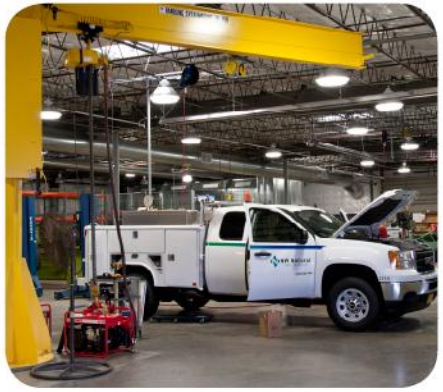










NW NATURAL

San Francisco Investor Meetings

April 22, 2014

NW Natural®

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 supply, gas reserves and their financial value and benefit, rate-based investments, customer and business growth, project development or expansion, market and business opportunities, market recovery, rate recovery, settlement recoveries, liquidity and financial positions, cash flow, revenues, earnings, margin, dividends, performance, legislative actions and impact, regulatory environment, timing or effects of future regulatory proceedings or future regulatory actions or approvals, adequacy of regulatory deferrals, rate recovery, 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 ARE WE DIFFERENT?

- Low business risk profile with near pure-play LDC
  - ❑ 90% utility operations
  - ❑ 10% non-utility gas storage operations
- Innovative regulation with incentive mechanisms
- Stable margins from residential and commercial
- Significant storage capacity in utility service area
- Organic growth opportunities
  - ❑ **High-growth area** with target marketing systems
  - ❑ **Conversion potential** with less than 60% market share
  - ❑ **Regulatory support** for safety and environmental spend
  - ❑ **Gas storage** with market recovery and expansion potential
  - ❑ **New market potential** with CNG and GHG programs
- Conservatively financed business with strong liquidity
- 58-year record of increasing dividends paid annually
  - ❑ Current yield ~ 4.2%

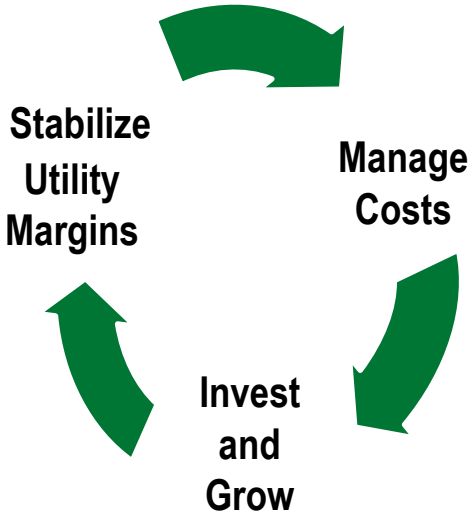


NW NATURAL OVERVIEW

Utility	• Largest stand-alone LDC in Pacific Northwest • Steady growth with 695,000 customers in Oregon (90%) and Washington (10%) • 14,000 miles of distribution and transmission pipelines
Regulation	• Constructive regulatory environment • Innovative rate mechanisms • New legislative/regulatory programs to support growth
Gas Storage	• 31 Bcf underground storage and 2 Bcf LNG storage • Facilities owned and operated in Oregon and California • Expansion opportunities (up to 7.5 Bcf @ Gill and 2.5 Bcf or more at Mist)
Financials	• Strong balance sheet and credit ratings • $3 billion in total assets with organic rate base growth opportunities • Stable revenues and cash flows
Operations	• Experienced management team • #1 in customer satisfaction (J.D. Power & Associates gas survey) • Long-standing commitment to safety and reliability

LONG-TERM GOALS AND STRATEGY

- Earnings growth target of ≥ 5%
- Continuing dividend increases
- Total return target of ≥ 8%
- Conservative, low-risk business model
- Capitalize on high-growth service territory
- Steady growth in rate-base investments
- Commitment to safety and reliability
- Organic growth prospects in Utility
- Maximize value opportunities in Gas Storage



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

— Gregg Kantor, President and CEO

2013 HIGHLIGHTS

Results

- EPS increased 3% to $2.24 per share
- Utility margins increased 3%
- Storage operating income increased 11%
- Consolidated operating expense increased 5%

Growth

- Customer count grew 1.3%
- Net utility plant assets grew 6%
- Operating cash flow increased 4%
- Record cash flow expected in 2014 w/ environmental insurance settlement

Strength

- Ranked #1 in the West in J.D. Power & Associates survey
- Developed new marketing tools (online customer portal)
- Continued to pioneer innovative regulatory programs (carbon reduction)

