AN ENVIRONMENT RICH WITH POSSIBILITIES

2014 ANNUAL SHAREHOLDER MEETING

NW Natural®












GREGG KANTOR

President & Chief Executive Officer

NW Natural®

Forward Looking Statements

Management's presentations may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You should note that the company's future operating results and performance will be affected by various uncertainties and risk factors, many of which are beyond our control, including governmental policy and laws, regulatory action, the competitive environment and other economic factors, as well as weather conditions. Our expectations, beliefs, performance and projections are expressed in good faith and, we believe, have a reasonable basis in fact. But, any forward-looking statement speaks only as of this date and we have no obligation to update any forward-looking statement to reflect events or circumstances after this date. For a more complete description of these uncertainties and risk factors and how they could cause the actual results of the company to differ materially from those projected, we encourage you to review our most recent reports with the SEC on Forms 10-K, 10-Q and 8-K.







TOD HAMACHEK

Chairman of the Board

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MARDILYN SAATHOFF

Vice President of Legal, Risk, Compliance & Corporate Secretary

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GREGG KANTOR

President & Chief Executive Officer

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Improved System Safety

- Advanced our system reinforcement and safety efforts
  - $165 million of capital investment over the last 5 years
  - Completed 10-mile Corvallis Loop pipeline project
  - Made progress on 31-mile Mid-Willamette Valley Feeder pipeline
- NW Natural system one of the tightest in the country
  - Tied with one other utility for lowest leak ratio in U.S.
- Strong system performance during record send-out
  - 9 million therms distributed in single day
  - Storage facilities ran effectively at or above maximum design capacity



Maintained Top Customer Satisfaction



- #1 in West and nation for residential satisfaction
  - Third time in six years we've ranked #1 nationally
- #2 in the West for business satisfaction
  - Third time in five years we've ranked among the top two utilities

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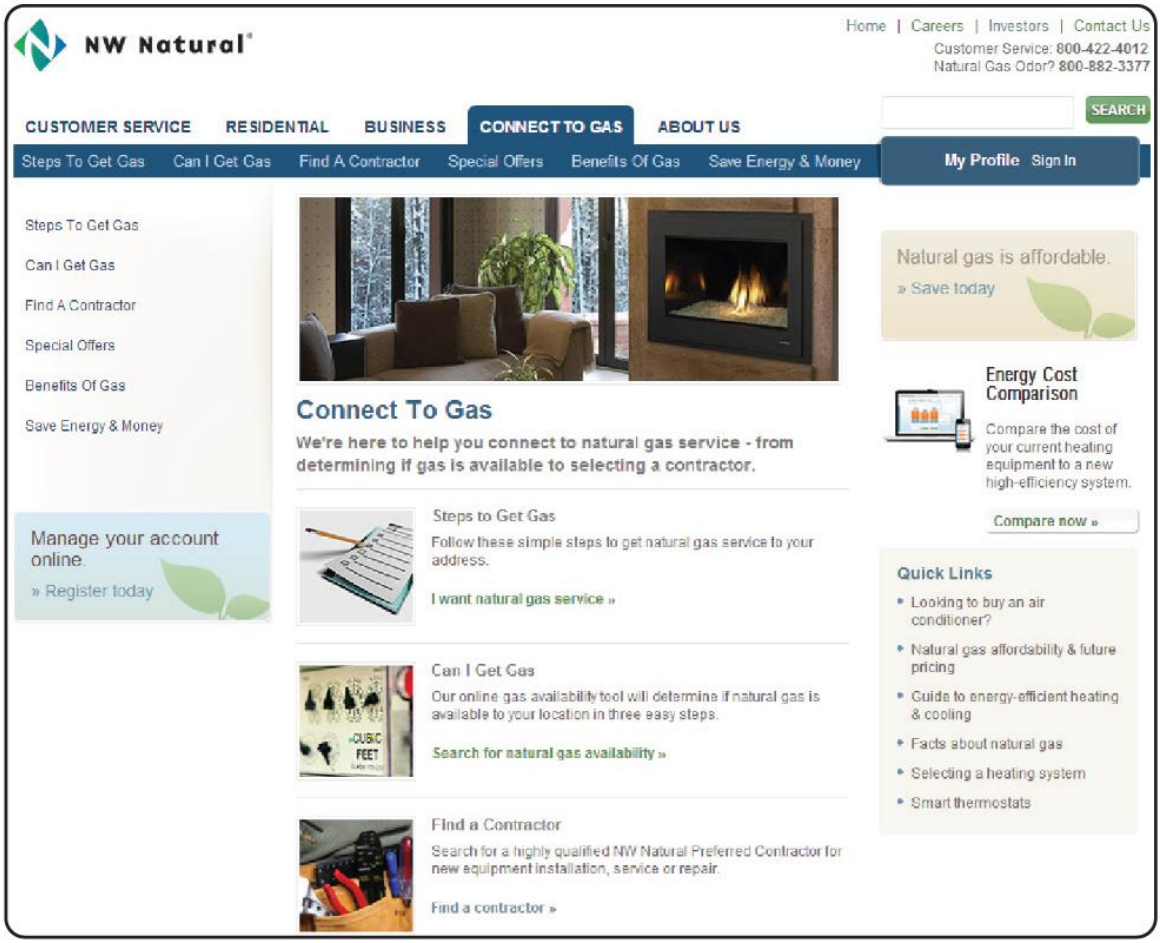
Housing Sector Slowly Improving

- In 2013 compared to 2012:
  - Housing prices rose 13%
  - Home sales were up 14%
  - New housing permits were up 46%
- Customer growth increased to 1.3%
  - Growth rate above the industry average for gas utilities
  - Growth potential remains strong with up to a 60% price advantage over oil and electricity






New Tools to Target Conversions



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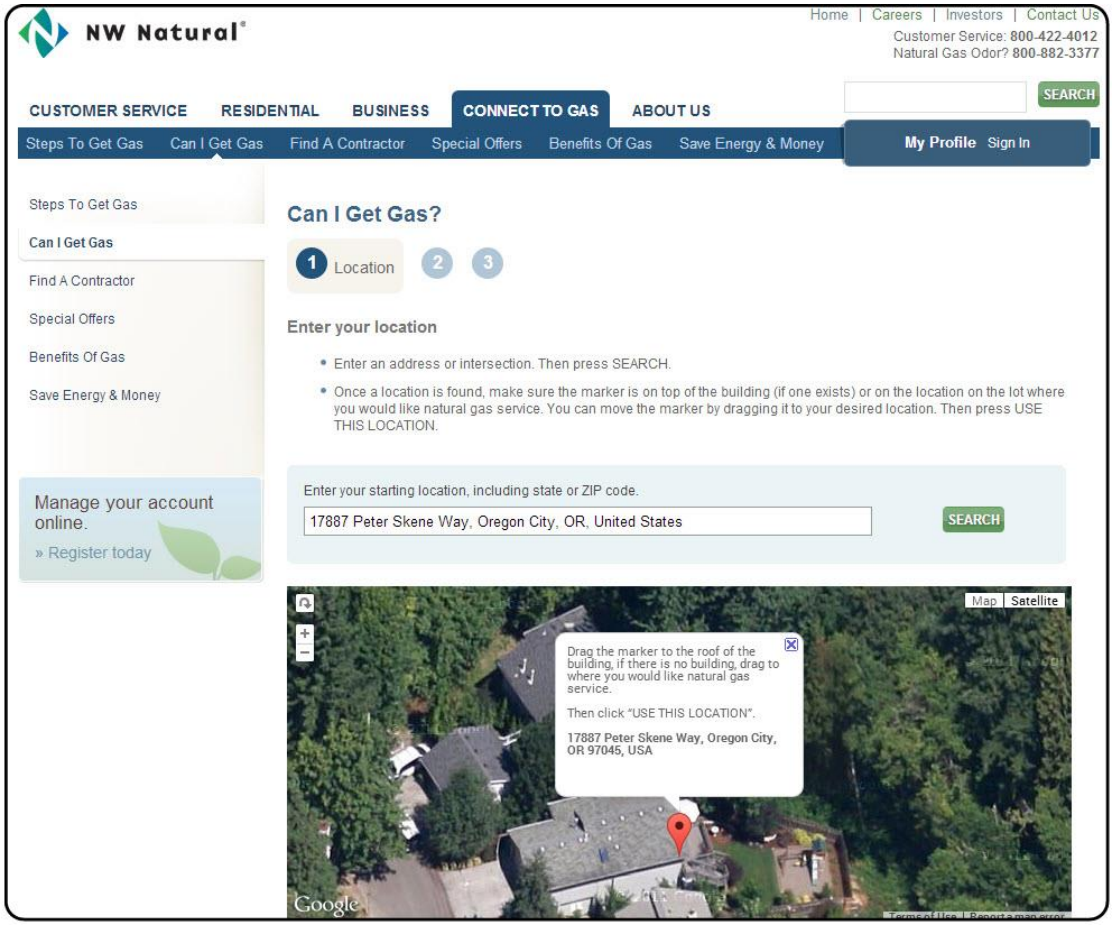
Industry-Leading “Gas Availability” Feature



