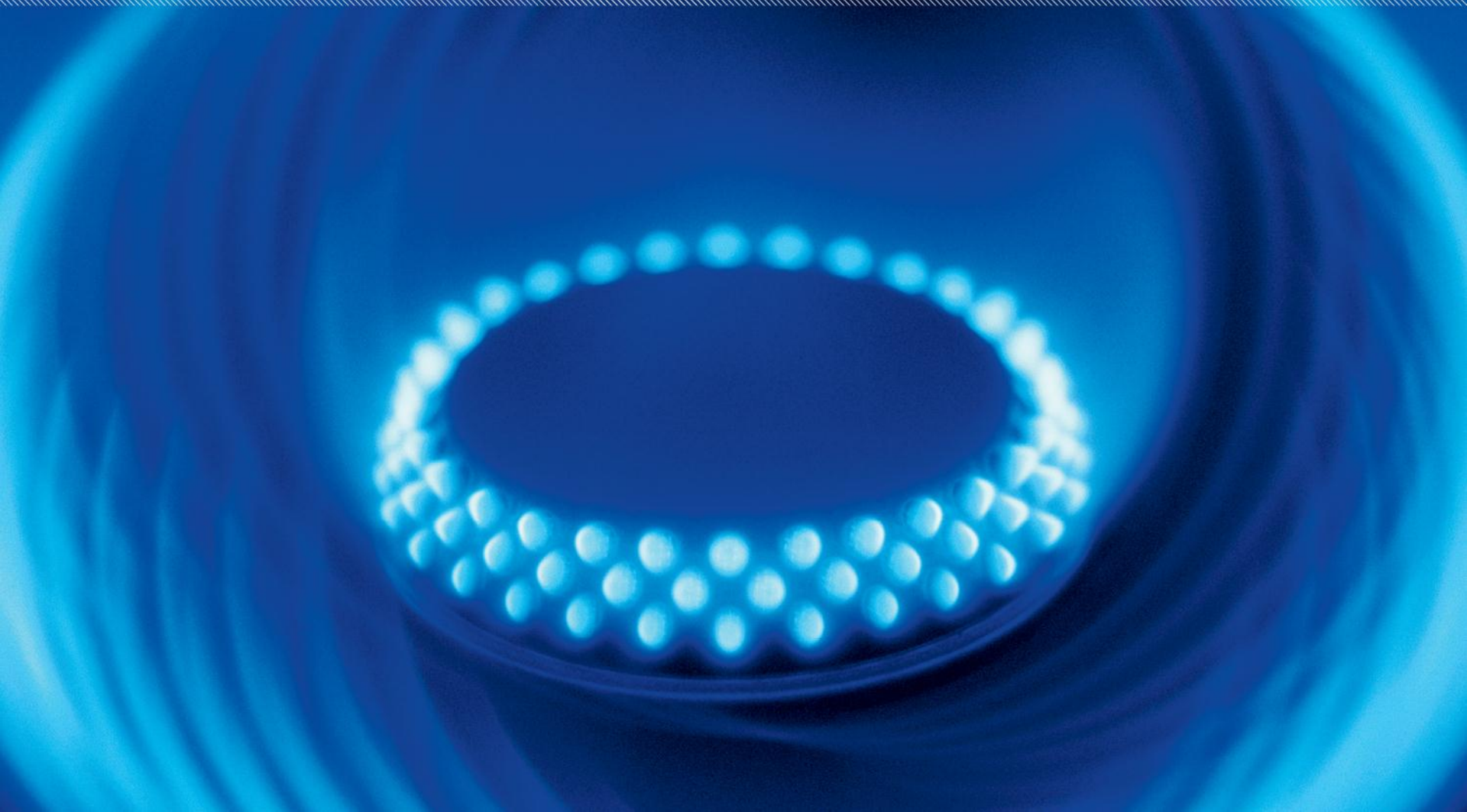
NW Natural®

WELCOME TO THE 2012 NW NATURAL

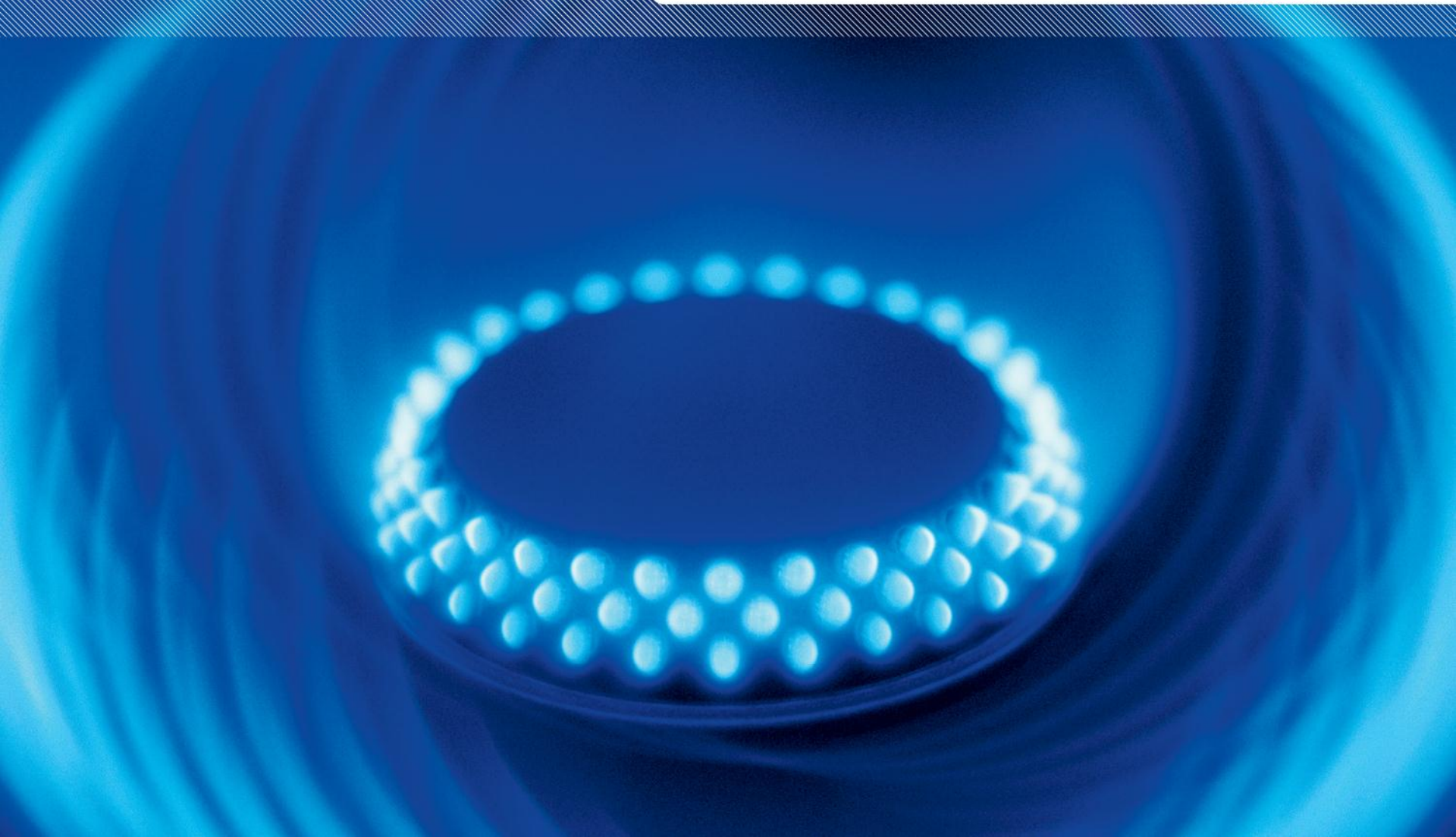
ANNUAL SHAREHOLDER MEETING



NW Natural®

GREGG KANTOR

PRESIDENT & CHIEF EXECUTIVE OFFICER



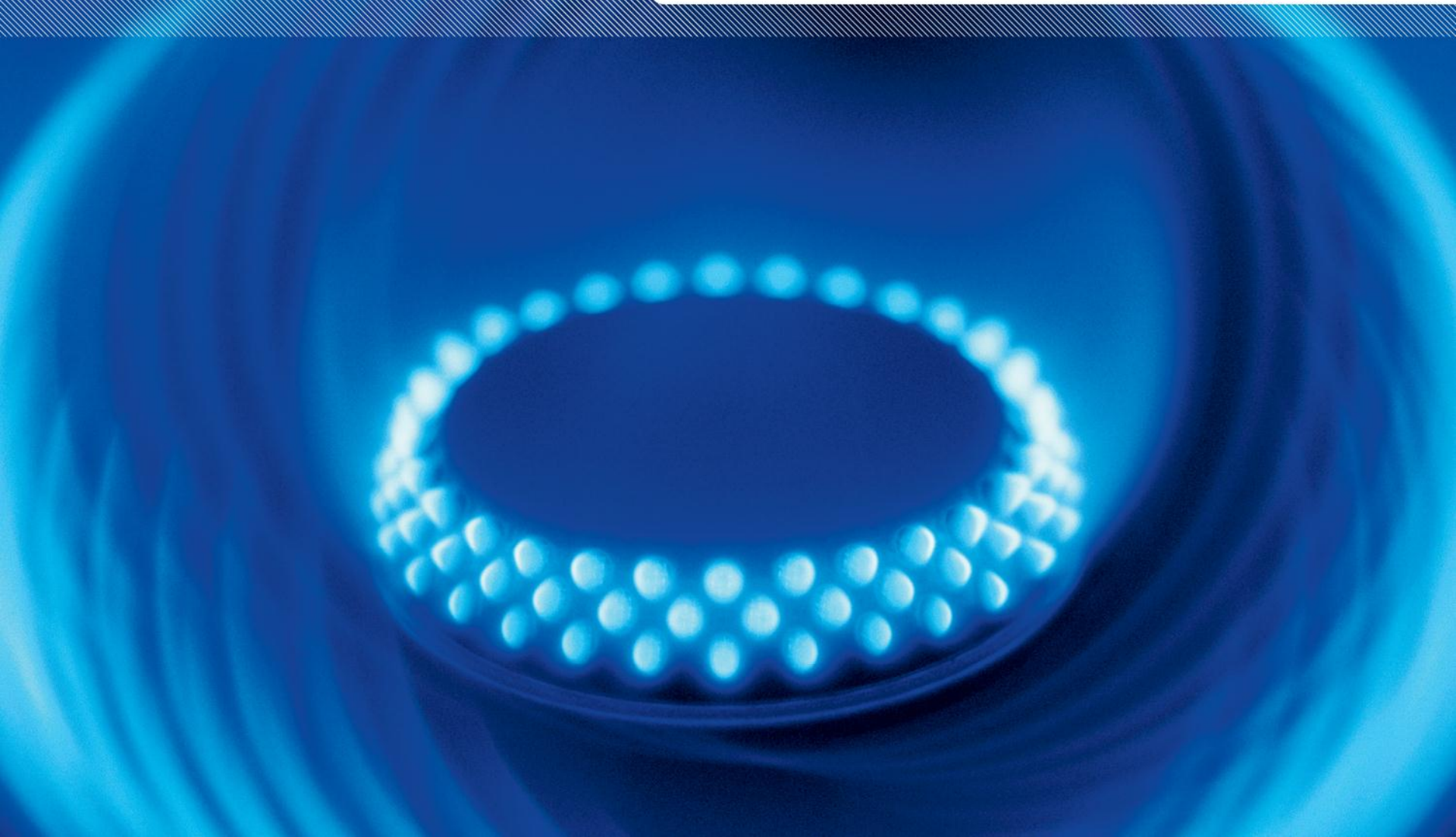
Forward-Looking Statements

Management's presentations may contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You should note that the company's future operating results and performance will be affected by various uncertainties and risk factors, many of which are beyond our control, including governmental policy and regulatory action, the competitive environment and economic factors, as well as weather conditions. Our expectations, beliefs, performance and projections are expressed in good faith and we believe have a reasonable basis. But, any forward-looking statement speaks only as of this date and we have no obligation to update any forward-looking statement to reflect events or circumstances after this date. For a more complete description of these uncertainties and risk factors and how they could cause the actual results of the company to differ materially from those projected, we encourage you to review our most recent reports with the SEC on Forms 10-K, 10-Q and 8-K.

