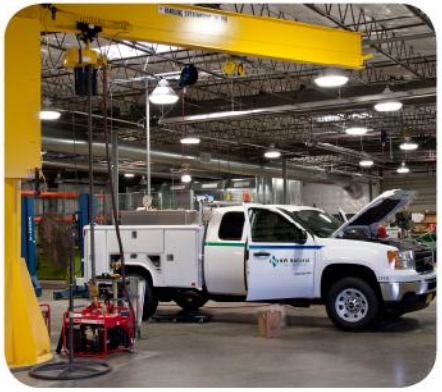










WELCOME TO THE 2013 SHAREHOLDER MEETING

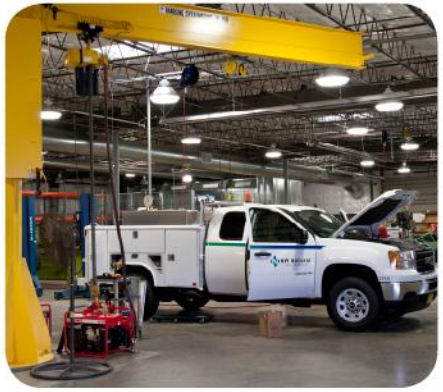
NW Natural®











GREGG KANTOR

President & CEO

NW Natural®

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.

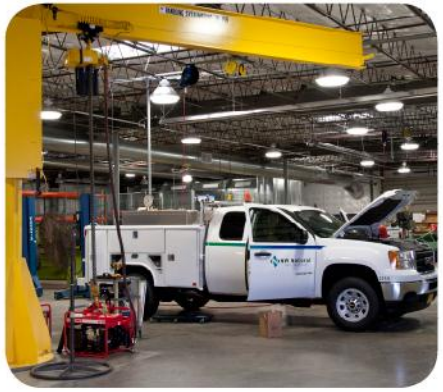
NW Natural®











TOD HAMACHEK

Chairman of the Board

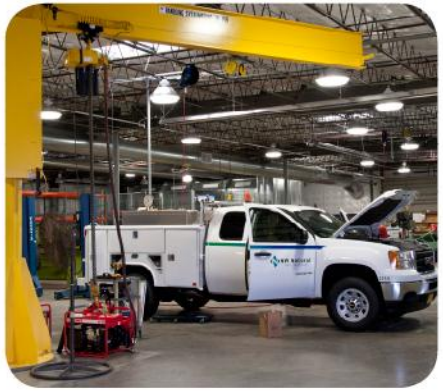
NW Natural®











MARDILYN SAATHOFF

Vice President of Legal, Risk, Compliance & Corporate Secretary

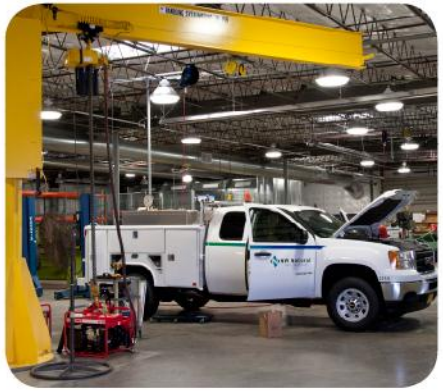
NW Natural®











GREGG KANTOR

President & CEO

NW Natural®

2012 HIGHLIGHTS

- Expanded employee training and public safety initiatives
- Maintained industry-leading customer satisfaction scores
- Invested in growth
- Raised dividend rate for 57th consecutive year
- Worked through first Oregon rate case in 10 years



NW Natural®

RATE CASE RESULTS

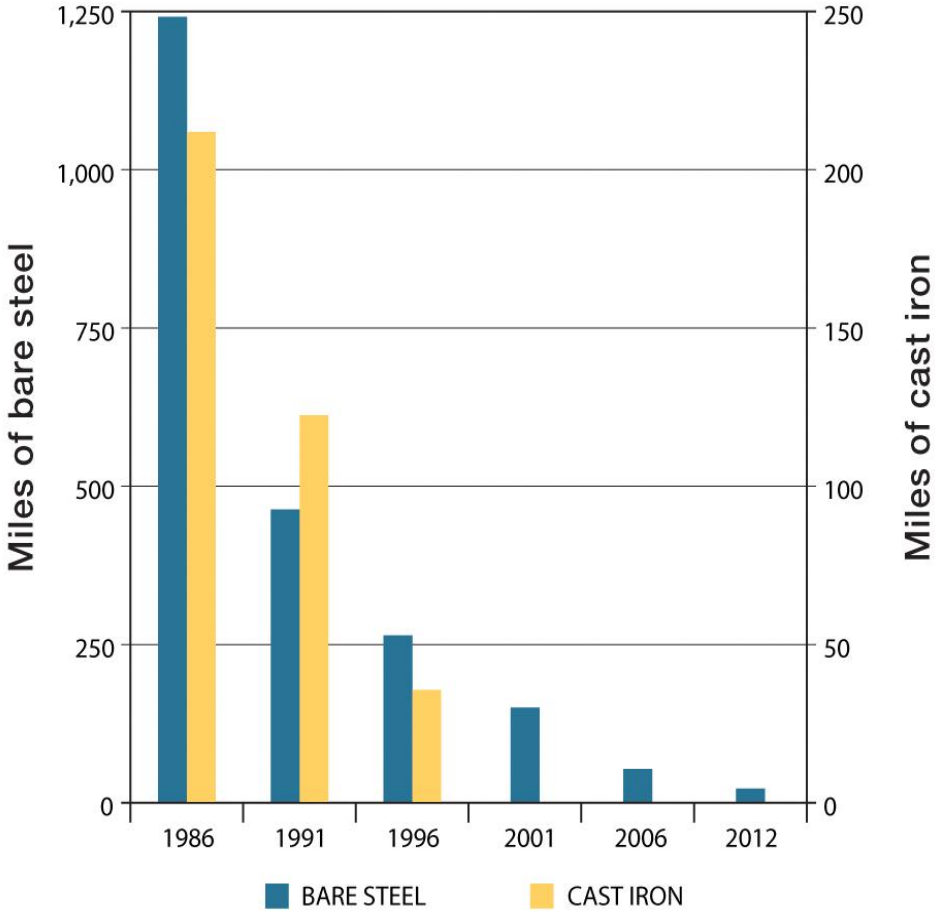
- Revenue increase of 1% with a 9.5% return on equity
- Renewed key rate mechanisms
  - Decoupling (protection from declining use)
  - Weather Normalization (protection from warmer weather)
  - System Integrity Tracker (protection from regulatory lag)



NW Natural®

UPDATED SYSTEM INTEGRITY TRACKER

- Increase pipe replacement investment of up to $13.7 million over two years
- On track to be one of first utilities in the U.S. to remove all cast iron and bare steel in our system





NW Natural®

NEW MECHANISM APPROVED

- OPUC approved environmental cost recovery mechanism
  - For prudently incurred cleanup costs related to historic gas plant dating back to the 1800s
  - Recovery of costs after insurance proceeds are applied
- New proceeding under way to determine how an earnings test will be applied to the recovery of cleanup expenses



NW Natural®

PENDING RATE CASE ISSUES

- Commission will rule on several carry-over items from the rate case
  - Recovery of carrying costs on working gas inventory
  - Review of revenue sharing arrangement on nonutility storage
  - Decision on how pension assets should be treated in rates

- Expect a decision on all issues by the end of 2013 or early next year



NW Natural®

LEADING IN SAFETY

- Expanded scenario-based training for field employees
- Implemented new safety awareness program
- Launched specialized emergency call center
  - Round the clock coverage every day of the year
  - Highly trained and experienced employees



NW Natural®

NEW TRAINING FACILITY COMPLETE

Sherwood Operations & Training Center



New facility contains mock neighborhood with gas piping and equipment to train field employees and fire departments on natural gas safety procedures.

NW Natural®

INVESTING IN RELIABILITY



Mid-Willamette Valley Feeder and Corvallis Loop system reinforcement projects will improve reliability in key locations.

NW Natural®

BENEFITS OF LOWER PRICES

- Fourth consecutive year of rate decreases for customers
  - 5% reduction in Oregon and 8% in Washington
  - Nearly a 30% reduction for all customers over four years
- Gas reserves lock in lower, stable prices over 30 years
  - Cumulative rate-based investment reaches $100 million
- Competitive price advantage widens
  - About 60% savings over electricity in high-growth areas
  - About a 70% savings over oil



NW Natural®

CUSTOMER SERVICE EXCELLENCE



For the ninth consecutive year, NW Natural ranked among the top-scoring utilities in the nation for customer satisfaction by J.D. Power and Associates.

