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August 11, 2017

VIA ELECTRONIC FILING

Attention: Filing Center
Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97308-1088

Re: Docket UM 1804: Stipulation Agreement

Dear Filing Center:

Attached for filing in the above-captioned docket is the Stipulation Agreement. The parties plan to file Joint Testimony in support of the Stipulation by August 31, 2017.

Please contact this office with any questions.

Very truly yours,

Alisha Till
Administrative Assistant

Attachment

1 (“Reorganization”). Through the Reorganization, NW Natural, along with each of its
2 current affiliates, will become wholly-owned subsidiaries of a newly-formed holding
3 company (“HoldCo”). The Company filed Opening Testimony in support of its
4 Application on March 30, 2017. At the urging of Staff and intervenors, the Company
5 provided information as to HoldCo’s acquisition and growth strategy in Highly
6 Confidential Supplemental Testimony on May 8, 2017, and through discovery request
7 responses. Staff and CUB served discovery requests throughout the case, and on June
8 14, 2017, Staff and NWIGU filed Reply Testimony addressing the risks of the transaction
9 and compliance with the legal standard. Pursuant to a June 14, 2017 Ruling by
10 Administrative Law Judge Power, CUB filed Reply Testimony on June 16, 2017.

11 4. The Parties met to discuss settlement of the issues on June 28, July 5, and again
12 on July 11. After the July 11 settlement meeting, the parties continued settlement
13 discussions by teleconference. As a result of these discussions, the Parties were able to
14 resolve areas of concern raised by the Parties through a comprehensive package of
15 ring-fencing conditions (the Stipulated Conditions) that the Parties agree should serve to
16 protect the utility, its customers and result in an overall net benefit for the Company’s
17 customers. Therefore, the Parties have settled all issues raised in the docket.

18 **STIPULATION**

19 5. The Parties recommend that the Commission approve NW Natural’s Application
20 subject to the Stipulated Conditions attached hereto as Attachment A. The Parties
21 agree that these Stipulated Conditions should replace the commitments offered by NW
22 Natural in its Application and Opening Testimony, and the conditions proposed by Staff
23 in Reply Testimony.

24 6. The Parties agree that the Company’s Application for reorganization, as modified
25 by the Stipulated Conditions, results in a net benefit to NW Natural’s customers, and
26 causes no harm to Oregonians, as required by ORS 757.511.

1 7. The Parties agree that the Stipulated Conditions, except for Condition 44, may be
2 modified as a result of regulatory decisions or settlements in other states regarding NW
3 Natural's proposed corporate restructuring, as described in Condition No. 1.

4 8. The Parties agree that Commission approval of NW Natural's proposed
5 restructuring should be conditioned on NW Natural providing a non-consolidation opinion
6 to the Commission which concludes that the ring-fencing provisions (final conditions
7 adopted by the Commission) are sufficient such that a bankruptcy court would not order
8 the substantive consolidation of the assets and liabilities of NW Natural (including direct
9 subsidiaries) with those of HoldCo, its affiliates or subsidiaries (excluding NW Natural's
10 direct subsidiaries), as described in Condition No. 11.

11 9. The Parties submit this Stipulation to the Commission and request that the
12 Commission approve the Stipulation as presented.

13 10. This Stipulation will be offered into the record of this proceeding as evidence
14 pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation
15 throughout this proceeding and any appeal (if necessary), and to provide witnesses to
16 sponsor this Stipulation at any hearing to review the Stipulation (if specifically required
17 by the Commission), and to recommend that the Commission issue an order adopting
18 the settlements contained herein.

19 11. The Parties have negotiated this Stipulation as an integrated document. If the
20 Commission rejects all or any material part of this Stipulation, or adds any material
21 condition to any final order that is not consistent with this Stipulation, each Party
22 reserves its right: (i) to withdraw from the Stipulation, upon written notice to the
23 Commission and the other Parties within five (5) business days of service of the final
24 order that rejects this Stipulation, in whole or material part, or adds such material
25 condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on
26 the record in support of the Stipulation, including the right to cross-examine witnesses,
27 introduce evidence as deemed appropriate to respond fully to issues presented, and

1 raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii)
2 pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration,
3 or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph
4 provides any Party the right to withdraw from this Stipulation as a result of the
5 Commission's resolution of issues that this Stipulation does not resolve.

