





NW Natural

Boston Investor Presentation

U.S. Capital Advisors LLC

December 8, 2014

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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, hedges, gas supplies and pricing, gas reserves and their financial value and benefit, rate-based investments, conversion potential, customer and business growth, business risk, project and facility development or expansion, market and business development and opportunities, gas storage markets, economic recovery, capital expenditures, energy market needs, rate recovery, liquidity and financial positions and performance, cash flow, revenues, earnings, margins, dividends, shareholder return, credit ratings, tax effects, legislative actions and impact, regulatory environment, timing or effects of future regulatory proceedings or future regulatory actions or approvals, adequacy of regulatory deferrals, new business ventures and programs, cost management, cross-Cascades pipeline development, effects of regulatory mechanisms, including, but not limited to, SRRM and IRP, 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
- High priority safety and reliability programs
- **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
  - Regulatory support for safety and environmental spend
  - 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



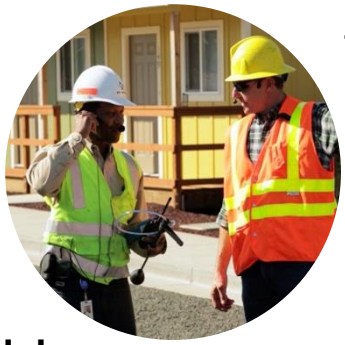
Gas Storage

- 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 (J.D. Power)
- State-of-the-art training center
- Experienced management team
- Strong safety and reliability record



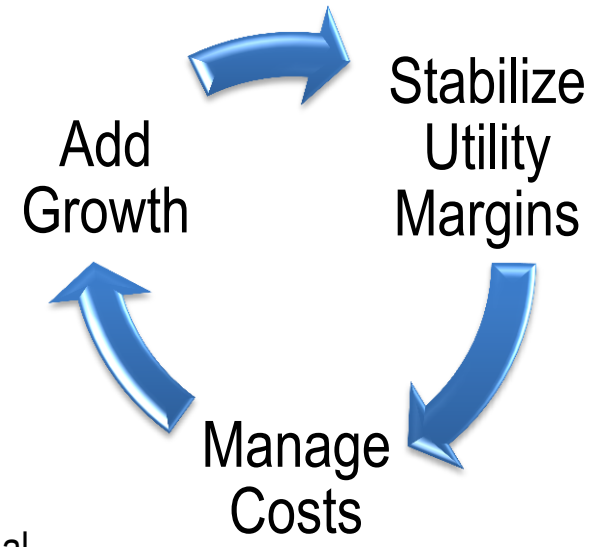
Financials

- $2.8 billion in total assets
- Strong balance sheet and credit rating
- Stable revenues and cash flows
- Organic growth opportunities

Business Strategy

Conservative, low-risk business model

- ***Stabilize margins through regulation***
  - Weather & decoupling mechanisms in Oregon
  - Constructive relationships (regulators and customers groups)
- ***Manage cost structure***
  - Commitment to safety, reliability, and efficiency
  - Continue focus on business operations footprint
- ***Add LT growth opportunities that fit NWN's risk profile***
  - Utility: steady growth in rate-base investments
  - Mist: LT storage contracts, optimization, expansion opportunity
  - Gill Ranch: currently challenging market with expansion potential



Abundant supply of clean, affordable natural gas is creating new opportunities to grow our bottom line. — Gregg Kantor, President and CEO

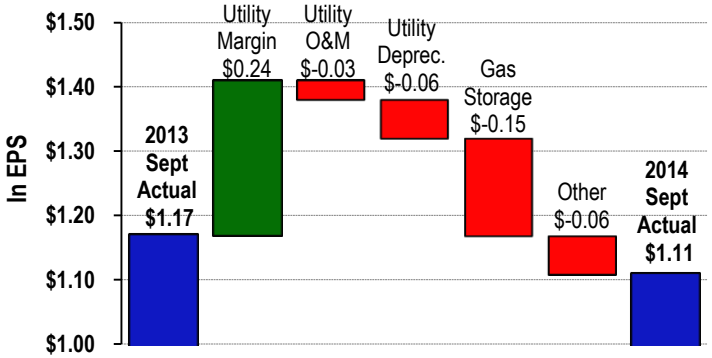
Financial Results

(Through September 30, 2014)

Sept. YTD Results

YTD 2014 compared to YTD 2013*

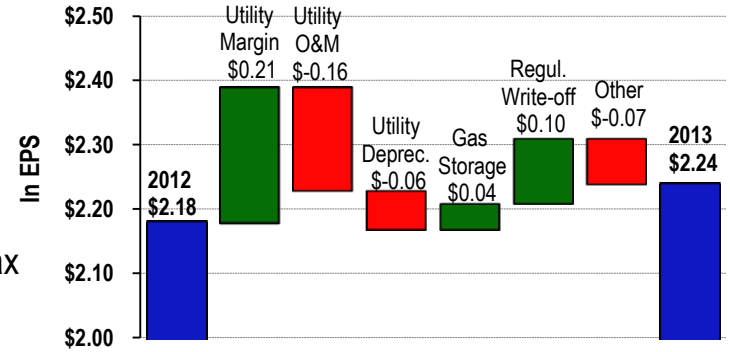
- Net income $30.2M YTD 2014, compared to $31.5M PY
- Utility margin up $11.1M with customer growth at 1.3%
- Utility O&M up $1.8M due to safety and prof. services
- Gas storage net income down $4M on lower revenues
- GRS incurred higher repair and power costs
- Other includes interest expense & tax charge



