





NW Natural

San Francisco

Investor Presentation

October 1, 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, customer and business growth, 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, margin, 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, and 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 Are We Different?

- **Low business risk profile with near pure-play LDC**
  - 90% utility operations
  - 10% non-utility gas storage operations
- Innovative regulation
- Stable margins – 90% from residential and commercial customers
- 31 Bcf natural gas storage designed capacity
- **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 CNG and GHG programs
- Conservatively financed business with strong liquidity
- 58-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
- Innovative 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



Financials

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

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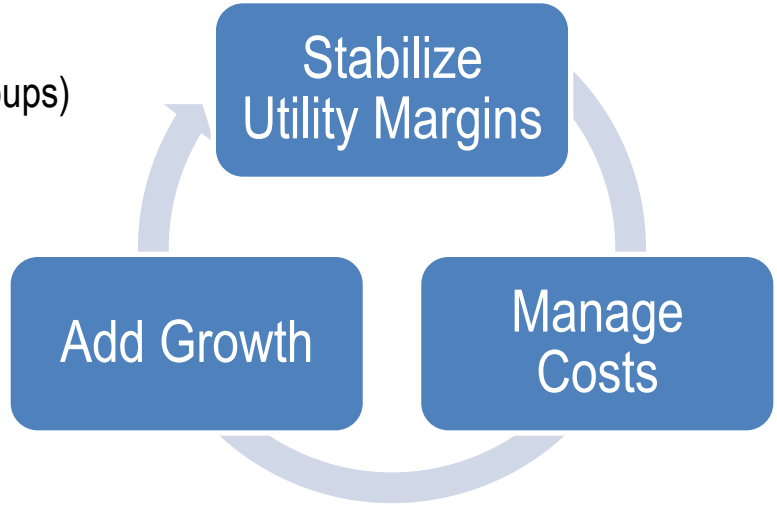
Business Strategy

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
    gas reserves with rate-base like return
  - 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

Growth Opportunities & Initiatives

Utility

Customer Acquisition Focus

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

CNG Tariff

Carbon Reduction Legislation

Gas Reserve Investment

Infrastructure Requirements (IRP)



Gas Storage

N. Mist

- Planned Expansion for PGE
- Opportunities for Future Expansion

Gill Ranch

- Increasing Peaking Requirements
- Recovering California Economy
- Storage Price Recovery



Customer Acquisition Focus

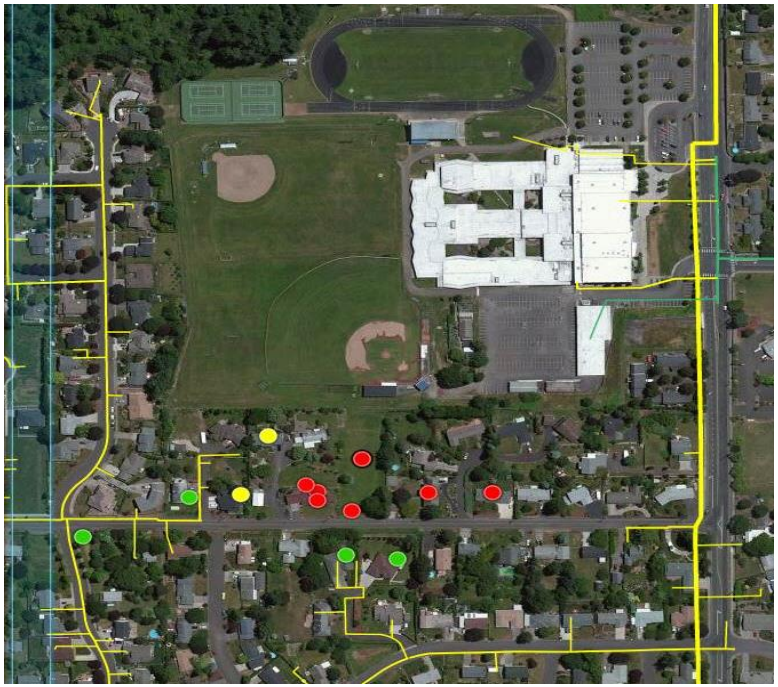
Residential

- Web-based tool for targeted conversion
- Enhanced services for trade allies
- Natural gas less than 60% market share in region
- Web-based tool:
  - Over 7,000 gas availability queries
  - 30% of conversion sales used web-based tool
  - Reduced call volume 40% per meter sold
- Premise Charge Legislation (SB 561)