6 12. By entering into this Stipulation, no Party shall be deemed to have approved,
7 admitted, or consented to the facts, principles, methods, or theories employed by any
8 other Party in arriving at the terms of this Stipulation, other than those specifically
9 identified in the body of this Stipulation. No Party shall be deemed to have agreed that
10 any provision of this Stipulation is appropriate for resolving issues in any other
11 proceeding, except as specifically identified in this Stipulation.

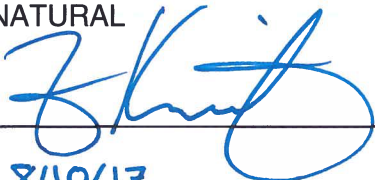
12 13. The Parties agree that this Stipulation represents a compromise in the positions
13 of the Parties. As such, without the written consent of all Parties, evidence of conduct or
14 statements, including but not limited to term sheets or other documents created solely
15 for use in settlement conferences in this docket, and conduct or statements made at
16 settlement conferences, are confidential and not admissible in the instant or any
17 subsequent proceeding, unless independently discoverable or offered for other purposes
18 allowed under ORS 40.190.

19 14. The Parties agree that this Stipulation and the Stipulated Conditions as a whole
20 meet the ORS 757.511 statutory requirement based on the facts and circumstances
21 presented in this particular case, but recognize that the package of Stipulated Conditions
22 is the result of compromise between the Parties, and no Parties are deemed to have
23 agreed to an individual condition in isolation.

24 15. This Stipulation may be executed in counterparts and each signed counterpart
25 shall constitute an original document. Together, all counterparts form one single
26 document.

- 1 This Stipulation is entered into by each Party on the date entered below such Party's
- 2 signature

NW NATURAL

By:  _____
Date: 8/10/17 _____

STAFF

By: _____
Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____
Date: _____

NORTHWEST INDUSTRIAL GAS USERS

By: _____
Date: _____

- 1 This Stipulation is entered into by each Party on the date entered below such Party's
- 2 signature

NW NATURAL

By: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

By: _____

Date: _____

STAFF

By: Kaylee Klein

Date: 8/10/17

NORTHWEST INDUSTRIAL GAS USERS

By: _____

Date: _____

This Stipulation is entered into by each Party on the date entered below such Party's signature

NW NATURAL

STAFF

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

NORTHWEST INDUSTRIAL GAS USERS

By: 

By: _____

Date: 8/10/17

Date: _____

- 1 This Stipulation is entered into by each Party on the date entered below such Party's
- 2 signature

NW NATURAL

STAFF

By: _____

By: _____

Date: _____

Date: _____

OREGON CITIZENS' UTILITY BOARD

NORTHWEST INDUSTRIAL GAS USERS

By: _____

By:  _____

Date: _____

Date: 8/10/17 _____

Docket No. UM 1804
NW Natural's Application for Corporate Reorganization to Create a Holding Company
HoldCo and NW Natural List of Ring-Fencing Conditions

DEFINITIONS

Affiliate shall mean any entity that has an affiliated interest with NWN-U, HoldCo, or a subsidiary of either NWN-U or HoldCo pursuant to ORS 757.015 and 757.495.

Beneficial Ownership shall have the meaning provided in the Commission's administrative rules.¹

Capital Structure shall mean proportions of Common Equity and Long-Term (LT) Debt (with maturities exceeding 1 year) adding up to 100 percent for a named (or place-holder) corporation, wherein Common Equity does not include "Goodwill" and equity associated with non-regulated assets. In Oregon, LT Debt does not include imputed debt or debt-like lease obligations.

Commission means the Public Utility Commission of Oregon.

