NW Natural®

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October 18, 2012

Chicago Investor Meetings

US Capital Advisors LLC

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, estimated gas reserves and their financial value and benefit, customer growth, weather, commodity costs, customer rates, effects of financial derivatives, financial positions, revenues and earnings, dividends, performance, 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.

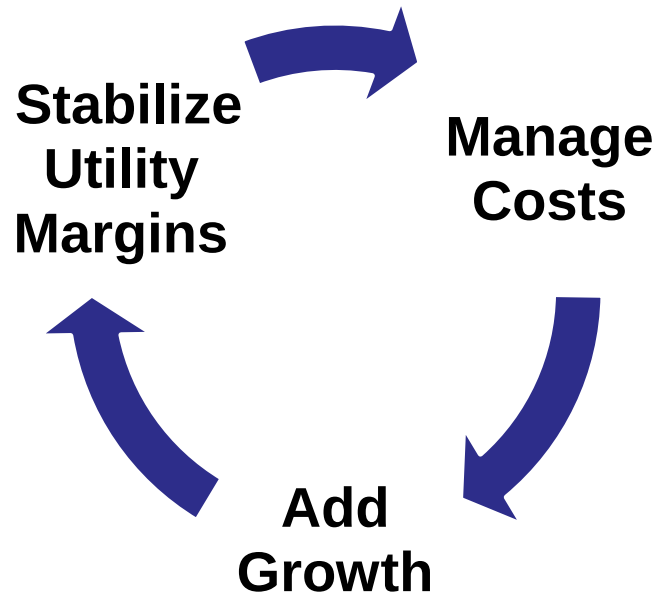
NW Natural at a Glance

- 681,000 customers in OR & WA at June 30, 2012
  - 90% Oregon, 10% Washington
- A distribution and transmission system totaling approximately 14,000 miles
- A total of 31 BCF of 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 and strong credit ratings
- Experienced management team
- JD Power Customer Satisfaction — consistently top-rated in U.S and western U.S. with residential and commercial customers
- Indicative dividend rate of $1.82 per share & 57 years of increasing dividends paid to shareholders

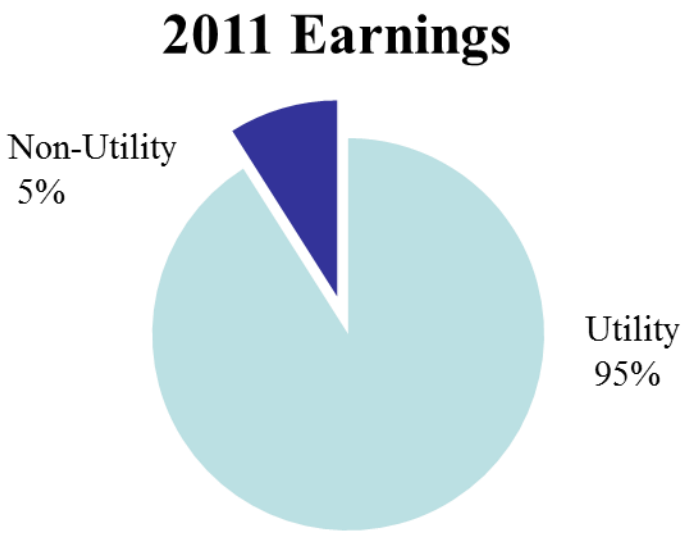


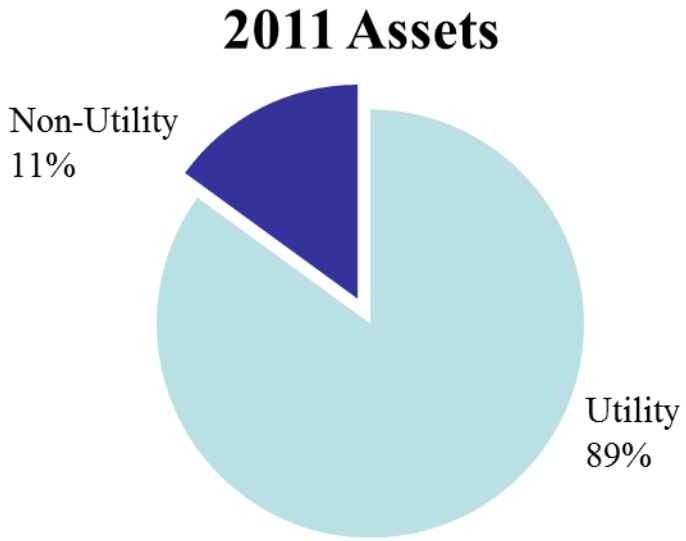
NW Natural Corporate Strategy

- Stabilize margins through regulation
  - First to implement decoupling among gas LDCs
  - Work well with regulators & others
- Manage cost structure
  - Continue to make improvements
  - Increased use of technology to improve reliability & safety
- Add 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 – 681,000 utility customers
- Utility net revenue – 92% from stable R&C customers
- Non-utility activities – primarily natural gas storage