Commercial and Industrial

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

Online Customer Portal



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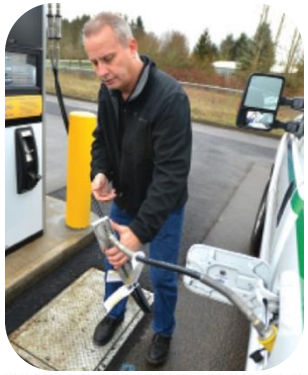
Utility Growth Opportunities

CNG Tariff

- Tariff approved Jan. 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 fleet operators
- CNG vehicle options expanding
- Expect small but growing rate-base investment





Carbon Reduction Legislation (SB 844)

- Voluntary program
- Supported by Governor and OPUC
- Rulemaking in second half of 2014
- Innovative approach to new investments
- Potential projects:
  - Oil conversions
  - Waste-water treatment
  - Transportation



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 tracked into 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 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 $8 to $16 million

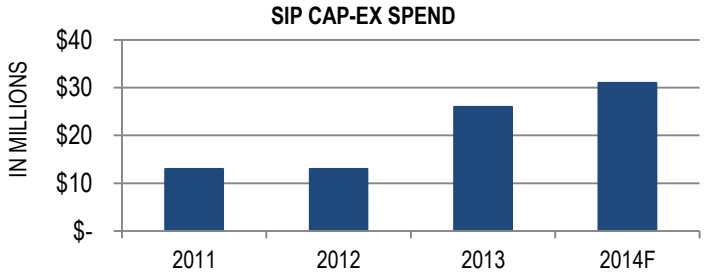
2015 & Beyond

- Ongoing potential for Jonah wells
- PUC review (through IRP) of additional investments

Infrastructure Spend

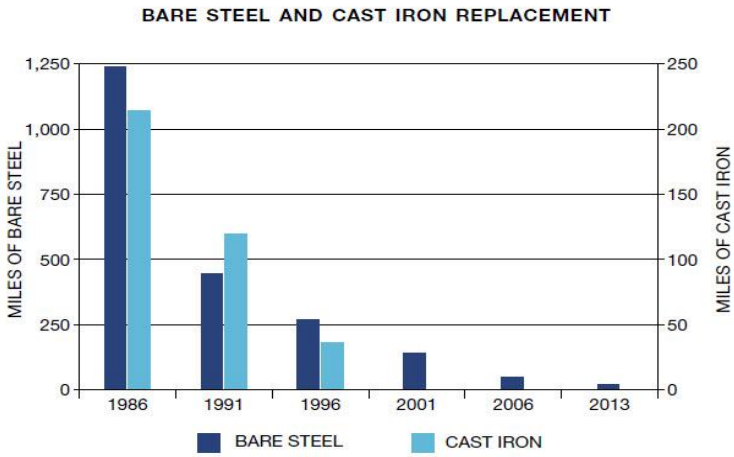
System Integrity Plan (SIP)

- OPUC approved SIP capex tracker, allowing NWN to accelerate spend on pipe replacement in 2013/14
- Intend to seek renewal of DIMP and TIMP in fall 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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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 rate-base investment
- Expansion anchored by agreement to serve PGE Port Westward plant
  - Awaiting customer's notice to proceed



Gill Ranch Gas Storage Facility

- In third year of operations with repair costs expected in 2014
- Current market conditions create short-term challenges
- Seeking higher value 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
- **Additions to Rate Base**:
  - Gasco water treatment ($19 million Nov. 2013)
  - SIP ($15 million Nov. 2013)

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 Aug 2014; identifies utility capex requirements with corresponding least cost resource acquisition strategies
- **N. Mist Expansion -** Filed tariff for "no notice" storage service to PGE (May 2014)

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; June YTD 2014 results were $1.43 per share compared to $1.47 a year ago, with increase in utility but decrease in gas storage
- **Positioned well for growth**
  - Predominantly pure-play LDC
  - 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
  - Transportation with CNG as fuel for a growing market
  - Commercial and industrial's demand increasing
  - Regulatory support for using natural gas to reduce carbon emissions
  - Storage development opportunities to support flexible electric generation needs
- **58 year history of increasing dividends** paid to shareholders

