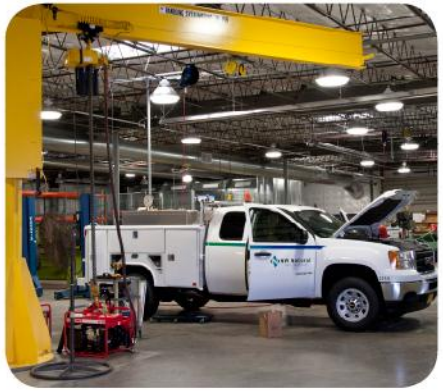










INVESTOR MEETINGS

March 2013

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, hedge efficacy, gas reserves and their financial value and benefit, customer and business growth, project development and expansion, weather, commodity costs, customer rates, liquidity and financial positions, revenues and earnings, dividends, performance, legislative actions and impact, effects of future regulatory proceedings, approval and adequacy of regulatory deferrals, rate recovery, 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. We caution you therefore 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. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

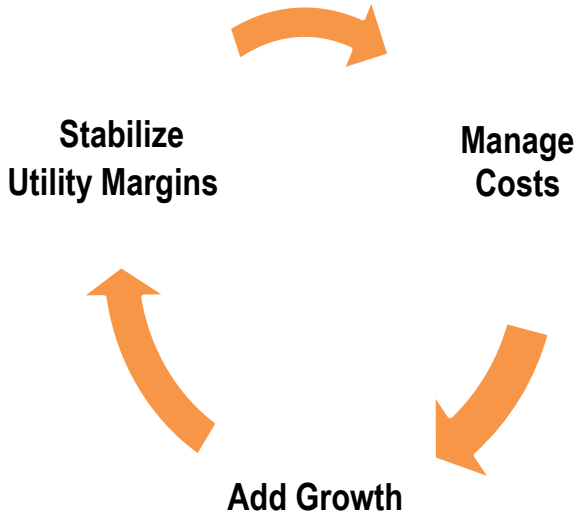
NW NATURAL AT A GLANCE

- 686,000 utility customers in Oregon and Washington
  - 90% Oregon, 10% Washington
  - Largest stand-alone LDC in Northwest
- 14,000 miles of distribution and transmission system
- Conversion opportunities due to gas coming late to the West Coast
- Constructive regulatory environment
  - Innovative margin stabilization and incentive-sharing mechanisms
  - Pipeline safety cap-ex tracker
  - Environmental cost recovery mechanism
- 31 Bcf of underground gas storage capacity (with expansion potential) in Oregon and California
- Strong balance sheet, stable cash flows and low refinancing risk
- Experienced management team committed to maintaining strong financial and liquidity position; focused on growth that fits the company's "DNA" risk profile
- Consistently high customer satisfaction ratings: top-tier rankings in JD Power & Associates annual survey for 9 consecutive years
- Indicative dividend rate of $1.82 per share with record of increasing dividends paid for 57 consecutive years



