



LISA RACKNER
Direct (503) 595-3925
lisa@mrg-law.com

February 10, 2017

PUC Filing Center
Public Utility Commission of Oregon
P.O. Box 1088
Salem, OR 97308-1088

Re: UM 1804: Application of Northwest Natural Gas Company for Approval of Corporate Reorganization to Create a Holding Company

Attention Filing Center:

NW Natural Gas Company ("NW Natural") hereby files with the Public Utility Commission of Oregon (the "Commission") its Application for Approval of Corporate Reorganization to Create a Holding Company ("Application"). Pursuant to Oregon Revised Statute 757.511(2), on December 5, 2016, NW Natural provided notice to the Commission at least sixty days before the Application was filed.

Please do not hesitate to contact me if you have any questions about this filing.

Very truly yours,

Lisa Rackner

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1804

In the Matter of

NORTHWEST NATURAL GAS
COMPANY

Application for Approval of Corporate
Reorganization to Create a Holding
Company.

**APPLICATION OF NORTHWEST
NATURAL GAS COMPANY**

1

I. INTRODUCTION

2

Pursuant to ORS 757.511 and OAR 860-027-0200, Northwest Natural Gas Company ("NW Natural" or "Company") files this application ("Application") requesting approval to implement a corporate reorganization that will result in a holding company structure ("Reorganization"). Through the Reorganization, NW Natural will become a wholly owned subsidiary of a newly formed holding company ("HoldCo"). Each current subsidiary of NW Natural will be a wholly owned subsidiary, directly or indirectly, of HoldCo.

3

4

5

6

7

8

9

NW Natural believes that a holding company structure would allow the Company to better respond to the changing business environment of the natural gas industry, while providing the opportunity to further insulate NW Natural as a public utility from non-public-utility businesses. The Commission has long recognized the benefits of a holding company structure in insulating a utility from risks that may be posed by a utility's non-regulated businesses.¹ In fact, the holding company

10

11

12

13

14

¹ *In the Matter of the Application of Idaho Power Company for an Order Authorizing the Formation of a Holding Company*, Docket No. UM 877, Order No. 98-056 at 2 (July 10, 2001); *In the Matter of the Application of PacifiCorp Holdings, Inc. and PacifiCorp for an Order Authorizing PacifiCorp Holdings*,

1 structure is a well-established form of organization for companies engaged in
2 multiple lines of business; NW Natural is one of two independent local distribution
3 companies nationwide that is *not* currently organized under a holding company
4 structure. NW Natural's Reorganization is in the best interests of customers and
5 shareholders and is consistent with the public interest. Importantly, the
6 Reorganization will provide benefits to NW Natural's customers without altering the
7 Commission's ability to effectively regulate the Company's utility operations and will
8 not change customer rates or the Company's provision of safe, reliable natural gas
9 service.

10 The Reorganization will benefit customers by further reinforcing the legal and
11 financial separation between NW Natural's regulated utility operations and those
12 conducted through other subsidiaries. Although NW Natural already maintains
13 separation between its regulated and other affiliated operations, the additional
14 safeguards and legal construct will help ensure that the financial results of the other
15 affiliates will not harm the utility's capital structure, credit ratings, or cost of capital.
16 The Reorganization will also separate the utility side of the business from any
17 financial arrangements between the holding company and other affiliates to better
18 insulate utility assets and reduce any risk that such assets could be reached by
19 creditors of the non-regulated affiliates.

20 In conjunction with its Reorganization proposal, the Company offers numerous
21 commitments that are designed to mitigate any potential risks associated with the
22 Reorganization, and which the Company proposes the Commission adopt as
23 conditions to approval of the Application. These commitments include effective
24 utility ring-fencing provisions to ensure that the holding company provides an overall

Inc. to Exercise Substantial Influence over the Policies and Actions of PacifiCorp, UM 1021, Order No. 01-573 at 2 (Feb. 17, 1998).

1 benefit to the utility. The Company's proposed commitments also ensure that the
2 Reorganization will not compromise the Commission's ability to regulate NW Natural
3 in the public interest or result in cross-subsidization between the utility and
4 unregulated entities, and that customers will not bear any costs associated with the
5 Reorganization. Thus, the benefits of the Reorganization, together with the
6 commitments, ensure that the transaction will result in net benefits to customers, as
7 required by ORS 757.511.

8 Finally, the Reorganization will not in any way affect the financial, technical, or
9 managerial abilities of NW Natural to continue to provide high-quality, reliable utility
10 service. Indeed, from an operational perspective, the Reorganization will have no
11 impact on the day-to-day operations of the utility. The Reorganization will not affect
12 the Company's rates or charges. After the Reorganization, the Company will
13 continue to provide the same safe and reliable natural gas service to its customers
14 that it has provided for over one hundred years.

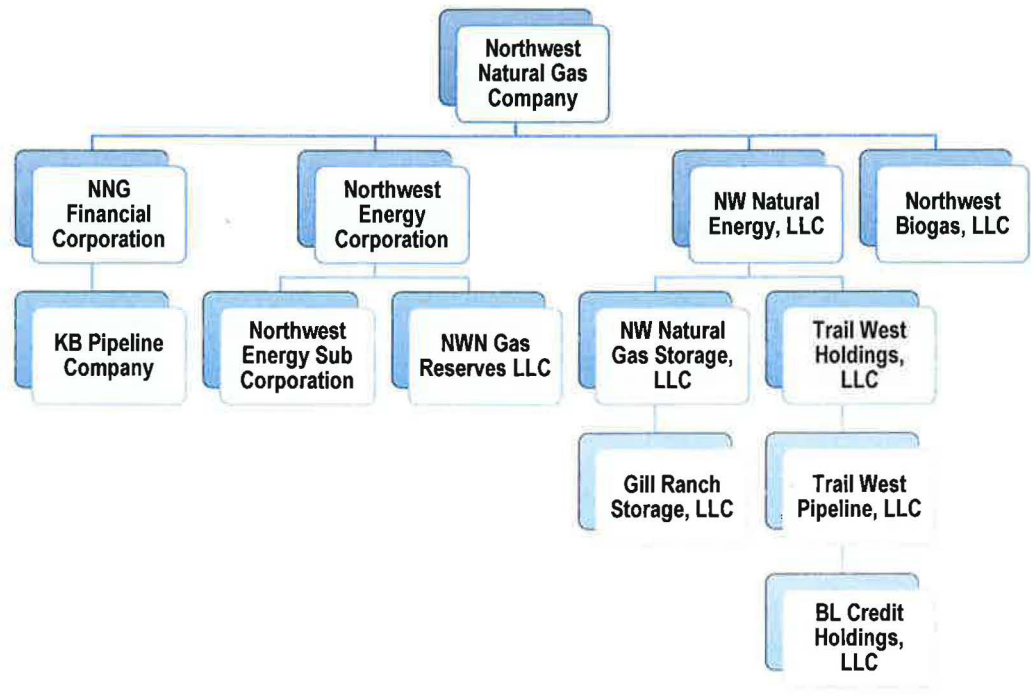
15 II. DISCUSSION

16 A. Proposed Reorganization.

17 1. NW Natural's Current Corporate Structure.

18 NW Natural is currently a publicly held operating company. The Company's
19 utility operations are all conducted at the operating company level, while a number
20 of wholly and partially owned subsidiaries conduct the Company's other
21 businesses.² The following figure shows NW Natural's existing structure:
22

² One current subsidiary of NW Natural is NWN Gas Reserves, LLC, which is operated for the benefit of utility customers.



2. The Proposed Reorganization.

If approved, the Reorganization will be accomplished through the following four steps.

First, two new companies will be incorporated: HoldCo will be formed as a subsidiary of NW Natural, and a merger subsidiary (“Merger Sub”) will be formed as a subsidiary of HoldCo.³ Merger Sub will be utilized for the sole purpose of effectuating the transaction.

Second, once HoldCo and Merger Sub are formed, NW Natural will contribute to HoldCo all of its stock and its interest in its current subsidiaries.

Third, Merger Sub will be merged into NW Natural, with NW Natural as the surviving company. At the end of this step, Merger Sub will no longer exist.

