NW Natural®

We grew up here.



Edward Jones
Mid-Cap Utility Conference

March 28, 2006

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.

March 2006

NW Natural at a Glance

- Over 617,000 customers
- A distribution and transmission system totaling 13,187 miles
- Customer growth of 3%+; more than twice the national average
- 13.9 billion cubic feet gas storage capacity
- Constructive regulatory environment
- Strong balance sheet
- Widely recognized financial discipline
- Shareholder-focused strategy
- Experienced management team



2005 Highlights

- Earnings were a record $2.11 per diluted share, up from $1.86 in 2004, on net income of $58.1m compared to $50.6m in 2004
  - Strong performance from regulated utility business and Intrastate Gas Storage delivered strong results
- Marked 50 consecutive years of increasing dividends paid
- Conservation tariff renewed for four years @ 100% level
- Managed 19th year in a row of customer growth of more than 3 percent, adding >20,500 customers in 2005
- 2006 guidance reported of $2.12-2.27 per diluted share
- Strong balance sheet and overall financial position

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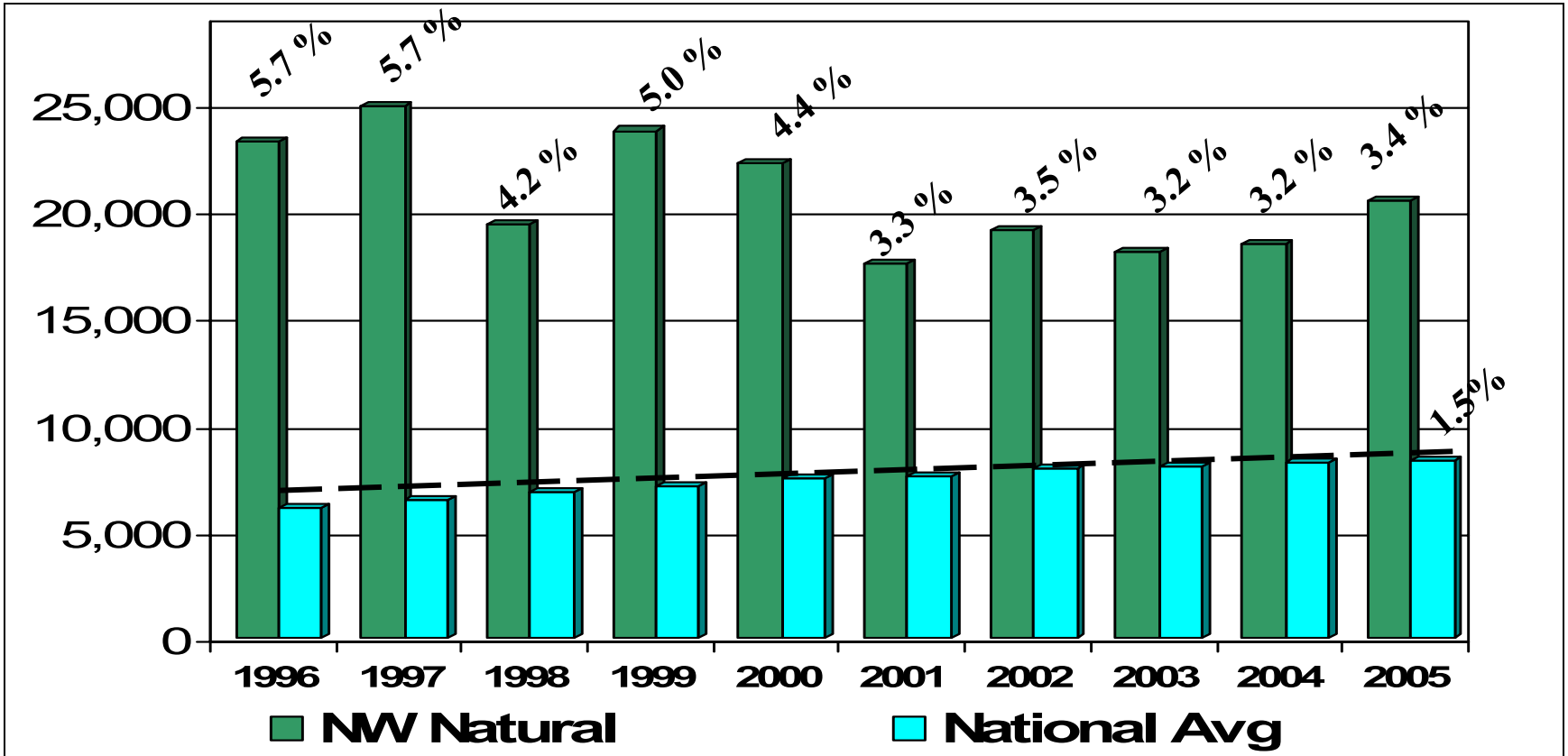
Core Business Growth Potential

