NW Natural®

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2011 American Gas Association

Orlando, Florida

May 15-17

Investor Presentation

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.

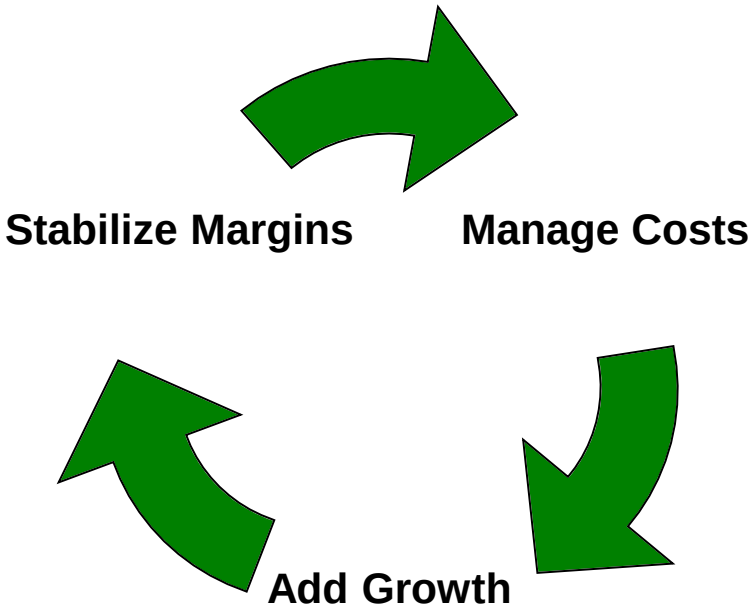
NW Natural at a Glance

- Approximately 676,000 customers in OR & WA
  - 90% Oregon, 10% Washington
- A distribution and transmission system totaling approximately 14,000 miles
- 16 billion cubic feet gas storage capacity in Oregon with growth potential
- 20 Bcf designed capacity Gill Ranch Storage facility in California operational
- Constructive regulatory environment
- Strong balance sheet & financial condition
- Solid earnings of $2.73 per share in 2010 and Q1 2011 results of $1.53 per share
- Financial & operational discipline to control costs
- Experienced management team
- JD Power Customer Satisfaction — consistently top 3-rating in U.S — #1 in US and West for gas utilities in 2010 among residential and commercial customers
- Indicative dividend rate of $1.74 per share annually – rate raised October 2010 by 5%



NW Natural Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas LDCs
  - Work well with regulators & others
- Managing cost structure
  - Continuing to make improvements
  - Increased use of technology to improve reliability & safety
- Adding longer-term growth opportunities that fit NWN's "DNA" risk profile and leverage what we do best
  - Gill Ranch Gas Storage in California
  - Mist Gas storage expansion opportunity in Oregon
  - Gas reserve investment to provide low-cost, long-term gas supplies for Oregon customers (Encana)
  - Palomar pipeline project in Oregon



2010 & 2011 Highlights

- Earned $2.73 per share on earnings of $73 million, compared to $2.83 per share on earnings of $75 million in 2009
- Earnings of $1.53 per share in first quarter of 2011 on net income of $40.8 million, compared to $1.64 per share on earnings of $43.6 million in 2010 quarter
- First mover on unique gas reserves joint venture agreement with Encana Oil & Gas (USA) to provide approximately 30-year gas supply for Oregon customers
- Company ranked highest in the nation in 2010 among gas utilities for residential customer satisfaction – consistently among top 3 in U.S.
- Oregon and Washington customers saw a rate decline for a second year in a row for current heating season
- Selected 90%-10% Purchased Gas Adjustment incentive sharing component for current year's heating season that runs from Nov. 1 to Oct. 31
- Bad debt expense kept to 0.18% of revenues at March 31, 2011 – among the lowest in the country and continuing to watch it carefully
- Increased quarterly dividend to 43.5 cents per common share from 41.5 cents per share – a five percent increase – and 55th consecutive year of increasing dividends paid

Regulatory Highlights & Activity

- OPUC approval of Encana transaction on April 29, 2011
  - Rapid turnaround and all-parties settlement important to gain approval and completion of ~$250 million gas reserves investment
- Company plans to file general rate case in Oregon by end of 2011 – out since 2003
  - Seeking renewal of decoupling, weather mechanisms
  - Other policy items – system expansion and product choices
  - Current allowed ROE is 10.2%
  - True-up various deferral mechanisms
  - Renew items that support system integrity, maintenance and other areas
  - Typically a 10-month process from filing until commission decision
- Customers received 2% rate decrease for current PGA year
  - Selected 90/10 sharing mechanism for 2010/11 heating season

