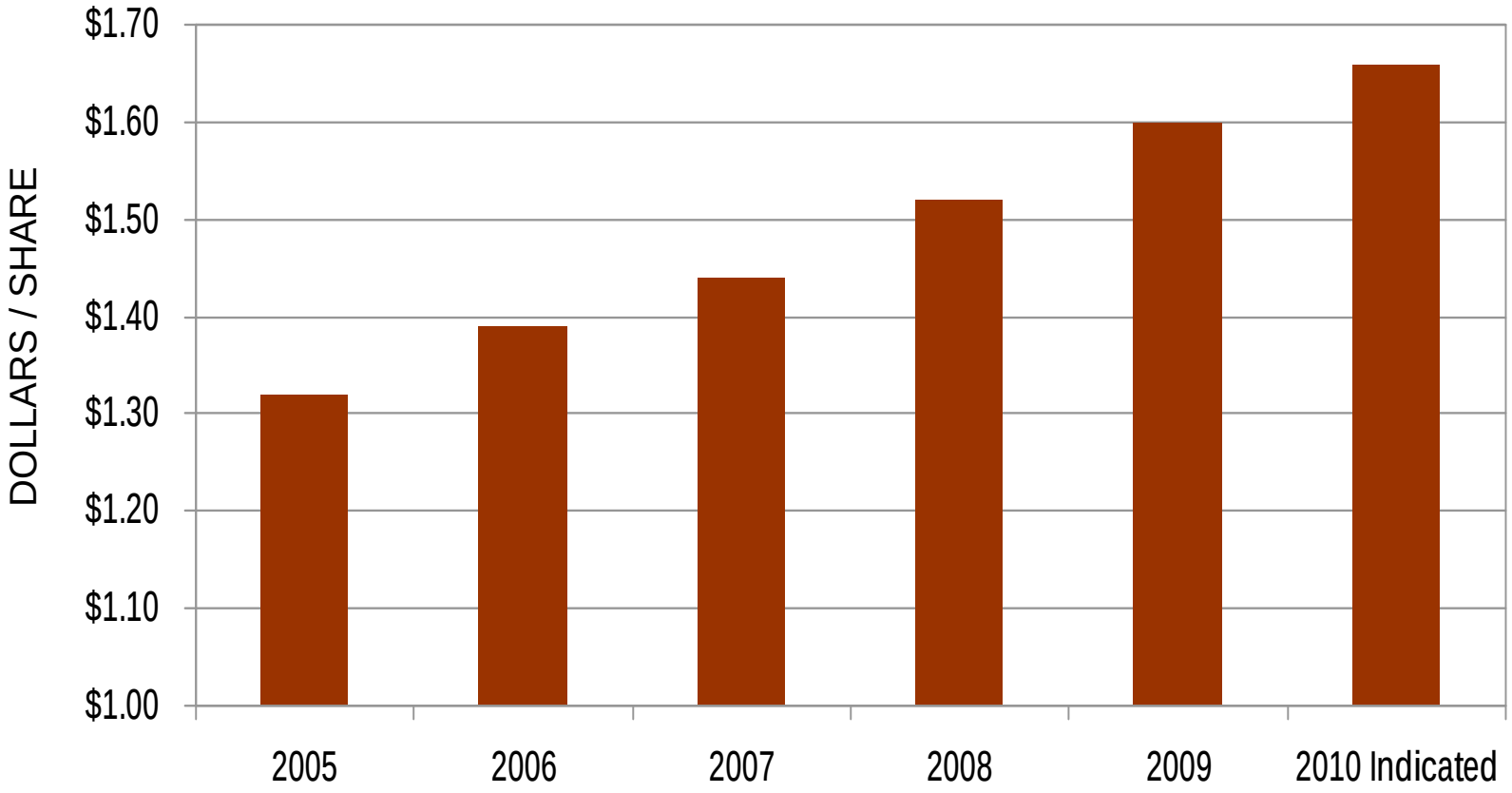


Year-End Valuation – P/E Multiple



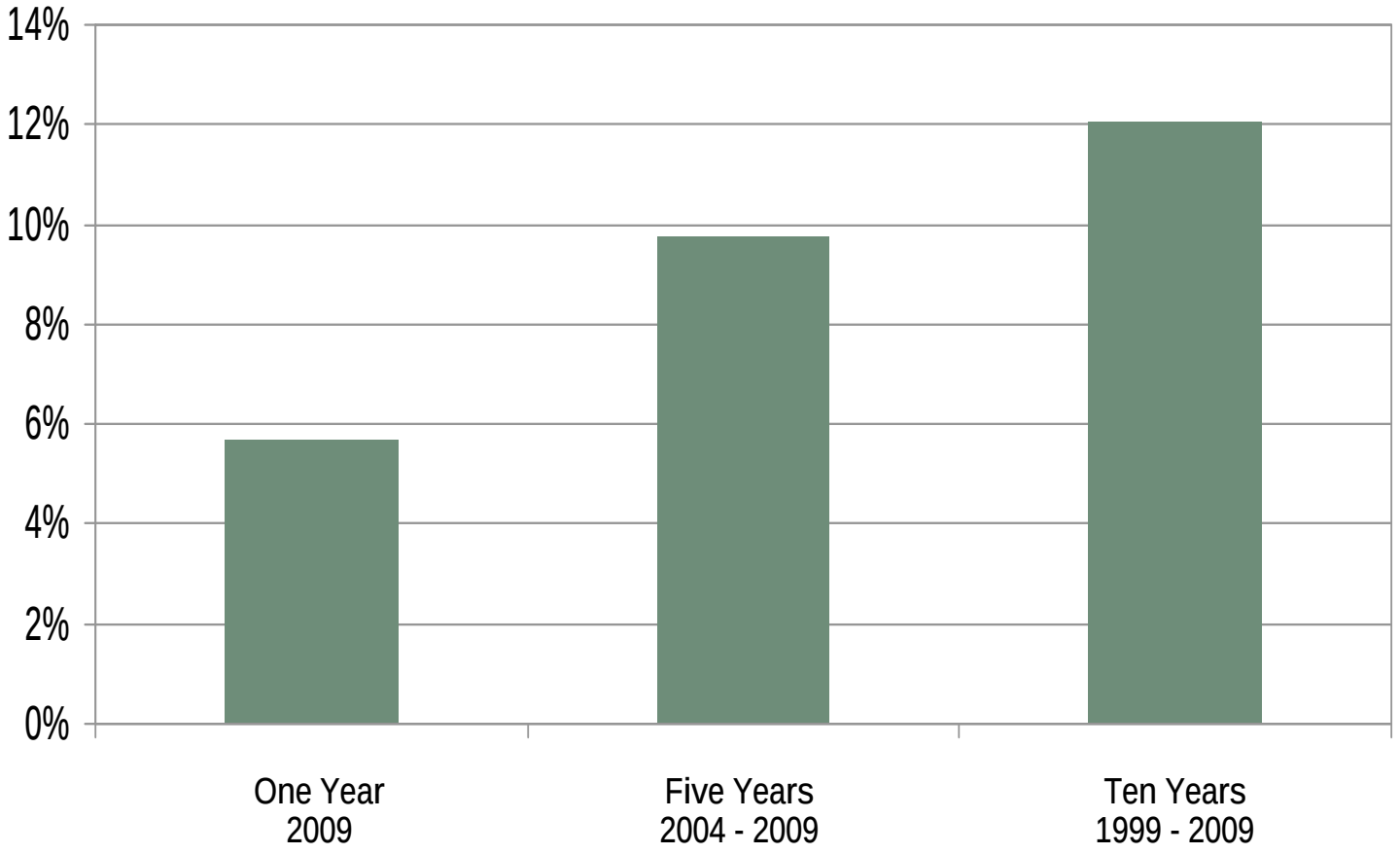
NW Natural®
We grew up here.

Dividend History



NW Natural®
We grew up here.

Total Annualized Shareholder Return



NW Natural®
We grew up here.



NW Natural®
We grew up here.

Analyst Remarks

"We view NWN as one of the best-positioned names in the gas utility space. NWN is…buoyed by a highly supportive regulatory environment.

NWN also owns increasingly profitable storage assets located near its service territory (Mist). Recently, NWN announced efforts to more broadly expand its non-regulated presence into complementary arenas with physical assets including pipelines and storage."

— Dan Fidell, Brean Murray, Carret & Co.



Analyst Comments

“Well-managed and the market knows it…”

“Northwest Natural Gas (NWN) trades at a justifiable premium, in our view, to peers given rate design success, a track record of earnings and dividend growth, and storage and pipeline projects that should provide growth over the next several years.”

— Gabe Moreen, Bank of America Merrill Lynch

NW Natural®
We grew up here.

Kim Heiting

DIRECTOR, CORPORATE COMMUNICATIONS





NW Natural®
We grew up here.

"An investment in knowledge pays the best interest."

- *Benjamin Franklin*



Satisfaction Drivers

What drives customer satisfaction?

- **Billing and Payment**
  - Accuracy of bill, usefulness of payment options
- **Price and Value**
  - Perceived fairness of pricing and flexible payment plans
- **Corporate Citizenship**
  - Local involvement, concern for the environment, maintaining a safe gas system
- **Communications**
  - Effective communication about rates, safety, services and ways to help reduce customer bills
- **Customer and Field Service**
  - Knowledgeable, courteous employees that problem solve



How does NW Natural rate?