Residential single-family market

- Gas is still well positioned in Northwest energy market
- 53% market share means large conversion market potential
- Leader in new construction market – single and multi-family

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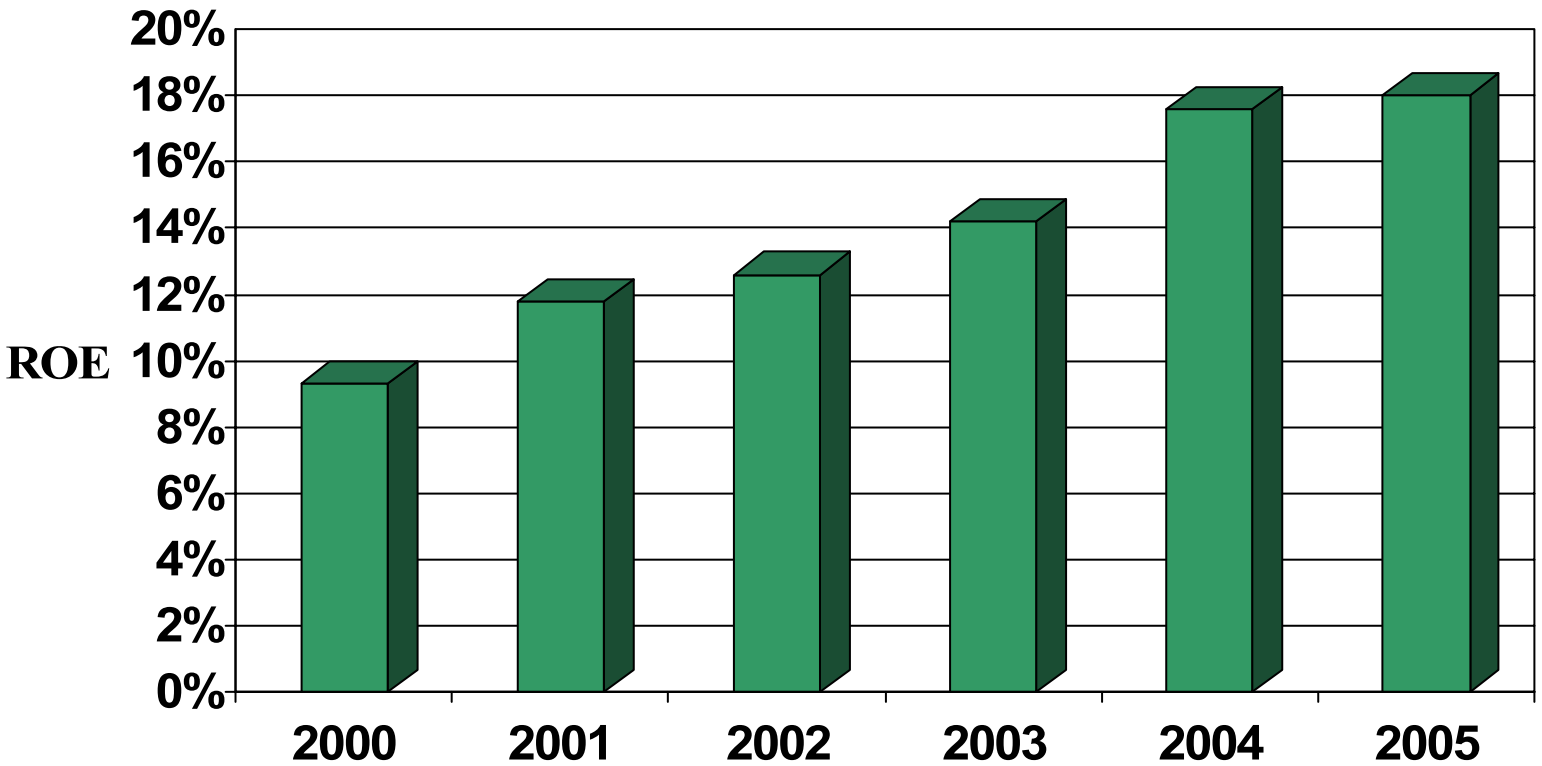
Net Customer Gains and Annual Growth %



