NW Natural®

We grew up here.



May 7, 2012

AGA Financial Forum

Scottsdale, Arizona

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, business ventures, estimated gas reserves and their financial value and benefit, customer growth, credits to customers, weather, commodity costs, customer rates, effects of financial derivatives, financial positions, revenues and earnings, dividends, performance, cost management, legislative actions and impact, rate case outcomes, regulatory actions or approvals, 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.

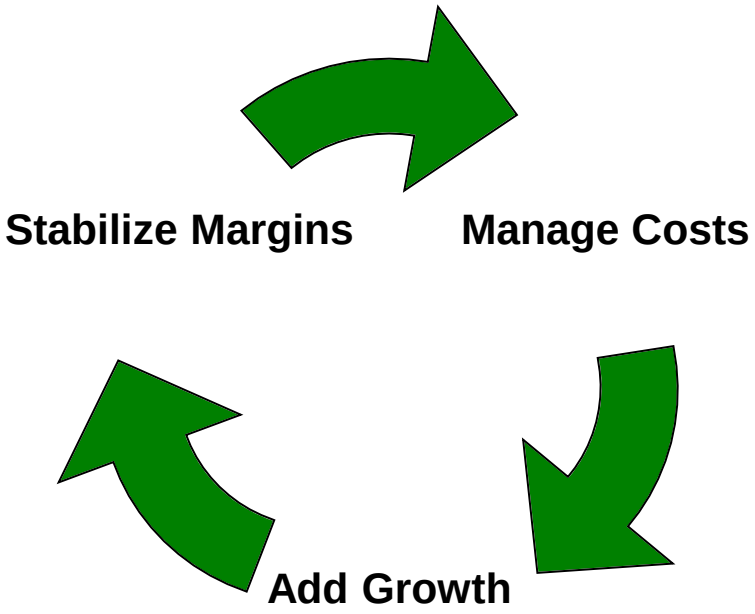
NW Natural at a Glance

- 682,000 customers in OR & WA
  - 90% Oregon, 10% Washington
- A distribution and transmission system totaling approximately 14,000 miles
- A total of 31 BCF of designed underground gas storage capacity (with expansion potential) in OR & CA
- Conversion opportunities exist due to natural gas coming late to the Northwest and price advantage
- Constructive regulatory environment – Oregon GRC filed Dec. 30, 2011 -- (10 month process) – first in 9 years
- Gas reserves investment operating as designed
- Strong balance sheet & financial condition with low refinancing risk with strong credit ratings
- Experienced management team
- JD Power Customer Satisfaction — consistently top 3-rating in U.S and western U.S. with residential and commercial customers
- Indicative dividend rate of $1.78 per share & 56 years of increasing dividends paid to shareholders