SB 967 to Repeal SB 408

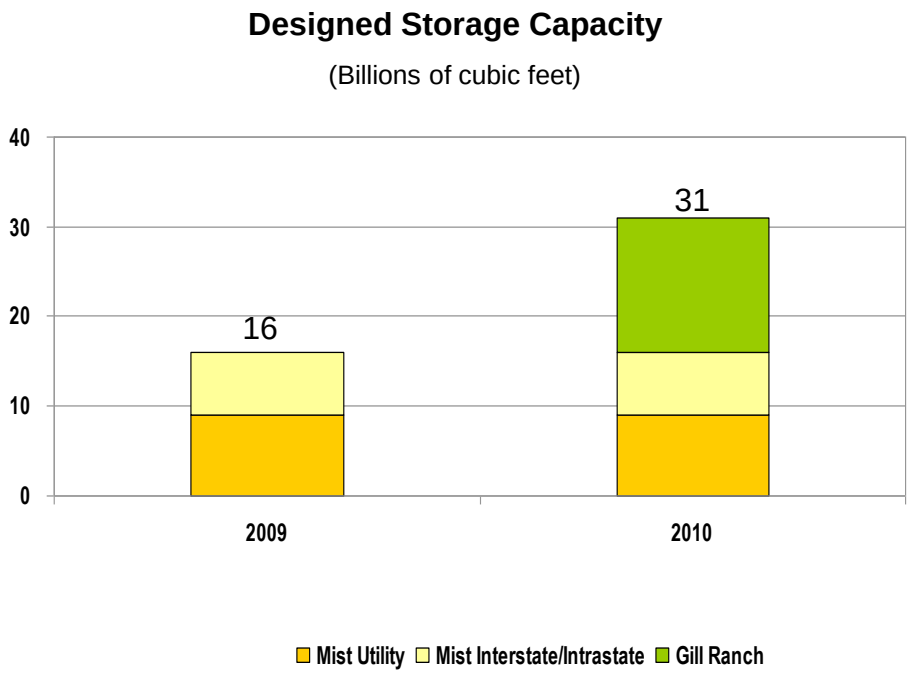
- SB 408 passed Oregon legislature in 2005 and was enacted into law in 2007 by the OPUC
- Response to Enron ownership of Portland General Electric Company
- Premise that taxes collected should equal taxes paid annually
- NW Natural has been in a surcharge mode every year since SB 408 was implemented
- NWN collected $0.2 million for 2008 and $5.1 million for 2009 in the form of a surcharge to customers
- Repeal of Oregon SB 408 passed 2011 legislature as SB 967 on March 29
- Oregon SB 967 passed on May 9 in House of Representatives
- Due to regulatory uncertainty, NWN did not recognize $2.7 million of SB 408 amounts earned in the first quarter of 2011. If enacted into law in its current form, NWN will be required to expense 2010 deferred amounts of $7.4 million (17 cents per share).

Adding Growth

- **Storage**
- **Gas Reserves**
- **Palomar Pipeline**

Natural Gas Storage

- Key utility resource at Mist (OR) – 16 Bcf
  - Least-cost seasonal peaking supply
  - Low incremental development costs
  - Investment rolled into rates as needed for core customers
- Gill Ranch Storage located near Fresno, Calif., at a prime location to serve customers – a 20 Bcf designed facility – with expansion potential
- 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 at Mist & Gill Ranch Storage



