NW Natural®

We grew up here.

Brean Murray, Carret & Co.

2011 Global Resources & Infrastructure Conference

Investor Presentation

March 14, 2011

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 674,000 customers in OR & WA
  - 90% Oregon, 10% Washington
- A distribution and transmission system totaling 15,000 miles
- 16 billion cubic feet gas storage capacity in Oregon with growth potential
- Built 20 Bcf designed capacity Gill Ranch Storage facility in California
- Constructive regulatory environment
- Strong balance sheet & financial condition
- Solid earnings of $2.73 per share in 2010
- 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%



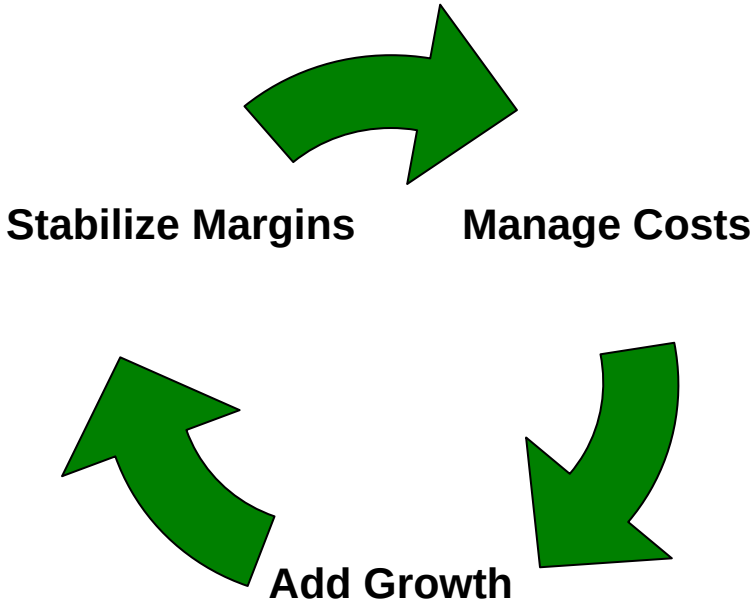
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2010 & 2011 Highlights

- Earned $2.73 per share on earnings of $73 million, compared to $2.83 per share on earnings of $75 million in 2009
- Company ranked highest in the nation among gas utilities for residential customer satisfaction
- Oregon and Washington customers saw a rate decline for a second year in a row
- 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 0.21% of revenues – among the lowest in the country and continuing to watch it carefully
- Established 2011 EPS guidance of $2.45 to $2.65 per share on Feb. 25, 2011
- 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
- Announced unique gas reserves joint venture agreement with Encana Oil & Gas (USA) on February 25, 2011

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, etc.
- Adding longer-term growth opportunities that fit NWN's "DNA" risk profile and leverage what we do best
  - Gill Ranch Gas Storage in California
  - Gas reserve investment to provide low-cost, long-term gas supplies for Oregon customers
  - Palomar pipeline project in Oregon