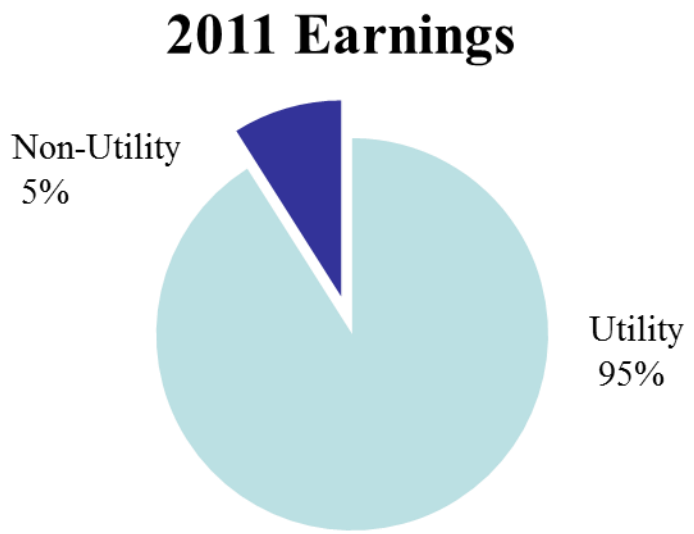


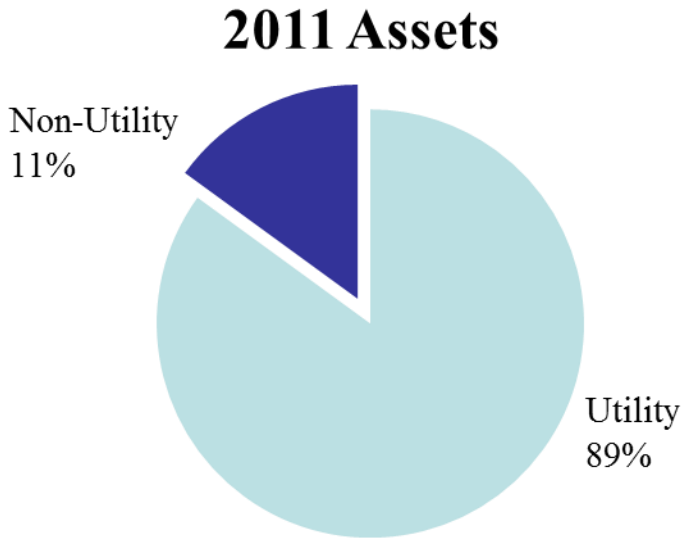
NW Natural Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas LDCs
  - Work well with regulators & others
- Managing cost structure
  - Continuing to make improvements
  - Increased use of technology to improve reliability & safety
- Adding longer-term growth opportunities that fit NWN's "DNA" risk profile and leverage what we do best
  - Gas reserve investment to provide low-cost, long-term gas supplies to Oregon customers
  - Gill Ranch Gas Storage in California
  - Mist Gas storage expansion opportunity in Oregon
  - Palomar pipeline project in Oregon



NW Natural Business Mix





- Customer mix – 90% OR, 10% WA – ~682,000 utility customers
- Utility net revenue – 92% from stable R&C customers
- Non-utility activities – primarily natural gas storage

NW Natural

2012 Q1 Highlights

- Earned $1.51 per share in Q1-2012 on $40.6 million of net income vs. $1.53 per share on net income of $40.8 million in 2011
- Gill Ranch Gas Storage in second year of operations
- Entering second year of rate-based gas reserves investment to provide approximately 30-year gas supply for Oregon customers
- Company ranked second-highest in the nation in 2012 among gas utilities for business customer satisfaction– and consistently ranks among top 3 in U.S.by J.D. Power for residential customers
- Filed with OPUC and WUTC for Oregon and Washington customers to receive a $39 million bill credit in June due to low natural gas prices
- General rate case in Oregon is ongoing, with an expected outcome in October
- Bad debt expense kept to 0.23% of revenues at March 31, 2012
- Increased quarterly dividend in November 2011 to 44.5 cents per common share from 43.5 cents per share – the 56th consecutive year of increasing dividends paid (indicated annual dividend of $1.78 per share)
- Earnings guidance for 2012 reaffirmed at $2.35 to $2.55 per share on May 4

Regulatory Activity

- **Oregon and Washington customers receive $39 million credit**
  - Due to lower gas costs, customers will be provided credits in June bills if approved
  - NW Natural also filed a request to provide Oregon customers an additional $9 million credit from efficient pipeline management and effective use of the Mist storage facility
- **Encana transaction meeting targets**
  - Rapid turnaround and all-parties settlement important to gain approval and completion of ~$250 million gas reserves investment over five years.
  - NW Natural's total investment to date was $70 million through March 31, 2012
- **Customers received ~2% rate decrease for 2011-12 PGA year**
  - Selected 90/10 sharing mechanism for 2011-2012 heating season
  - Residential rates have gone down 20% in Oregon and 26% in Washington over the past three years
- **Company filed general rate case in Oregon in late December 2011**
  - Rate case is ongoing with outcome expected by October 2012

Oregon Rate Case – Docket UG 221

- Filed December 30, 2011 with OPUC
- November 2012 to October 2013 test year
- Requesting $43.7 million in increased revenues or about 6.2 percent increase
- Requesting 10.3% return on equity (8.28% overall Rate of Return – 50/50 cap structure)
- Establishment of Site Remediation Recovery Mechanism (environmental cost recovery) could result in additional 1 to 3 percent rate increase
- Revised pension recovery mechanism
- Rate design changes for residential and small commercial customers proposed
- Extension of System Integrity Program

