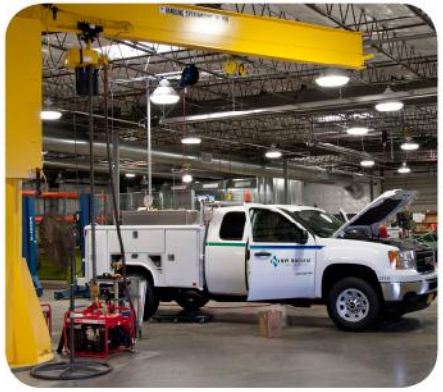










NW NATURAL

Atlanta Investor Meetings

March 17, 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, gas supply, gas reserves and their financial value and benefit, rate-based investments, customer and business growth, project development or expansion, growth and market opportunities, market recovery, rate recovery, liquidity and financial positions, cash flow, revenues, earnings and 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.

AGENDA

- NW Natural Overview
- Goals and Strategy
- 2013 Results
- Growth Opportunities
- Regulatory Environment
- Dividend History
- Financial Metrics
- Conclusion

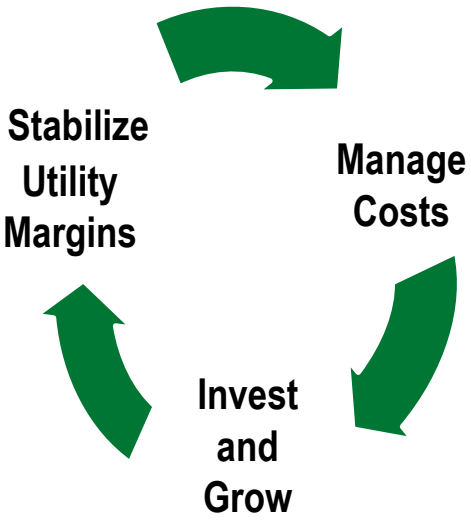


NW NATURAL OVERVIEW

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
Gas Storage	• 31 Bcf underground storage and 2 Bcf LNG storage • Facilities owned and operated in Oregon and California • Expansion opportunities (add'l 7.5 Bcf with Gill/PG&E going to 50/50)
Financials	• Strong balance sheet with organic growth opportunities • $3 billion in total assets (90% Utility, 10% Gas Storage) • Record 58 consecutive years of dividend increases
Operations	• Experienced management team • #1 in customer satisfaction (J.D. Power & Associates survey) • Long-standing commitment to safety and reliability

GOALS AND STRATEGY

- Long-term 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
- Develop 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