CONSISTENT CORPORATE STRATEGY

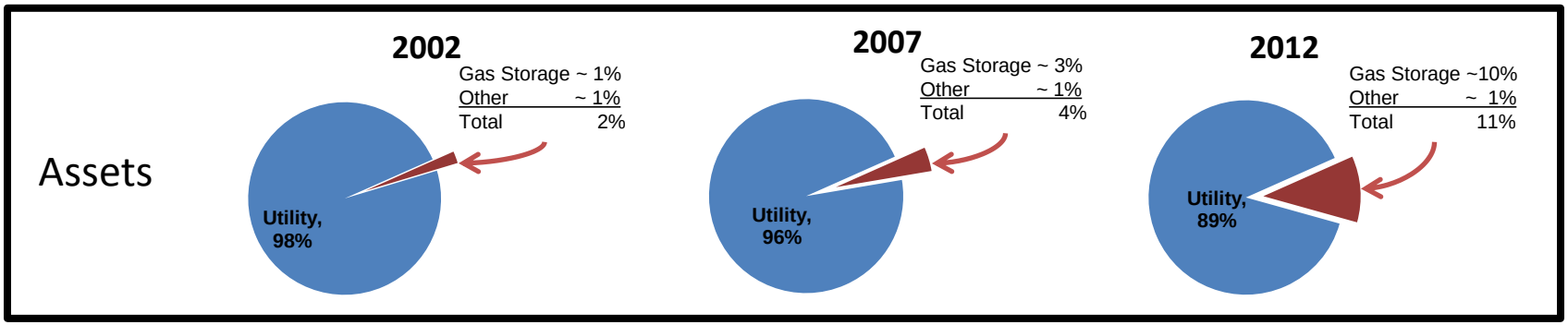
- Stabilize margins through regulation
  - Weather normalization in Oregon
  - Decoupling mechanism in Oregon
  - Constructive relationships with regulators and customer groups
- Manage cost structure
  - Continue focus on business operations footprint
  - Improve safety, service and reliability by optimum use of technology and resources
- Add longer-term growth opportunities that fit NWN's risk profile and leverage what we do best
  - Utility – abundant, clean and low-priced natural gas
  - Gas reserves – low risk, stable price and regulated return
  - Gill Ranch – short-to medium-term storage contracts, California growth market, expansion opportunities
  - Mist – long-term storage contracts, optimization opportunities, mostly utility counterparties, planned storage expansion
  - Other infrastructure – a proposed pipeline investment to reinforce system reliability and growth for the Northwest