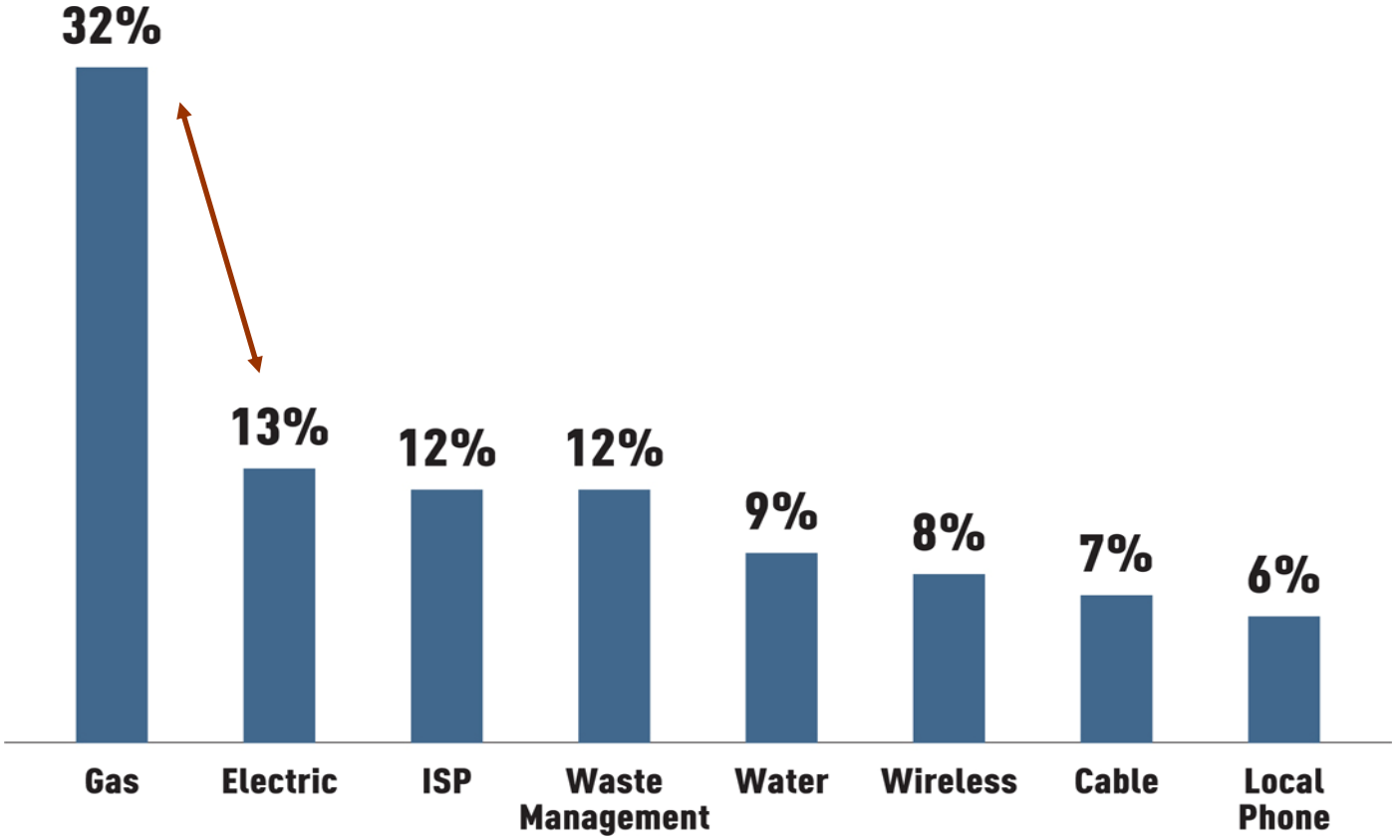
2009 J.D. Power Satisfaction Results

- For 6th year, ranked in top two in the West
- Ranked first in all categories but price
  - **#1 in Billing & Payment**
  - **#1 in Corporate Citizenship**
  - **#1 in Customer Service**
  - **#1 in Field Service**
  - **#1 in Communications**
- Ranked #2 nationally out of 75 utilities

NW Natural®
We grew up here.

2009 J.D. Power Results: Local View

NW Natural customers were asked:
Which of your utilities is most preferred?



Responses rounded to nearest percentage.

NW Natural®
We grew up here.



Opinions About NW Natural

NW Natural had the strongest reputation ratings in the survey.

- **85% rated us very good or excellent**
  - 3% had no opinion
  - 9% rated us fair
  - 3% gave us a poor rating, the lowest percentage of any utility referenced in the survey

NW Natural®
We grew up here.



Opinions About Natural Gas

Consumers in the Northwest have a positive view of natural gas.

NW Natural Customers:

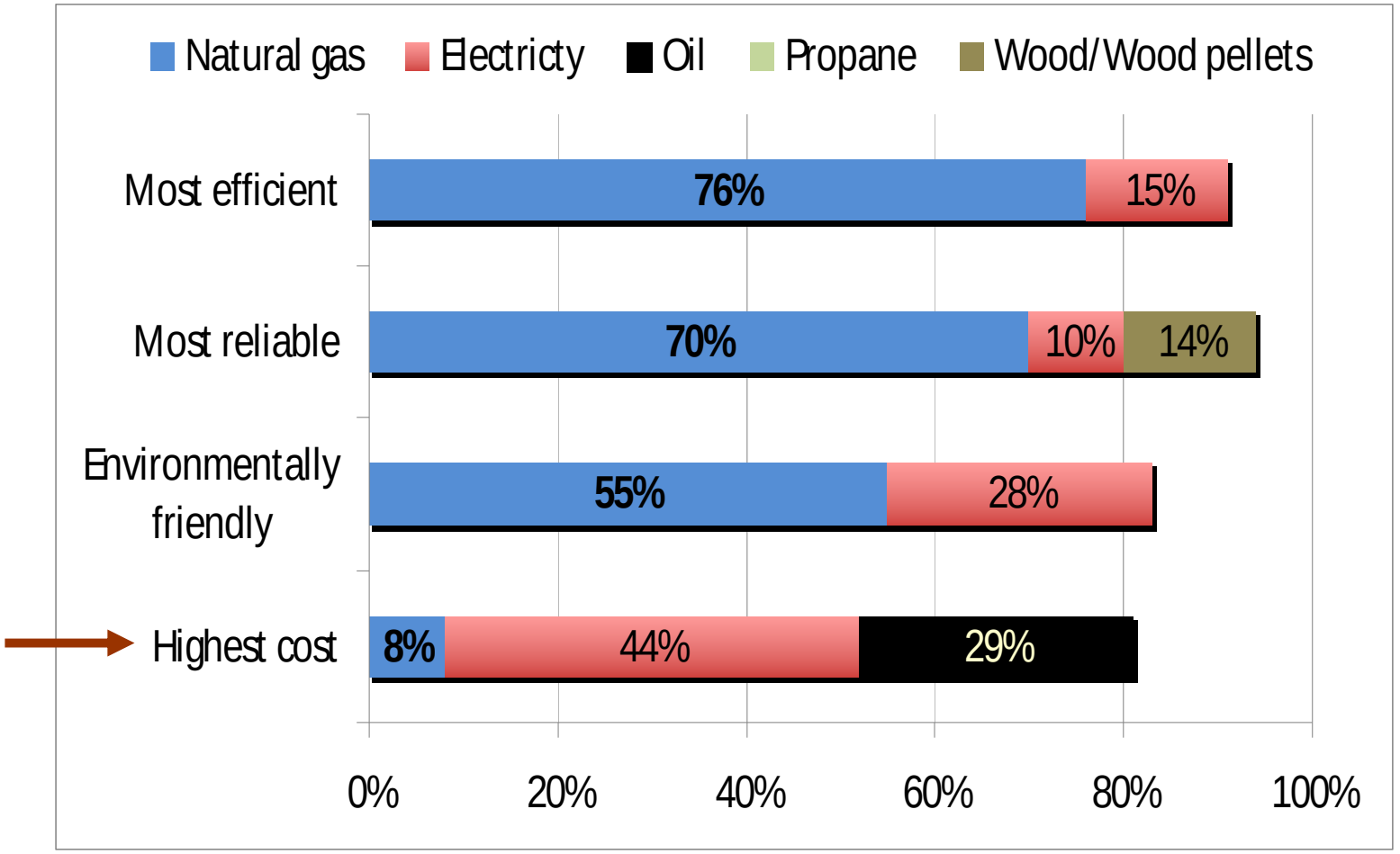
- 98% had a positive opinion about gas

All respondents, including potential customers:

- 83% positive opinion about gas

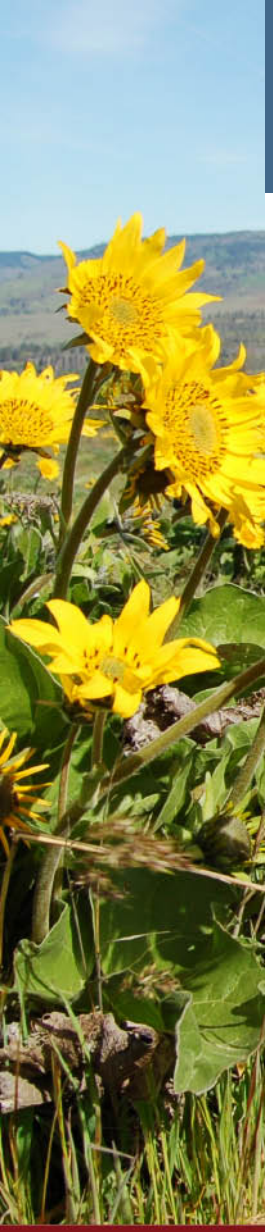
Fuel Comparison

Characteristics customers most associate with natural gas: Efficient, Reliable, Environmentally Friendly