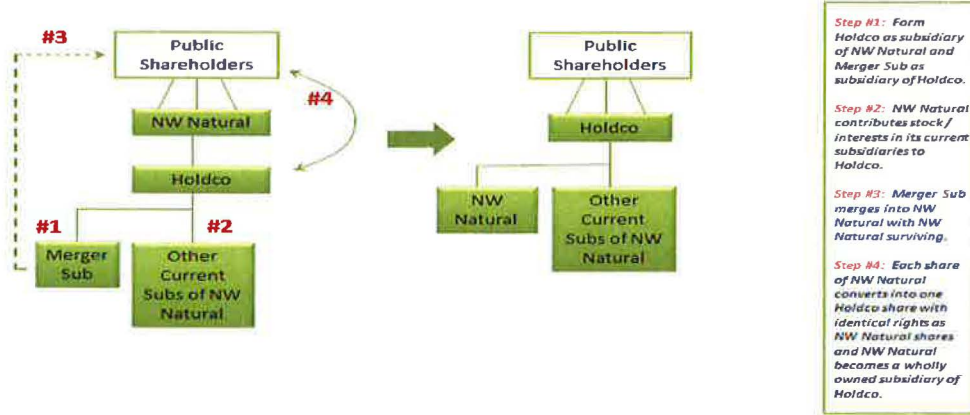
Fourth, by terms of the merger and operation of law, each share of NW Natural will convert into one share of HoldCo (with identical rights as NW Natural shares).

³ HoldCo and Merger Sub will be incorporated after NW Natural receives the necessary regulatory approvals for the Reorganization.

1 HoldCo's shares will be registered with the Securities and Exchange Commission
2 ("SEC"), and once the merger, including this share conversion occurs, NW Natural
3 will become a wholly owned subsidiary of HoldCo.⁴

4 The following figure shows how the Reorganization will be accomplished:

5 **Reorganization as a Holding Company**



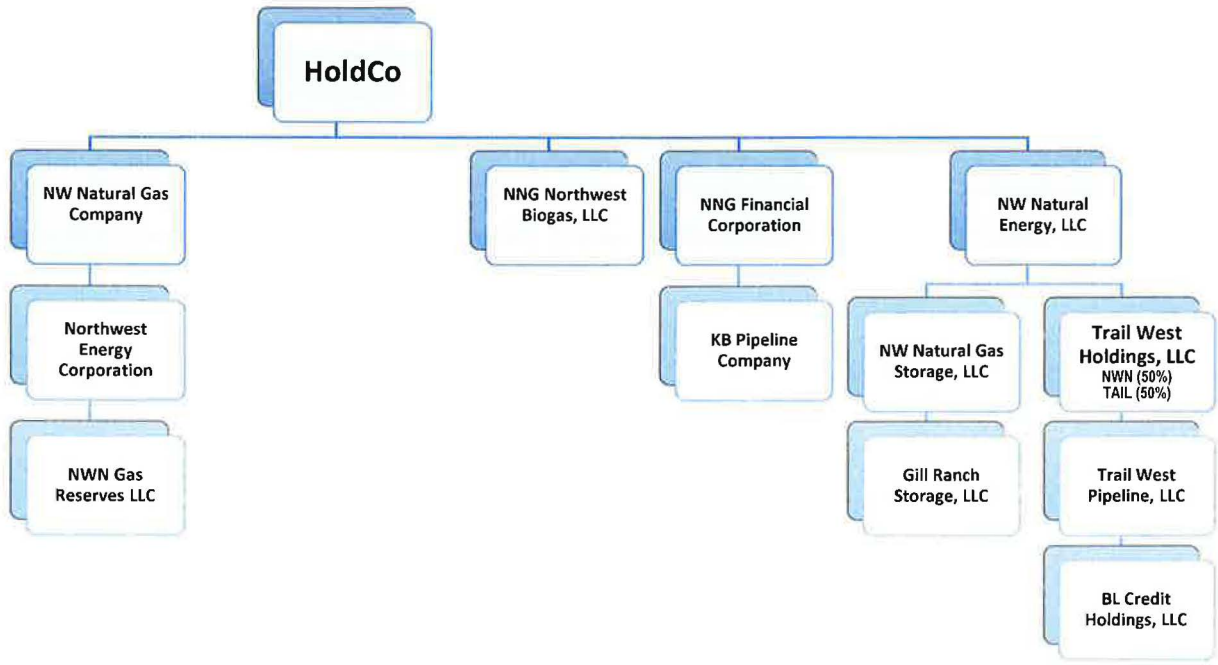
14 After the Reorganization, HoldCo will be owned by public shareholders, and it
15 will hold the stock of one or more operating companies, including the utility NW
16 Natural. All NW Natural operations, and any current or future affiliates, will be at the
17 subsidiary level. NW Natural will continue to operate as a regulated utility under the
18 jurisdiction of the Commission.

19
20
21
22
23

⁴ NW Natural does not anticipate that the Reorganization will result in a taxable event, under either Oregon state law or the Internal Revenue Code. The Internal Revenue Service ("IRS") previously recognized events of this nature as tax-free reorganizations.

1 The following figure shows the corporate structure after the Reorganization:

2
3
4



5
6

7 Importantly, NW Natural will not transfer any of its utility assets or property to
8 HoldCo or to any other affiliate. In addition, the Reorganization will not affect any of
9 the rights or preferences of shares currently held in NW Natural. Each share will
10 represent the same relative interest in HoldCo as it currently does in NW Natural.
11 As such, the overall shareholder ownership base in HoldCo immediately following
12 the Reorganization will be identical to the shareholder base in NW Natural
13 immediately prior to the Reorganization.

14 **3. Corporate Governance after Reorganization.**

15 The corporate governance of NW Natural will remain unchanged after the
16 Reorganization. All current NW Natural officers will remain NW Natural officers.
17 Similarly, the Board of Directors of NW Natural will continue to serve in its same
18 capacity. Members of the NW Natural Board of Directors will also serve on the HoldCo

1 Board of Directors, but the two boards will exercise separate and independent
2 functions and duties.

3 **4. Reorganization’s Effect on Company Operations.**

4 From the perspective of NW Natural’s utility customers, the Reorganization will
5 be seamless and largely imperceptible. Rates will not change as a result of this
6 reorganization. Moreover, day-to-day operations will remain the same; the
7 Company will provide the same high-quality, reliable service as before. After the
8 Reorganization, NW Natural would continue to be subject to the same regulatory
9 jurisdiction of the Commission as to rates, service, accounting and other general
10 matters of utility operations.

11 **B. Applicable Legal Standard.**

12 Under ORS 757.511, Commission authorization is required if: (1) a company
13 acquires, “directly or indirectly . . . the power to exercise any substantial influence
14 over the policies and actions of a public utility”; and (2) by virtue of the acquisition
15 the company becomes an affiliated interest of the utility.⁵ An affiliated interest is
16 defined as a company owning or holding more than 5 percent of a utility’s voting
17 securities.⁶ The Commission has consistently applied this statute to corporate
18 reorganizations to form holding companies.⁷ For example, in Order No. 98-056, the
19 Commission authorized Idaho Power Company (“Idaho Power”) to form a holding
20 company.⁸ In that case, the Commission found that ORS 757.511 would apply
21 because the holding company would exercise influence over and become an
22 affiliated interest of Idaho Power.

⁵ ORS 757.511(1).
⁶ ORS 757.015(1)-(3).
⁷ See Order No. 01-573 at 1.
⁸ Order No. 98-056 at 2.

1 ORS 757.511 requires that NW Natural demonstrate that the proposed
2 Reorganization “will serve the public utility's customers and is in the public interest.”⁹
3 The Commission applies a two-part test to determine whether this standard is met.¹⁰
4 *First*, the transaction must provide a net benefit to NW Natural customers.¹¹ *Second*,
5 the transaction must pose no harm to Oregonians as a whole.¹²

6 To determine whether an application has met the net benefits standard, the
7 Commission relies on a comparator—*i.e.*, the Commission “compare[s] the outcome
8 of the proposed transaction against another entity, presumably the entity that would
9 exist if the application was not approved.”¹³ The Commission will not “reduce the
10 net benefit standard to economic considerations as a matter of policy [but] will
11 consider the total set of concerns presented by” the application.¹⁴ To ensure that
12 customers benefit from a transaction, the Commission typically imposes conditions
13 designed to mitigate customers' exposure to potential risks.¹⁵

⁹ ORS 757.511(4)(a).

¹⁰ *In the Matter of Portland General Elec. Co.*, Docket No. UM 1206/UF 4218, Order No. 05-1250 at 2 (Dec. 14, 2005).

¹¹ *In the Matter of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, Order No. 01-778 at 10 (Sept. 4, 2001).

¹² *Id.* at 11.

¹³ Order No. 05-1250 at . For example, the Commission has determined the net benefits by comparing a proposed transaction to the utility acting as a stand-alone company, which the utility in that case effectively was at that time. *See In the Matter of Oregon Elec. Util. Co., LLC, et al.*, Docket No. UM 1121, Order No. 05-114 at 18 (Mar. 10, 2005). In another case, in which the Commission reviewed the sale of a utility by one parent company to another parent company, the Commission stated that it determined net benefits by comparing the proposed acquisition of the utility to “the continued prudent and well-managed operation of” the utility under its current owner. *See In the Matter of MidAmerican Energy Holdings Co. Application for Authoirzation to Acquire Pacific Power & Light, dba PacifiCorp*, Docket No. UM 1209, Order No. 06-082 at 3 (Feb. 24, 2006) (quoting Staff testimony Staff/100, Conway/21).