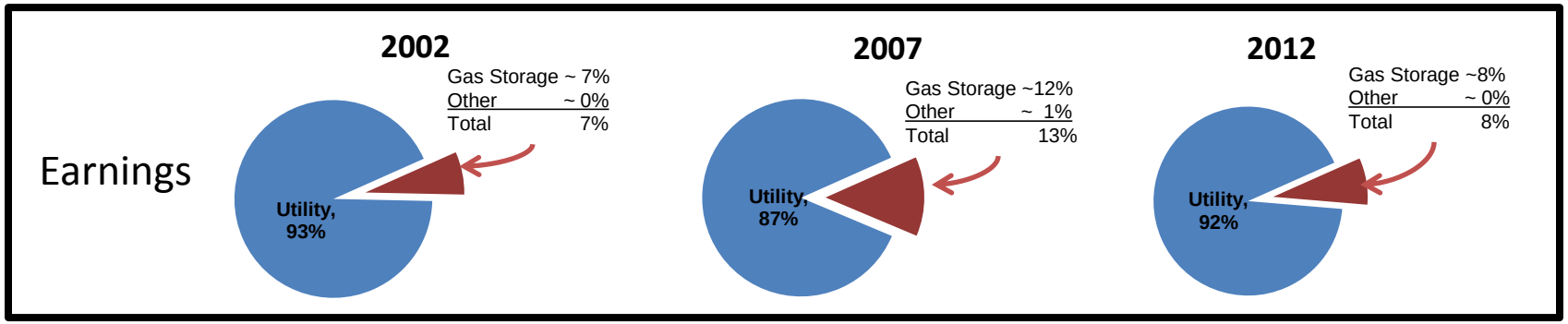


BUSINESS MIX

2012 Updates:

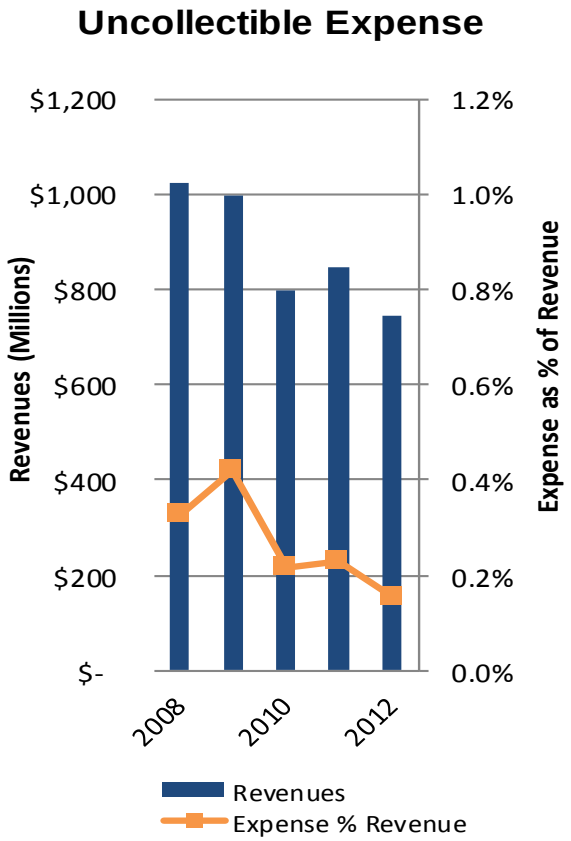
- Utility segment margin - $345 MM vs. $343 MM last year (approx. 90% R&C).
- Gas storage segment operating income - $13.2 MM vs. $9.1 MM last year.





2012 HIGHLIGHTS

- Consolidated earnings $2.22 per share on net income of $59.9 MM, compared to $2.39 per share on net income of $63.9 MM in prior year
- 2012 results negatively impacted by two rate case items:
  - $2.7 MM after-tax write-down for state income tax disallowance
  - $3.9 MM pretax revenue decrease for temporary impact of new billing rates
- General rate case decision approved/renewed key regulatory mechanisms, but some policy decisions delayed until 2013
- Gas rates to customers decreased for 4th year in a row…rates now more than 30% lower than 2008; customers have saved over $400 MM
- Safety enhancements:
  - Launched new, specialized Emergency Contact Center with 24/7 coverage
  - Invested in new operations center and industry-leading training facility
  - Implemented new safety program
- Mist storage and pipeline capacity optimization agreement extended through March 2014, including an increase in guaranteed revenues
- Customer growth rate was 0.9% in 2012, compared to 0.8% in 2011
- Customer satisfaction remains high: Ranked 1st for Business and 2nd for Residential in the West by J.D. Power & Associates
- Bad debt expense at historical low, with 0.15% of revenues
- Common stock dividend increased 2.2% to 45.5 cents per share in 2012, marking this the 57th consecutive year of dividend payment increases



REGULATORY UPDATE – RATE CASE

- Final order issued November 2012
  - Annual revenue requirement
    - $9 MM overall increase in base rates
    - Base rate change includes $15 MM recovery of previously recognized revenue from decoupling mechanism, resulting in net annual revenue decrease of $6 MM annually
    - Quarterly revenue spread is different due to increase in fixed monthly charge and decoupling true-up
  - Authorized cost of capital
    - 9.5% ROE, 7.78% ROR, and 50/50 cap structure
    - WARM and Decoupling mechanisms renewed, with no sunset provision
    - System Integrity Program (safety-related cap-ex tracker) continued for 2 years, with opportunity to renew
  - Environmental cost recovery mechanism adopted
    - No sharing mechanism, but subject to annual earnings test
    - Earnings test with dead band ordered; details will be decided in separate regulatory proceeding
    - Prudence review requirement for costs incurred
  - Issues moved to future regulatory proceedings
    - Interstate storage sharing mechanism (expect decision by year-end)
    - Working gas inventory carrying costs (expect decision this summer; applies retroactively to Nov. 1, 2012)
    - Prepaid pension asset rate treatment (expect decision to apply to all Oregon utilities later this year)
  - Mid-Willamette Valley Feeder (will seek recovery in future proceeding or rate case)