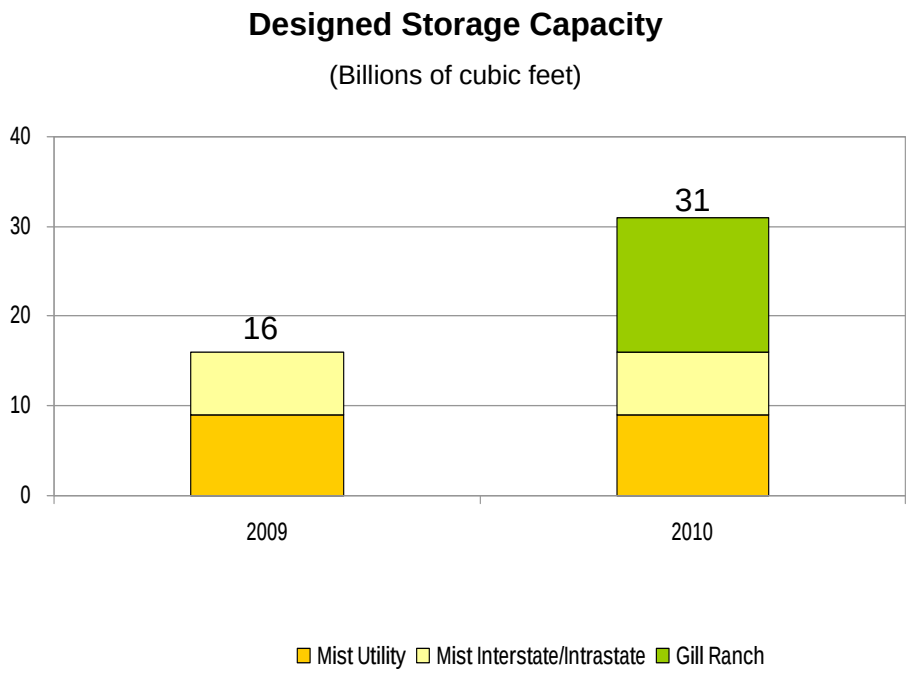
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Adding Growth