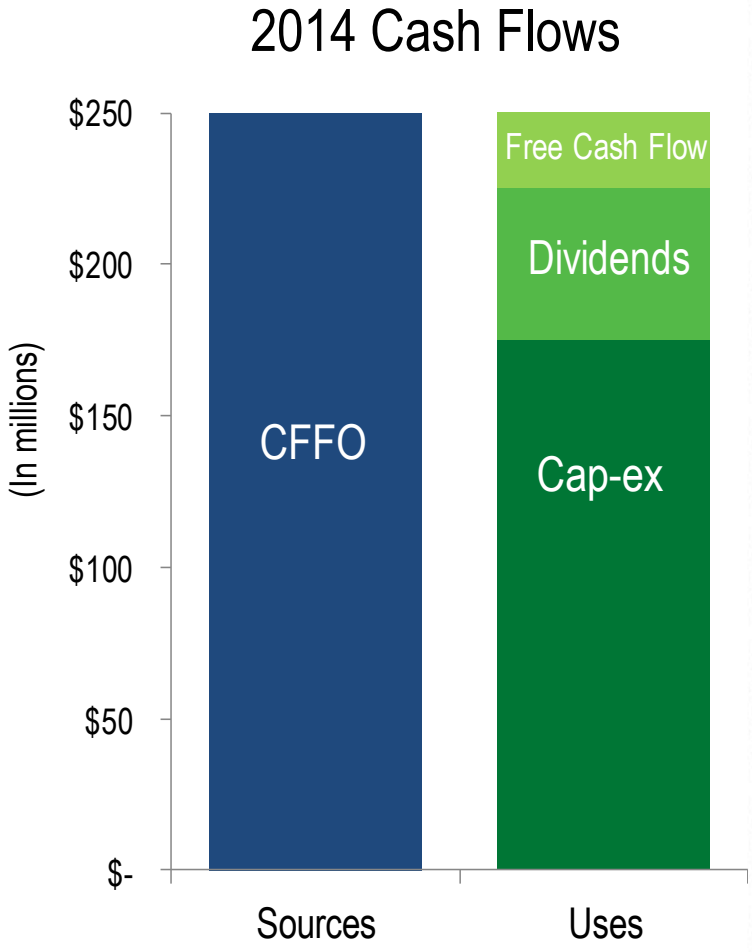
Safety

- Ranked #1 in the nation for lowest rate of gas leaks
- No cast iron and less than 10 miles of bare steel pipe left to replace
- Built a state-of-the-art “Training Town” in 2012 for ongoing safety training

LIQUIDITY UPDATE

- Stable operating cash flows
- $100 million of insurance proceeds expected in 2014
- Tax NOL carry-forward benefits
- $300 million credit facility to 2018
- Ready access to capital markets
- Strong, investment-grade credit ratings:

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



GROWTH OPPORTUNITIES

Utility

- ❑ Customer Acquisitions
- ❑ Online Customer Portal
- ❑ Transportation – CNG Tariff
- ❑ Major Industrial Accounts
- ❑ Infrastructure Cap-Ex
- ❑ System Integrity Program (SIP)
- ❑ Carbon Reduction Programs
- ❑ Gas Reserves

Gas Storage and Other

- ❑ N. Mist Storage Expansion – Utility
- ❑ Gill Ranch – CA Flex Resource Needs
- ❑ Gill Ranch – future expansion option
- ❑ Cross-Cascades Pipeline Project

