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VIA ELECTRONIC FILING

June 1, 2017

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

**Re: Application for Transactions Between Affiliated Interests
Master Services Agreement**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), files herewith an Application for Transactions Between Affiliated Interests regarding an Affiliated Master Services Agreement (MSA) between NW Natural and its affiliates. For the purpose of this application, “affiliates” means persons or corporations having an affiliated interest with NW Natural under ORS 757.495.

The attached MSA supersedes the previously filed MSA between NW Natural and its affiliates. The purpose for filing the MSA is to update NW Natural’s current list of affiliates, which are found in Addendum 1 to the MSA. NW Natural has not made any other substantive changes to the MSA. As in previous MSA applications, NW Natural’s services are priced at the higher of cost or market (unless specified otherwise) while affiliate services are priced at the lower of cost or market (unless specified otherwise).

All transactions between NW Natural and its affiliates are subject to audit by Commission and a summary of transactions are filed annually in NW Natural’s affiliated interest report as required by OAR 860-027-0100.

If you have any questions or require further information, please contact me at (503) 220-2379 or zdk@nwnatural.com.

Very truly yours,

/s/ Zachary D. Kravitz

Zachary D. Kravitz
Associate Counsel

enclosures

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 **UI _____**

4
5 In the Matter of

6 NORTHWEST NATURAL GAS COMPANY,

APPLICATION

7 dba NW Natural,

8 For an Affiliated Interest Transaction

9 Under OAR 860-027-0040, OAR 860-027-0041, ORS 757.015 and ORS
10 757.495, NW Natural Gas Company, dba NW Natural (“NW Natural” or “Company”)
11 hereby files an Application for the Oregon Public Utility Commission’s (the
12 “Commission”) approval of transactions between NW Natural and its affiliates.

13 Specifically, this request seeks approval of an updated Master Services Agreement
14 (“MSA”). The Commission last approved the Company’s MSA in Order No. 09-051.

15 The changes to the MSA reflect an update to NW Natural’s list of affiliates but contain
16 no other substantive changes to the agreement. The Attachment 1 to this filing is a
17 Master Services Agreement (“MSA”), which covers the provision of services by NW
18 Natural to its affiliates and those that the affiliates provide to NW Natural. The updated
19 list of all affiliates for which this filing applies is provided in Addendum 1 to the attached
20 MSA. Addendum 2 of the MSA contains a list of services to be provided to and/or by
21 NW Natural. Addendum 3 to the MSA is a Sample Services Request Form, by which
22 each affiliate agrees to adopt the terms and conditions of the MSA.

1 **A. Services NW Natural will Provide Affiliates**

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NW Natural provides its affiliates with the following types of support services as described more fully and incorporated in the attached MSA and more specifically in Addendum 2 thereto: internal auditing services, legal services, corporate planning and business analysis, accounting, finance, budgeting & treasury services, tax and risk management services, land and environmental services, corporate communications and external affairs, human resources and employee benefits services, information technology services, facilities management and office services, and purchasing and marketing services.

11 **B. The information required by OAR 860-027-0040 in connection with**

12 **Applications for approval of transactions between affiliated interests:**

13 (a) *The applicant's exact name and the address of its principal business office.*

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Northwest Natural Gas Company, 220 NW Second Avenue, Portland, Oregon 97209.

17 (b) *The name and address of the person authorized, on the utility's behalf, to*

18 *receive notices, inquiries, and communications regarding the information.*

19	Zachary Kravitz	Rates & Regulatory Affairs
20	NW Natural	NW Natural
21	220 NW Second Avenue	220 NW Second Avenue
22	Portland, OR 97209	Portland, OR 97209
23	Email: zdk@nwnatural.com	Email: eFiling@nwnatural.com

25 (c) *A statement describing the relationship between the utility and the*
26 *contracting entity as defined by ORS 757.015, ORS 757.490, ORS 759.010, or ORS*
27 *759.385.*

1 The entities not regulated by the Commission with which NW Natural has an
2 affiliated interest as defined by ORS 757.015(6) are set forth on Addendum 1 to the
3 MSA. We note that the Appliance Center, which is also listed on such Addendum 1 is a
4 non-regulated division of NW Natural, and not a separate legal entity.

