





NW Natural

American Gas Association

CFA Society of Dallas-Fort Worth

March 17, 2015

Forward-Looking Statements

This and other presentations made by NW Natural from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the following: plans, objectives, goals, strategies, future events, investments, customer and business growth, conversion potential, business risk, regulatory recovery, business development and new business initiatives, environmental remediation recoveries, allocation of environmental insurance settlement proceeds, gas storage development or costs or timing related thereto, financial positions and performance, economic recovery, capital expenditures, liquidity, gas reserves and investments and regulatory recoveries related thereto, hedge efficacy, cash flows, return on invested capital, revenues and earnings and timing thereof, dividends, credit ratings, the regulatory environment, effects of regulatory disallowance, timing or effects of future regulatory proceedings or future regulatory approvals, regulatory prudence reviews, effects of regulatory mechanisms, including, but not limited to, SRRM and the Company’s integrated resource plan, effects of legislation, and other statements that are other than statements of historical facts.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements, so we caution you against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed by reference to the factors described in Part I, Item 1A “Risk Factors,” and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosure about Market Risk” in the Company’s most recent Annual Report on Form 10-K, and in Part I, Items 2 and 3 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk”, and Part II, Item 1A, “Risk Factors”, in the Company’s quarterly reports filed thereafter.

All forward-looking statements made in this presentation and all subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the Company, are expressly qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

How We Are Different

- **Low business risk profile with near pure-play LDC**
  - 90% utility operations
  - 10% non-utility gas storage operations
- Stable utility margins – 90% from firm sales to utility customers
- Rate recovery mechanisms for environmental and pension costs
- **Organic growth opportunities**
  - High-growth service territory with innovative customer marketing tools
  - Conversion potential with less than 60% market share
  - Gas storage expansion potential with market recovery
  - Reg. support for pipeline safety and original gas reserve investments
  - New market potential with carbon reduction programs
- Conservatively financed business with strong liquidity
- 59-year record of increasing dividends paid annually
  - Current yield > 4%








NW Natural Overview



Utility

- Largest stand-alone LDC in PNW
- Steady growth with 700,000+ customers
- 14,000 miles distribution & transmission



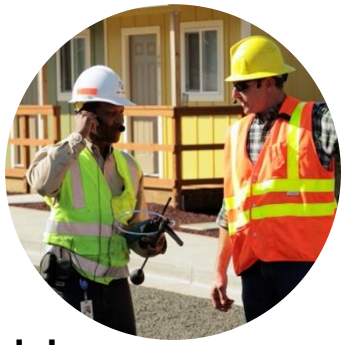
Gas Storage

- 31 Bcf underground designed capacity
- 2 Bcf LNG designed capacity
- Facilities: OR (Mist) & CA (Gill Ranch)
- Expansion opportunities



Regulation

- Constructive regulatory environment
- Supportive rate mechanisms
- New programs to support utility growth



Operations

- #1 in customer satisfaction
- State-of-the-art training center
- Experienced management team
- Strong safety and reliability record



Financials

- $3.1 billion in total assets
- Strong balance sheet and credit ratings
- Stable revenues and cash flows
- Organic growth opportunities

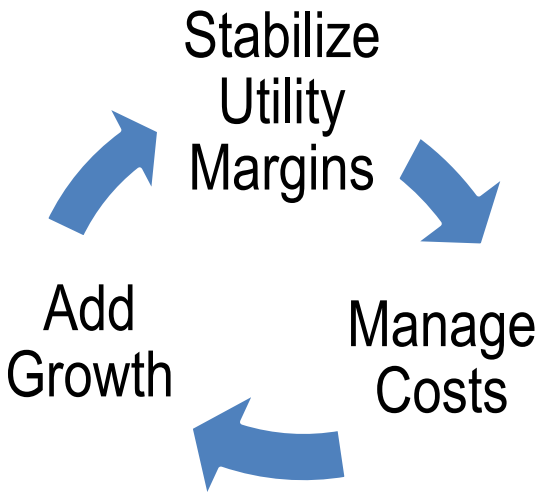
Business Strategy

Conservative, low-risk business model

- ***Stabilize margins through regulation***
  - Weather & decoupling mechanisms in Oregon
  - Cost and rate base tracking mechanisms in Oregon
  - Constructive relationships w/regulators and customer groups
- ***Manage cost structure***
  - Commitment to safety, reliability, and efficiency
  - Continued focus on business operations footprint
- ***Add LT growth opportunities that fit NWN's risk profile***
  - Utility: steady growth in rate-base investments
  - Gas Storage:

    Mist: LT contracts, asset optimization, planned expansion

    Gill Ranch: market recovery, California's renewable portfolio standard targets



Abundant supply of clean, affordable natural gas is creating new opportunities to grow our bottom line.