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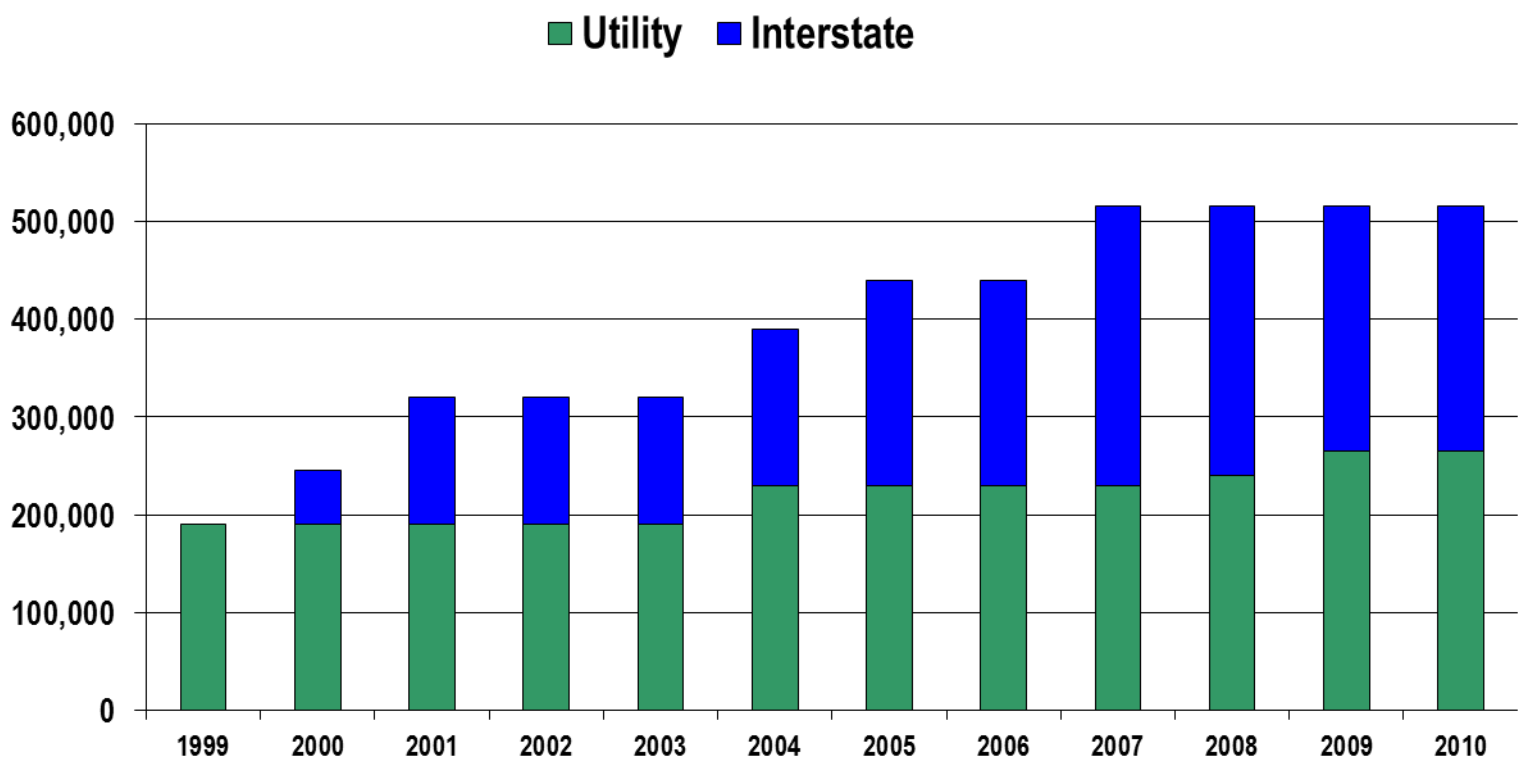
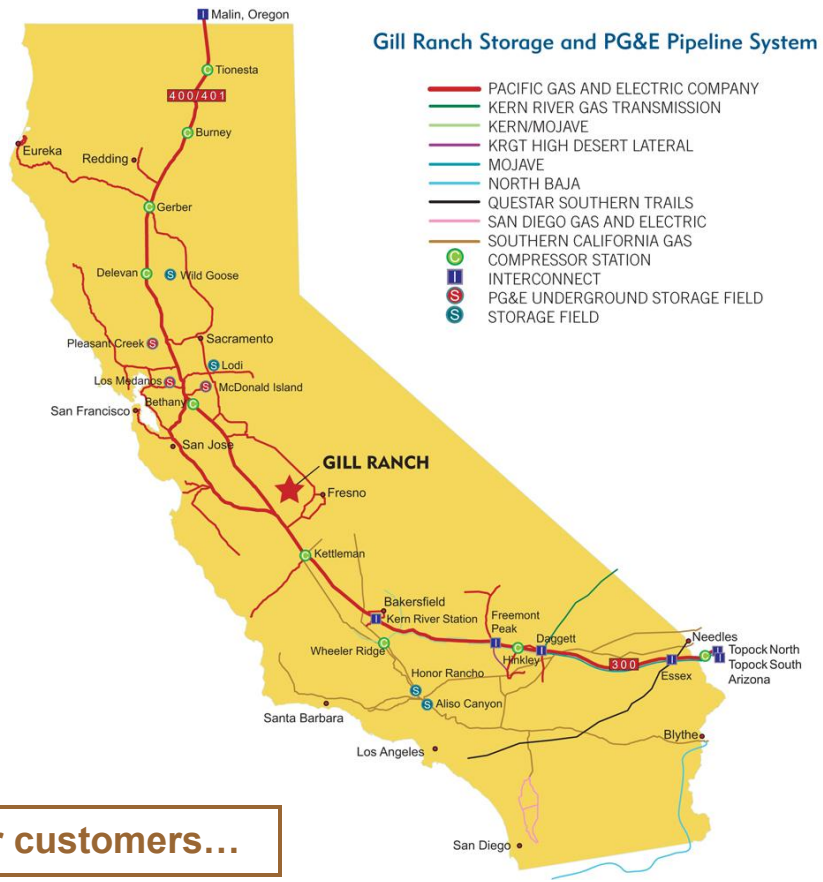
Historic Mist Integrated Development