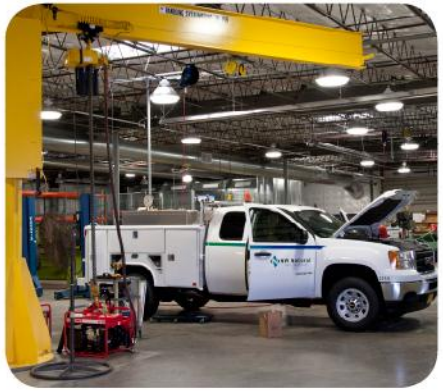
NW Natural®











STEVE FELTZ

Senior Vice President & Chief Financial Officer

NW Natural®

YEAR IN REVIEW

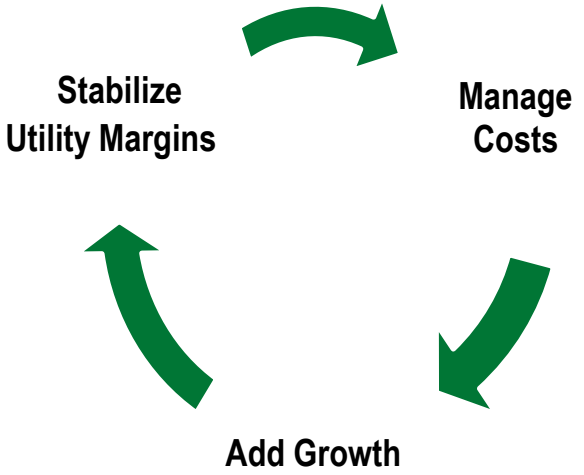
- Financial results affected by Oregon general rate case
  - EPS of $2.18 on $58.8 million of net income
  - One-time tax charge of $2.7 million related to rate case
  - Timing differences of $2.3 million related to rate case reset
- Solid balance sheet with growth in assets and net worth
- Strong investment-grade debt ratings
  - AA- from Standard & Poor's
  - A1 from Moody's
- Increased quarterly dividend rate by 2.2%



NW Natural®

FINANCIAL STRATEGY

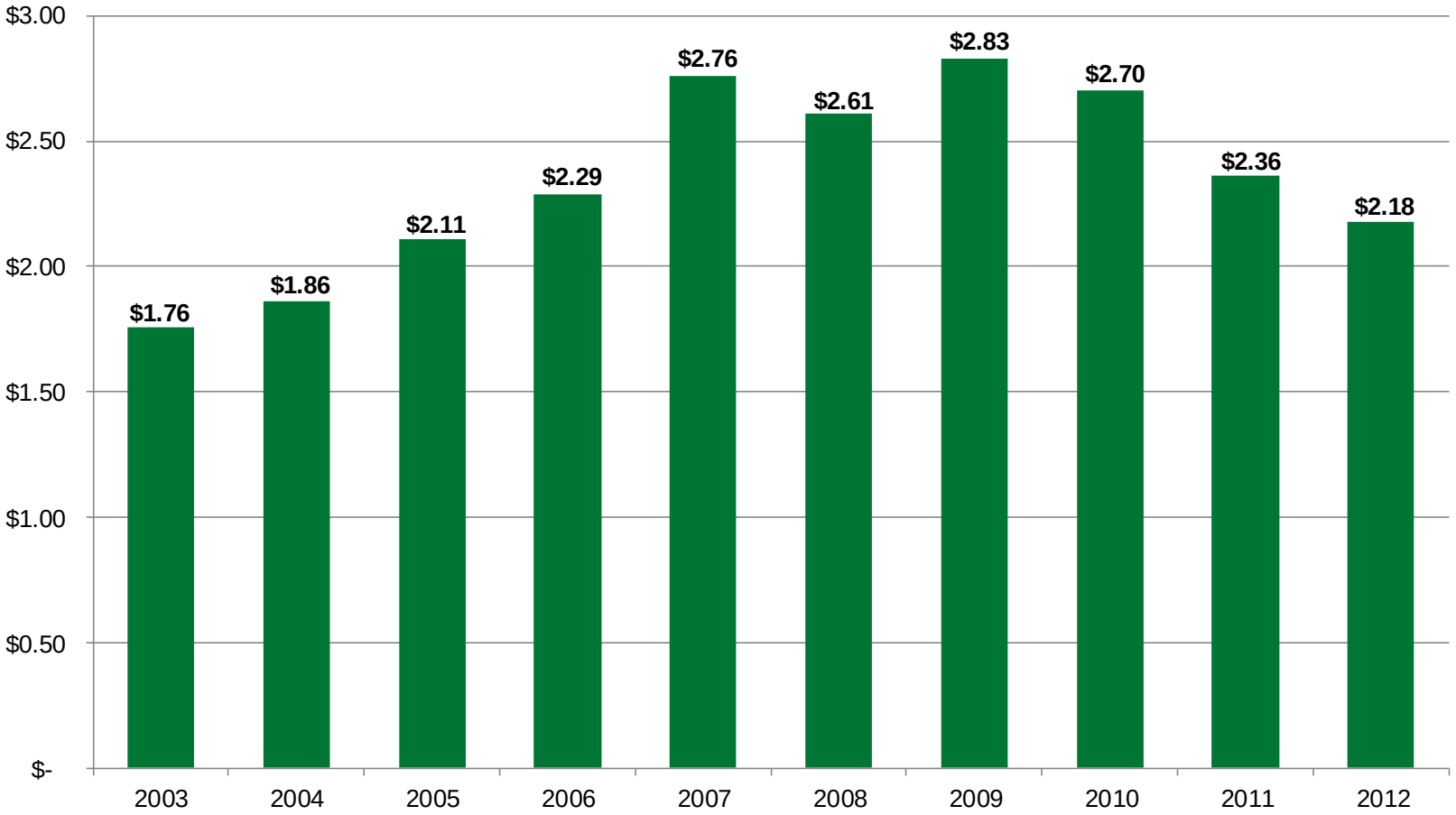
- Stabilize margins through regulation
  - Weather normalization mechanism
  - Decoupling mechanism
- Manage cost structure
  - Continued focus on operations footprint
  - Optimum use of technology and resources
- Add longer-term growth investments
  - Opportunities that fit risk profile and leverage expertise
  - Utility facilities, gas reserves, storage and other infrastructure