Response <10% and "not sures" omitted

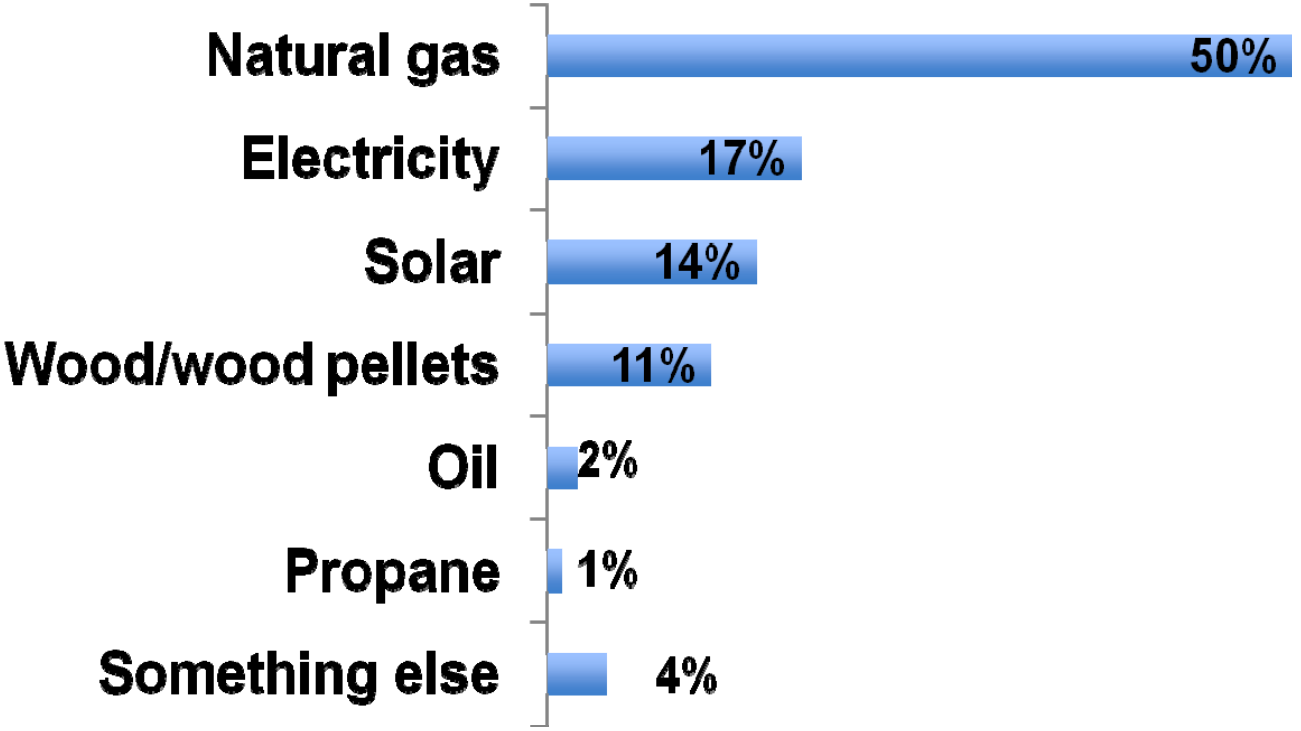
NW Natural®
We grew up here.



Preference for Home Heating

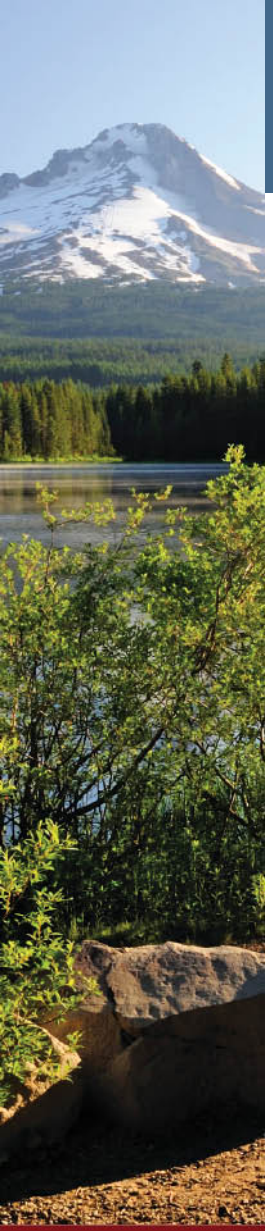
3-to-1 Consumer Preference for Natural Gas

If you could choose any source of energy to heat your home, what would it be?