NW Natural®

RUSSELL TROMLEY

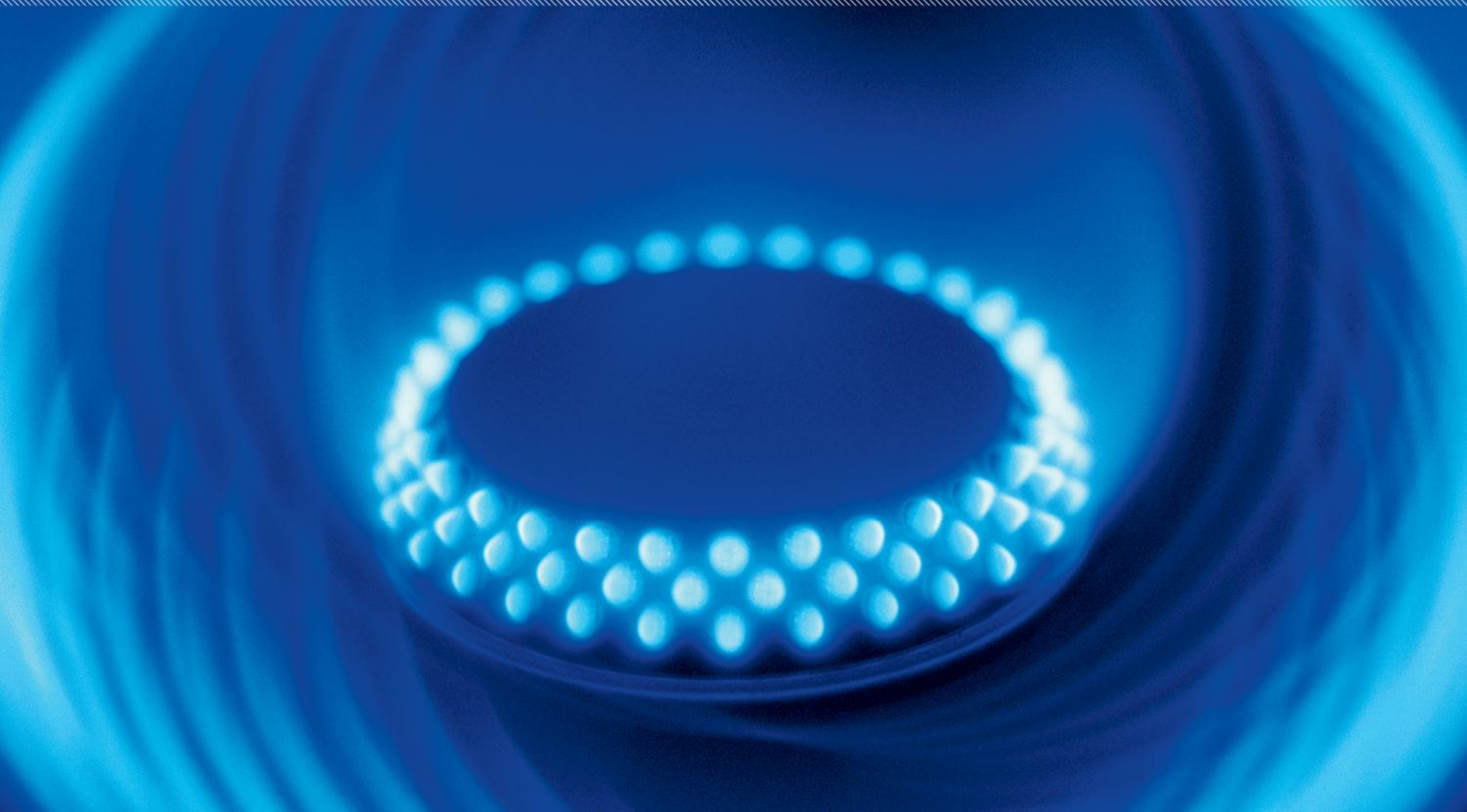
CHAIRMAN OF THE BOARD



NW Natural®

MARDILYN SAATHOFF

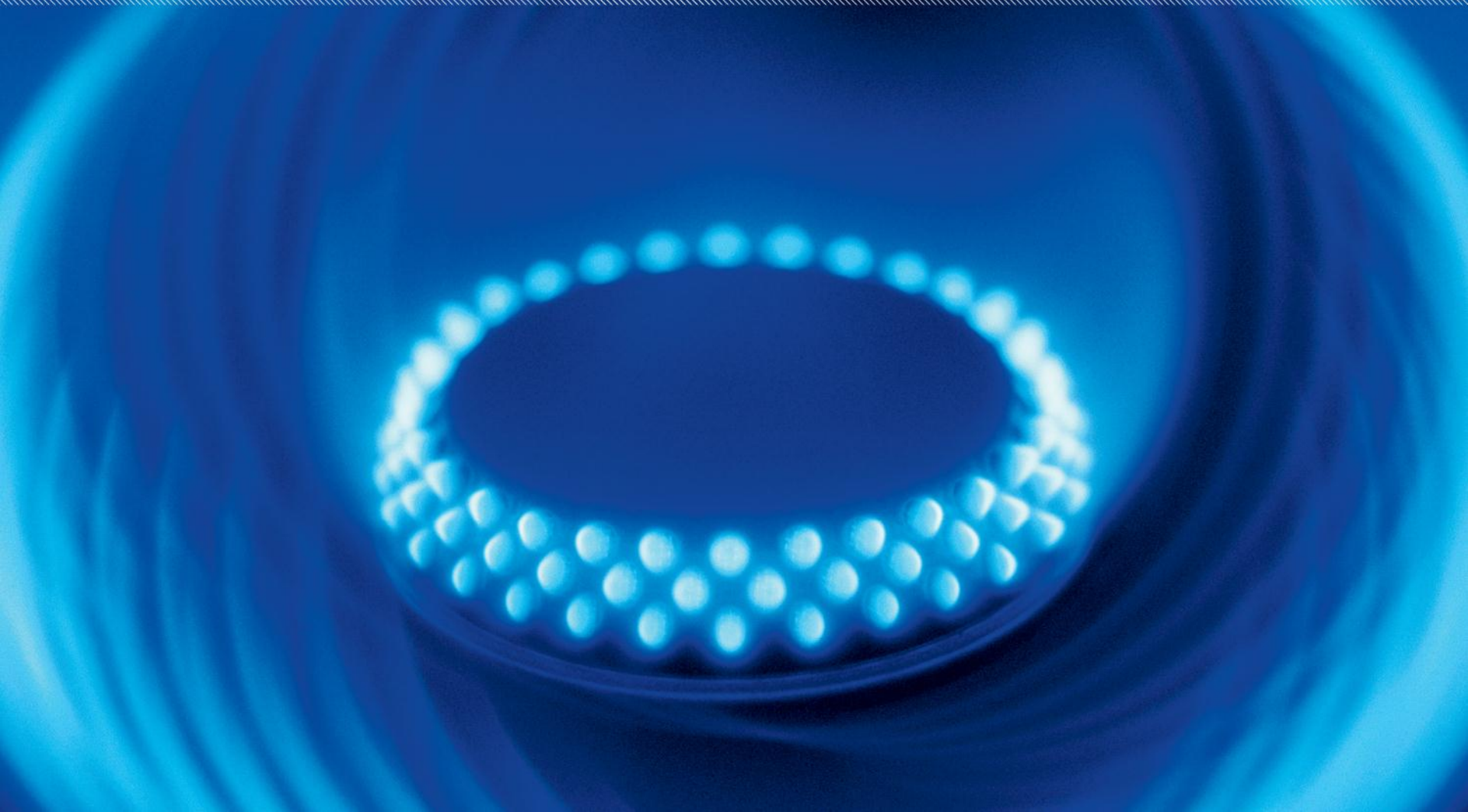
CHIEF GOVERNANCE OFFICER AND CORPORATE SECRETARY



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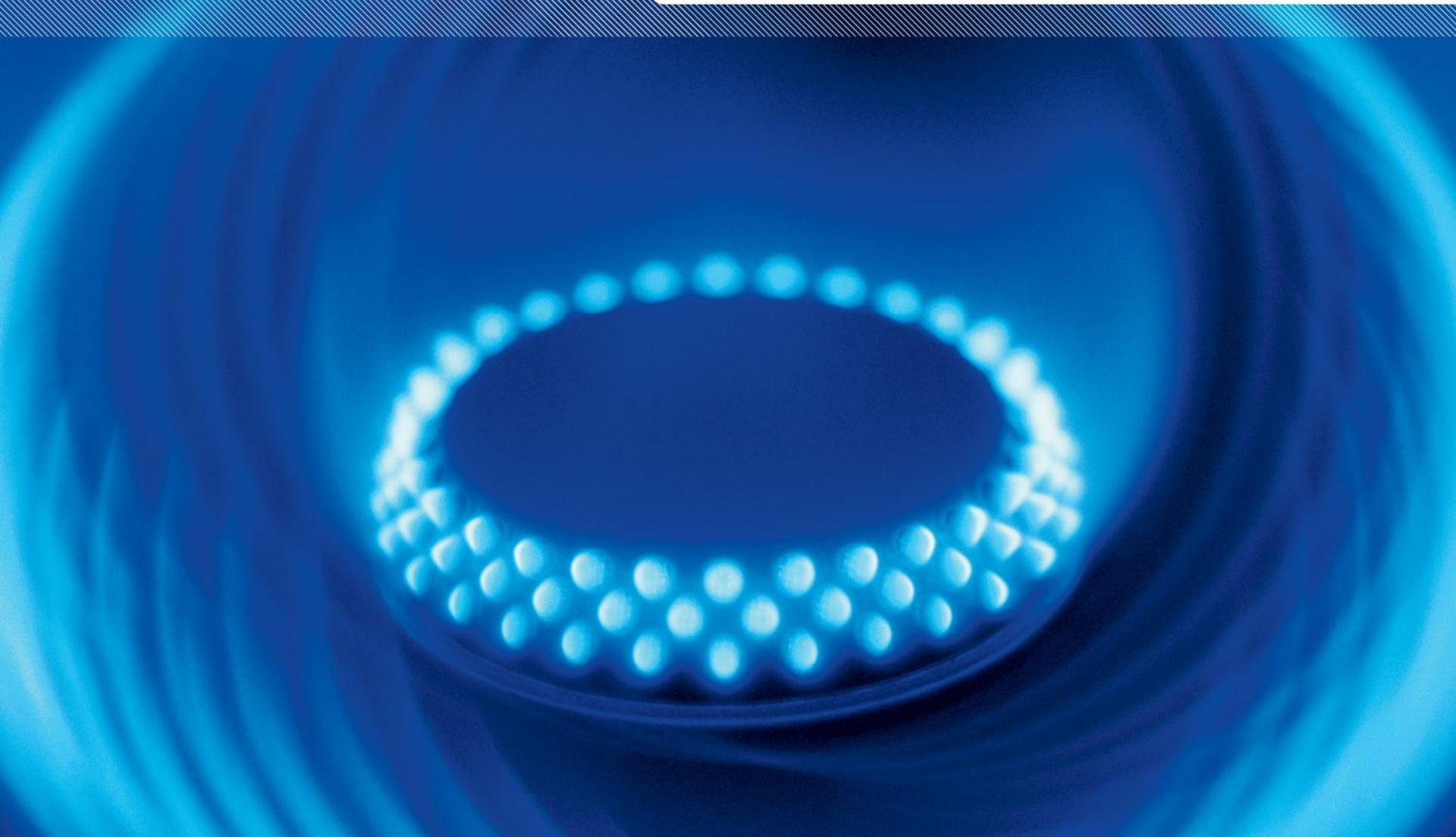
2012 ANNUAL SHAREHOLDER MEETING



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GREGG KANTOR

PRESIDENT & CHIEF EXECUTIVE OFFICER



2011 Year in Review









- Total shareholder return of over 7% with earnings of $2.39 per share, despite impact of tax law repeal
- Increased dividends paid for 56th consecutive year
- Third consecutive year of rate decreases for customers:
  - 20% reduction over three years for Oregon
  - 26% reduction over three years for Washington
  - $39 million in early credit of gas cost savings in June
- Groundbreaking agreement to invest in gas reserves

Gill Ranch Storage







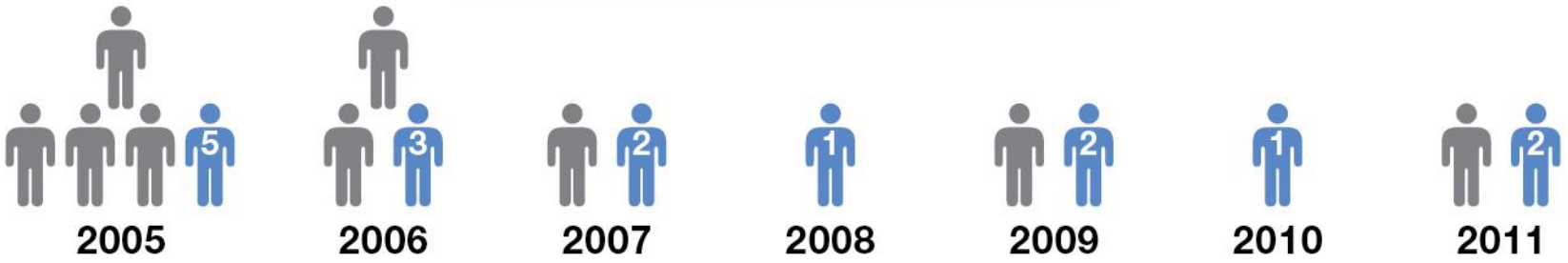


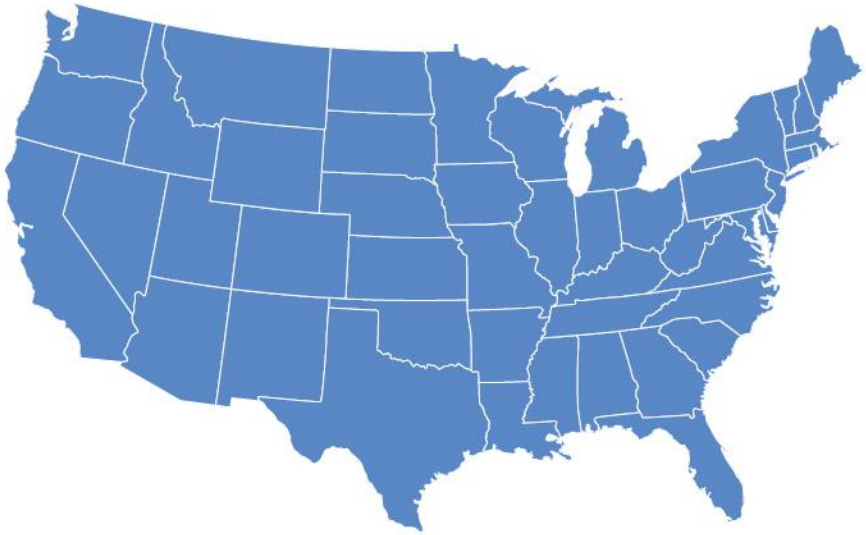
- Second year of operations:
  - Achieved contracting and operational plans
  - Reservoir performance strong
  - Reached 15 billion cubic feet of capacity
- Modest market improvement
  - Better spreads between near-term prices and those for next winter
- Reliance on gas for electric generation in the West positively positions storage assets

Customer Service Excellence

J.D. Power Residential Gas Utility Survey
NATIONAL RANKINGS BY YEAR

OVERALL CUSTOMER SATISFACTION





NW Natural®

Safety Comes First

















Many factors drive customer satisfaction – price, call wait times, employee interactions. But maintaining a safe system is at the heart of everything we do.

Leading in Proactive System Safety

While many utilities across the country will need to invest hundreds of millions of dollars to upgrade their systems, NW Natural is strongly positioned to meet new pipeline safety legislation.