5 (d) *The amount, kind, and ratio to total voting securities held, if applicable.*

6
7 NW Natural owns 100% of the stock of NNG Financial Corporation, Northwest
8 Energy Corporation, 100% of the membership interest in NW Natural Energy, LLC, and
9 50% of the membership interest in Northwest Biogas, LLC. NNG Financial Corporation
10 owns 100% of the stock of KB Pipeline Company. Northwest Energy Corporation owns
11 100% of the stock of Northwest Energy Sub Corporation. Northwest Energy
12 Corporation owns 100% of the membership interest in NWN Gas Reserves, LLC. NW
13 Natural Energy, LLC owns 100% of the membership interest of NW Natural Gas
14 Storage, LLC. NW Natural Gas Storage, LLC owns 100% of the membership interest in
15 Gill Ranch Storage, LLC. NW Natural Energy, LLC owns a 50% membership interest in
16 Trail West Holdings, LLC. Trail West Holdings, LLC owns 100% of Trail West Pipeline,
17 LLC. As stated in Section (c) above, the Appliance Center is a non-regulated division of
18 NW Natural.

19 (e) *A list of all officers and directors of the affiliated interest who are also officers
20 or directors of the applicant:*

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(1) For NNG Financial Corporation

NAME	NW NATURAL TITLE	NNG FINANCIAL TITLE
David H. Anderson	Director, President and CEO	Chair, President and CEO
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(2) For KB Pipeline Company

NAME	NW NATURAL TITLE	KB PIPELINE COMPANY
David H. Anderson	Director, President and CEO	Chair
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Grant M. Yoshihara	Senior Vice President, Utility Operations	President
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(3) For Northwest Energy Corporation

NAME	NW NATURAL TITLE	NORTHWEST ENERGY CORPORATION
David H. Anderson	Director, President and CEO	Chair, President and CEO
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(4) For Northwest Energy Sub Corporation

NAME	NW NATURAL TITLE	NORTHWEST ENERGY SUB CORPORATION
David H. Anderson	Director, President and CEO	Chair, President and CEO
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(5) For NWN Gas Reserves, LLC

NAME	NW NATURAL TITLE	NWN GAS RESERVES, LLC
David H. Anderson	Director, President and CEO	Chair, President and CEO
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Grant M. Yoshihara	Senior Vice President, Utility Operations	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(6) Trail West Holdings, LLC

Management is by Management Committee consisting of: Russell Mahan, TransCanada and Justin Palfreyman, Vice President, Business Development and Strategy.

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(7) Trail West Pipeline, LLC

Management is by Management Committee of Trail West Holdings, LLC.

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(8) BL Credit Holdings, LLC

BL Credit Holdings, LLC is member-managed. No officers of NWN are officers of the limited liability company.

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1 (9) NW Natural Energy, LLC

2 NW Natural Energy, LLC is manager-managed. The Manager is a Board of

3 Directors.

NAME	NW NATURAL TITLE	NW NATURAL ENERGY, LLC
David H. Anderson	Director, President and CEO	Director, President and CEO
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Lea Anne Doolittle	Sr. Vice President and Chief Administrative Officer	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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5 (10) NW Natural Gas Storage, LLC

6 NW Natural Gas Storage, LLC is manager-managed. The Manager is a Board of

7 Directors.

NAME	NW NATURAL TITLE	NW NATURAL GAS STORAGE, LLC
David H. Anderson	Director, President and CEO	Director
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Lea Anne Doolittle	Sr. Vice President and Chief Administrative Officer	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller

Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary
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(11) Gill Ranch Storage, LLC

NW Natural Gas Storage, LLC is manager-managed. The Manager is a Board of Directors.

NAME	NW NATURAL TITLE	GILL RANCH STORAGE, LLC
David H. Anderson	Director, President and CEO	Director
MardiLyn Saathoff	Sr. Vice President, General Counsel and Regulation	Director
Frank Burkhartsmeier	Sr. Vice President and CFO	Director
Lea Anne Doolittle	Sr. Vice President and Chief Administrative Officer	Director
Brody J. Wilson	Vice President, Controller, Treasurer, and Chief Accounting Officer	Treasurer and Controller
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	Corporate Secretary

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(12) Northwest Biogas, LLC

Northwest Biogas, LLC is member-managed. The Managing Member is Northwest Natural Gas Company.