Natural Gas Distribution Industry Average Annual Growth : ~1.5 %

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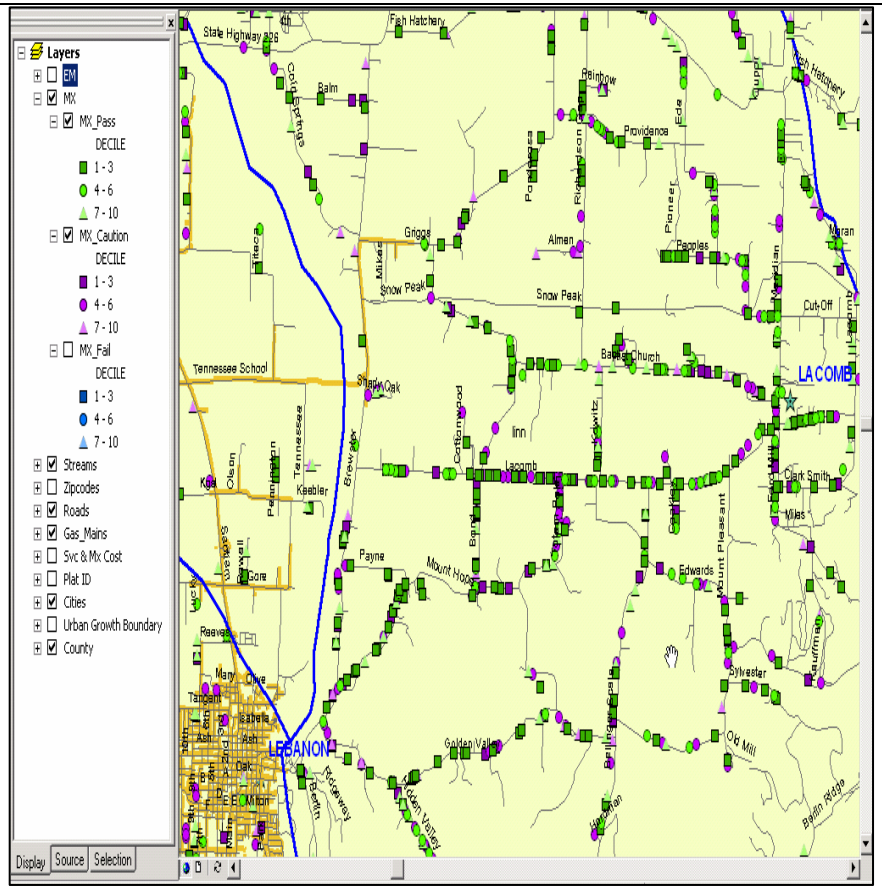
Profitability of New Residential Customer Acquisitions



Conversion Opportunities

Estimated Market Potential	Single-Family	Multi-Family	Non-Residential	Total
On-Main Potential - Gas in same block	141,962	6,551	14,807	**163,320**
On-Main Potential - Probably Gas in same or next block	111,542	27,172	18,845	**157,559**
Near-Main Potential - Gas main somewhere in neighborhood	41,882	7,980	8,517	**58,379**
Off-Main Potential - No gas main in neighborhood	65,077	3,666	14,788	**83,531**
TOTAL	**360,463**	**45,369**	**56,957**	**462,789**