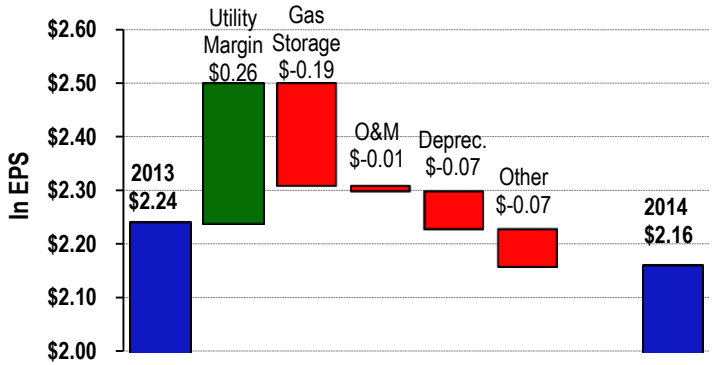
— Gregg Kantor, President and CEO

Financial Results

December 31, 2014

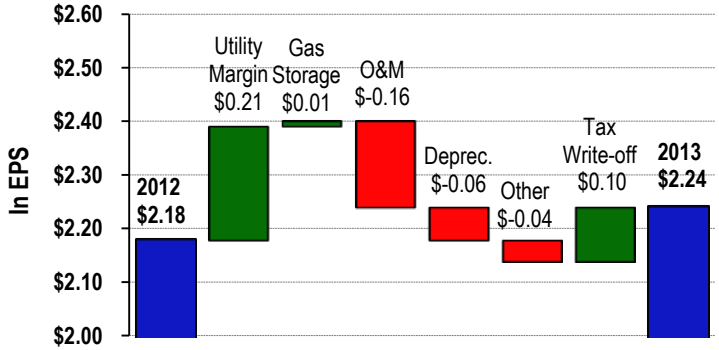
FYE 2014 compared to 2013

- Net income $58.7M in 2014 ($2.16/share)
- Utility margin increase on customer growth and rate base adds
- Gas storage revenues decrease on lower market prices
- O&M flat on increased storage repairs offset by lower utility costs
- Depreciation increase on utility investments
- Other reflects change in interest on regulatory balances



FYE 2013 compared to 2012

- Net income $60.5M in 2013 ($2.24/share)
- Utility margin increase on customer growth and rate base adds
- Gas storage revenues increase on full-year capacity
- O&M increase on new safety/service costs covered in rate case
- Depreciation increase on utility investments
- Other reflects increase in interest costs
- Tax charge reflects non-recurring regulatory write-down in 2012



NW Natural®

Environmental Cost Recovery

- Past environmental costs and insurance recoveries deemed prudent
- Order provides full cost recovery of prudent costs, subject to an earnings test
- Past cost recovery (pre-2013):
  - Regulatory disallowance of $15 million for past earnings test, recorded in Q1 2015
  - All remaining costs recovered, plus accrued interest
    - ~$50 million from insurance (1/3 allocation)
    - ~$30 million balance to be collected through site remediation and recovery mechanism (SRRM)
- Future cost recovery (post-2012):
  - $5 million collected annually in customer rates
  - $5 million collected annually from insurance account, plus interest
  - If costs > $10 million, excess collected from SRRM
  - If costs < $10 million, unused recovery rolled forward
- Earnings test (post-2012):
  - If costs > $10 million **AND** utility earnings > ROE allowed, then excess is used to cover costs > $10 million
- Compliance Filing and Other
  - Filing required within 30 days, recovery implementation subject to review and approval by OPUC
  - Set up secure insurance account