(f) *The pecuniary interest, directly or indirectly, of any officer or director who is a party to the contract.*

No NW Natural officer or director has or will have a pecuniary interest in any contract or agreement between NW Natural and any of these affiliates.

1 (g) *A description of the goods or services to be provided, the cost incurred in*
2 *providing each of the goods or services, the market value of the goods of services if*
3 *different from the costs, and the method or methods proposed for pricing those goods or*
4 *services.*

5 (1) Services to Affiliates:

6
7 NW Natural will provide office support, business analysis, finance and treasury
8 support, human resources, accounting services, legal services, purchasing, and other
9 services as listed in the attached MSA.

10 (2) Billing by NW Natural:

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12 NW Natural will bill affiliates for all services provided to them at the applicable
13 rate provided in the MSA.

14 Billing by Affiliates:

15 Affiliates will bill NW Natural at the applicable rate provided in the MSA, or the
16 rate specified under the appropriate Addendum to the MSA.

17 (3) Pricing by NW Natural:

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19 NW Natural support services provided to affiliates will be at the higher of cost or
20 market, unless otherwise specified by the parties and approved by the Commission.

21 Pricing by Affiliates:

22
23 All billings by an affiliate to NW Natural will be at the lower of cost or market,
24 unless otherwise specified by the parties and approved by the OPUC.

25 (h) *An estimate of the amount the utility will pay annually for the goods or*
26 *services and the accounts in which it will record the charges.*

27 Not applicable.

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2 (i) *The reasons, in detail, relied upon by the utility for procuring the proposed*
3 *goods or services from the affiliate and benefits, if any, utility customers and the general*
4 *public will derive from the provision of goods or services.*

5 Not applicable.

6 (j) *A description of the procurement process and the reasons, in pertinent detail*
7 *appropriate to the complexity of the procurement, relied upon by the utility for procuring*
8 *the proposed goods or services without a competitive procurement process, if such a*
9 *process is not used.*

10 Not applicable.

11
12 (k) *Transfer prices in contracts or agreements for the procurement of goods or*
13 *services under competitive procurement shall be presumed to be the market value,*
14 *subject to evaluation of the procurement process.*

15 Not applicable.

16
17 (l) *A copy of the proposed contract or agreement between the utility and the*
18 *contracting entity.*

19 The Master Service Agreement is provided as Attachment 1.

20
21 (m) *Copies of all resolutions of directors authorizing the proposed transactions*
22 *and, if stockholders' approval has been obtained, copies of the resolutions approved by*
23 *the stockholders.*

24 No resolution by the board of directors is necessary; nor does stockholder
25 approval need to be obtained.

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1 **C. The information required by OAR 860-027-0041 in connection with**
2 **Applications for approval of utility goods and services provided to affiliated**
3 **interests:**

4 (a) *Its exact name and the address of its principal business office.*

5

6 See B. (a) above.

7

8 (b) *The name of the person authorized on the energy or large*

9 *telecommunications utility's behalf to receive notices, inquiries, and communications*

10 *regarding the information.*

11 See B. (b) above.

12

13 (c) *A statement describing the relationship between the energy or large*

14 *telecommunications utility and the other contracting entity as defined by ORS 757.015,*

15 *ORS 757.490, ORS 759.010, or ORS 759.385.*

16 See B. (c) above.

17

18 (d) *The pecuniary interest, directly or indirectly, of any officer or director who is a*

19 *party to the contract.*

20 See B. (f) above.

21

22 (e) *A description of the goods or services to be provided, the costs incurred in*

23 *providing those goods or services, the market value of the goods or services if different*

24 *from the costs, and the method or methods proposed for pricing those goods or*

25 *services.*

26 See B. (g) above.

27

1 (f) *An estimate of the amount the energy or large telecommunications utility will*
2 *receive annually for the goods or services and the accounts in which it will record the*
3 *payments.*

4 NW Natural received \$913,617 for goods and services (Oregon allocated) in
5 2016 and expects that amount to be similar in 2017. Revenues will be recorded to the
6 appropriate FERC Accounts as dictated by the Code of Federal Regulations.

7 (g) *The reasons relied upon by the energy or large telecommunications utility for*
8 *providing the proposed goods or services and the benefits, if any, utility customers will*
9 *derive from the provision of goods or services:*

10 NW Natural customers will benefit from these services because all services will
11 be provided at the higher of cost or market.