NW Natural

2012 YTD Highlights

- Earned $1.56 per share through June 2012 on $42.0 million of net income vs. $1.61 per share on net income of $43.0 million in 2011
- Gill Ranch gas storage in second full 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 the top companies in the nation and Western region by J.D. Power for residential customer satisfaction
- Customer refunds totaling $39 million related to lower natural gas costs were credited to utility customers beginning in June
- General rate case in Oregon is ongoing, with an expected outcome in late October
- Bad debt expense of 0.22% of revenues for the 12 months ended June 30, 2012
- Increased quarterly dividend payable November 2012 to 45.5 cents per common share – the 57th consecutive year of increasing dividends paid (indicated annual dividend of $1.82 per share)
- Earnings-per-share guidance for 2012 reaffirmed at $2.35 to $2.55 per share on August 3, 2012

Regulatory Activity

- **Oregon and Washington customers received $39 million refund**
  - Due to lower gas costs, NW Natural provided customer credits starting with June bills
  - NW Natural also provided Oregon customers an additional $9 million refund from efficient pipeline management and effective use of the Mist storage facility
- **Encana transaction meeting targets**
  - An approximately $250 million gas reserves investment over five years – of about $45 million to $55 million per year
- **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, with further reductions for coming year
  - Customer gas rates will be lower for 2012-13 heating season with PGA decreases of ~8-9% in Oregon and ~9-10% in Washington
- **Company filed general rate case in Oregon in late December 2012**
  - Rate case is ongoing with outcome expected by late October 2012

Oregon Rate Case – Docket UG 221

- Filed December 30, 2011 with OPUC, seeking $43.7 million increase to revenues from base rates
- Overall request addresses higher utility costs due to maintaining service to customers and safe and reliable pipeline operations
- Forward test year of November 2012 to October 2013
- In July, the company, OPUC staff and other parties filed a partial settlement in the case, which resulted in an adjusted revenue request from the company of $35.9 million
- In August, the parties and NWN reached an agreement in principle on certain key issues, which was filed on Oct. 2, 2012
  - Stipulation proposes continuation of WARM/Decoupling mechanisms, the continuation of the System Integrity Program (SIP) for two years and other key items
- Establishment of Site Remediation Recovery Mechanism (environmental cost recovery) could result in additional 1 to 3 percent rate increase
- Hearings were held in late August and results of this rate case are expected in late October, with rates effective Nov. 1, 2012

NW Natural

UG 221 Schedule (Subject to Change)

Activity	Date
• Oral argument	October 11
• Target date for Commission decision	October 22
• Rates effective	November 1

Adding Growth

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

Natural Gas Storage

Gas Storage Segment

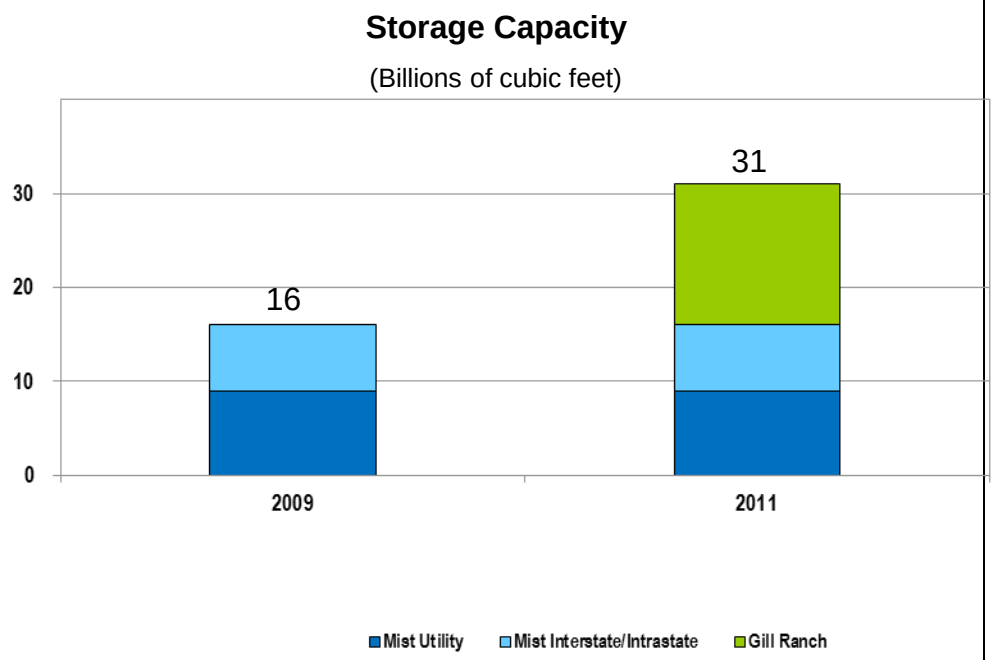
- Consists of non-utility operations at underground gas storage facilities
- Uses asset management services for available utility & non-utility storage and pipeline transportation capacity