Credit Ratings shall mean ratings provided by Standard and Poor's (S&P) or Moody's Corporate (Moody's), as described in the conditions herein.

Golden Share shall mean the sole (\$1 Par) share of Preferred Stock of NWN-U authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third-party.² In matters of voluntary bankruptcy, this share will override all other outstanding shares of all types or classes of stock.

NWN-U shall refer to NW Natural, the regulated natural gas utility company.

Rating Agencies shall mean S&P's or Moody's.

¹ See OAR 860-027-0175 Energy Utility Reporting Requirements Relating to Major Shareholders.

² The third-party must have no financial stake, affiliation, relationship, interest, or tie to HoldCo, NWN-U, any affiliates of HoldCo or NWN-U, or any lender to HoldCo or NWN-U or any affiliates of HoldCo or NWN-U. This is not meant to preclude the third-party from holding an index fund or mutual fund with negligible interests in HoldCo or NWN-U. If NWN-U finds that a qualified third-party has reservations about declaring its conformance to this provision, NWN-U will share those reservations with Staff and will only proceed if Staff, CUB, and NWIGU raise no objection.

CONDITIONS/COMMITMENTS

GENERAL

1. NWN-U and HoldCo agree that these conditions, except for condition 44, may be modified as a result of regulatory decisions or settlements in other states regarding NWN-U's proposed corporate restructuring. For example, the Commission may add any condition imposed by the Washington Utilities and Transportation Commission (WUTC) or the California Public Utilities Commission (CUPC) to the extent it relates to NWN-U. In the event that the Commission adopts conditions from other jurisdictions, the Commission will re-open and re-issue the order approving this Stipulation to add those conditions accepted or ordered in another state jurisdiction.
2. NWN-U and HoldCo will enter into an agreement that incorporates the ring-fencing provisions set forth herein. This agreement will be binding on NWN-U and HoldCo. This agreement will be filed with the Commission within 90 days of the transaction's closing. NWN-U and HoldCo commit that they will comply with Commission-approved ring-fencing conditions and will make no amendments, revisions, or modifications to this agreement or any ring-fencing provisions without prior Commission approval.
3. Nothing in these Reorganization conditions will be interpreted as a waiver of NWN-U's or HoldCo's rights to request confidential treatment for information that is the subject of any of these conditions.

FINANCIAL PROTECTIONS

Credit and Capital Structure

4. HoldCo and NWN-U will maintain separate corporate credit ratings (if any), Long-Term (LT) Debt ratings (if any), and preferred stock ratings (if any), and make these credit ratings available to the Commission and Staff upon request. NWN-U will also maintain adequate: (a) interest coverage and (b) pool of qualified NWN-U assets to maintain the ability to issue First Mortgage Bonds (FMB).

NWN-U agrees to provide notice and, if requested, consult with Commission Staff in the event that S&P or Moody's downgrades NWN-U's secured credit rating for any reason.

If NWN-U's LT secured debt rating drops to BBB+ for S&P or Baa1 for Moody's, NWN-U will file a plan with the Commission detailing a range of options to maintain

or restore NWN-U's LT secured credit rating, or to explain actions consistent with NWN-U's customers' best interest. Upon Commission request, NWN-U will present this plan to the Commission, with appropriate provisions in place to protect confidential information.

5. NWN-U Common Equity must be maintained at a level no less than 44 percent of total NWN-U Capital Structure determined on a preceding or projected thirteen month average. Should NWN-U's equity component of its capital structure fall below 44 percent in violation of this condition, NWN-U shall:
 1. Within 5 business days: (A) notify the Commission; and (B) provide an explanation for why NWN-U Common Equity fell below 44 percent, for example, how the drop was caused by forces or events beyond HoldCo and/or NWN-U's control.
 2. Within 30 days of providing notice, NWN-U shall provide a plan and timeline ("Compliance Plan") for restoring NWN-U's Common Equity to 44 percent or above that is subject to Commission review, modification, rejection, or approval.
 3. Subsequent to the filing of the Compliance Plan, NWN-U shall file progress reports every 90 calendar days detailing its efforts to restore its equity component to 44 percent or above, as described above, in addition to detailing how NWN-U has met each requirement in the Compliance Plan.
 4. NWN-U agrees to make its officers available to appear before the Commission regarding the violation and/or the Compliance Plan.