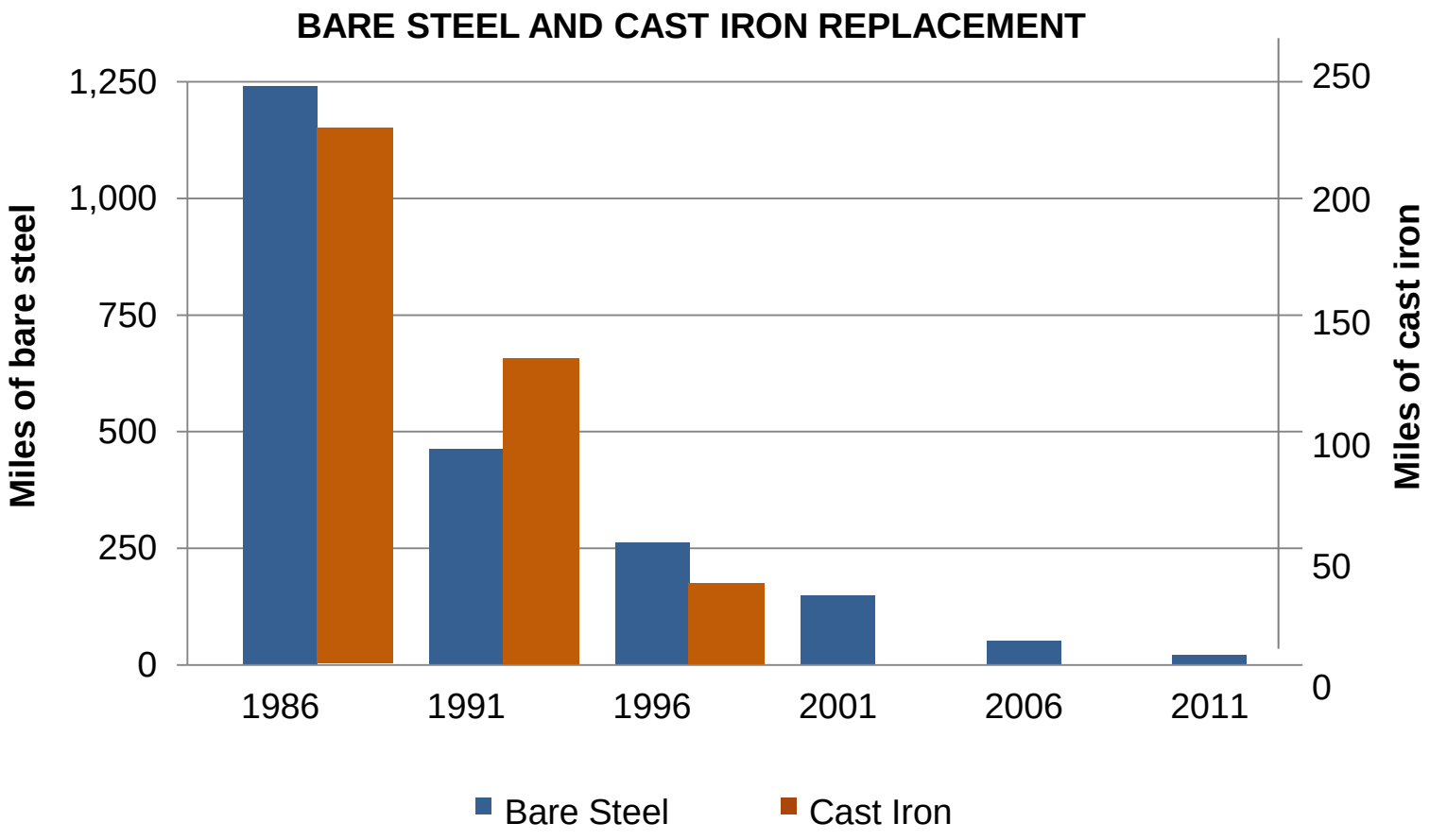


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Pipe Replacement Progress



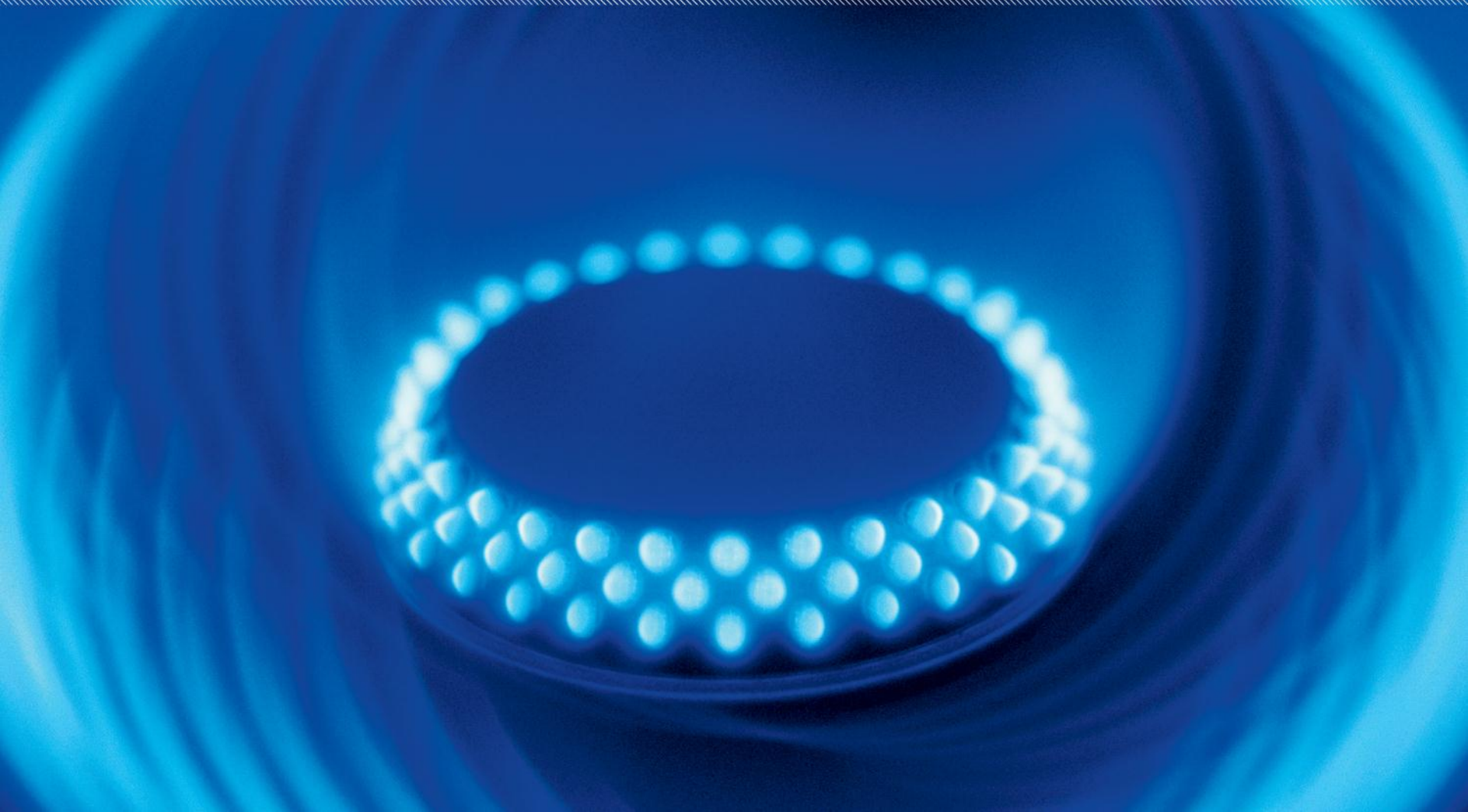


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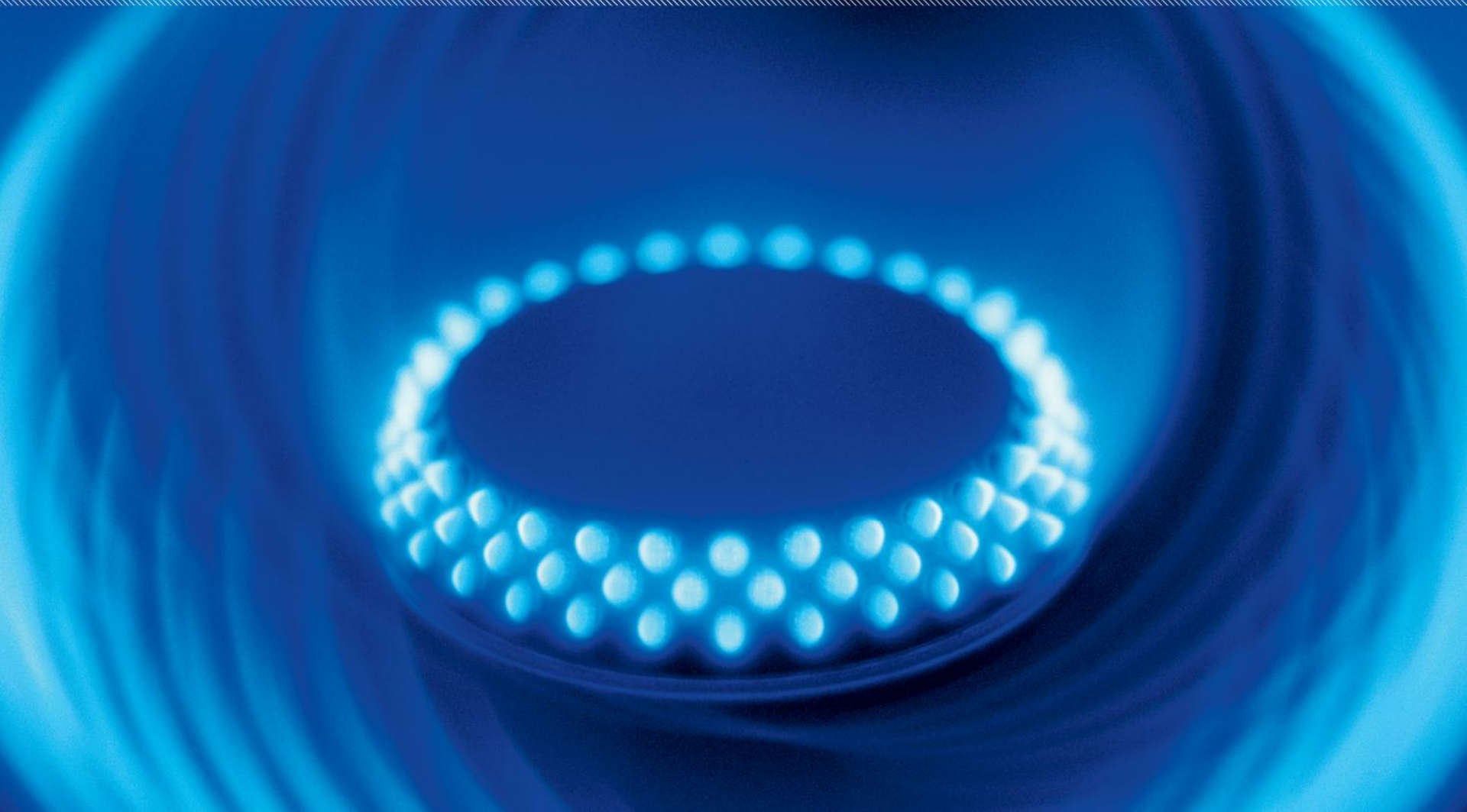
2012 ANNUAL SHAREHOLDER MEETING



NW Natural®

DAVID ANDERSON

SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER



Solid Results in 2011






- One-Year Total Shareholder Return of 7.1%
- 10-Year Total Shareholder Return of 10.7%
- Increased quarterly dividend rate by 2.3%
- Financial returns solid, but impacted by Oregon legislation:
  - EPS of $2.39 on $63.9 million of net income
  - Repeal of utility tax legislation led to one-time charge
  - Strong balance sheet – Investment-grade credit ratings from Standard & Poor's (A+) and Moody's (A1)

Our Corporate Strategy

- Stabilized margins through regulation
  - First to implement decoupling among gas utilities
- Managing cost structure
  - Continuing to make improvements to keep costs under control
- Add growth opportunities that fit our risk profile:
  - Encana, Mist, Gill Ranch

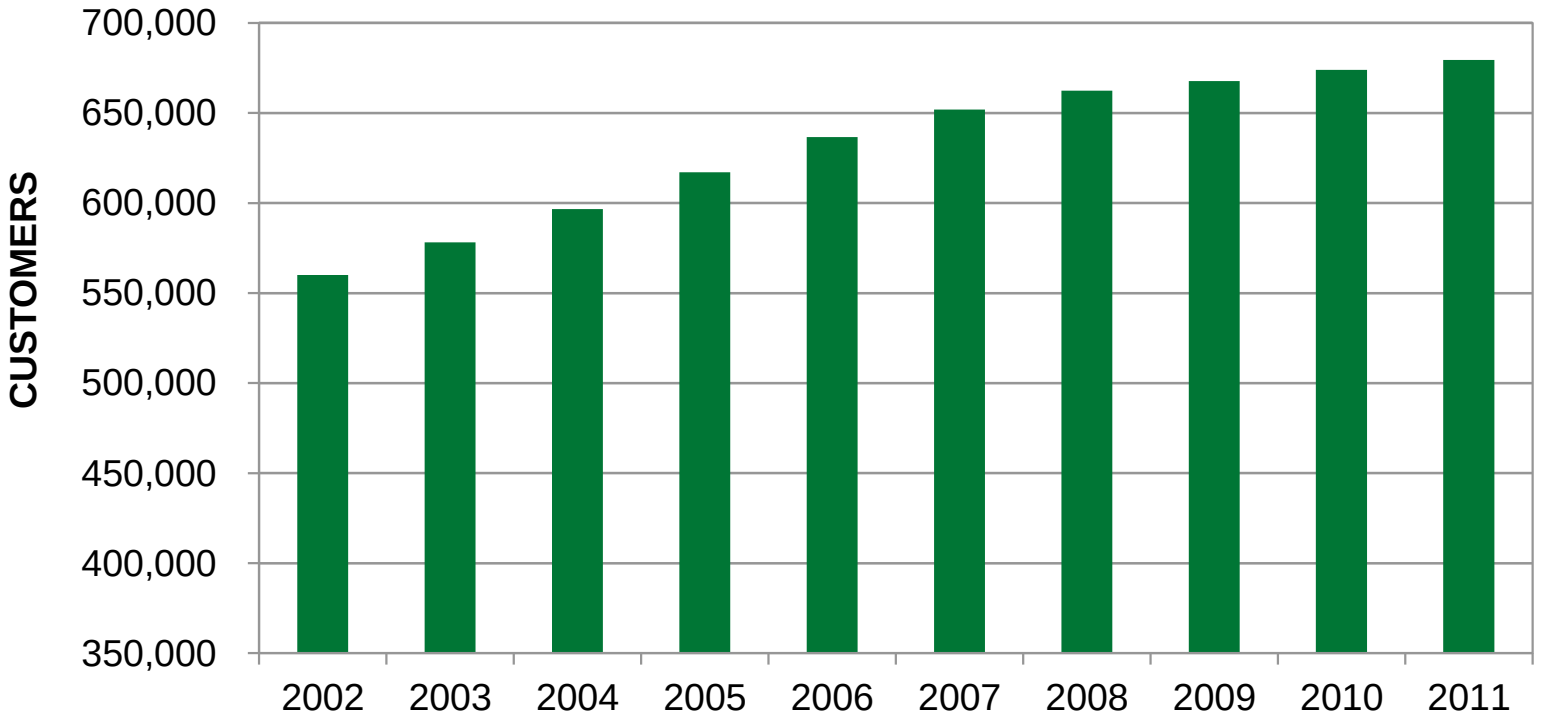




Total Customers

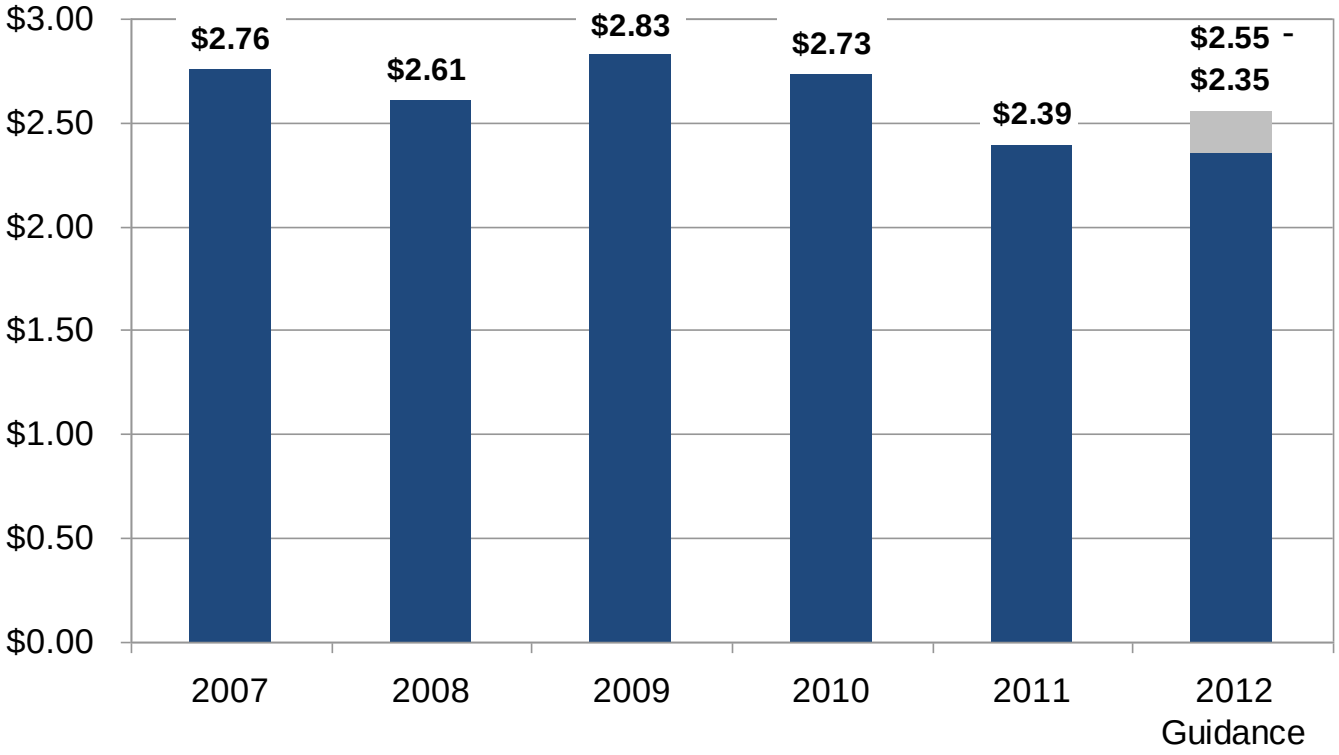




Earnings Per Share



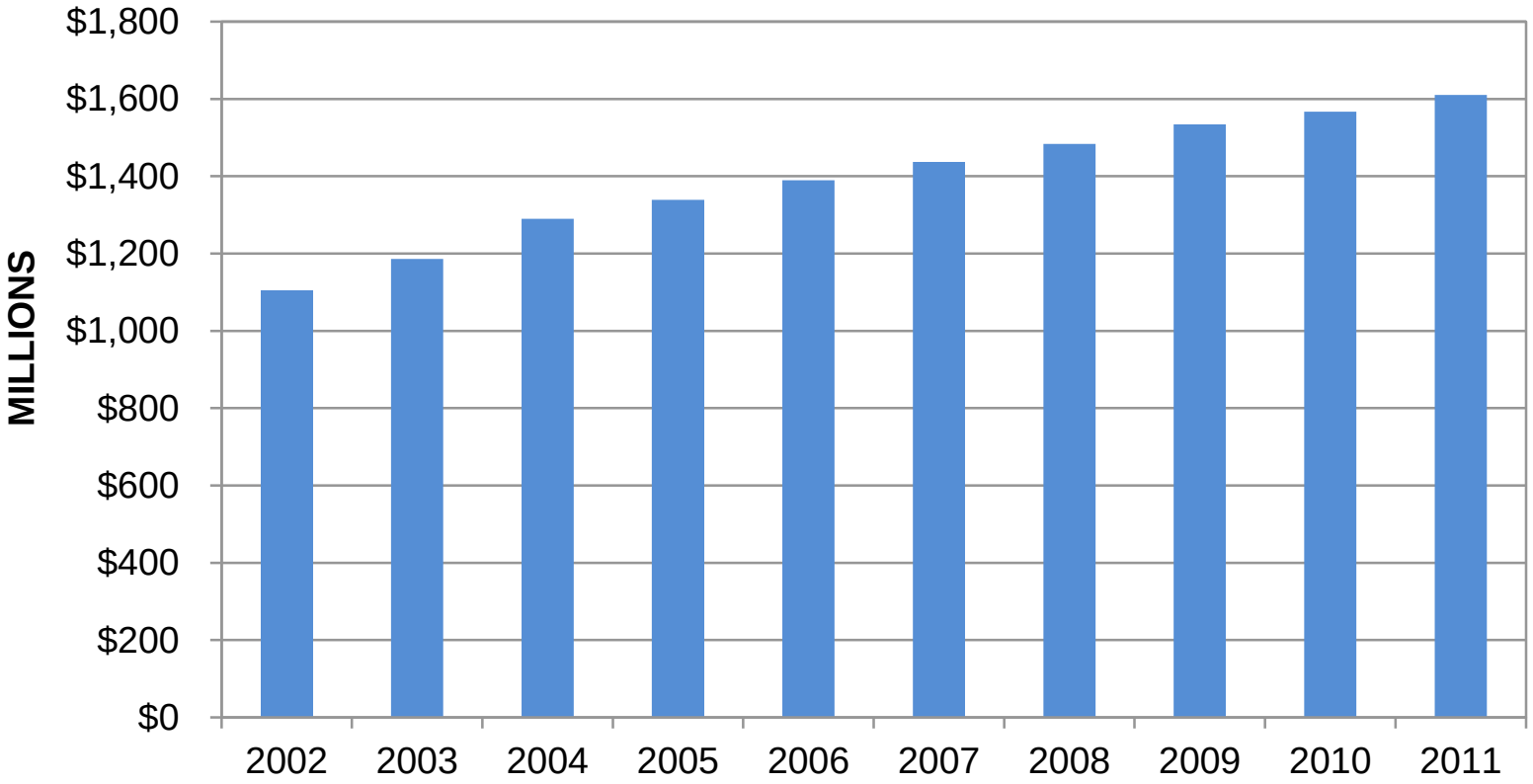


* 2011 results include one-time Senate Bill 967 charge.