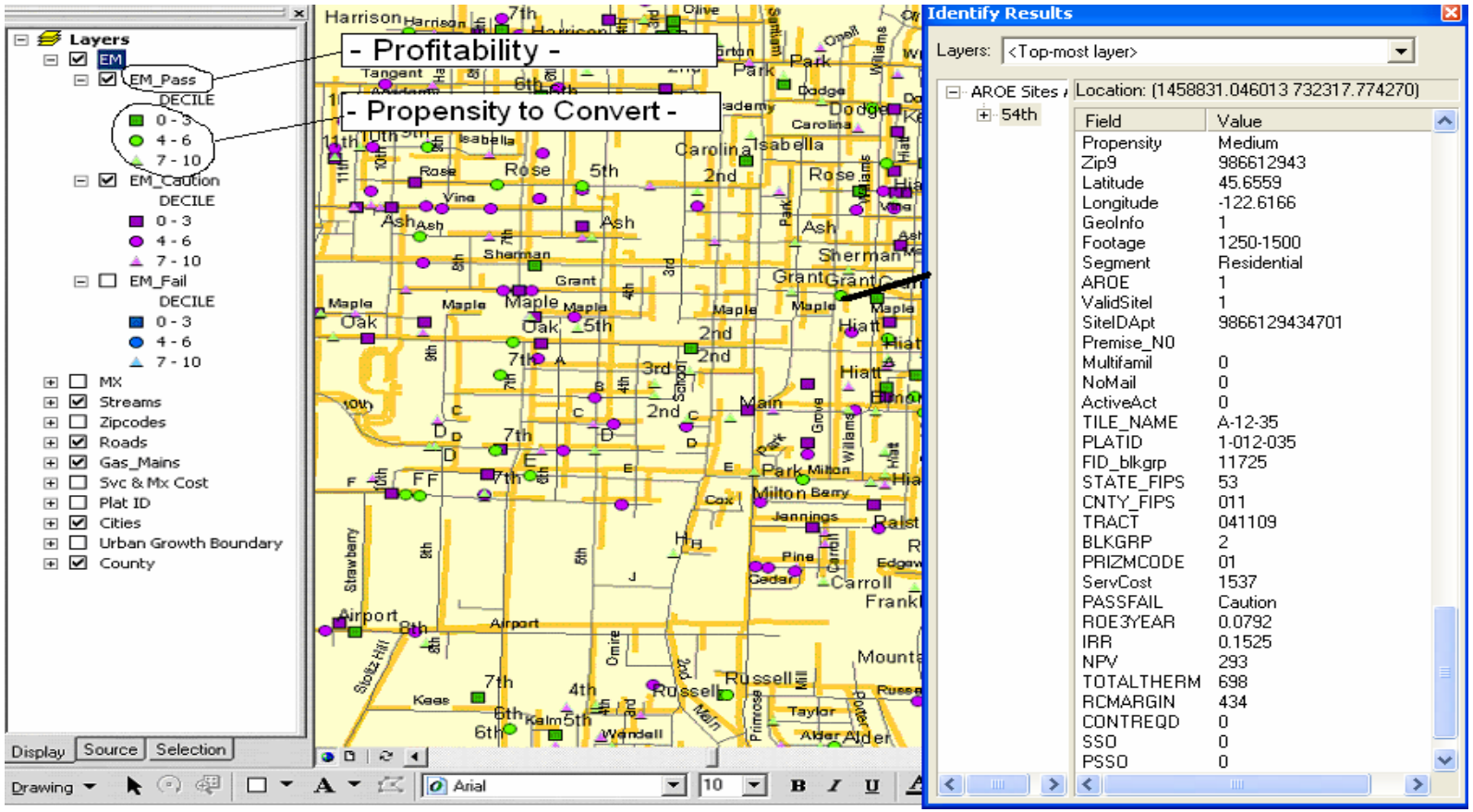
AROE – Main Mapping



- Using mix of technology, targeting and segmentation to help determine profitability and propensity to convert
- Implement targeted marketing and advertising, and manage sales channels with partners
- Use financial analysis tools to support investments
- Coordinate marketing with construction planning

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Mix of Technology, Targeting, Segmentation & Profitability



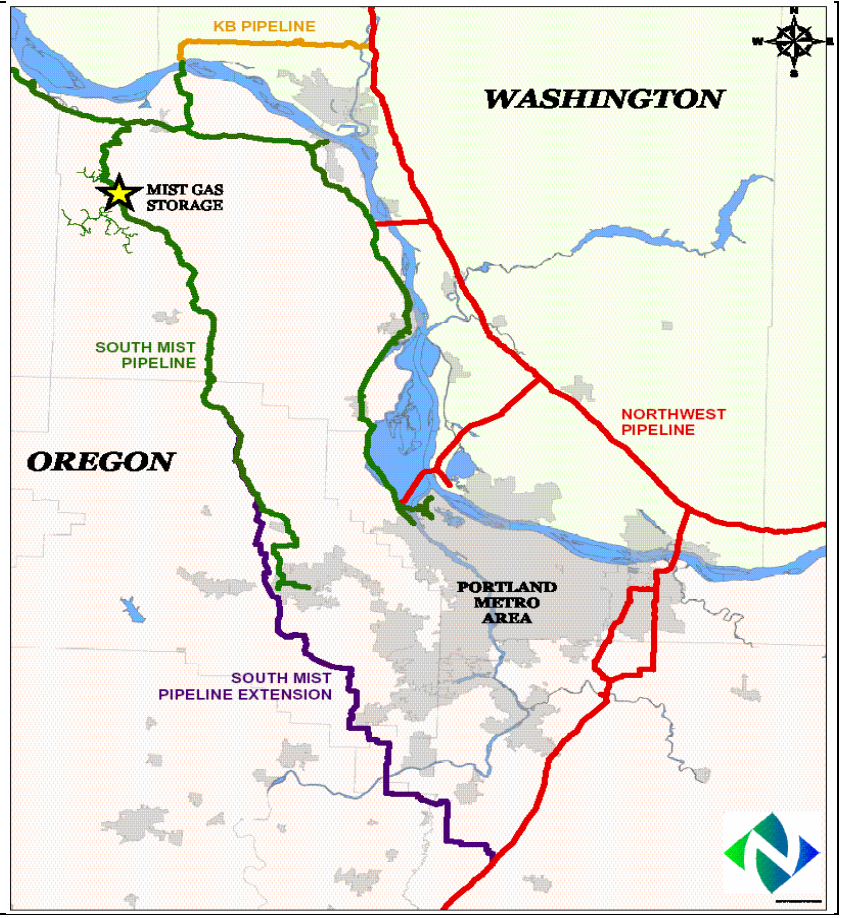
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Constructive Regulation

