

GROWTH, STEWARDSHIP, » INNOVATION



» WELCOME

NW NATURAL 2017 REPORT TO SHAREHOLDERS

With an unwavering commitment to our customers and a clear-eyed focus on the future, NW Natural delivered solid performance in 2017.

In a year marked by steady growth, we welcomed new customers, made progress on an important storage expansion project, and continued to invest in our system – one of the most modern in the nation. Our customers continued to reward our service ethic with high satisfaction ratings, and our employees worked to earn that trust every day.

While we delivered safe, reliable service across our territory, we looked ahead to new opportunities and accelerated our work to help create a low-carbon future for our region. Natural gas is a pivotal part of the climate change solution, and we believe NW Natural can provide important leadership in collaboration with others.

Over nearly 160 years, leadership has been a hallmark of NW Natural's success – in our industry, in our region and in the communities we serve. It has made us resilient in a changing world and helped us thrive, and I'm confident it will keep us relevant in the year ahead and far into the future.

With an emphasis on safety, our growth ensures job security for our employees and sustainable service for the comfort and convenience of our customers. Customer service is the hallmark of NW Natural, with teams ready to respond to gas-related issues both urgent and everyday.

Our partnerships with municipalities combined with our continued exploration of innovative ways to conserve and protect our natural environment – while responding to the needs of our growing population – keep NW Natural on track with its mission to provide cost-effective clean energy.

Looking over the past year, I am humbled by the exceptional work our leadership team and our employees have done to lay the foundation for a successful, sustainable future.



David Anderson at Portland's Columbia Boulevard Wastewater Treatment Plant. In 2017 the city announced it will build a renewable natural gas (RNG) processing facility and vehicle fueling station at the site in partnership with NW Natural.

» CORPORATE PROFILE

NW NATURAL (NYSE: NWN)

is a 159-year-old natural gas distribution company headquartered in Portland, Oregon.

NW NATURAL serves more than 730,000 utility customers in Oregon and Southwest Washington and provides natural gas storage to customers on the West Coast. In keeping with its steady growth strategy, the company has increased dividends paid to shareholders for 62 consecutive years.

2017 HIGHLIGHTS

- Added over 12,700 new customers for an annual growth rate of 1.8 percent, bringing our customer base to more than 735,000 – and marking 2017 as the highest growth rate in a decade.
- Reduced residential customer rates for the third year in a row. Oregon customers received a cumulative rate decrease of 15 percent over the past three years on top of annual bill credits.
- Earned the highest customer satisfaction score for the fifth year in a row among large utilities in the West in the J.D. Power Gas Utility Residential Customer Satisfaction Study. This is the tenth time in 11 years NW Natural has scored second or higher in the nation. We also earned the highest customer satisfaction score among utilities in the West in the J.D. Power Gas Utility Business Customer Satisfaction Study.
- Filed the first Oregon general rate case in six years requesting a six percent increase in net revenues for the Company.
- Completed major components of the North Mist gas storage expansion – a multiyear \$132 million project – one of the largest projects in NW Natural utility history
- Invested \$26 million of capital expenditures for utility customer growth and system reliability and improvements.
- Announced our intent to expand into the regulated water utility sector with acquisitions in Oregon and Idaho, adding about 6,500 water customers. While these transactions are not material to our financial results, the acquisitions are the first step in our broader water strategy.



SAFETY IN ALL THINGS

System Safety, Employee Training & Preparedness

NW Natural is focused on operating a safe, reliable system and delivering outstanding service for our customers and communities.

In 2017, we completed upgrades to boost our distribution system reliability and support our fastest-growing community in Clark County, Washington. This project, estimated at \$25 million, is nearly complete, with final work expected to be done in 2018.

We also finished refurbishing two liquefied natural gas (LNG) storage facilities, which are critical for delivering natural gas on the coldest winter days. In 2017, we completed a multiyear \$25 million upgrade at our Newport LNG facility, originally built in 1977. At our Portland LNG facility, built in 1969, we completed improvements totaling just under \$10 million.

Equipping our employees to respond to emergencies goes hand in hand with keeping our system safe. NW Natural field employees regularly participate in extensive training at our state-of-the-art training center in Sherwood, Oregon. And 87 percent of them completed refresher courses to stay up-to-date on new tools, systems and initiatives.