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Custom Cost Comparison Tool



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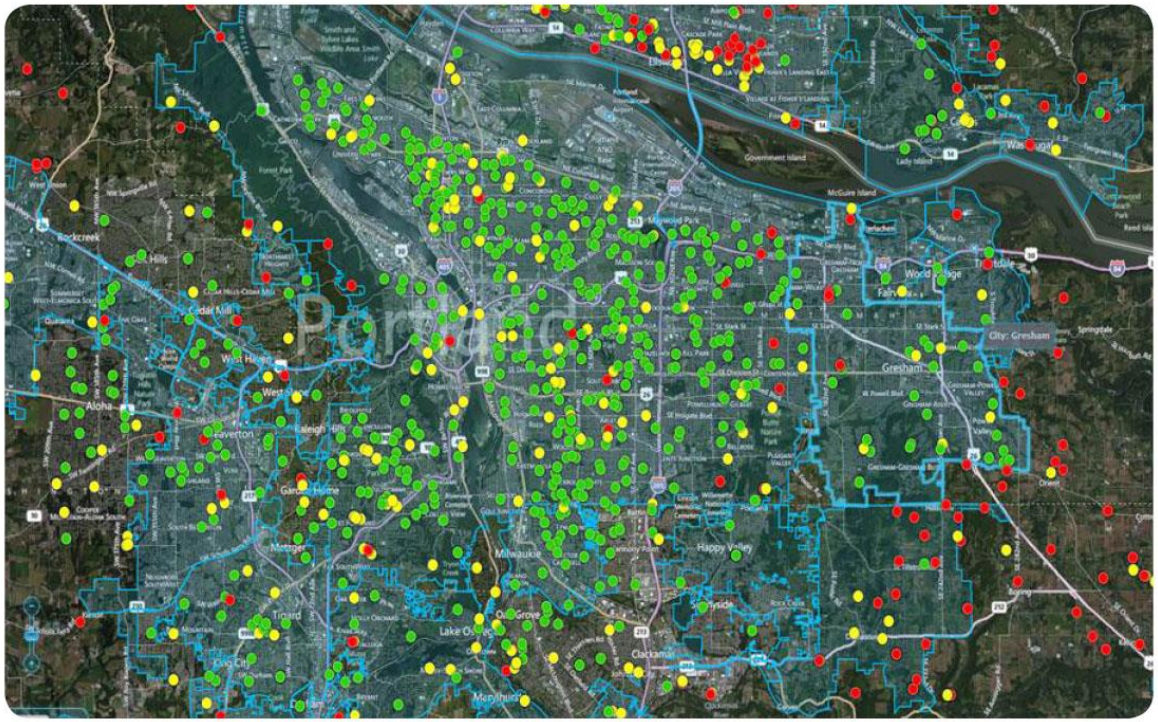
Analytics Show Conversion Opportunities



- Gas is available
- Gas is likely available but requires more investigation before service is approved
- Gas is currently not available but could lead to a possible main extension

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Made Progress on Regulatory Agenda

- Continued to work through carry-over dockets from rate case
- Approval to add $40 million of working gas inventory to rates
- Approval to add $19 million of construction costs for water treatment plant into rates
- Settled lawsuit with insurance carriers for environmental claims – all settlements to date total $150 million











GET READY
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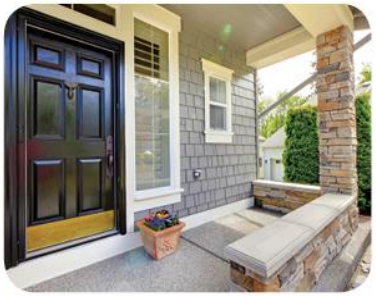






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STEVE FELTZ

Senior Vice President
& Chief Financial Officer

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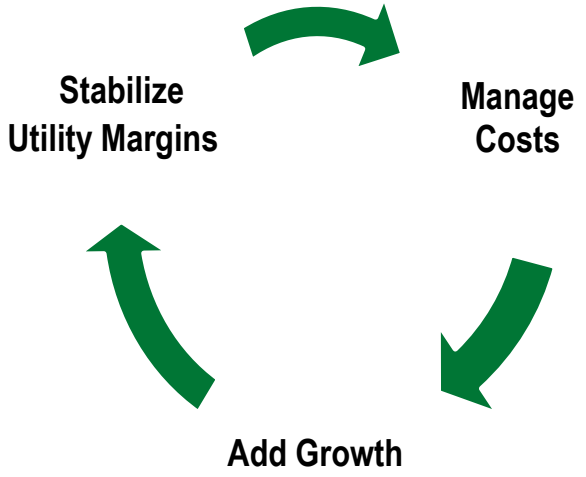
Year in Review

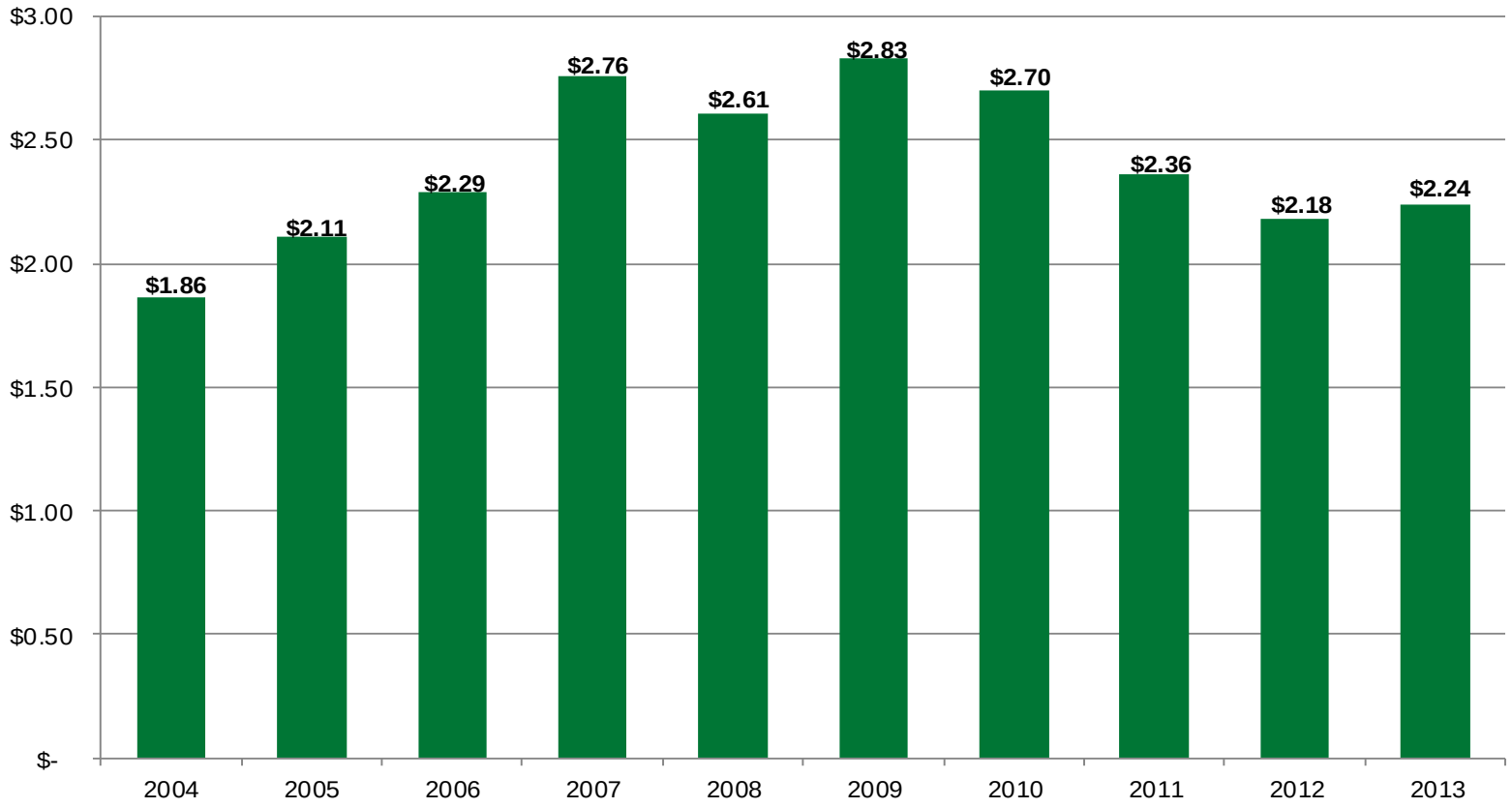
- Financial targets met:
  - Net income of $61 million ($2.24 per share), up $2 million from last year
  - Higher utility margin from customer growth and rate-base returns
  - Higher gas storage net income
- Solid balance sheet with growth in assets and net worth
- Strong investment-grade debt ratings
  - AA- from Standard & Poor's
  - A1 from Moody's
- Increased dividend for 58th consecutive year

Financial Strategy

- Stabilize margins through regulation
  - Weather normalization mechanism
  - Decoupling mechanism
- Manage cost structure
  - Continued focus on operations footprint
  - Optimum use of technology and resources
- Add longer-term growth investments
  - Opportunities that fit risk profile and leverage expertise
  - Utility facilities, gas reserves, storage and other infrastructure