REGULATORY OVERVIEW

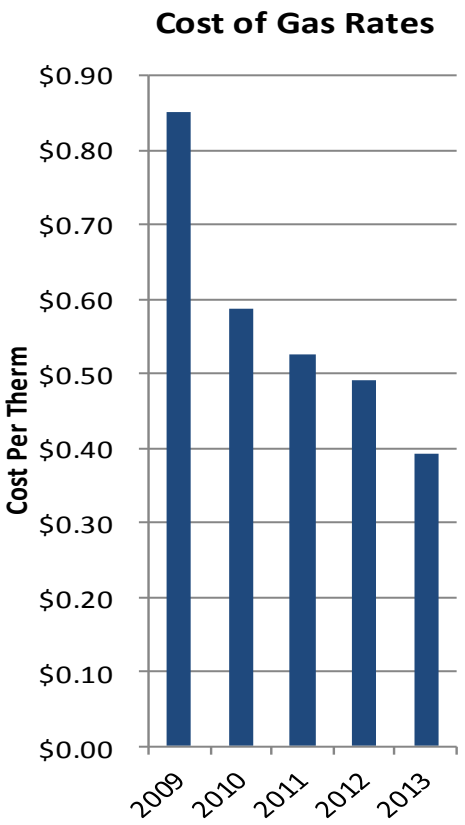
- Purchased Gas Adjustment (PGA) mechanism
  - Lower gas costs resulted in rate decrease for Oregon (7.4%) and Washington (8.4%), effective Nov. 1, 2012
    - Over the last four years, customer rates decreased by over 30% and cumulatively saved over $400 MM for customers
  - Oregon PGA incentive-sharing mechanism established appropriate risk-reward balance with customers
  - Company elected 90/10 customer-shareholder sharing ratio for 2012/13 contract year (same as prior year)
  - NWN has never had prudence disallowance for gas costs in Oregon or Washington
- Decoupling mechanism
  - Applies to Oregon customers only. Baseline use per customer was reset with the 2012 GRC
  - Fixed monthly charge increased from $6 to $8 for residential customers, moving towards to a decoupled rate
  - Removed annual price elasticity adjustment factor
- Weather normalization mechanism (WARM)
  - Applies to Oregon customers only. In effect between Dec. 1 and May 31, which is now more aligned with decoupling
- Utility gas reserves
  - OPUC approved investment with Encana to develop gas reserves in the Jonah Field, Wyoming
  - Company allowed to earn regulated return on rate base
- Pension deferral
  - Balancing account in Oregon to defer FAS 87 pension expenses above amounts recovered in rates
  - Decision was delayed on company's request to recover carrying cost on prepaid asset balance

GROWTH OPPORTUNITIES

- Utility
  - Organic residential customer growth (new construction and conversion opportunities)
  - Added commercial and industrial loads
  - Development of CNG/LNG markets
- Gas Reserves
  - Rate-based hedge of long-term gas supplies (2011-2015)
  - Looking for opportunities to add long-term physical supply reserves
- Mist Storage
  - Planning storage development (PGE agreement)
  - Additional expansions enabled by next infrastructure investment
- GRS Storage
  - Expandable for additional 5-25 Bcf to meet market demand
- Pacific NW Infrastructure Investment (Palomar pipeline)
  - Regional need for natural gas transmission pipeline for reliability and growth