Appendix

Maps

Utility Service Territory



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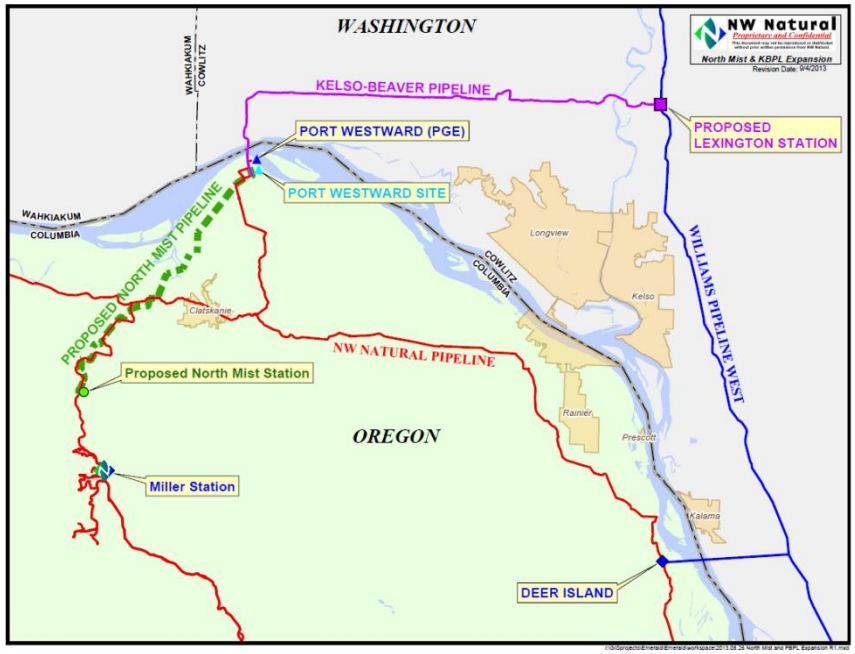
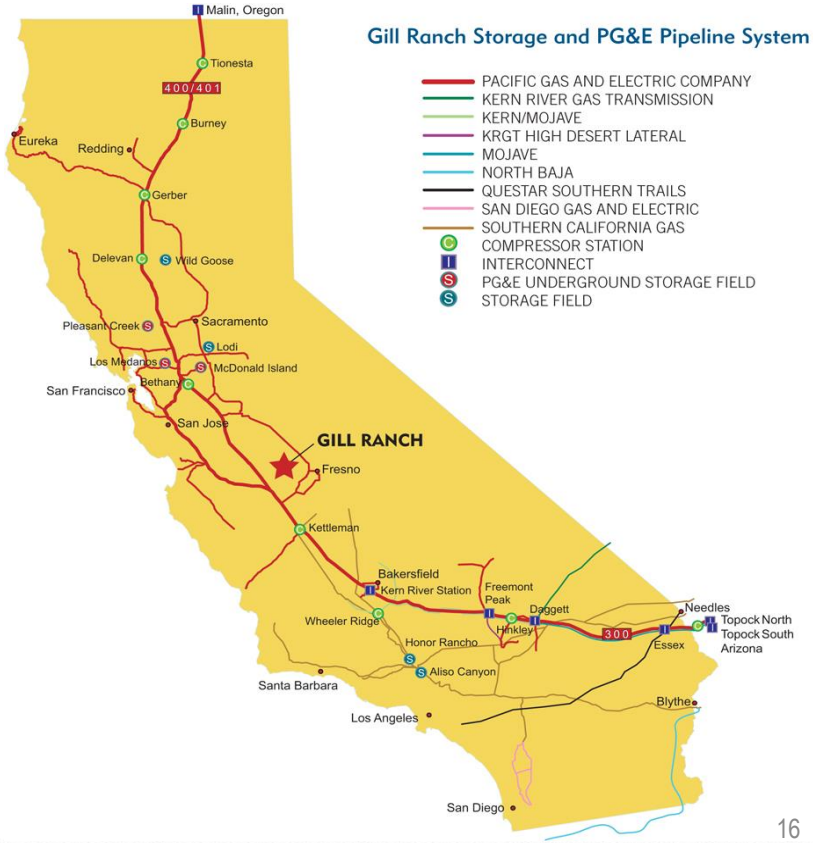
Maps Continued