Annual Results

FYE 2013 compared to FYE 2012*

- EPS up $0.06 over 2012
- Utility margin up $9.4M with customer growth 1.3%
- Utility O&M up $7.4M due to new safety and services
- Gas storage net income up $1.1M
- Non-recurring '12 regulatory write-down of $2.7M after-tax
- Other includes higher interest expense



* See additional financial information on "NW Natural Overview" slide.

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Cap-ex Spend

	Actuals			Forecast
(In millions)	**2011**	**2012**	**2013**	**2014**
Utility CapEx	$94	$130	$137	$115 to 135
Gas Reserves	$51	$54	$54	$27 to 30
Utility Total	**$145**	**$184**	**$191**	**$142 to 165**
Gas Storage	$6	$2	$2	< $10
Total	**$151**	**$186**	**$193**	**$142 to 175**

- IRP supports continued utility cap-ex; expect IRP acknowledgement by mid-year 2015
- Utility cap-ex spend for the next five years (2014 to 2018) is estimated to be $600 to $700 million

Growth Opportunities & Initiatives

Utility

Customer Acquisition Focus

- Online Customer Portal
- Commercial and Industrial Loads
- New Premise Charge Program

Carbon Solution Programs

CNG Program

Gas Reserve Investments

Integrated Resource Plan (IRP)



Gas Storage

N. Mist

- Proposed Expansion for PGE Flexible Gen.
- High Value Asset in Pacific Northwest

Gill Ranch

- Increasing Need With State's RPS
- Recovering California Economy
- Returning Storage Price Recovery



Utility Growth Opportunities

Residential

- Web-based tool for targeted conversion
  - Over 7,000 gas availability queries
  - 30% of conversion sales used web tool
  - Call volume reduced 40% per meter sold
- Enhanced services for trade allies
- Natural gas less than 60% market share in region
- New premise charge program opens rental market

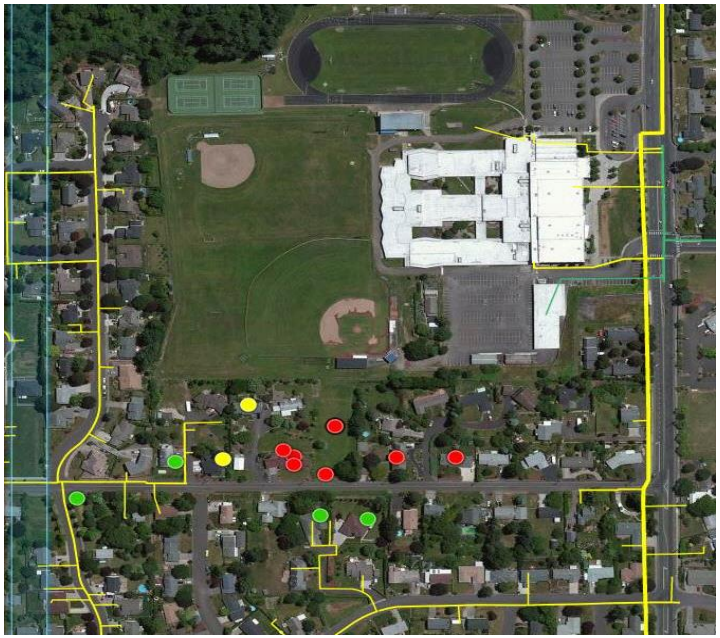
Commercial and Industrial

- Potential for increased loads in region
- Expect continued gain in small to mid-sized commercial