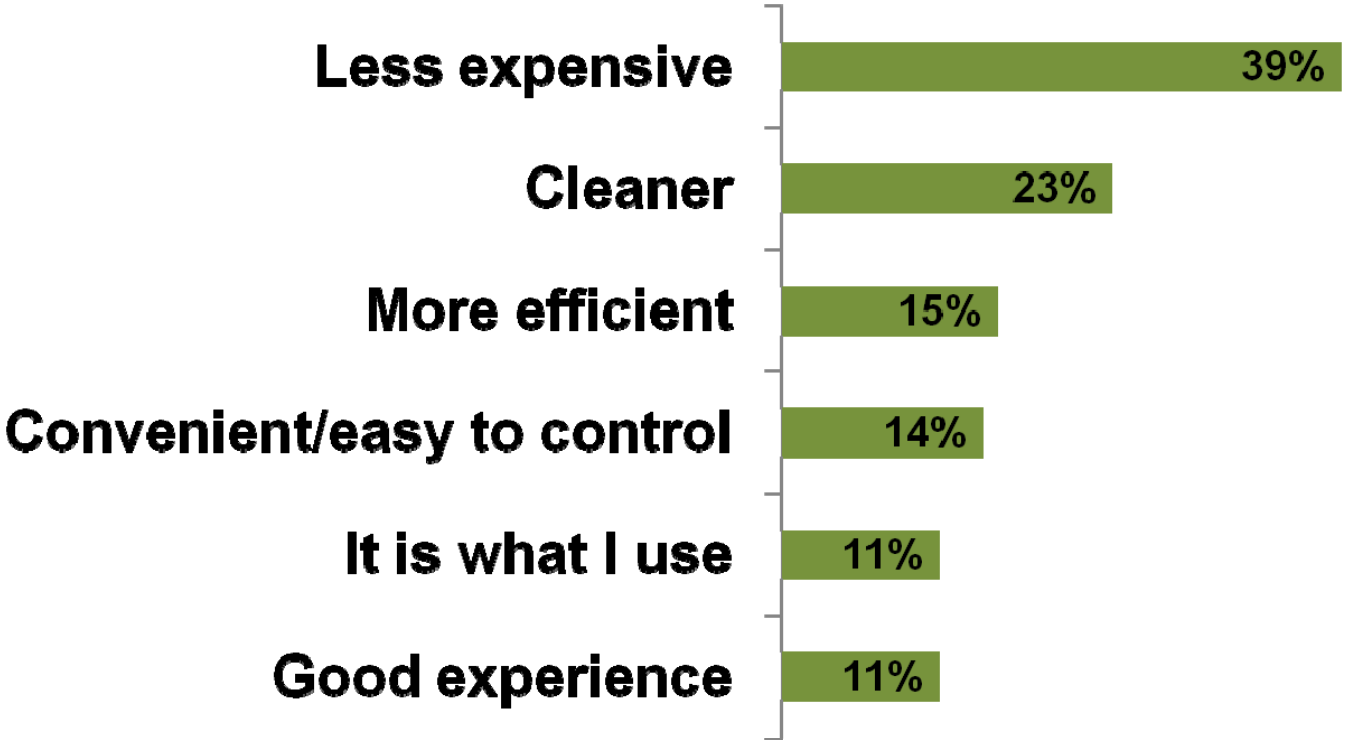
"Don't know" responses excluded

NW Natural®
We grew up here.



Why natural gas?

Top of mind, lower cost and cleaner are the primary reasons prefer to heat homes with natural gas.



Multiple responses accepted

NW Natural®
We grew up here.

NATURAL GAS
the fuel of choice









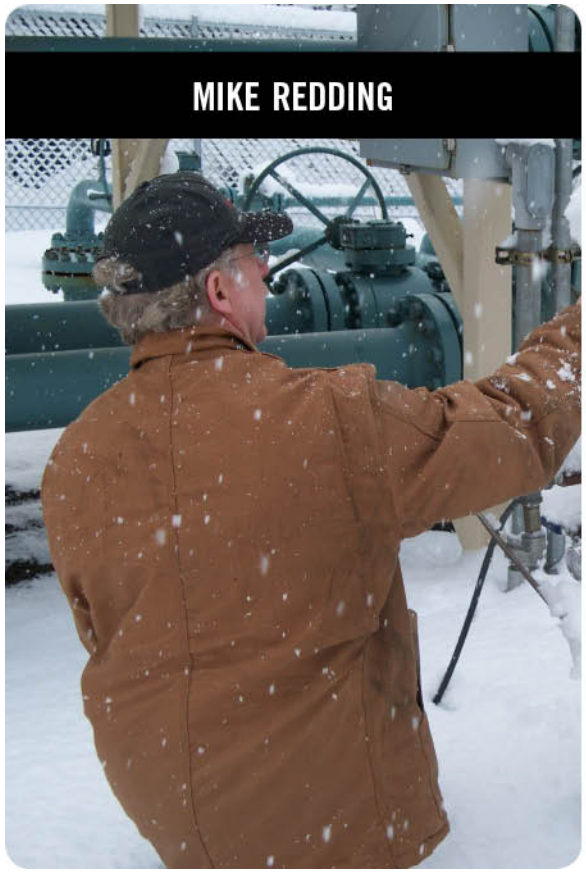


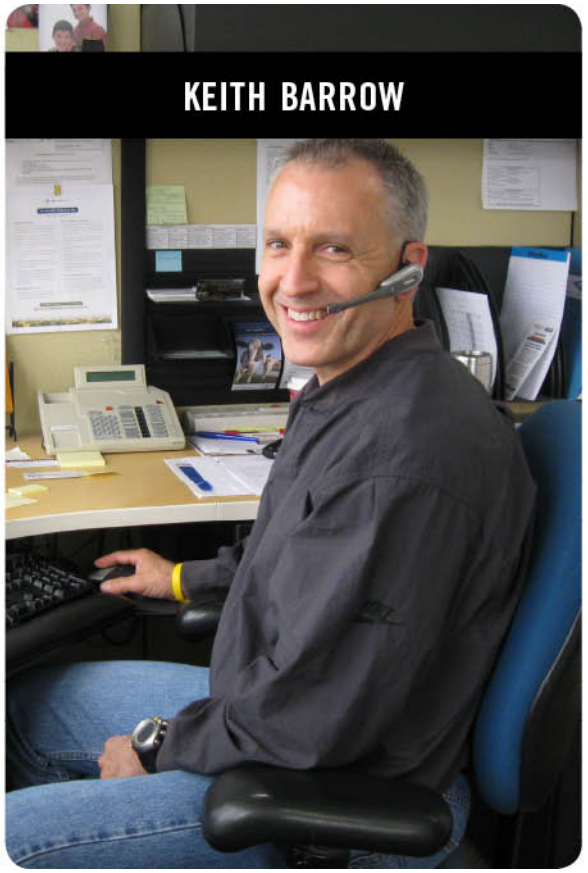


NW Natural®

We grew up here.