Growth Opportunities & Initiatives

Utility

Customer Acquisition Focus

- Residential new construction and conversions
- Multi-family market share
- Commercial and industrial load growth
- New incentives, premise charge programs

Integrated Resource Plan (IRP)

Carbon Solution Programs

Gas Reserve Investments



Gas Storage

Mist

- High-value asset in Pacific Northwest
- Planned expansion for unique utility service (PGE contract)

Gill Ranch

- Flex resources needed for Calif RPS targets
- California economy improving
- Storage market and prices recovering



Customer Acquisition Focus

Residential

- Web-based tool for targeted conversions
  - Over 12,000 gas availability queries
  - 25% of conversion sales in 2014 used web tool
  - Call volumes reduced 25% per meter sold
- Enhanced web services for trade allies
- Natural gas less than 60% market share in region
- New premise charge program opens up rental market

Commercial and Industrial

- Potential for increasing load and margins
- Expect continued gains in small to mid-size commercial

Customer growth

- Growth rate consistently above national average
- Single-family new construction and multi-family units in Oregon expected to increase in 2015

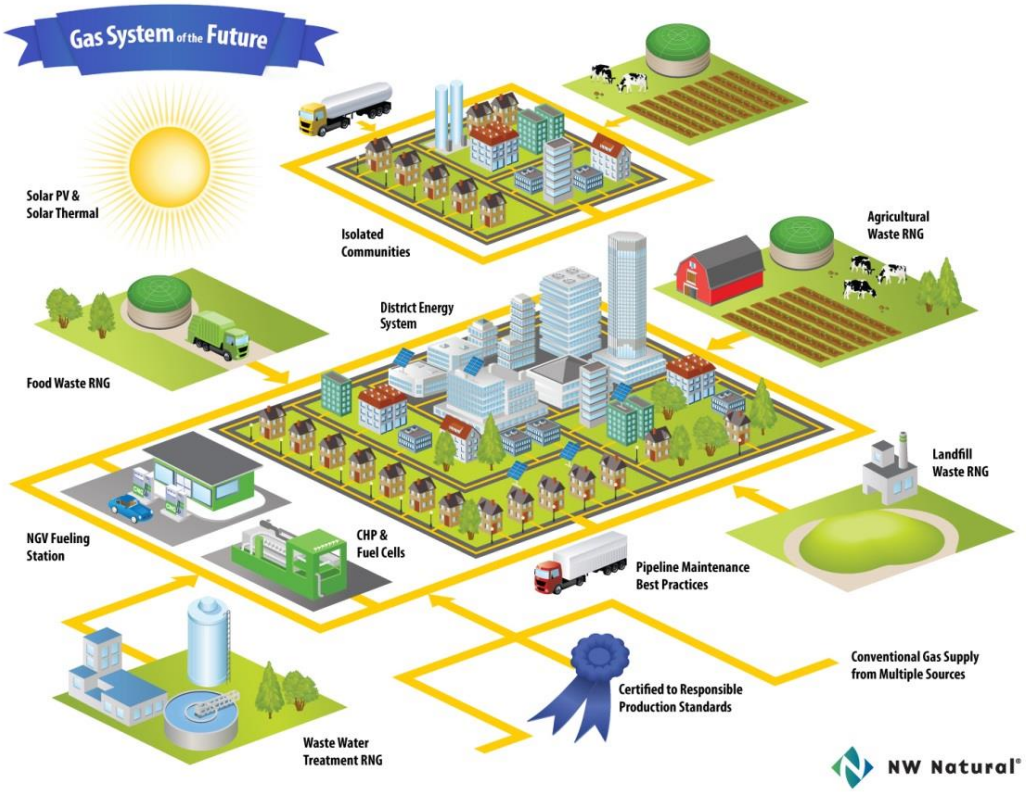
Online Customer Portal



NW Natural®

Carbon Solutions Program

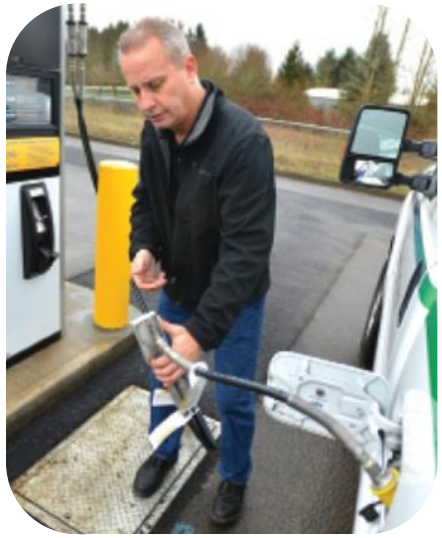
- Innovative, new program opportunities
- State supported legislation
- OPUC rulemaking underway
- Creative solutions…new programs
- Significant revenue potential…up to 4% utility gross revenue cap
- Potential projects include:
  - Oil conversions
  - Waste-water treatment renewable gas
  - Combined heat and power systems



CNG Tariff

CNG adding to rate base in 2016 and beyond

- Tariff approved in 2014
- High-pressure refueling service
- NWN owns and maintains equipment
- Clean, affordable energy solution
- GE “CNG in a Box” installed at NWN
- Discussing service with several fleets
- OEM vehicle options expanding
- Expect small but growing rate-base





Gas Reserves



Investment Goals

- Long-term gas price hedge for utility customers
- Rate-base return on invested capital, with recovery of costs through customer rates