Customer growth

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

Online Customer Portal



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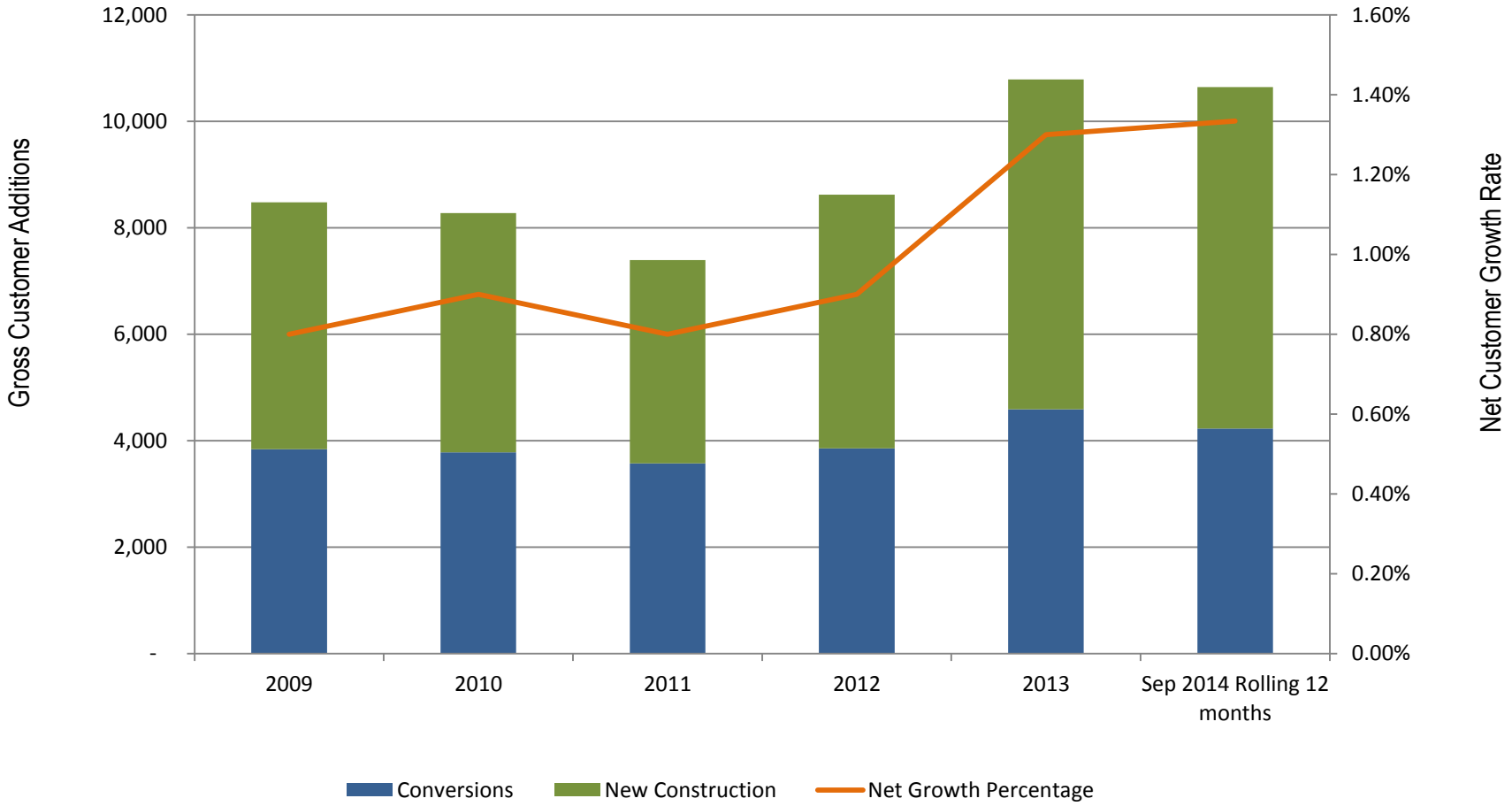
Customer Growth



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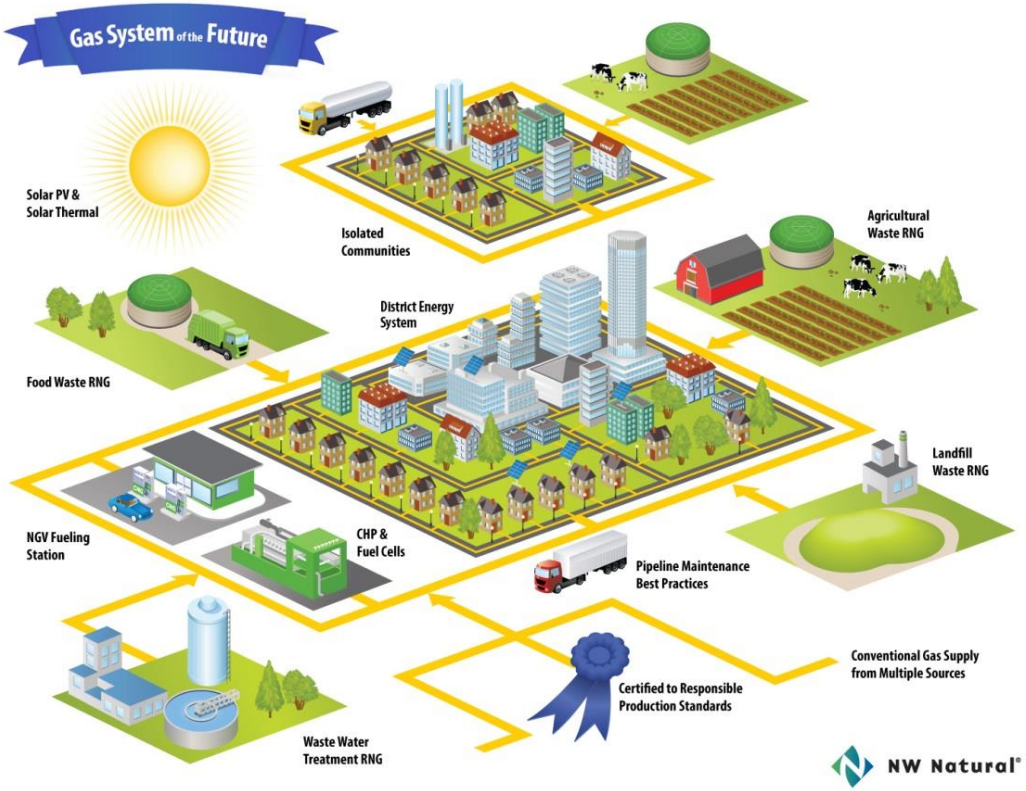
Carbon Solutions Program