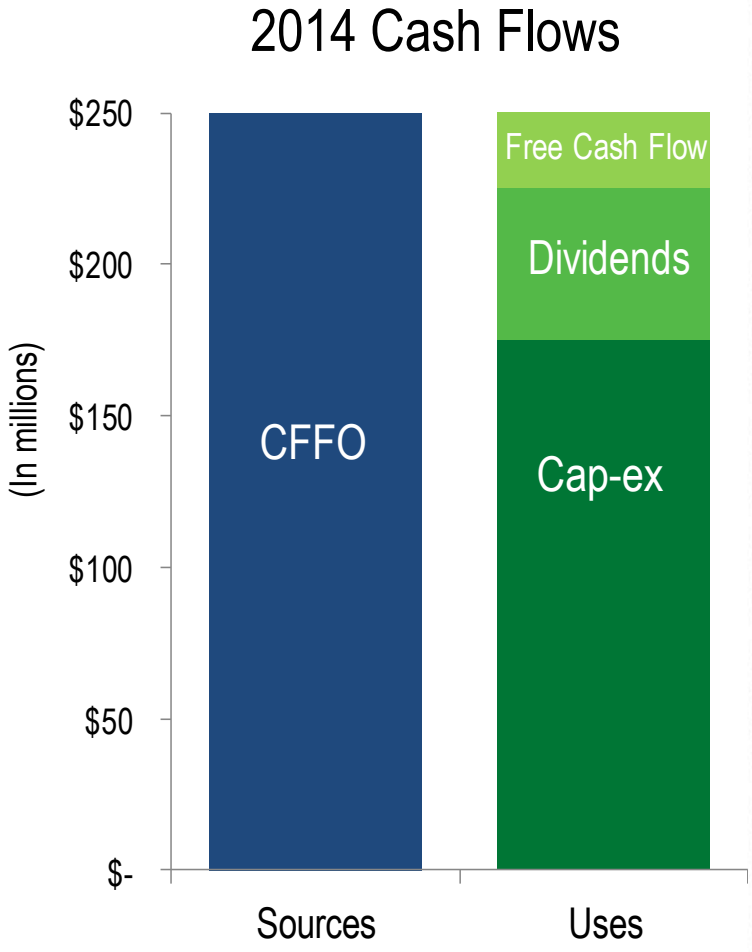
2013 HIGHLIGHTS

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% • Expecting record cash flow in 2014 with recent insurance settlement
Strength	• Solid financial condition while investing for future growth • Dividends increased for 58th consecutive year • Stable credit ratings
Customers	• 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)

LIQUIDITY UPDATE

- Stable operating cash flows
- Insurance proceeds to benefit 2014 cash flows
- Tax NOL carry-forward expected to be used in 2014
- $300 million credit facility extended to 2018
- Ready access to capital markets
- Strong 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