North Mist Expansion



Gill Ranch Storage



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Safety and Reliability

Commitment to:

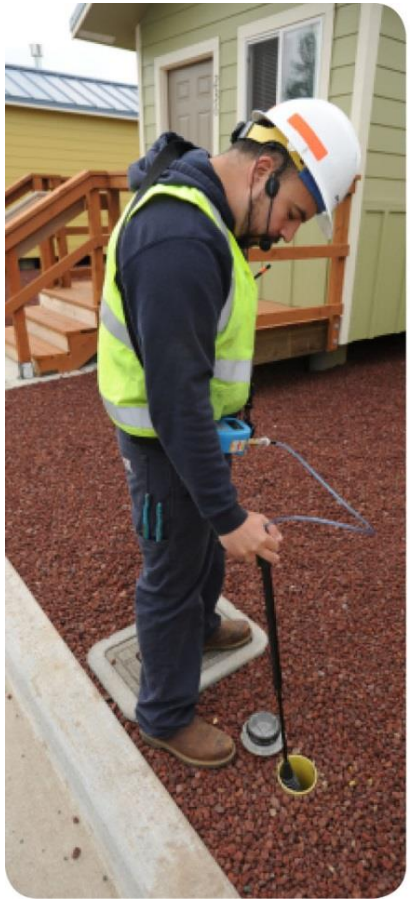
- system reinforcement
- pipe replacement
- leakage prevention and grading
- employee training

State-of-the-art training center:

- live, scenario-based training
- community resource







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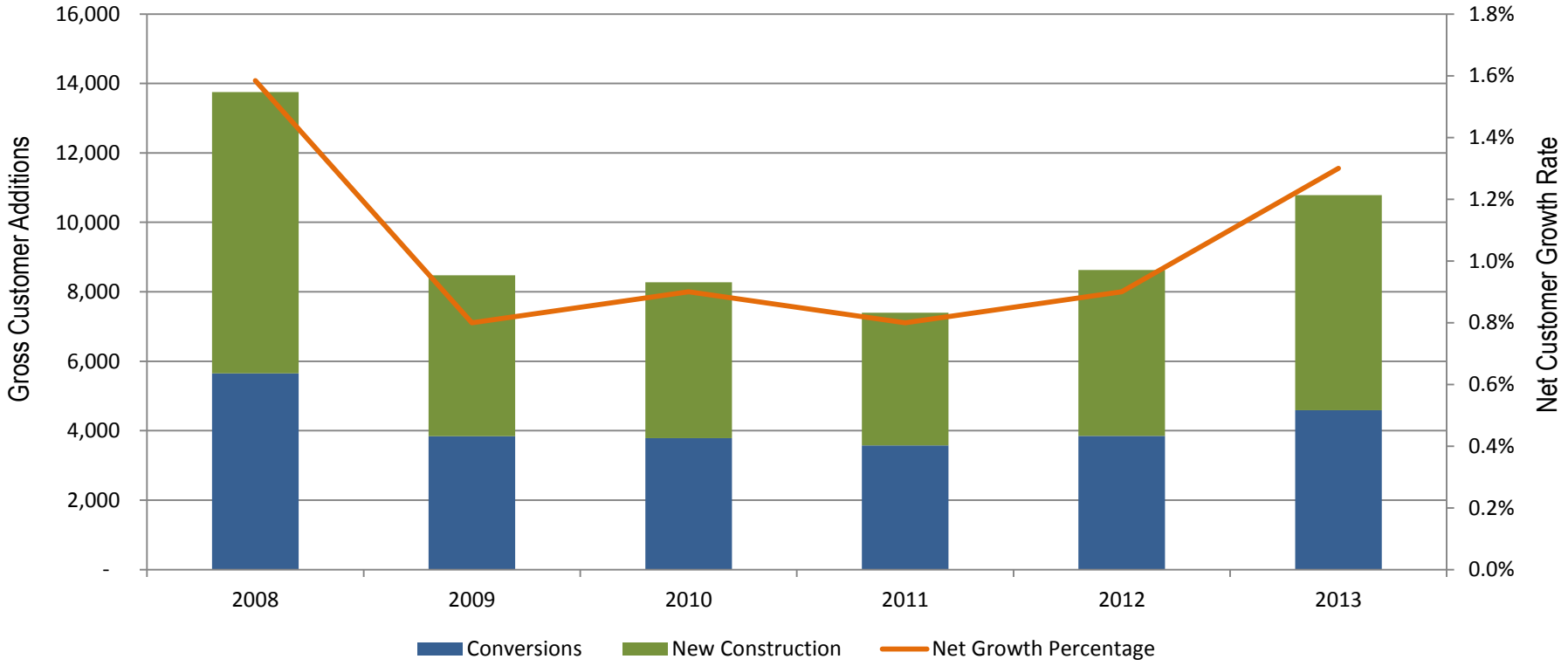
Customer Growth