12 (h) *A copy of the contract or agreement between the energy or large*
13 *telecommunications utility and the contracting entity that is the subject of this filing:*

14 See B. (l) above.

15
16 (i) *Copies of all resolutions of directors authorizing the proposed transactions*
17 *and, if stockholders' approval has been obtained, copies of the resolutions approved by*
18 *the stockholders.*

19 See B. (m) above.

20
21 WHEREFORE, NW Natural respectfully submits this application for an order
22 authorizing the affiliated interest transaction set forth above.

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1 Dated this 1st day of June, 2017.

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3 Respectfully Submitted,

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5 NW NATURAL

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7 /s/ Zachary D. Kravitz

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9 Zachary D. Kravitz

10 Associate Counsel

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MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT (the “Agreement”), effective June 1, 2017, including Exhibit A and related addenda, is between NORTHWEST NATURAL GAS COMPANY, dba NW Natural, and its affiliates and subsidiaries (hereinafter, “Affiliates”) as listed in attached Addendum 1, which may be amended periodically (individually referred to herein as “Party” or collectively as “Parties”). NW Natural and its Affiliates are “Affiliated Interests,” as defined under ORS 757.015 and RCW 80.16.010.

RECITALS

A. NW Natural is an Oregon corporation that is a natural gas local distribution company that serves customers through separate facilities located in western Oregon and southwestern Washington. In addition, NW Natural maintains a gas storage business, which serves other customers using underground natural gas storage and related transportation capacity that is in excess of core utility requirements. NW Natural is subject to regulation by the Oregon Public Utility Commission (“OPUC”) and Washington Utilities and Transportation Commission (“WUTC”), respectively, for its state-regulated gas distribution activities in such states, and by the OPUC and the Federal Energy Regulatory Commission (“FERC”) for its regulated intrastate and interstate gas storage activities. NW Natural’s headquarter office is located in Portland, Oregon.

B. Attached as Addendum 1 is a list of NW Natural’s Affiliated Non-OPUC/WUTC-Regulated Businesses. Except as otherwise noted on the Addendum, all of these Affiliates are legal entities separate and apart from NW Natural. Nothing in the Agreement is to be interpreted to the contrary.

C. NW Natural employs certain trained personnel capable of performing needed management, analytical, professional, and administrative services (which, together with the more detailed services specified on Addendum 2, are referred to herein as the “Services”) in furtherance of the Affiliated Interests’ operations. NW Natural and its Affiliates agree that in some cases it is more economical for NW Natural to provide its Affiliates with Services rather than for the Affiliates to obtain such Services by employing additional staff or by retaining consultants.

D. NW Natural desires to make available to NW Natural’s Affiliates such personnel and Services as the board of directors, officers or managers of those Parties shall reasonably request in the future, without detriment to NW Natural’s utility functions.

E. NW Natural’s Affiliates desire to make available to NW Natural such personnel and Services as the board of directors, officers or managers of NW Natural shall reasonably request in the future, without detriment to NW Natural’s Affiliates’ respective business functions.

THEREFORE, the Parties agree as follows:

1. **Services Provided by NW Natural**

Upon the request of the board of directors, officers, or managers of NW Natural, NW Natural shall furnish to its Affiliates the Services listed in Addendum 2 as requested, subject to applicable requirements of the cognizant utility commission(s), and given the terms and conditions as follows:

2. **Requests for Service**

All Services provided shall be mutually agreeable and based upon a written request for Services in a form substantially similar to that attached as Addendum 3 hereto (“Request for Services”), specifying the scope of Services. Changes in the Request for Services shall be agreed to in writing by the Parties.

3. **Basis of Charges**

3.1 Costs Included in State Utility Revenue Requirements. If the service cost or benefit is intended for inclusion in NW Natural's state operations revenue requirements, then:

a. All billing by NW Natural to an Affiliate shall be at the higher of cost or market, unless otherwise specified by the Parties and approved by the OPUC (and/or, as appropriate, the WUTC). Competitive bidding, although not required, may be the basis for determining market.

b. All billings by an Affiliate to NW Natural shall be at the lower of cost or market, unless otherwise specified by the Parties and approved by the OPUC (and/or, as appropriate, the WUTC), or unless provided at an approved rate on file with the OPUC (and/or, as appropriate, the WUTC) or the FERC. Competitive bidding, although not required, may be the basis for determining market.