(Deliverability/Dtherms)



Gill Ranch Storage Overview

- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
- Depleted gas reservoirs
- Phased development
  - 20 Bcf designed capacity
  - Significant portion of first year's capacity contracted
  - Expandable per market needs
- October 2010 in-service date
- 75/25 venture with PG&E
- ~$215 million development costs (NWN portion)



Strategic location for customers…

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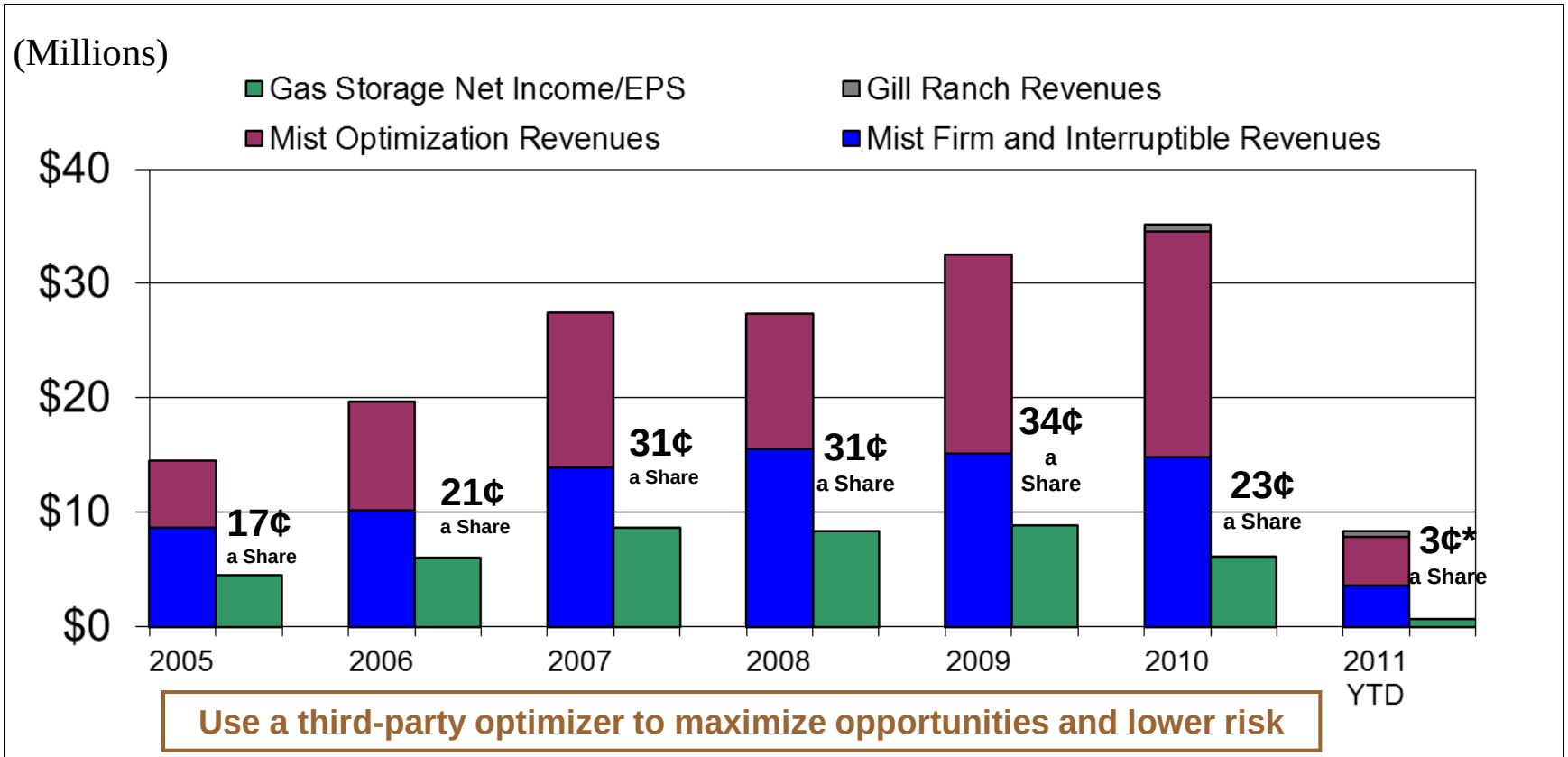
Gas Storage Revenues & Net Income/EPS