UTILITY OPPORTUNITIES

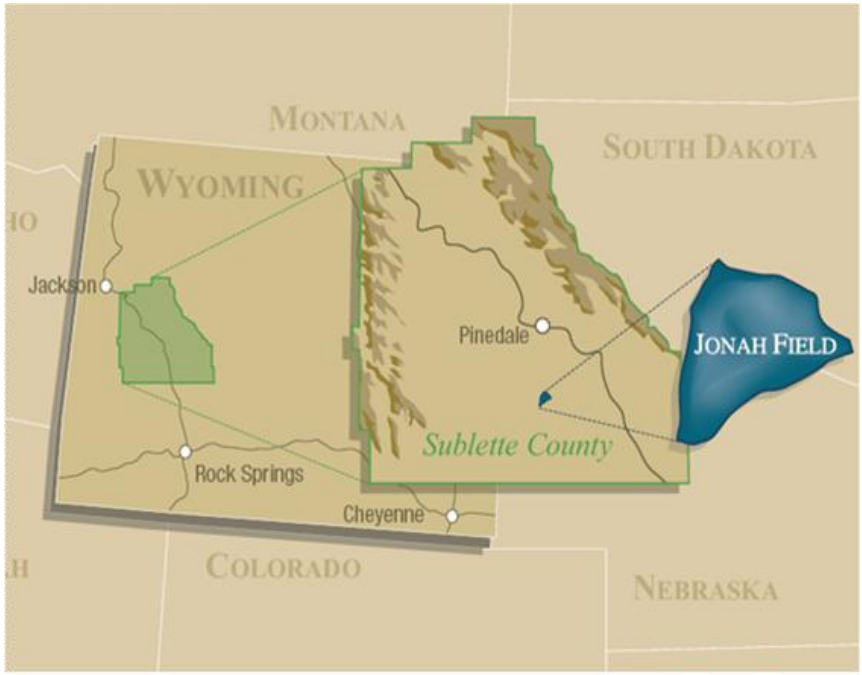
- Abundant domestic supplies, lower prices and environmental benefits are creating new opportunities for natural gas in NW Natural's service territory
- Residential customer adds (new construction and conversion)
- Developing technology solutions to automate/enhance customer experience
  - Initiative to simplify access to broad array of services and information for customers, builders, contractors and retailers – anytime, anywhere
  - Create one-stop shopping experience
- Aggressively looking for new commercial and industrial loads
  - Industrial load coming back to the United States
  - 36 new large commercial and industrial businesses have signed up for gas service in the last 2 years
- Expanding growth efforts to the transportation fuel market
  - Supported by Oregon Governor's 10-year energy plan – promotes use of natural gas as an alternative to diesel and gasoline
  - Company to focus on customers with the ability to achieve economies of scale (fleet vehicles, long-haul trucking, marine vessels, etc.)
- Gas Reserves
  - Long-term commodity price stability
  - Earn regulated return on rate-base investment



GAS RESERVES

Joint Venture with Encana Oil & Gas:

- NW Natural continues to invest in JV to earn working interests in gas reserves at Encana's Jonah Field (Wyoming)
- JV operations managed by Encana include currently producing wells and new wells
- Agreement provides gas for 30 years with the majority flowing in first 10 years
- Expected to provide approximately 8-10% of NWN's average annual requirements over first 10 years
- Investment is tracked into rates with the annual PGA filing
- Total gross investment to date = $107 MM at YE 2012 (or $71 MM net rate base), with additional ~$150 MM planned spend over next 3 years
- Drilled 20 wells in 2011, 22 wells in 2012, and 23 scheduled for 2013