NW Natural®

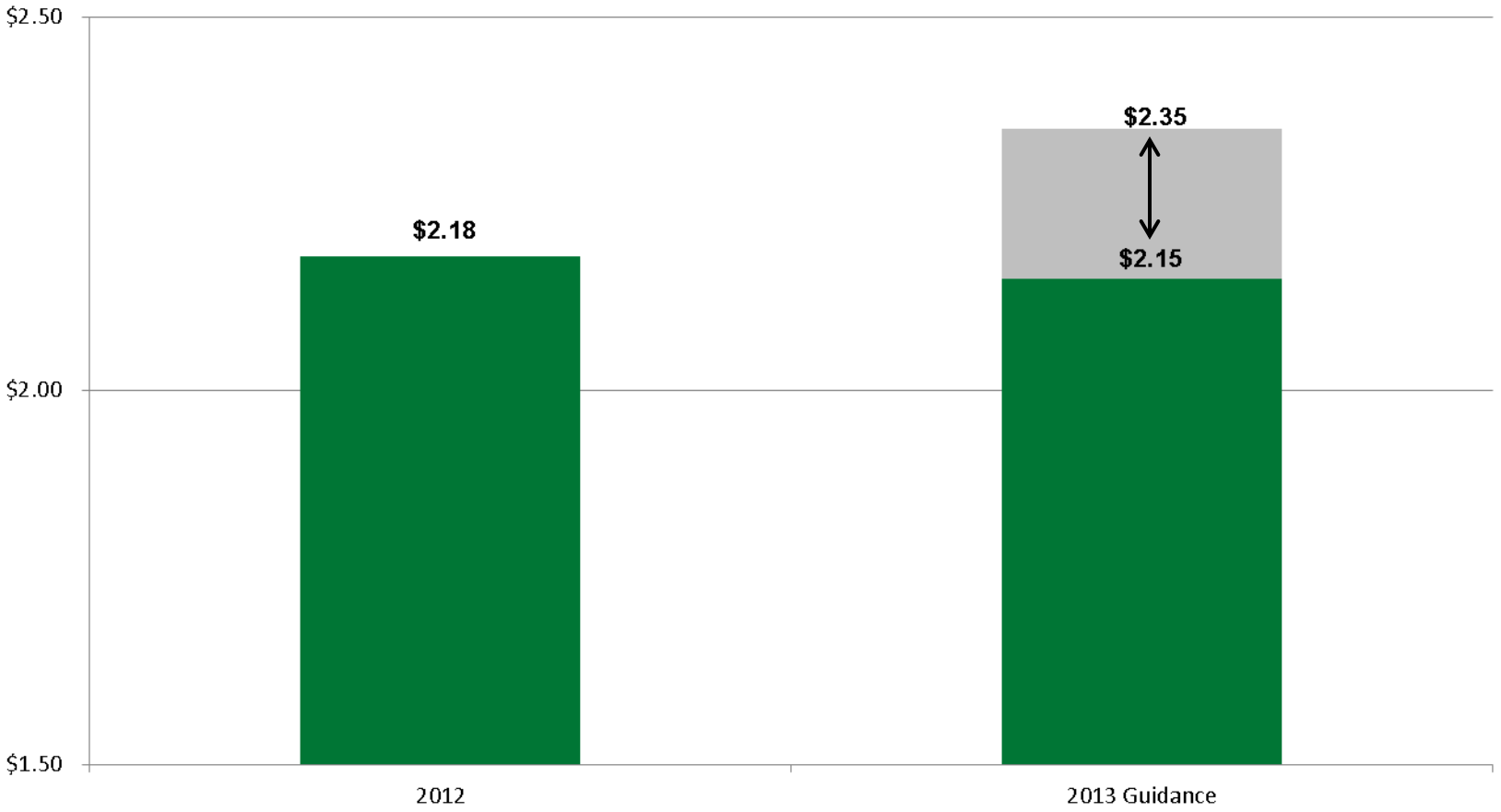
EARNINGS PER SHARE





NW Natural®

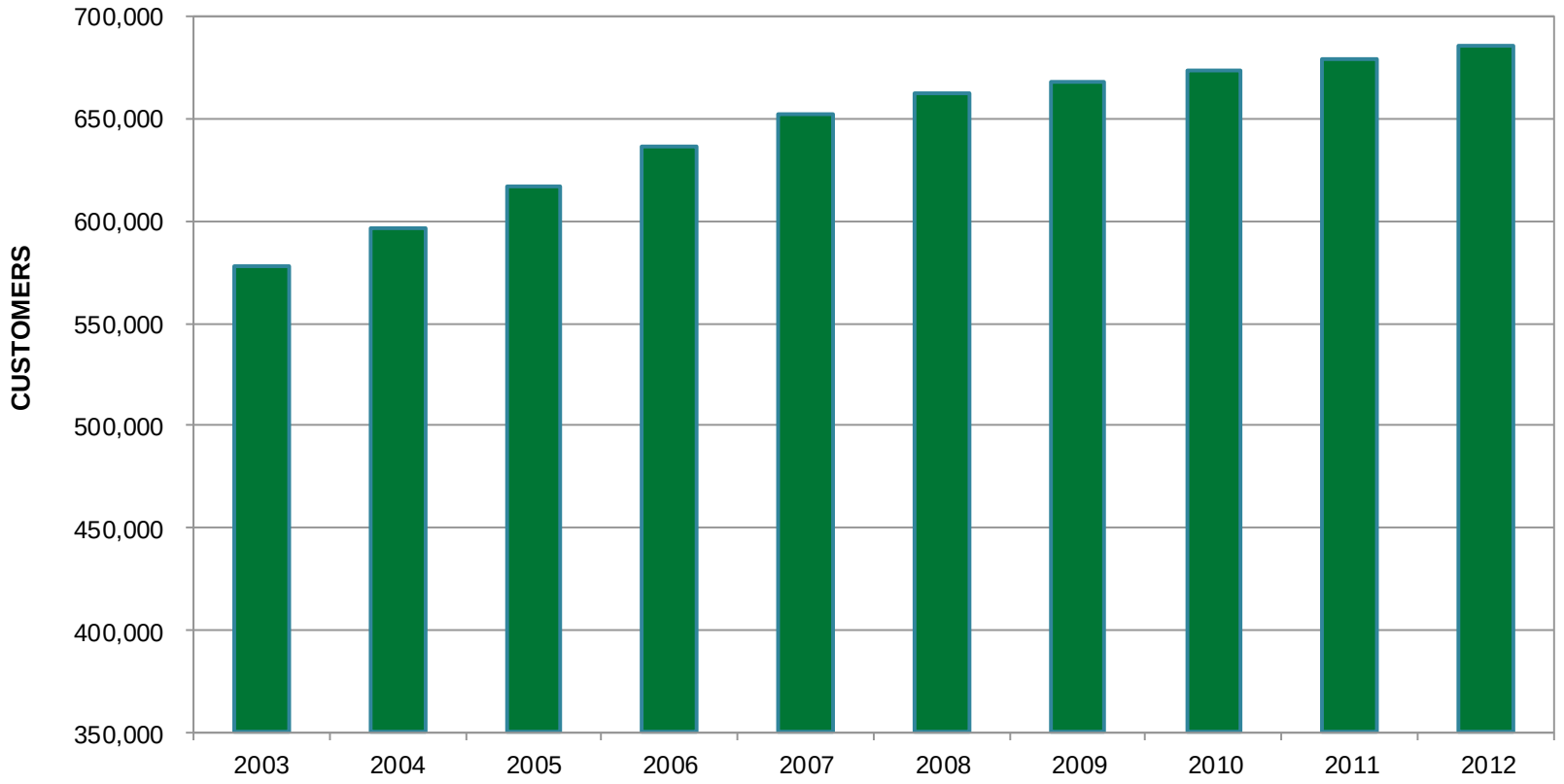
EARNINGS PER SHARE GUIDANCE





NW Natural®

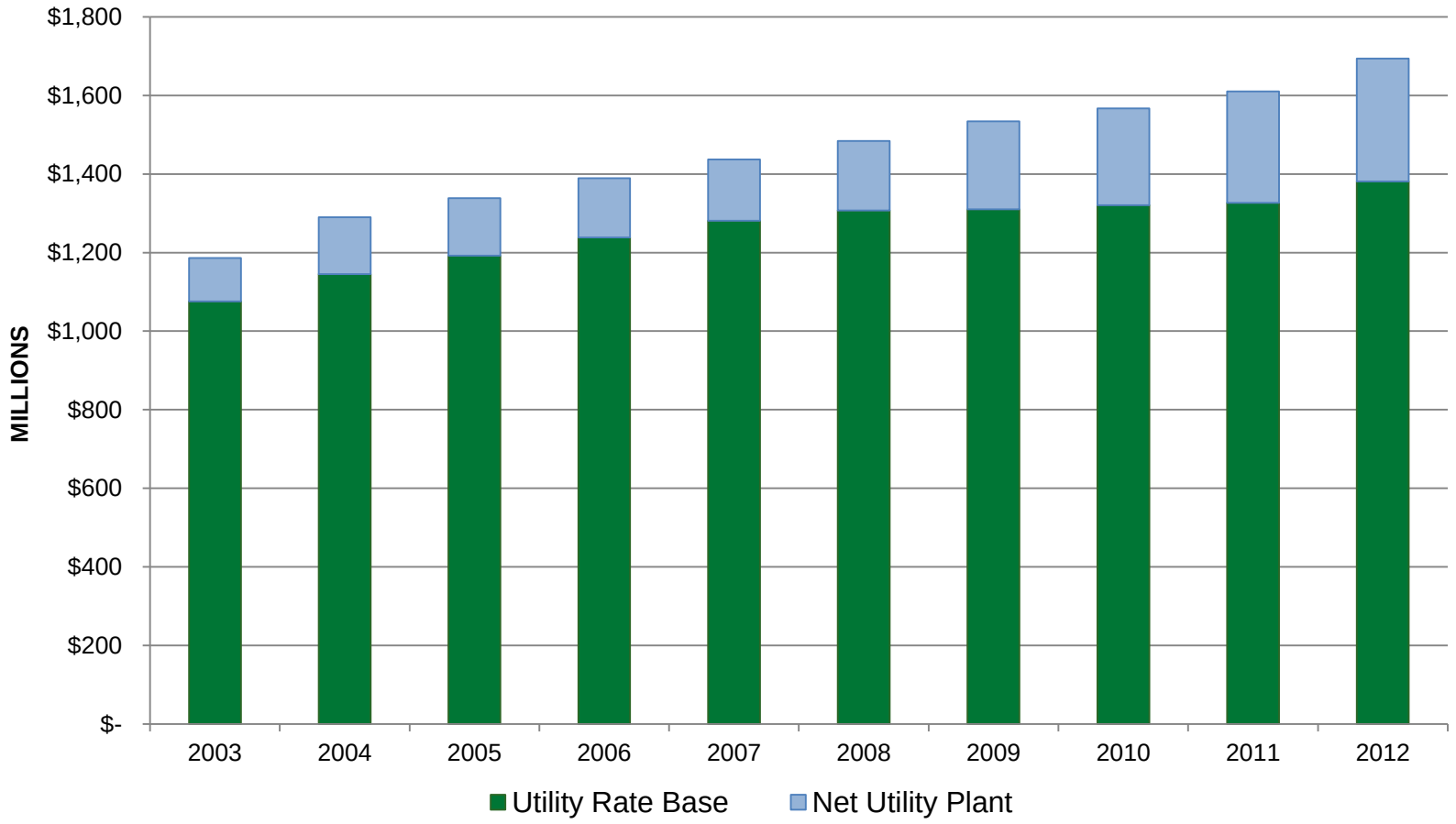
CUSTOMER GROWTH





NW Natural®

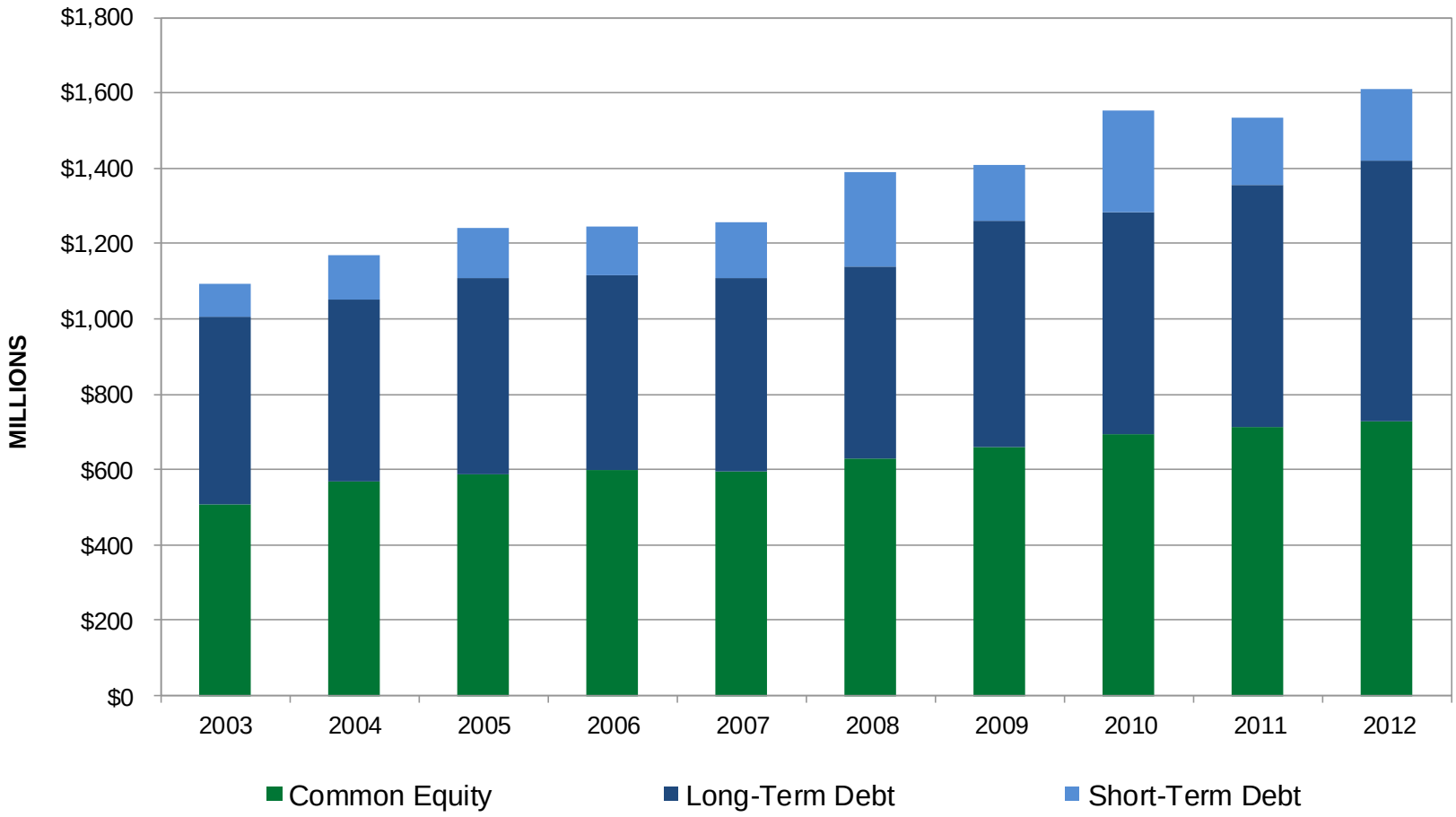
NET UTILITY PLANT INVESTMENT





NW Natural®

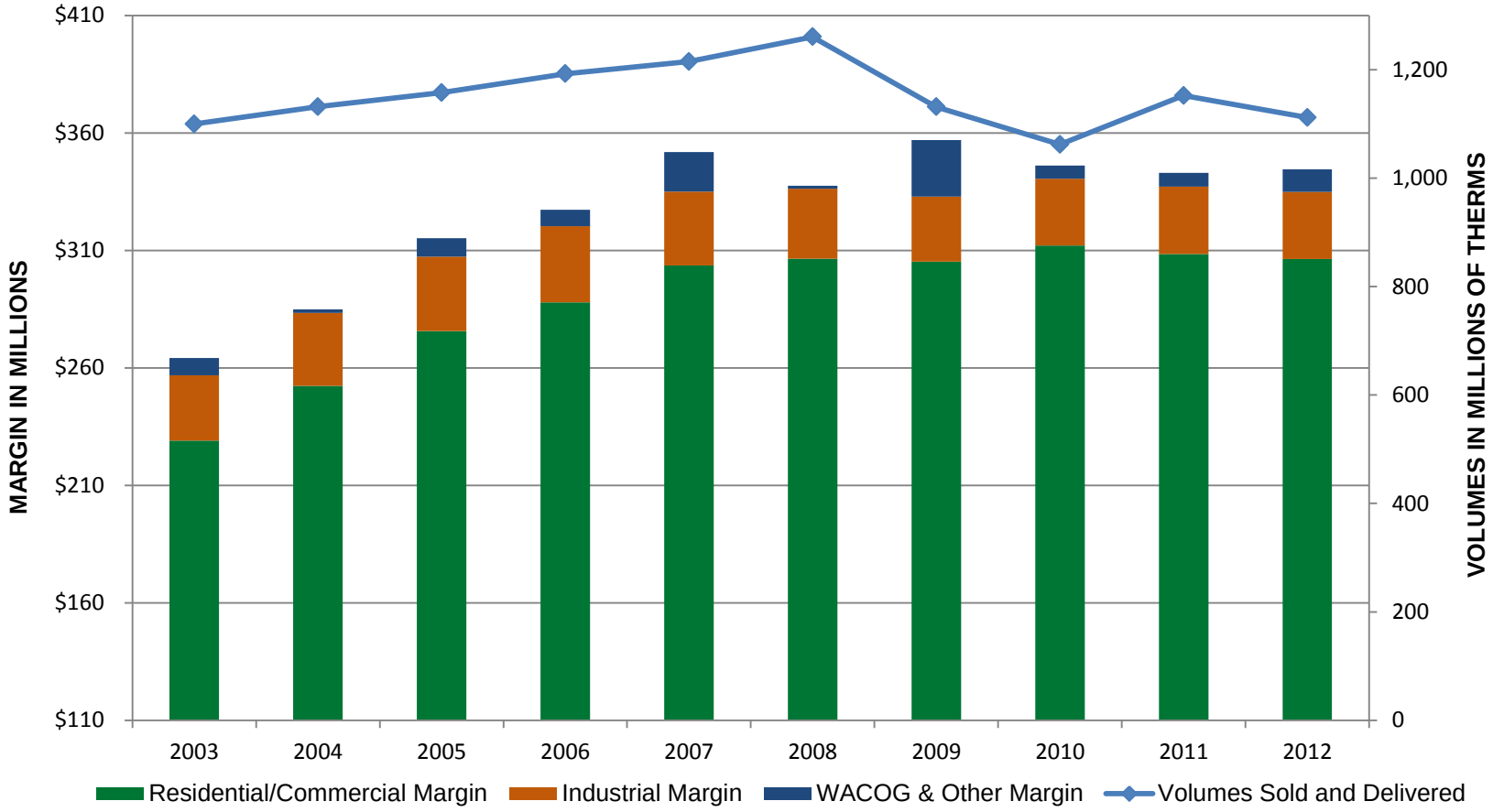
CAPITALIZATION





NW Natural®

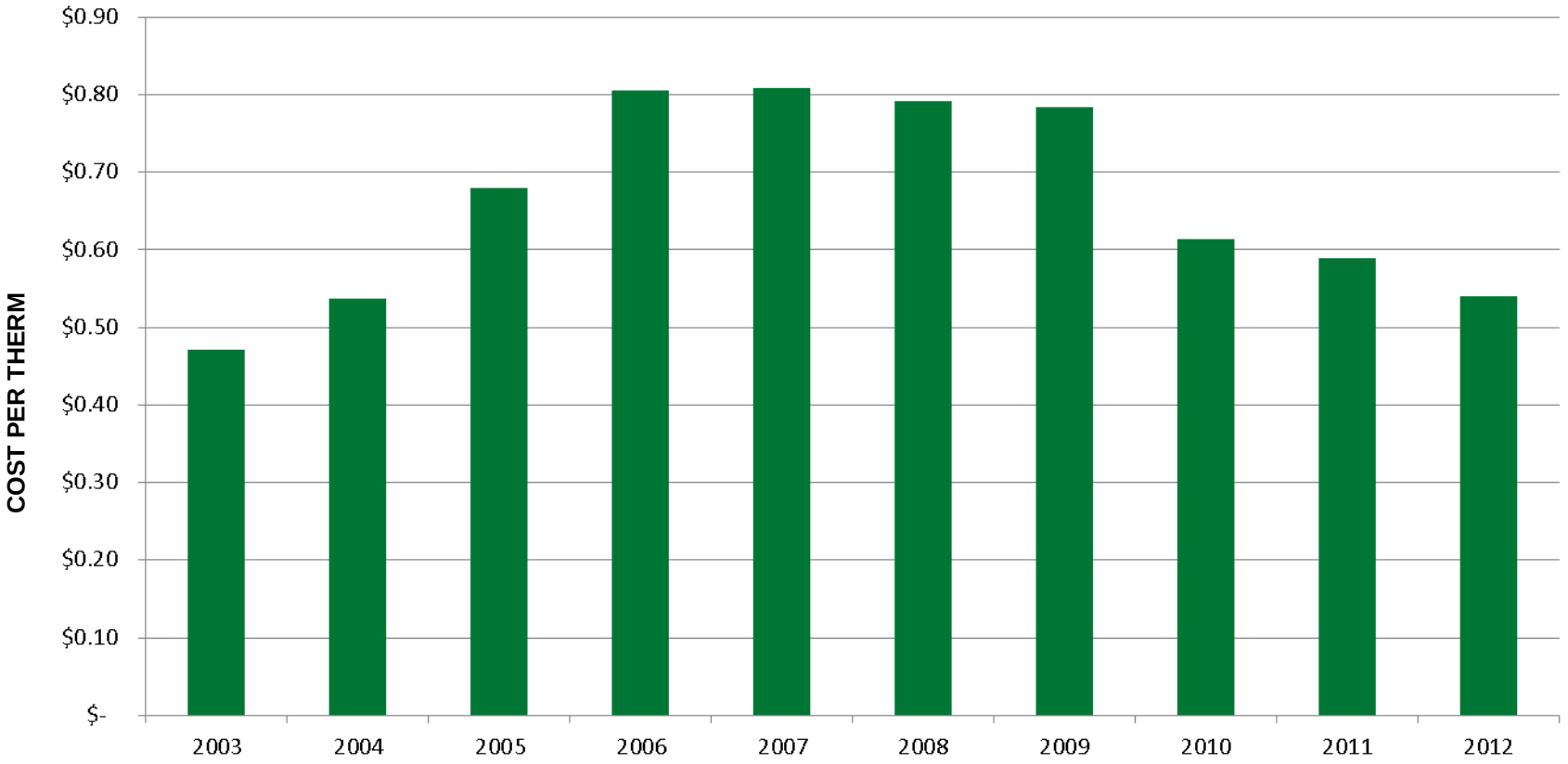