Net Utility Plant Investment



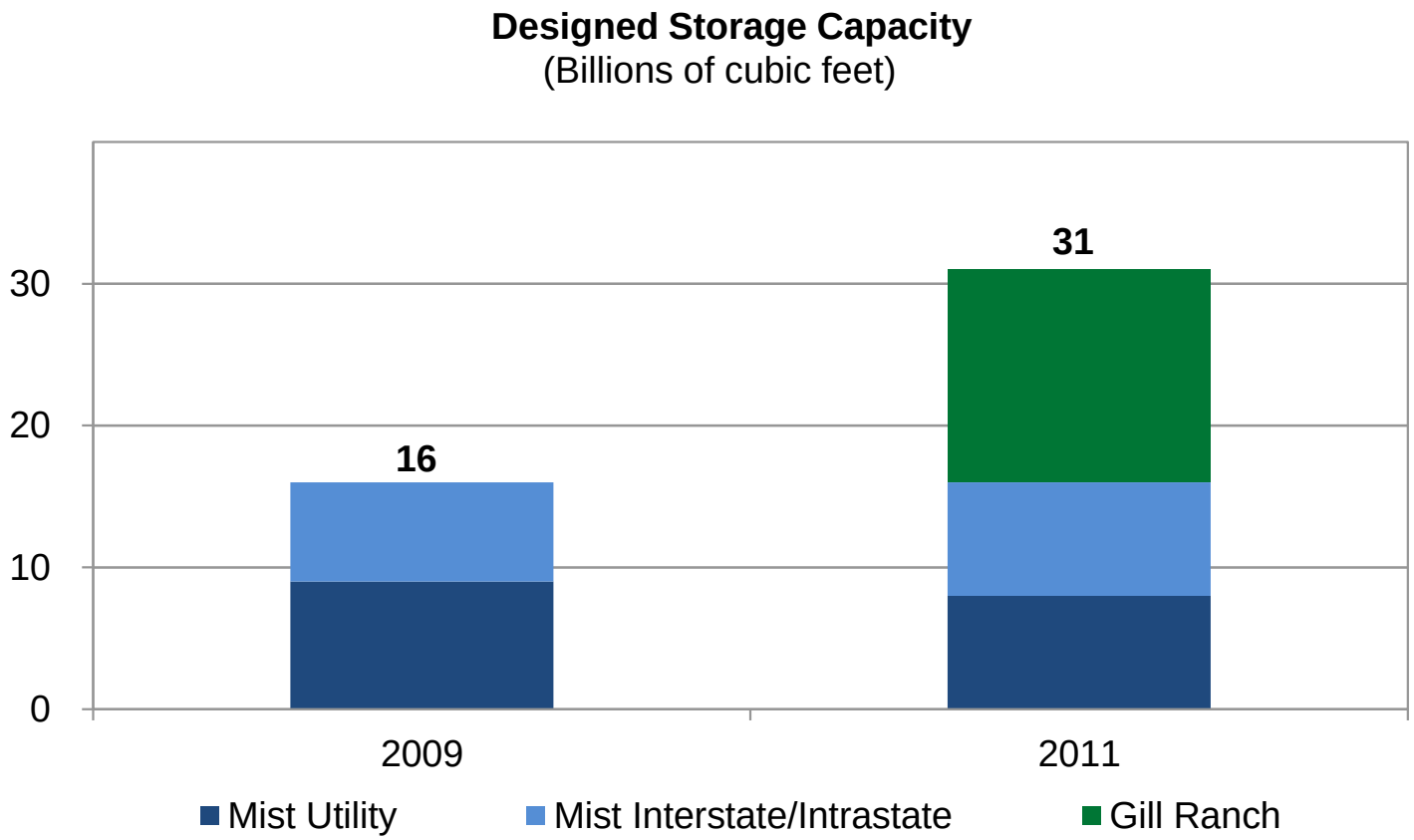


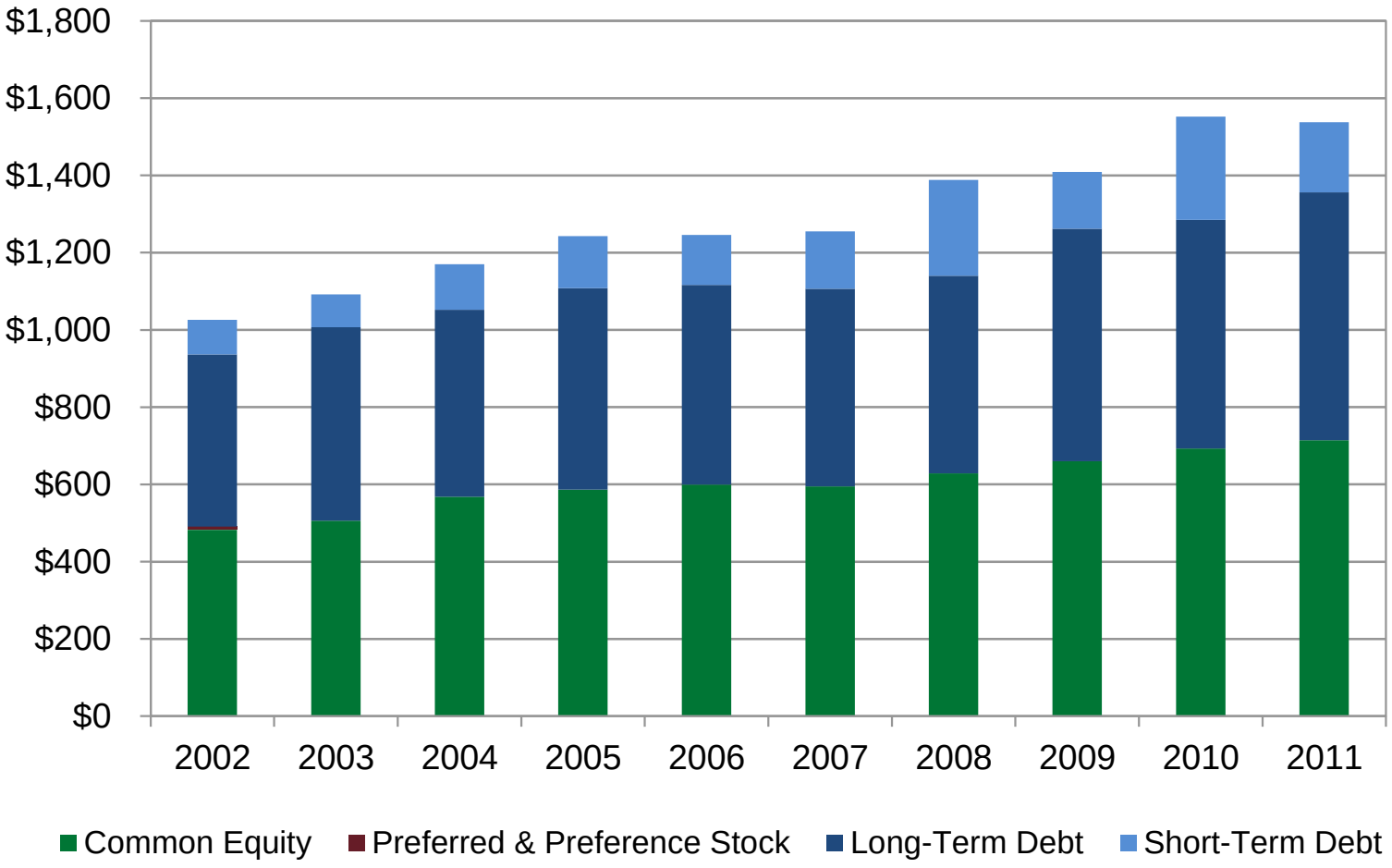
Gill Ranch Storage





Capitalization





Gas Sales & Transportation Deliveries

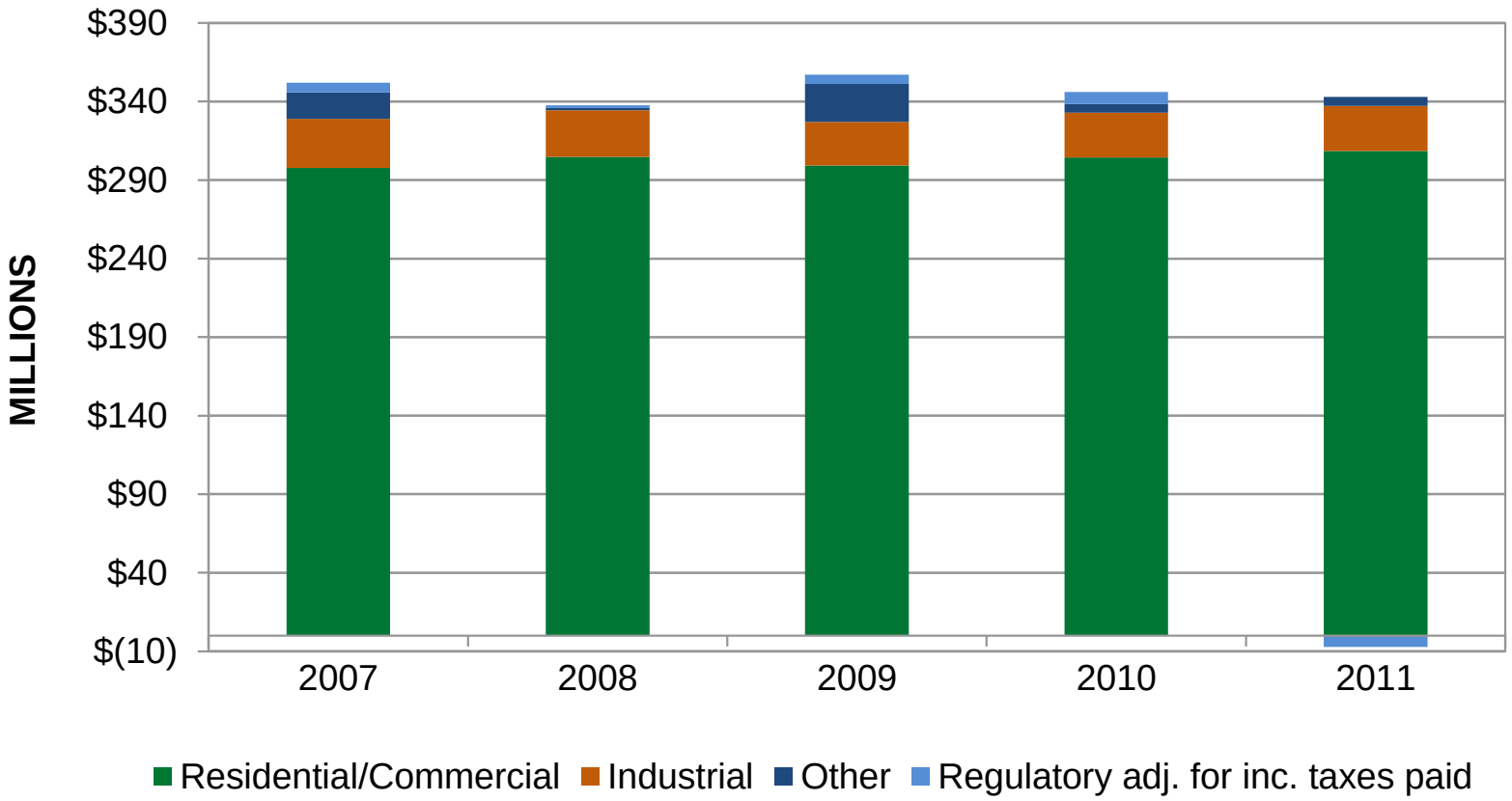






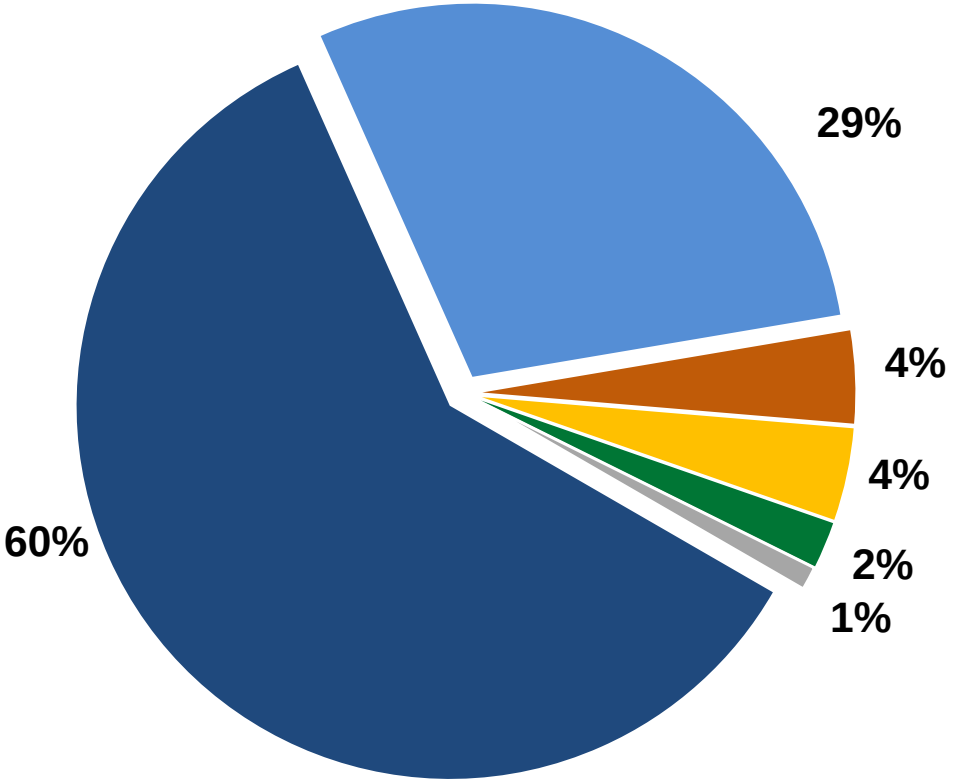

Utility Margin





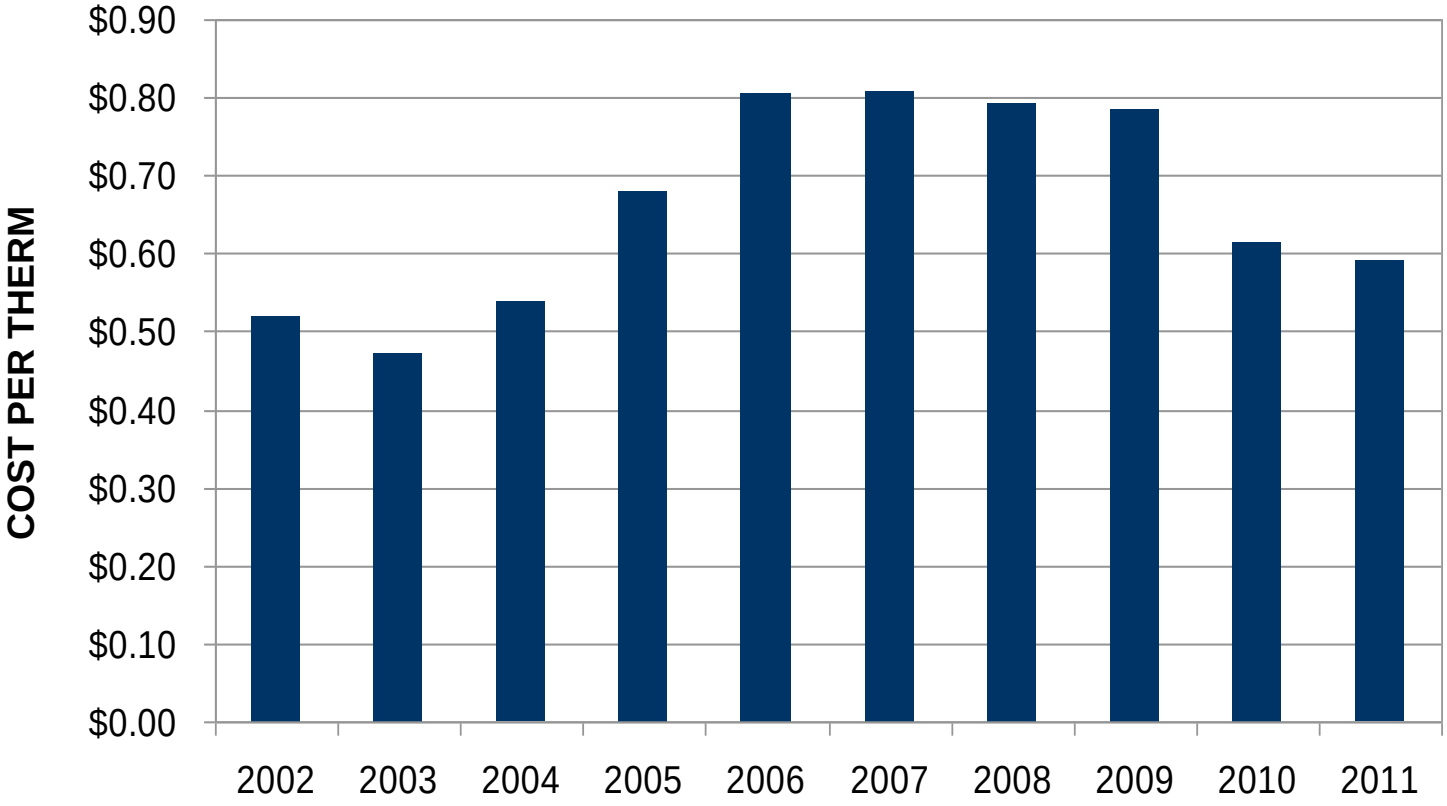
2011 Utility Revenues





Average Cost of Gas





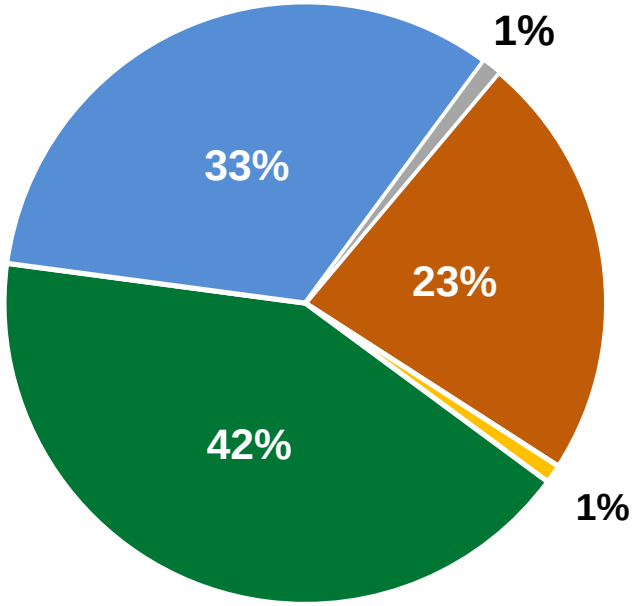
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Gas Supply Diversity



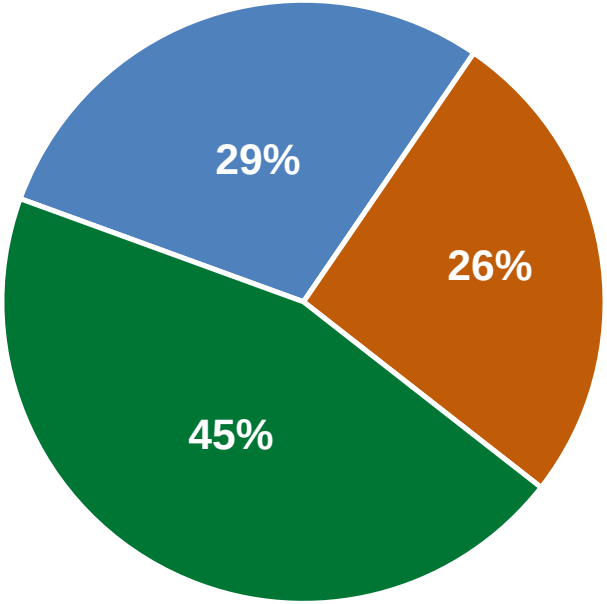



SUPPLY SOURCE



- British Columbia
- Mist Production
- Alberta
- U.S. Rockies
- Encana - U.S. Rockies