- Oregon Conservation Tariff
  - A decoupling mechanism, breaking the link between profitability and customer consumption
    - Price elasticity adjustment
    - Conservation adjustment
    - Renewed for four additional years and decoupling mechanism raised from 90 to 100% in 2005
- Weather normalization (WARM) in place in Oregon, workshop conducted in Washington
- Purchased Gas Adjustment (PGA) approved price increases in both states
- Forward treatment for pipeline integrity & bare steel

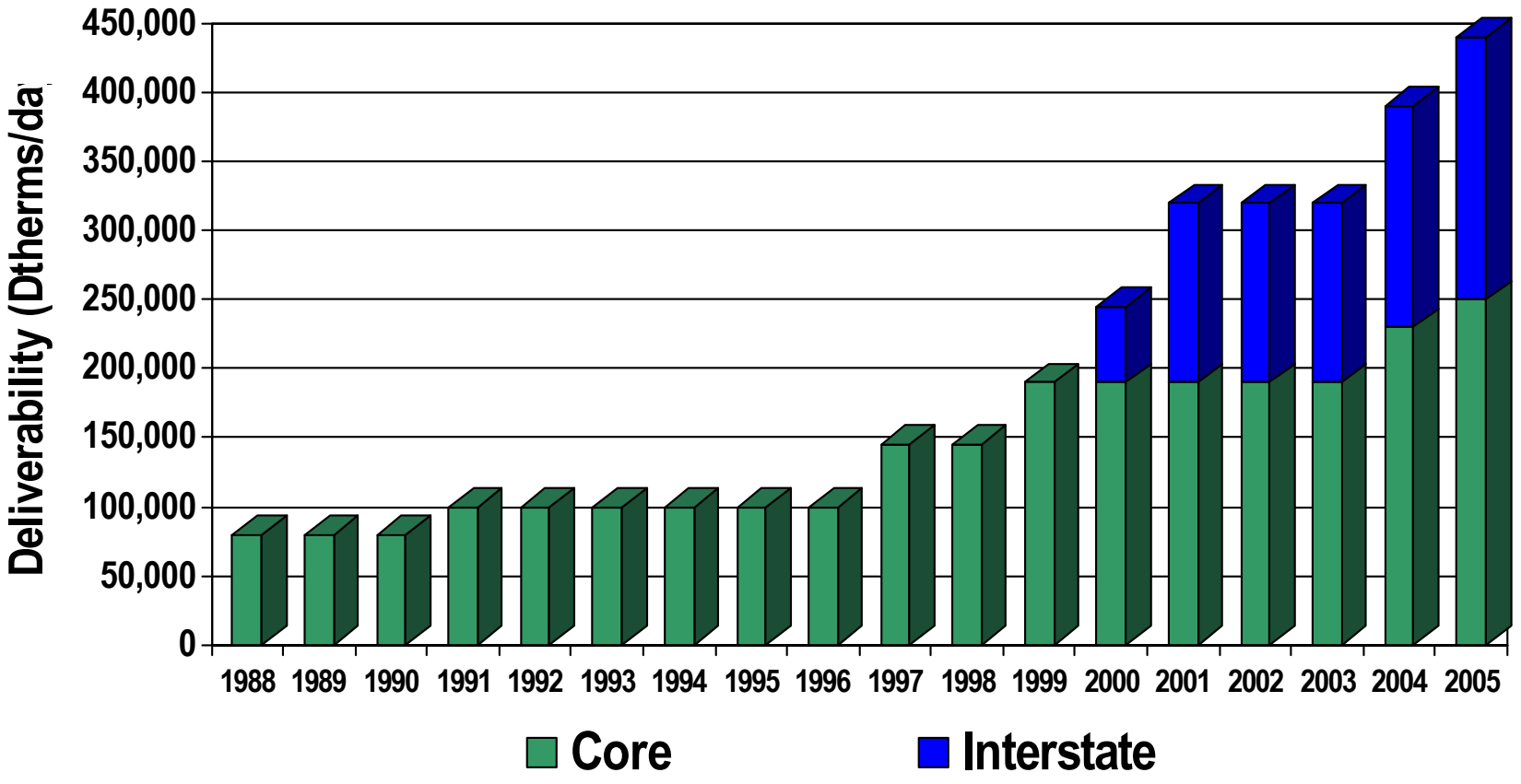
Natural Gas Storage

- Separate business segment
  - Interstate storage services
  - Optimization
- Key utility resource at Mist (OR)
  - Least-cost seasonal peaking supply
  - Low incremental development costs
  - Investment rolled into rates as needed for core customers
- Additional storage capacity above core regulated requirements available 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 and increased deliverability in 2005-06