UTILITY MARGIN AND VOLUMES





NW Natural®

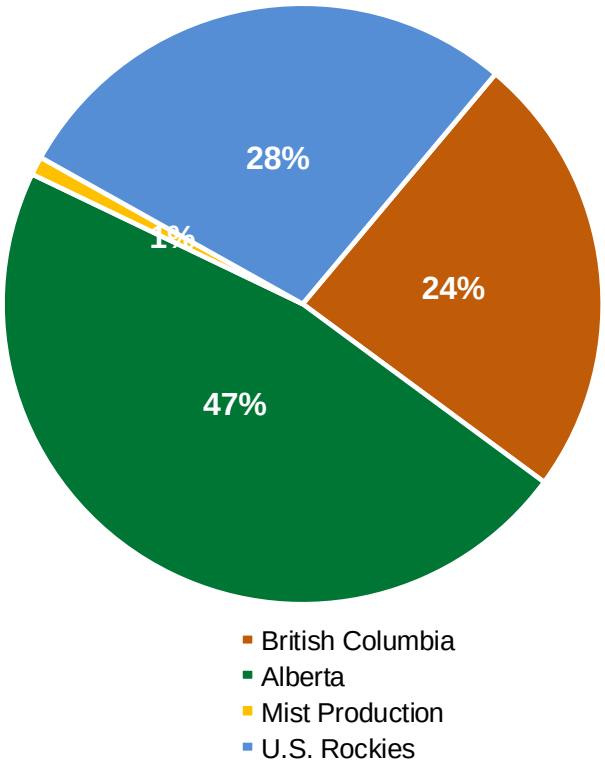
AVERAGE COST OF GAS

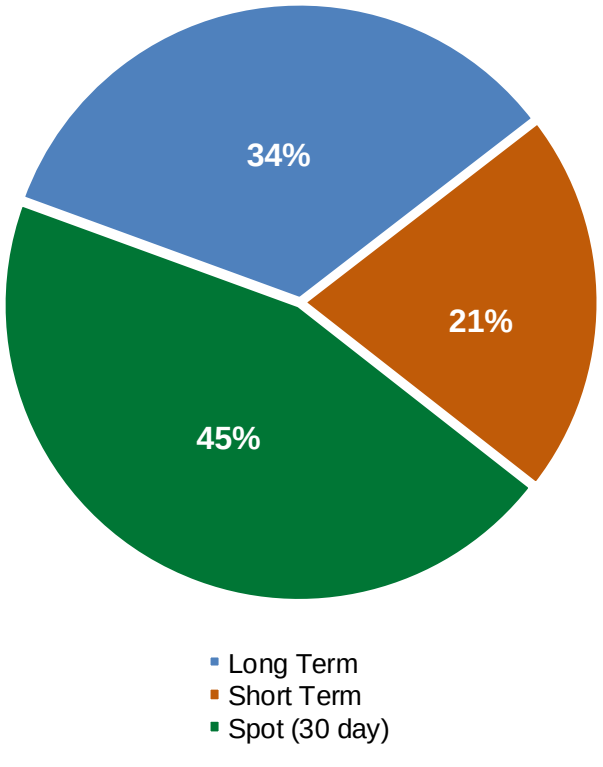




NW Natural®

GAS SUPPLY DIVERSITY

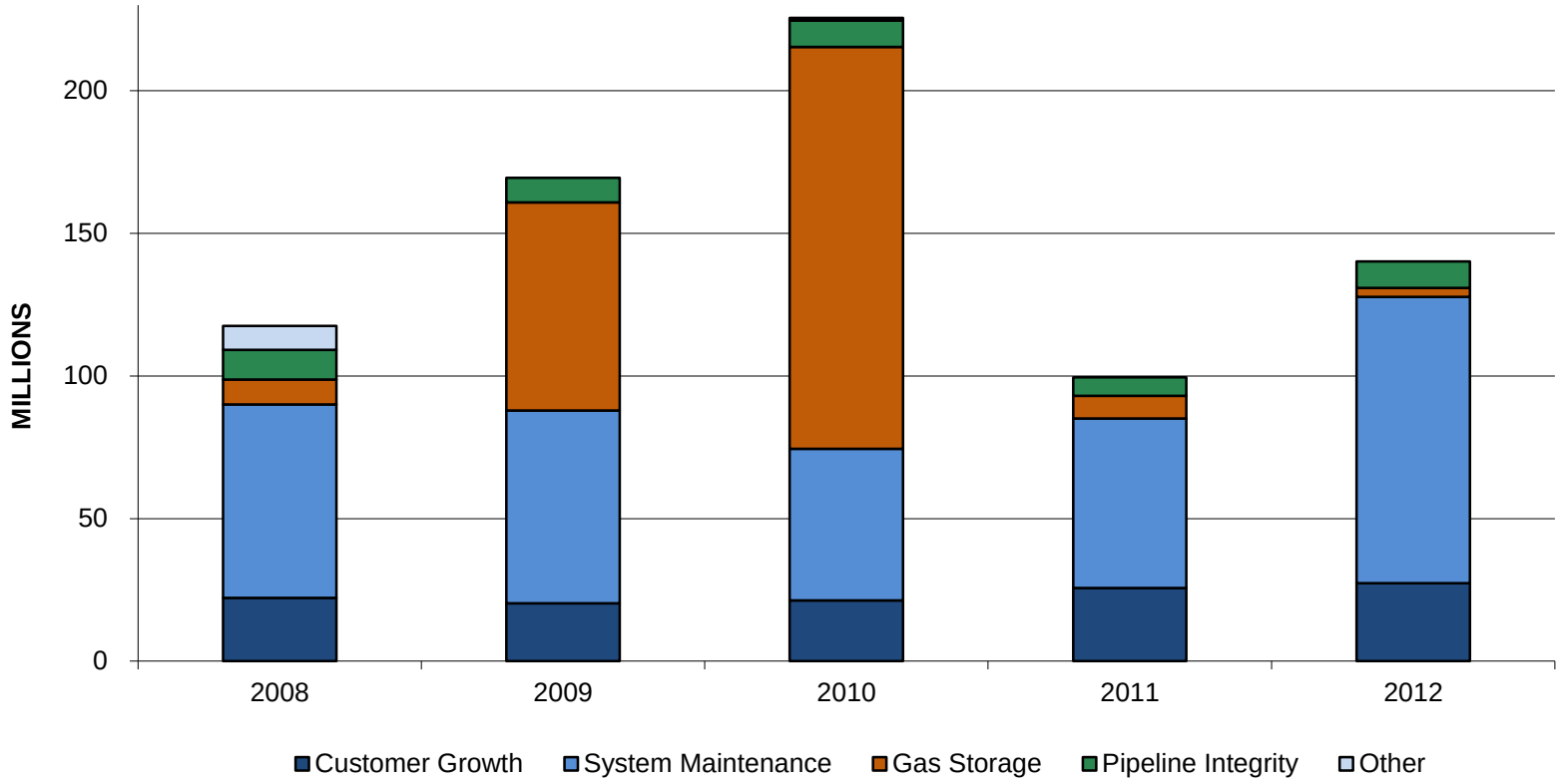






NW Natural®

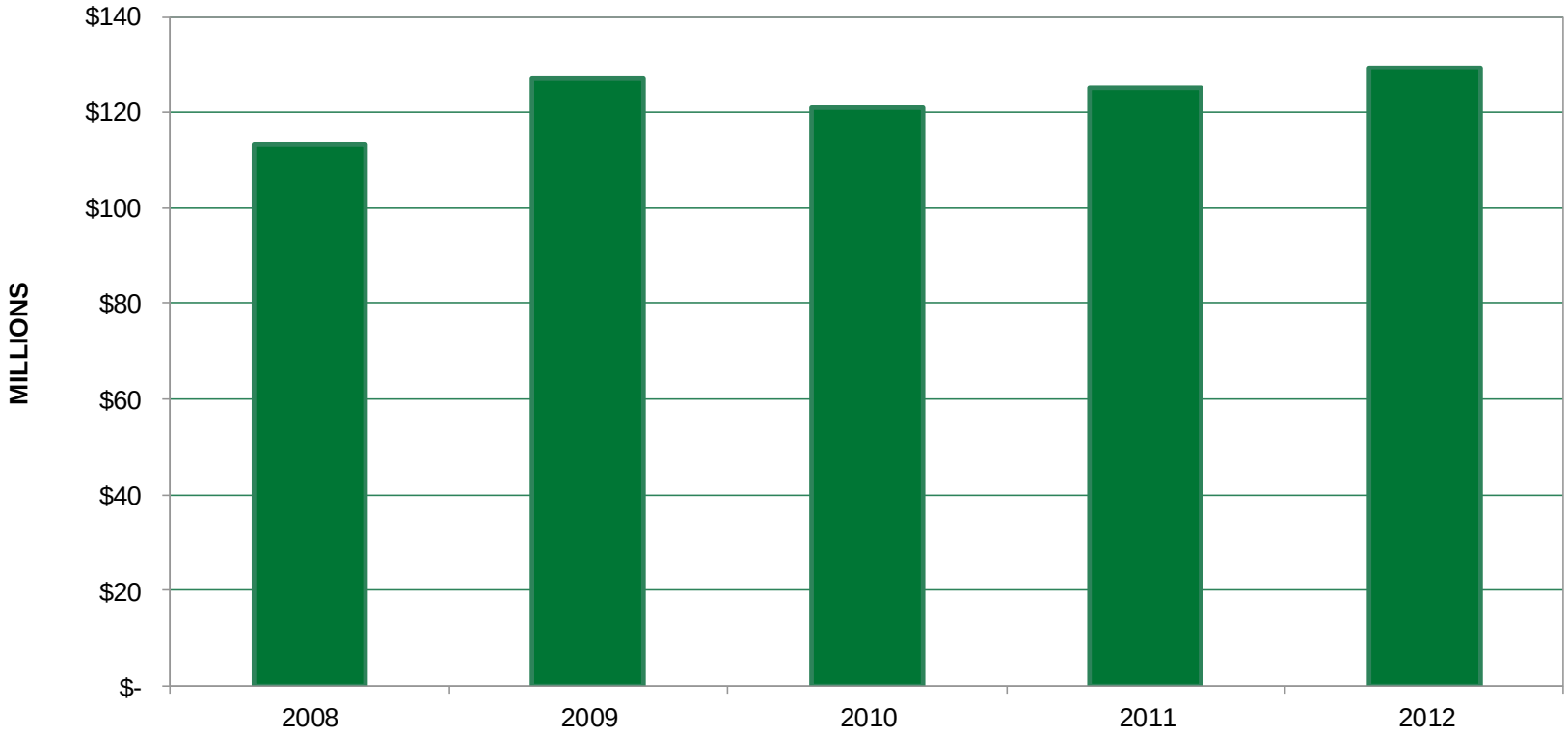
CAPITAL EXPENDITURES





NW Natural®

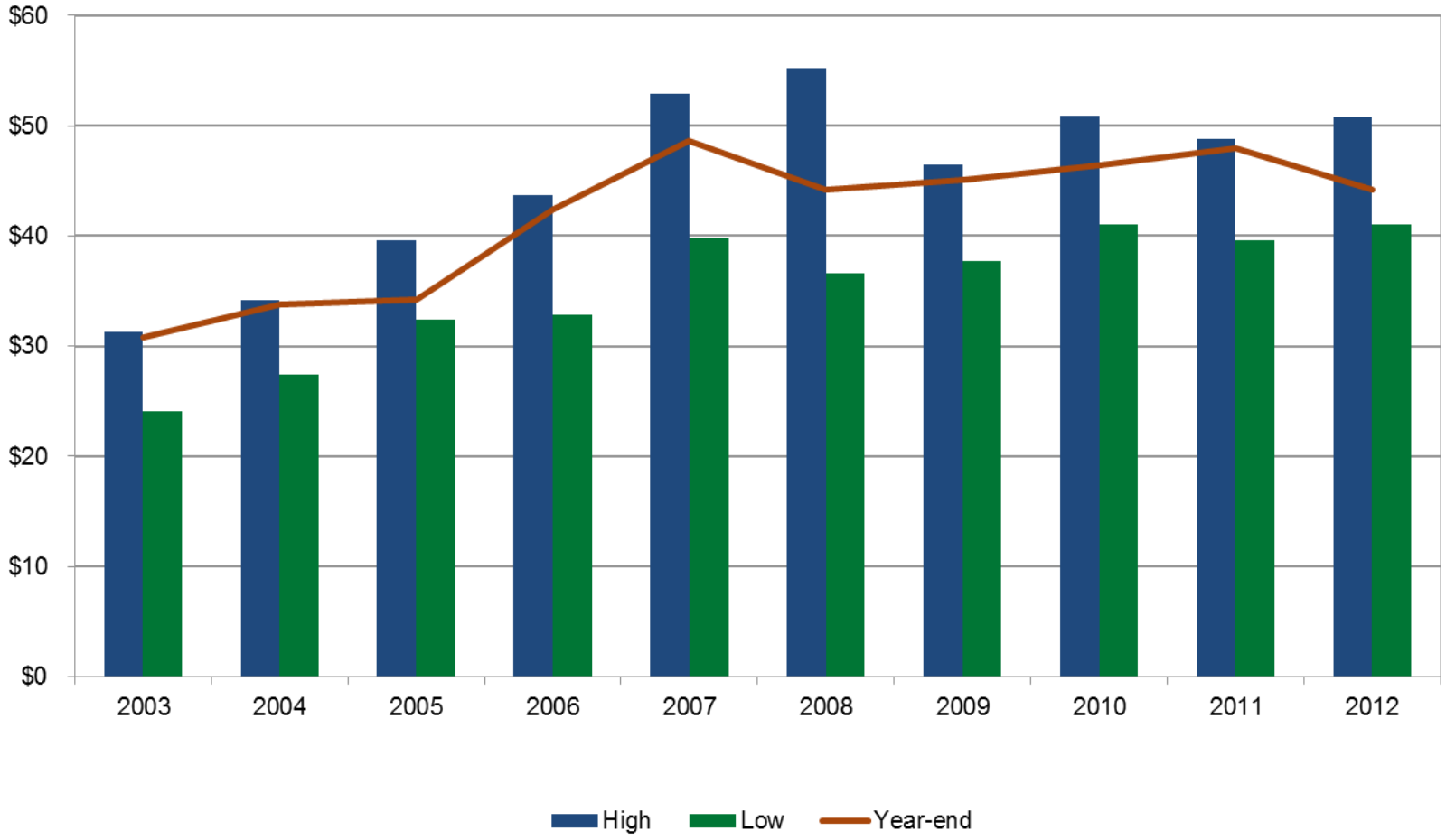
O&M EXPENSES





NW Natural®

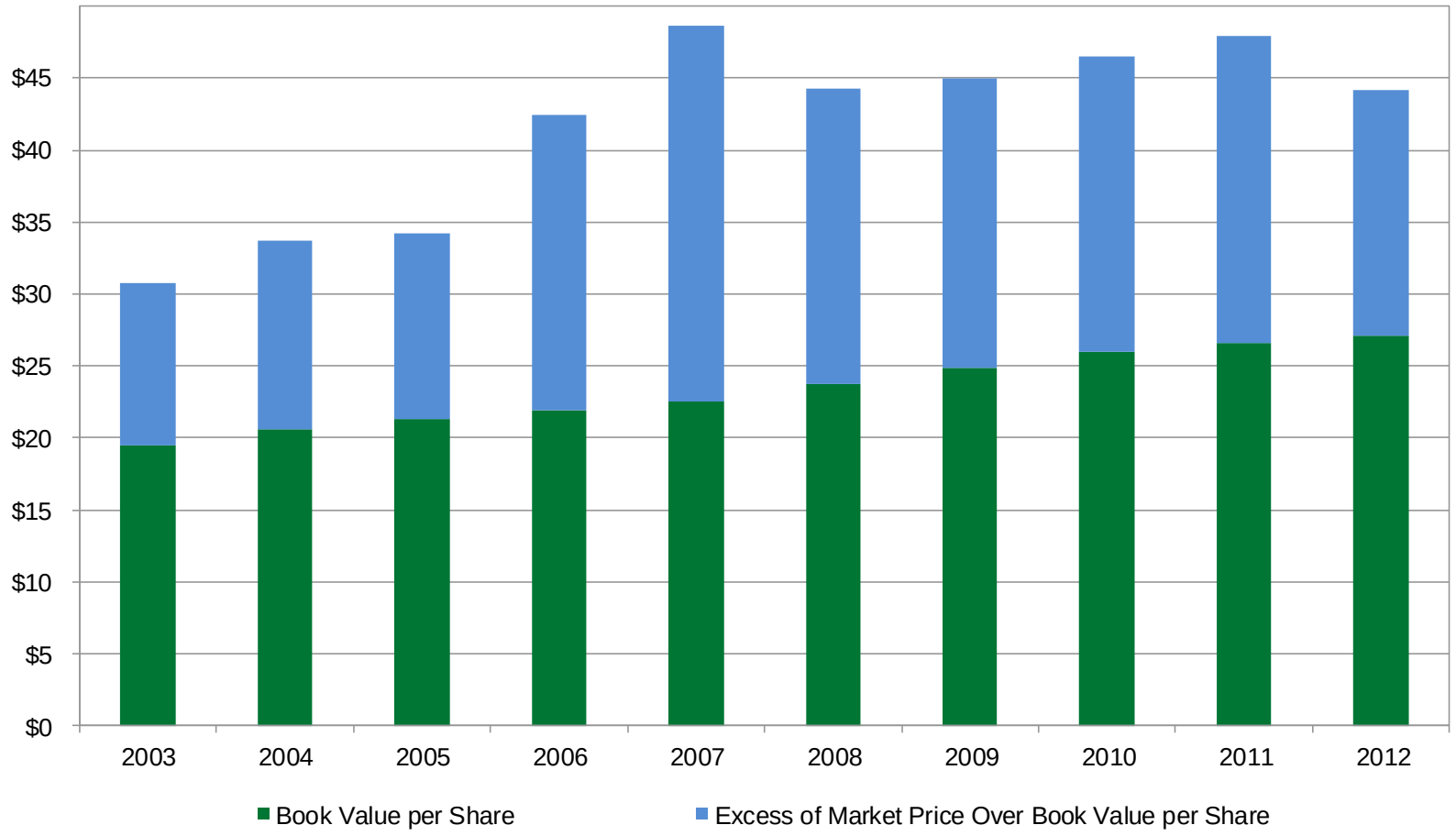