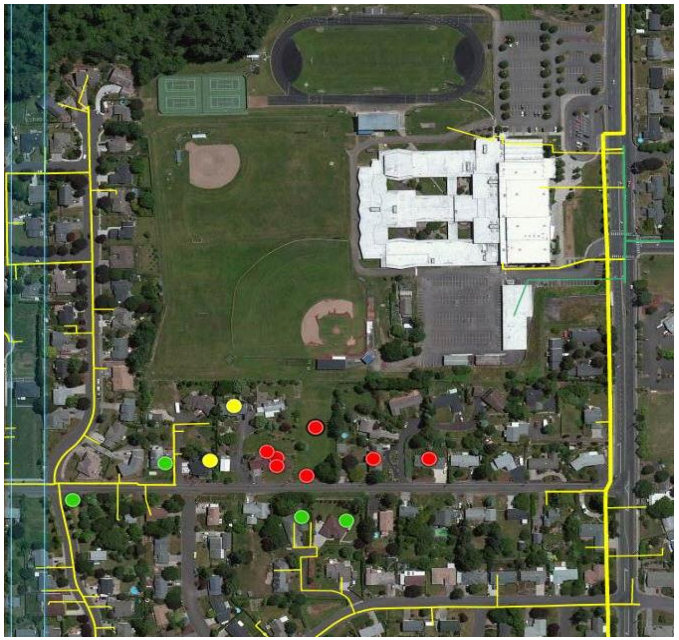






CUSTOMER ACQUISITION

Online Customer Portal



Gas available

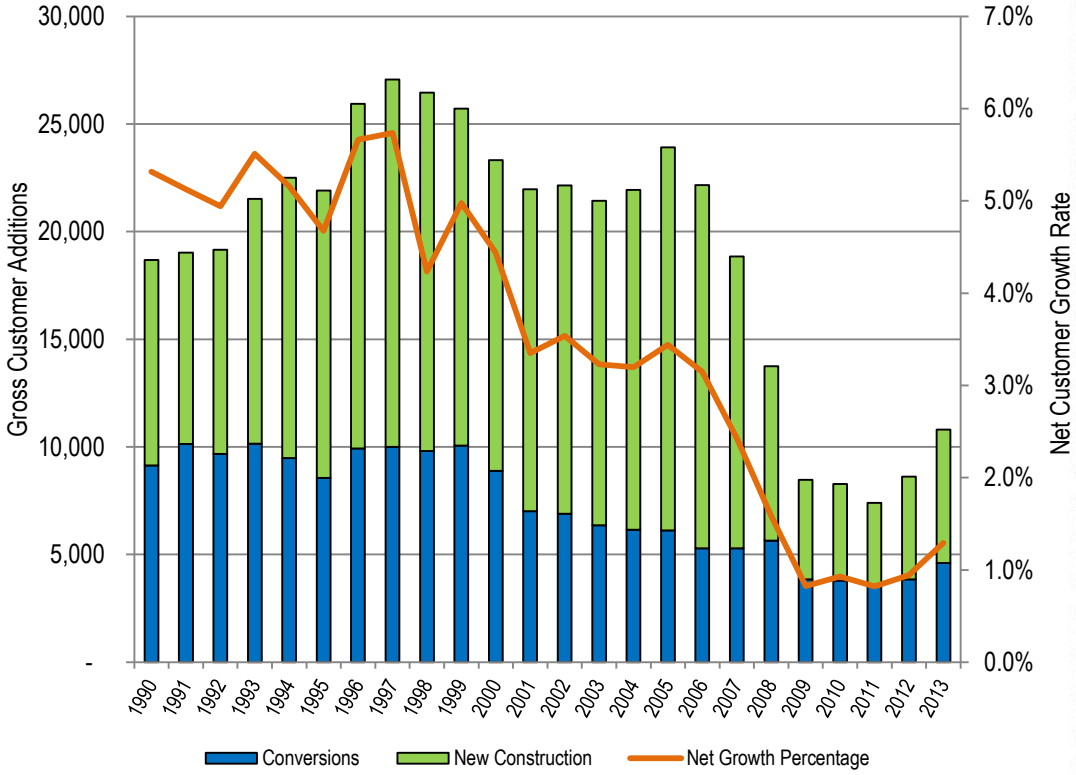
Gas may be available

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

- Approved in January 2014
- NW Natural allowed to provide high-pressure refueling stations
- GE unit installed at NW Natural; NW Natural owns and maintains
- Clean, affordable energy solution
- In discussions with several large fleet operators
- CNG vehicle options expanding
- Expect small but growing investment/earnings in future years



"CNG in a Box" from GE

CARBON REDUCTION PROGRAMS

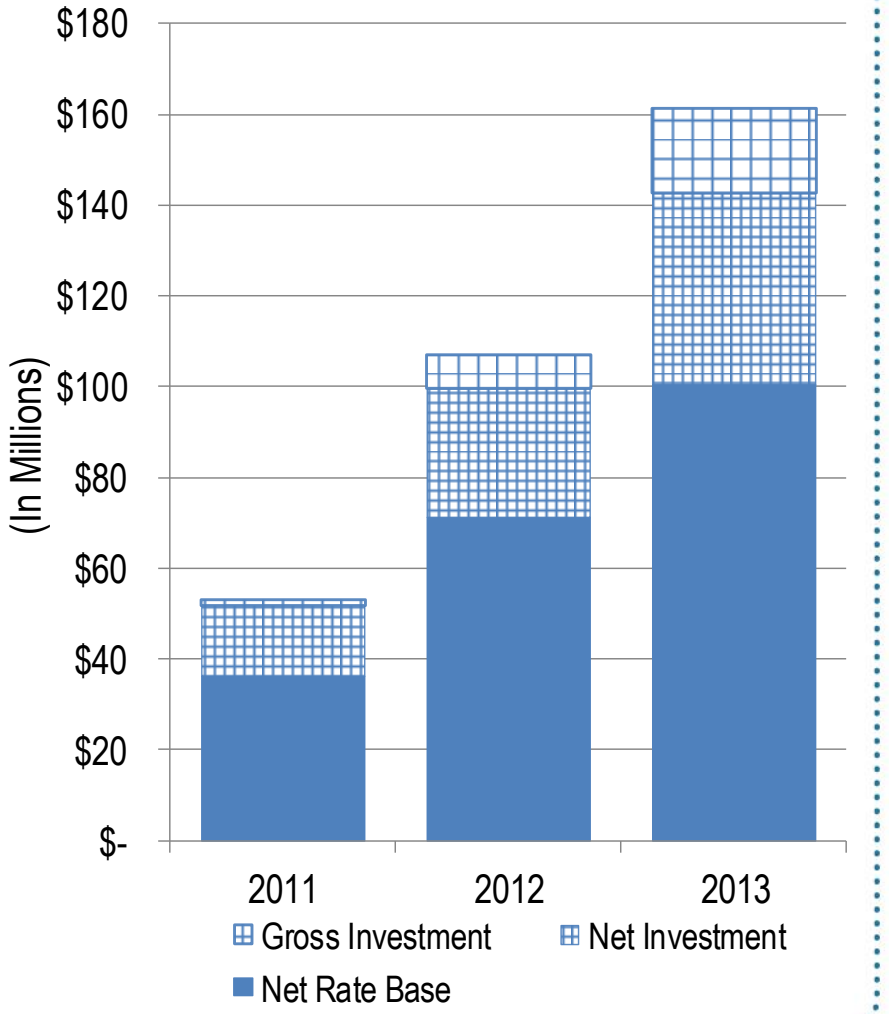
- Approved legislation in 2013
- Rule making to be completed mid-2014
- Creates earnings opportunities for projects that reduce GHG emissions
- Current law applies to natural gas utilities only
- Supported by Governor and OPUC
- Innovative approach to making “first mover” investments