Utility Gas Storage

- Key utility resource at Mist (OR) – 16 Bcf
- Low-cost seasonal peaking supply
- Historically low incremental development costs
- Investment rolled into rates as needed for core customers
- Expandable as needed to meet needs of core utility customers and for Mist Interstate/Intrastate optimization

Non-Utility Gas Storage

- Gill Ranch Storage located near Fresno, Calif., at a prime location to serve customers – a 20 Bcf facility – with expansion potential
- Third-party optimization at Mist & Gill Ranch facilities



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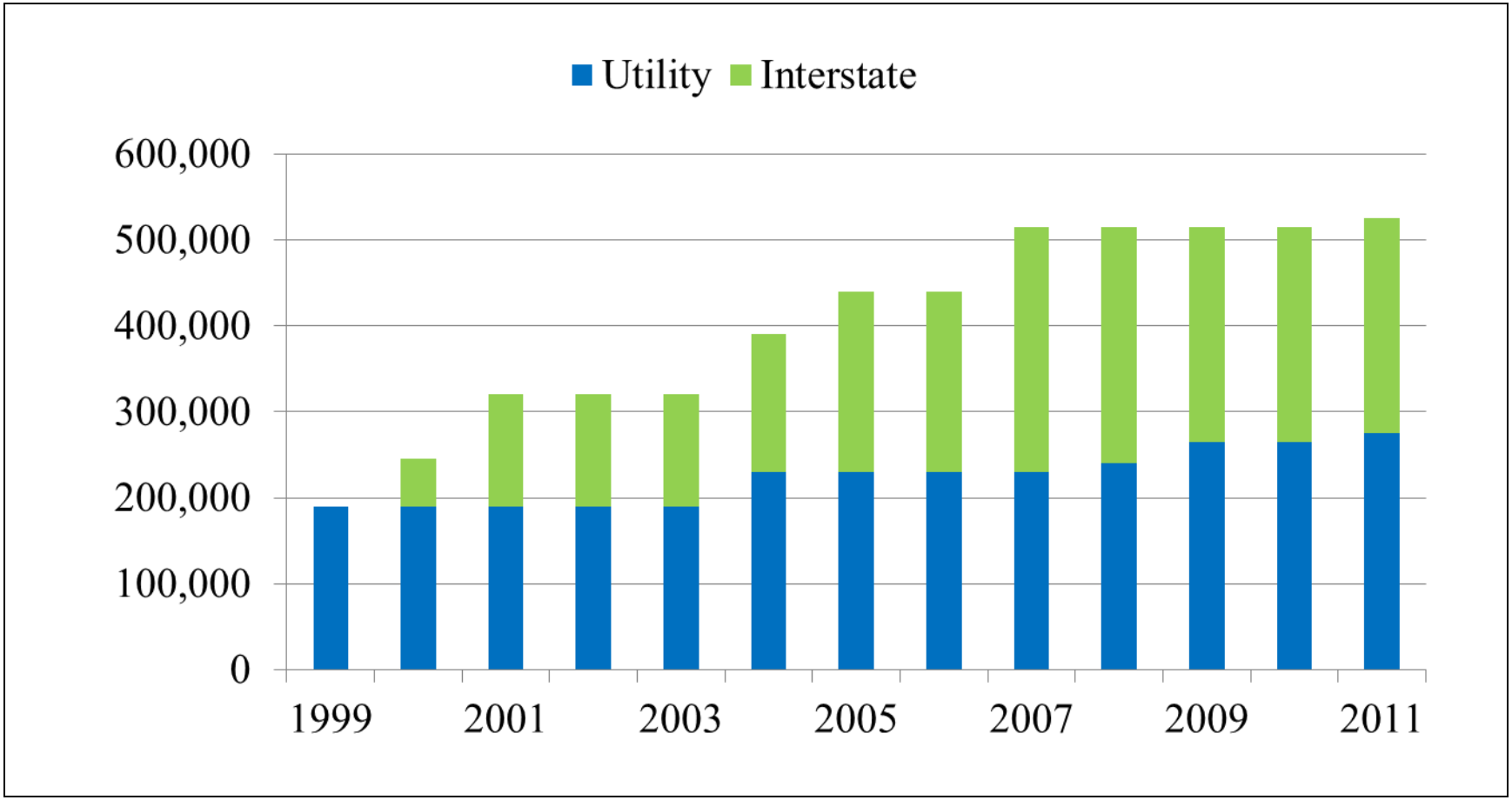
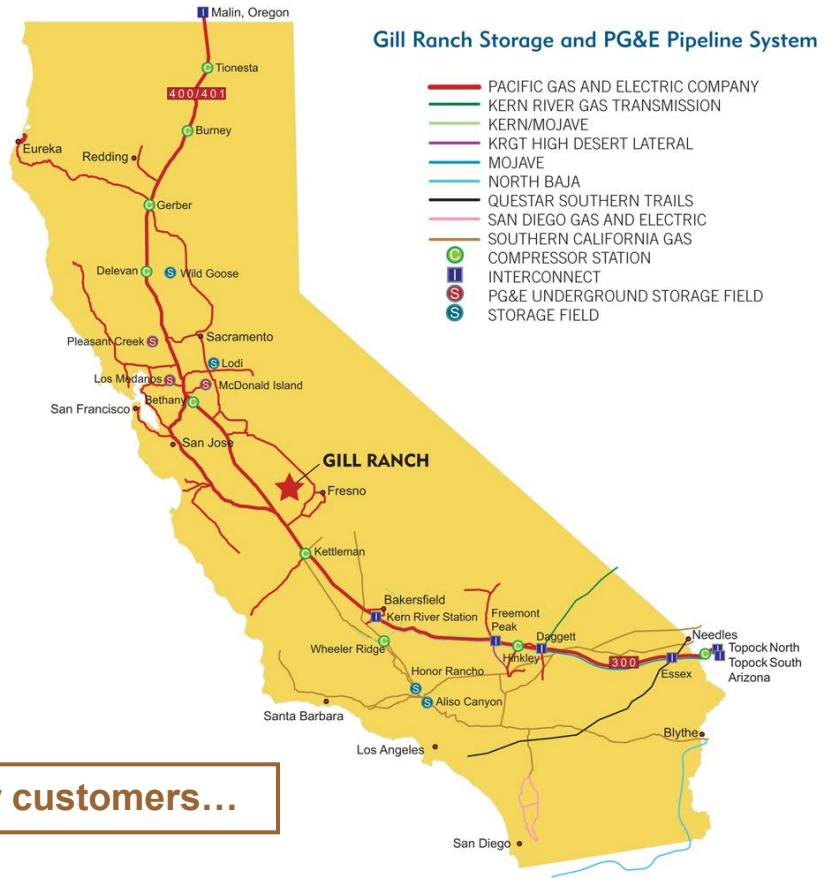
Historic Mist Integrated Development

(Deliverability/Dtherms)