Drivers of Increase

($s in millions)	
Decoupling	$15.1
O&M Safety Costs	$9.1
O&M Customer Service Costs	$5.1
Pension	$7.7
Rate Base Increases	$5.7
Other O&M and Other	$1.0
Total Requested Rate Increase	$43.7

*Environmental cost recovery not included in the above (outside of base rates)

NW Natural

UG 221 Schedule (Subject to Change)

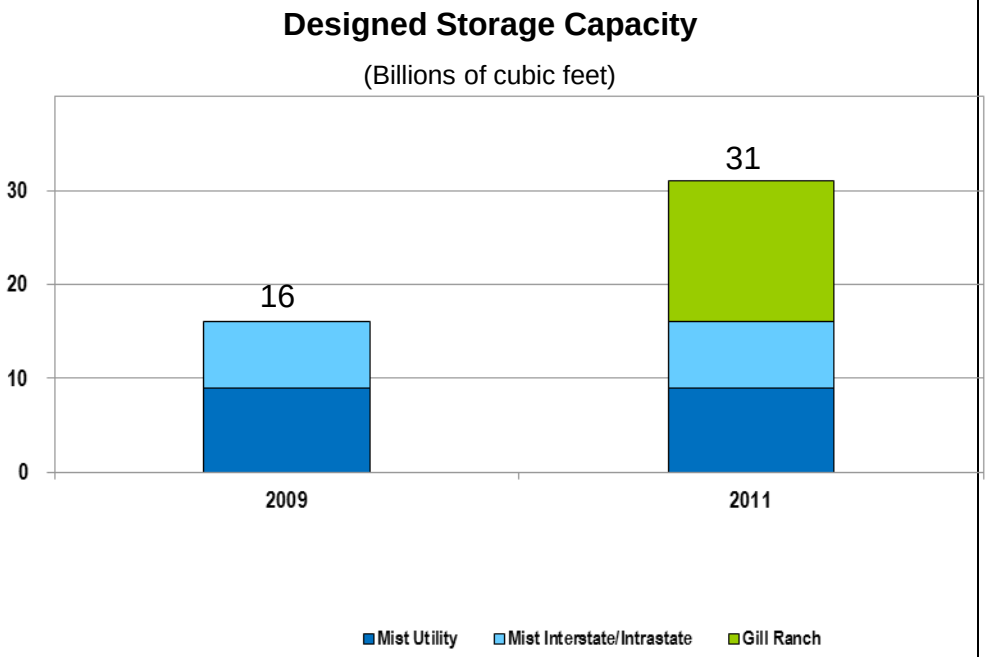
Activity	Date
• Staff & interveners testimony	May 3
• Settlement conference	May 22-23
• Testimony rounds continue through	August 9
• Hearing/Commission Examination	August 23-24
• Briefing	through September 19
• Target date for Commission decision	October 22
• Rates effective	November 1