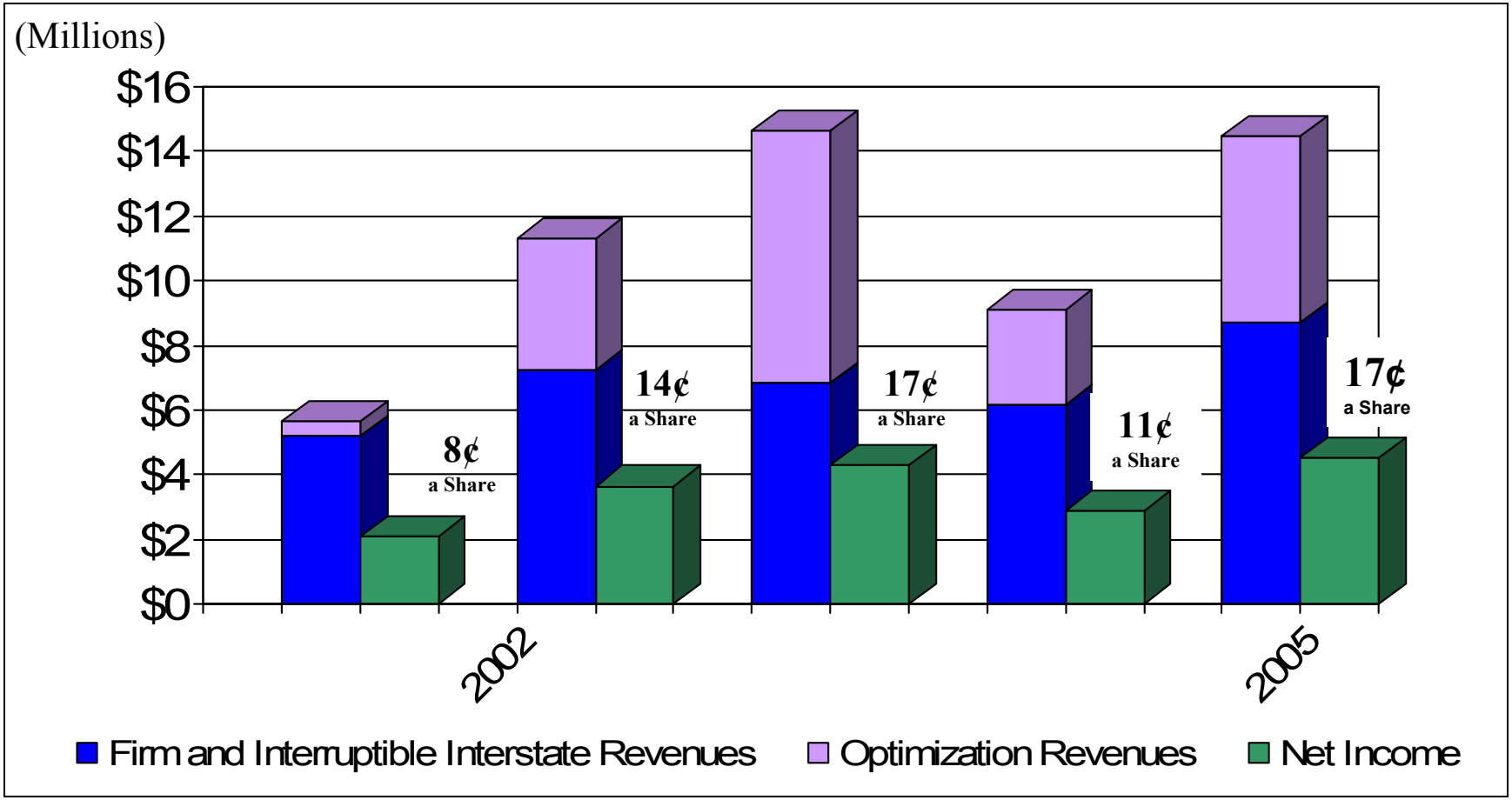
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Historic Mist Integrated Development