- Innovative, new program opportunity
- State supported
- Rulemaking underway
- Creative solutions; new program opportunities
- Significant revenue potential – up to 4% gross utility revenue cap
- Potential projects:
  - Oil conversions
  - Waste-water treatment
  - Combined heat and power



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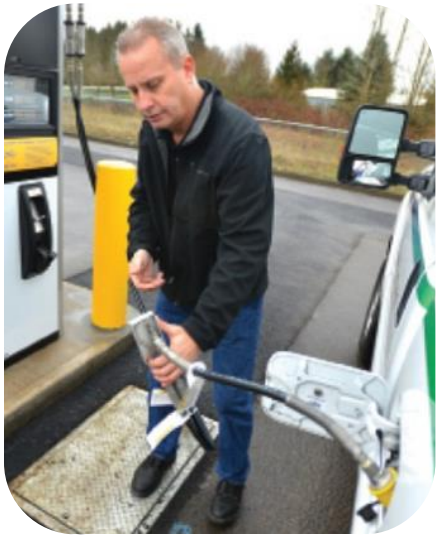
CNG Tariff

CNG adding to rate base in 2016 and beyond

- Tariff approved early 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 and stability for utility customers
- Rate-base return on investment and recovery of costs through customer rates

2011 Program

- Original deal with Encana
- Gas costs and ROI tracked into annual PGA
- Ended March 2014
- $178M total gross investment
- Retain rate-base treatment and LT price hedge for customers

2014 Program

- Encana sold Jonah Field to TPG
- NWN maintained ownership interest in post-carry wells
- Future investment on a well-by-well basis
- Drilling costs and volumes allocated on proportionate ownership interest
- Currently seeking regulatory approval
- 2014 investment ~$10 million

2015 & Beyond

- Ongoing potential for Jonah wells
- Additional gas reserve investments subject to PUC review in IRP (2015)

Gas Storage Growth Opportunities



Mist Gas Storage Facility

- Demand for flexible gas-fired generation in PNW (see appendix)
- Proposed expansion (2.5 Bcf capacity) with utility rate-base treatment
- Expansion anchored by agreement to serve PGE Port Westward plant
  - Awaiting customer's notice to proceed (expected Dec. 2014)



Gill Ranch Gas Storage Facility

- In third year of operations with repair costs expected in 2014
- Current market conditions create short-term challenges
- Targeting higher value storage services
- Flexible resources are needed to meet CA's RPS goals
- Expansion capability, but depends on CA market conditions (see map in appendix)

Regulatory Overview

Current Updates

- **Recent Rate Cases:**
  - Oregon 2012; ROE 9.5%; Cap Structure 50/50
  - Washington 2009; ROE 10.1%; Cap Str. 49/51
- **CNG Service -** Approved Jan. 2014; utility-owned facility investment to serve CNG fleets
- **Carbon Reduction Programs -** Oregon legislation 2013; rulemaking currently underway; supports new natural gas programs
- **Rate-Based Investments Tracked**:
  - Gasco water treatment ($19M Nov. 2013)
  - SIP ($15M Nov. 2013 and $21M Nov. 2014)

Open Dockets

- **Environmental Cost Recovery -** To resolve Site Remediation and Recovery Mechanism for past and future environmental costs (expect by YE 2014)
- **Prepaid Pension Assets -** To resolve utilities' request to include prepaid pension balance in rate base (expect in the first half of 2015)
- **Interstate Storage and Optimization Sharing –** To review incentive sharing percentage and earnings test
- **Integrated Resource Plan –** Filed August 2014; identifies utility capex requirements with corresponding least cost resource acquisition plan
- **N. Mist Expansion –** Tariffs approved for "no notice" storage service to PGE (Oct. 2014). Awaiting PGE notice to proceed.