We also offer hands-on, scenario-based training programs to first responders – including police officers and firefighters – teaching them about natural gas safety and how to work

together effectively during a gas emergency. In 2017 we hosted over 80 trainings for more than 1,200 local fire fighters, and we plans to increase that number in 2018.

We also upgraded # facilities across the service territory to retrofit, expand or relocate service centers so crews are positioned to respond to incidents quickly and effectively serve our growing customer base.

In about two years, NW Natural will be moving to a new building in downtown Portland.



The first of its kind in the Northwest, NW Natural's Training Town provides field employees with training in emergency response and operation and maintenance of our gas system. The mock neighborhood offers hands-on, scenario-based training and replicates real-world conditions.

Preparing for the future extends beyond system improvements and rigorous training. In late 2017, we announced that we signed a lease for a new headquarters in downtown Portland, where we'll move as early as the fourth quarter of 2019. The decision – made after an extensive search and evaluation process – ensures we can meet a range of needs, including optimal strategic location for emergency response, seismic preparedness and least cost to ratepayers.

We also continued our focus on cyber-security to ensure NW Natural's online systems are protected with the technology we need to safeguard our infrastructure. In 2017, we continued furthering our cybersecurity efforts by implementing additional encryption of our data.

CUSTOMER SATISFACTION LEADS TO GROWTH

Every day, our employees work diligently to deliver safe, reliable energy and best-in-class service – and it's why we've earned the trust of customers and the communities we serve.

Once again, we're proud that NW Natural earned the highest customer satisfaction score among large utilities in the West in the 2017 J.D. Power Gas utility Residential Customer Satisfaction Study. This marks the tenth time in 11 years that NW Natural has posted among the top two scores for residential customer satisfaction in the nation.

NW Natural also ranked first in the West in the 2017 J.D. Power Gas Utility Business Customer Satisfaction Study.

The value of our product undoubtedly influences how satisfied our customers feel. The cost of natural gas continued to drop nationally, and we get to pass along those savings. For the third year in a row, we reduced the rates our customers pay. This winter, Oregon residential customers saw their bills drop by 2.6 percent, and Washington residential customers enjoyed



savings of 1.5 percent. In fact, our customers are paying 20 percent less for natural gas today than they did 15 years ago.

Lower prices continue to strengthen our competitive position. For the typical home we serve, heating with a natural gas furnace provides up to a 70 percent price advantage over heating with an electric or oil furnace.

These advantages – coupled with the strong Pacific Northwest economy – have helped us convert and attract new customers to natural gas. At year end, we reported more than 12,700 new customers, equating to a 1.8 percent annual growth rate — our best performance in a decade.

We also made inroads into the multifamily sector – which has been historically underserved by natural gas – through a comprehensive effort to make it easier for developers to build with natural gas with equipment incentives, streamlined gas infrastructure designs and promotional support.

In July 2017, the Oregon Public Utility Commission (OPUC) approved a new multifamily tariff specifically designed to make it easier for mixed-use developments – buildings with commercial and residential customers – to install natural gas.

UTILITY CUSTOMERS AT YEAR-END



ENGAGING CONSTRUCTIVELY WITH REGULATORS

In December 2017, after careful consideration, we filed a rate case in Oregon for the first time in six years.

We requested a six percent increase to company revenues, after an adjustment for the conservation tariff deferral, to cover our costs to operate and maintain the natural gas distribution system and continue to provide customers with safe, reliable service.

The OPUC and other stakeholders will review our filing through a process that could take up to 10 months, with new rates likely effective Nov. 1, 2018.

This filing does not include the impact federal tax legislation will have on customers' rates. We have asked the Washington and Oregon commissions to allow us to return these benefits to customers, and we will work closely with the commissions to determine the best path forward.



Construction of the 13-mile pipeline for the North Mist Expansion project is essentially complete.

BUILDING THE FUTURE

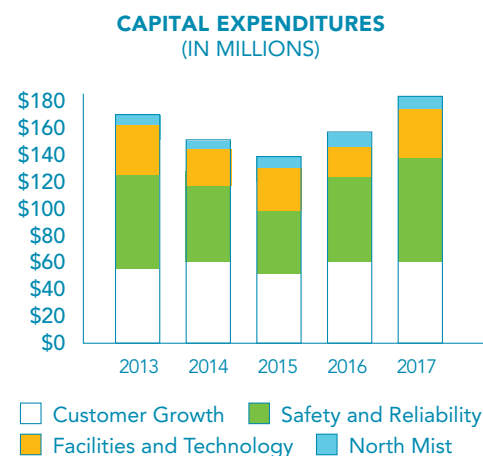
Abundant and clean-burning natural gas is a critical resource that is facilitating a smooth transition to a low-carbon energy future across the country.