If HoldCo and NWN-U find it reasonably likely that NWN-U common equity could fall below 44 percent in the preceding or projected thirteen month average, NWN-U shall provide a report to Staff with its projections indicating that common equity could fall below 44 percent, and take the steps listed above.

If NWN-U's common equity component of its capital structure is at or below 46 percent, on a preceding or projected thirteen month average, and the above steps have not been triggered, NWN-U will provide quarterly projections of the common equity component of its capital structure to Staff, along with supporting workpapers.

6. HoldCo and NWN-U guarantee that Customers of NWN-U will be held harmless from any adverse rate impacts caused by NWN-U's Rate of Return, Common Equity, and LT Debt becoming more costly after the restructuring than they would be had NWN-U not reorganized. For seven years following the reorganization,

NWN-U bears the burden of showing that any increase in NWN-U's Cost of LT Debt or cost of Common Equity (to the extent Common Equity affects customers), for which rate recovery is sought did not result from factors associated with either the reorganization or any subsequent HoldCo M&As.

7. HoldCo and NWN-U guarantee that NWN-U customers shall be held harmless if the reorganization or any subsequent HoldCo M&As cause a higher revenue requirement for NWN-U than if the reorganization had not occurred.
8. HoldCo and NWN-U commit that neither NWN-U nor NWN-U's subsidiaries will, without the approval of the Commission:
 - A. Make loans or transfer funds (other than dividends and payments pursuant to the MSA) to HoldCo or Affiliates other than NWN-U's subsidiaries;³
 - B. Assume any obligation or liability as guarantor, endorser, surety, or otherwise for HoldCo or Affiliates other than NWN-U's subsidiaries;
 - C. Transfer any of its utility assets or property to HoldCo or Affiliates other than NWN-U's subsidiaries;
 - D. Seek to pledge utility assets or securities backing for any hedging, indebtedness, or securities of HoldCo or Affiliates other than NWN-U's subsidiaries;
 - E. Enter into cross-default provisions involving HoldCo or Affiliates other than NWN-U subsidiaries; and
 - F. Participate in a money pool with HoldCo or Affiliates other than NWN-U subsidiaries.

Dividends

9. No dividends or like payments or distribution (special, one-time, or otherwise) may be drawn from NWN-U, without Commission approval, if any of the following conditions are present:
 - A. NWN-U Common Equity would fall below 44 percent of NWN-U Capital Structure determined on a preceding or projected thirteen month average; or
 - B. NWN-U's LT secured credit ratings drops below BBB- for S&P and Baa3 for Moody's.

Notwithstanding the above, if NWN-U's LT secured credit ratings are below A- for S&P and A3 for Moody's, then NWN-U may only issue dividends (special, one-

³ As used in Condition 8, "NWN-U's subsidiaries" means only NWN Energy and Gas Reserves.

time, or otherwise) so long as NWN-U's Common Equity is 45% or above (determined on a preceding or projected thirteen-month average). Further, if NWN-U's LT secured credit ratings are below BBB for S&P and Baa2 for Moody's, then NWN-U may only issue dividends (special, one-time, or otherwise) so long as NWN-U's Common Equity is 46% or above (determined on a preceding or projected thirteen-month average).

Table 1 below depicts the conditions under which NWN-U may make dividend distributions under the above-described conditions.