HIGH/LOW MARKET PRICE PER SHARE





NW Natural®

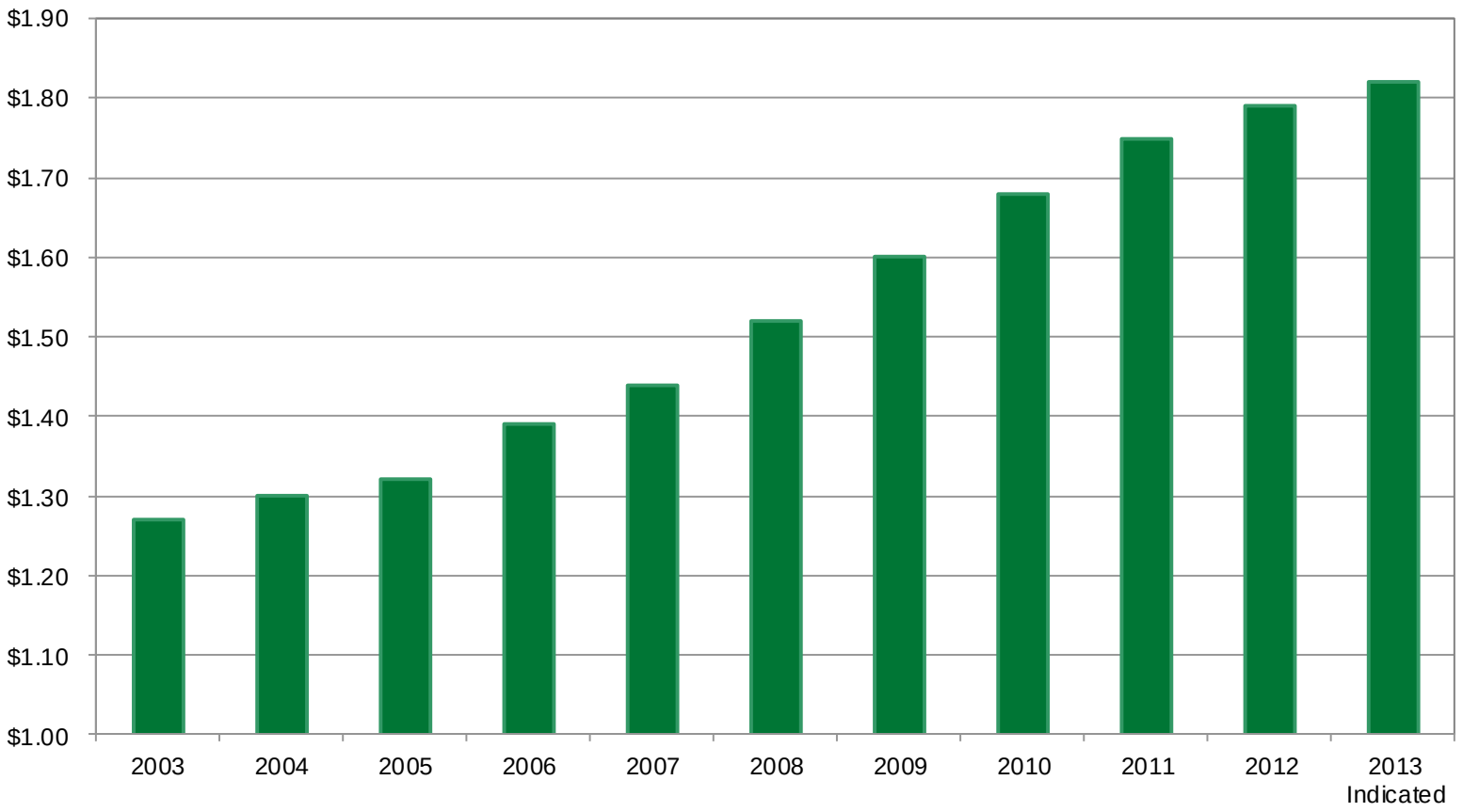
YEAR-END MARKET PRICE & BOOK VALUE





NW Natural®

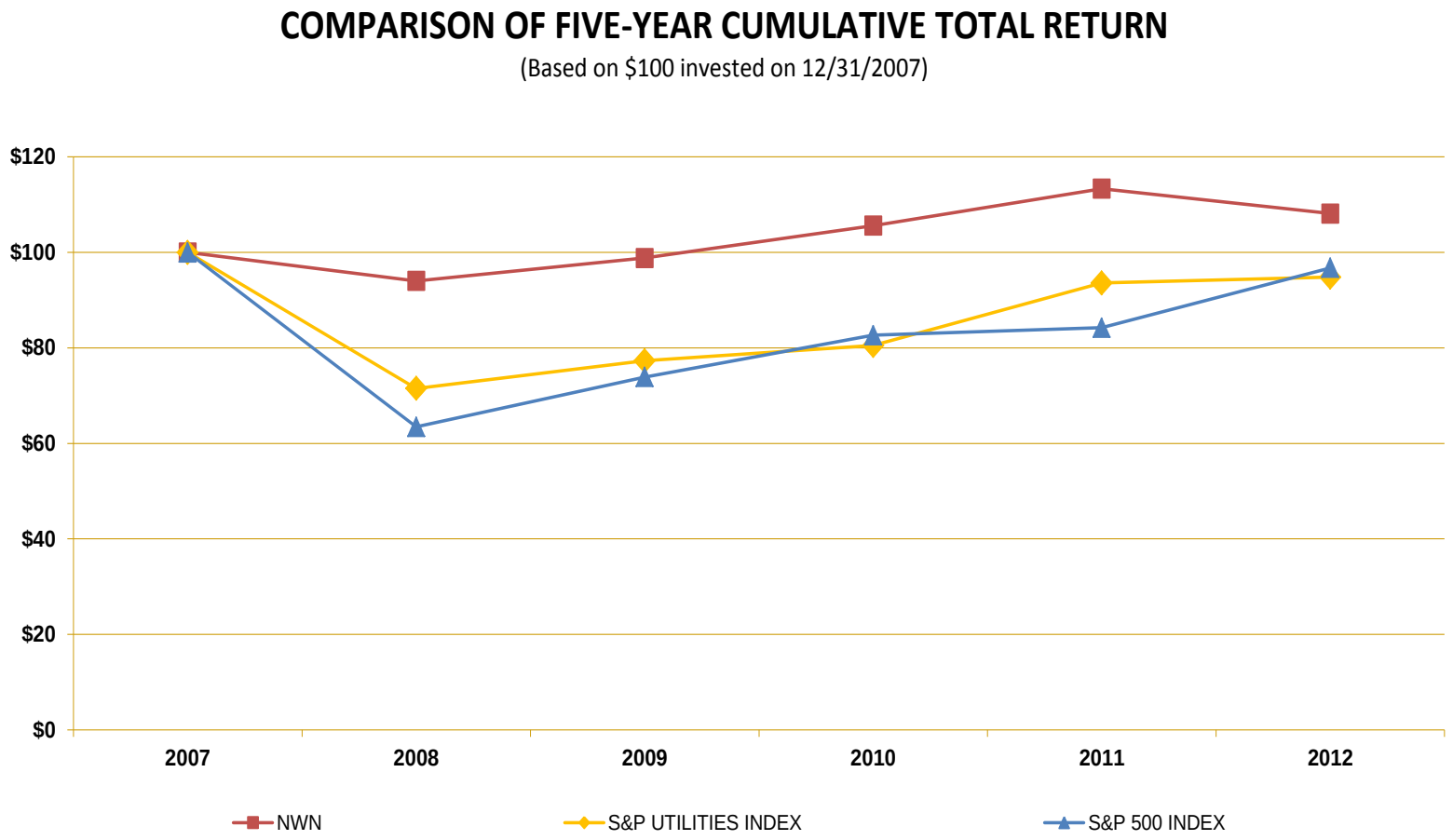
DIVIDEND HISTORY





NW Natural®

TOTAL SHAREHOLDER RETURN





NW Natural®

RATING AGENCY REPORT

"A high-growth service area with a mostly residential customer base, reliable gas supplies provided by significant storage capacity, access to three major gas supply