In Oregon, NW Natural is making it feasible to integrate variable renewable energy sources – such as wind and solar – into the electric grid by providing storage for natural gas, which is a stable, secure energy resource.

An exciting example is a project to expand our natural gas storage infrastructure in Mist, Oregon, to supply unique, no-notice service that Portland General Electric (PGE) can draw on rapidly. Our natural gas storage will help PGE integrate more wind power into the grid ensuring a reliable natural gas back-up response.

There are three major components to this \$132 million project: a new underground reservoir providing up to 2.5 billion cubic feet of available storage, an additional compressor station, and a new dedicated 13-mile pipeline to connect NW Natural's facility to PGE's Port Westward electric generation facilities.

continued



Total investment in capital expenditures during 2017 was \$XXX million, of which over \$XXX million was related to safety, reliability and customer growth.

In 2017, we completed pipeline construction, the wells, and major grading work at the North Mist compressor station site.

In 2018, we expect to begin injecting natural gas in the reservoir and will complete and test the compressor station. We expect the entire project to be in service for winter 2018/2019.

When the expansion goes into service, this investment will go immediately into rates under an established tariff schedule that has already been approved by the OPUC.



LOW CARBON PATHWAY

Just as we're able to support renewable energy with the North Mist project, we know there are other ways NW Natural can help the region move to a low-carbon future.

Today, natural gas is the cleanest energy option to reliably meet our region's biggest energy needs. In Oregon, NW Natural delivers more energy over a year than any other utility. Yet the use of natural gas – in our customers' homes, businesses and industry – accounts for about eight percent of Oregon's total greenhouse gas emissions.

While we think that's a pretty efficient starting point, we believe we can do even better. It's why we set a voluntary goal of 30 percent carbon emissions savings by 2035, with a starting point of 2015 emission levels.

In 2017, we identified new opportunities to proactively reduce emissions using our existing infrastructure – one of the most modern, tightest pipeline systems in the nation.

We are especially excited about a renewable natural gas (RNG) project with the city of Portland. Announced in April 2017, the city is building an RNG production facility at its largest wastewater treatment plant to recover and clean biogas to meet our pipeline quality standards. A portion of the resulting RNG will be used to fuel heavy duty vehicles locally, and the rest will be injected into NW Natural's existing pipeline system.

NW Natural built and installed the vehicle fueling station in 2017 and will maintain it for the city. We expect the entire project to be operational by the end of 2018. We're proud to partner with the city of Portland on its single largest climate action effort to date.

Collaboration is a pivotal part of reaching our carbon savings goal – and we're working on many fronts up and down the natural gas value chain. Because our customers

LESS WE CAN

are key partners, we launched a multiyear outreach campaign – called Less We Can – inviting them to join us in working toward a low-carbon future. We are working in the communities we serve and have shared the company's low carbon vision with more than 100 policymakers and stakeholders.

In 2017, NW Natural also hosted the region's first RNG conference, celebrated 10 years of our carbon offset program Smart Energy, and joined the Natural Gas Supply collaborative to influence upstream production practices.

But these steps are just part of the story. We are also focused on new technologies to reduce our emissions footprint. Power to gas is a cutting-edge process that captures surplus wind and solar energy and converts it to RNG or hydrogen through electrolysis. This renewable energy could be stored and then blended into our pipeline system to one day serve homes, businesses and vehicles.

Using NW Natural's existing modern pipeline system will help us achieve carbon reductions affordably for the region and our customers. We're proud of what we've accomplished so far, and we embrace the journey ahead. We are confident we can help the Northwest be a pioneer in driving innovations forward in smart, cost-effective ways.

FUTURE OPPORTUNITIES

Looking to the future, we remain focused on growing our utility business and examining opportunities that are a good fit for our expertise, create value and provide a risk profile and business model similar to our core gas utility.

We took an exciting first step in December 2017, when we expanded into the regulated water sector by acquiring two water utilities with nearly 6,500 customers in Oregon and Idaho. We view regulated water utility opportunities as an excellent strategic fit for our company. NW Natural's core competencies – customer service, safety, environmental stewardship, reliability and managing critical distribution infrastructure – are directly applicable to the water utility business.