Earnings Per Share



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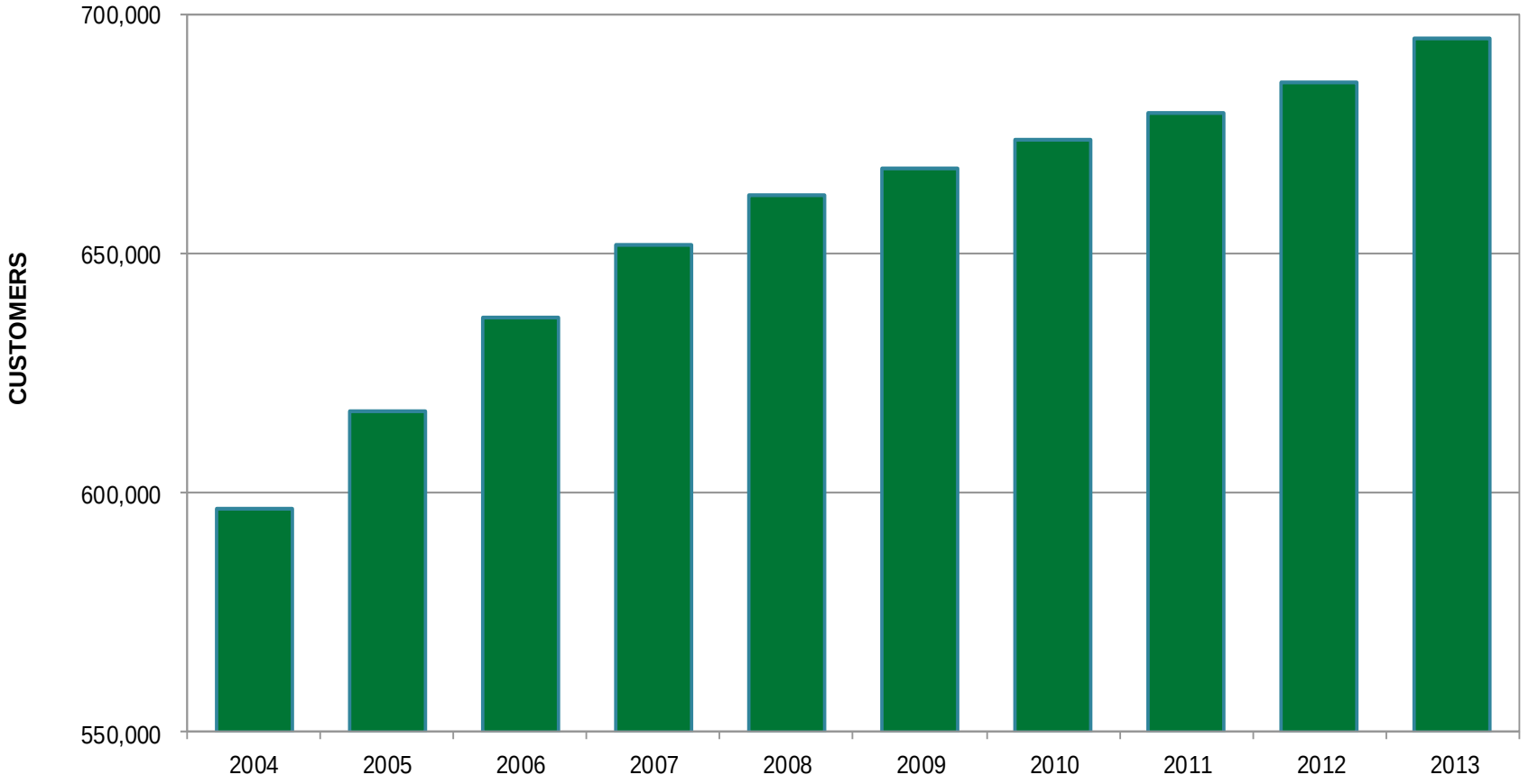
Customer Growth



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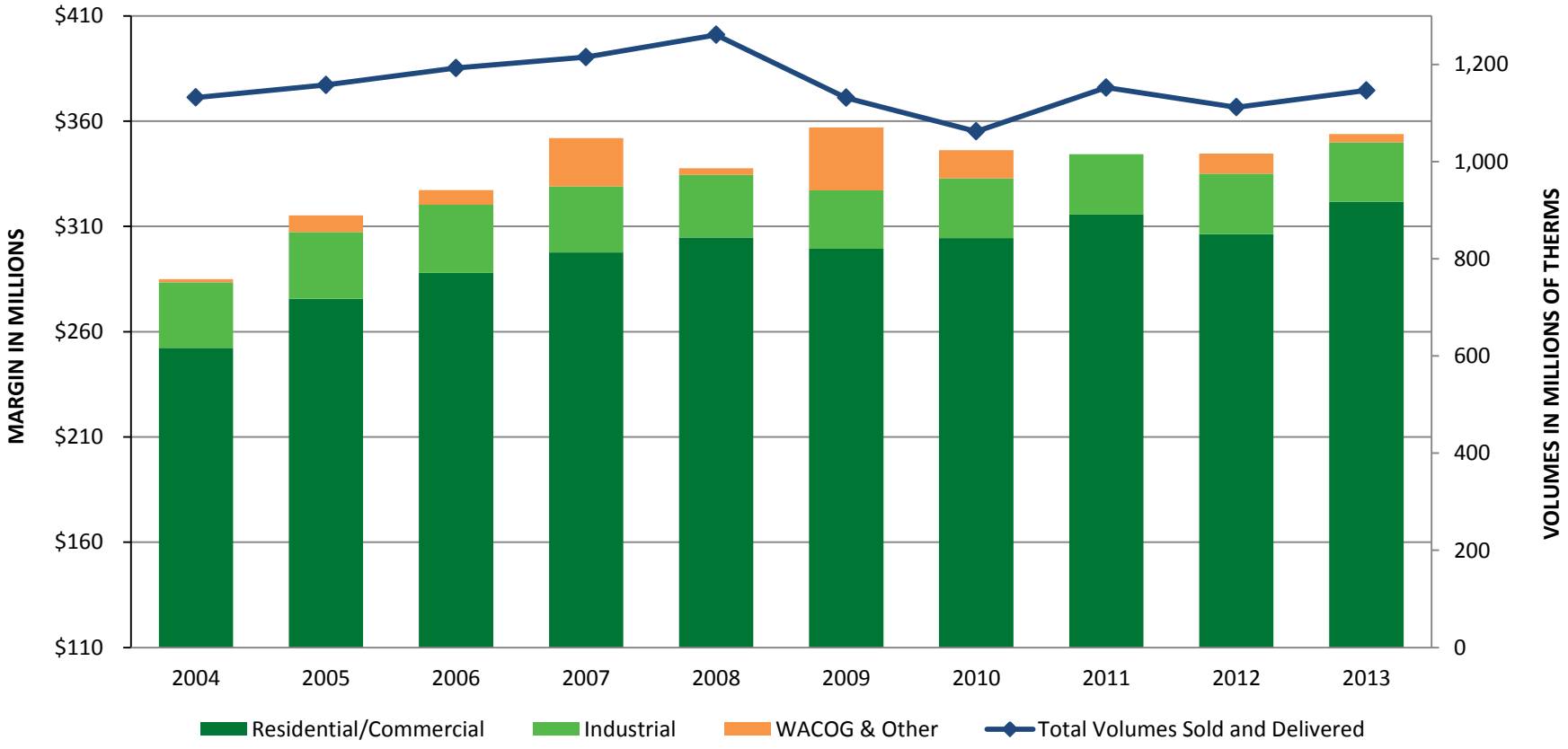
Utility Volumes and Margin



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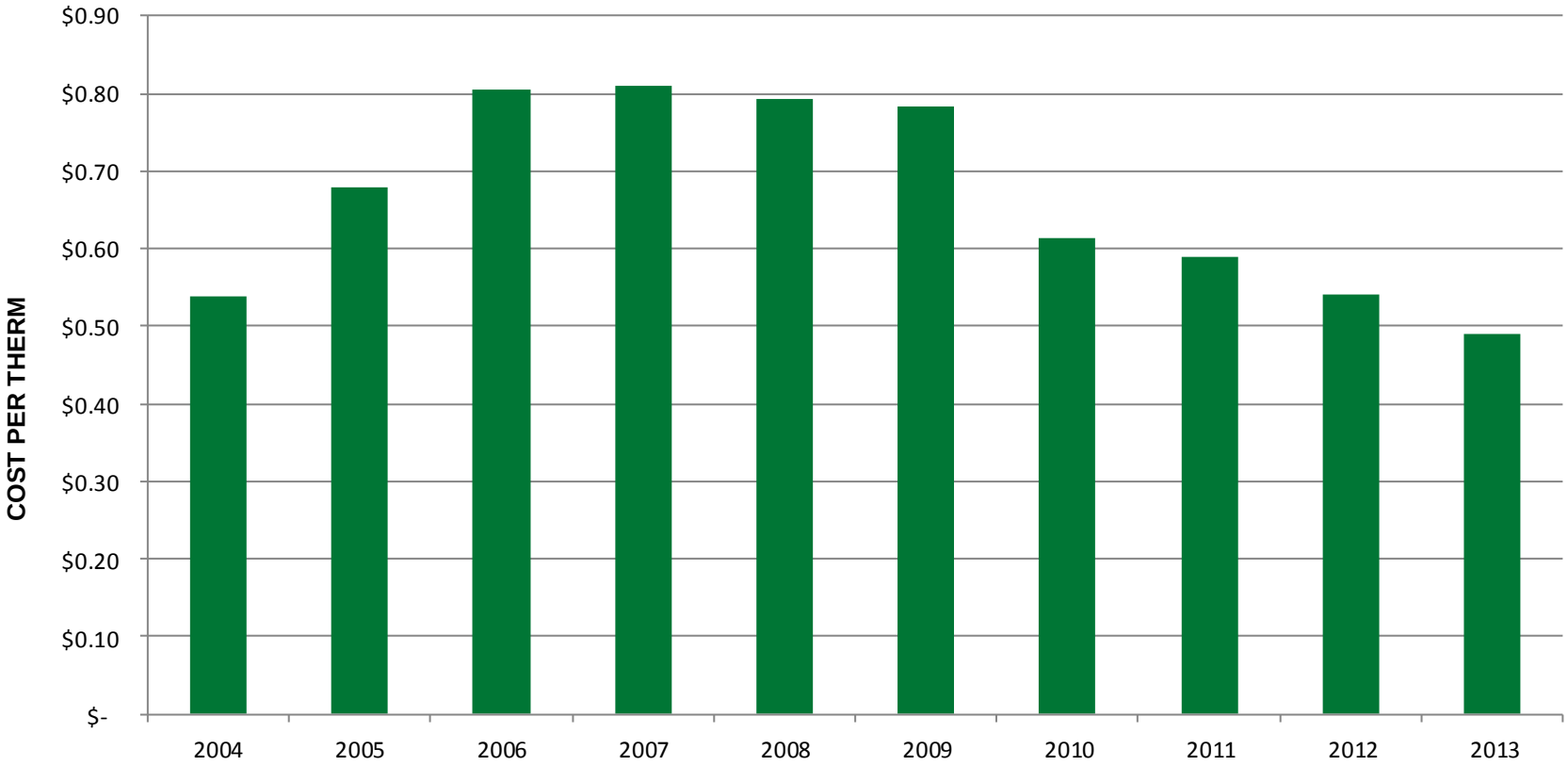
Average Cost of Gas