- OPUC set to review long-term hedging plan, including future gas reserve investments

2011 Program

- Original deal with Encana
- Gas costs and ROI tracked into annual PGA
- Program ended March 2014
- $178M total invested, including $18M in 2014
- Ongoing rate-base treatment

2014 Amendment

- Encana sold field to Jonah Energy
- NWN maintains ownership interest and option on future drilling (i.e. post-carry wells)
- Future investment by NWN on a well-by-well basis
- Drilling costs and reserve volumes allocated on % ownership interest
- 2014 investment < $10 million

Gas Storage Growth Opportunities



Mist Gas Storage Facility

- Demand for flexible gas-fired generation in PNW
- Planned expansion (2.5 Bcf capacity) with utility rate-base return
- Expansion anchored by agreement to serve PGE Port Westward plant
- Capex estimated to be ~$125 million with an in-service date of 2018 or 2019
- NWN received authorization from PGE to begin permitting and land acquisition



Gill Ranch Gas Storage Facility

- Targeting higher value storage services
- Flexible energy resources are needed in California to meet state's RPS targets
- Expansion capability, but will depend on California storage market conditions

Cap-ex Spend

	Actuals			Forecast
(In millions)	**2012**	**2013**	**2014**	**2015**
Utility Capex	$130	$137	$117	$140 to 150
Gas Reserves	$54	$54	$27	TBD
Utility Total	**$184**	**$191**	**$144**	**$140 to 150**
Gas Storage	$2	$2	$3	$0 to 10
Total	**$186**	**$193**	**$147**	**$140 to 160**

- IRP filed in 2014, and acknowledged by OPUC in February 2015
- Utility Capex includes estimated spend on N. Mist for permitting and land acquisition work in 2015

Regulatory Overview

Current Updates

- **Environmental Cost Recovery** – OPUC ordered (Feb-2015) full recovery of costs, subject to prudency review and earnings test (see Environmental Cost Recovery summary)
- **Integrated Resource Plan** – OPUC issued acknowledgment (Feb-2015) of identified utility system needs and capex requirements
- **Most Recent General Rate Cases**
  - Oregon (2012): ROE 9.5%; Equity Ratio 50%
  - Wash. (2009): ROE 10.1%; Equity Ratio 51%
- **Rate-Base Investments Tracked into Rates**:
  - Gasco water treatment plant $19M (Nov-2013)
  - SIP $15M (Nov-2013) and $21M (Nov-2014)