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

- OPUC approval in 2011
- Investments in Wyoming gas reserves
- Drilling and production by Encana
- Hedged 6% NWN gas supply in 2013
- Cumulative investment at YE 2013
  - $161 million gross
  - $101 million net rate base
- Five year investment plan
- Tracked into customer rates annually
- Est. $90 million investment remaining
- Analyzing future investments in IRP



GAS STORAGE AND OTHER

N. Mist, OR

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

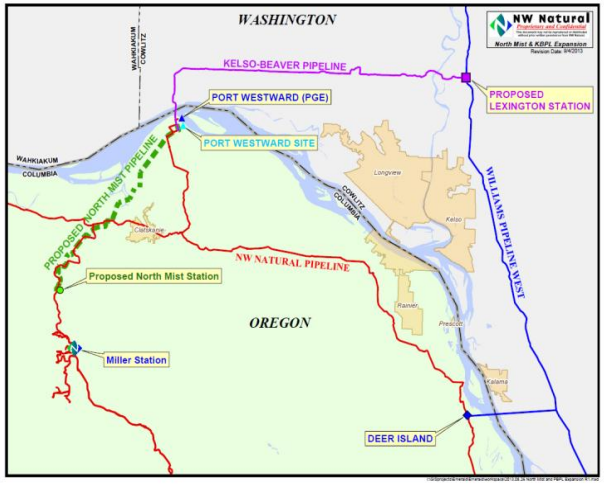
Gill Ranch, CA

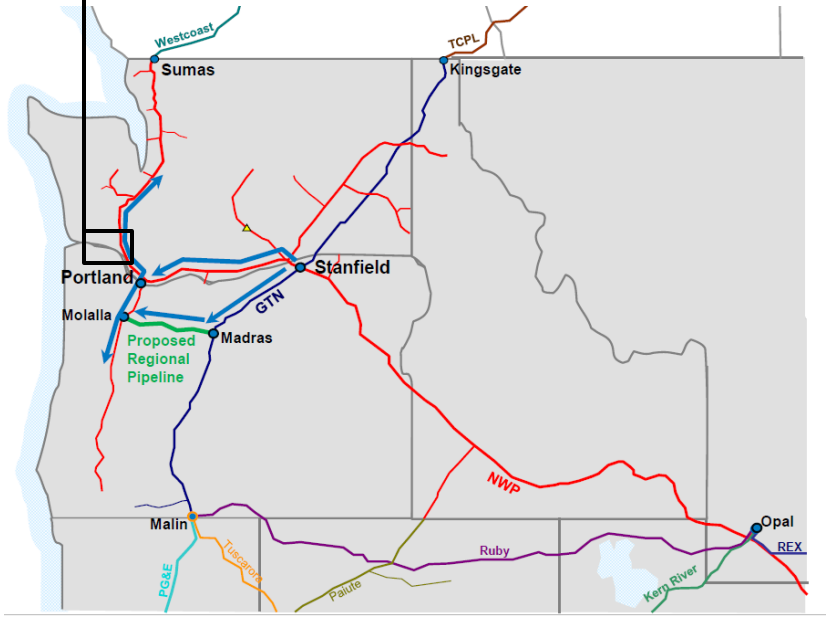
- Current market conditions create short-term challenges
- Seeking higher value services
- Flexible resources needed to meet California's RPS
- Expansion capability dependent on market conditions