Adding Growth

- **Storage**
- **Gas Reserves**
- **Palomar Pipeline**

Natural Gas Storage

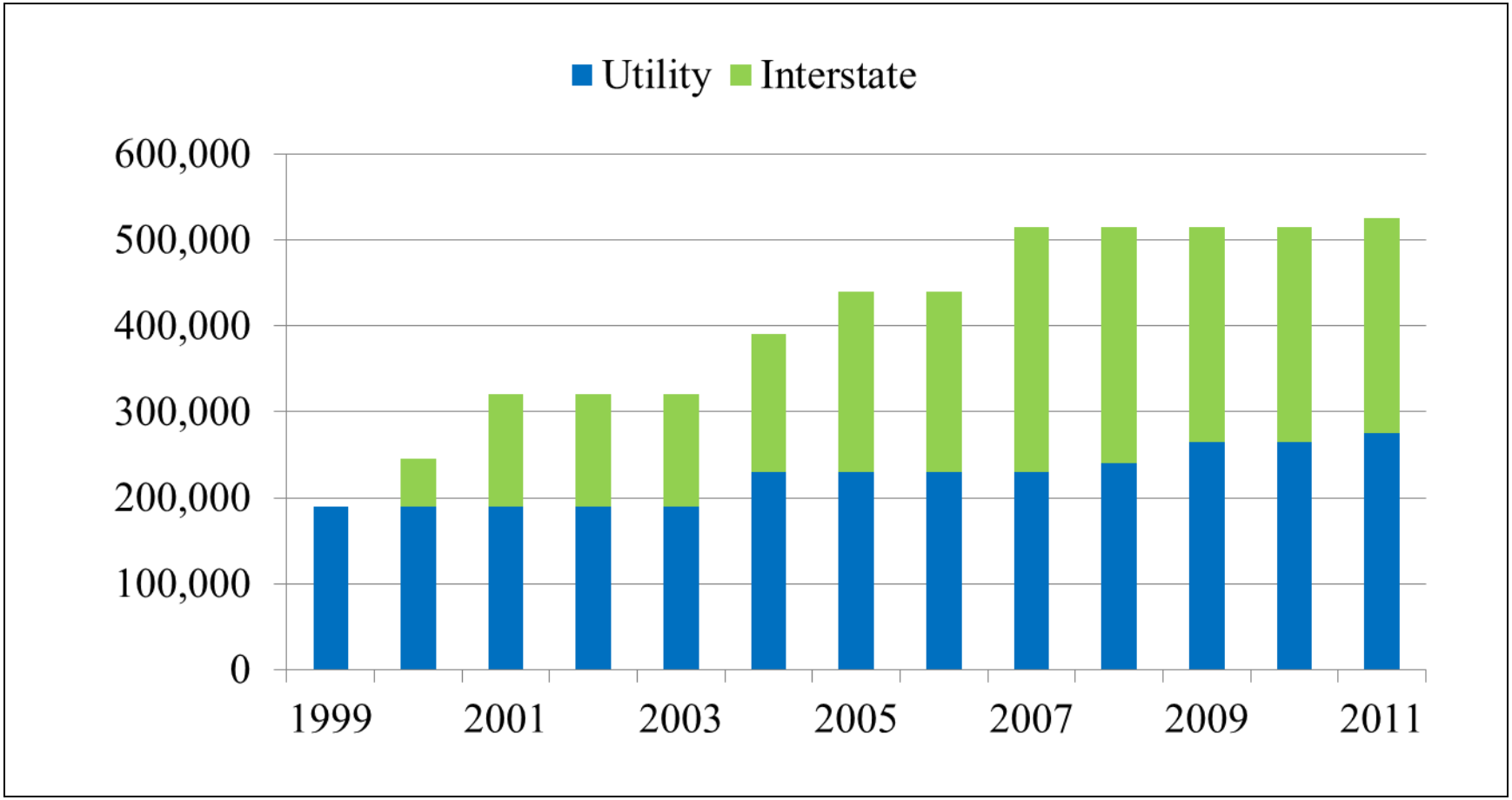
- Key utility resource at Mist (OR) – 16 Bcf
  - Least-cost seasonal peaking supply
  - Low incremental development costs
  - Investment rolled into rates as needed for core customers
- Gill Ranch Storage located near Fresno, Calif., at a prime location to serve customers – a 20 Bcf designed facility – with expansion potential
- Separate business segment – Gas Storage
- Additional storage capacity in advance of core customer needs can be developed for the interstate market
- Non-utility opportunities for interstate storage and optimization services
- Favorable optimization sharing mechanisms
  - Third party management of optimization
- High deliverability, multi-turn capability at Mist Storage & Gill Ranch Storage