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

Natural Gas Storage

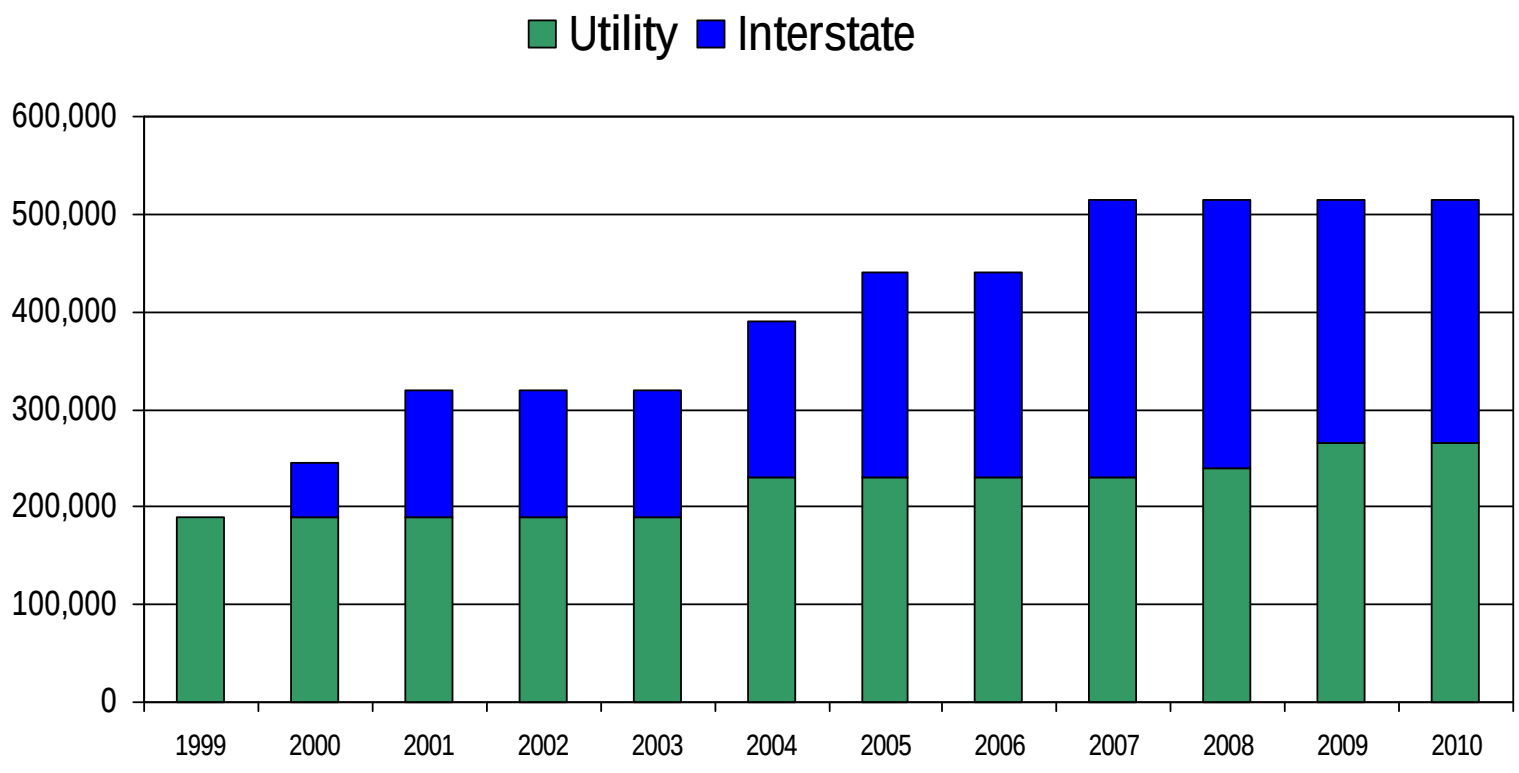
- Key utility resource at Mist (OR) – 16 Bcf
  - Least-cost seasonal peaking supply
  - Low incremental development costs
  - Investment rolled into rates as needed for core customers
- Gill Ranch Storage located near Fresno, Calif., at a prime location to serve customers – a 20 Bcf designed facility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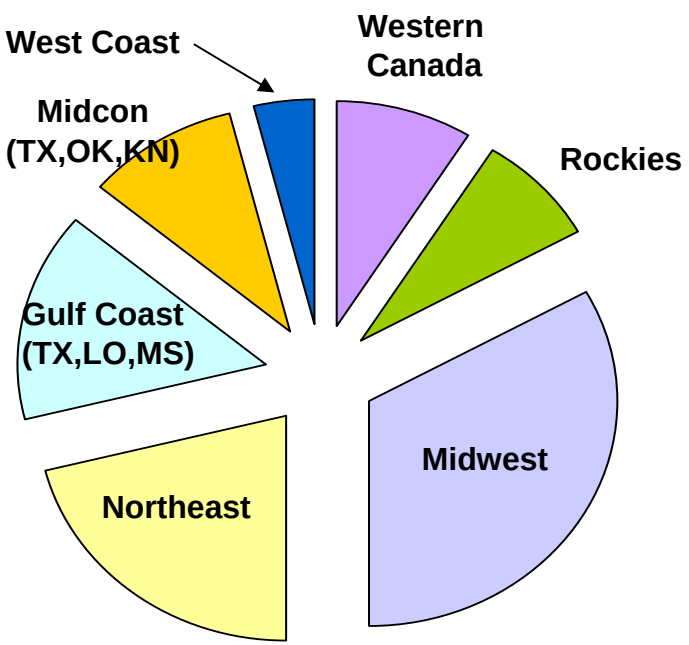
Historic Mist Integrated Development

(Deliverability/Dtherms)