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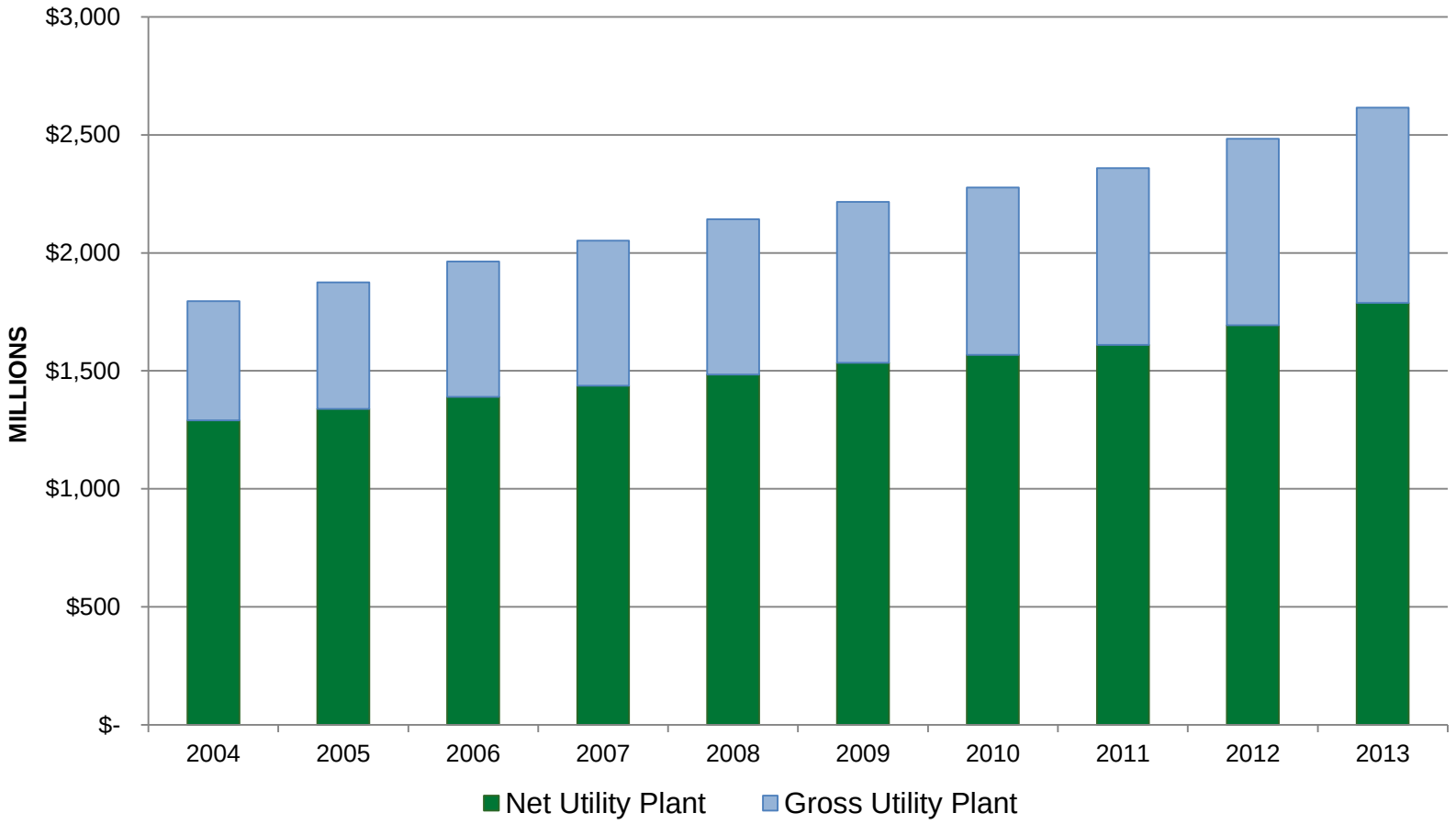
Utility Plant Investment



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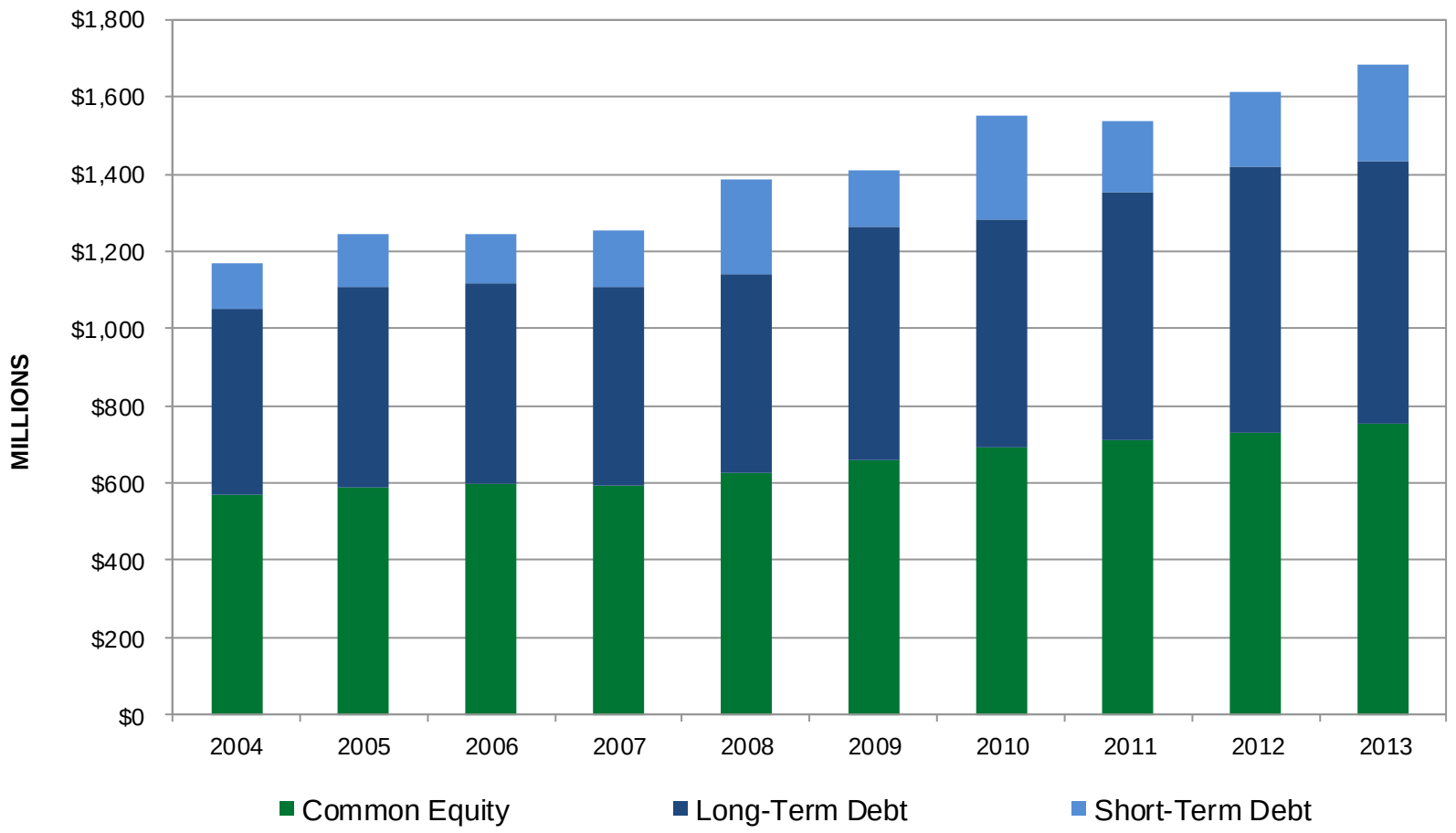
Capitalization