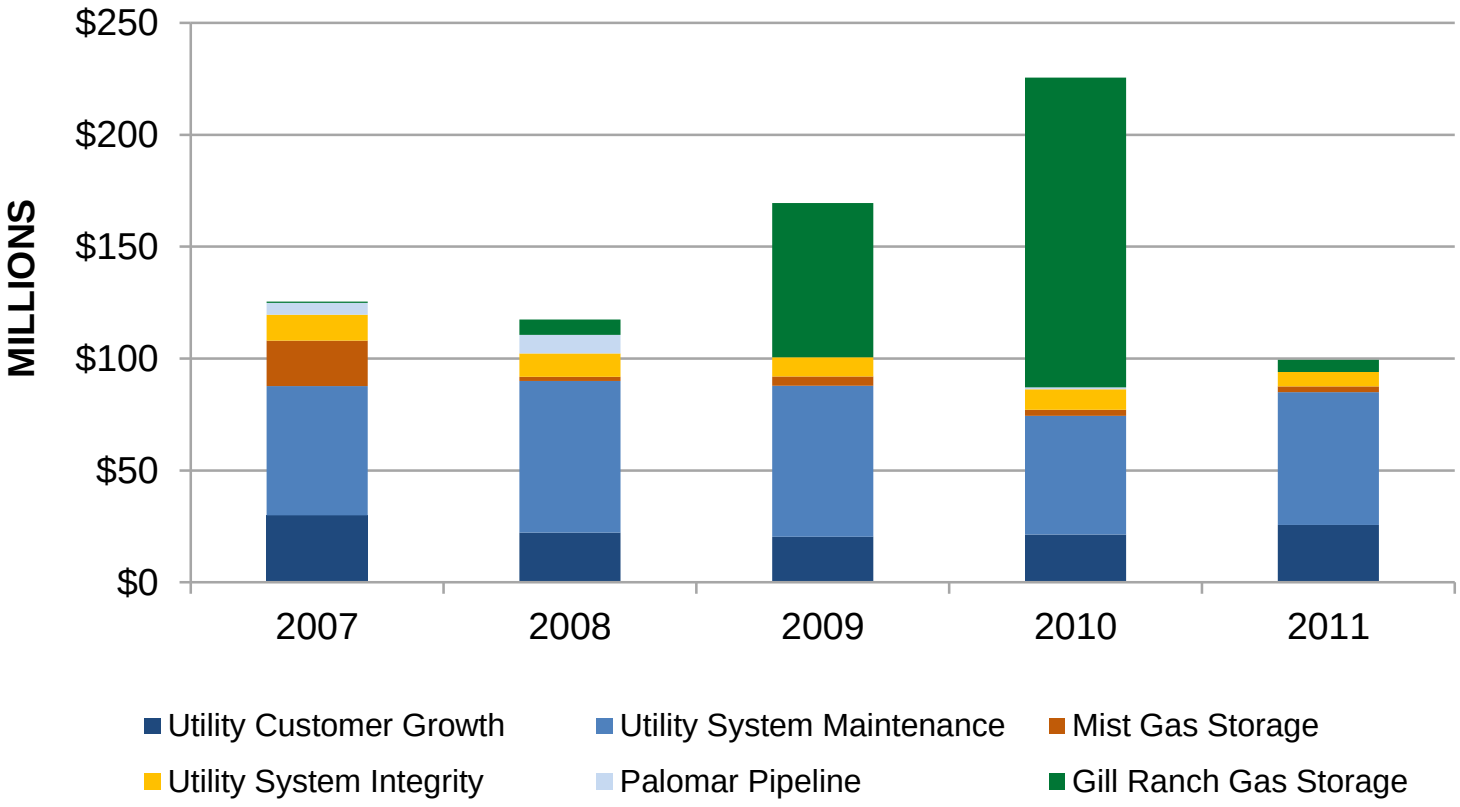
ORIGINAL CONTRACT LENGTH



- Long Term
- Short Term
- Spot (30 day)