Table 1

	S&P	Moody's	Equity Ratio
Investment Grade	AAA	Aaa	44% or above
	AA+	Aa1	
	AA	Aa2	
	AA-	Aa3	
	A+	A1	
	A	A2	
	A-	A3	
	BBB+	Baa1	45% or above
	BBB	Baa2	
	BBB-	Baa3	46% or above
Non-Investment Grade	BB+ (or below)	Ba1 (or below)	No Dividend

10. NWN-U must notify the Commission no less than 7 calendar days before dividending or otherwise transferring 5 percent or more of its retained earnings. Additionally, NWN-U will notify the Commission of:
 - A. Its intention to transfer more than ten (10) percent of its retained earnings out of NWN-U over a six-month period;

- B. Its intention to declare a special cash dividend (defined as a one-time dividend that is paid in addition to NWN-U's established or expected quarterly dividend), at least 30 days before declaring the dividend.

Bankruptcy Protection

- 11. Commission approval of NWN-U's proposed restructuring is conditioned on the following: within 60 days of the Commission's order on NWN-U's application to restructure, NWN-U will provide a non-consolidation opinion to the Commission which concludes that the ring-fencing provisions (final conditions adopted by the Commission) are sufficient such that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of NWN-U (including direct subsidiaries) with those of HoldCo, its affiliates or subsidiaries (excluding NWN-U's direct subsidiaries).⁴ If the conditions listed herein are insufficient to obtain a non-consolidation opinion, NWN-U will undertake the following actions:
 - A. Promptly notify the Commission of its inability to obtain a non-consolidation opinion;
 - B. Propose and implement, upon consultation with the parties to this Stipulation and subject to Commission approval, such actions or additional ring-fencing provisions that are sufficient to obtain such a non-consolidation opinion; and
 - C. Obtain such a non-consolidation opinion and provide it to the Commission.

If after these actions, NWN-U is unable to obtain the non-consolidation opinion, NWN-U will notify the Commission and the Commission will indicate that NWN-U's application has been denied given that Commission approval of the Holding Company is contingent upon NWN-U obtaining and providing the non-consolidation opinion to the Commission.

- 12. A voluntary petition for bankruptcy by NWN-U would require:
 - A. The unanimous vote of the NWN-U Board of Directors (BOD), inclusive of the vote of a least one independent director; and
 - B. The vote of the holder of a "Golden Share," which is defined at p. 1 as the sole (\$1 Par) share of Preferred Stock of NWN-U authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third party as defined at p. 1. In matters of bankruptcy, this share will override all other outstanding shares of all types or classes of stock.

⁴ The parties understand that the non-consolidation opinion will not opine that Gas Reserves and NWN Energy will not be substantively consolidated with NWN-U in the event of a bankruptcy, as those entities hold assets utilized by the utility in delivery of its services.

The Golden Share is established for the sole purpose of having the right to vote on whether NWN-U files a petition for voluntary bankruptcy.

13. NWN-U and NWN-U's two subsidiaries (NW Energy Corp. and NWN Gas Reserves), will not hold HoldCo investments, with the exception of NWN-U sponsored employee benefit plans or employee compensation plans, without prior Commission approval.

ACCOUNTING & COST ALLOCATION

Accounting Generally

14. NWN-U will maintain its books and records (inclusive of audit trails with supporting records) separate from HoldCo's books and records, with such accounting information and financial books and records kept at NWN-U headquarters in Oregon. NWN-U's financial books and records and state and federal regulatory filings and documents will continue to be available to the Commission, upon request, at NWN-U's headquarters in Oregon.
15. NWN-U assets, cash flows, and financial accounts may not be co-mingled with existing affiliates, or with any new affiliates or operations resulting after the creation of HoldCo.
16. So long as required by the U.S. Securities and Exchange Commission (SEC), NWN-U will maintain separate financial statements that will be filed with the SEC. In the event separate financial statements are no longer required to be filed with the SEC, NWN-U will file separate financial statements with the Commission.