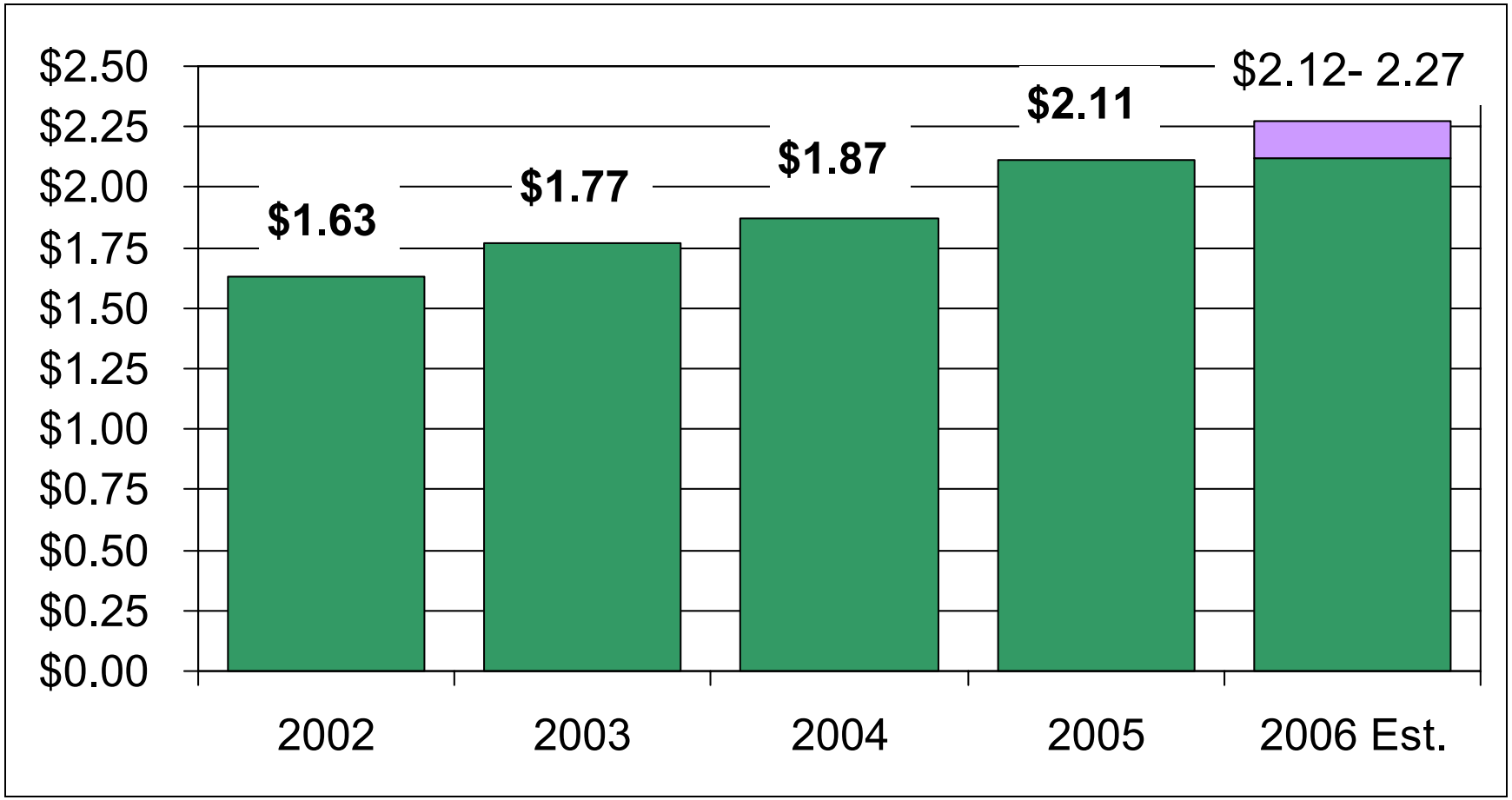
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Interstate Gas Storage Revenues & Net Income