NW Natural

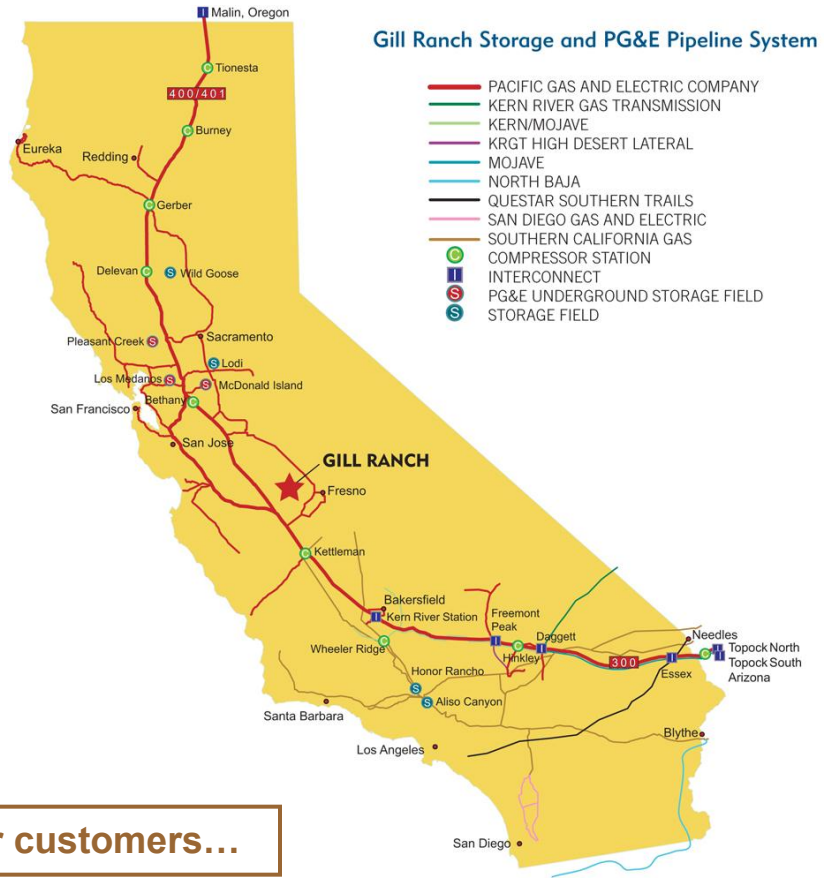
Historic Mist Integrated Development

(Deliverability/Dtherms)



Gill Ranch Storage Overview

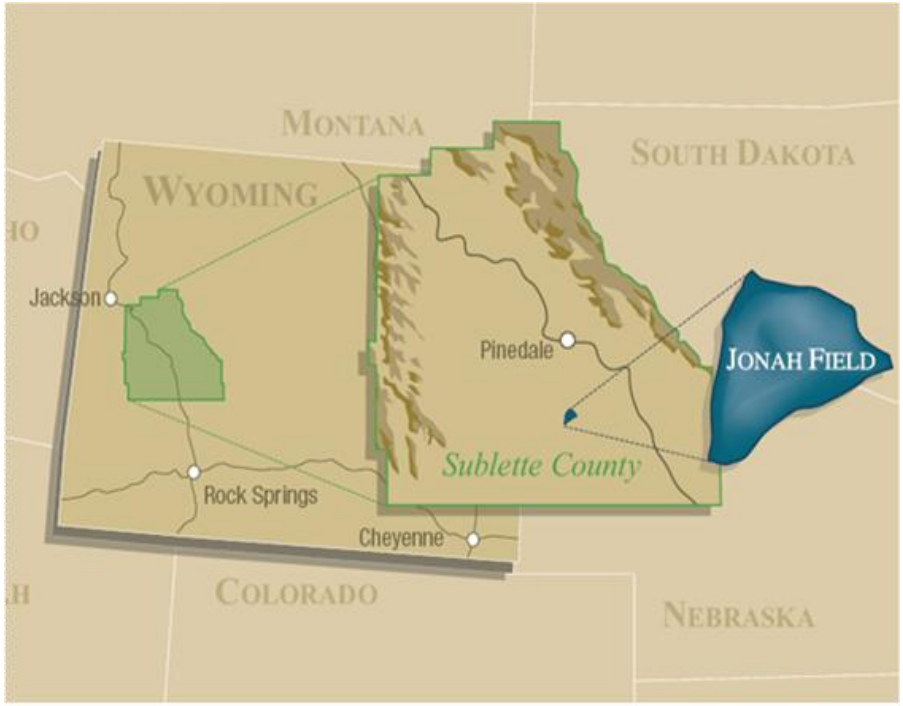
- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
- Depleted gas reservoirs
- Phased development
  - 20 Bcf designed capacity
  - Expandable per market needs
- GRS working as designed & entering 2nd injection year in April
- 75/25 venture with PG&E, with NWN owning 75% share of first phase



Strategic location for customers…

Gas Reserves Joint Venture with Encana

- **Strategic focus:**
  - NW Natural is investing in a joint venture to earn working interests in gas reserves with Encana Oil & Gas
  - JV operations with Encana in the Jonah Field in sections that include currently producing wells and future wells
  - Agreement provides gas for 30 years with the majority flowing in first 10 years
  - Venture is expected to provide approximately 8-10 percent of NWN's average annual requirements over first 10 years
  - Price will be ~$45-55 million per year, for a five-year period, totaling about $250 million
  - New investment will be tracked as rate base into rates at each PGA filing
  - Total investment of $70 million through March 31, 2012
  - Drilled 20 wells in 2011 & 24 wells scheduled for 2012