HoldCo Formation Costs

17. Organizational, start-up, or other costs associated with the creation of HoldCo will be separately tracked and will not be allocated to NWN-U customers. Post creation of HoldCo, any remaining formation costs or other HoldCo-related costs will not appear on NWN-U's books, or the books of NWN-U's subsidiaries. NWN-U shall furnish the Commission with journal entries and supporting detail showing the nature and cost of all organizational, start-up, and other costs for HoldCo (including but not limited to management time, BOD time, in-house and outside counsel time, any consultants engaged, etc.) since the reorganization was first contemplated, as well as the accounts charged, within 120 days of a Commission order in this docket.

18. NWN-U will exclude from NWN-U general rate cases, or any other method of cost recovery, all costs related to reorganization and all of HoldCo's costs related to future business endeavors and M&As including but not limited to: all legal work from in-house counsel and outside counsel; NWN-U BOD time; costs related to M&A consulting and advice; preparation of and materials for HoldCo-related presentations; and other reorganization and expansion costs.
19. Taxes and assessments paid to the federal government, to states, and to political subdivisions thereof shall be no greater than they would be had the Company not restructured. Tax benefits that would not exist had the Company not restructured may be addressed in proceedings before the Commission; however, until that time, NWN-U shall set up a mechanism to monitor, for informational purposes,⁵ income tax expense and potential benefits for NWN-U.

Allocations between NWN-U and HoldCo

20. The Commission may audit the accounting records of HoldCo and Affiliates that are the bases for charges to NWN-U, to determine the reasonableness of the costs and the allocation factors used by the HoldCo or its subdivisions to assign costs to NWN-U and amounts subject to allocation or direct charges. HoldCo and Affiliates will cooperate fully with such Commission audits.
21. HoldCo and NWN-U will maintain robust systems to track employee, officer, director, agent, and attorney time (inclusive of loading percentages), identifying to within an hour, time not spent for NWN-U utility purposes that shall not be allocated to NWN-U, subject to the cost-allocation principles set forth in Condition 26.
22. NWN-U bears the burden of showing that a particular expense from HoldCo or an affiliate of HoldCo may be allocated to NWN-U ratepayers.

Prevention of Cross-Subsidization

23. HoldCo and NWN-U will comply with all applicable Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports.

⁵ This provision does not prevent any parties from arguing that these tracked benefits should be passed on to customers at a later date.

24. NWN-U will file on an annual basis an affiliated interest report including an organizational chart, narrative description of each Affiliate, revenue for each Affiliate, and transactions with each Affiliate.
25. NWN-U will not cross-subsidize between NWN-U and any other businesses (with the exception of NWN-U and its direct subsidiaries⁶ as approved by the Commission), and shall comply with the Commission's applicable orders and rules with respect to such matters.
26. Subject to any cost allocation methodology subsequently approved by the Commission, any allocation of costs, corporate and Affiliate investments, expenses, or overheads between NWN-U and HoldCo or an affiliate will comply with the following principles:
 - A. Cost allocations to NWN-U will be directly charged whenever possible, and shared or indirect costs will be allocated based upon primary, demonstrable, and transparent cost-driving factors.
 - B. HoldCo and all subsidiaries and affiliates will maintain accounting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to or from NWN-U. See Condition 21 above for further detail.
 - C. All costs subject to allocation will be auditable and their origin among the companies must be demonstrable, so as to be specifically identified, tracked, and trended. Failure to adequately support any allocated cost may result in denial of its recovery in rates.
 - D. Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval.
 - E. The Company's Master Services Agreement (MSA), itemizing and explaining corporate cost allocation methods used for rate setting, will be updated to include the corporate and affiliate cost allocation methodologies between HoldCo, NWN-U, and Affiliates and filed with the Commission no later than 90 days after execution of the reorganization. Thereafter, the MSA will be appended to the annual June affiliated interest report filed with the Commission. This annual filing will capture, highlight and explain all changes from the prior year. The entirety of the MSA and its components are subject to review by Staff in subsequent proceedings before the Commission to confirm that cost drivers, accounting methods, assumptions, and practices result in

⁶ Meaning NWN Energy and Gas Reserves.