¹⁴ Order No. 01-778 at 11.

¹⁵ *See, e.g.*, Order No. 98-056 at 2 (“[T]o ensure that customers indeed are not harmed and are in a position to benefit from the formation of the holding company, Staff proposed several ordering conditions.”).

1 **1. The Reorganization, Together with the Proposed Conditions, Will**
2 **Result in Net Benefits to NW Natural Customers and No Harm to**
3 **the Oregon Public.**

4 The Reorganization will not result in changes to the Company's regulated utility
5 operations and will not impose any costs on customers. The Company nevertheless
6 recognizes that corporate reorganizations can create customer risk and that the
7 Commission typically imposes conditions to mitigate these risks and to ensure
8 customer benefits. Thus, to satisfy the net benefits standard and ensure that the
9 Reorganization will not cause harm to the general public, the Company offers the
10 following commitments.

11 **Access to Records**

- 12 (1) NW Natural will provide the Commission with access to all books of
13 account as well as all documents, data, and records of NW Natural,
14 HoldCo, and its affiliated interests, which pertain to transactions
15 between NW Natural and its affiliated interests or which are otherwise
16 relevant to the business of NW Natural.
- 17 (2) NW Natural, HoldCo, and any affiliates will make their employees,
18 officers, directors and agents available to testify before the Commission
19 to provide information relevant to matters within the jurisdiction of the
20 Commission.
- 21 (3) NW Natural and HoldCo will provide the Commission access to
22 corporate minutes, including Board of Director's minutes and all
23 committee minutes with relevant information regarding NW Natural.
- 24 (4) Nothing in these Reorganization commitments will be interpreted as a
25 waiver of NW Natural's or HoldCo's rights to request confidential
26 treatment for information that is the subject of any of these
27 commitments.

28 **Cost Allocation**

- 29 (5) Any allocation of costs, corporate and affiliate investments, expenses,
30 or overheads between NW Natural and HoldCo or an affiliate of Holdco
31 will comply with the following principles:
- 32 a. For services rendered to NW Natural or each cost category
33 subject to allocation to NW Natural by HoldCo or any of its

1 affiliates, NW Natural must be able to demonstrate that such
2 service or cost category is necessary to NW Natural for the
3 reasonable performance of its regulated operations, is not
4 duplicative of services already being performed within NW
5 Natural, and is reasonable and prudent.

6 b. Cost allocations to NW Natural will be directly charged whenever
7 possible, and shared or indirect costs will be allocated based
8 upon the primary cost-driving factors.

9 c. HoldCo and its subsidiaries will have in place an accounting
10 system adequate to support the allocation and assignment of
11 costs of executives and other relevant personnel to or from NW
12 Natural.

13 d. All costs subject to allocation will be auditable, such that they can
14 be specifically identified, particularly with respect to their origin.

15 e. Any corporate cost allocation methodology used for rate setting,
16 and subsequent changes thereto, will be submitted to the
17 Commission for approval. The Company's Master Services
18 Agreement will be updated to include the corporate and affiliate
19 cost allocation methodologies between HoldCo, NW Natural and
20 their affiliates. The Master Services Agreement will be filed with
21 the Commission for review, no later than 90 days after close of
22 the transaction. Approval of the Master Service Agreement will
23 be requested, but approval for ratemaking purposes will not be
24 requested in such filing. Amendments to the Master Service
25 Agreement will also be filed with the Commission.

26 f. NW Natural and HoldCo commit to using asymmetrical pricing as
27 required by OAR 860-027-0048(4).

28 (6) The Commission may audit the accounting records of HoldCo and its
29 subsidiaries or affiliates that are the bases for charges to NW Natural to
30 determine the reasonableness of allocation factors used by HoldCo to
31 assign costs to NW Natural and amounts subject to allocation or direct
32 charges. HoldCo will cooperate fully with such Commission audits.

33 (7) No organizational and start-up costs associated with the creation of
34 HoldCo will be allocated to NW Natural's customers.

35 **Financial Commitments**

36 (8) NW Natural will maintain its own books and records, separate from the
37 books and records of HoldCo. NW Natural's financial books and records

1 and state and federal regulatory filings and documents will continue to
2 be available to the Commission, upon request.

3 (9) NW Natural will maintain separate debt, and if outstanding, preferred
4 stock ratings. NW Natural will maintain its own corporate credit rating,
5 as well as ratings for each long-term debt (and preferred stock (if any))
6 issuance that would otherwise be rated.

7 (10) NW Natural shall not be permitted to declare or make any distributions
8 unless, on the date of such distribution, the NW Natural common equity
9 ratio after giving effect to such distribution is not less than 40 percent of
10 total NW Natural capital, except to the extent a lower equity ratio is
11 established for ratemaking purposes by the Commission, or unless
12 otherwise ordered by the Commission.

13 (11) NW Natural and HoldCo commit that NW Natural will not make any
14 dividends to HoldCo if NW Natural's secured debt rating falls below
15 investment grade, or unless otherwise ordered by the Commission.

16 (12) The assets of NW Natural and HoldCo and its subsidiaries or affiliates
17 will be accounted for separately.

18 **Holding Company Subsidiaries/Affiliated Interests**

19 (13) NW Natural and HoldCo will comply with all applicable Commission
20 statutes and regulations regarding affiliated interest transactions,
21 including timely filing of applications and reports.

22 (14) NW Natural and HoldCo will enter into an agreement that incorporates
23 the ring-fencing provisions set forth herein. This agreement will be
24 binding on NW Natural and HoldCo, and their respective Boards of
25 Directors. This agreement will be filed with the Commission within 90
26 days of the transaction's closing. NW Natural and HoldCo commit that
27 no amendments, revisions, or modifications will be made to this
28 agreement or any ring-fencing provisions without prior Commission
29 approval.

30 **Non-Consolidation Opinion**

31 (15) Within 60 days of the formation of HoldCo, NW Natural will provide a
32 non-consolidation opinion to the Commission which concludes that the
33 ring-fencing provisions and other provisions of the Reorganization are
34 sufficient such that a bankruptcy court would not order the substantive
35 consolidation of the assets and liabilities of NW Natural with those of
36 HoldCo, its affiliates or subsidiaries. In the event that NW Natural is

1 unable, for any reason, to obtain such an opinion, it will consult with
2 parties to this docket and the Commission regarding this topic.
3

4 As discussed in more detail below, the direct benefits of the Reorganization,
5 together with risk mitigation and additional benefits offered by the proposed
6 conditions, will ensure that NW Natural's customers receive net benefits and that the
7 general public will not be harmed.

8 **2. The Proposed Commitments Will Effectively Mitigate any Potential**
9 **Harms of the Holding Company Structure and Provide**
10 **Comprehensive Protections to Customers.**

11 Together, these commitments help ensure that the Reorganization will not
12 harm NW Natural's customers. *First*, the commitments ensure that the Commission
13 will continue to have access to all relevant records necessary to fulfill its obligation
14 to regulate NW Natural in the public interest. The fact that NW Natural will be a
15 subsidiary of a holding company should not, in any way, impede the Commission's
16 access to necessary information.

17 *Second*, the Company's proposed ring-fencing provisions help ensure that NW
18 Natural's utility operations will not be adversely impacted by operations at the
19 holding company level or operations associated with another holding company
20 subsidiary. Most importantly, the Company commits that it will not make any
21 dividend payments to HoldCo if doing so reduces its equity ratio below a reasonable
22 level such that the credit rating of NW Natural would be threatened. This
23 commitment ensures that the holding company structure will not compromise NW
24 Natural's financial integrity by creating an overly leveraged balance sheet.

25 In addition, the Company's ring-fencing commitments ensure that both the
26 utility and HoldCo will maintain separate accounting books, separate assets, and
27 separate credit ratings, and will further insulate the utility from creditors of other
28 subsidiaries. These steps will ensure that no harm will result from the

1 Reorganization and will provide benefits to NW Natural's customers that do not exist
2 today.¹⁶

3 *Third*, the commitments ensure that costs will be properly allocated among the
4 utility, HoldCo and its subsidiaries so that rates accurately reflect only those costs
5 incurred to serve customers. The Company commits that no costs associated with
6 the Reorganization or any future holding company costs will be recovered in rates.

7 *Fourth*, the commitments ensure that the holding company structure will not
8 allow cross subsidization between NW Natural and HoldCo or its other affiliates or
9 subsidiaries.

10 Taken together, the Company's comprehensive commitments will ensure that
11 the Reorganization will not harm customers, and will, in fact, benefit them.