c. All billings resulting from a "Blind Exchange Transaction" shall be at the amount of such transaction. The term "Blind Exchange Transaction" means circumstances where a Party sells a service to an independent third party that in turn sells such service to another Party unbeknownst to the original seller. Blind Exchange Transactions are not transactions in which the Party sells a service to an independent third party that the Party knows shall be resold to another Party. Blind Exchange Transactions shall not be used to circumvent the intent of this Agreement.

d. All billings for Services rendered to NW Natural by an Affiliate shall meet the following three criteria: (1) they must be necessary, just, and reasonable regulated utility expenses; (2) they must be for functions that NW Natural would perform as a stand-alone

utility; and (3) they must not duplicate, but may augment/supplement, functions already performed by NW Natural.

3.2 Costs Defined. For the purpose of this Agreement, “costs” shall include both of the following:

a. All out-of-pocket expenses of the Party providing the Services incurred in connection with the provision of Services rendered, including salaries, labor costs and benefits; amounts paid for independent technical and professional Services; amounts paid to third-party contractors; and all overhead expenses, including, but not limited to, space utilization. Labor costs shall be based on the number of hours worked by the employees multiplied by the cost rate per hour applicable to those employees. The hourly rate shall be adjusted to include all appropriate payroll loadings (for benefits, taxes, etc.). In addition, the applicable Administration & General (“A&G”) loading rate shall be applied to derive the fully loaded cost of employee time associated with Services provided. Materials, supplies, and non-labor vouchered items shall similarly be charged to the other Party on the basis of the full cost of the items supplied. Supporting documentation on the cost of non-labor items shall be available to the other Party to substantiate the charges billed. Non-labor costs shall not have an A&G loading rate applied.

b. A reasonable return on any investment in assets, equipment, or plant (“Assets”) supporting the provision of Services in the following amounts:

(i) For Services provided by NW Natural, the return on Assets employed, if any, shall be no less than the rate case authorized rate of return on its investment serving its ratepayers; and

(ii) For Services provided by an Affiliate to NW Natural, the return on Assets employed, if any, shall be no more than the rate case authorized rate of return on its investment serving its ratepayers, if applicable.

4. **Method of Charging for Services**

4.1 **Direct Assignment and Allocation Methods.** Direct assignment of costs shall be the primary method for charging for Services according to the accounting procedures in Exhibit A. Exhibit A contains rules for determining and allocating any remaining costs associated with those Services that cannot be directly assigned to a user of a Service. The allocation methods set forth in Exhibit A shall be applied to allocate those costs that cannot be directly assigned.

4.2 **Review of Affiliate Charges to NW Natural.** At least annually, NW Natural shall review the Services supplied by the Affiliates under each of the Addenda executed. The review shall include a determination that billing is consistent with the accounting and cost assignment procedures in Section 3 and Exhibit A.

5. **Invoicing**

a. As soon as practicable after the last day of each month, the provider of Services shall invoice the recipient of Services for expenses for the month concluded, computed pursuant to Sections 3 and 4 above.

b. All invoice charges shall be supported by documentation satisfactory to the recipient. Charges for Services shall be entered into the accounting records in the month following the period in which Services were rendered. However, if the invoice charges are less than \$50,000 per Party, then invoice may be delayed until either (1) total charges are more than \$50,000 per Party, or (2) quarterly, whichever comes first.

6. **Monitoring and Control**

The Inter-Company Services Coordinator (“Coordinator”) is responsible for reviewing, monitoring and maintaining Services Requests that are active. The Coordinator ensures authorization of new Services Requests and that allocation factors are proper and accurate. Additionally, the Coordinator is responsible for coordinating the monthly billing process as described in Section 5 above.

7. **Billing Disputes**

Disputes on billings for Services shall be resolved through negotiations between the authorized representative(s) of the Affiliate, the Controller of NW Natural, and the Vice President(s) of the department at NW Natural responsible for providing or receiving Services, or their respective designee(s).

8. **Books and Records**

a. All transactions made under this Agreement shall be recorded by NW Natural in accordance with the Uniform System of Accounts prescribed by the regulatory authorities having jurisdiction over NW Natural.

b. Each Party shall have the right at all reasonable times to examine the books and records of the other for the purpose of verifying the cost, or the market value determination if applicable, of the Services performed by the other Party.