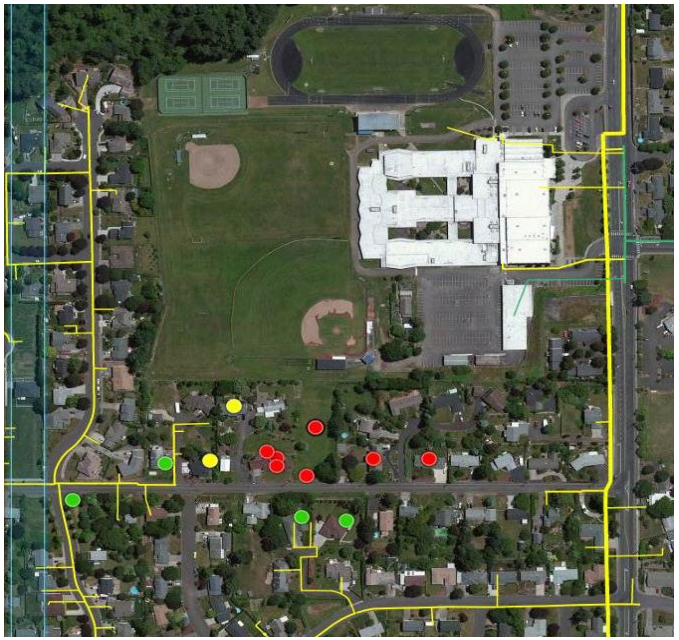






CUSTOMER ACQUISITION

Online Customer Portal



Gas available

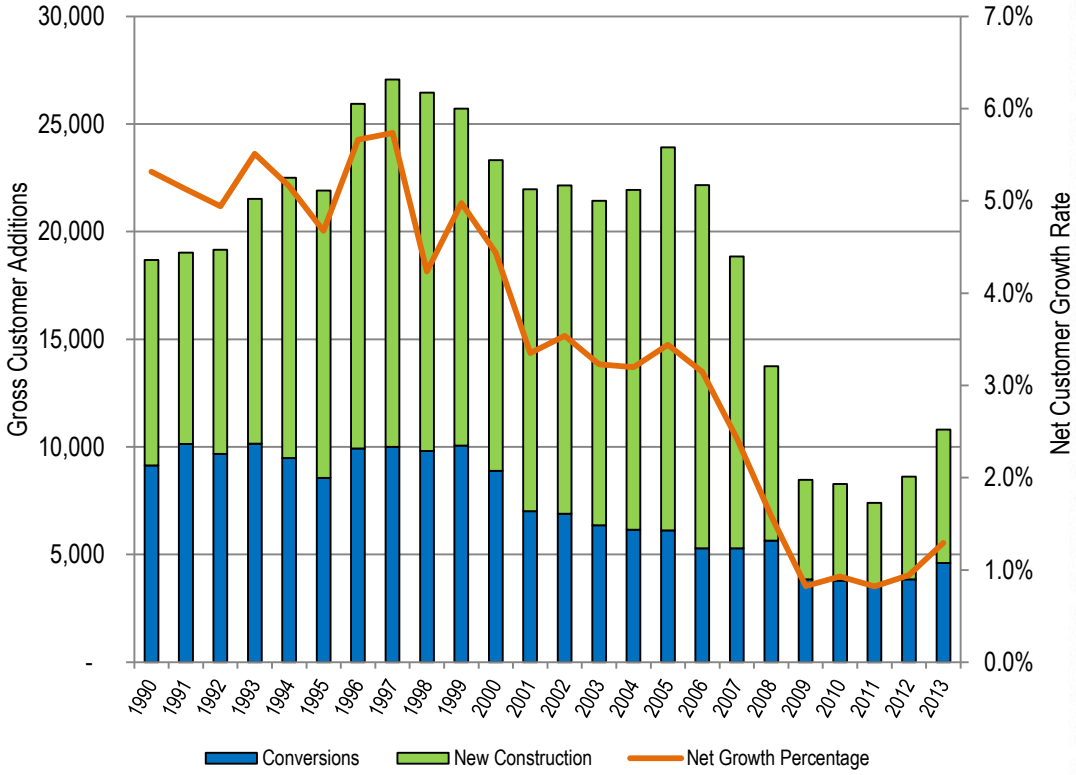
Gas may be available

Gas not currently available – future main extension

Gas main

- Innovative new web-based tool
- Conversion opportunities
- Less than 60% market share

Customer Growth



- Growth rate >1% for first time since 2008
- Home sales up 14% in 2013
- Housing permits up 46% in 2013

CNG TARIFF

- OPUC approved NWN's tariff in Jan. 2014
- NWN now able to provide high-pressure refueling stations
  - ❑ NWN would own and maintain equipment
- GE unit currently installed at NWN
- Clean, affordable energy solution
- NWN in discussions with several large fleet operators for "CNG in a Box" solution
- CNG vehicle options expanding
- Expect small but growing investment & earnings in future years