(through March 31, 2011)

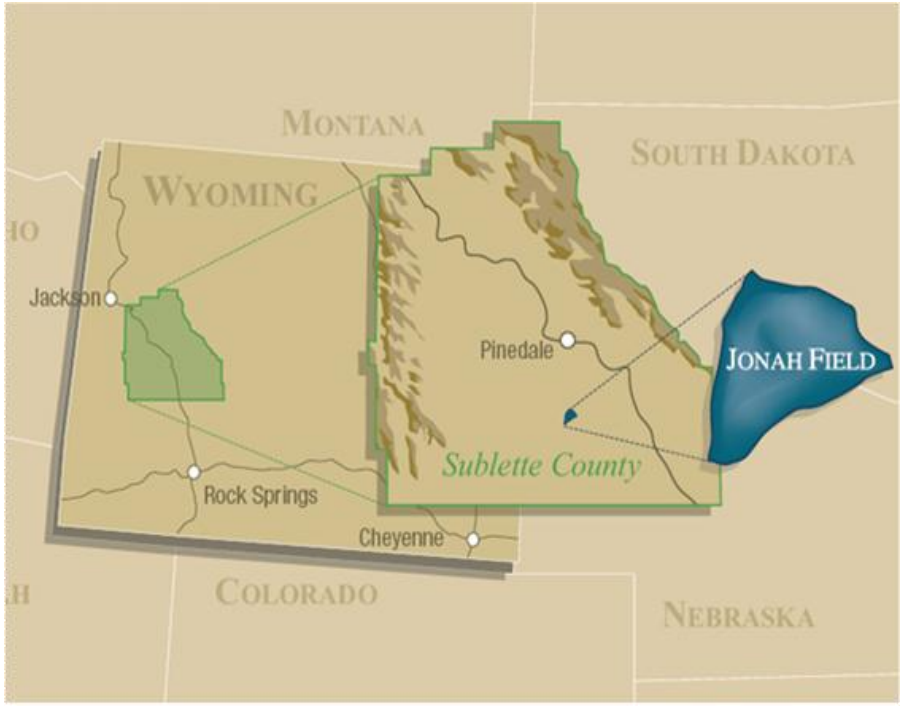


Use a third-party optimizer to maximize opportunities and lower risk

** EPS declined due to first year results at GRS and other factors, combined with lower overall optimization revenues.*

Gas Reserves Joint Venture with Encana

- **Strategic focus:**
  - NW Natural is investing in a joint venture to earn working interests in gas reserves with Encana Oil & Gas (USA)
  - JV operations with Encana in the Jonah Field in sections that include currently producing wells and future wells
  - Agreement provides gas for 30 years with the majority flowing in first 10 years
  - Venture is expected to provide approximately 8-10 percent of NWN's average annual requirements over first 10 years
  - Price will be ~$45-55 million per year, for a five-year period, totaling about $250 million
  - New investment will be tracked as rate base into rates at each PGA filing
  - Approved by Public Utility Commission of Oregon (OPUC) in May