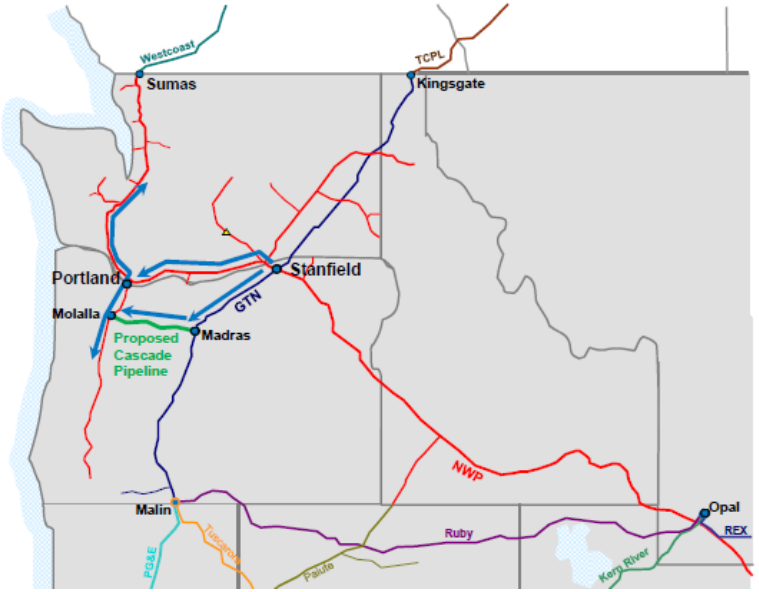
Integrated Resource Plan

- **NWN IRP – Covers gas needs of customers, needed investments**
  - Regulatory update with analysis supporting a cross-Cascade pipeline
  - 2014 IRP supports additional pipeline capacity, with cross-Cascade pipeline as an option not dependent on proposed export LNG
  - Proposes short-term and longer-term needs and projections
  - Options include:
    - Mist storage capacity recall by utility plus future expansion
    - Access to pipeline capacity on a regional cross-Cascade project as needed
    - Investments under the IRP include near-term $25 million enhancements to the distribution system in Washington, $25 million investment to improve service and safety at the company's Newport, Oregon, LNG facilities, and up to $25 million for other system improvements in Oregon
  - Next steps include presentations in Oregon and Washington, and then hearings with commissions over the next few months
  - Anticipated comments and acknowledgements expected in 2015

Longer-Term Growth Investments

- **Cross-Cascade Pipeline**
  - Access to additional gas supplies for regional growth
  - Provide a second pipeline delivery path for reliability
  - 50/50 joint venture with TransCanada
  - Project timeline, including refiling of FERC application, determined after open season

- **Other Potential Projects Being Discussed**
  - LNG competition in region – Canada, Alaska
  - Large commercial projects, e.g., methanol plants
  - Coos Bay LNG potential



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A Path to Success

- **Utility-focused business** with a majority of margin revenues generated from core customers
- **Solid performance** in 2013 with $2.24 per share on net income of $61 million; September YTD 2014 results were $1.11 per share compared to $1.17 a year ago, with increase in utility but decrease in gas storage
- **Positioned well for growth**
  - Predominantly pure-play LDC with organic growth opportunities
  - Growth opportunities with abundant supply of clean and affordable natural gas
  - Focused marketing efforts on new construction, conversions and multi-family
  - New web-based customer portal tool at www.nwnatural.com
  - Carbon Solutions Program (SB 844) and CNG opportunities
  - Commercial and industrial demand increasing
  - Storage development opportunities to support flexible electric generation needs
- **59-year history of increasing dividends** paid to shareholders