"CNG in a Box" from GE

CARBON REDUCTION PROGRAMS

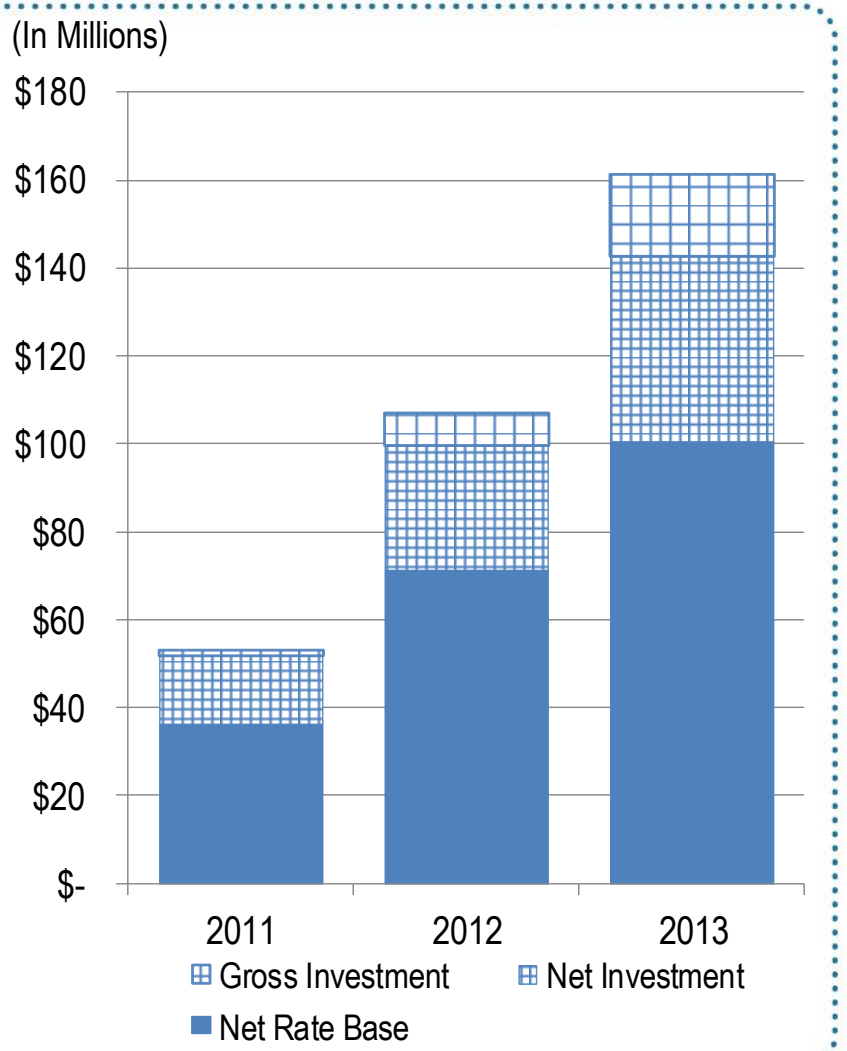
- Approved legislation in 2013
- Rulemaking to be completed 2H-2014
- Creates earnings opportunities for projects that reduce GHG emissions
- Current law applies to natural gas utilities only as an incentive
- Supported by Governor and OPUC
- Innovative approach to making “first mover” investments



Directs the OPUC to establish a voluntary emission reduction program for purposes of incenting natural gas utilities to invest in projects that reduce carbon emissions and provide benefits to customers.

GAS RESERVES

- Innovative utility investment in gas reserves in the Jonah field, Wyoming
- Provides long-term gas supply hedge
- NWN gas supply hedged 6% in 2013, and 9% estimated in 2014
- Net investment tracked into rates annually
- Jonah sold to affiliate of TPG in Mar-2014
- Cumulative gross investment of $176 million as of Mar-2014
- Original contract amended
  - ❑ Drilling currently on hold
  - ❑ NWN retains investment to-date in gas reserves, and long-term gas price hedge for its customers
  - ❑ NWN also retains rights to drill in sections of Jonah field, subject to OPUC regulatory approval



ADD'L GROWTH PROJECTS – STORAGE & PIPELINE

N. Mist, OR

- Demand for flexible gas-fired generation in Pacific Northwest
- Proposed expansion with rate-base investment on 2.5 Bcf storage capacity
- Expansion anchored by agreement to serve new Port Westward gas plant
- Subject to customer's notice to proceed (decision expected in 2014)

Gill Ranch, CA

- Current market conditions create short-term challenges
- Seeking higher value services
- Flexible resources needed to meet California's renewable portfolio standards
- Expansion capability dependent on market conditions

Pipeline Project, OR

- Additional supplies needed to support regional growth
- Company to file IRP in 2014, identifying utility's infrastructure needs
- Provide alternative pipeline delivery path into I-5 corridor for reliability
- Open season needed to secure shipper support
- NWN currently invested in a cross-Cascades pipeline venture