9. **Limitations on Service**

a. NW Natural shall diligently and competently render all Services reasonably requested by the Affiliates to the extent NW Natural can make available its resources without detriment to its utility functions.

b. The Affiliates shall diligently and competently render all Services reasonably requested by NW Natural to the extent those entities can make available their

resources without detriment to their business functions, and to the extent that such Services to NW Natural are specified in the attached Addendum 2 to this Agreement.

c. NW Natural and its Affiliates shall coordinate and administer all Services being rendered under this Agreement in order that such Services shall be furnished as efficiently and economically as possible.

d. Except as provided in subsections 9.a. and b. above, neither NW Natural nor its Affiliates shall have priority over the other in obtaining Services under this Agreement.

10. **Limitation of Authority**

The Parties agree that no Party shall assume nor create any obligation on behalf of any other Party other than as specifically provided for in this Agreement. Each Party reserves to itself the right to make commitments for loans, financing, mortgages, and other commitments necessary and proper for its corporate purposes.

11. **Inspection and Reporting**

a. All books, records, and other data in possession of the Parties relating to the provision of Services pursuant to this Agreement shall at all times, during normal business hours, be made available to or copies provided to any regulatory agency having jurisdiction when engaged in the performance of its lawful functions, except to the extent that such information is reasonably determined by any Party to be confidential in nature in which case any such information shall be submitted to any such regulatory agency under confidential treatment in accordance with the applicable laws and regulations governing such confidential treatment request.

b. Each Party shall timely furnish to each other Party such information with regard to its operations as shall be reasonably required.

12. **Regulatory Jurisdiction**

The Parties acknowledge that NW Natural is a public utility company subject to regulation and control by various state and federal governmental regulatory agencies. The provisions of this Agreement shall be construed in aid of and not in derogation of the lawful control and regulatory power of any such agency.

13. **Damages**

In no event shall a Party be liable to another Party for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Agreement or for any failure of performance however caused, whether or not arising from the Party's sole, joint, or concurrent negligence. To the extent any payment required to be made under this Agreement is agreed by the Parties to constitute liquidated damages, the Parties acknowledge that actual damages in such circumstances are difficult or impossible to determine and that such payment of liquidated damages constitutes a reasonable approximation of such damages, and not a penalty.

14. **Governing Law**

This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Oregon.

15. **Waiver**

Any of the terms and conditions of this Agreement may be waived at any time and from time to time by the Party entitled to the benefit of such term or condition, but a waiver in one instance shall not be construed as a waiver in any other instance. A failure to enforce any provision of this Agreement shall not operate as a waiver of such provision or of any other provision. A waiver by any Party in favor of another Party shall not bind any regulatory agency with jurisdiction

over such matter if the agency determines that such waiver would violate its regulations, orders, or applicable statutes.

16. **Assignment**

This Agreement shall be binding upon the Parties and their representatives and may not be assigned.

17. **Termination**

NW Natural reserves the right at any time upon thirty (30) days notice to its Affiliates to terminate this Agreement in whole or part. NW Natural shall promptly notify the OPUC and/or WUTC, if applicable, of such termination. NW Natural, or any Affiliate, reserves the right at any time upon notice to the other to terminate any or all of NW Natural or any Affiliate's Services Request(s) under this Agreement.

18. **Integrated Agreement**

This Agreement embodies the entire agreement and understanding between the Parties and does not supersede any prior agreement between such Parties, but governs all agreements entered into after the Effective Date. This Agreement may be executed by the Parties in separate counterparts, each of which when executed and delivered shall be an original, but which together shall constitute but one and the same agreement.

19. **Adoption of Agreement by Affiliates**

At such time that a NW Natural Affiliate requests or provides Services from/to any Party to this Agreement, the Affiliate shall sign Addendum 3 which adopts this Agreement.

Date as of June 1, 2017

NORTHWEST NATURAL GAS COMPANY

By:  _____

Name: Brody J. Wilson

Title: Vice President, Controller, Treasurer & Chief
Accounting Officer

Exhibit A

Accounting and Allocation Methods

This document sets forth the methodologies used to accumulate the costs of Services performed by NW Natural and to assign or allocate such costs to Affiliates.