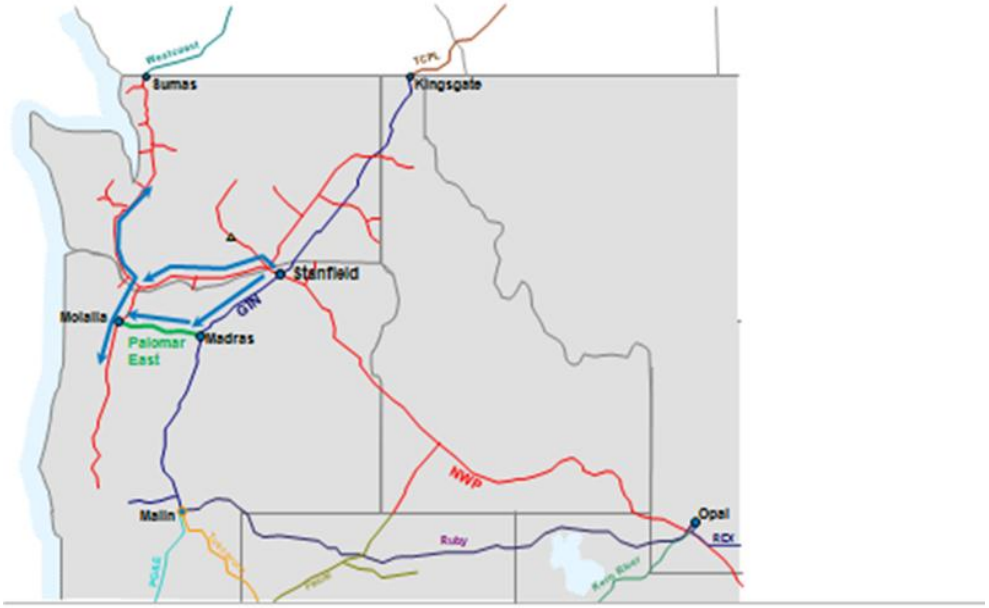


The Jonah Gas Field

- One of top 10 U.S. producing gas fields by reserves
- Located north of Rock Springs, Wyoming, in proven field
- Field contains an estimated 2 Trillion cubic feet equivalent of proved reserves, and produces the equivalent of 1.5 percent of total U.S. daily consumption
- Operations are in sections that include currently producing wells and future wells
- Proven successful development results and track record



Palomar Pipeline Project Overview



Project Purposes

- Palomar East
  - – Access natural gas supplies for regional growth
  - – Provide a second pipeline delivery path to NW Natural for reliability