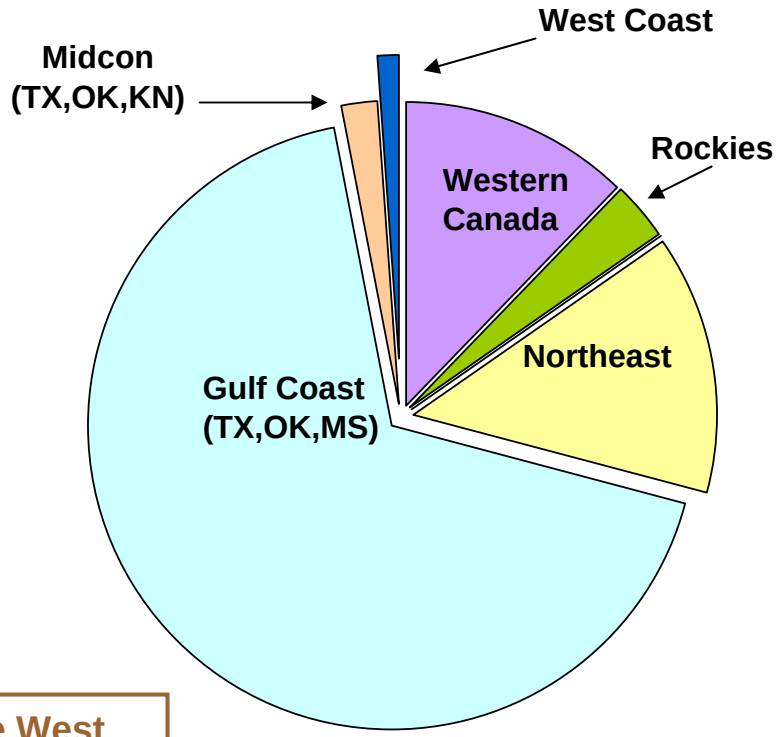


Need for Additional Storage in West

Existing Storage (4,395 Bcf)



Proposed Storage (403 Bcf)