fair, just and reasonable utility rates. The Company will update, and re-file for approval, the MSA and AI Reporting reflecting HoldCo organizational detail and the outcome of docket no. UM 1804.⁷

- F. Costs which would have been denied recovery in rates had they been incurred by NWN-U will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries of HoldCo.
 - G. HoldCo and NWN-U commit to using asymmetrical pricing as required by OAR 860-027-0048(4).
 - H. NWN-U will file timely applications and reports in compliance with ORS 757.015 through 757.495 and OAR 860-027-0040 through 860-027-0042.
27. HoldCo and NWN-U commit that they will interpret ORS 757.015 and 757.495 to require Commission approval of any contract between NWN-U and any affiliate of HoldCo. This shall include the MSA discussed in Condition 26.

ACCESS TO RECORDS & INFORMATION

28. HoldCo, NWN-U and all Affiliates shall provide the Commission access to:
- A. All books of account, budgets, integrated resource planning, documents, data, records, accounting, and financial information which pertain to transactions between NWN-U on the one hand, and HoldCo or HoldCo's affiliates on the other, which are reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.
 - B. Unrestricted access to the written information inclusive of accounting and financial metrics that HoldCo provides to the Rating Agencies and that is reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.
 - C. HoldCo and NWN-U Board of Director (BOD) meeting minutes and presentations for BOD meetings, committees and subcommittees thereof, as well as investor presentations and transcripts that are reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.

⁷ On June 1, 2017, NWN-U filed its Updated Master Service Agreement (MSA) with the Commission, docketed UI 385. Condition 26 requires that the MSA be updated and refiled with the Commission for approval subsequent to a Commission order in this docket.

29. HoldCo and NWN-U shall provide the Commission with complete and unrestricted access to all information provided by and to common stock, bond, or bond rating analysts, which directly or indirectly pertains to NWN-U. Such information includes, but is not limited to, opinions, reports and presentations made to or provided by common stock analysts and bond rating analysts.
30. HoldCo, NWN-U, and Affiliates will make their employees, officers, directors and agents available to testify before the Commission at the Commission's request to provide information the Commission considers relevant to matters within its jurisdiction.
31. Pursuant to OAR 860-027-0175(2), NWN-U agrees to report all Beneficial Ownership as of the last calendar day of each year to the Commission to be received by March 31 of each year.
32. For the first five calendar years after reorganization, as part of its affiliated interest filings, HoldCo and NWN-U will report on how the company complied with each of the conditions listed herein no later than June 15 of each year. This report will require an officer attestation of compliance with the conditions. If any of the conditions are not being met, the report shall include proposed corrective measures relative to the specific condition, subject to Commission revision and appropriate remedy as determined by the Commission. Annual affiliated interest reports will enduringly contain a complete Parental-view corporate organizational chart and a second listing of contact telephone number, email, and titles for HoldCo, and NWN-U corporate officers.
33. Annual affiliated interest reports must itemize all HoldCo M&A and divestiture activity. HoldCo or NWN-U will also notify the Commission within 30-days whenever HoldCo completes a merger, acquisition, or divestiture with capitalization in excess of \$1 million.
34. For the first five calendar years after the reorganization, HoldCo will provide a final copy of its annual budget(s) to the Commission for the succeeding year on or before December 31 of each year.
35. HoldCo and NWN-U agree that in the event that a dispute arises concerning access to records and information in conditions 28-33, an administrative law judge (ALJ) at the Commission shall determine what records and information are discoverable. By agreeing to this condition, NWN-U does not waive its right to refer a ruling by the ALJ to the Commission or to appeal a decision by the Commission.

REORGANIZATION CONTINUITY

Service Quality

36. HoldCo and NWN-U agree that NWN-U will maintain safety standards and policies substantially comparable to or better than the NWN-U currently maintained standards and policies. Neither HoldCo formation nor future acquisitions may diminish delivery of safe and reliable utility service in Oregon. NWN-U will continue to fully comply with CFR Title 49 Parts 190 to 199.