- Growth rate above national average
- Home prices up 9% in the second quarter of 2014 over prior year
- Single-family new construction in Oregon expected to increase about 10% in 2014

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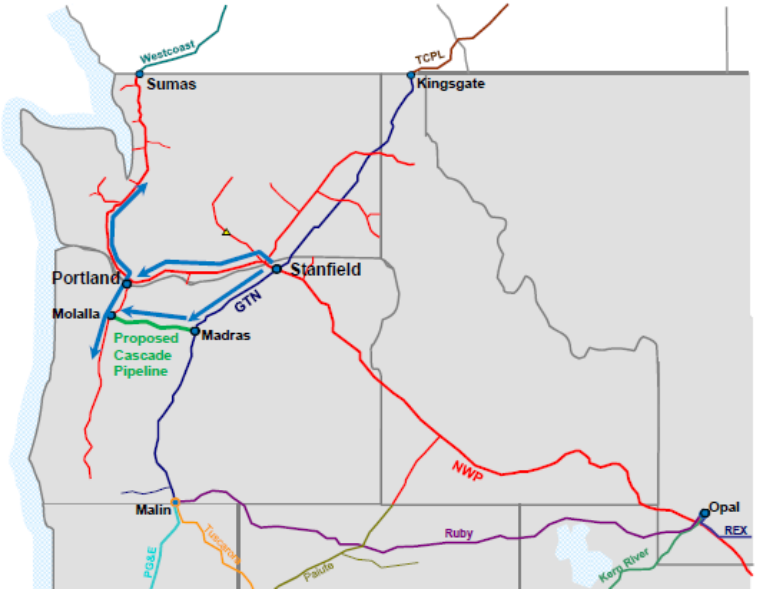
Regional Infrastructure Investment

- **Important Investments for Region**
  - Access to additional gas supplies for regional growth
  - Provide a second pipeline delivery path for reliability
- **NWN IRP**
  - 2013 regulatory update introduced reliability risk analysis supporting a cross-Cascade pipeline
  - 2014 IRP supports additional pipeline capacity, with cross-Cascade pipeline as an option not dependent on export LNG
- **Project Sponsor Review**
  - 50/50 joint venture with TransCanada
  - Project timeline, including refiling of FERC application, determined after open season



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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	

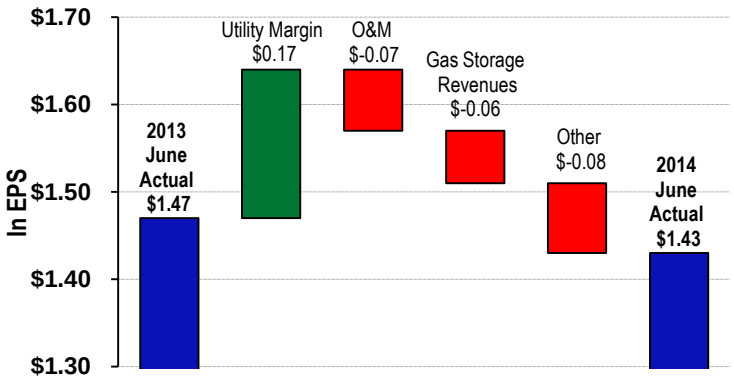
Financial Results

(Through June 30, 2014)