12 **3. The Reorganization Will Provide Direct Benefits to NW Natural's**
13 **Utility Customers.**

14 The Reorganization, together with the proposed conditions, will provide direct
15 benefits to NW Natural's customers. The Reorganization will strengthen the existing
16 separation between the utility and non-regulated affiliates by ensuring legal and
17 financial separation of NW Natural from HoldCo and other affiliates, and providing
18 protections for the financial strength of NW Natural. The non-consolidation opinion
19 the Company has proposed to provide as a condition of approval will provide
20 customers with an assurance of this separation that they do not have today. This
21 enhanced separation will reduce the utility's exposure to potential volatility in the
22 financial performance of its affiliates and will protect the utility from potential claims
23 from creditors of its affiliates.

¹⁶ See *In the Matter of MDU Resources Group, Inc., Application for Authorization to Acquire Cascade Natural Gas Corp.*, Docket No. UM 1283, Order No. 07-221 at 9 (June 5, 2007) ("The other commitments will ensure that customers and the public as a whole are not harmed by the approval of MDU Resources' acquisition of Cascade.").

1 As the Commission observed when approving Idaho Power’s request to form a
2 holding company, the resulting structure “may insulate the company, by corporate
3 separation of regulated from non-regulated businesses, from higher risks and
4 resulting higher costs of capital and unrelated financial losses.”¹⁷ Similarly, in
5 approving PacifiCorp’s request to form a holding company in 2001, the Commission
6 found that the “transaction will benefit customers by clarifying the financial
7 relationships between PacifiCorp and its affiliates.”¹⁸

8 Importantly, these direct benefits come without any change in the
9 Commission’s ability to regulate NW Natural, without any change in customer rates,
10 without any change in the level or quality of service, and with shareholders bearing
11 the costs of the Reorganization.

12 **C. Requirements of ORS 757.511(3).**

13 **1. Applicant’s Identity and Financial Ability.**

14 The Applicant in this case is NW Natural. However, the entity that will be
15 acquiring the ability to exercise authority over a public utility is the yet-to-be-
16 incorporated HoldCo. NW Natural, as the Applicant here, has the financial ability to
17 undertake the proposed Reorganization.

18 **2. Background of the Key Personnel Associated with the Applicant.**

19 The key personnel associated with the proposed Reorganization are as follows:

20 David H. Anderson: President and Chief Executive Officer

21 MardiLyn Saathoff: Senior Vice President, Regulation and General Counsel

22 Brody J. Wilson: Chief Financial Officer, Treasurer, Chief Accounting Officer,
23 and Controller

¹⁷ Order No. 98-056 at 2.

¹⁸ Order No. 01-573 at 2, 4.

1 Shawn M. Filippi: Vice President, Chief Compliance Officer, and Corporate
2 Secretary

3 **3. Source and Amounts of Funds or Other Consideration to be Used**
4 **in the Acquisition.**

5 This information is not applicable to the proposed Reorganization.

6 **4. Applicant's Compliance with Federal Law in Carrying Out the**
7 **Acquisition.**

8 NW Natural has complied, and will comply, with all federal laws in carrying out
9 the corporate reorganization.

10 **5. Whether the Applicant or the Key Personnel Associated with the**
11 **Applicant Have Violated any State or Federal Statutes Regulating**
12 **the Activities of Public Utilities.**

13 NW Natural, the yet-to-be-formed HoldCo, and the key personnel associated
14 with NW Natural have not violated any state or federal statute regulating the
15 activities of public utilities.

16 **6. All Documents Relating to the Transaction Giving Rise to the**
17 **Application.**

18 A draft copy of the Agreement and Plan of Merger between NW Natural and
19 HoldCo is attached to this Application as Exhibit A. The Reorganization will take
20 effect following regulatory approval and shareholder approval, at which time the
21 documents giving effect to the transaction will be executed.

22 **7. The Applicant's Experience in Operating Public Utilities Providing**
23 **Heat, Light, or Power.**

24 NW Natural has been operating as a public utility for over one hundred years.

1
2

3. Name and Address of Person Authorized, on Behalf of Applicant, to Receive Notices and Communications in Respect to Application.

Zachary D. Kravitz
NW Natural
220 NW Second Avenue
Portland, OR 97209-3991
Telephone: (503) 220-2379
Facsimile: (503) 220-2584
Email: zdk@nwnatural.com

Lisa Rackner
McDowell Rackner & Gibson PC
419 SW 11th Ave., Suite 400
Portland, OR 97205
Telephone: 503-595-3925
Facsimile: 503-595-3928
Email: dockets@mrg-law.com

Mark R. Thompson
NW Natural
220 NW Second Ave
Portland, OR 97209-3991
Telephone: (503) 721-2476
Facsimile: (503) 220-2584
Email: markthompson@nwnatural.com

3
4
5

4. The Names, Titles and Addresses of the Principal Officers of the Applicant.

David H. Anderson	President and Chief Executive Officer
MardiLyn Saathoff	Senior Vice President, Regulation and General Counsel
Lea Anne Doolittle	Senior Vice President and Chief Administrative Officer
Grant M. Yoshihara	Senior Vice President, Utility Operations
Thomas J. Imeson	Vice President, Public Affairs & Environmental Sustainability
Shawn M. Filippi	Vice President, Chief Compliance Officer and Corporate Secretary
Kimberly A. Heiting	Vice President, Communications and Chief Marketing Officer
Brody J. Wilson	Chief Financial Officer, Treasurer, Chief Accounting Officer, and Controller
Justin Palfreyman	Vice President of Business Development
Ngoni Murandu	Vice President and Chief Information Officer
Lori Russell	Vice President, Utility Services

6 The address of all of the above officers is 220 NW Second Avenue, Portland, OR,
7 97209.

1 **5. A Schedule Detailing the Existing Capital Structure of the Energy**
2 **Utility to be Acquired, as well as a Pro Forma Utility Capital**
3 **Structure as of 12 Months After the Acquisition is to be Completed.**

4 NW Natural currently finances its operations through a mix of debt and
5 equity. NW Natural's capital structure is composed of 48.89% long-term debt, and
6 51.11% equity as of December 31, 2016. NW Natural's targeted pro forma capital
7 structure as of twelve months from the reorganization is to finance its utility operations
8 through 50% equity from HoldCo and 50% debt.

9 **6. An Explanation of How the Bond Ratings and Capital Costs of the**
10 **Acquired Utility will be Affected by the Acquisition.**

11 NW Natural does not anticipate any change to its bond ratings or capital costs
12 as a result of the formation of HoldCo. NW Natural anticipates that its bond ratings
13 will remain unchanged because those ratings will continue to be based on its utility
14 operations and assets, as they are currently. Additionally, the formation of HoldCo is
15 not expected to affect the cost of debt at NW Natural, as issuance of debt would be
16 based on the same operations and assets as it is today.

17 **7. A Description of Existing and Planned Nonutility Businesses which**
18 **are or will Become Affiliated Interests of the Acquired Utility Under**
19 **ORS 757.015, and a Description of the Organizational Structure**
20 **Under Which the Applicant Intends to Operate its Businesses;**

21 The following non-utility businesses are currently affiliated interests of NW
22 Natural and will continue to be affiliated interests after the Reorganization:

23 **1. NNG Financial Corporation**

24 NNG Financial Corporation ("NNGFC") is a wholly owned subsidiary of NW
25 Natural. NNGFC owns 100% of the stock of KB Pipeline Company. See KB Pipeline
26 Company description below.

1 **2. KB Pipeline Company**

2 KB Pipeline Company (“KBPC”) owns a 10% interest in the Kelso-Beaver
3 Pipeline, a FERC-regulated interstate natural gas pipeline that runs approximately
4 19 miles from the interstate pipeline facilities of Northwest Pipeline in Cowlitz
5 County, Washington, to Columbia County, Oregon, near Portland General Electric
6 Company’s (“PGE”) Beaver generating station. Under its FERC certificate, KBPC
7 may only use its capacity in the Kelso-Beaver Pipeline to transport up to 19,300
8 Dth/d of natural gas for NW Natural. Currently, the pipeline is operated by PGE,
9 which is a co-owner of the pipeline.

10 **3. Northwest Energy Corporation**

11 Northwest Energy Corporation (“NW Energy Corp”) was formed in 2001 to
12 serve as the holding company for NW Natural and PGE in the event that a proposed
13 acquisition of PGE was completed. However, the acquisition effort was terminated
14 in May 2002, and the corporation remained dormant until 2013. Since 2013, NW
15 Energy Corp has served as the holding company for NWN Gas Reserves, LLC.