Capital Expenditures

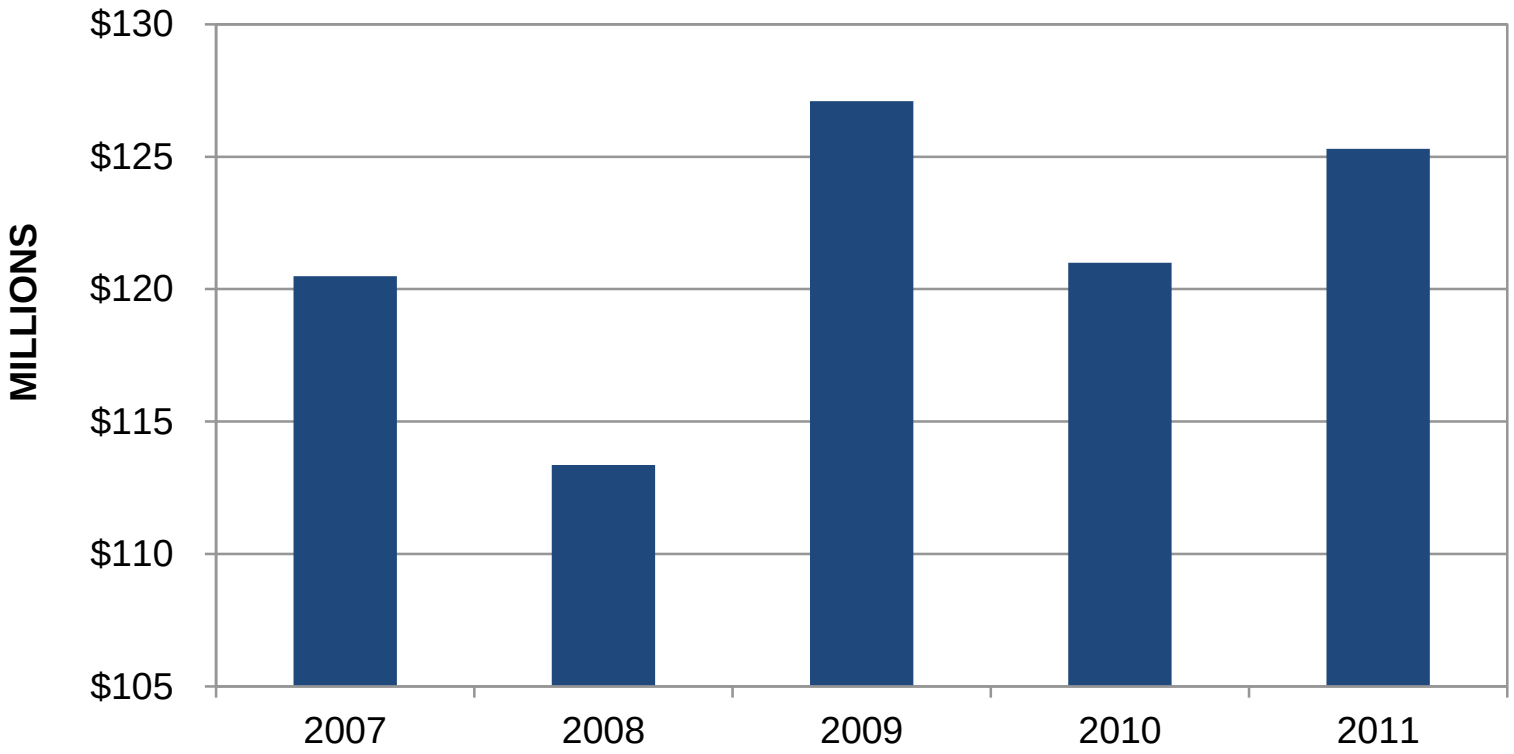




Operations & Maintenance Expense

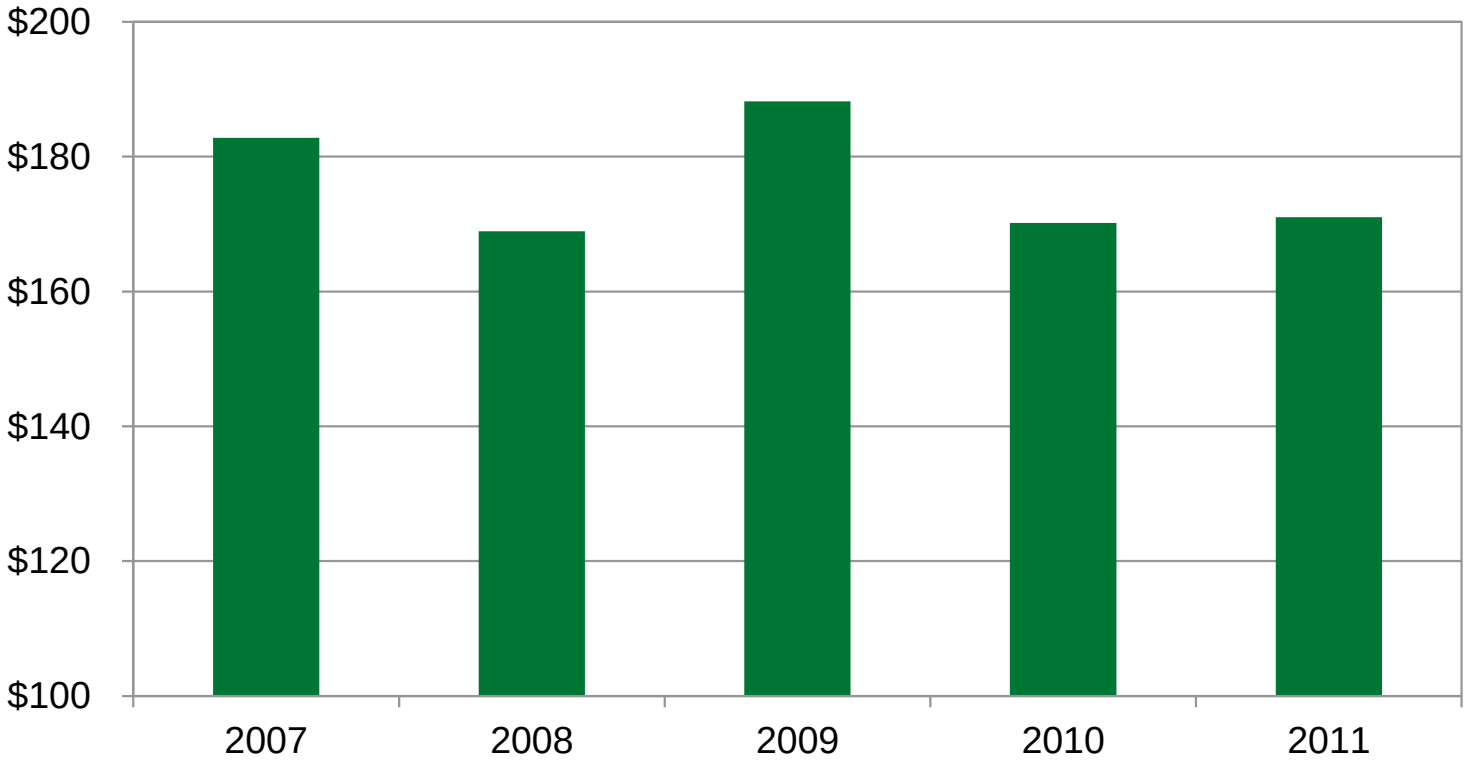




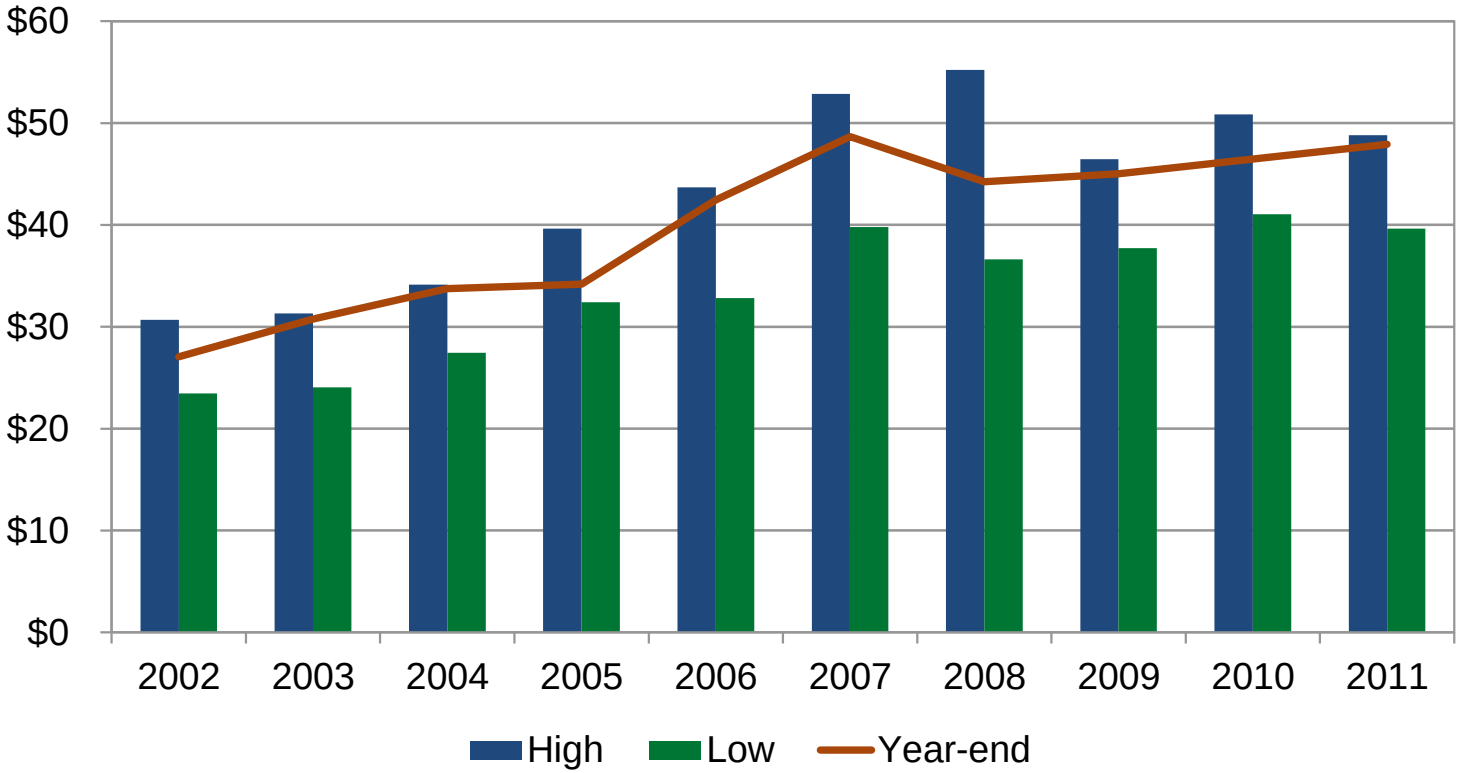
Utility O&M Expense Per Customer





High/Low Market Price Per Share





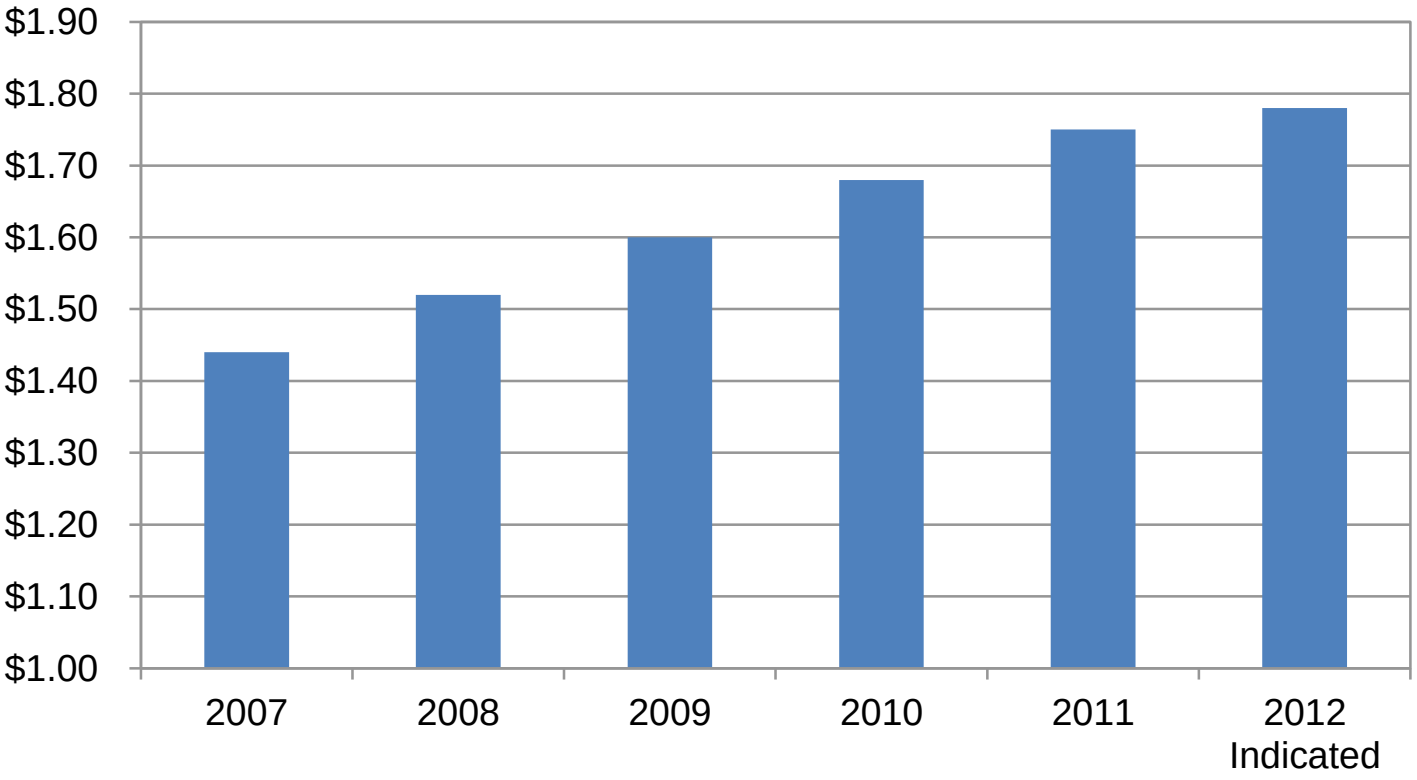
Year-End Market Price & Book Value





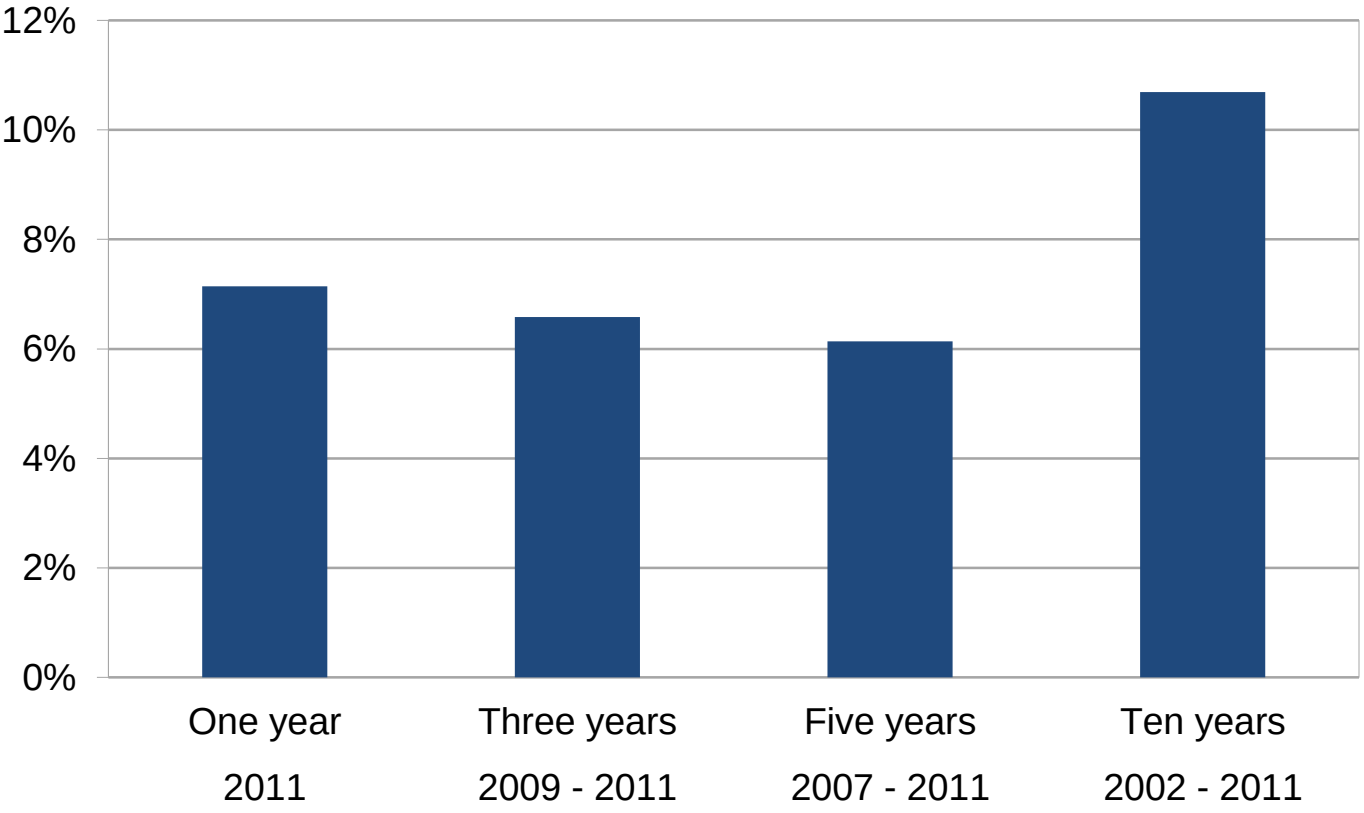
Dividend History





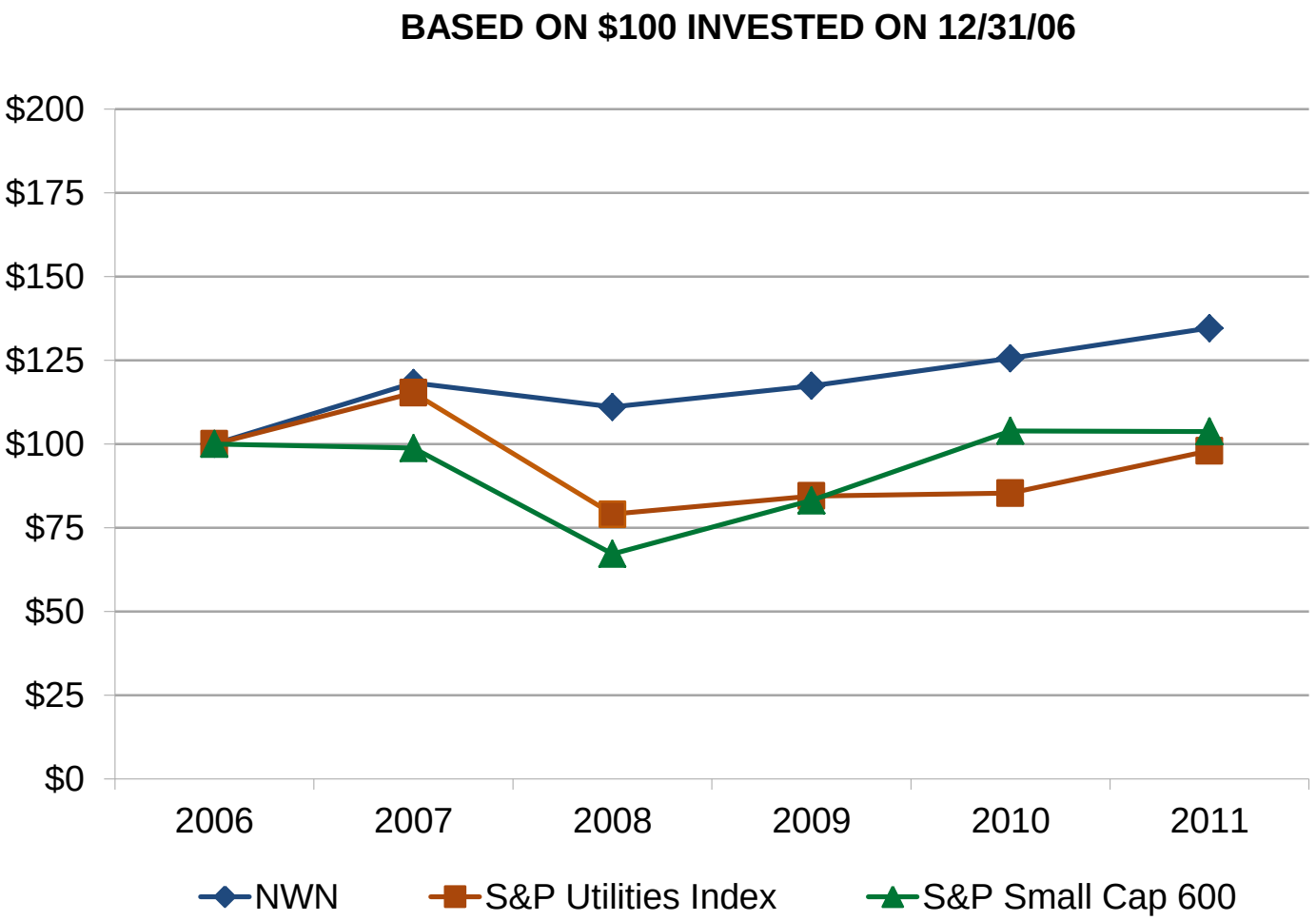
Total Annualized Shareholder Return





Total Shareholder Return





Analyst Remarks









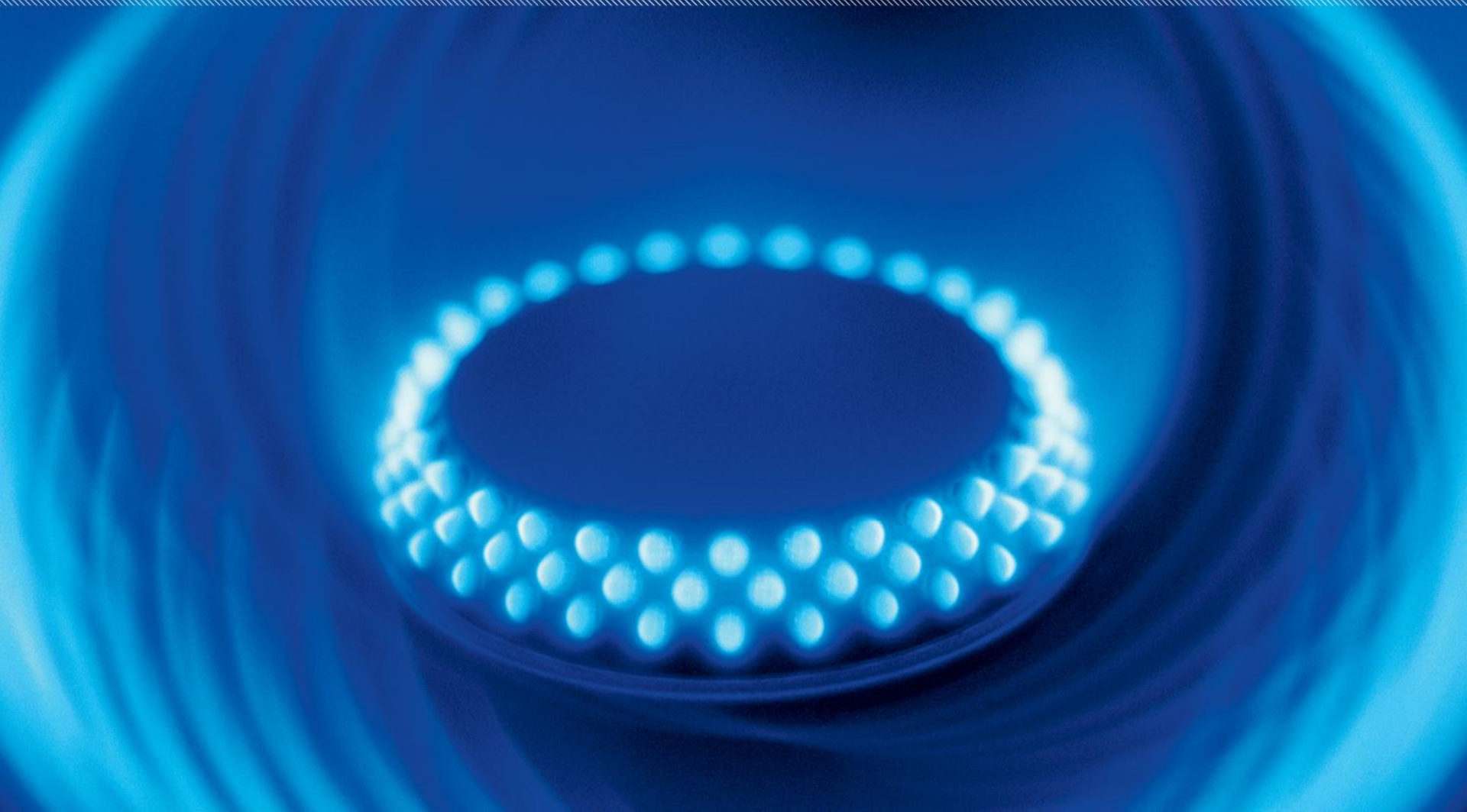
"NWN's current business model provides unique opportunities for long-term growth with a relatively low level of inherent risk. Organic growth driven by an increasing rate base and new customer connections, coupled with conversions and better end-market conditions for storage could provide upside to management's communicated long-term financial targets."

- ***Michael Gaugler***, *Brean Murray Carret & Co.*

NW Natural®

KEITH WHITE

VICE PRESIDENT & CHIEF STRATEGIC OFFICER



A wise philosopher once said…

"A nickel ain't worth a dime anymore."

(Yogi Berra)

Encana Transaction Overview






- Locked in low gas prices for customers
- Reduces purchasing risks for years to come
- Provides reliable source of domestic gas
- Provides regulated return for shareholders

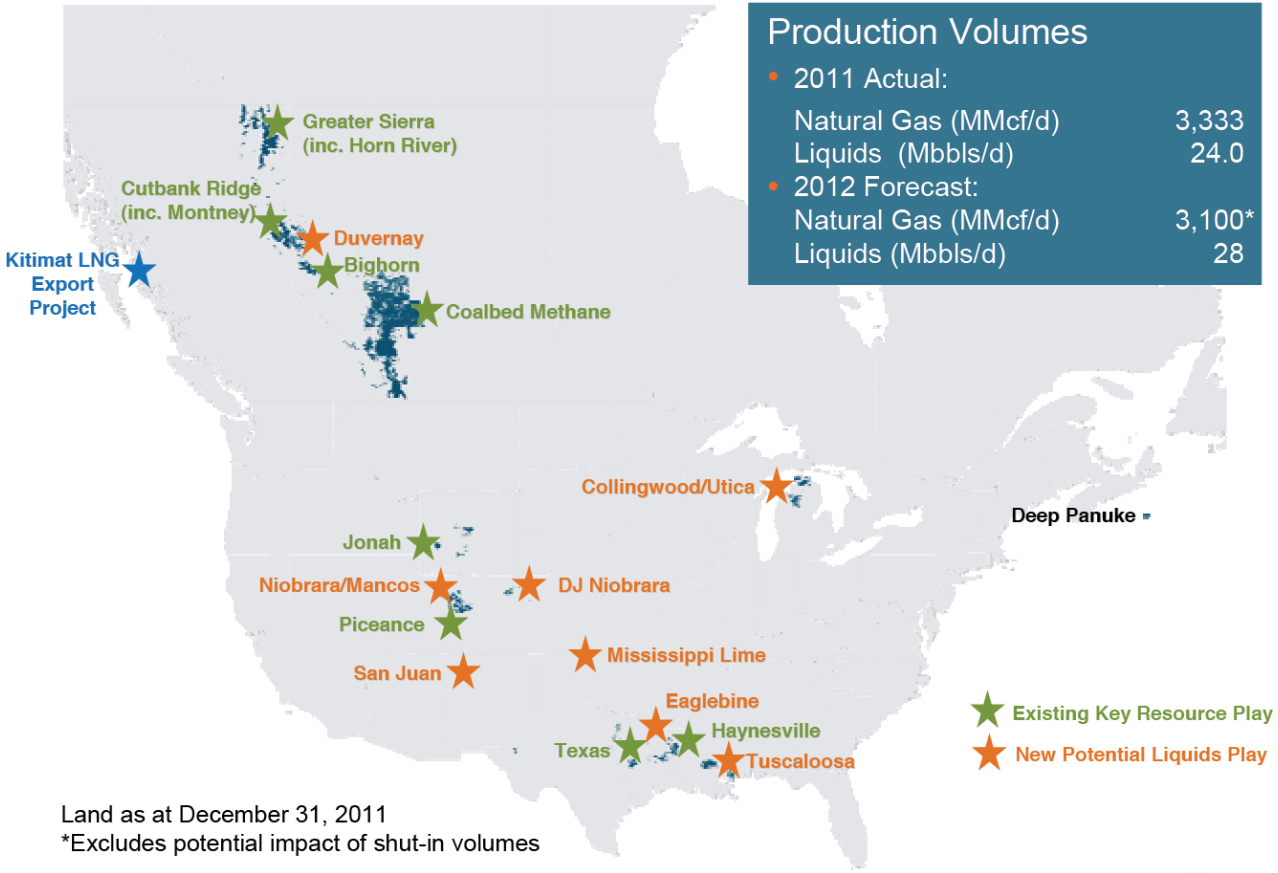
Encana Background






Encana Corporation

Leading North American Resource Play Company



Production Volumes

- 2011 Actual:
  - Natural Gas (MMcf/d) 3,333
  - Liquids (Mbbls/d) 24.0
- 2012 Forecast:
  - Natural Gas (MMcf/d) 3,100*
  - Liquids (Mbbls/d) 28