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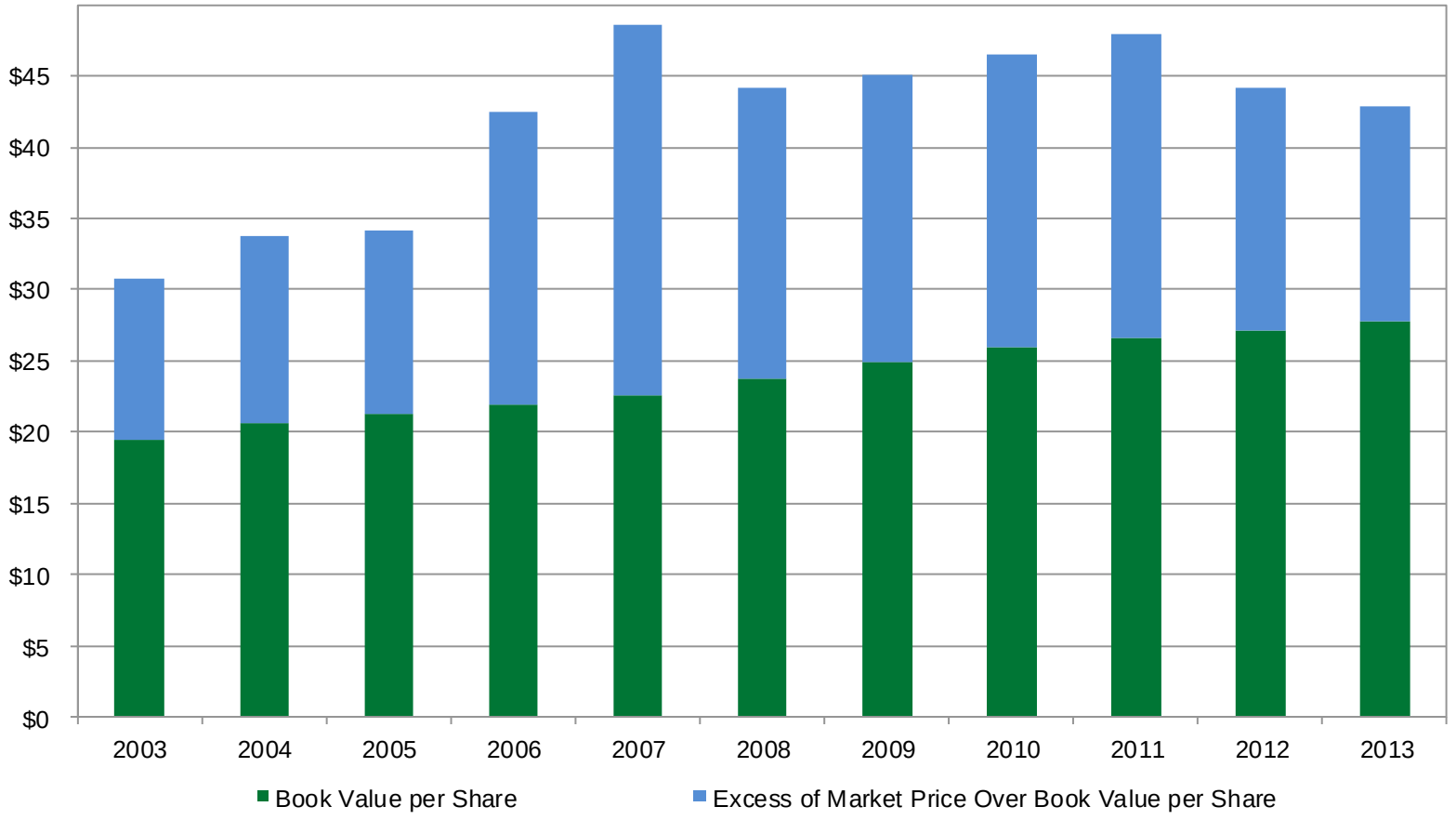
Year-End Book Value & Market Price



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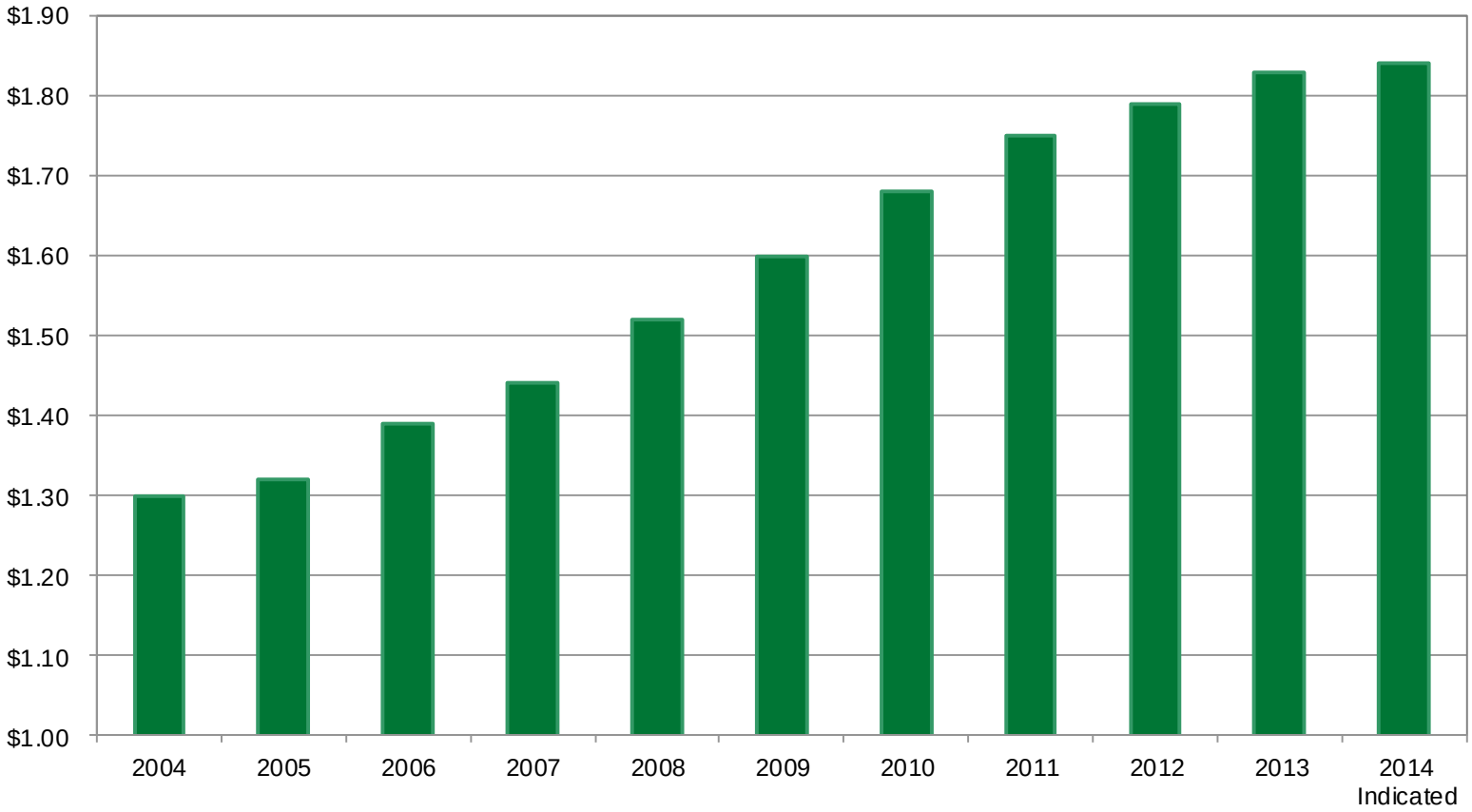
Dividend History



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Analyst Report

"NW Natural is a financially strong, low-risk, primarily pure-play regulated gas distribution utility with mid-single-digit earnings growth potential. We expect timely rate recognition of investments given forward-looking test years, purchased gas adjustment mechanism, decoupling, weather normalization, a pipeline replacement tracker, and a regulated return on gas reserve investments."

—Gabelli & Company

Recent Report on NWN







GRANT YOSHIHARA

Vice President, Utility Operations & Chief Engineer

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Safety: Priority One



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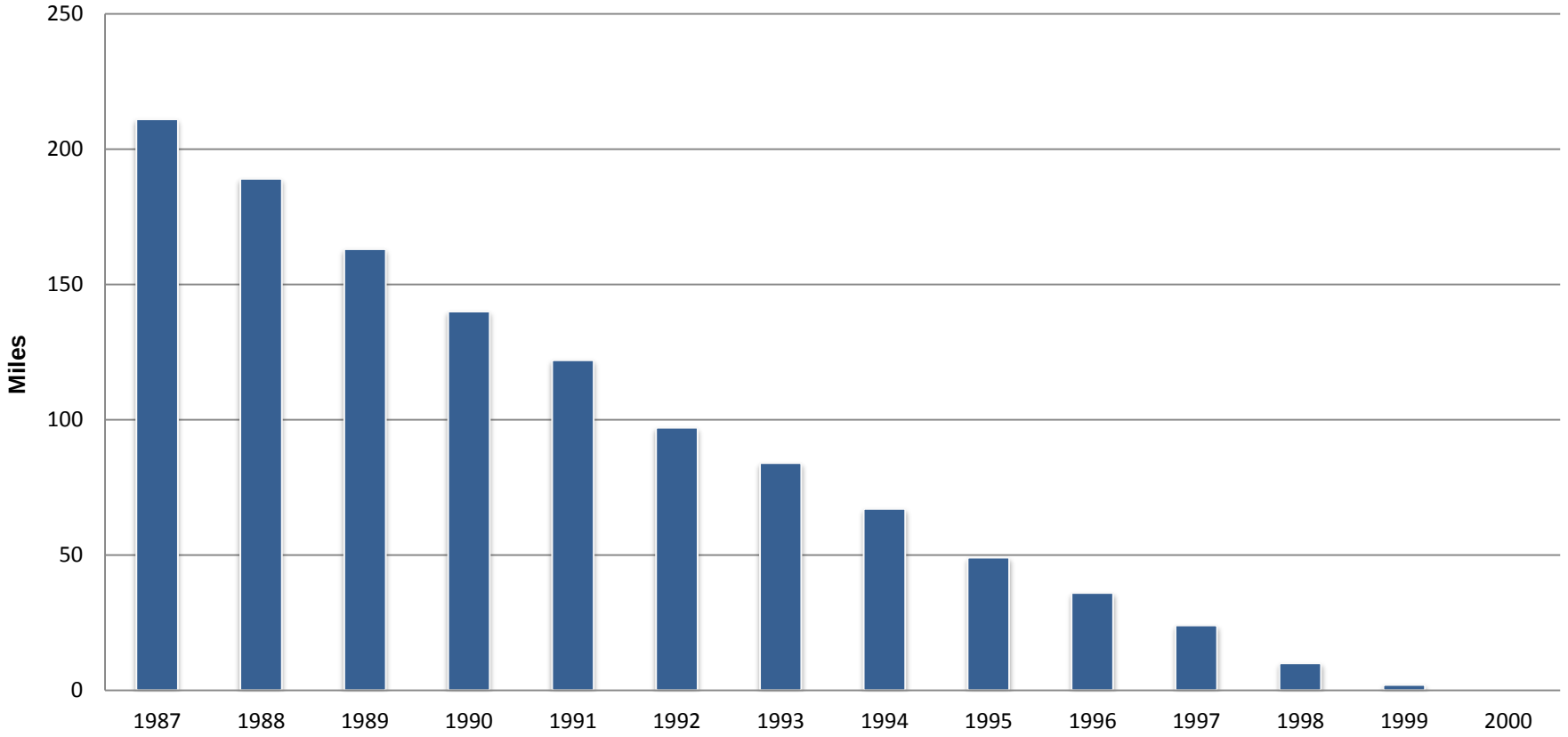
Pipeline Integrity