Gill Ranch Storage Overview

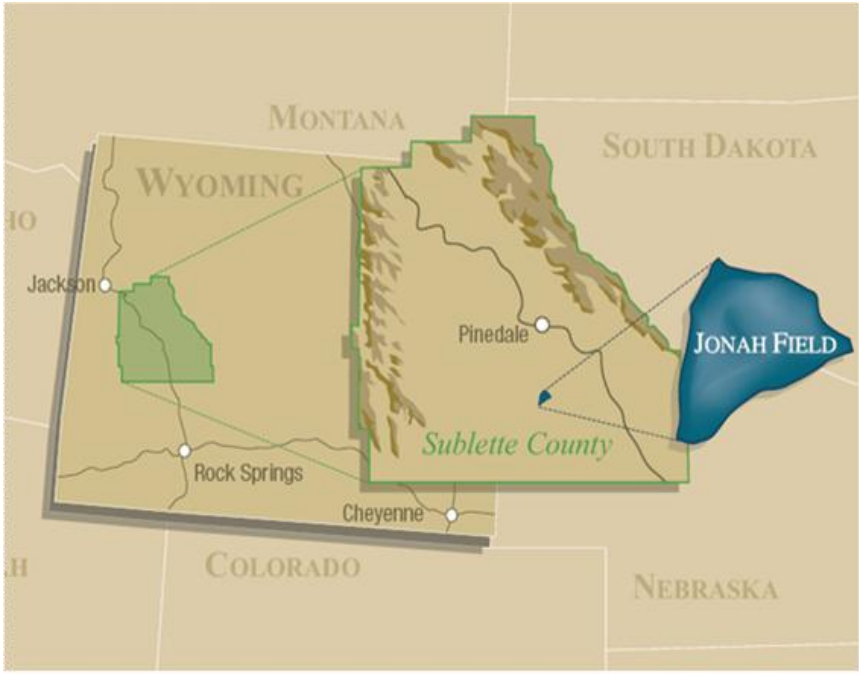
- Market area storage at prime location on PG&E system
- Under CPUC jurisdiction
- Depleted gas reservoirs
- Phased development
  - 20 Bcf initial capacity
  - Expandable per market needs
- GRS working as designed & entered second injection year in April 2012
- 75/25 venture with PG&E, with NWN owning 75% share of first phase



Strategic location for customers…

Gas Reserves Joint Venture with Encana

- **Strategic focus:**
  - NW Natural continues 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
  - Gross investment will be about $45-55 million per year, for a five-year period, totaling approximately $250 million
  - New investment will be tracked into rates at each PGA filing
  - Total net investment of $76 million at June 30, 2012
  - Drilled 20 wells in 2011 & 24 wells scheduled for drilling in 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



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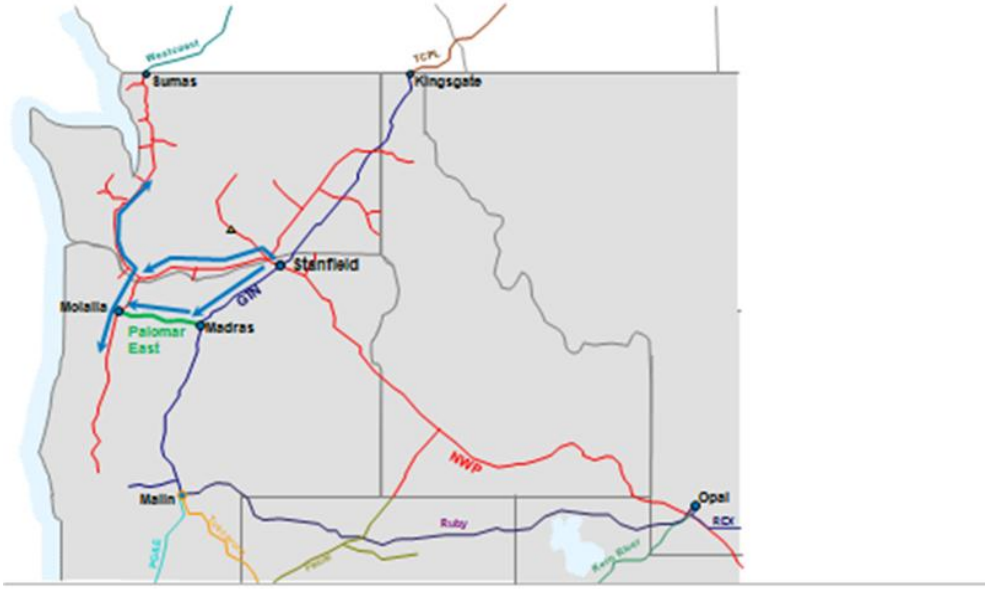
Palomar Pipeline Project Overview