Pipeline Project, OR

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

MAPS


WASHINGTON
NW Natural
KELSO-BEAVER PIPELINE
PORT WESTWARD (PGE)
PROPOSED LEXINGTON STATION
PORT WESTWARD SITE
PROPOSED NORTH MIST PIPELINE
WILLIAMS PIPELINE WEST
NW NATURAL PIPELINE
Proposed North Mist Station
OREGON
Miller Station
DEER ISLAND


Westcoast
Sumas
TCPL
Kingsgate
Portland
Stanfield
Molalla
GTN
Madras
Proposed Regional Pipeline
NWP
Malin
Opal
REX
Ruby
PG&E
Tuscarora
Paiute
Kern River


Gill Ranch Storage and PG&E Pipeline System
PACIFIC GAS AND ELECTRIC COMPANY
KERN RIVER GAS TRANSMISSION
KERN/MOJAVE
KRGT HIGH DESERT LATERAL
MOJAVE
NORTH BAJA
QUESTAR SOUTHERN TRAILS
SAN DIEGO GAS AND ELECTRIC
SOUTHERN CALIFORNIA GAS
COMPRESSOR STATION
INTERCONNECT
PG&E UNDERGROUND STORAGE FIELD
STORAGE FIELD
Malin, Oregon
Tionesta
400/401
Burney
Eureka
Redding
Gerber
Delevan
Wild Goose
Pleasant Creek
Sacramento
Lodi
Los Medanos
McDonald Island
Bethany
San Francisco
San Jose
GILL RANCH
Fresno
Kettleman
Bakersfield
Kern River Station
Freemont Peak
Daggett
Needles
Topock North
Topock South
Arizona
Wheeler Ridge
Hinkley
300
Essex
Honor Rancho
Aliso Canyon
Santa Barbara
Blythe
Los Angeles
San Diego