16 **4. NWN Gas Reserves, LLC**

17 NWN Gas Reserves, LLC (“NWN Gas Reserves”) is a wholly owned subsidiary
18 of Northwest Energy Corporation and was formed in December 2012. In March
19 2013, NWN’s working interest in the Jonah gas field in Wyoming was transferred to
20 this entity, and this transaction was reviewed by the Oregon Public Utility
21 Commission.

22 **5. Northwest Energy Sub Corporation**

23 Northwest Energy Sub Corporation (“NW Energy Sub”) is a subsidiary of NW
24 Energy Corp, and was formed in 2001 as part of a transaction that was contemplated
25 in the event that the acquisition of PGE by NW Natural was completed. The
26 corporation has remained dormant since its foundation.

1 **6. Northwest Biogas, LLC**

2 NW Natural owns a 50% membership interest in NW. NW Natural also serves
3 as the Managing Member. The other 50% membership interest is owned by BEF
4 Renewable Incorporated. NW Biogas developed and operates a demonstration
5 biodigester located at Three Mile Canyon Farms in Boardman, Oregon.

6 **7. NW Natural Energy, LLC**

7 NW Natural wholly owns NW Natural Energy, LLC (“NWN Energy”) which was
8 formed in 2009 to own NW Natural Gas Storage, LLC (“NWN Gas Storage”), and
9 other non-utility businesses.

10 **8. NW Natural Gas Storage, LLC**

11 NWN Energy wholly owns NWN Gas Storage, which was formed in 2009. The
12 entity owns and manages non-utility gas storage interests.

13 **9. Gill Ranch Storage, LLC**

14 Gill Ranch Storage, LLC (“GRS”) is an Oregon limited liability company that
15 was formed in 2007 for the purpose of developing, owning, and operating an
16 underground gas storage facility, which is located in Madera and Fresno Counties,
17 California. GRS is subject to CPUC regulation with respect to the gas storage
18 services it provides, but it has market-based rate authority with respect to the rates
19 for its services offered in the California market. In addition, GRS is subject to
20 regulation by the CPUC for certain activities, including but not limited to the issuance
21 of securities, operation of the facility, certain terms of customer services, systems of
22 accounts, the nature of investments it may make, safety standards, and transactions
23 with affiliated interests. The storage facility is owned 75% by Gill Ranch Storage,
24 LLC, and 25% by Pacific Gas & Electric.

1 **10. Trail West Holdings, LLC**

2 NW Natural Energy, LLC and TransCanada American Investment Ltd. (“TAIL”)
3 each own a fifty percent (50%) membership interest in Trail West Holdings, LLC
4 (“TWH”). TWH wholly owns Trail West Pipeline, LLC (TWP).¹⁹

5 **11. Trail West Pipeline, LLC**

6 TWP is a wholly owned subsidiary of TWH, created for the purpose of
7 developing a proposed FERC-regulated cross-Cascades natural gas pipeline.

8 **12. BL Credit Holdings, LLC**

9 BL Credit Holdings, LLC is a wholly owned subsidiary of TWP and is a non-
10 operating entity.

11 There are currently no planned non-utility businesses that will become affiliated
12 interests of NW Natural as a result of the Reorganization.

13 The organization structure is described above in Section II.A.

14 **8. A Description of the Method by which Management, Personnel,**
15 **Property, Income, Losses, Costs, and Expenses (Including Tax-**
16 **Related Expense) will be Allocated by the Applicant Between its**
17 **Utility and Nonutility Operations (If Applicable).**

18 As described above, the Reorganization is not expected to result in any
19 changes in NW Natural’s or its affiliates’ utility or non-utility operations. NW Natural’s
20 utility operations will continue to provide certain services to non-utility operations and
21 will continue to allocate and bill for the costs incurred in providing those services, as
22 explained in NW Natural’s Cost Allocation Manual. In addition, the Company will
23 allocate property, income, losses and any other expenses, including tax-related
24 expenses in accordance with the approved Cost Allocation Manual.

¹⁹ TWH and TWP are formerly known as “Palomar Pipeline Holdings, LLC” and “Palomar Gas Transmission, LLC,” respectively.

1 the extensive commitments set forth in this Application, ensure that customers will
2 benefit from the Reorganization and that the general public will not be harmed.
3 Although ORS 757.511 places an obligation on the Commission to act on this
4 application within 19 days, NW Natural asks that the Commission allow more time
5 in order to allow for discovery and necessary processes of this Application. NW
6 Natural hereby waives its rights to enforce the time limitations in ORS 757.511, and
7 instead requests that the Commission act on this application by May 16th (which is
8 a regularly scheduled public meeting). NW Natural looks forward to answering
9 questions about this application and working with the parties to process NW
10 Natural's request.

11

12 Respectfully submitted this 10 day of Feb., 2017.

MCDOWELL RACKNER & GIBSON PC



Lisa F. Rackner

Adam Lowney

Attorneys for Northwest Natural Gas Company

NORTHWEST NATURAL GAS COMPANY

Zachary D. Kravitz
Associate Counsel
220 NW Second Ave
Portland, OR 97209

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1804

NORTHWEST NATURAL GAS COMPANY

**Application for Approval of Corporate Reorganization
to Create a Holding Company**

Exhibit A

February 10, 2017

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger, dated as of [_____] (the “*Agreement*”), is between Northwest Natural Gas Company, an Oregon corporation (“*NW Natural*”), [HOLDCO], an Oregon corporation and a wholly owned subsidiary of NW Natural (“*Holdco*”), and NWN Merger Sub, Inc., an Oregon corporation and a wholly owned subsidiary of Holdco (“*Merger Sub*”).

RECITALS

A. The Board of Directors of each of NW Natural, Holdco and Merger Sub deems it advisable to merge Merger Sub into NW Natural in accordance with the Oregon Business Corporation Act (the “*OBCA*”) and to approve this Agreement for the purpose of establishing Holdco as the parent corporation of NW Natural, as a result of which the holders of common stock of NW Natural (the “*NW Natural Common Stock*”) would hold, in lieu thereof, common stock of Holdco (the “*Holdco Common Stock*”).

B. The Board of Directors of each of NW Natural, Holdco and Merger Sub has determined to recommend that their respective shareholders approve this Agreement, the merger of Merger Sub into NW Natural (the “*Merger*”) and the other matters set forth herein.

C. For federal income tax purposes, the Merger is intended to qualify as a “reorganization” under Section 368(a) of the Internal Revenue Code of 1986, as amended.

In consideration of the premises and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows.

ARTICLE 1 THE MERGER

1.1 Merger. Merger Sub will merge into NW Natural, with NW Natural surviving the Merger.

1.2 Articles of Merger. Subject to and in accordance with the provisions of this Agreement, Articles of Merger of NW Natural shall be delivered for filing with the Office of the Secretary of State of Oregon.

1.3 Effective Time. The Merger will become effective at the time specified in the Articles of Merger or, if no time is specified, when the Articles of Merger are filed with the Office of the Secretary of State of Oregon (the “*Effective Time*”). At the Effective Time, the separate existence of Merger Sub will cease and Merger Sub will merge into NW Natural, which will continue its corporate existence as the surviving corporation (the “*Surviving Corporation*”).

1.4 Appropriate Actions. Holdco, NW Natural and Merger Sub shall take all necessary and appropriate to complete the Merger. In this connection, Holdco shall issue and

deliver the shares of Holdco Common Stock into which outstanding shares of NW Natural Common Stock are converted on the basis and to the extent provided in Article 2 of this Agreement, and shall take other actions necessary to fulfill Holdco's obligations under this Agreement, including, without limitation, those specified in Article 6 of this Agreement. If, after the Effective Time, any further action is necessary or desirable to carry out the purposes of this Agreement and to vest the Surviving Corporation with full title to all properties, assets, privileges, rights, immunities and franchises of either of NW Natural or Merger Sub, NW Natural shall, and shall cause the individuals who were the officers and directors of Merger Sub as of the Effective Time to, take all such further action.

ARTICLE 2 TERMS OF CONVERSION AND EXCHANGE OF SHARES

2.1 NW Natural Common Stock. At the Effective Time, each share of NW Natural Common Stock issued and outstanding immediately prior to the Effective Time will automatically convert into one share of Holdco Common Stock, and such Holdco Common Stock will thereupon be issued and outstanding and fully-paid and non-assessable.

2.2 Merger Sub Common Stock. The shares of Merger Sub Common Stock issued and outstanding immediately prior to the Effective Time will convert into all of the issued and outstanding shares of Common Stock of the Surviving Corporation, which will thereupon be issued and outstanding and fully-paid and non-assessable, with the effect that the number of issued and outstanding shares of Common Stock of the Surviving Corporation will be the same as the number of issued and outstanding shares of Merger Sub Common Stock immediately prior to the Effective Time.