With substantial investment opportunities in the water sector over the long term, we will be working to build out this broader strategy in the coming years.

Gill Ranch production will begin in Spring 2019. Plans are underway to begin construction in September 2018. The project will cost \$17 million and improve service to over 26,000 home and over 5,00 businesses.

This innovative and collaborative approach to energy production relates directly to our mission to provide safe, reliable and affordable energy in an environmentally responsible way to better the lives of the public we serve.



GROWTH TODAY AND TOMORROW

Leading a company of nearly 1,200 employees who live our core values and share a common vision for the future inspires me every day. Their dedication, ideas and energy fuel our success and keep us nimble.

We achieved great things in 2017, and I look forward to building on what we've created – a strong foundation positioned for long-term growth. I'm confident we will make the most of the opportunities ahead.

NW Natural has consistently led the industry on many fronts: Environmental stewardship. System efficiency and modernization. Customer service. And commitment to our communities. We take this legacy seriously and will continue to focus on the highest level of performance.

Thank you for your confidence and trust in NW Natural. We look forward to working on your behalf in the year ahead.

David H. Anderson

David H. Anderson
President and Chief executive Officer



» SERVICE TERRITORY AND STORAGE FACILITIES



» FINANCIAL OVERVIEW

EARNINGS

Financial facts (\$000):

	2017	2016	INCREASE (DECREASE)
Operating revenues	XXX	XXX	X%
Utility margin	XXX	XXX	X
Net income	XXX	XXX	X
Adjusted net income*	XXX	XXX	X
Financial ratios (9%):			
Return on average common equity	XX	XX	X
Adjusted return on average common equity*	XX	XX	X
Capital structure** at year-end:			
Long-term debt	XX	XX	X
Common stock equity	XX	XX	X

**Excluding short-term debt and current long-term maturities.

COMMON STOCK

Shareholder data (000):

	2017	2016	X%
Average shares outstanding – diluted	XXX	XXX	X%
Year-end shares outstanding	XXX	XXX	X
Per share data (\$):			
Diluted earnings	XX	XX	X%
Adjusted diluted earnings*	XX	XX	X
Dividends paid	XX	XX	X
Book value at year-end	XX	XX	X
Market value at year-end	XX	XX	X

UTILITY OPERATING HIGHLIGHTS

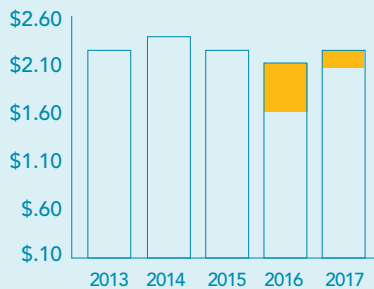
	2017	2016	X%
Gas sales and transportation deliveries (000 therms)	XXXX	XXXX	X%
Degree days	XX	XX	X
Customers at year-end	XXXX	XXXX	X
Employees at year-end	XX	XX	X

DIVIDENDS PAID ON COMMON STOCK (per share)

PAYMENT MONTH (paid on the 15th or preceding business day)

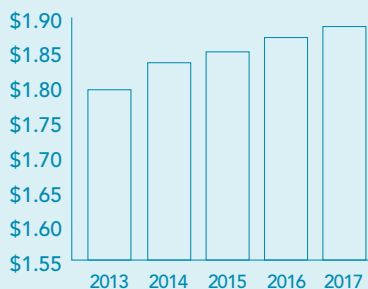
	2017	2016
February	\$XXXX	\$XXXX
May	XXXX	XXXX
August	XXXX	XXXX
November	XXXX	XXXX
Total dividends paid	\$XXXX	\$XXXX

DILUTED EARNINGS PER SHARE (IN DOLLARS)



Diluted earnings per share for 2017 and 2016 were \$0.00 and \$0.00 respectively.

DIVIDENDS PAID PER SHARE (IN DOLLARS)



Annual dividends paid per share in 2017 increased for the 00 consecutive year.