REGULATORY OVERVIEW

	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	

REGULATORY UPDATE

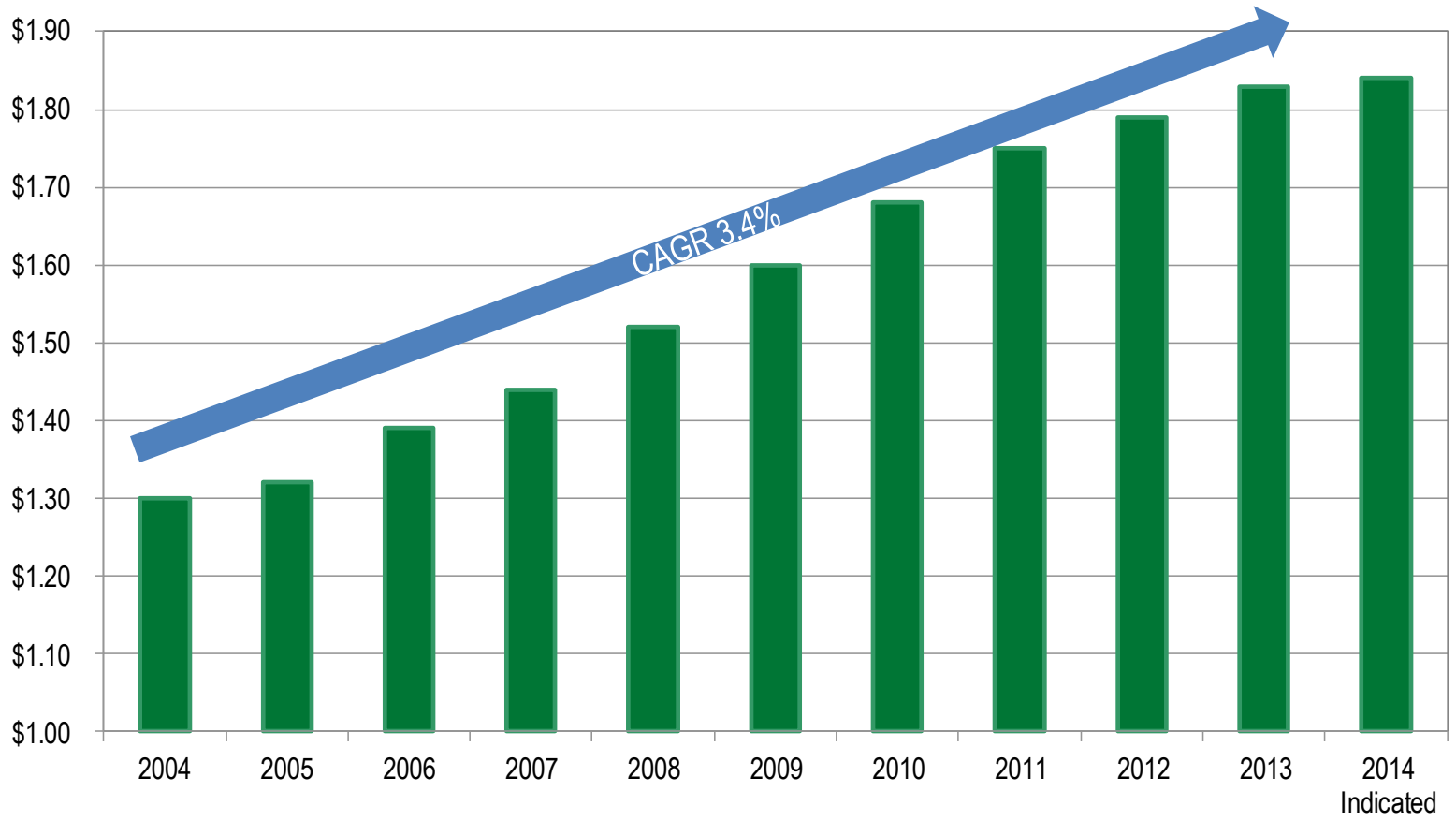
Opportunities and Successes

- **CNG Service -** Tariff approved Jan. 2014; Company-owned facility investment to serve CNG fleet fueling
- **Carbon Reduction Programs -** Oregon legislation enacted 2013, rulemaking currently underway; incentives for gas utilities to support natural gas programs reducing carbon emissions
- **Additions to Rate Base -** Gasco water treatment station ($19 million net) placed into rates Nov. 2013; SIP cap-ex ($15 million net) placed into rates Nov. 2013
- **N. Mist Expansion -** Ready to file proposed tariff for “no notice” storage service to PGE
- **Pension Cost Deferral –** Withdrawal liability from multi-employer plan approved

Open Dockets

- **Environmental Cost Recovery -** Ongoing proceeding to resolve Site Remediation and Recovery Mechanism for past and future environmental costs
- **Prepaid Pension Assets -** Ongoing proceeding to resolve Utilities’ request to include prepaid pension asset in rate base
- **Interstate Storage and Optimization Revenue Sharing -** Ongoing proceeding to review incentive sharing arrangement including revenues in earnings test
- **Integrated Resource Plan –** Biannual filing; identifies Utility supply and demand requirements with corresponding least cost resource acquisition strategies

DIVIDEND HISTORY



- 2013 marked the 58th consecutive year of increased dividends paid to shareholders
- One of the longest running dividend increase records of companies on the NYSE