2.3 Holdco Common Stock. Each share of Holdco Common Stock issued and outstanding immediately prior to the Effective Time will automatically be canceled.

ARTICLE 3 ARTICLES OF INCORPORATION AND BYLAWS

3.1 NW Natural Articles and Bylaws. The Articles of Incorporation and Bylaws of NW Natural will be the Articles of Incorporation and Bylaws of the Surviving Corporation.

3.2 Holdco Articles. Prior to the Effective Time and until thereafter amended in accordance with applicable law, the Board of Directors of Holdco shall take such further steps as necessary to amend and restate the Articles of Incorporation of Holdco, pursuant to the OBCA, as provided in Annex 1 attached hereto.

ARTICLE 4 DIRECTORS AND OFFICERS

4.1 NW Natural Directors and Officers. The persons who are directors and officers of NW Natural immediately prior to the Effective Time will continue as directors and officers of

NW Natural and will continue to hold office as provided in the Articles of Incorporation and Bylaws of NW Natural.

4.2 Holdco Directors and Officers. NW Natural, as sole shareholder of Holdco prior to the Effective Time, shall take such steps as necessary to cause, pursuant to the OBCA, the persons who are directors and officers of NW Natural prior to the Effective Time to become, prior to the Effective Time, directors and officers of Holdco, and the directors and officers will continue after the Effective Time to hold office as provided in the Articles of Incorporation and Bylaws of Holdco.

ARTICLE 5 STOCK CERTIFICATES

5.1 Outstanding Certificates. Following the Effective Time, certificates representing shares of NW Natural Common Stock outstanding at the Effective Time (“*NW Natural Certificates*”) will represent the same number of shares of Holdco Common Stock and will evidence the right of the registered holder thereof to receive, and may be exchanged for, certificates for the shares of Holdco Common Stock into which such shares of NW Natural Common Stock were converted in accordance with Section 2.1. At the Effective Time, Holdco shall issue and deliver, or cause to be issued and delivered, to the transfer agent for Holdco Common Stock (the “*Transfer Agent*”) certificates representing shares of Holdco Common Stock into which outstanding shares of NW Natural Common Stock have been converted as provided above. As promptly as practicable following the Effective Time, Holdco shall send or cause to be sent to each former shareholder of record of NW Natural immediately prior to the Effective Time who holds a NW Natural Certificate written instructions and transmittal materials (a “*Transmittal Letter*”) for use in surrendering NW Natural Certificates to the Transfer Agent. Upon the proper surrender and delivery to the Transfer Agent (in accordance with Holdco’s instructions, and accompanied by a properly completed Transmittal Letter) by a former shareholder of NW Natural of such shareholder’s NW Natural Certificate(s), and in exchange therefor, the Transfer Agent shall, as soon as practicable, issue, register and deliver to such shareholder a certificate evidencing the shares of Holdco Common Stock or register such shares in electronic form.

5.2 Stock Transfer Books. The stock transfer books for NW Natural Common Stock will be closed at the Effective Time and no transfer of shares of NW Natural Common Stock outstanding immediately prior to the Effective Time shall thereafter be made on such books. As of the Effective Time, Holdco shall establish a stock register reflecting ownership of Holdco Common Stock by former holders of record of NW Natural Common Stock.

5.3 Post-Merger Rights of Holders. At the Effective Time, the holders of certificates for NW Natural Common Stock outstanding immediately prior to the Effective Time will cease to have any rights with respect to the stock of NW Natural and their sole rights will be with respect to the Holdco Common Stock into which their shares of NW Natural Common Stock are converted by the Merger.

5.4 Unsurrendered Certificates. Subject to Section 5.5 below, no Holdco Common Stock certificate may be delivered to any former holder of NW Natural Common Stock unless and until such shareholder properly surrenders to the Transfer Agent the NW Natural Certificate(s) formerly representing his or her shares of NW Natural Common Stock, together with a properly completed Transmittal Letter.

5.5 Lost, Etc., Certificates. Any former holder of NW Natural Common Stock whose certificate for shares of NW Natural Common Stock has been lost, destroyed, stolen or otherwise is missing will be entitled to receive a certificate representing the shares of Holdco Common Stock to which he or she is entitled in accordance with and upon compliance with conditions imposed by the Transfer Agent or Holdco (including, without limitation, a requirement that the shareholder provide a lost instruments indemnity or surety bond in form, in substance and amount satisfactory to the Transfer Agent and Holdco).

ARTICLE 6 NORTHWEST NATURAL GAS STOCK PLANS

NW Natural and Holdco shall take all actions required to provide that, from and after the Effective Time, all director, officer, employee, customer, shareholder and other plans of NW Natural or its affiliates, to the extent they directly or indirectly utilize NW Natural Common Stock, will utilize Holdco Common Stock instead of NW Natural Common Stock.

ARTICLE 7 CONDITIONS OF THE MERGER

Completion of the Merger is subject to the satisfaction of the following conditions.

7.1 Shareholder Approval. The principal terms of this Agreement are approved by such holders of capital stock of the parties as required by the OBCA.

7.2 Stock Exchange Listing. All conditions for the listing on the New York Stock Exchange as of the Effective Time of the Holdco Common Stock to be issued and to be reserved for issuance pursuant to the Merger are satisfied.

7.3 Regulatory Approvals. All necessary orders, consents, authorizations, approvals or waivers from the Oregon Public Utilities Commission[, the Washington Utilities and Transportation Commission] and all other regulatory bodies, boards or agencies, or from other third parties, have been received, are in full force and effect, and do not include, in the sole judgment of the Board of Directors of NW Natural, unacceptable conditions.

7.4 Filings. All documents that are required to be filed pursuant to the OBCA have been duly executed and filed with the appropriate agency.

7.5 Tax Opinion. NW Natural receives an opinion of Stoel Rives LLP confirming the United States federal income tax consequences of the Merger contemplated by this Agreement.

**ARTICLE 8
AMENDMENT AND TERMINATION**

8.1 Amendment. This Agreement may be amended by the parties at any time before or after obtaining the approval of the NW Natural shareholders, but if the shareholder approval has been obtained, no amendment may thereafter be made which by law requires further approval by the NW Natural shareholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties.

8.2 Termination. This Agreement may be terminated and the transactions provided for by this Agreement may be abandoned at any time, whether before or after approval of this Agreement by the shareholders of NW Natural, by action of the Board of Directors of NW Natural if the Board of Directors determines for any reason that the completion of the transactions provided for in this Agreement would for any reason be inadvisable or not in the best interests of NW Natural or its shareholders.

**ARTICLE 9
MISCELLANEOUS**

9.1 Counterparts. This Agreement may be executed in multiple counterparts, each of which is deemed an original hereof.

9.2 Oregon Law. This Agreement is governed by and shall be interpreted in accordance with the laws of the State of Oregon, without giving effect to any choice or conflict of laws provision or rule (whether of the State of Oregon or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than those of the State of Oregon.

NW Natural, Holdco and Merger Sub have each caused this Agreement to be executed by an authorized officer.

NORTHWEST NATURAL GAS COMPANY

By: _____

Its: _____

[HOLDCO]

By: _____

Its: _____

NWN MERGER SUB, INC.

By: _____

Its: _____

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

[*HOLDCO*]

(These Amended and Restated Articles of Incorporation of [*HOLDCO*] supersede its theretofore existing Articles of Incorporation.)

ARTICLE I

The name of this corporation is [*HOLDCO*], and its duration shall be perpetual.

ARTICLE II

The purposes of the corporation are to engage in any lawful activity for which corporations may be organized under the Oregon Business Corporation Act.

ARTICLE III

- A. The aggregate number of shares of capital stock which the corporation shall have authority to issue is 103,500,000 shares, divided into 3,500,000 shares of Preferred Stock, issuable in series as hereinafter provided, and 100,000,000 shares of Common Stock.
- B. A statement of the preferences, limitations and relative rights of each class of capital stock of the corporation, namely, the Preferred Stock and the Common Stock, of the variations in the relative rights and preferences as between series of the Preferred Stock, insofar as the same are fixed by these Restated Articles of Incorporation, and of the authority vested in the board of directors of the corporation to establish series of Preferred Stock and to fix and determine the variations in the relative rights and preferences as between series insofar as the same are not fixed by these Restated Articles of Incorporation, is as follows:

Preferred Stock

- 1. The shares of the Preferred Stock may be divided into and issued in series. Each series shall be so designated as to distinguish the shares thereof from the shares of all other series of the Preferred Stock and all other classes of capital stock of the corporation. To the extent that these Restated Articles of Incorporation shall not have established series of the Preferred Stock and fixed and determined the variations in the relative rights and preferences as between series, the board of directors shall have authority, and is hereby expressly vested with authority, to divide the Preferred Stock into series and, within the limitations set forth in these Restated Articles of Incorporation and such limitations as may be provided by law, to fix and determine the relative rights and preferences of any series of the Preferred Stock so established. Such action by the board of directors shall be expressed in a resolution or resolutions adopted by it prior to the issuance of shares of each series, which resolution or resolutions shall also set forth the distinguishing

designation of the particular series of the Preferred Stock established thereby. Without limiting the generality of the foregoing, authority is hereby expressly vested in the board of directors so to fix and determine with respect to any series of the Preferred Stock:

- (a) The rate of dividend and the relative preference of each series in the payment of dividends;
- (b) The price at which and the terms and conditions on which shares may be redeemed;
- (c) The amount payable upon shares in the event of voluntary and involuntary liquidation and the relative preference of each series on liquidation;
- (d) Sinking fund provisions, if any, for the redemption or purchase of shares;
- (e) The terms and conditions, if any, on which shares may be converted if the shares of any series are issued with the privilege of conversion; and
- (f) Any other relative right or preference as permitted by law.