Miscellaneous

37. NWN-U commits that its corporate headquarters will remain in Oregon. HoldCo will not move its headquarters out of Oregon without prior Commission approval.
38. NWN-U shall maintain its current pension funding approach, until informed by a Commission Order regarding revised best practices. Thereafter, NWN-U will look to Commission orders for further guidance.
39. For each calendar year 2018 through 2022 inclusive, HoldCo and NWN-U commit to sustaining NWN-U's current funding levels regarding charitable contribution which is one percent of NWN-U's average pre-tax income for the three years immediately preceding the budget year, including contributions to NWN-U's bill payment assistance program, subject to a \$100,000 limit increase or decrease from the prior year's contributions budget.
40. HoldCo and NWN-U will honor its existing collective bargaining agreement through its current duration. For that same period, employee's compensation and benefits packages will be at least as favorable in the aggregate as the existing benefit package.
41. NWN-U will not oppose maintaining current or greater support levels for energy efficiency and renewable natural gas for two years after the Commission issues a final order in this docket.
42. Within 90 days of the applicable Board of Directors meeting, NWN-U shall file with the Commission a complete copy of the minutes of the Board of Directors' meeting at which the formation of HoldCo was approved.
43. If the Commission, Staff, or any party believes that NWN-U or HoldCo have violated any of the conditions listed herein, or any conditions included in the Commission's final order approving the application, the Commission shall give

HoldCo and NWN-U written notice of the alleged violation. If HoldCo or NWN-U is found to have committed a violation after Commission investigation (or a hearing if requested), the Commission will issue an order stating the remedy it shall seek.

**COST SAVINGS
(FROM HOLDCO AND FUTURE M&A)**

Credits to Customers

44. For a period of three years following the formation of HoldCo, NWN-U will provide an annual credit to Oregon customers in the amount of \$500,000 on an equal percent margin basis concurrent with NWN-U's PGA.
45. Cost savings, inclusive of loadings, allocable to NWN-U that are achieved as a result of HoldCo's future Mergers and Acquisitions (M&A), if greater than \$50,000, will be deferred and later credited to Oregon customers until NWN-U's second general rate case following the Commission's order in this docket. Savings will be deferred and credited to the extent that the saved costs, inclusive of loadings, are otherwise already included in NWN-U's customers' rates, and from the time when the savings were realized. This condition does not preclude any party from seeking deferral of any cost savings resulting from any merger or acquisition involving HoldCo that results in over \$100,000 of annual cost savings.

Future Mergers & Acquisitions

46. Approval of HoldCo formation does not relieve holders of NWN-U stock, or contractual rights to own such stock (such as stock options or convertible preferred stock), from requirements of ORS 757.511.
47. HoldCo or NWN-U will notify the Commission in writing subsequent to HoldCo's board approval and as soon as practicable following any public announcement of: (1) any acquisition of any business that represents five percent or more of HoldCo's capitalization, or (2) change in effective control or acquisition of any material part of HoldCo or NWN-U, as required by ORS 757.511.
48. HoldCo and NWN-U will refrain from seeking recovery through NWN-U rates any acquisition premiums, goodwill, transaction costs, or incremental executive bonuses associated with the reorganization or any subsequent M&As by HoldCo or any affiliates other than NWN-U.
49. Within 90 days after HoldCo acquires or creates a new subsidiary entity, HoldCo shall file with the Commission a statement that provides the name of the

subsidiary, the total value of its assets, the nature of the subsidiary's business and whether it will do business with NWN-U.

50. Any diversified holdings and investments (i.e., non-utility businesses or foreign utilities) of HoldCo following approval of the transaction will not be held by NWN-U or a subsidiary of NWN-U, with the exception of NWN-U sponsored employee benefit plans or employee compensation plans. This condition will not prohibit HoldCo or its affiliates other than NWN-U from holding diversified businesses. This provision will also not prohibit NWN-U from continuing to hold the assets it holds within NWN-U immediately prior to the reorganization, including but not limited to the appliance center and interstate storage business.