Land as at December 31, 2011
*Excludes potential impact of shut-in volumes

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Gas Reserves Joint Venture





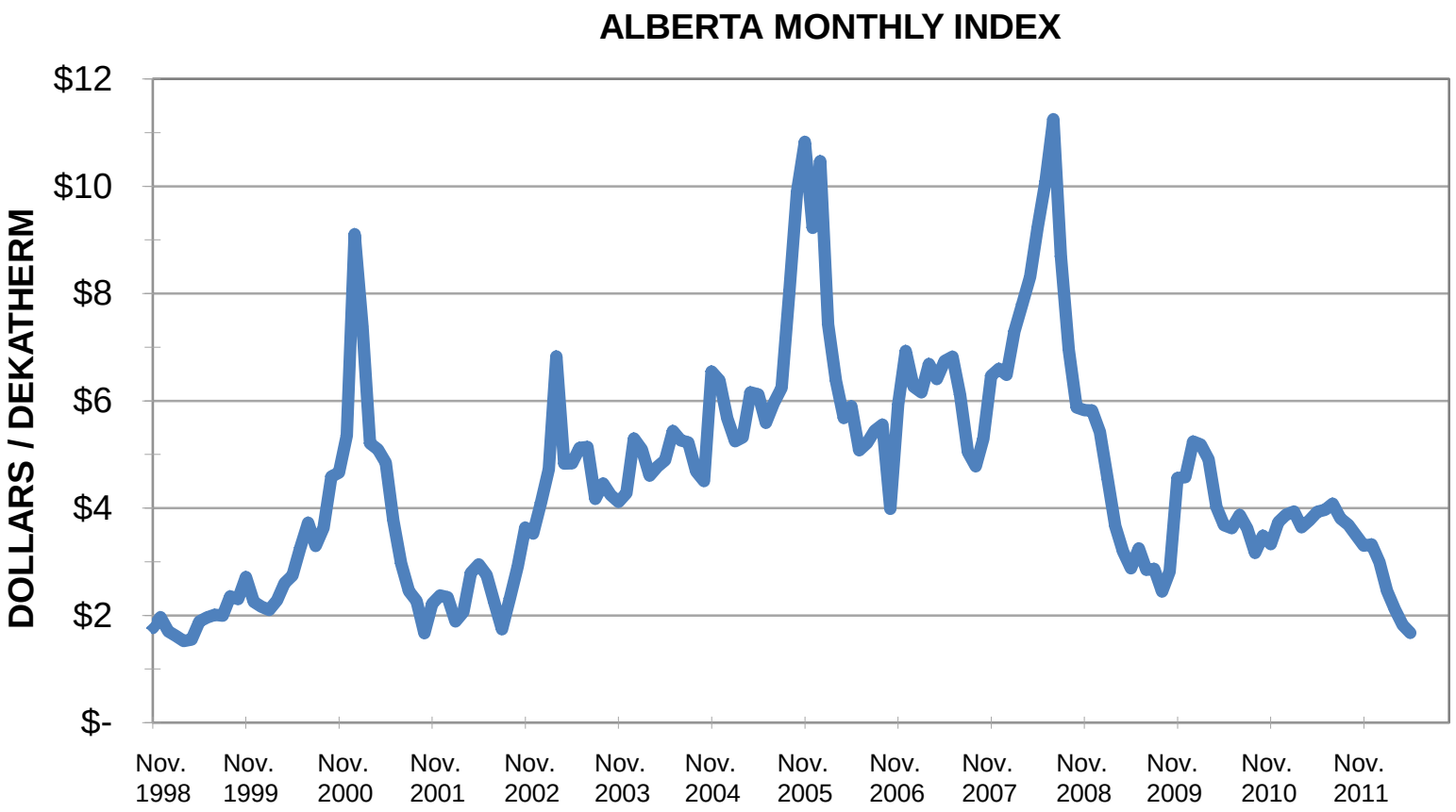




- 30 years of low-cost gas supplies
- Total investment: $250 million over 5 years
- 90 billion cubic feet over the life of the agreement

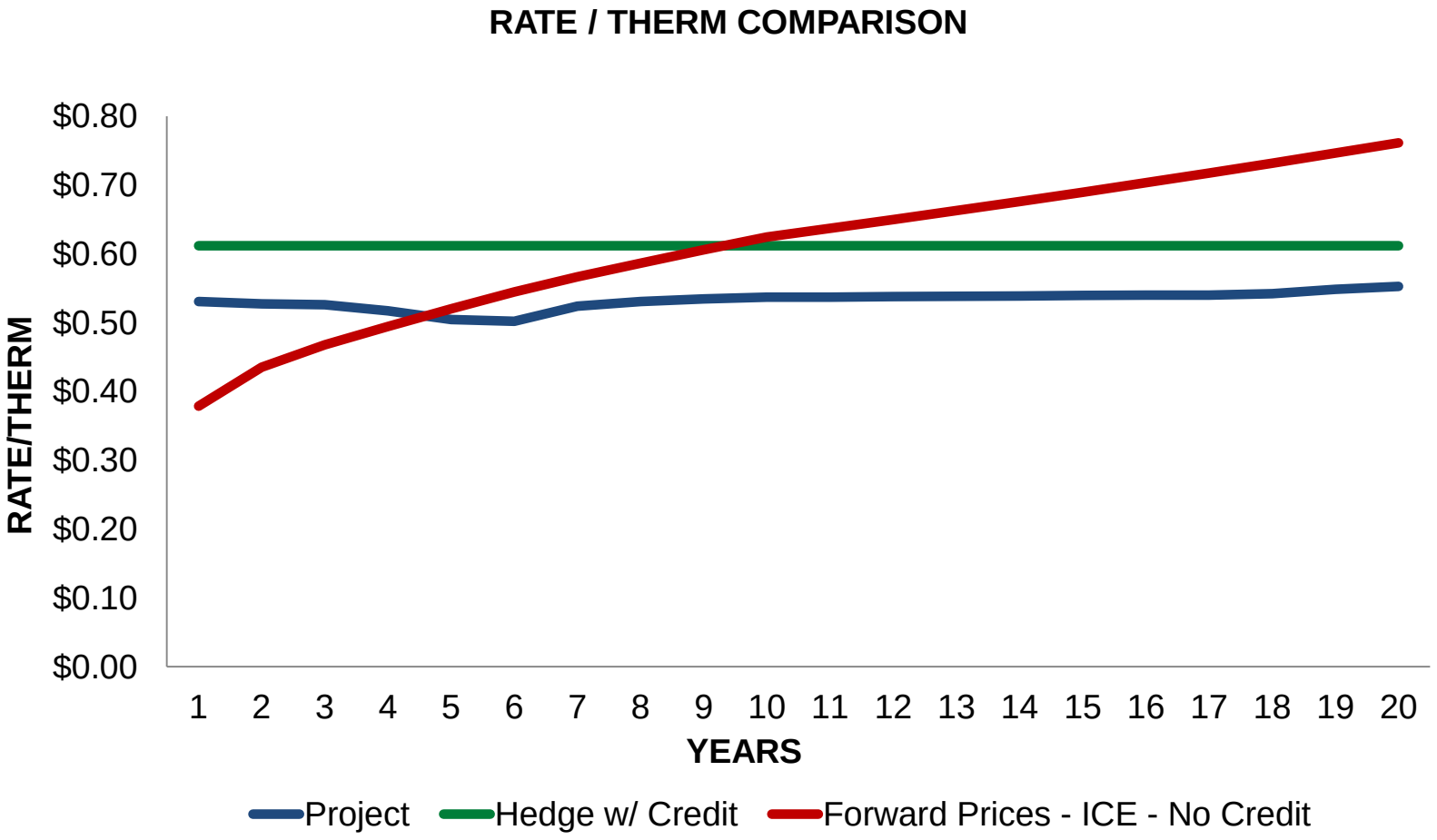
Price Volatility





Natural Gas Price Comparison

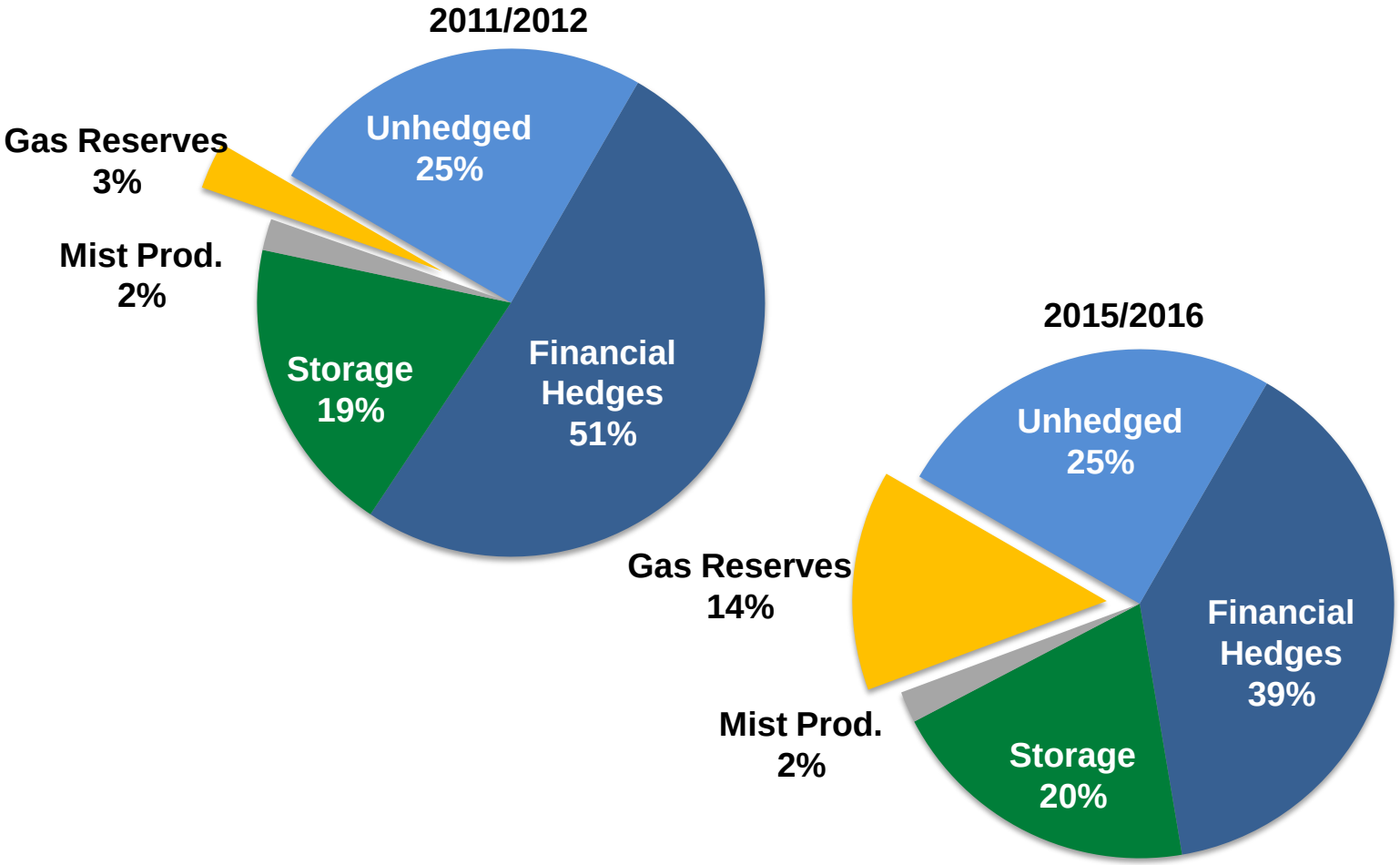




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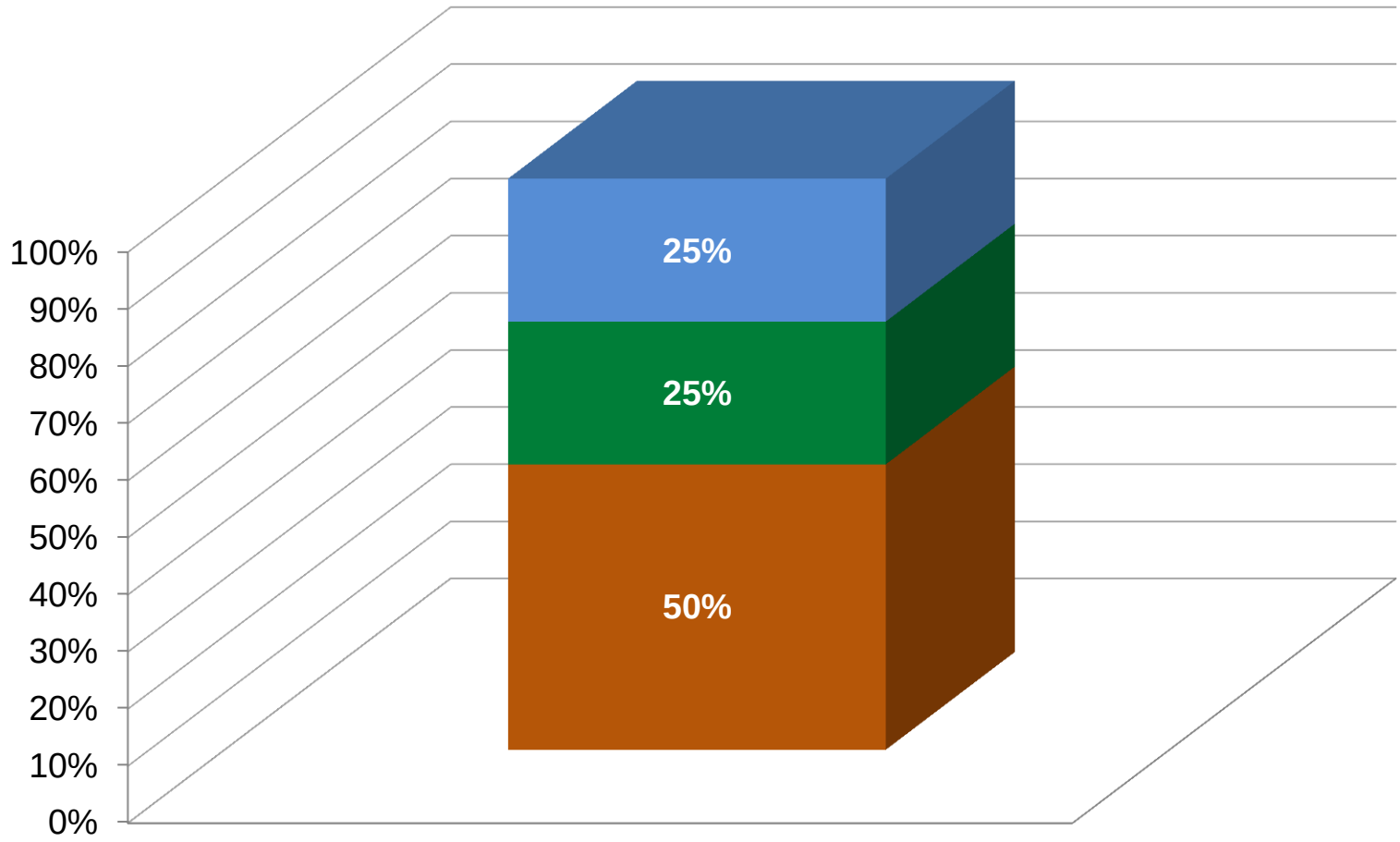
NW Natural's Gas Supply Portfolio