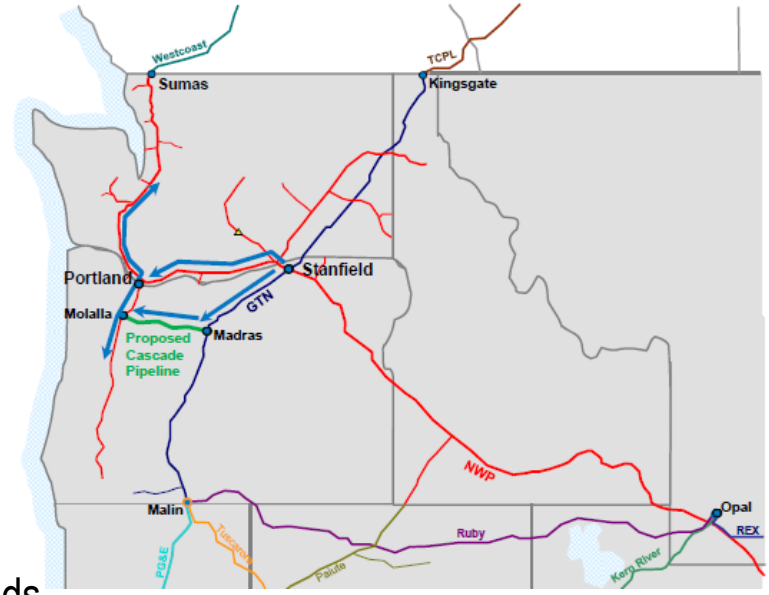
Open Proceedings

- **Prepaid Pension Assets** – Docket to address Oregon utilities' request to include prepaid asset in rate base (expect decision in 2015)
- **Interstate Storage and Optimization Sharing –** OPUC issued order requesting an independent third-party review of incentive sharing
- **Gas Reserves** – NWN application seeking cost recovery of post-carry wells drilled in 2014 (expect decision in 2015); a separate docket to address long-term hedging level (originally filed in IRP)
- **System Integrity Plan (SIP)** – NWN application seeking to extend SIP cost tracker (expect decision in 2015)

Longer-Term Growth Investments

Trail West Pipeline

- Regional capacity needed for additional gas supplies
- Provides a second pipeline delivery path for reliability
- Currently a 50/50 joint venture with TransCanada
- Project timeline, including refiling of FERC application, determined after open season
- Large regional projects (e.g., methanol plants) could require significant increase in pipeline capacity
- In IRP, OPUC acknowledged a desire to keep Trail West Pipeline and Pacific Connector options open to meet needs



NW Natural®

A Path to Success

- **Utility-focused business** with majority of margin revenues generated from core customers
- **Solid performance in 2014** with earnings of $2.16 per share, net income of $59 million and operating cash flows of $216 million, on increase from utility but decrease from gas storage
- **Consistently high rankings** on customer satisfaction and system reliability
- **Positioned well for growth**
  - Strong balance sheet
  - Predominantly pure-play LDC with stable margins and organic growth
  - Regulatory support for full recovery of future environmental costs
  - Attractive growth opportunities with abundant supply of clean, affordable natural gas
  - Focused marketing efforts on new construction, conversions and multi-family
  - New web-based customer portal tools at www.nwnatural.com
  - Innovative ideas and new programs (Carbon Solutions, CNG, Gas Reserves)
  - Commercial and industrial demands for natural gas increasing
  - Storage development opportunities to support flexible energy resource needs
- **59-year history of increasing dividends** paid to shareholders

NW Natural Overview

About NW Natural

NW Natural (NYSE: NWN) is headquartered in Portland, Ore., and provides natural gas service to about 705,000 residential, commercial, and industrial customers through 14,000 miles of mains and service lines in western Oregon and southwestern Washington. It is the largest independent natural gas utility in the Pacific Northwest, with $3.1 billion in total assets. NW Natural and its subsidiaries currently own and operate underground gas storage facilities with designed storage capacity of approximately 31 Bcf in Oregon and California. Additional information is available at www.nwnatural.com.

Key Indicators:	2014	2013	2012
Total customers	704,644	694,873	685,941
Total common equity (000)	$ 767,321	$ 751,872	$ 729,627
Avg. diluted common shares outstanding (000)	27,223	27,027	26,907
Consolidated tax rate	41.5%	40.8%	42.5%
Institutional ownership	62%	56%	61%
Dividends paid	$ 1.85	$ 1.83	$ 1.79
Diluted earnings per share	$ 2.16	$ 2.24	$ 2.18
Book value per share	$ 28.12	$ 27.77	$ 27.11

Composition of Utility Revenue:	2014	2013	2012
Residential	59%	60%	61%
Commercial	31	30	30
Industrial	9	9	8
Other	1	1	1

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