basins, and low operating risks characterize the utility's **excellent business risk profile**."

—*Standard & Poor's Rating Services' December 2012 Report on NWN*



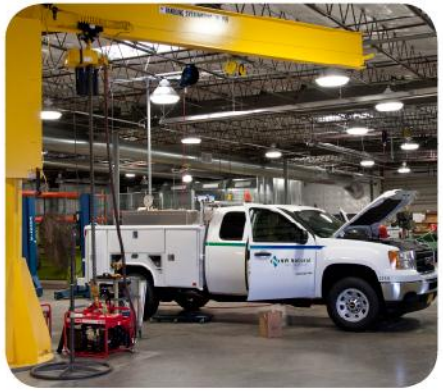
NW Natural®











DAVE WILLIAMS

Vice President of Utility Services

NW Natural®

STATE OF THE MARKET

- New home sales up 37%
- New housing starts up 36%+
- Unemployment is down
- Local employers expanding





NW Natural®

CONDITIONS RIPE FOR GROWTH

- New homes near gas mains
- Turnover in existing homes creates new opportunities
- Investments in energy efficiency drive conversions
- Strong market potential





NW Natural®

HOUSING MARKET CHANGES



NW Natural®

PREFERENCE REMAINS STRONG

- 77% of consumers prefer natural gas
- 92% of gas customers prefer it
- Product preference strengths
  - Less expensive
  - Better for environment
  - More efficient
  - More convenient