June YTD Results

YTD 2014 compared to YTD 2013*

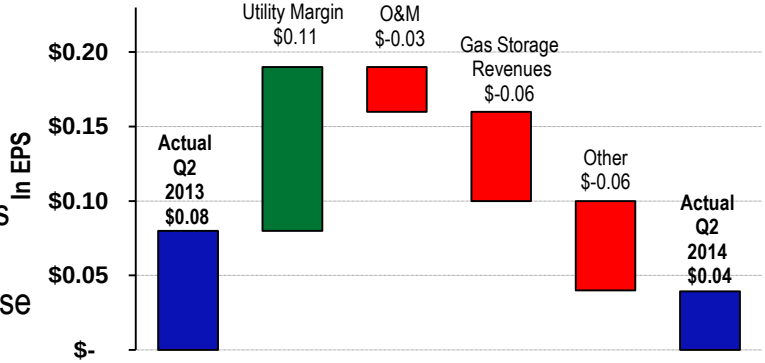
- Net income $39.0M YTD 2014, compared to $39.8M PY
- Utility margin up $8M with customer growth at 1.4%
- O&M up $3.1M on $1.8M higher repair and power costs at Gill Ranch
- Gas storage net income down $2.6M on lower revenues and higher repair costs
- Other includes higher interest expense and tax charge



Second Quarter Results

Q2 2014 compared to Q2 2013*

- Net income $1.1M in 2014, compared to $2.1M PY
- Utility margin up $5.0M with customer growth at 1.4%
- O&M up $1.5M on $1.3M higher repair and power costs at Gill Ranch
- Gas storage net income down $2.6M on lower revenues and higher repair and power costs
- Other includes increase in interest expense and decrease in other income



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

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Capex Spend

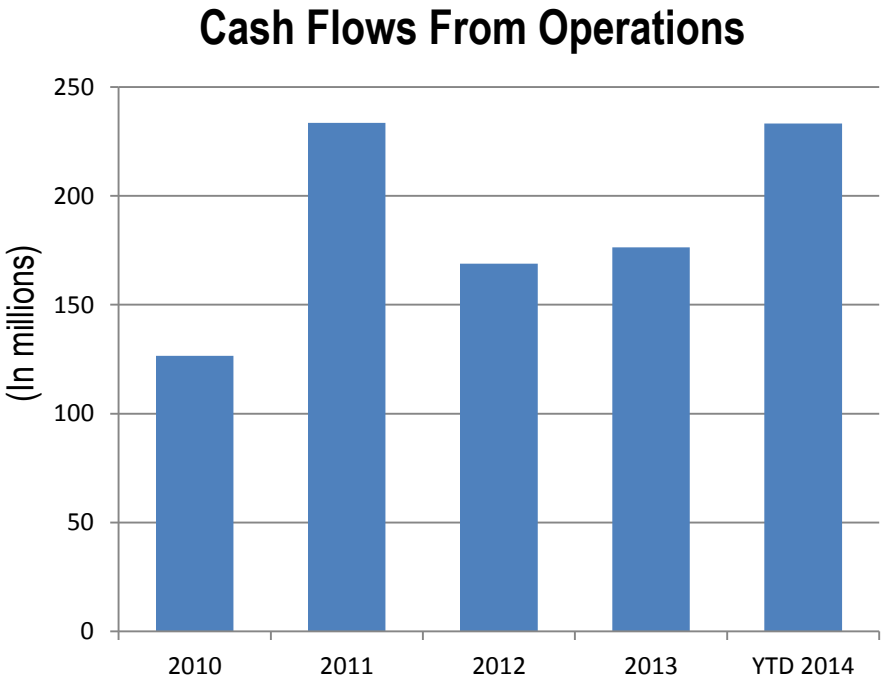
	Actuals			Forecast
(In millions)	**2011**	**2012**	**2013**	**2014**
Utility CapEx	$94	$130	$137	$115 to 135
Gas Reserves	$51	$54	$54	$27 to 35
Utility Total	**$145**	**$184**	**$191**	**$142 to 170**
Gas Storage	$6	$2	$2	Less than $10
Total	**$151**	**$186**	**$193**	**$142 to 180**

- IRP supports continued capital expenditures
- On-going cap-ex requirements for the next two to three years
- Utility cap-ex spend for the next five years (2014 to 2018) is estimated to be $600 to $700 million