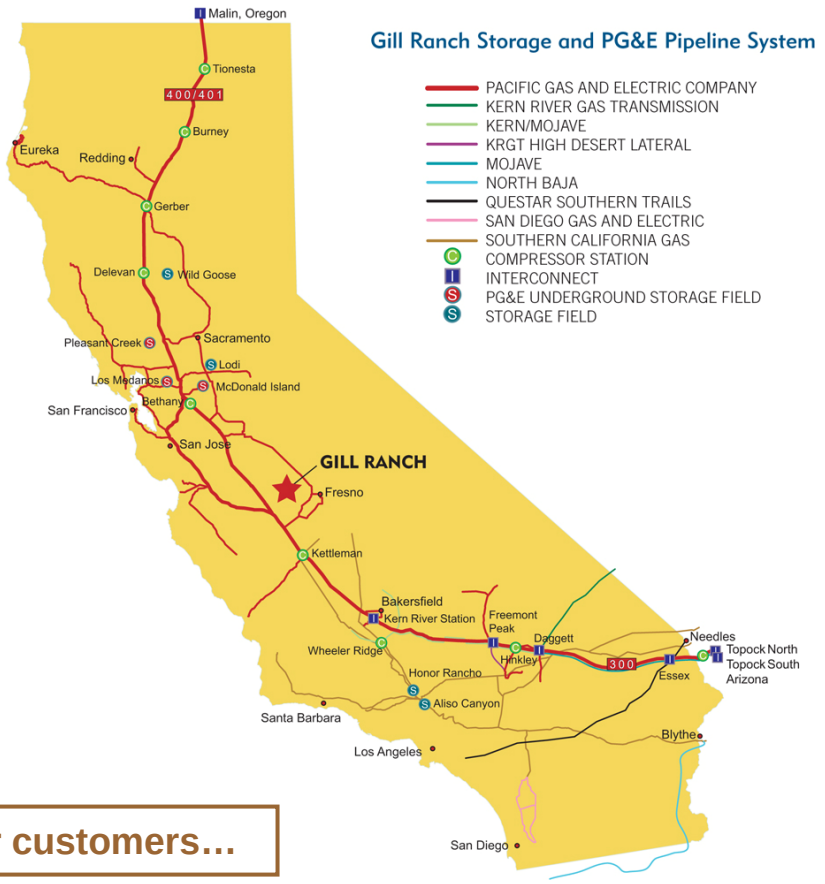


Lack of storage in the West

Source: EIA

Gill Ranch Storage Overview

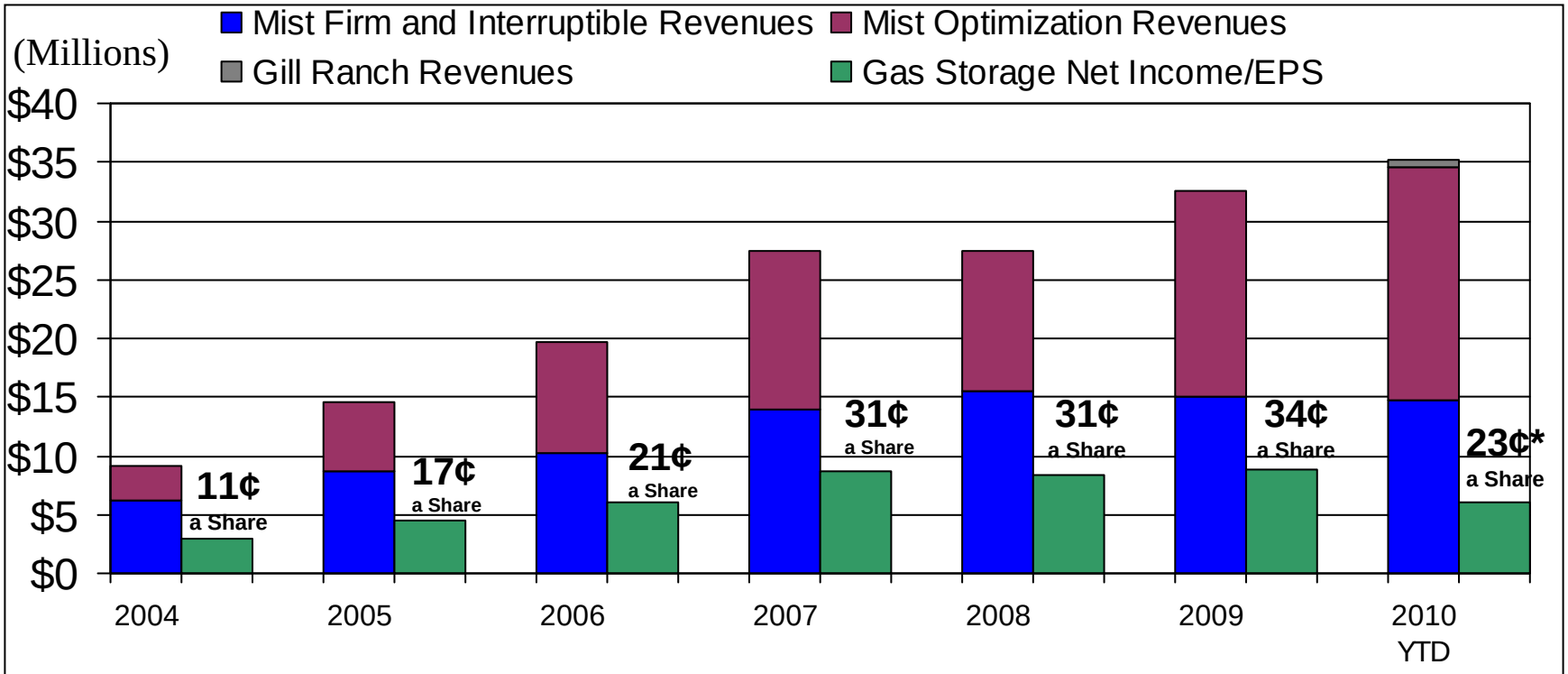
- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
- Depleted gas reservoirs
- Phased development
  - 20 Bcf to start
  - Significant portion of first year's capacity contracted
- October 2010 in-service date
- 75/25 venture with PG&E
- ~$215 million development costs (NWN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



Strategic location for customers…

Gas Storage Revenues & Net Income/EPS

(through Dec. 31, 2010)