- Commitment to safety
  - National leader
- Visionary proposal
  - Eliminate cast iron
  - Modern materials
- Regulator and customer advocate support
  - Rolled into rates annually

Cast Iron



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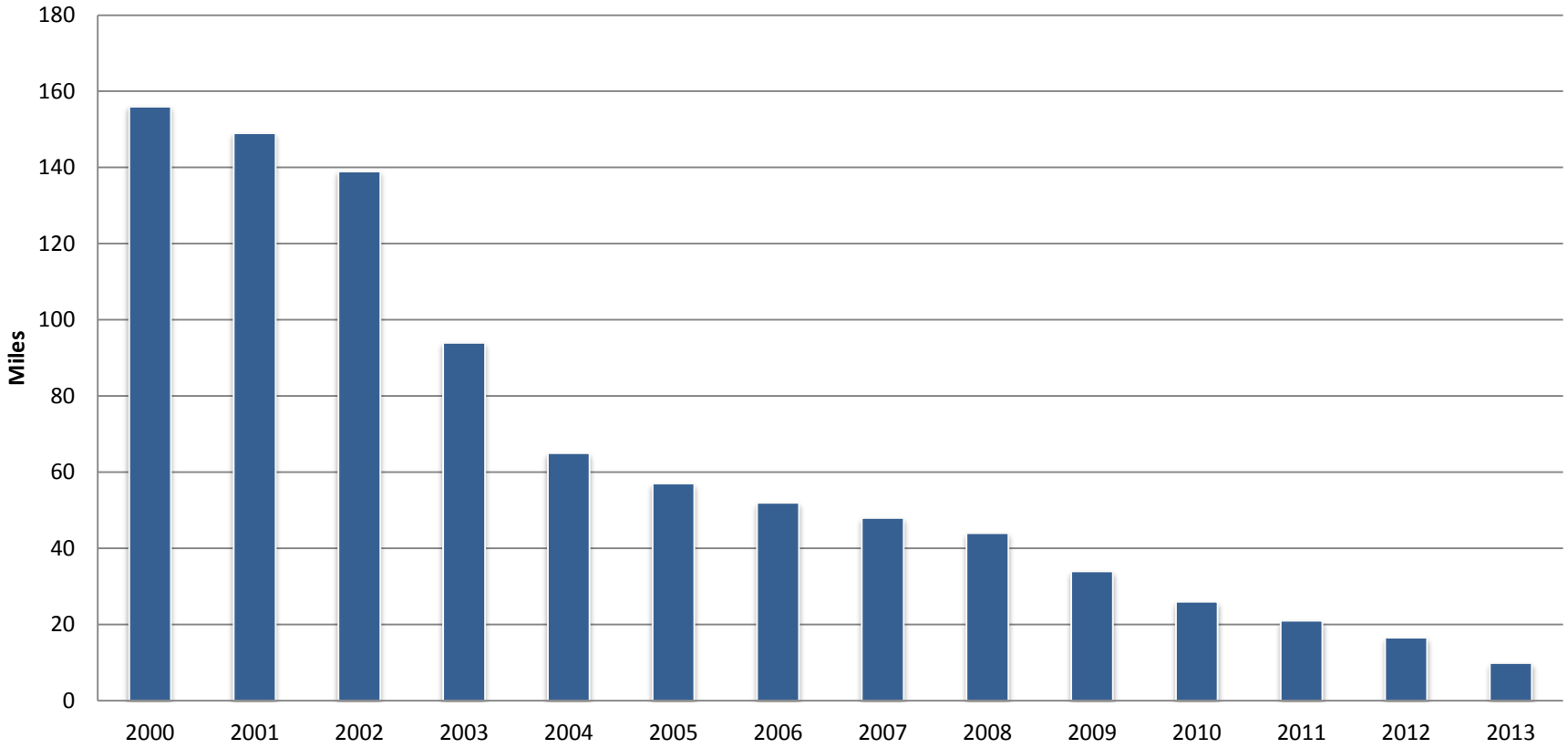
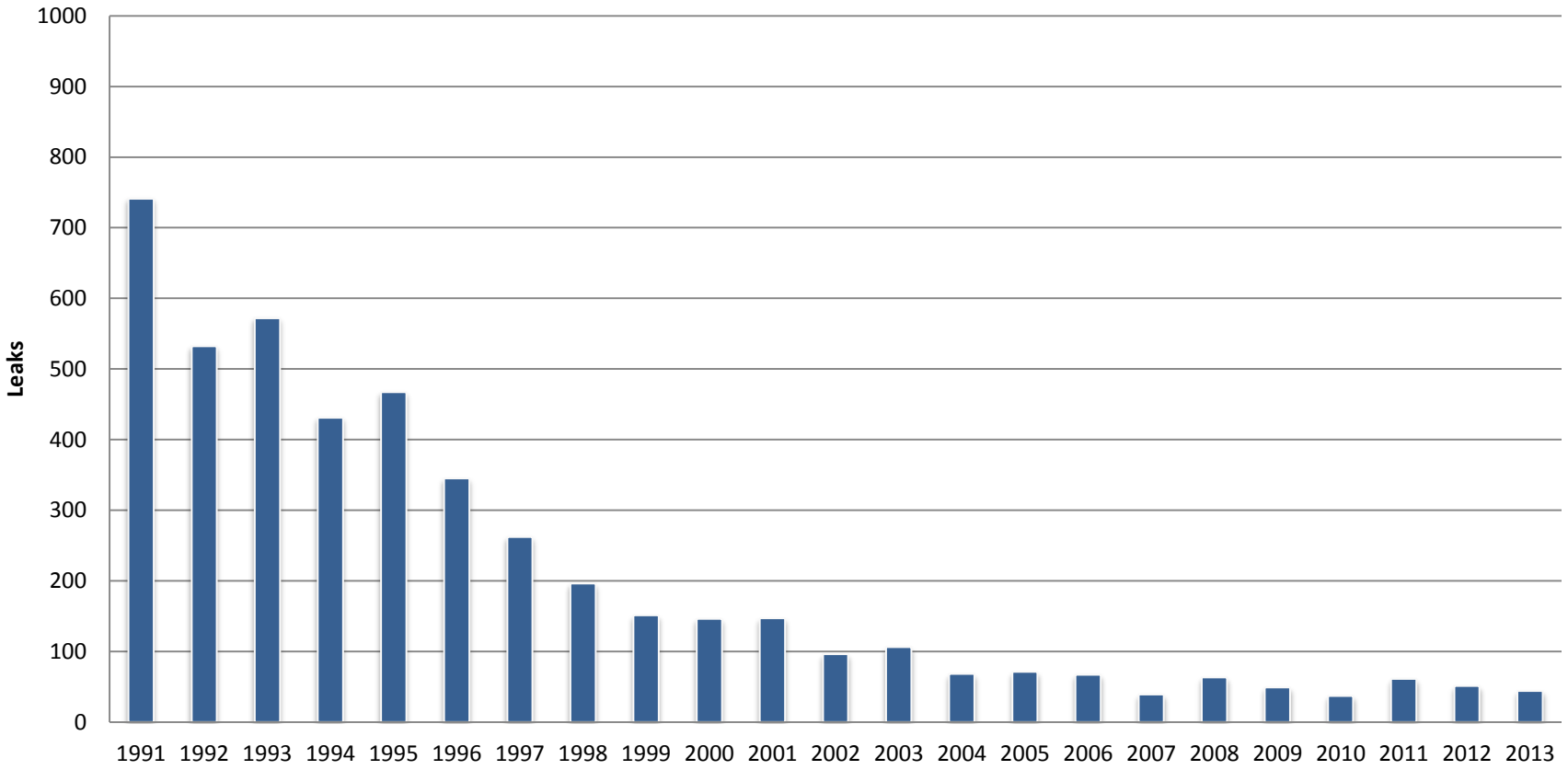
Bare Steel


Miles
180
160
140
120
100
80
60
40
20
0
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013

Leak Count


Leaks
1000
900
800
700
600
500
400
300
200
100
0
1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013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Leak Reduction