The Jonah Gas Field

- One of top 10 U.S. producing gas fields by reserves
- Located north of Rock Springs, Wyoming in proven field
- Field contains an estimated 2 Trillion cubic feet equivalent of proved reserves, and produces the equivalent of 1.5 percent of total U.S. daily consumption
- Operations will be in sections that include currently producing wells and future wells
- Proven successful development results and track record



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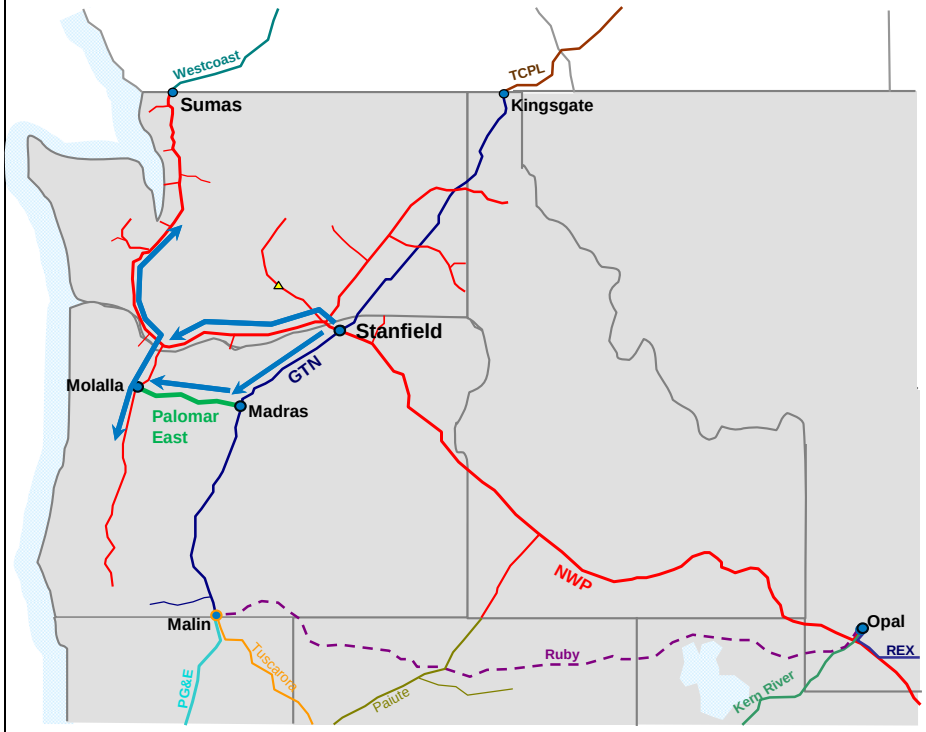
Palomar Pipeline Project Overview



Project Purposes

- Palomar East
  - – Access natural gas supplies for regional growth
  - – Provide a second pipeline delivery path to NW Natural for reliability

Project Review

- 50/50 JV with TransCanada, but have signed non-binding MOU with Williams to potentially become part owners
- Held workshop with WUTC and OPUC in February 2011 to discuss regional infrastructure needs
- Will re-file the FERC application to address changes in the project

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Remains Important Project for Region