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

** EPS declined due to first year losses at the company's Gill Ranch storage facility, which became operational 10/3/10*

Gas Reserves Joint Venture with Encana

- **Strategic focus:**
  - Agreed to invest 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 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 into rates at each PGA filing
  - Subject to approval by Public Utility Commission of Oregon (OPUC)



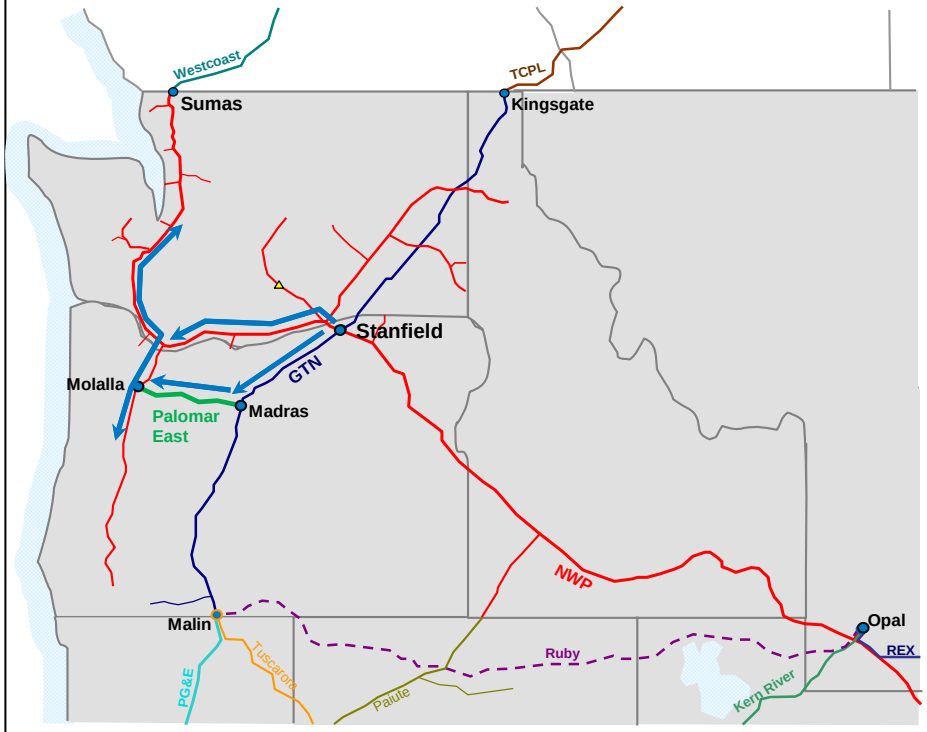
The Jonah Gas Field

- One of top 10 U.S. producing gas fields by reserves
- Located north of Rock Springs, Wyoming
- 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 need to either amend or re-file application with FERC to address changes in the project

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Remains Important Project for Region