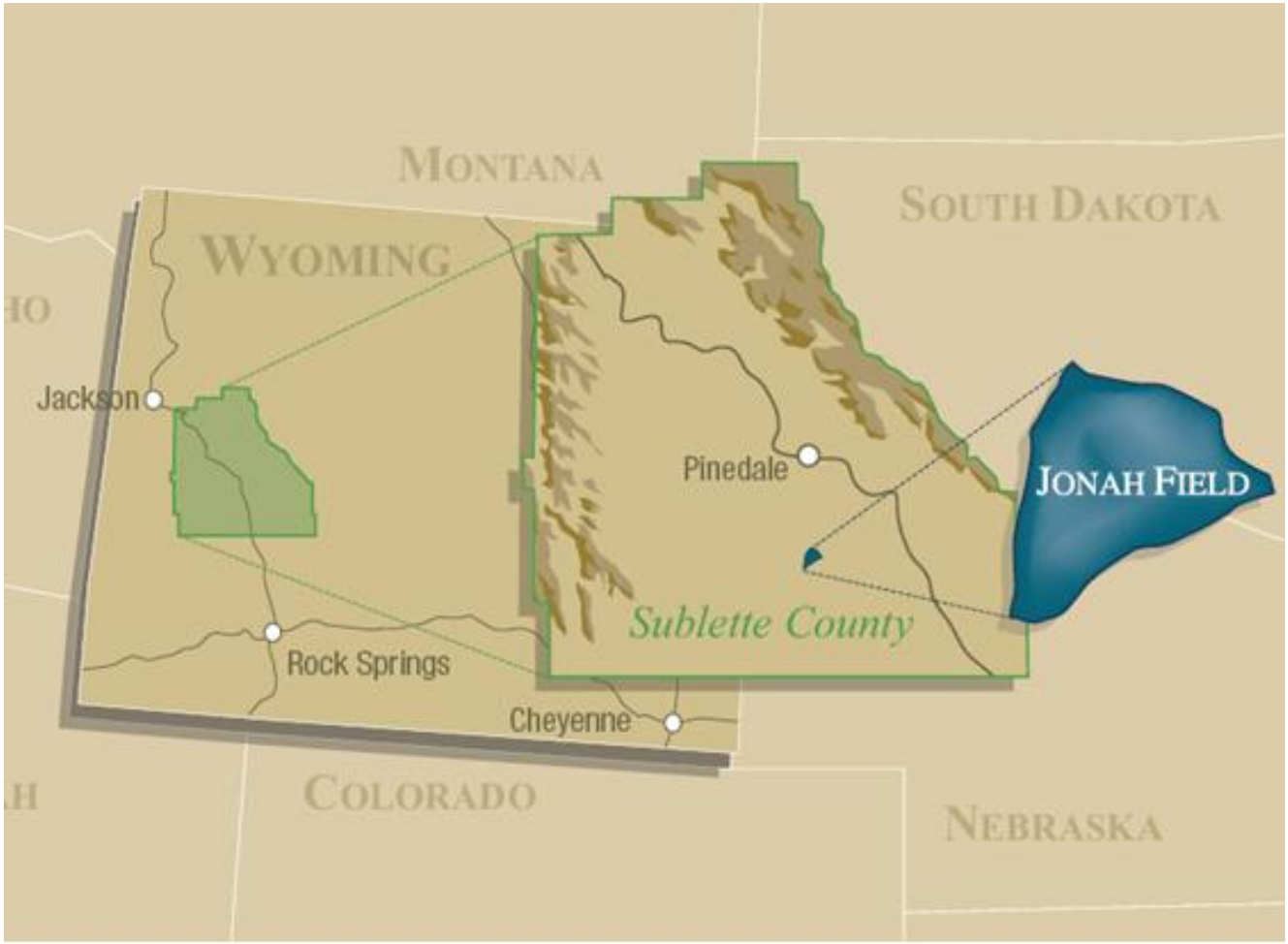


Average Well – Cost of Gas





The Jonah Gas Field









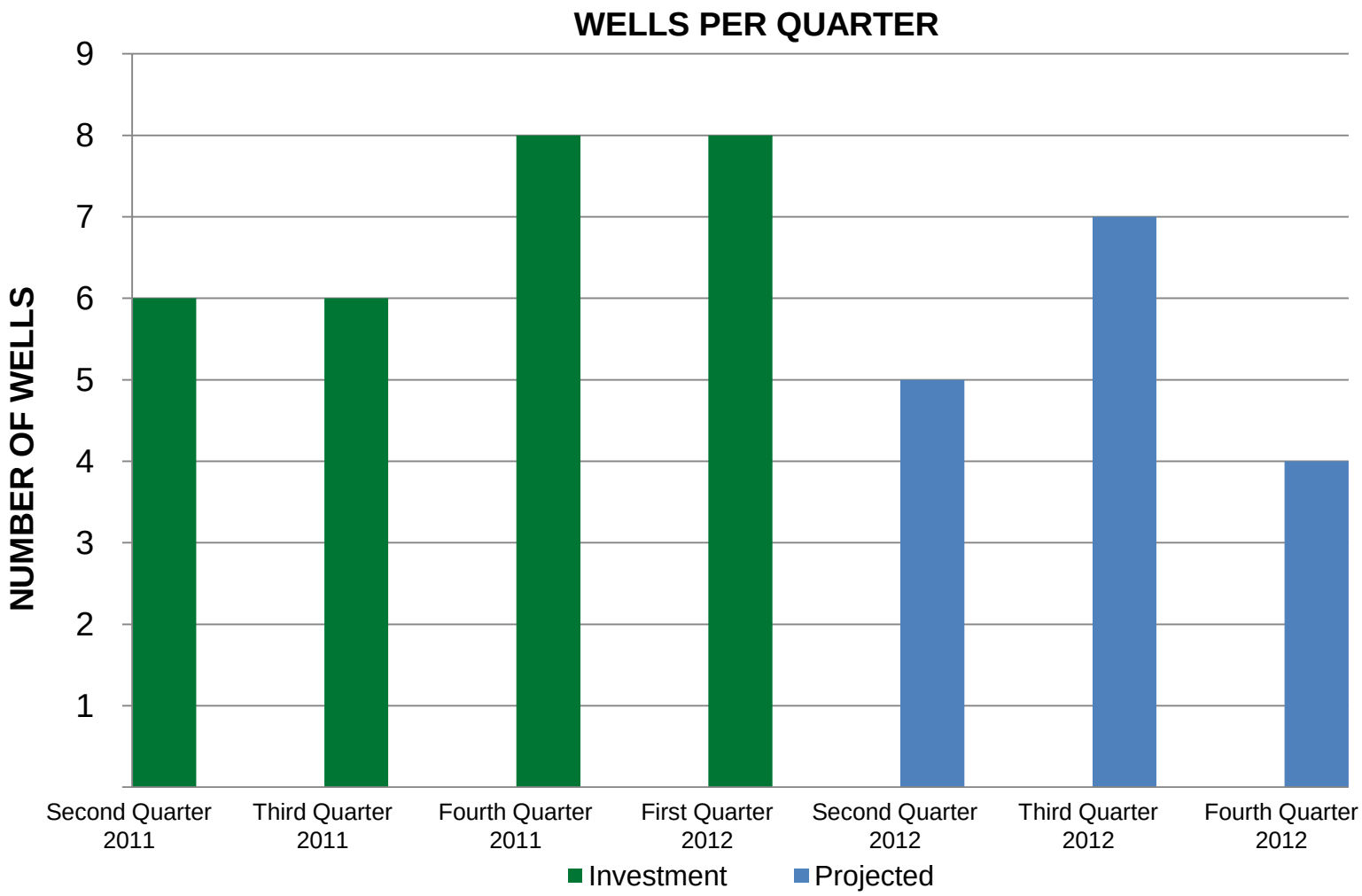


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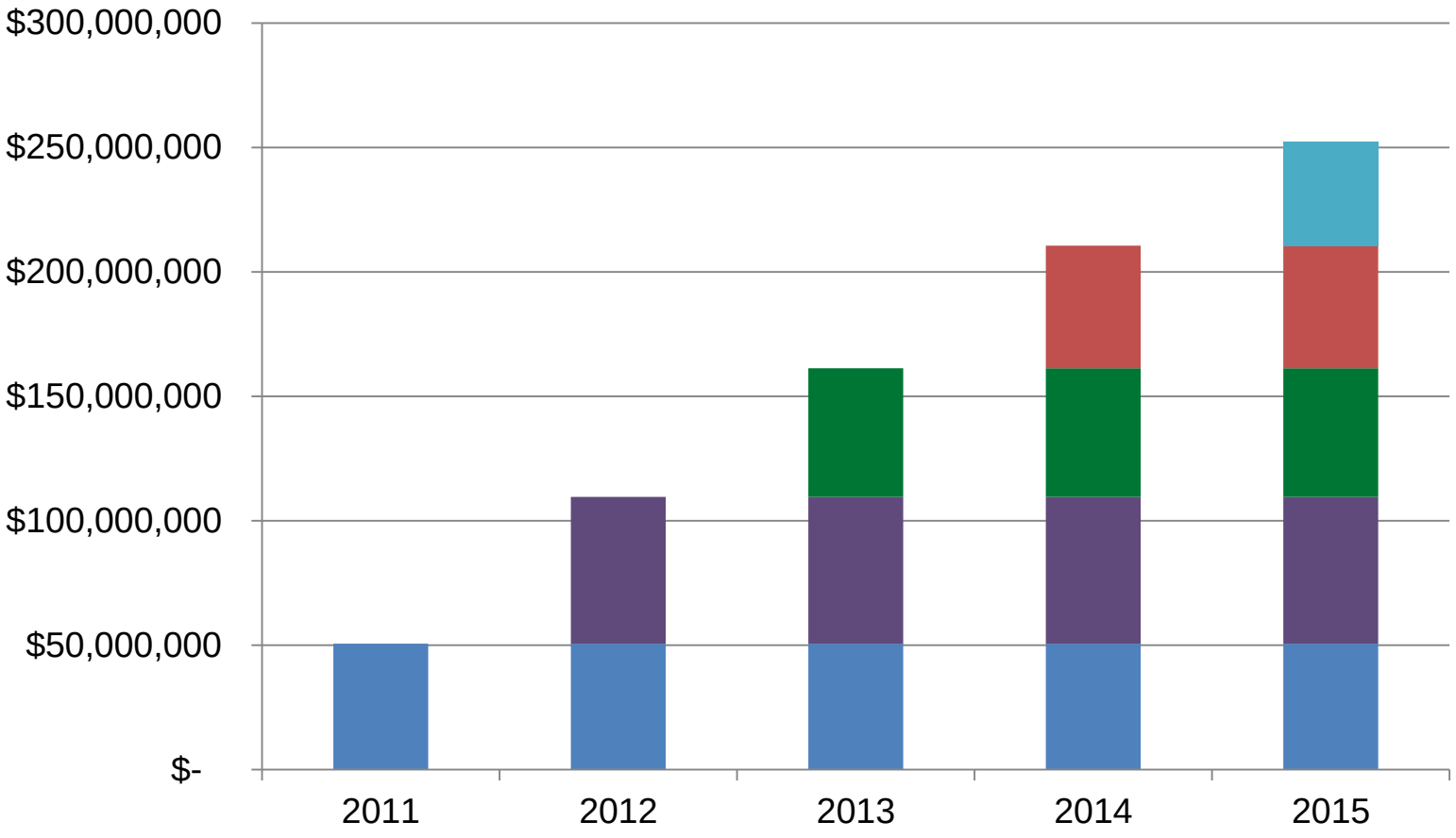
Rate of Well Activity





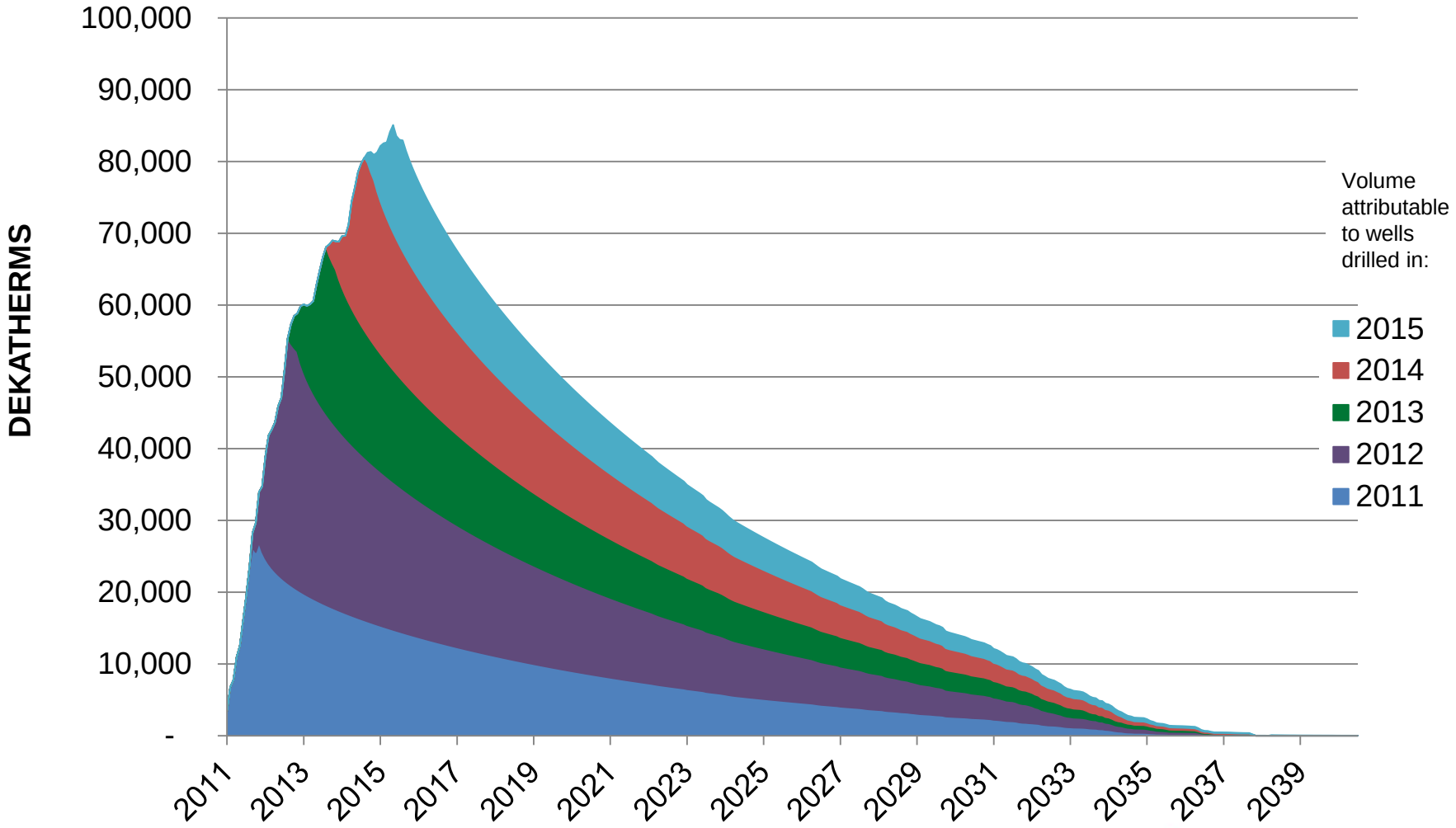
Investment by Year





NW Natural®

Projected Production Volumes



Environmental Stewardship



NW Natural®

encana natural gas

NW Natural

Environmental Stewardship is a core value.

Encana

Named EPA “Production Partner of the Year”

Looking Ahead











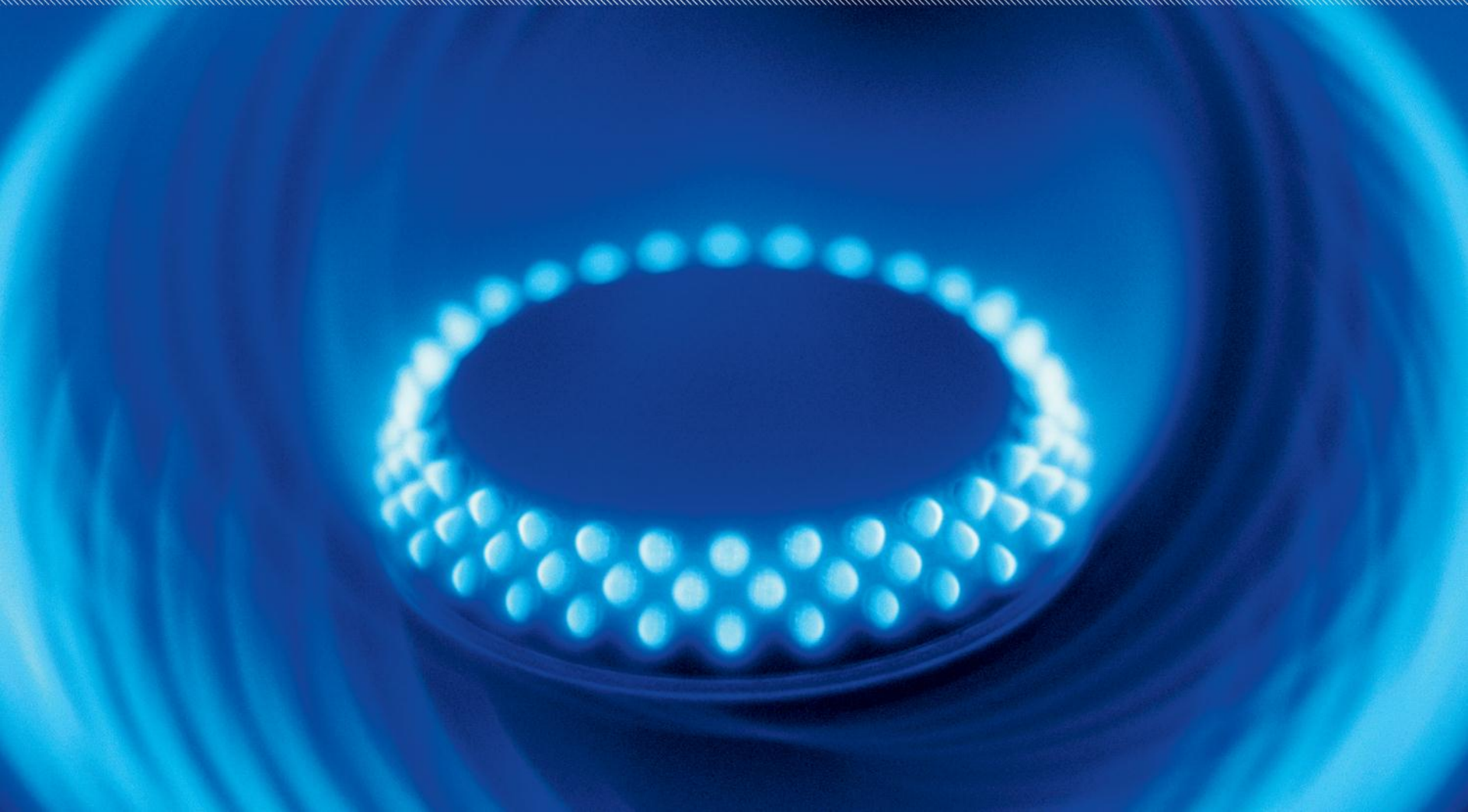




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2012 ANNUAL SHAREHOLDER MEETING



Oregon General Rate Case






- First general rate case since 2002
- $44 million revenue request equates to a 6% increase
- Requesting cost recovery mechanism for cleanup expenses related to legacy operations
  - If approved as filed, could result in additional 1% - 3% increase
  - Proposal for cost recovery similar to other sites across the U.S.

Track Record of Operational Excellence



NW Natural has met its commitments:

- Safe, reliable system
- Excellent customer service
- Managed business effectively to hold rates down for 10 years

Reliance on Gas Increases Need for Storage

NW Natural's West Coast storage assets provide flexible gas supplies for base load electric generation and to back up renewables.



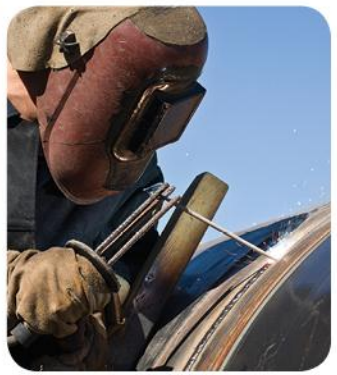
Pursuing Integrated Pipeline Solution

Current capacity constraints and impending coal plant closures in Oregon and Washington require a second interstate pipeline to serve the Northwest.









New Supplies Provide New Opportunities









"Natural gas is an extraordinary resource for this country. In just a few years, based on new technology, we're at a point where we can think about natural gas for power generation and for transportation. That's huge because it can be 40% less carbon intensive. I'm an environmentalist. I want to see it developed, and I want to see it developed well…"

- Lisa Jackson, U.S. EPA Administrator

The Oregonian, May 4, 2012

Transportation Sector Potential



- Viable option to reduce dependence on foreign oil
- Costs about half as much as gasoline or diesel
- Can reduce emissions by as much as 95%
- 10 million natural gas vehicles worldwide
  - But only 120,000 in United States
  - Movement nationally is to natural gas fleets
- Need fueling infrastructure and gas vehicle investment

Opportunities for “Blue” Abound













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2012 ANNUAL SHAREHOLDER MEETING