Appendix

Maps

Utility Service Territory



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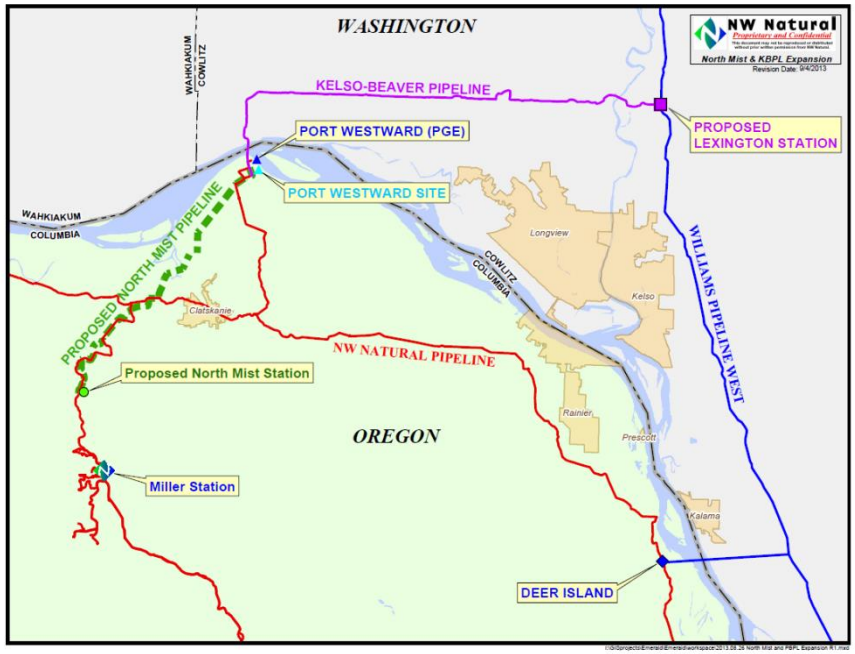
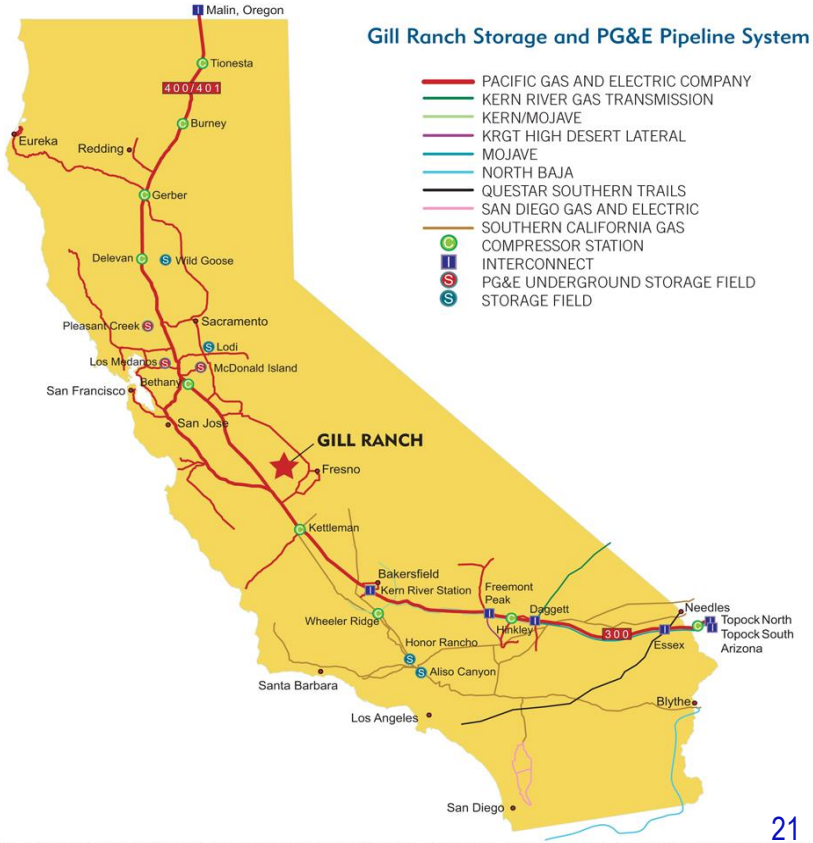
Maps Continued

North Mist Expansion



Gill Ranch Storage



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Safety and Reliability

Commitment to:

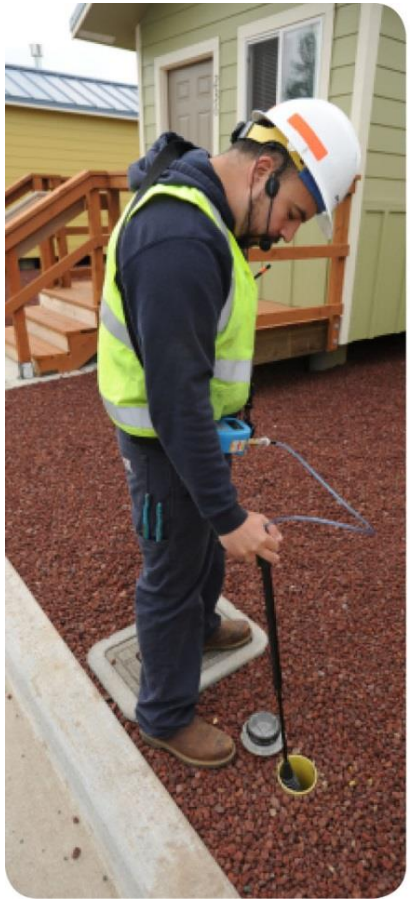
- System reinforcement
- Pipe replacement
- Leakage prevention and grading
- Employee training

State-of-the-art training center:

- Live, scenario-based training
- Community resource



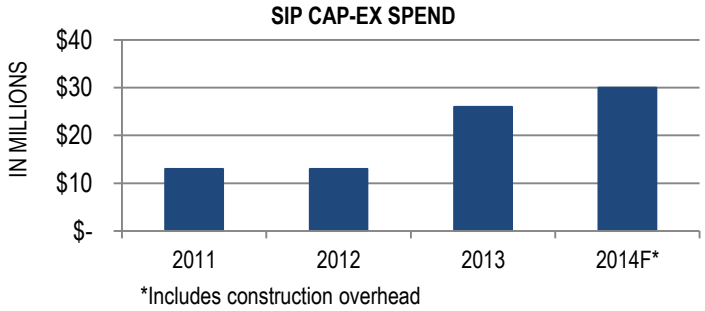




Infrastructure Spend

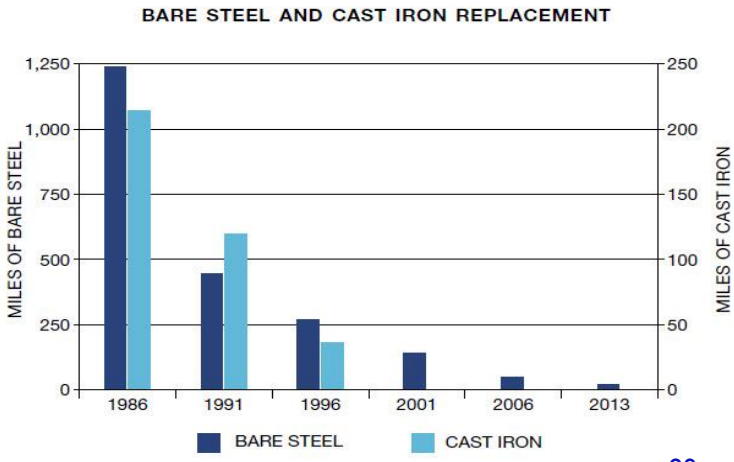
System Integrity Plan (SIP)

- OPUC approved SIP capex tracker, allowing NWN to accelerate spend on pipe replacement in 2013/14
- Filed request to renew DIMP and TIMP in Q4 2014
- Comply with future safety regulations and mandates



Bare Steel & Cast Iron Pipe Replacement

- Relatively new system (natural gas came to PNW in 1956)
- All cast iron pipe removed by 2000
- Less than 10 miles of bare steel remaining, with plans to replace by 2015



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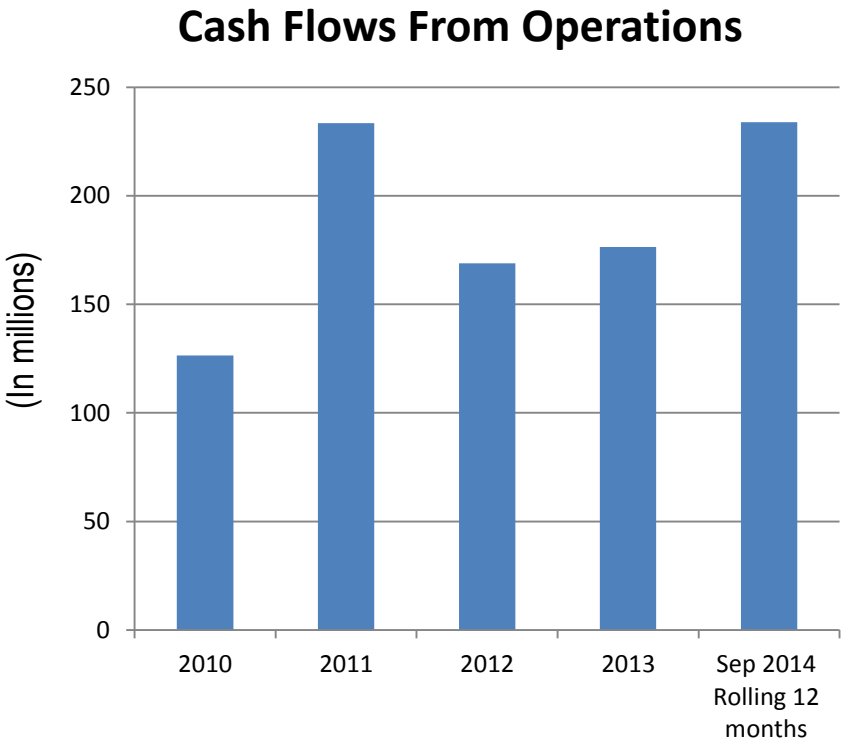
Regulatory Summary

	Oregon	Washington
Authorized Rate Structure:		
Rate Base (2013 average)	$1,100 million	$120 million
ROE	9.5%	10.1%
ROR	7.8%	8.4%
Debt/Equity Ratio	50% / 50%	49% / 51%
Key Regulatory Mechanisms:		
PGA	X	X
Incentive Sharing (PGA, Asset Optimization)	X	
Weather Normalization	X	
Decoupling	X	
Pipeline safety cap-ex tracker (SIP)	X	
Pension Expense Deferral	X	
Environmental Cost Deferral	X	X
Environmental Cost Recovery (SRRM)	X	

Liquidity

- Stable operating cash flows
- Insurance proceeds: $102 million in 2014
- $300 million credit facility through 2018
- Access to capital markets
- Strong credit ratings*:

	S&P	Moody's
Secured Debt	AA-	A1
Commercial Paper	A-1	P-2
Outlook	Stable	Stable



*The above credit ratings are dependent upon a number of factors, both qualitative and quantitative, and are subject to change at any time. The disclosure of these credit ratings is not a recommendation to buy, sell or hold NW Natural securities.