Employees Drive Service Culture







Gregg Kantor

PRESIDENT & CHIEF EXECUTIVE OFFICER



2009 Challenges & Opportunities







Leveraging the Preference for Natural Gas







Gill Ranch: New 20 Bcf Storage Facility



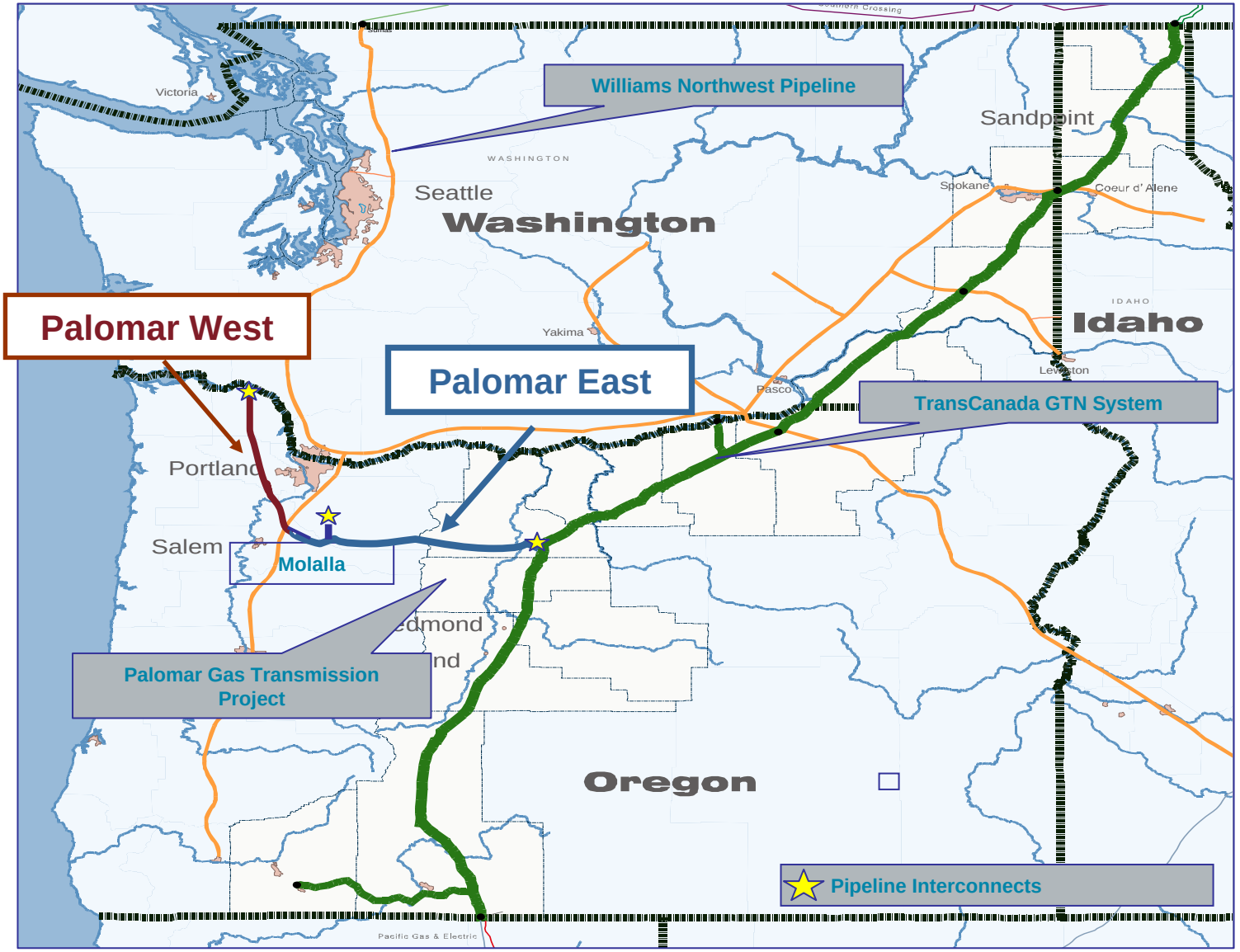
GILL RANCH STORAGE®

Mist Underground Storage





Palomar Pipeline: East & West



Environmentally Responsible Construction

Where is the pipeline?