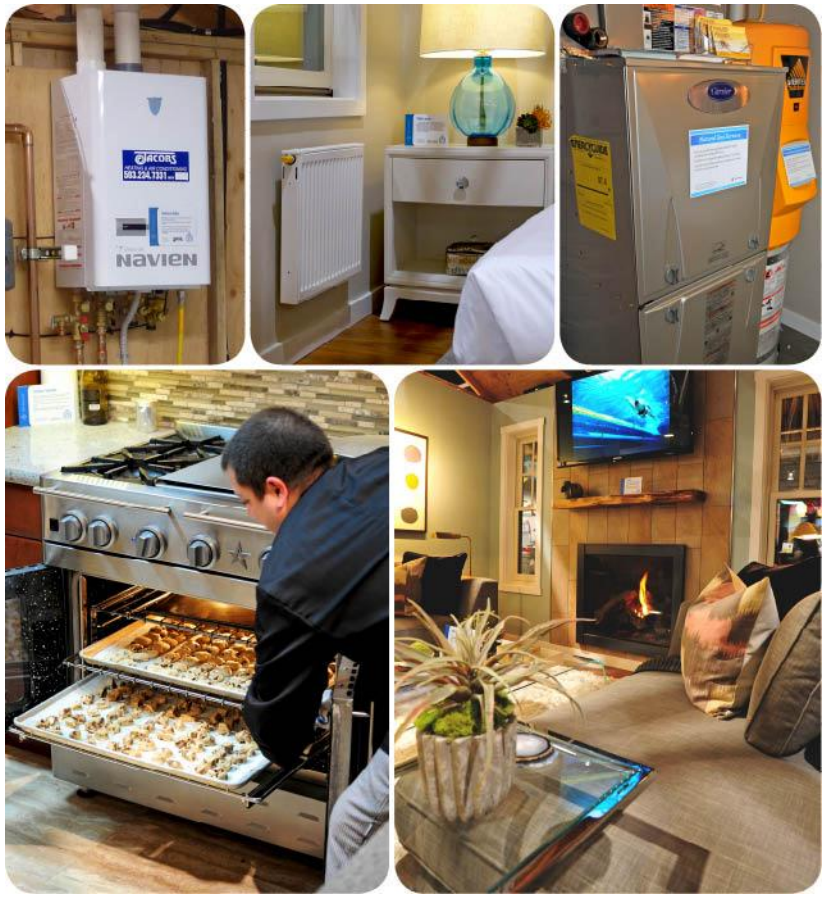




NW Natural®

DESIRED EQUIPMENT OPTIONS

- Cooktops
  - Precision cooking
  - Preferred by chefs
- Tankless water heaters
  - Radiant floors
  - Turbonic heating
- Smaller homes, smaller furnace
- Heat-rated fireplaces





NW Natural®

BUNDLED INCENTIVES



Bundling channel partner incentives creates aggressive promotions for a natural gas heating and air conditioning package this spring.

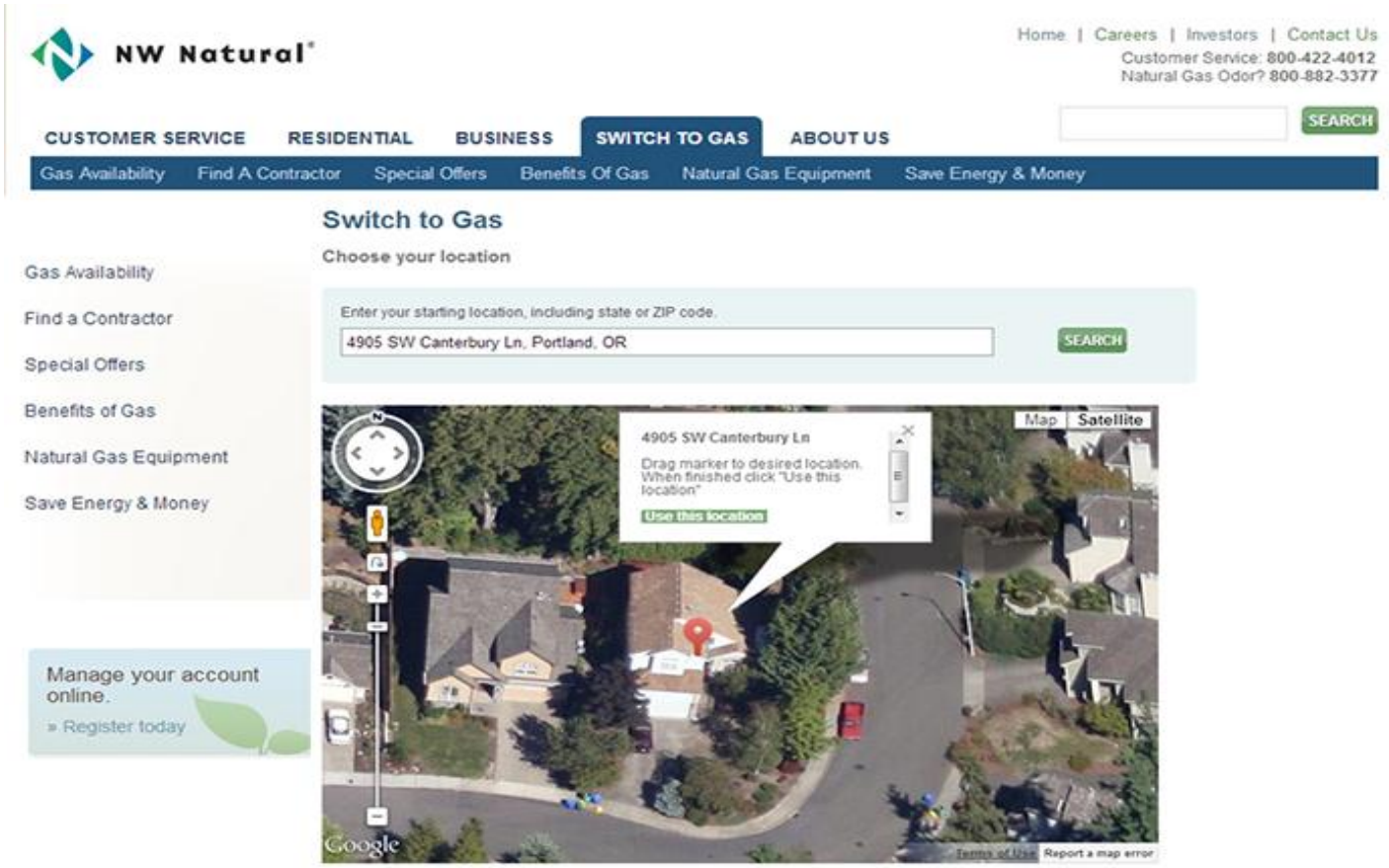
NW Natural®

NEW PORTAL IN DEVELOPMENT



NW Natural®

PORTAL TO AUTOMATE KEY PROCESSES



Checking for gas availability will be possible in a few, quick key strokes.

NW Natural®

ANALYTICS FOR SYSTEM PLANNING



Analysis from the portal will allow us to track consumer interest by geographic area. This analysis will inform our targeted marketing and system planning efforts.

NW Natural®

BUSINESS MOMENTUM IMPROVES



NW Natural®

PORTLAND PUBLIC SCHOOLS



NW Natural®

PORTLAND PUBLIC SCHOOLS SAVE

- 47 conversions from oil to gas over two years
- 40% reduction in emissions
- Saved $1.6 million last year
- Future savings = 750,000 lunches a year



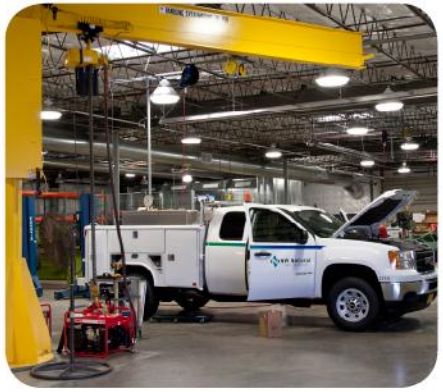
NW Natural®











GREGG KANTOR

President & CEO

NW Natural®

A NEW ENERGY LANDSCAPE

- Economic benefits of abundant, low-cost supplies
  - $400 million in savings to our customers over the last four years
  - $250 billion in savings nationally over the last three years
- Real opportunity for energy independence
  - 100+ years of domestic natural gas supplies
- Environmental benefits of moving off coal and oil
  - Gas-fired electric generation reduced emissions to 20-year lows



NW Natural®

MIST STORAGE EXPANSION



An expansion at our underground gas storage facility in Mist, Oregon will serve PGE's gas-fired generators at Port Westward.

NW Natural®

RESPONSIBLE GAS PRODUCTION

- Rapid innovation significantly reduces impacts
  - Dramatic improvements in water recycling
  - Industry exploration of techniques that eliminate fresh water use
  - Use of highly protective well casing techniques and materials
  - Use of new technologies/protocols to prevent methane releases



NW Natural®

TRANSPORTATION POISED FOR GROWTH

- Potential for adoption in many sectors
  - Locomotives
  - Marine vessels
  - Long-haul trucks
  - Heavy and light-duty vehicles
- Natural gas offers big rewards
  - Up to half the price of gasoline or diesel at the pump
  - Produces about 30% fewer greenhouse gas emissions
  - Emits virtually no sulfur dioxide, mercury or particulate pollution



NW Natural®

TRANSPORTATION TARIFF FILED

- Proposal to OPUC addresses refueling infrastructure challenge
- Provides compression services for refueling of natural gas vehicles
- If approved, allows local companies to take advantage of low-cost natural gas for fleets







NW Natural®

OPPORTUNITIES ABOUND



NW Natural®