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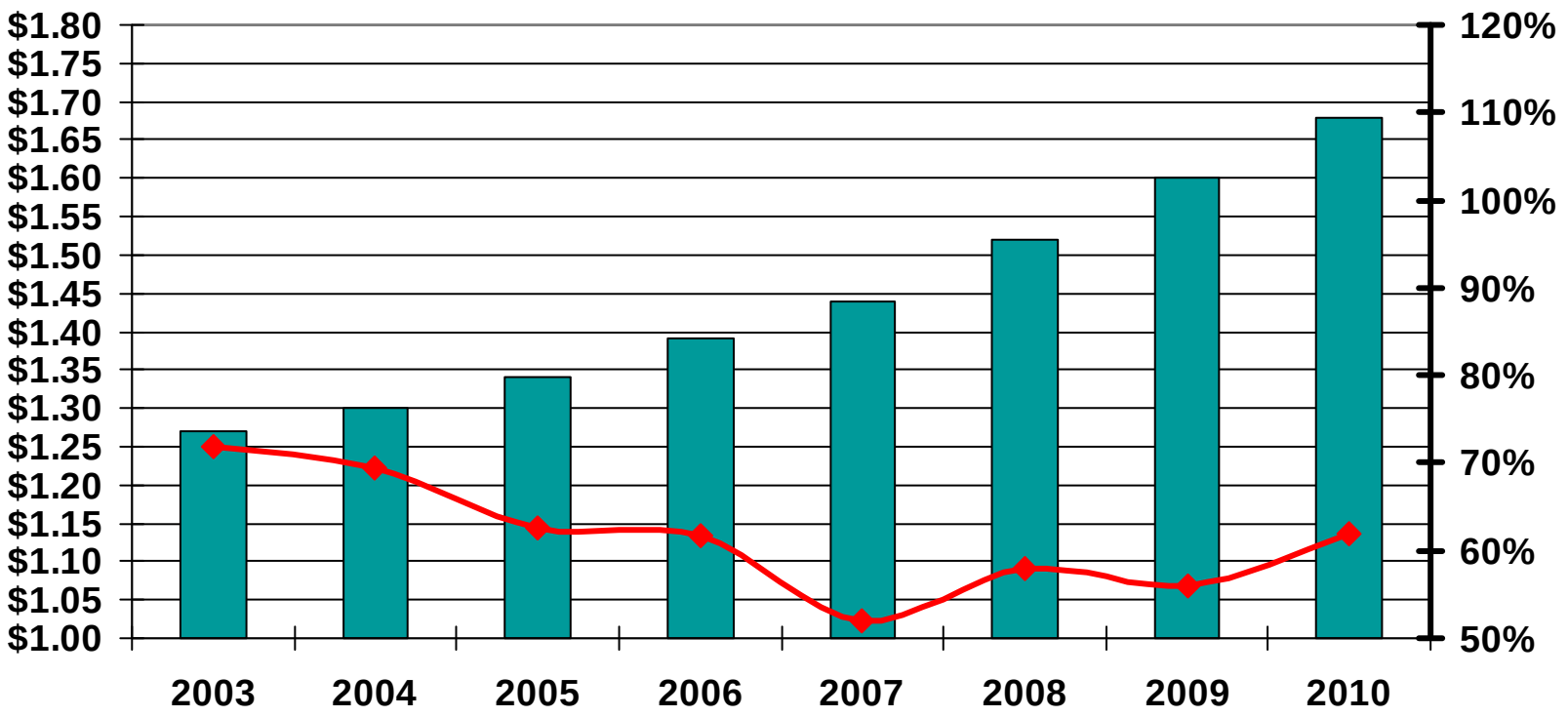
Conclusion

- 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
- 2011 EPS guidance established of $2.45-2.65 per share on February 25, 2011
- Sound regulatory relationships continuing – extension of margin stabilization mechanisms in Oregon through late 2012, Washington IRP acknowledged, AMR and pension deferral requests approved
- Purchased Gas Adjustment (PGA) mechanism revised in OR with more appropriate risk-reward balance – 90%-10% selected for 2010-11 season
- Pipeline system integrity program (SIP) agreement approved with OPUC in 2009 to recover a net $9 million per year into rates
- 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, proposed gas reserves joint venture with Encana Oil & Gas (USA) & Palomar pipeline in Oregon
- 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)
- 55-year history of increasing dividends paid to shareholders

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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

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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 alike.

KEY INDICATORS:	2010 Y/E	2009 Y/E
Total customers	673,997	667,794
Total common equity	$693,101	$660,105
Avg. diluted common shares outstanding (000)	26,657	26,576
Number of registered common shareholders	7,135	7,418
Institutional ownership	59%	58%
Annual Dividends (ttm)	$1.68	$1.60
Diluted earnings per share	$2.73	$2.83
Book value per share	$25.99	$24.88
COMPOSITION OF UTILITY REVENUE:		
Residential	58%	56%
Commercial	29	30
Industrial Firm	6	5
Industrial Interruptible	5	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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