- Managing customer costs
  - Lost gas translates into increased costs
- Reduced maintenance and repair
  - Employees available for other essential work
- Environment
  - Methane is a greenhouse gas
  - Fewer leaks drives emissions down

Transmission Line Inspection



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Training Town



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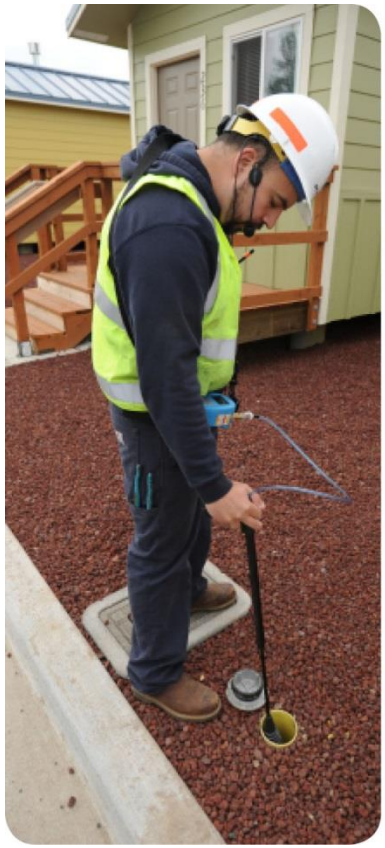
Scenario-Based Training













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Training Town



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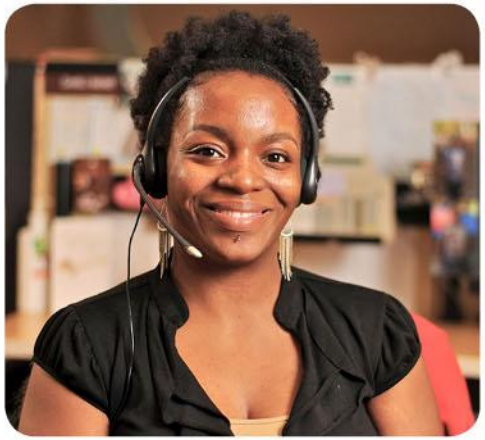
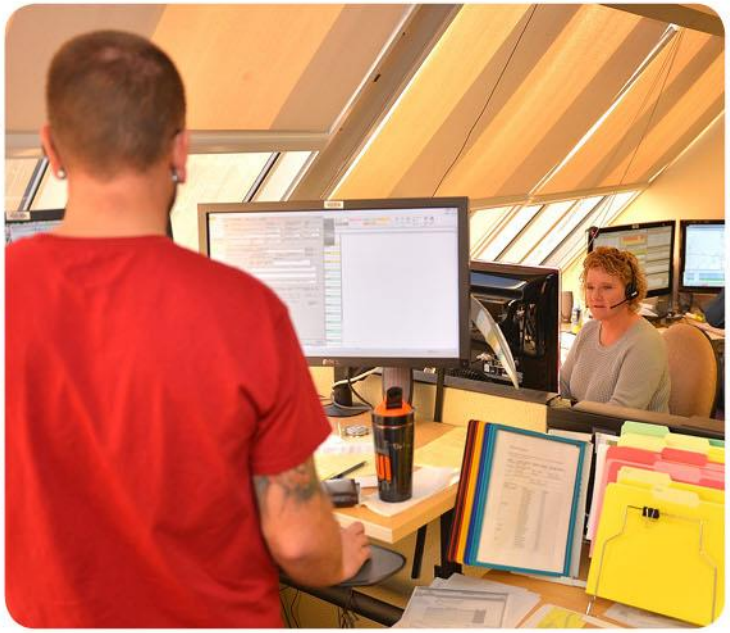
Every Call Counts







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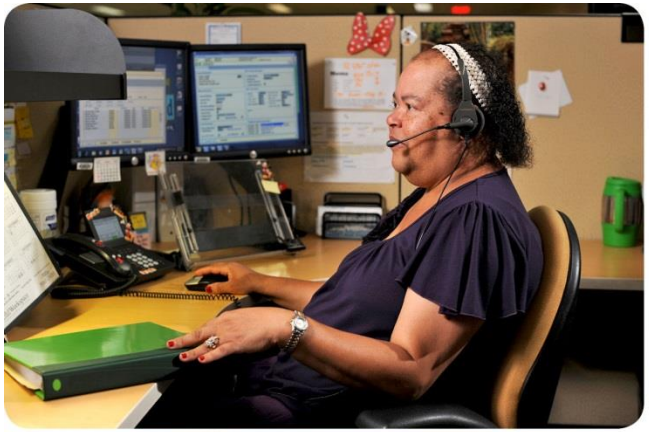
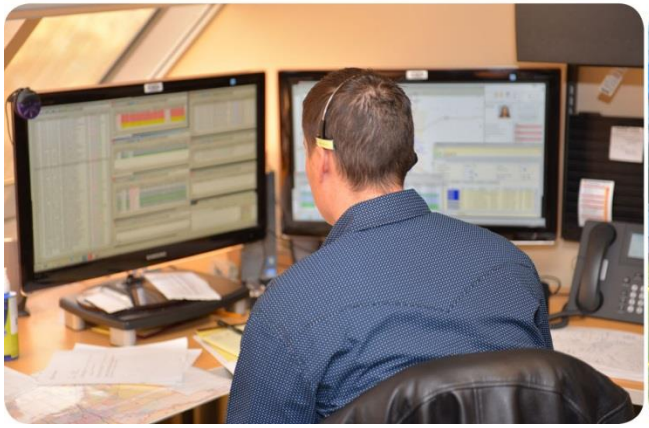
From Call to Contact









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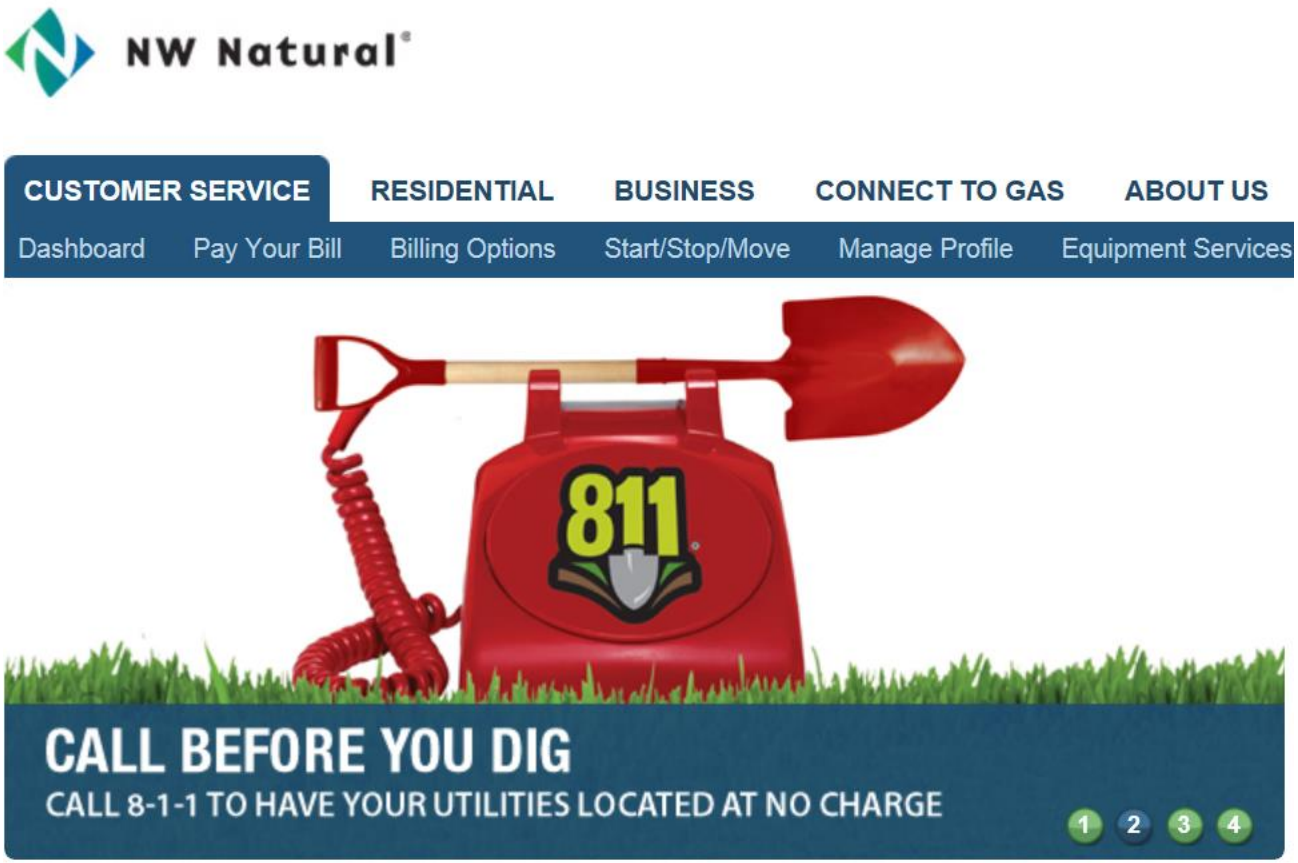
Damage Prevention