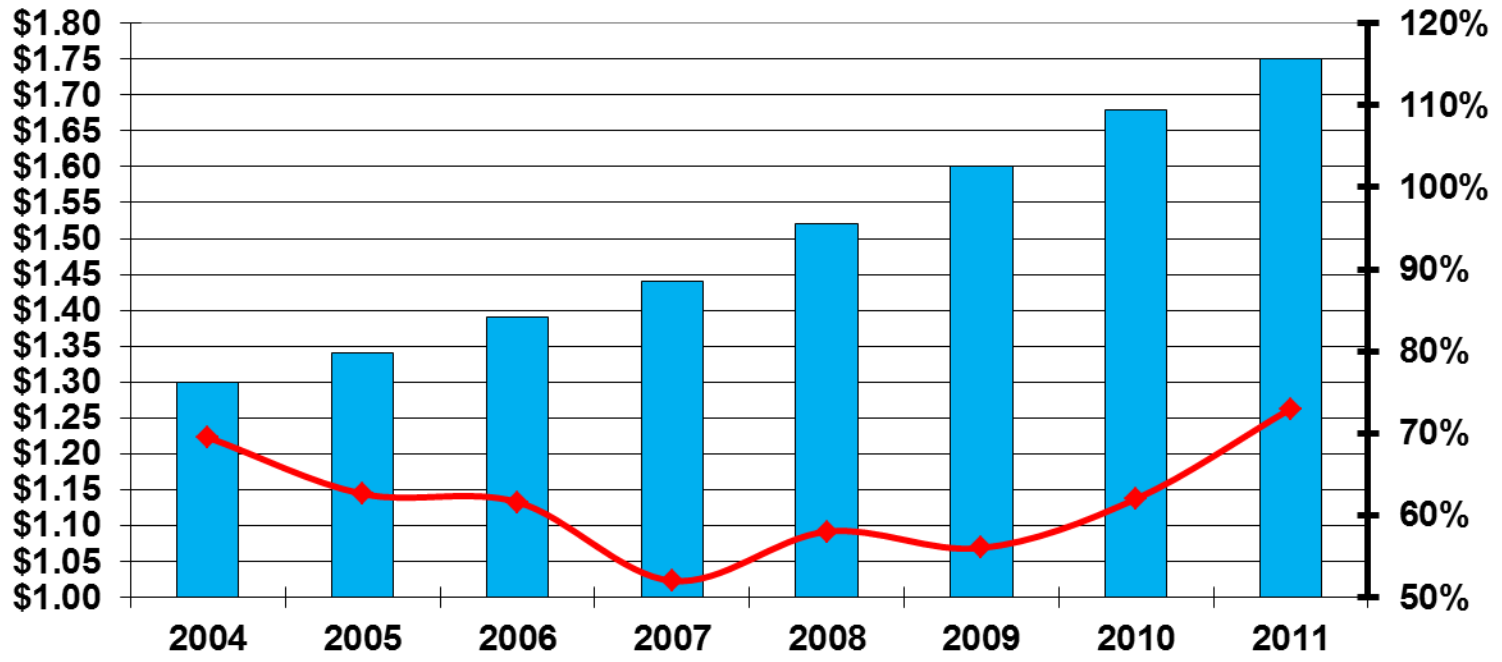
Project Review

- 50/50 JV with TransCanada, but have signed non-binding MOU with Williams to potentially become part owners
- Will re-file the FERC application to address changes in the project

Remains Important Project for Region

Dividend Payout History

(56-year history of increasing dividends paid)



Dividend raised to $1.78 per share annually on an indicative basis

Conclusion

- Consistent Q1 2012 with Q1 2011 -- $1.51 per share on net income of $40.6 million in 2012 vs. $1.53 per share on net income of $40.8 million)in 2011's first quarter
- Gill Ranch Storage facility entered 2nd year of operations in April 2012
  - NW Natural now operates and controls ~31 BCF of designed gas storage capacity
- A total investment of $70 million through March 31, 2012 of the $250 million gas investment to invest in utility gas reserves
- Dividends increased in November 2011 to 44.5 cents per common share quarterly and an indicative annual rate of $1.78 per year
- Conversion opportunities exist due to gas coming late to the Northwest & low gas prices
  - ~90 percent of company is regulated activities (stable)
- Oregon general rate case filed (first since 2002/03) in December – 10 month process
- Strong financial and liquidity positions with low refinancing risk
- Strong credit ratings –
  - Secured LT Debt: S&P (A+) and Moody's (A1)
  - Commercial paper: S&P (A-1) and Moody's (P-1)
  - Outlook: S&P (Stable) and Moody's (Stable)

NW Natural

NW Natural (NYSE: NWN) is a 153-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 56 consecutive years. NW Natural operates gas storage facilities in its service territory and provides gas storage services to other energy companies.

KEY INDICATORS:	2012 Q1	2011Y/E
Total customers	681,794	679.543
Total common equity	$745,971	$714,488
Avg. diluted common shares outstanding (000)	26,862	26,744
Number of registered common shareholders	6,750	6,745
Institutional ownership	60%	52%
Annual Dividends (ttm)	$1.76	$1.75
Diluted earnings per share	$1.51	$2.39
Book value per share	$27.84	$26.70
COMPOSITION OF UTILITY REVENUE:		
Residential	63%	60%
Commercial	30	29
Industrial Firm	3	4
Industrial Interruptible	3	4
Other	1	3
CURRENT BOND RATINGS:	**MOODY'S**	**S&P**
Secured long-term debt	A1	A+
Commercial paper	P-1	A-1
Outlook	Stable	Stable

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