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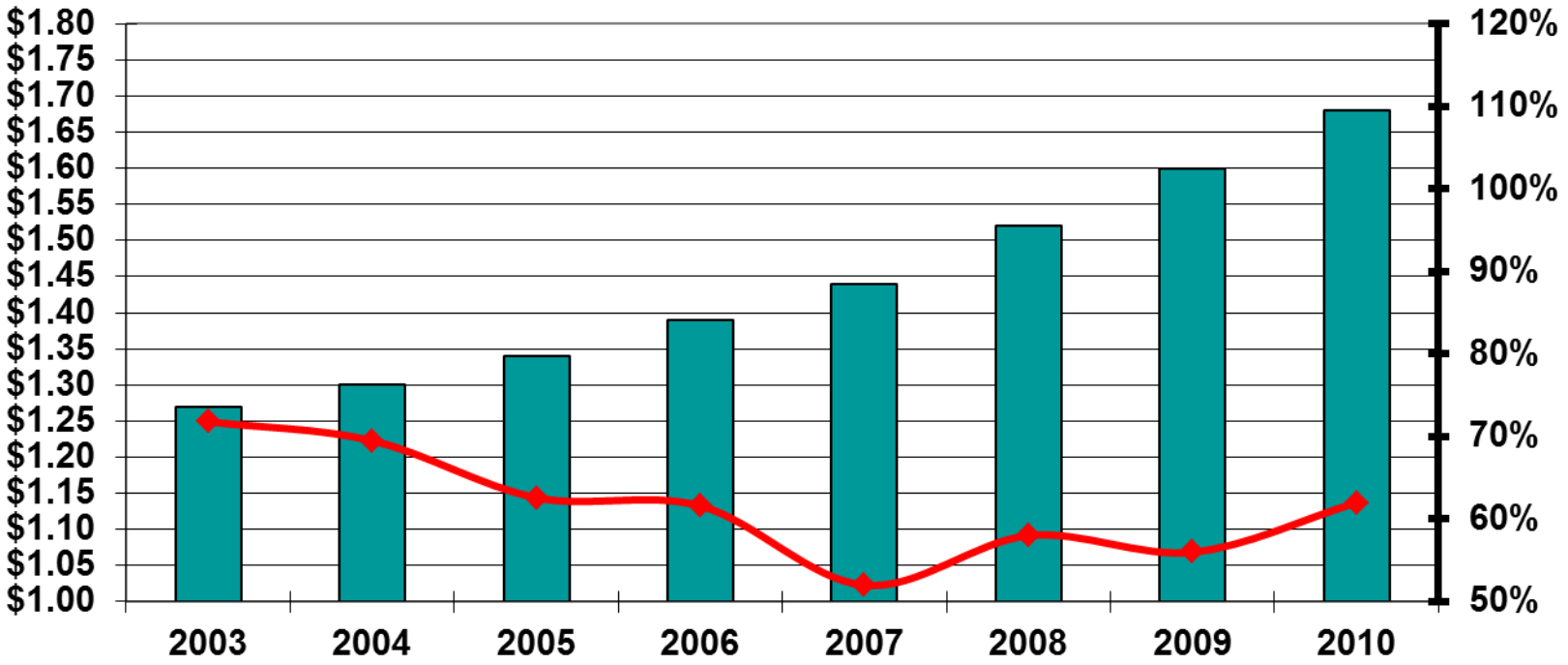
Dividend Payout History

(55-year history of annually increasing dividends paid)



Dividend raised 5% in October 2010 to $1.74 per share annually on an indicative basis

Conclusion

- Full-year 2010 earnings were the third-highest in company's history at $2.73 per share on net income of $73 million per share, compared with record earnings of $2.83 per share on net income of $75 million in 2009
- Dividends increased in October 2010 by 5 percent – to 43.5 cents per common share quarterly and an indicative rate of $1.74 per year
- Q1 2011 results (May 4th) were 7 percent lower at $1.53 per share on net income of $41 million
- 2011 EPS guidance established of $2.45-2.65 per share on February 25, 2011 and directed toward the lower end of the range due to pending tax repeal legislation on May 4, 2011
- Sound regulatory relationships continuing – extension of margin stabilization mechanisms in Oregon through late 2012, Washington IRP acknowledged, AMR and pension deferral requests approved
- Oregon general rate case to be filed by end of 2011 (first GRC since 2003)
- Purchased Gas Adjustment (PGA) mechanism revised in OR with more appropriate risk-reward balance – 90%-10% selected for 2010-11 season
- Low-growth plan implemented before it was needed to better align the company with the current, slow-growth economy
- Non-utility opportunities from Gill Ranch underground gas storage, and gas reserves joint venture with Encana Oil & Gas (USA) to serve Oregon utility customers
- 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)

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NW Natural (NYSE: NWN) is a 152-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. 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, and is looking at other opportunities to add value for customers and shareholders.

KEY INDICATORS:	2011 Q1	2009 Y/E
Total customers (approx.)	676,000	668,000
Total common equity	$723,228	$660,105
Avg. diluted common shares outstanding (000)	26,724	26,576
Number of registered common shareholders	7,135	7,418
Institutional ownership	59%	58%
Annual Dividends (ttm)	$1.74	$1.60
Diluted earnings per share	$1.53	$2.83
Book value per share	$27.11	$24.88
COMPOSITION OF UTILITY REVENUE:		
Residential	63%	56%
Commercial	30	30
Industrial Firm	3	5
Industrial Interruptible	4	6
Other	2	3
CURRENT BOND RATINGS:	**MOODY'S**	**S&P**
Secured long-term debt	A1	A+
Commercial paper	P-1	A-1
Outlook	Stable	Stable

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