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Earnings Per Share



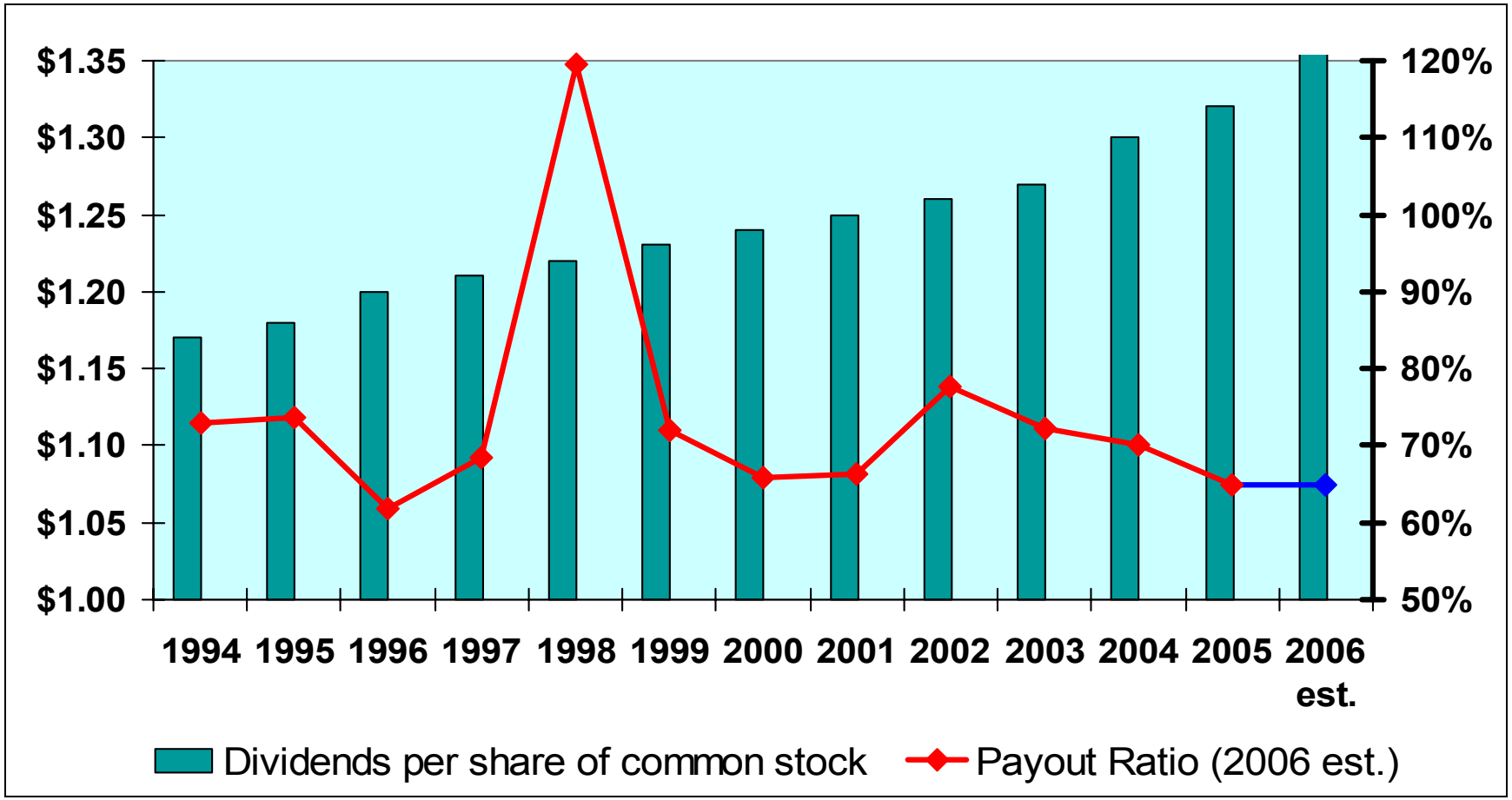
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Outlook for 2006

- Internally funded cash flow adequate to fund 2006 capital expenditures
- Capitalization remains strong
- Cash flows expected to internally fund capex needs, including $10m for Automated Meter Reading program in 2006
- Diluted EPS estimate of $2.12 to $2.27 for 2006
- 2006 EPS drivers:
  - Normal weather and consumption
  - Maintaining strong customer growth and manage O&M
  - No negative impact from current regulatory policies

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Dividend History



Conclusion

- Solid year in 2005 at $2.11 per diluted share
- Increasingly predictable earnings stream
- Sound regulatory relationships
- Earnings guidance for 2006 assumes normal weather, continued strong customer growth & no significant change to current regulatory policies
- Regulatory framework provides effective treatment of commodity costs
- Non-utility opportunities from gas storage
- 50 year history of dividend increases

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NW Natural and its predecessors have supplied gas service to customers since 1859. The Company's service area, which now spans western Oregon and southwestern Washington, includes the Portland metropolitan area and has a population of more than 2.7 million people.

KEY INDICATORS:	2005 Y/E	2004 Y/E
Total Customers	617,163	596,635
Total Common Equity (000)	$586,931	$566,517
Avg Shares of Common Stock Outstanding (000)	27,564	27,016
Number of Registered Common Shareholders	9,359	9,323
Institutional Ownership	49%	47%
Annual Dividends	$1.32	$1.30
Diluted Earnings per Share	$2.11	$1.86
Book Value per Share	$21.28	$20.64

COMPOSITION OF UTILITY REVENUE	2005	2004
Residential	53%	55%
Commercial	27%	29%
Industrial & Transportation	20%	16%

CURRENT BOND RATINGS:	Moody's	S&P	Fitch
Long-Term Debt	A2	AA-	A+
Commercial Paper	P1	A1+	F1

Stock Exchange: NYSE

Ticker: NWN

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Q&A