Pipeline Project Purposes

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

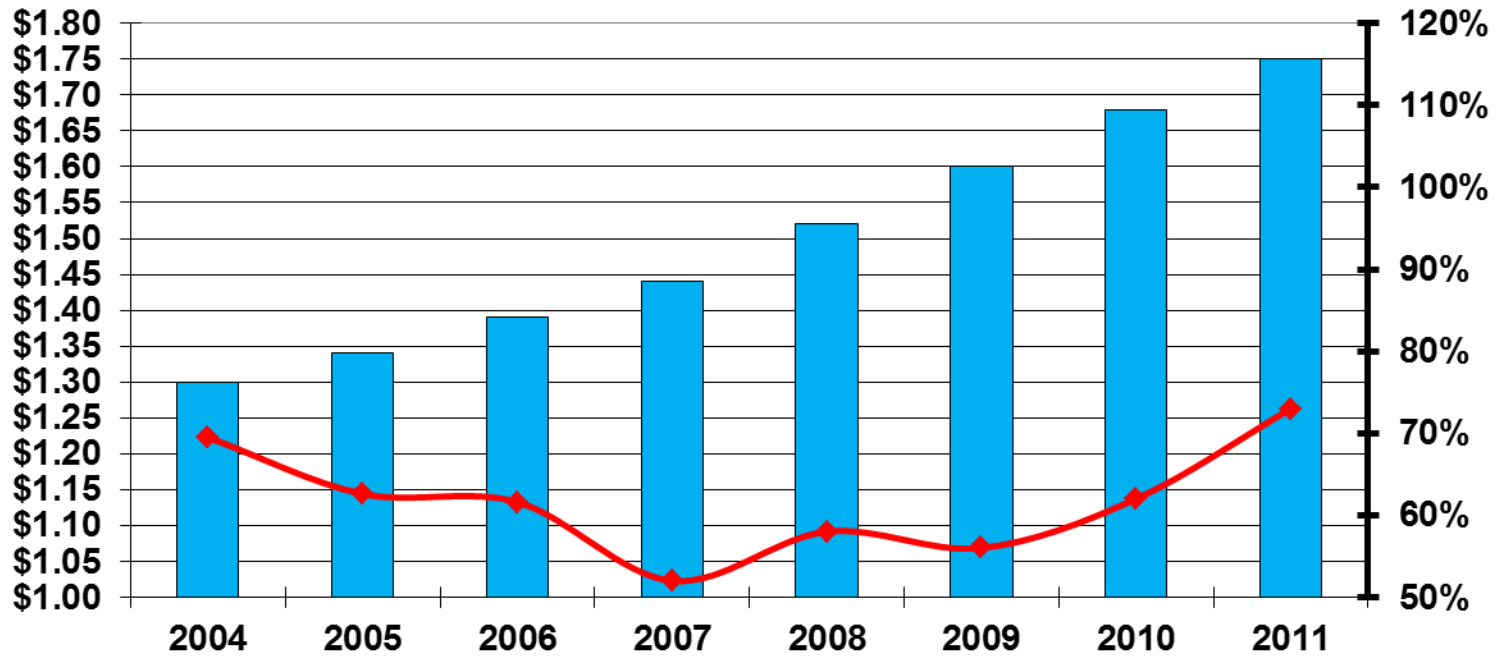
Project Review

- Currently a 50/50 JV with TransCanada, but have signed non-binding MOU with Williams to potentially become part owners
- Company will re-file the FERC application to address changes in the project's scope and scale

Remains Important Project for Region

Dividend Payout History

(57-year history of increasing dividends paid)



Dividend increased to $1.82 per share annually on an indicative basis

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Conclusion

- Consistent YTD results through Q2 2012 compared to YTD 2011 -- $1.56 per share on net income of $42 million in 2012 vs. $1.61 per share on net income of $43 million through June 30, 2011
- Company strongly utility-focused (90%) with major customers residential and small commercial vs. other LDCs, combined with upside on non-utility projects
- Oregon general rate case filed (first since 2002-03) in December – a 10 month process
- Gill Ranch Storage facility entered second year of operations in April 2012
  - NW Natural now operates and controls about 31 Bcf of gas storage capacity
- A total investment of $76 million (net rate base of $49 million) at June 30, 2012 of the $250 million gas investment in utility gas reserves with Encana Oil & Gas Inc. (USA)
- Dividends scheduled to increase in November 2012 to 45.5 cents per common share quarterly and an indicative annual rate of $1.82 per year
- Conversion opportunities exist due to gas coming late to the Northwest & low gas prices
  - Approximately 90 percent of company is in stable regulated activities
- 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 57 consecutive years. NW Natural operates gas storage facilities in its service territory and provides gas storage services to other energy companies.

KEY INDICATORS:	YTD 2012 (Q2)	2011
Total customers	680.936	679.543
Total common equity	$737,570	$714,488
Avg. diluted common shares outstanding (000)	26,879	26,744
Number of registered common shareholders	6,536	6,745
Institutional ownership	63%	52%
Annual Dividends (ttm)	$1.77	$1.75
Diluted earnings per share	$1.56	$2.39
Book value per share	$27.49	$26.70

COMPOSITION OF UTILITY REVENUE:		
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	A+
Commercial paper	P-1	A-1
Outlook	Stable	Stable

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