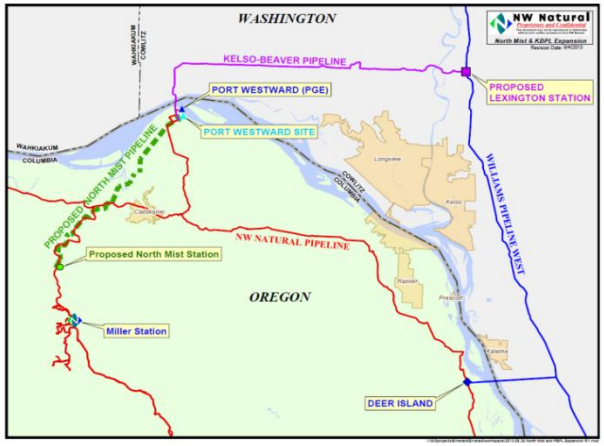
CONCLUSION – A PATH TO SUCCESS

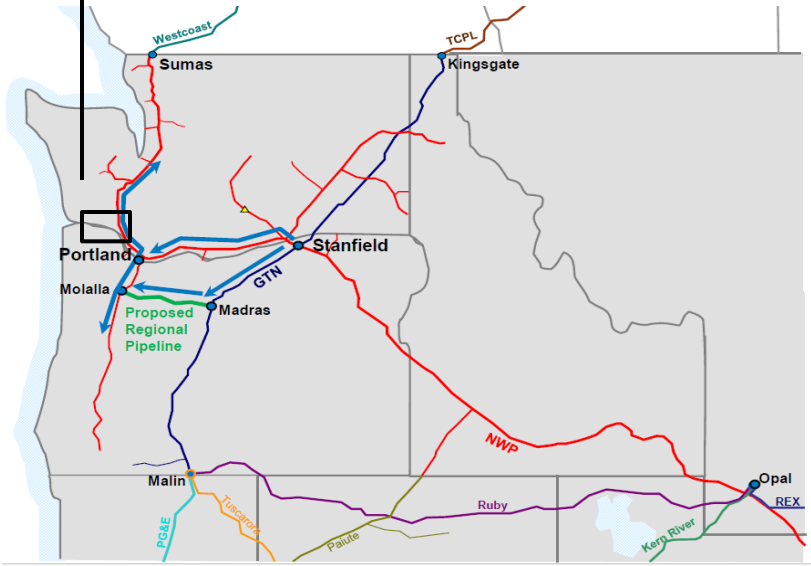
- **Utility-focused business** with a majority of margin revenues generated from core customers
- **Solid performance in 2013** with $2.24 per share on net income of $61 million, compared to $2.18 per share on net income of $59 million in 2012
- **Positioned well for growth**
  - Opportunities due to abundant supply of clean and affordable natural gas
  - Focused marketing efforts on new construction, conversions, and multi-family market penetration
  - New customer portal tool at www.nwnatural.com
  - Transportation – CNG as a potential fuel for a growing market
  - Large commercial and industrial demand increasing
  - Regulatory support for using natural gas to reduce carbon emissions
  - Storage development opportunities to support flexible electric generation needs
- **Continuing 58 year history of increasing dividends** paid to shareholders

ADDENDUM – ADDITIONAL INFORMATION

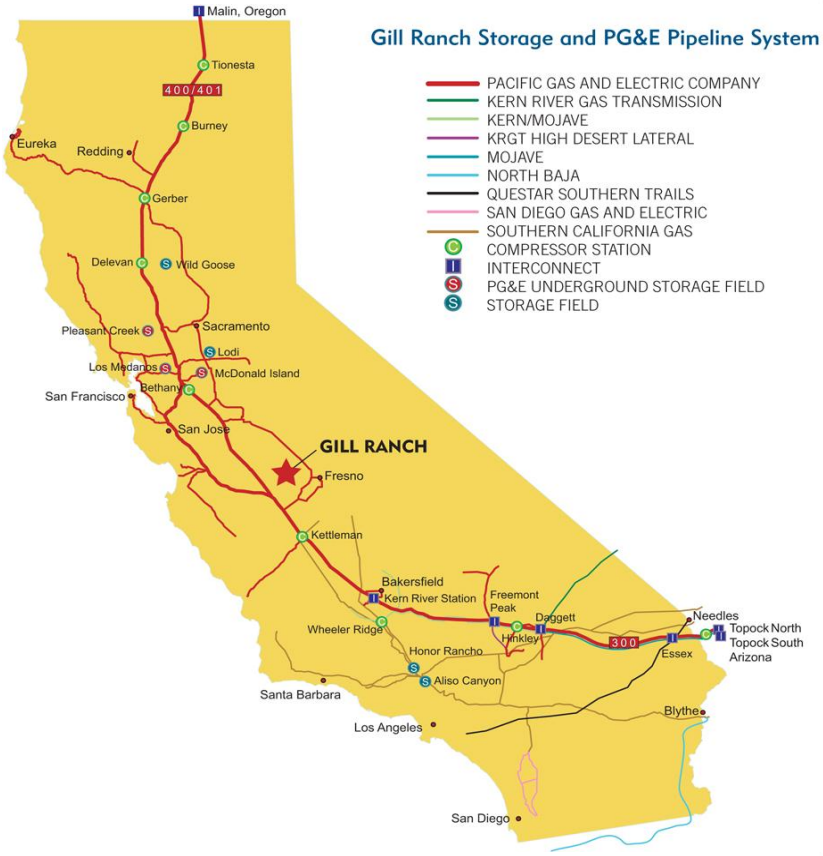
MAPS

N. Mist & Pipeline Projects (OR)



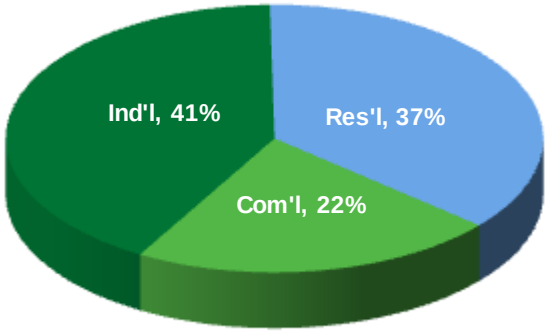


Gill Ranch Storage (CA)