Cost of Services Performed

NW Natural maintains an accounting system that enables costs to be identified by cost center, account number, internal order number, and other system tracking processes. The primary cost inputs to the accounting system are a) payroll system distribution including time records of hours worked by NW Natural employees; b) purchasing and account payable transactions, and c) journal entries. To facilitate the use of time records, all employees of NW Natural working on Affiliates' activities shall keep track of time as requested by the Party, and the payroll system shall be maintained with respect to active Service Agreements. For each Affiliate to which this Exhibit A applies, NW Natural shall charge the Affiliate receiving service from it under this Agreement using the following methods:

I. To the extent practicable, costs shall be directly charged to the Affiliates. Bills or other internal accounting documentation shall be issued for the Services rendered to Affiliates or NW Natural on a monthly basis.

II. The costs of rendering service by NW Natural or its Affiliates shall include all costs of doing business, including a reasonable return on investment for capitalized assets used.

1. All expenditures incurred by NW Natural or its Affiliates shall be recorded to cost centers designated as direct or group cost centers.

(a) **Direct Cost Centers** include those costs that are incurred, for the direct benefit and convenience of NW Natural or its Affiliates, and, therefore, are direct charged and not subject to allocation.

(b) **Group Cost Centers** are those costs that are incurred for the benefit and convenience of both NW Natural and its affiliates and are subject to allocation.

2. The cost loading and allocation rules are set forth below:

(a) **Direct Charges to/from Affiliates.** Fully loaded Direct Costs shall be billed to the designated Affiliate or NW Natural.

(b) **Group Cost Center Allocation.** Group cost center charges shall be charged to NW Natural and its Affiliates through allocation factors in accordance with Section III below.

III. The following factors shall be applied to Group Cost Centers that render Services to NW Natural and one or more Affiliates participating in such service. Allocation factors shall

be calculated using the data available from the first year immediately prior to the year in which costs are to be allocated if available and assuming the prior year reasonably represents the expected costs.

Department/Functions	Allocation Factors
Field employees	Internal Time Tracking/Direct charge
Salaried employees	Internal Tracking/Direct charge
Accounting/Finance/Budget/Treasury	Internal Time Tracking or Time Study/Direct charge
Legal	Internal Time Tracking/Direct charge
Information Technology	Internal Time Tracking/Direct charge
Facilities Management	Market rate primarily based upon square footage
Risk Management	Insurance allocation
Office Services	Internal Time Tracking/Direct charge
Tax – Income	Stand alone entity
Tax – Property	Allocation based on % of total property
Marketing	Internal Time Tracking/Direct Charge
Purchasing	Internal Time Tracking/Direct Charge
Land and environmental	Internal Time Tracking/Direct charge
Internal Auditing:	Internal Time Tracking/Direct charge

Addendum 1:
Affiliated Non-WUTC/OPUC-Regulated Businesses of
NW Natural *

The Appliance Center**
Northwest Energy Corporation
NWN Gas Reserves, LLC
NNG Northwest Biogas, LLC
Northwest Energy Sub Corporation
NNG Financial Corporation
KB Pipeline Company
Gill Ranch Storage, LLC
NW Natural Energy, LLC
NW Natural Gas Storage, LLC
Trail West Holdings, LLC
Trail West Pipeline, LLC
BL Credit Holdings, LLC

*Each of these businesses with the exception of the Appliance Center is a legal entity separate and apart from NW Natural. Nothing in this Agreement is intended to be interpreted to the contrary.

**The Appliance Center is a nonregulated division of NW Natural.

Addendum 2:

List of Services

This Addendum provides a description of the Services that **may be** performed by the Parties, which may be modified from time to time. This list is exemplary only, and nothing in this addendum suggests that such services have or shall actually be performed by or for any Party. The specific Services to be provided to a particular Party are set forth in Addendum 3.

All Services provided by the Parties shall be based on a mutually agreeable work scope, specifying the scope of Services, personnel, and budget for Services. Changes in the scope of work shall be agreed to by the Parties involved.