» CORPORATE OFFICERS



DAVID H. ANDERSON
President and
Chief Executive Officer



LEA ANNE DOOLITTLE
Senior Vice President and
Chief Administrative Officer



JAMES R. DOWNING
Vice President and
Chief Information Officer



SHAWN M. FILIPPI
Vice President, Chief
Compliance Officer and
Corporate Secretary



KIMBERLY A. HEITING
Vice President
Communications and
Chief Marketing Officer



TOM J. IMESON
Vice President
Public Affairs



JUSTIN PALFREYMAN
Vice President, Strategy
and Business Development



LORI RUSSELL
Vice President
Utility Services



MARDILYN SAATHOFF
Senior Vice President
Regulation and General
Counsel



BRODY J. WILSON
Chief Accounting Officer
and Controller, Interim
Chief Financial Officer
and Interim Treasurer



GRANT M. YOSHIHARA
Senior Vice President
Utility Operations

» OUR MISSION

We provide safe, reliable and affordable energy in an environmentally responsible way to better the lives of the public we serve.

» OUR CORE VALUES

Integrity
Safety
Service Ethic
Caring
Environmental Stewardship

» BOARD OF DIRECTORS



DAVID H. ANDERSON
President and Chief
Executive Officer
NW Natural



TIMOTHY P. BOYLE
Chief Executive Officer
Columbia Sportswear
Company



**MARTHA L.
"STORMY" BYORUM**
Chief Executive Officer
Cori Investment
Advisors, LLC



JOHN D. CARTER
Chairman of the Board
Schnitzer Steel
Industries, Inc.



MARK S. DODSON
Former Chief
Executive Officer
NW Natural



C. SCOTT GIBSON
President
Gibson Enterprises



TOD R. HAMACHEK
Chairman of the Board
NW Natural



JANE L. PEVERETT
Former President and
Chief Executive Officer
British Columbia
Transmission Corporation



KENNETH THRASHER
Chairman of the Board
Compli Corporation



MALIA WASSON
Former Executive
Vice President of
Commercial Banking,
U.S. Bank

»CORPORATE INFORMATION

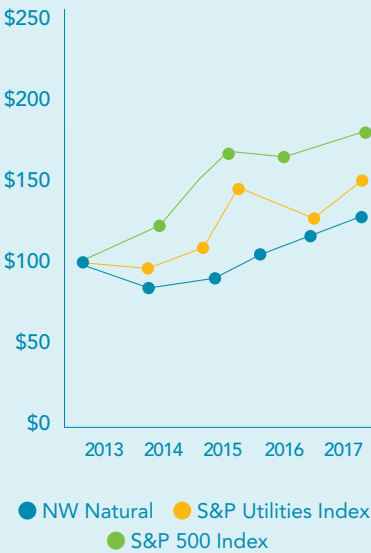
Notice of Annual Meeting

The 2017 Annual Meeting will be held at 2 p.m., Thursday, May 25, at the company’s headquarters, One Pacific Square, 220 NW 2nd Ave., 4th floor, Portland, Oregon 97209. A meeting notice and proxy statement will be sent to all shareholders in April. If you plan to attend the annual meeting, you will need to detach and retain the admission ticket attached to your proxy card mailed to you with the notice of the annual meeting and the proxy statement. As space is limited, you may bring only one guest to the meeting. If you hold your stock through a broker, bank or other nominee, please bring a legal proxy or other evidence to the meeting showing that you owned NW Natural Common Stock as of the record date, April 6, 2017, and we will provide you with an admission ticket. A form of government-issued photograph identification will be required for both you and your guest to enter the meeting.

Dividend reinvestment and direct stock purchase plan

Participants may make an initial investment in company stock and common shareholders of record may reinvest all or part of their dividends in additional shares under the company’s plan. Cash purchases may also be made. Participants in the plan bear the cost of brokerage fees and commissions for shares purchased on the open market to fulfill purchases under the plan. A prospectus will be sent upon request.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
(Based on \$100 invested in 12/31/000)



Total shareholder return (annualized) over the five years ending December 31, 20XX for NW Natural was 00%, compared to Standard & Poor’s (S&P) Utilities Index return of 00%, and the S&P 500 Index return of 00%.

Scheduled dividend payment dates

Subject to Board approval, the following dates are scheduled for dividend payment:
February 15, 2017
May 15, 2017
August 15, 2017
November 15, 2017

Certifications

The Chief Executive Officer certified to the NYSE on June 22, 2016, that as of that date, he was not aware of any violation by the company of NYSE’s corporate governance listing standards, and the company had filed with the Securities and Exchange Commission (SEC), as exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for the year ended December 31, 2015, the certificates of the Chief Executive Officer and the Chief Financial Officer of the company certifying the quality of the company’s public disclosure. For the year ended December 31, 2016, the certificates of the Chief Executive Officer and Chief Financial Officer are attached as exhibits 31.1 and 31.2 to the Form 10-K included in this Annual Report.