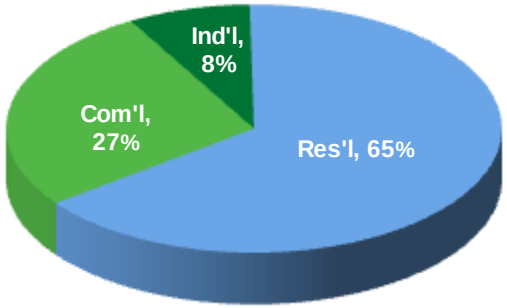


FINANCIAL METRICS

Utility Volumes by Class



Utility Margin by Class



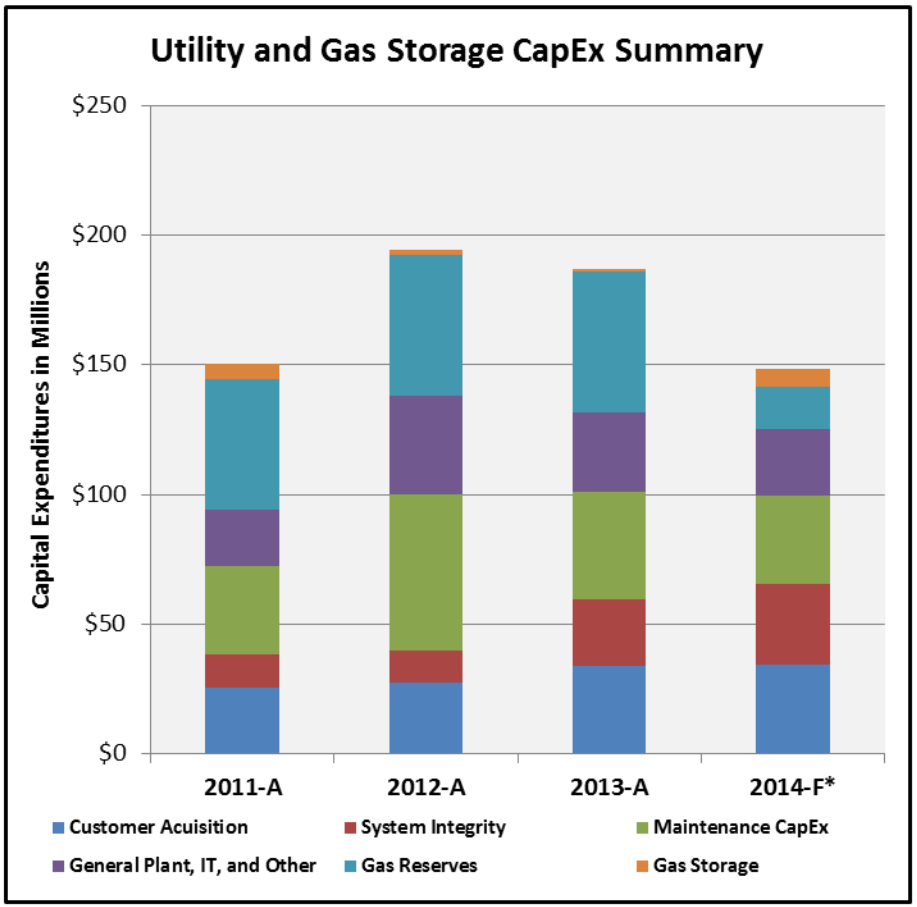
	2013	2012	2011
EPS	$2.24	$2.18	$2.36
Utility Margin	$353.9M	$344.5M	$343.0M
Storage Op. Income	$14.7M	$13.2M	$9.1M
Net Income	$60.5M	$58.8M	$63.0M
Utility Customers	694,873	685,941	679,543
Customer Growth Rate	1.3%	0.9%	0.8%
Book Value Per Share	$27.77	$27.11	$26.62
Institutional Ownership	56%	61%	52%

CAPEX SPEND & FORECAST

CapEx Detail (in Millions)	2011-A	2012-A	2013-A	2014-F*
Customer Acquisition	$25.7	$27.3	$33.8	$35
System Integrity	$12.6	$12.6	$25.8	$31
Maintenance CapEx	$34.3	$59.9	$41.5	$34
General Plant, IT, and Other	$21.5	$38.4	$30.6	$25
Utility CapEx	***$94.0***	***$138.3***	***$131.7***	***$126***
Gas Reserves [1]	$50.6	$54.1	$54.1	$16
Utility CapEx & Gas Reserves	***$144.6***	***$192.3***	***$185.7***	***$142***
Gas Storage	$5.5	$1.9	$1.4	$7
Total	***$150.2***	***$194.2***	***$187.1***	***$149***

1. Drillilng investment in Gas Reserves ended March 31, 2014. May continue under amended agreement, subject to OPUC approval.