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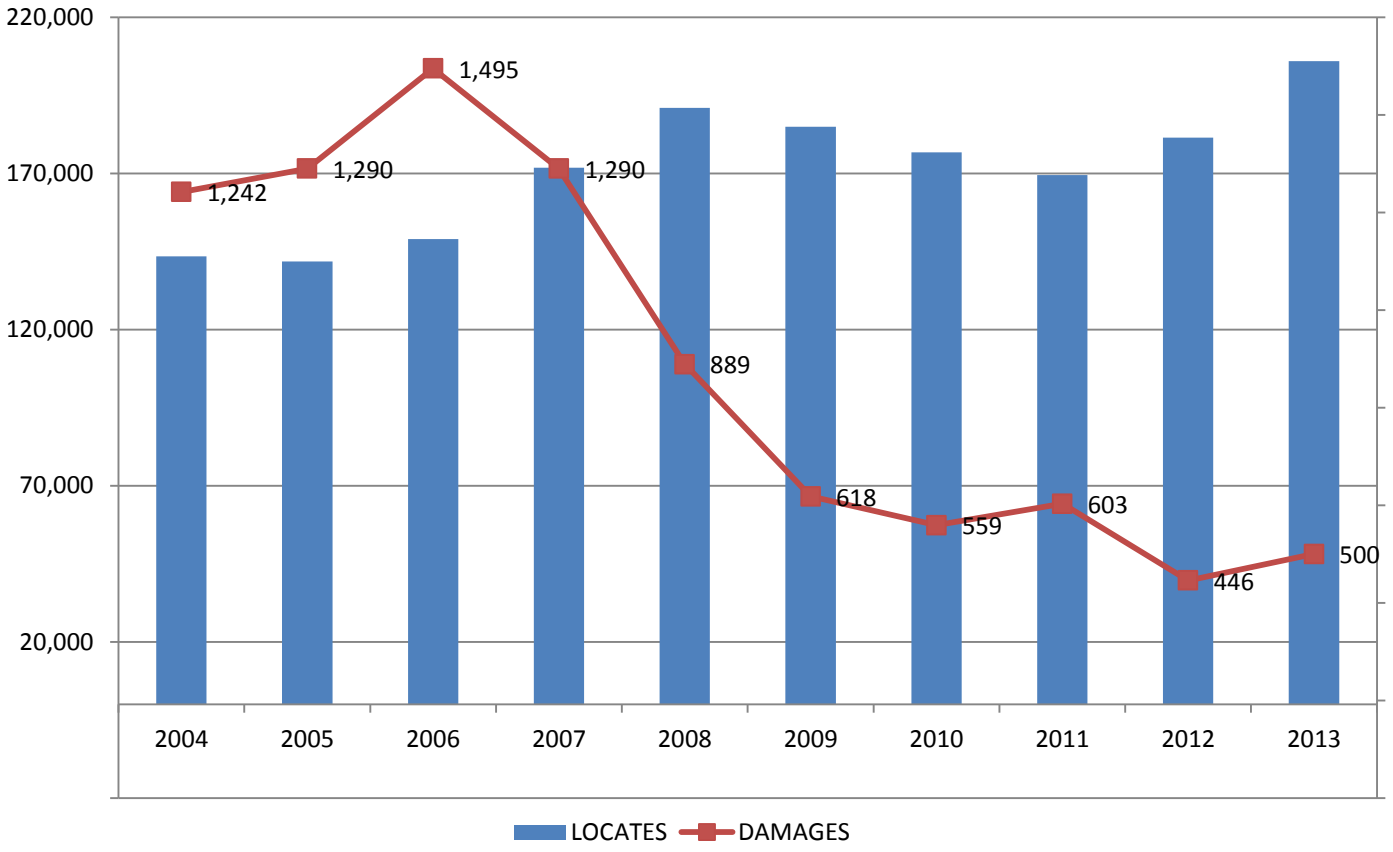
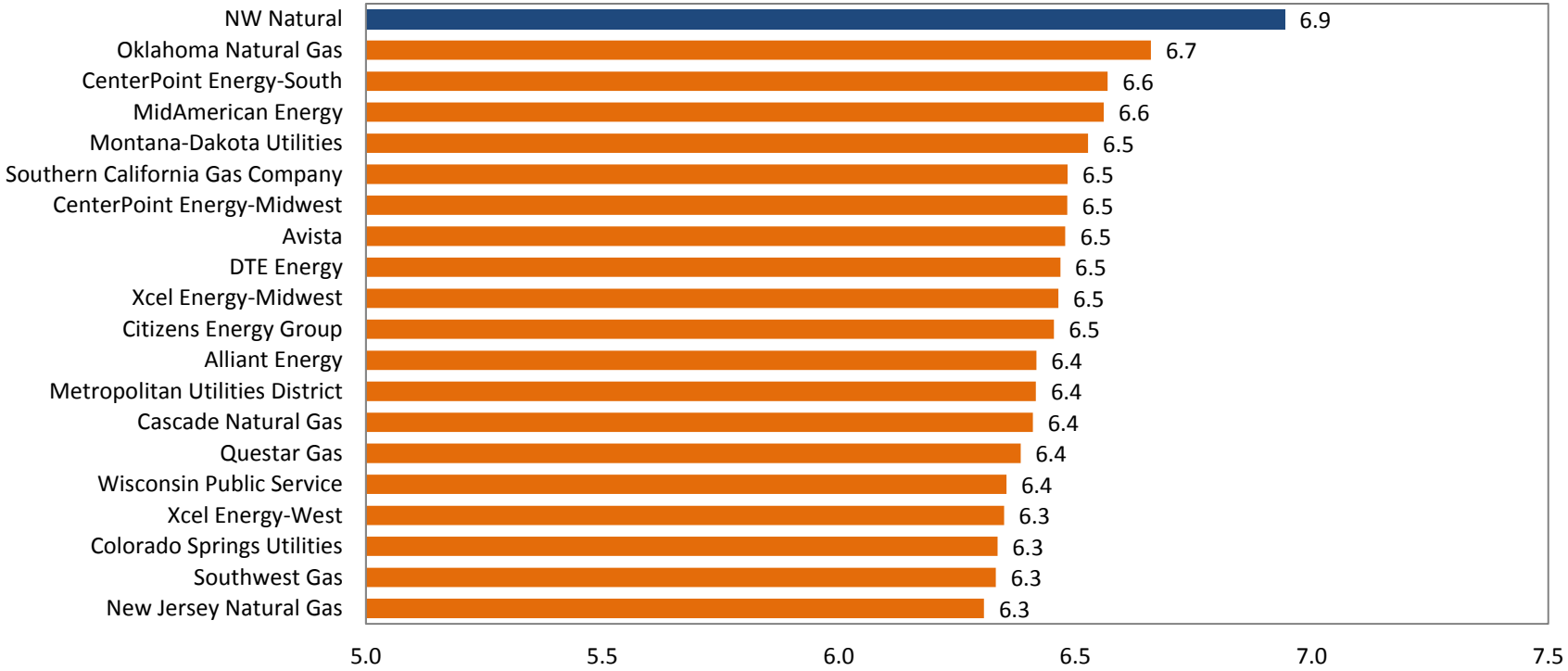
Locates & Damages



Public Education

Communicating how to be safe around natural gas



NW Natural has ranked first in the nation for three years in safety awareness.

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Public Awareness

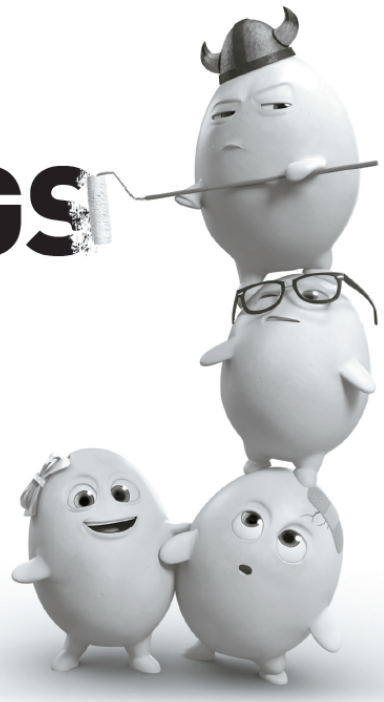
If you smell

ROTTEN EGGS

it could be a gas leak.

And the best thing to do is leave your home and call NW Natural. We'll be out to make sure everything is safe.

Unsure of what to do? Just take a look at our tips to the right.



Smell. Go. Let Us Know.

800-882-3377

How to identify a possible gas leak.

If you smell a rotten egg or sulfur odor, you hear a blowing or hissing sound, or you see blowing dirt, it could be a gas leak.

What to do.

Leave your home and the area immediately. Don't use any electrical device such as a light switch, telephone, appliance or garage door opener. And don't try to find the leak yourself.

Who to call.

Go outside and use your cell phone, or a neighbor's phone, and call **NW Natural at 800-882-3377.**

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Public Awareness



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President & Chief Executive Officer

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Modified Gas Reserves Agreement



Gas reserves lock in low cost gas for a portion of our supply over a long period of time.

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Completing Integrated Resource Plan

- Provides a 20-year forecast of gas demand
  - How much gas will be needed for peak day and annual usage?
  - How much demand can be addressed by energy efficiency?
- Provides a road-map for how we will meet the demand
  - What are the investments needed to optimize supply diversity, reliability, and affordability?






Natural Gas in the Transportation Sector



With compressed natural gas vehicles, fleet operators can cut their fuel costs in half while significantly reducing emissions.

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Natural Gas Storage and Renewables



The move away from coal-fired electric generation in the West to more renewables provides a new opportunity for natural gas storage.

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New Investments to Reduce Emissions

- Senate Bill 844 allows the Oregon Commission to incent investment in projects that reduce greenhouse gas emissions
- Rulemaking to establish project criteria underway
- One requirement: Investments need to be in projects that would otherwise not move forward
  - One example is a potential oil conversion program
    - Oil users that are currently off our existing gas system
    - Low-income oil users that can't afford to convert






























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