Internal Auditing	Reviews internal controls and procedures to ensure assets are safeguarded and transactions are properly authorized and recorded. Periodically audits accounting and other records and coordinates their examination, where applicable, with that of independent public accountants.
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Legal	Provide legal advice and assistance with respect to labor and employment law, litigation, contracts, rates and regulation, environmental matters, and real estate legal issues, as well as, authorizations and compliance with matters under federal and state laws.
Corporate Planning and Business Analysis	Facilitates preparation of strategic plans, monitors trends and evaluates business opportunities, including acquisitions and dispositions. Facilitates process improvements by investigating and conducting research into issues relating to production, utilization, testing, manufacture, transmission, storage and distribution of energy. Keeps current on all research developments and programs of significance affecting company and the energy industry. Conducts research and development in promising areas and advises and assists in the solution of technical problems.
Accounting/Finance/Budgeting/Treasury	Provide advice and assistance to Company in finance, treasury and accounting matters, including the development of accounting practices, procedures and controls, the maintenance of the general ledger and related subsidiary financial systems, the preparation and analysis of financial reports, treasury management and credit. Provide services related to managing all administrative activities associated with financing, including management of capital structure; cash, credit and risk management activities; investment and commercial banking relationships; oversight of retirement trust funds and general financing activities. Advise and assist company and Affiliates in studying and planning in connection with infrastructure, budgets, economic forecasts, benchmarking, capital expenditures and special projects. Provide centralized accounts payable processing.
Tax	Advise and assist in the preparation of federal, state and other tax returns, and generally advise company as to any issues involving taxes.
Risk Management	Advise and assist company in its risk and control framework. Manage the purchase and administration of all property and casualty

	insurance including the settlement of insured claims and in providing risk prevention advice.
Land and Environmental	Provide right of way services, including encroachments. Establishes policies and procedures for compliance with environmental laws and regulations. Researches emerging environmental issues and monitors compliance with environmental requirements. Provides oversight for environmental remediation services.
Corporate Communications	Prepares and disseminates information to employees, customers, government agencies, communities and the media.
External Affairs	Provide services in support of corporate strategies for managing relationships with federal, state and local governments, agencies and legislative bodies. Monitor, review, research, and advocate legislative issues. Formulate and assist with public relations and communications programs and administration of corporate contribution and community affairs programs.
Human Resources/Employee Benefits	Advise and assist company in the formulation and administration of human resources and employee relations' policies and programs relating to personnel administration, training, wage and salary administration and safety programs. Provide central accounting for employee benefits. Direct and administer all medical and health activities for company. Advise and assist company in the administration of such plans and prepare and maintain records of employee and company accounts under the said plans, together with such statistical data and reports as are pertinent to the plans. Provide centralized payroll system.
Information Technology	Provide the resources for the operation of an information technology function, including the development, implementation, and operation of a centralized data processing facility and the management of a telecommunications network. This function includes the central processing of computerized applications, support of individual applications and the development, implementation and processing of those computerized applications that can be best

	accomplished on a centralized basis. This function provides centralized help desk.
Facilities Management	Manage headquarters facilities, service centers, and district offices. Administers contracts for real estate leases, security, housekeeping, and maintenance of facilities. Maintain database of real estate contracts, managing lease/rental properties, handling purchases and sales of real property.
Office Services	Provide centralized mail, imaging, record management services, and other general administrative support services.

Purchasing	Procure materials, supplies and services necessary for all operations, with the exception of wholesale gas purchases. Manage materials and supplies inventories. Work closely with business unit teams, seeking the best value for company through refined sourcing strategies, contracts and supplier agreements.
Marketing	Provide initial contact service related to new customer additions. Plan, formulate and implement marketing programs, as well as provide associated marketing services to improving customer satisfaction, load retention and shaping, growth of energy sales and deliveries, etc. Assist in carrying out policies and programs for the development of plant location and of industrial, commercial and wholesale markets. Provide customer support for industrial and commercial customers. Assist large customers in meeting business requirements related to gas quality, conservation, etc. Seek to maintain positive working relationships with major customers.

Addendum 3:

Sample Services Request Form

Services Requested

The undersigned requests that **[Party Providing Services]** provide the following Services listed in Addendum 2 to the Master Services Agreement:

[List of Specific Services Requested, e.g. Accounting, Customer Services, Legal and Marketing.]

The undersigned agrees to the terms and conditions contained in the Master Services Agreement, and further agrees that all requests for Services from **[name of Party]** to NW Natural will be governed by the Master Services Agreement.

Services are requested beginning **[Dates Services Requested]**.

[Party Requesting Services]

By: _____

Print Name: _____

Title: _____

Date: _____