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

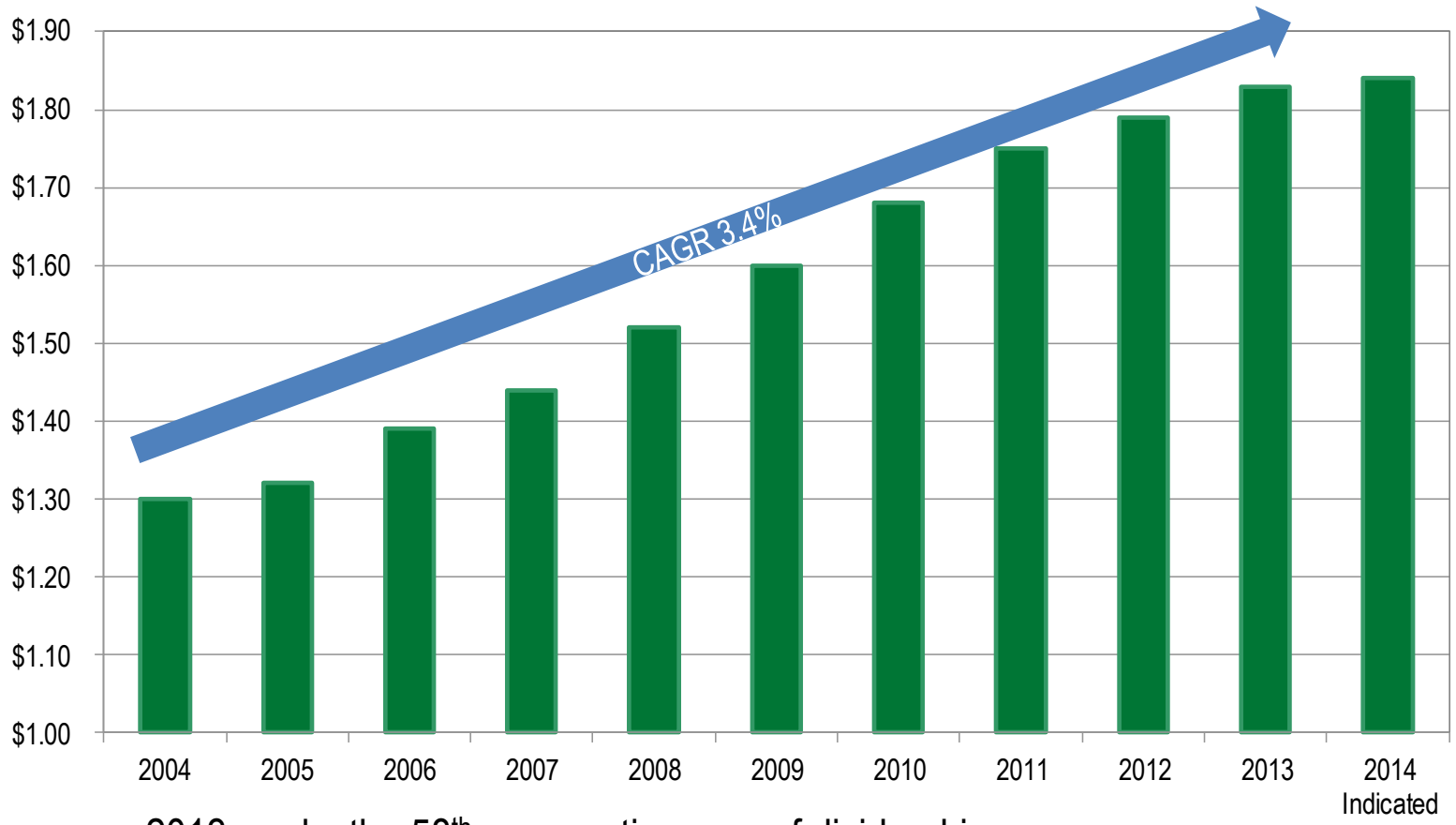
Opportunities and Successes

- **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

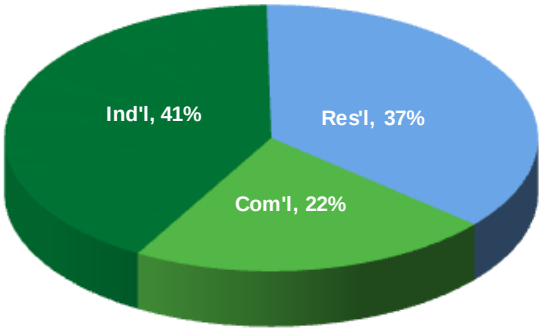
DIVIDEND HISTORY



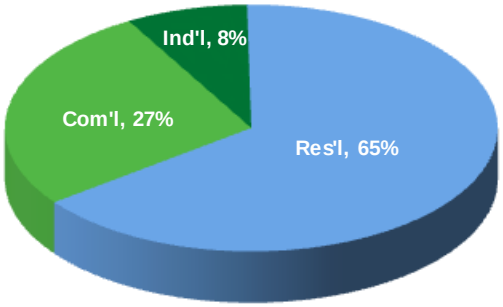
- 2013 marks the 58th consecutive year of dividend increases
- One of the longest running dividend increase records of companies on the NYSE

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%

CONCLUSION

- **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 construction, conversion opportunities, and multi-family market penetration
  - New customer portal 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 generation needs
- **Continuing 58 year history of increasing dividends** paid to shareholders