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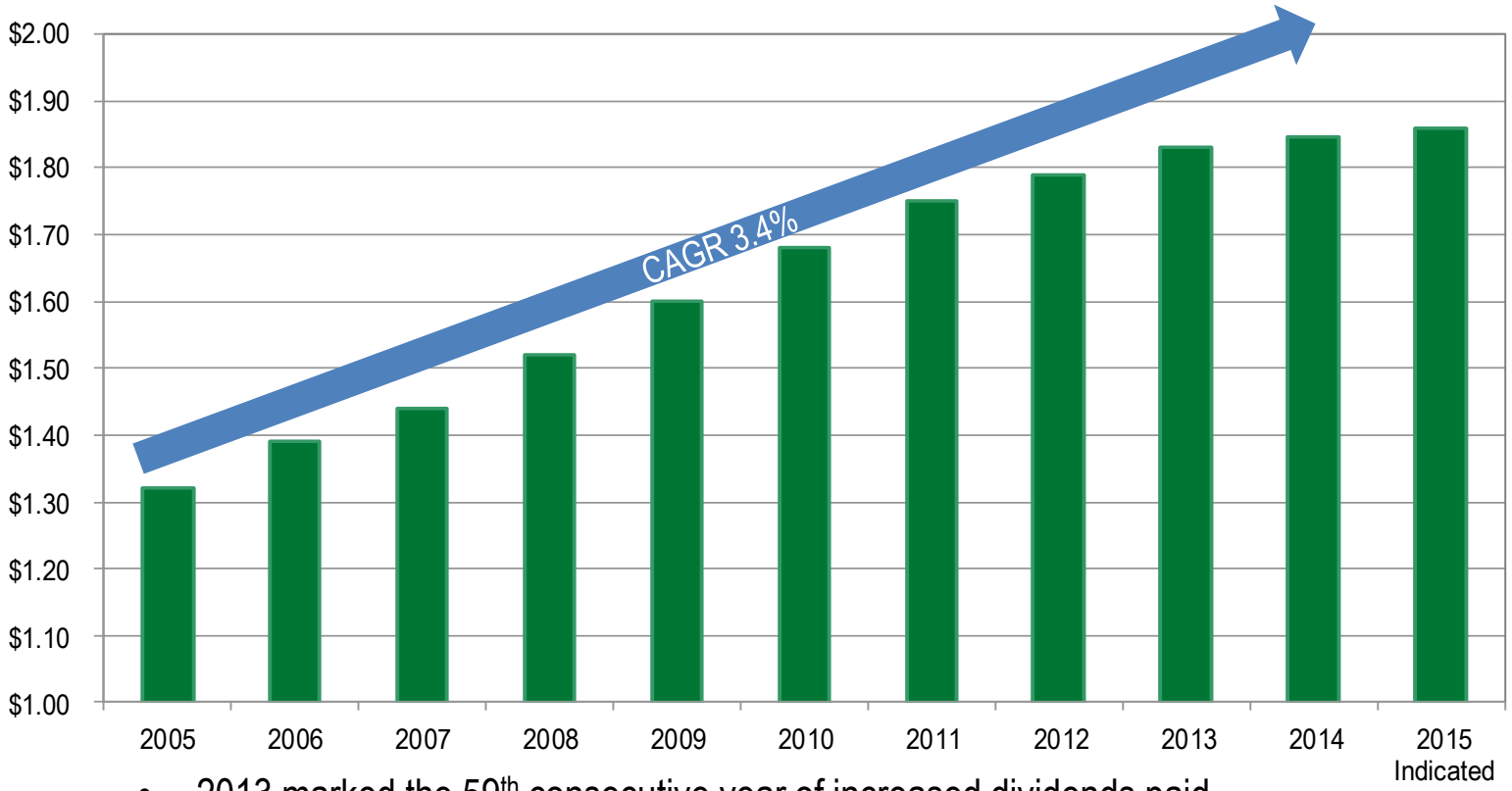
Dividend History



- 2013 marked the 59th consecutive year of increased dividends paid
- One of the longest running dividend increase records of companies on the NYSE

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NW Natural Overview

About NW Natural

NW Natural (NYSE: NWN) is headquartered in Portland, Ore., and provides natural gas service to 700,000 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 $2.8 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:	YTD Q3 2014	2013	2012
Total customers	695,902	694,873	685,941
Total common equity (000)	$ 752,257	$ 751,872	$ 729,627
Avg. diluted common shares outstanding (000)	27,195	27,027	26,907
Consolidated tax rate	41.0%	40.8%	42.5%
Institutional ownership	60%	56%	61%
Dividends paid	$ 1.38	$ 1.83	$ 1.79
Diluted earnings per share	$ 1.11	$ 2.24	$ 2.18
Book value per share	$ 27.65	$ 27.77	$ 27.11

Composition of Utility Revenue:	YTD Q3 2014	2013	2012
Residential	58%	60%	61%
Commercial	31	30	30
Industrial	10	9	8
Other	1	1	1

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