All shares of the Preferred Stock of the same series shall be identical except that shares of the same series issued at different times may vary as to the dates from which dividends thereon shall be cumulative; and all shares of the Preferred Stock, irrespective of series, shall constitute one and the same class of stock and shall be identical except as to the designation thereof, the date or dates from which dividends on shares thereof shall be cumulative, and the relative rights and preferences set forth above in clauses (a) through (f) of this subdivision, as to which there may be variations between different series. Except as otherwise may be provided by law or by the resolutions establishing any series of Preferred Stock in accordance with the foregoing provisions of this subdivision, whenever the written consent, affirmative vote, or other action on the part of the holders of the Preferred Stock may be required for any purpose, such consent, vote or other action shall be taken by the holders of the Preferred Stock as a single class irrespective of series and not by different series.

2. The holders of shares of the Preferred Stock of each series shall be entitled to receive dividends, when and as declared by the board of directors, out of any funds legally available for the payment of dividends, at the annual rate fixed and determined with respect to each series either by these Restated Articles of Incorporation or in accordance with subdivision III. B. 1., and no more, payable quarterly on the 15th day of February, May, August and November in each year or on such other date or dates as the board of directors shall determine in the resolutions establishing such series. Such dividends shall be cumulative in the case of shares of each series either from the date of issuance of shares of such series or from the first day of the current dividend period within which shares of such series shall be issued, as the board of directors shall determine, so that if dividends on all outstanding shares of each particular series of the Preferred Stock, at the annual dividend rates fixed and determined either by these Restated Articles of

Incorporation or in accordance with subdivision III. B. 1., shall not have been paid or declared and set apart for payment for all past dividend periods and for the then current dividend periods, the deficiency shall be fully paid or dividends equal thereto declared and set apart for payment at said rates before any dividends on the Common Stock shall be paid or declared and set apart for payment. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.

3. In the event of any dissolution, liquidation or winding up of the corporation, before any distribution or payment shall be made to the holders of the Common Stock, the holders of the Preferred Stock of each series then outstanding shall be entitled to be paid out of the net assets of the corporation available for distribution to its shareholders the respective amounts per share fixed and determined with respect to each series either by these Restated Articles of Incorporation or in accordance with subdivision III. B. 1., and no more. If upon dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary, the net assets of the corporation available for distribution to its shareholders shall be insufficient to pay the holders of all outstanding shares of Preferred Stock of all series the full amounts to which they shall be respectively entitled as aforesaid, the net assets of the corporation so available for distribution shall be distributed to the holders of Preferred Stock in accordance with the relative preferences of each series of Preferred Stock established either by these Restated Articles of Incorporation or in accordance with subdivision III. B. 1. For the purposes of this subdivision, any dissolution, liquidation or winding up which may arise out of or result from the condemnation or purchase of all or a major portion of the properties of the corporation by (i) the United States Government or any authority, agency or instrumentality thereof (ii) a State of the United States or any political subdivision, authority, agency or instrumentality thereof, or (iii) a district, cooperative or other association or entity not organized for profit, shall be deemed to be an involuntary dissolution, liquidation or winding up; and a consolidation, merger or amalgamation of the corporation with or into any other corporation or corporations shall not be deemed to be a dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary.
4. The holders of shares of the Preferred Stock shall have no right to vote in the election of directors or for any other purpose, except as may be otherwise provided by law or by resolutions establishing any series of Preferred Stock in accordance with subdivision III. B. 1. Holders of Preferred Stock shall be entitled to notice of each meeting of shareholders at which they shall have any right to vote, but shall not be entitled to notice of any other meeting of shareholders.

Common Stock

5. Subject to the limitations set forth in subdivisions III. B. 2. (and subject to the rights of any class of stock hereafter authorized), dividends may be paid upon the Common Stock when and as declared by the board of directors of the corporation out of any funds legally available for the payment of dividends.

6. Subject to the limitations set forth in subdivisions III. B. 3. (and subject to the rights of any other class of stock hereafter authorized), upon any dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary, the net assets of the corporation shall be distributed ratably to the holders of the Common Stock.
7. Except as may be otherwise provided by law or by the resolutions establishing any series of Preferred Stock in accordance with subdivision III. B. 1., the holders of the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes. In the election of directors of the corporation, every holder of record of any share or shares of the Common Stock of the corporation shall have the right to cast as many votes for one candidate as shall equal the number of such shares multiplied by the number of directors to be elected, or to distribute such number of votes among any two or more candidates for such election.
8. Upon the issuance for money or other consideration of any shares of capital stock of the corporation, or of any security convertible into capital stock of the corporation, no holder of shares of the capital stock, irrespective of the class or kind thereof, shall have any preemptive or other right to subscribe for, purchase or receive any proportionate or other amount of such shares of capital stock, or such security convertible into capital stock, proposed to be issued; and the board of directors may cause the corporation to dispose of all or any of such shares of capital stock, or of any such security convertible into capital stock, as and when said board may determine, free of any such right, either by offering the same to the corporation's then shareholders or by otherwise selling or disposing of such shares of other securities, as the board of directors may deem advisable.

ARTICLE IV

- A. The business and affairs of the corporation shall be managed by a board of directors. Except as provided in subdivision B. below, the number of members of the board, their classifications and terms of office, and the manner of their election and removal shall be as follows:
 1. The number of directors shall be that number, not less than nine or more than thirteen, determined from time to time by resolution adopted by affirmative vote of a majority of the entire board of directors. The directors shall be divided into three classes, designated Class I, Class II, and Class III. Each class shall consist, as nearly as possible, of one-third of the total number of directors. At the 1984 annual meeting of shareholders, Class I directors shall be elected for a one-year term, Class II directors for a two-year term, and Class III directors for a three-year term. At each succeeding annual meeting of shareholders, successors to directors whose terms expire at that annual meeting shall be of the same class as the directors they succeed, and shall be elected for three-year terms. If the number of directors should be changed by resolution of the board of directors, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

2. A director shall hold office until the annual meeting for the year in which his or her term shall expire and until his or her successor shall have been elected and qualified, subject, however, to prior death, resignation, retirement or removal from office. Any newly created directorship resulting from an increase in the number of directors and any other vacancy on the board of directors, however caused, may be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director.
 3. One or more of the directors may be removed with or without cause by the affirmative vote of the holders of not less than two-thirds of the shares entitled to vote thereon at a meeting of the shareholders called expressly for that purpose; provided, however, that for as long as the corporation shall have cumulative voting, if fewer than all the directors should be candidates for removal, no one of them shall be removed if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of the class of directors of which he or she shall be a part.
 4. No person, except those persons nominated by the board, shall be eligible for election as a director at any annual or special meeting of shareholders unless a written request that his or her name be placed in nomination shall be received from a shareholder of record entitled to vote at such election by the secretary of the corporation not later than the latter of (a) the thirtieth day prior to the date fixed for the meeting, or (b) the tenth day after the mailing of notice of that meeting, together with the written consent of the nominee to serve as a director.
- B. Notwithstanding the provisions of subdivision A. above, whenever the holders of any one or more classes of the capital stock of the corporation shall have the right, voting separately as a class or classes, to elect directors at an annual or special meeting of shareholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the provisions of these Restated Articles of Incorporation applicable thereto. Directors so elected shall not be divided into classes unless expressly provided by such provisions, and during their prescribed terms of office, the board of directors shall consist of such directors in addition to the directors determined as provided in subdivision A. above.
- C. This Article IV may not be repealed or amended in any respect unless such action shall be approved by the affirmative vote of the holders of not less than two-thirds of the shares entitled to vote at an election of directors determined as provided in subdivision A. above, at a meeting of the shareholders called expressly for that purpose.