South Mist Pipeline in Washington County



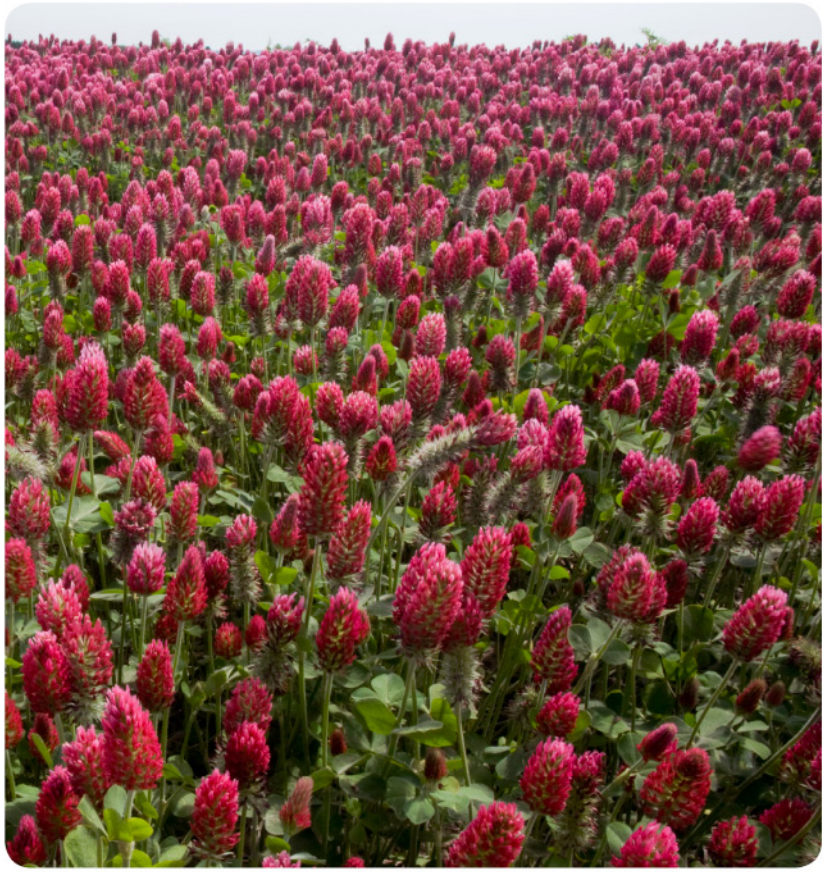


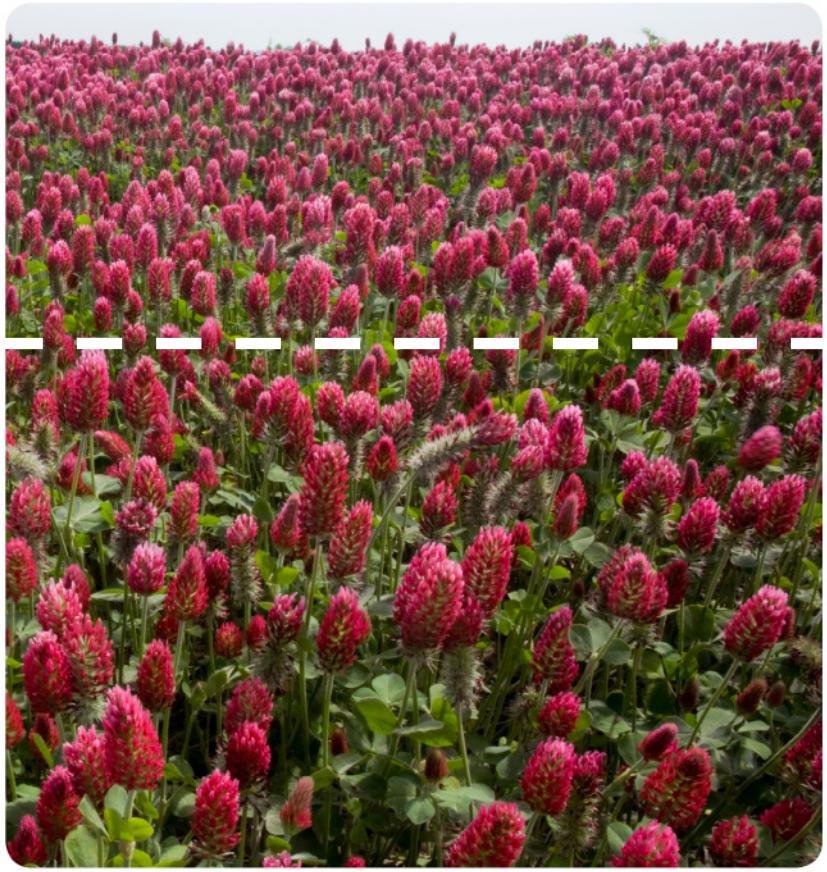
Pipeline location indicated by dashed line

Environmentally Responsible Construction

Where is the pipeline?

South Mist Pipeline in Washington County





Pipeline location indicated by dashed line

Environmentally Responsible Construction

Where is the pipeline?

South Mist Pipeline Under Dairy Creek





Pipeline location indicated by dashed line

NATURAL GAS
the fuel of choice













NW Natural®

We grew up here.