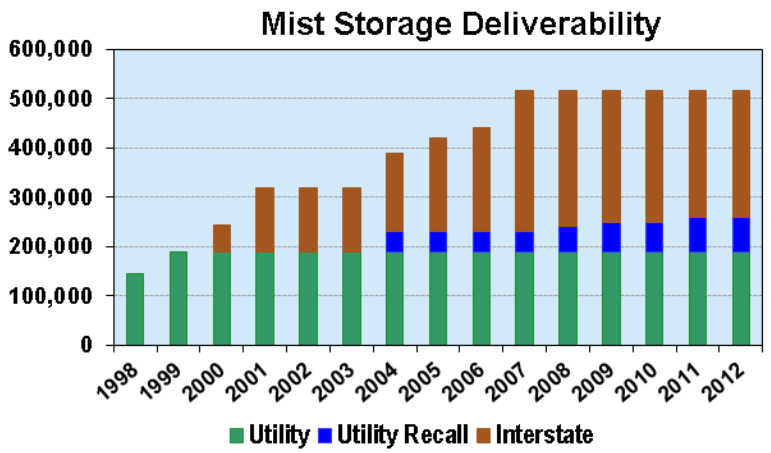
MIST STORAGE DEVELOPMENT

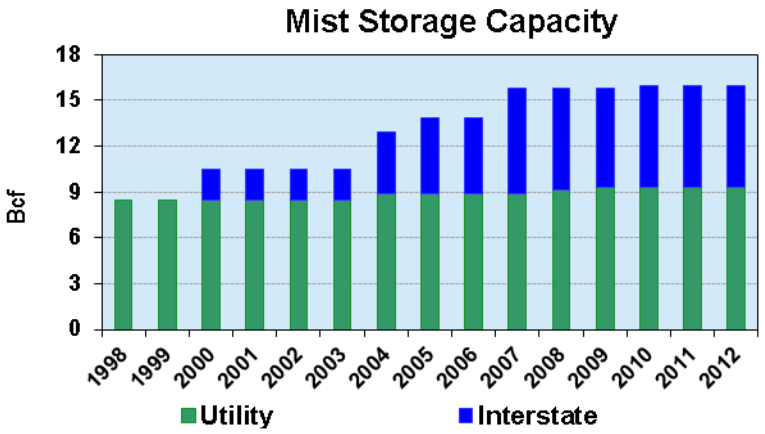
Development Recap:

- Company started storing natural gas underground at Mist for the utility in 1987
- Mist interstate storage business went into service in 2000 with expansion of storage fields and control facility improvements
- Interstate storage consists of storage capacity and deliverability developed in advance of core utility needs, which is sold into interstate market at cost-based rates
- Utility business can recall capacity and deliverability from interstate storage business as needed for core utility customers
- Total current storage capacity at Mist is 16.0 Bcf
  - 9.5 Bcf Core Utility
  - 6.5 Bcf Interstate Storage

Current & Future Opportunities:

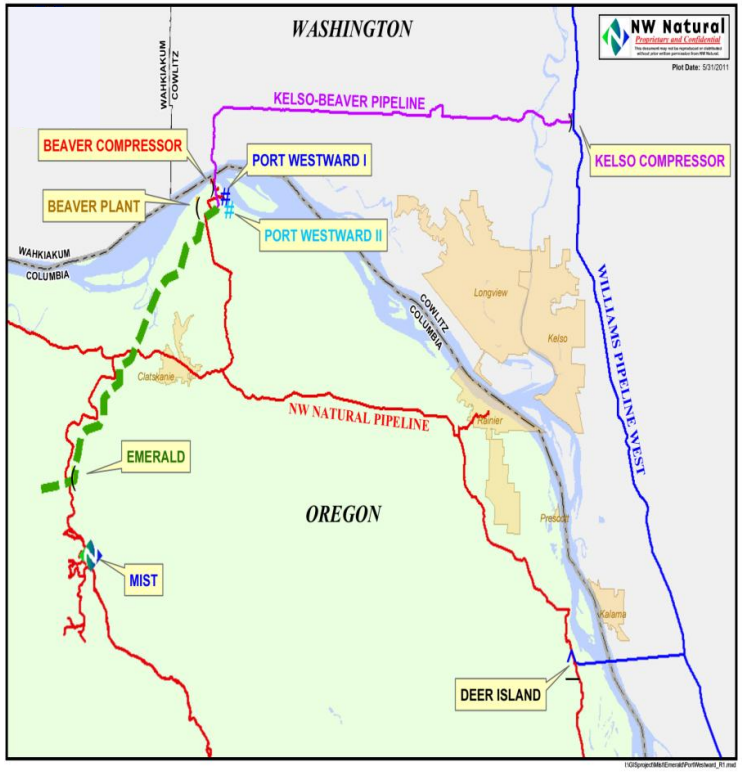
- PNW region among the strongest markets for natural gas storage capacity
  - Contract values well above national average
  - Longer contract term commitments possible
- Future expansions at Mist one of very few storage development opportunities in region
- Currently planning next expansion