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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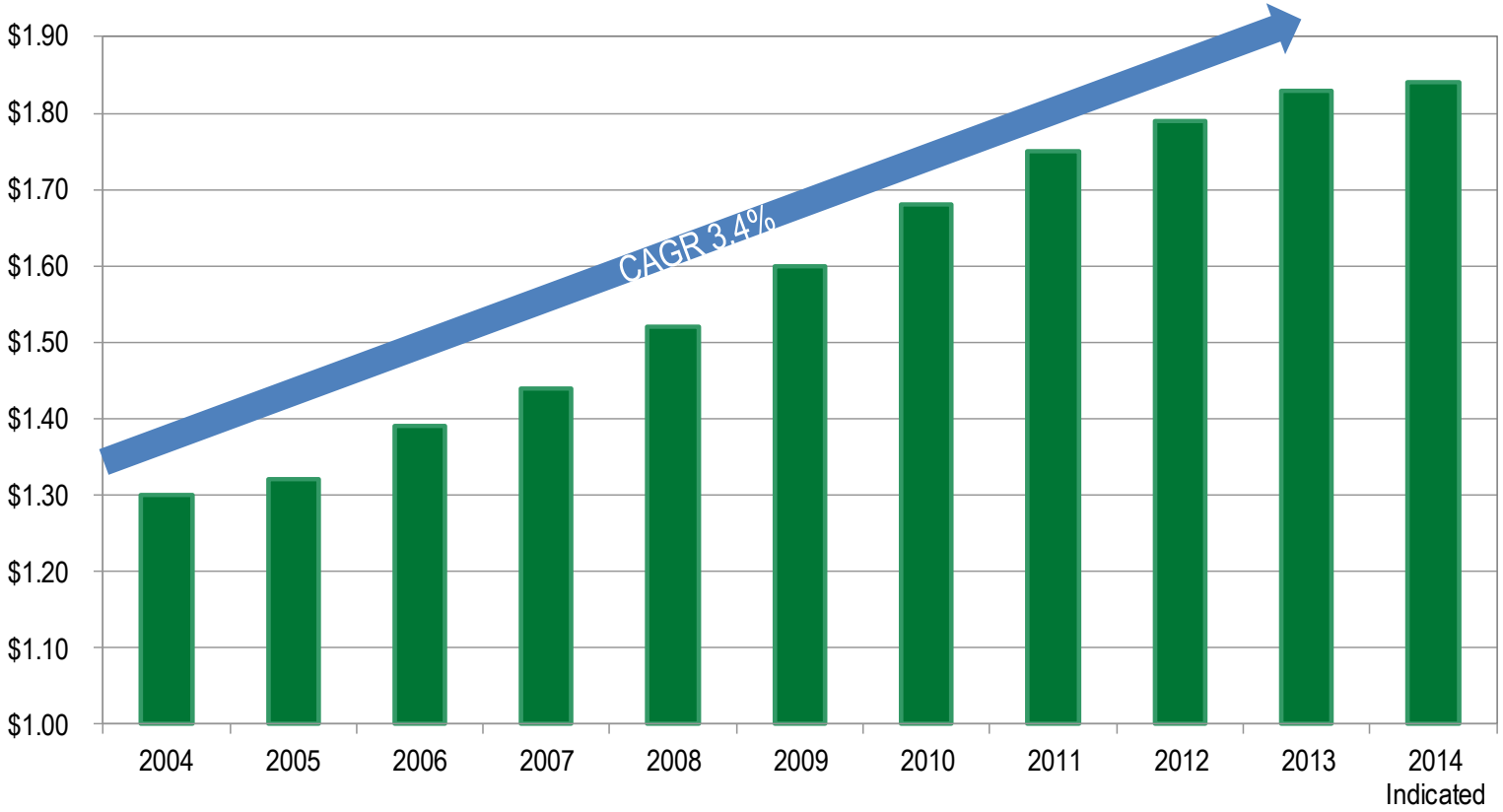
Dividend History



- 2013 marked the 58th consecutive year of increased dividends paid to shareholders
- 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 about 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 Q2 2014	2013	2012
Total customers	697,422	694,873	685,941
Total common equity	$ 770,986	$ 751,872	$ 729,627
Avg. diluted common shares outstanding (000)	27,158	27,027	26,907
Consolidated tax rate	41.6%	40.8%	42.5%
Institutional ownership	61%	56%	61%
Annual dividends	$ 0.92	$ 1.83	$ 1.79
Diluted earnings per share	$ 1.43	$ 2.24	$ 2.18
Book value per share	$ 28.40	$ 27.77	$ 27.11

Composition of Utility Revenue:	YTD Q2 2014	2013	2012
Residential	60%	60%	61%
Commercial	31	30	30
Industrial	8	9	8
Other	1	1	1

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