ARTICLE V

A. For purposes of this Article V:

1. The term “Affiliate”, as used to indicate a relationship with a specified “Persons” (as hereinafter defined), shall mean a Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified.

2. The term “Associate”, as used to indicate a relationship with a specified Person, shall mean (a) any Person (other than the corporation) of which such specified Person is a director, officer, partner, trustee, guardian, fiduciary or official or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities or any beneficial interest, (b) any Person who is a director, officer, partner, trustee, guardian, fiduciary or official or is, directly or indirectly, the beneficial owner of 10% or more of any class of equity securities or any beneficial interest of or in such specified Person (other than the corporation), and (c) any relative or spouse of such specified Person, or any relative of such spouse who has the same home as such specified Person.
3. The term “Beneficial Owner” shall have the meaning set forth in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 as in effect on April 9, 1984; provided, however, that, notwithstanding the provisions of such Rule, a Person shall be deemed to be the Beneficial Owner of any share of the capital stock of the corporation that such Person shall have the right to acquire at any time pursuant to any agreement, contract, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise, and any such share of capital stock shall be deemed to be outstanding for purposes of subdivision V.A.9.
4. The term “Business Transaction” shall include, without limitation, (a) any merger, consolidation or plan of exchange of the corporation, or any Person controlled by or under common control with the corporation, with or into any “Related Person” (as hereinafter defined), (b) any merger, consolidation or plan of exchange of a Related Person with or into the corporation or any Person controlled by or under common control with the corporation, (c) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of transactions) including without limitation a mortgage or any other security device, of all or any “Substantial Part” (as hereinafter defined) of the property and assets of the corporation, or any Person controlled by or under common control with the corporation, to or with a Related Person, (d) any purchase, lease, exchange, transfer or other acquisition (in one transaction or a series of transactions), including without limitation a mortgage or any other security device, of all or any Substantial Part of the property and assets of a Related Person, by or with the corporation or any Person controlled by or under common control with the corporation, (e) any recapitalization of the corporation that would have the effect of increasing the voting power of a Related Person, (f) the issuance, sale, exchange or other disposition of any securities of the corporation, or of any Person controlled by or under common control with the corporation, by the corporation or by any Person controlled by or under common control with the corporation, (g) any liquidation, spinoff, splitoff, splitup or dissolution of the corporation, and (h) any agreement, contract or other arrangement providing for any of the transactions described in this subdivision.
5. The term “Continuing Director” shall mean a director who was a director of the corporation on April 9, 1984 and a director who shall become a director subsequent thereto whose election, or whose nomination for election by the shareholders, shall have been approved by a vote of a majority of the then Continuing Directors.

6. The term “Highest Purchase Price” shall mean, with respect to the shares of any class or series of the capital stock of the corporation, the highest amount of consideration paid by a Related Person for a share of the same class and series at any time regardless of whether the share was acquired before or after such Related Person became a Related Person; provided, however, that the Highest Purchase Price shall be appropriately adjusted to reflect the occurrence of any reclassification, recapitalization, stock split, reverse stock split or other readjustment in the number of outstanding shares of that class or series, or the declaration of a stock dividend thereon. The Highest Purchase Price shall include any brokerage commissions, transfer taxes and soliciting dealers’ fees paid by such Related Person with respect to any shares of the capital stock acquired by such Related Person.
 7. The term “Other Consideration” shall include, without limitation, capital stock to be retained by the shareholders of the corporation in a Business Transaction in which the corporation shall be the survivor.
 8. The term “Person” shall mean any natural person, corporation, partnership, trust, firm, association, government, governmental. agency or any other entity whether acting in an individual, fiduciary or other capacity.
 9. The term “Related Person” shall mean (a) any Person which, together with its Affiliates and Associates, shall be the Beneficial Owner in the aggregate of 10 percent or more of the capital stock of the corporation, and (b) any Affiliate or Associate (other than the corporation or a wholly owned subsidiary of the corporation) of any such Person. Two or more Persons acting in concert for the purpose of acquiring, holding or disposing of the capital stock of the corporation shall be deemed to be a “Related Person”. A Related Person shall be deemed to have acquired a share of capital stock at the time when such Related Person became the Beneficial Owner thereof. With respect to the shares of the capital stock of the corporation owned by any Related Person, if the price paid for such shares cannot be determined by a majority of the Continuing Directors, the price so paid shall be deemed to be the market price of the shares in question at the time when such Related Person became the Beneficial Owner thereof.
 10. The term “Substantial Part” shall mean 10% or more of the fair market value of the total assets of a Person, as reflected on the most recent balance sheet of such Person available to the Continuing Directors on the date of mailing of the notice of the meeting of shareholders called for the purpose of voting with respect to a Business Transaction involving the assets constituting any such Substantial Part.
- B. The corporation shall not enter into any Business Transaction with a Related Person or in which a Related Person shall have an interest (except proportionately as a shareholder of the corporation) without first obtaining both (1) the affirmative vote of the holders of not less than two-thirds of the outstanding shares of the capital stock of the corporation not held by such Related Person, and (2) the determination of a majority of the Continuing Directors that the cash or fair market value of the property, securities or Other Consideration to be received per share by the holders, other than such Related Person, of the shares of each class or series

of the capital stock of the corporation in such Business Transaction shall not be less than the Highest Purchase Price paid by such Related Person in acquiring any of its holdings of shares of the same class or series, unless the Continuing Directors by a majority vote shall either (a) have expressly approved the acquisition of the shares of the capital stock of the corporation that caused such Related Person to become a Related Person, or (b) have expressly approved such Business Transaction.

- C. For the purposes of this Article V, a majority of the Continuing Directors shall have the power to make a good faith determination, on the basis of information known to them, of: (1) the number of shares of capital stock of the corporation of which any Person shall be the Beneficial Owner, (2) whether a Person is an Affiliate or Associate of another Person, (3) whether a Person has an agreement, contract, arrangement or understanding with another Person as to the matters referred to in subdivision V.A.3. or clause (h) of subdivision V.A.4., (4) the Highest Purchase Price paid by a Related Person for shares of any class or series of the capital stock, (5) whether the assets subject to any Business Transaction constitute a Substantial Part, (6) whether any Business Transaction is one in which a Related Person has an interest (except proportionately as a shareholder of the corporation), and (7) such other matters with respect to which a determination may be required under this Article V.
- D. In determining whether to give their approval as provided in subdivision V.B., the Continuing Directors shall give due consideration to all relevant factors involved, including, without limitation, (1) the value of the corporation in a freely negotiated transaction and its future value as an independent entity, (2) the recognition of gain or loss to the corporation for tax purposes or the postponement of such recognition in a tax-free transaction, (3) the anticipated developments of the business of the corporation not yet reflected in the price of its shares, and (4) the impact on employees, customers, suppliers and the public generally within the geographical area it serves.
- E. This Article V may not be repealed or amended in any respect unless such action shall be approved by the affirmative vote of the holders of not less than two-thirds of the capital stock of the corporation not held by a Related Person at a meeting of the shareholders called expressly for that purpose.

ARTICLE VI

No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for conduct as a director; provided that this Article VI shall not eliminate the liability of a director for any act or omission for which such elimination of liability is not permitted under the Oregon Business Corporation Act. No amendment to the Oregon Business Corporation Act that further limits the acts or omissions for which elimination of liability is permitted shall affect the liability of a director for any act or omission which occurs prior to the effective date of such amendment.

ARTICLE VII

The corporation shall indemnify to the fullest extent then permitted by law any person who is made, or threatened to be made, a party to any threatened, pending or completed action, suit or

proceeding, whether civil, criminal, administrative, investigative or otherwise (including an action, suit or proceeding by or in the right of the corporation) by reason of the fact that the person is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against all judgments, amounts paid in settlement, fines and such expenses (including attorneys' fees), actually and reasonably incurred in connection therewith. This Article shall not be deemed exclusive of any other provisions for indemnification of directors and officers that may be included in any statute, bylaw, agreement, vote of shareholders or directors or otherwise, both as to action in any official capacity and as to action in another capacity while holding an office.

CERTIFICATE OF SERVICE

I hereby certify that I served a true and correct copy of the foregoing document in UM 1804 on the following named person(s) on the date indicated below by email addressed to said person(s) at his or her last-known address(es) indicated below.

Tommy A. Brooks
Cable Huston Benedict Haagensen & Lloyd
tbrooks@cablehuston.com

Chad M. Stokes
Cable Huston Benedict Haagensen & Lloyd Llp
cstokes@cablehuston.com

OPUC Dockets
Citizens' Utility Board Of Oregon
dockets@oregoncub.org

Robert Jenks
Citizens' Utility Board of Oregon
bob@oregoncub.org

Dated: February 10, 2017



Wendy McIndoo
Office Manager