Utility CapEx for 2014-2018 is estimated at $600-$700 Million



ENVIRONMENTAL COST RECOVERY

- Settlements total about $102 million
- Remainder of settlements due in first half of 2014
- Recoveries will be used to offset past and future environmental expenditures from legacy manufactured gas plants, as determined by the site remediation and recovery mechanism (SRRM) docket
- Recoveries improve NWN's liquidity position in 2014; reducing short-term borrowing and redeeming $50 million of MTN's due in July
- SRRM cost recovery mechanism (i.e. regulatory docket) expected to be resolved in 2014



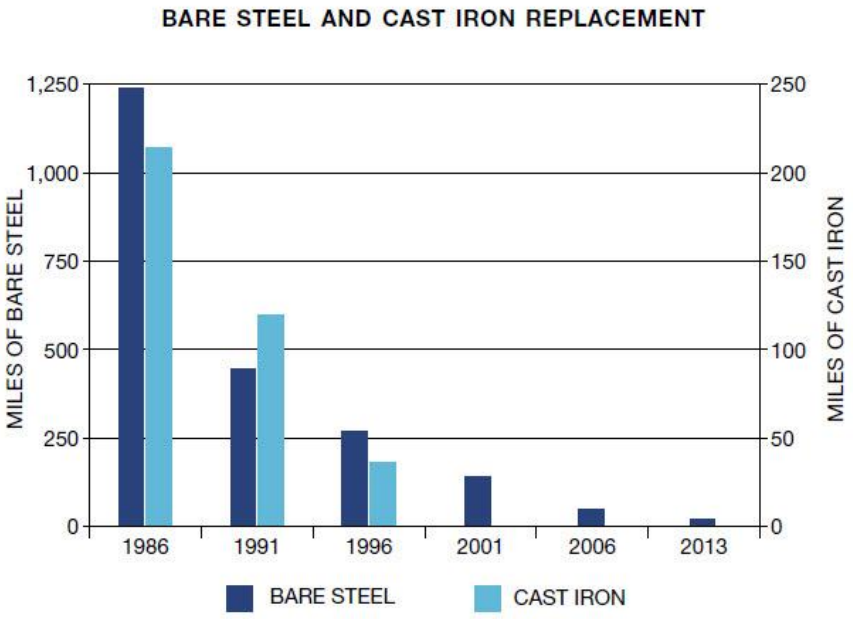
SAFETY

- Safety is our highest priority
- Significant investments in:
  - ❑ system reinforcement
  - ❑ pipe replacement
  - ❑ reducing leaks
- State-of-the-art training center:
  - ❑ live, scenario-based training
  - ❑ community resource
- Continued focus on new state and federal pipeline regulations



BARE STEEL & CAST IRON REPLACEMENT

- Relatively new system as natural gas came to PNW in mid-1950s
- NW Natural ranked among lowest LDCs in the 2007-2012 period on number of gas leaks *(Source: SNL Financial)*
- All cast iron pipe was removed from NW Natural's system by 2000, and less than 10 miles of bare steel main remain today, which is being replaced
- OPUC approved System Integrity Program (SIP), allowing NW Natural to accelerate spending on pipe replacement through 2015



The company has only about 10 miles of bare steel main left in its system. All cast iron pipe was removed by 2000.

GAS RESERVES UPDATE

- On March 28, 2014, NW Natural's wholly-owned subsidiary, NWN Gas Reserves LLC, entered into an amendment to the original Agreement with Encana
- In the amendment, NW Natural agreed to end the drilling program required under the original agreement
- NW Natural was assigned additional working interests in certain sections of the Jonah Field, with potential drilling rights
- The company's total investment in the drilling program was approximately $178 million
- NW Natural will continue to earn its approved rate of return on this investment
- The gas reserves provide a long-term physical gas price hedge for utility customers



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About NW Natural

NW Natural (NYSE: NWN) is headquartered in Portland, Ore., and provides natural gas service to about 695,000 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 $3.0 billion in total assets. NW Natural and its subsidiaries currently own and operate underground gas storage facilities with storage capacity of approximately 31 Bcf in Oregon and California. Additional information is available at www.nwnatural.com.