MIST EXPANSION PROJECT

- Electric generation capacity is needed for wind integration and load growth beyond hydro systems' capabilities
- Current storage-related infrastructure in PNW are fully committed to existing utility and interstate customers
- Most interstate storage resources expected to be recalled by core utility within the next 20 years
  - Recalled capacity will be added to utility rate base and earn allowed ROE
  - Current interstate capacity subject to recall cannot be committed to long duration contracts
- NWN agreement is to develop storage expansion for PGE as long-term anchor tenant, supporting new wind following electric generation facility at Port Westward. Proposal includes dedicated pipeline serving PW
- NWN will continue to market expansions to electric utilities needing support for existing and new energy requirements in PNW
- Customers must be willing to pay cost of service rate
  - Construction cost risk born by customer(s)
  - Return on investment is regulated rate base ROR
  - Long-term contracts (targeting 30 plus years)
  - Allow NW Natural to receive a utility equivalent rate of return
- Development timing ~ 2016 in service



GILL RANCH STORAGE

Development Recap:

- Strategic location for customers
- Market area storage at prime location on PG&E system
- 75/25 venture with PG&E; eventual 50/50 split after phase II build out
- Under CPUC jurisdiction – market-based rates
- Depleted gas reservoirs
- Phased development
  - First 20 Bcf completed and in-service
  - Expandable for additional 5-25 Bcf to meet market demand
  - Future development impacted by market pricing and demand



REGIONAL INFRASTRUCTURE INVESTMENT

- Regional Pipeline Important Investment for Region
  - Access additional natural gas supplies for regional growth
  - Provide a second pipeline delivery path into NW Natural territory for reliability
- NWN IRP
  - Submitted reliability analysis study supporting a cross Cascade pipeline in its draft Washington IRP
- Project Review
  - Currently a 50/50 JV with TransCanada
  - Company will refile a FERC application to address changes in the project's scope and scale

Pipeline Infrastructure



CONCLUSION

- Consolidated earnings - $2.22 per share on net income of $59.9 MM in 2012, compared to $2.39 per share and net income of $63.9 MM last year
- Constructive regulatory environment – includes margin stabilization and key investment/cost recovery mechanisms
- Recent general rate case - approved several key long-term recovery mechanisms, including improvements to WARM and Decoupling mechanisms, but also delayed some policy decisions to 2013
- Company utility-focused (~ 90%) with a majority of margin revenues generated from core residential and commercial customer segments. Growth potential from utility and nonutility investments
- Natural gas positioned well for growth in service territory
  - Abundant supplies and low prices create competitive advantage
  - R&C customer counts growing at ~1% per year
  - Large commercial and industrial demand increasing from added loads and new businesses
  - Storage development opportunities to support electric generation and future demand
- Strong liquidity position with low refinancing risk
- 57-year history of increasing dividends paid to shareholders
- 2013 earnings guidance range is $2.15 to $2.35
- Strong investment-grade credit ratings
  - Secured LT Debt: S&P (AA-) and Moody's (A1)
  - Commercial paper: S&P (A-1) and Moody's (P-2)
  - Outlook: S&P (Stable) and Moody's (Neg)

NW NATURAL OVERVIEW

- NW Natural (NYSE: NWN) is a 154-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 57 consecutive years. NW Natural operates gas storage facilities in its service territory and provides gas storage services to other energy companies.

Key Indicators:	**2012**	**2011**
Total Customers	685,941	679,543
Total Common Equity	$ 733,033	$ 714,488
Avg. diluted common shares outstanding (000)	26,907	26,744
Number of registered common shareholders	6,405	6,745
Institutional ownership	61%	52%
Annual dividends	$ 1.79	$ 1.75
Diluted earnings per share	$ 2.22	$ 2.39
Book value per share	$ 27.23	$ 26.70
Composition of Utility Revenue:	**2012**	**2011**
Residential	61%	60%
Commercial	30	29
Industrial Firm	4	4
Industrial interruptible	4	4
Other	1	3
Current Bond ratings:	**Moody's**	**S&P**
Secured long-term debt	A1	AA-
Commercial paper	P-2	A-1
Outlook	Neg	Stable

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  Email: bob.hess@nwnatural.com