Contact the NW Natural Board

Concerns may be directed to the nonmanagement directors by writing to NW Natural Board of Directors, c/o Corporate Secretary.

Forward-looking statements

The statements made in this Annual Report that are not purely historical, including statements regarding plans, goals, strategies, dividends, earnings, financial value, future demand or preference for gas, the future of clean energy and the role of natural gas in it, commodity costs, customer rates, competitive position, revenues, customer growth, capital expenditures, Mist storage expansion project,

including but not limited to cost and time-lines, emergency preparedness, cyber resiliency and preparedness, system reliability, safety, regulatory cost recovery mechanisms, including, but not limited to, the SRRM, regulatory proceedings and actions, customer savings, the regional economy, California storage market trends, system integrity, project cost recovery laws and regulations including from the Pipeline and Hazardous Materials Safety Administration, and strategic plans, goals and metrics, are forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. NW Natural’s actual results could differ materially from those anticipated in these forward-looking statements as a result of risks and uncertainties, including those described in the attached report on Form 10-K. For a more complete description of these risks and uncertainties, please refer to our filings with the SEC on Forms 10-K and 10-Q.

Request for publications

The following publications may be obtained without charge by contacting the Corporate Secretary at NW Natural’s address: Annual Report; Form 10-K; Form 10-Q; Corporate Governance Standards; Director Independence Standards; Code of Ethics; and Board Committee Charters. These publications, as well as other filings made with the SEC, are also available on our website at nwnatural.com. Our SEC filings are also available by request through the SEC by mail at U.S. Securities and Exchange Commission, Office of FOIA/PA Operations, 100 F Street, N.E., Washington, D.C. 20549, or online at sec.gov. You can obtain information about access to the Public Reference Room and how to access or request records by calling the SEC at 1-800-SEC-0330.



»INVESTOR AND SHAREHOLDER INFORMATION

STOCK TRANSFER AGENT AND REGISTRAR

For common stock:
American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219
(888) 777-0321
web: astfinancial.com
email: info@astfinancial.com



NIKKI SPARLEY
Director, Investor Relations
Toll free (800) 422-4012, Ext. 2530
Direct (503) 721-2530
nikki.sparley@nwnatural.com

TRUSTEE AND BOND PAYING AGENT

For bond issues:
Deutsche Bank Trust Company Americas
60 Wall Street
New York, NY 10005
(800) 735-7777



CHU LEE
Manager, Shareholder Services
Toll free (800) 422-4012, Ext. 2402
Direct (503) 220-2402
chu.lee@nwnatural.com

COMMUNITY & SUSTAINABILITY REPORT

Learn more about NW Natural’s community involvement and philanthropic contributions, environmental stewardship, employee safety efforts and other company initiatives.

View the Community & Sustainability Annual Report at:
nwnatural.com/aboutnwnatural/community

LOW-INCOME PROGRAMS

NW Natural helps low-income customers manage their bills through a variety of programs. Shareholders and customers support the Gas Assistance Program, which supplements federal and state assistance programs. In addition, the Oregon Low-Income Gas Assistance Program uses public purpose fees to help low-income customers pay their utility bills. The Oregon Low-Income Energy Efficiency Program, also paid for by public purpose charges, helps customers in need acquire high-efficiency equipment and weatherization upgrades.

View the Low-Income Programs at
nwnatural.com/residential

ENERGY-EFFICIENCY PROGRAMS

NW Natural partners with Energy Trust of Oregon to offer our Oregon and Washington customers energy-efficiency programs and services. Learn more about the results of these programs and the benefits to our customers.

View the Energy Trust of Oregon Annual Report at:
nwnatural.com/residential



Produced by NW Natural’s Corporate Communications

PHOTO CREDITS CORKY MILLER - Cover: Details; ROBBIE McCLARAN - page 3, David Anderson, page 9, Corporate Officers and Board of Directors; DALE HEADRICK - page 4, Training Town, NW Natural surveyors; ANDY BAUER - page 5, North Mist expansion pipeline **PRINTING** Donnelley Financial Solutions