



e-FILING REPORT COVER SHEET

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes If yes, submit a redacted public version (or a cover letter) by email. Submit the confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

Select report type: RE (Electric) RG (Gas) RW (Water) RT (Telecommunications)
 RO (Other, for example, industry safety information)

Did you previously file a similar report? No Yes, report docket number: RG 8

Report is required by: OAR 860-027-0100 and 860-027-0048(6)

Statute

Order

Note: A one-time submission required by an order is a compliance filing and not a report (file compliance in the applicable docket)

Other

(For example, federal regulations, or requested by Staff)

Is this report associated with a specific docket/case? No Yes, docket number: RG 8

List Key Words for this report. We use these to improve search results.

Affiliated Interest Report, Cost Allocation Manual Reporting Year 2018, NW Natural, RG 8

Send the completed Cover Sheet and the Report in an email addressed to PUC.FilingCenter@state.or.us

Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.

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VIA ELECTRONIC FILING AND US MAIL

April 30, 2019

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

Re: RG 8 - 2018 Affiliated Interest Report and Cost Allocation Manual

In accordance with OAR 860-027-0100 and OAR 860-027-0048(6), enclosed please find the 2018 Affiliated Interest Report and Cost Allocation Manual for Northwest Natural Gas Company, dba NW Natural (NW Natural or Company).

Confidential information designated in this report and enclosed exhibits includes commercially sensitive information considered to be a trade secret and is provided as confidential under OAR 860-001-0070.

This 2018 Affiliated Interest Report includes the following enclosed exhibits:

- Confidential Exhibit A provides affiliated interest financial statements.
- Confidential Exhibit B provides the Company's Cost Allocation Manual.
- Confidential Exhibit C provides NW Natural's Master Service Agreement in compliance with Stipulating Condition No. 26 of Order No. 17-526.
- Exhibit D provides officer contact information in compliance with Stipulating Condition No. 32 of Order No. 17-526.
- Exhibit E provides an itemization of NW Holdings M&A and divestiture activity in compliance with Stipulating Condition No. 33 of Order No. 17-526.
- Exhibit F provides the report on compliance and officer attestation in compliance with Stipulating Condition No. 32 of Order No. 17-526.

Please note that there have been no changes to the enclosed Cost Allocation Manual (Exhibit B) and Master Service Agreement (Exhibit C) since NW Natural's filing of these same documents on December 28, 2018, in docket UM 1804. Please see Chart 1 in this Affiliated Interest Report for an updated organization chart.

If you have any questions or need further information, please let me know.

Sincerely,

/s/ Natasha Siores

Natasha Siores
Manager, Regulatory Compliance

Enclosures

cc: Shawn Filippi
Brody Wilson
Alison Pear

NW Natural

Affiliated Interest Report

For the year ended December 31, 2018

Table of Contents

- I. Organization – see Organization Chart 1
 - A. Changes in Officers and Directors
 - B. Changes in Ownership
 - C. Affiliate Descriptions
 - D. Financial Statements – see Exhibit A
- II. Transactions
- III. Loans
- IV. Debt Guarantees
- V. Other Transactions
- VI. Employee Transfers
- VII. Cost Allocations- see Exhibit B

Exhibits:

- Confidential Exhibit A – Financial Statements of Affiliated Interests
- Confidential Exhibit B – Cost Allocation Manual
- Confidential Exhibit C – Master Services Agreement
- Exhibit D – Stipulating Condition No. 32 – Office contact information
- Exhibit E – Stipulating Condition No. 33 – Itemization of HoldCo M&A and divestiture activity
- Exhibit F – Stipulating Condition No. 32 – Report on Compliance and Officer Attestation

NORTHWEST NATURAL GAS COMPANY
AFFILIATED INTEREST REPORT
FOR THE CALENDAR YEAR ENDING DECEMBER 31, 2018

This report is filed with the Public Utility Commission of Oregon (OPUC) in compliance with Oregon Administrative Rule (OAR) 860-027-0100.

I. An organization chart showing the parent company, all subsidiaries, and the percentage ownership for each.

See the Organizational Chart 1 of Northwest Natural Gas Company's ("NW Natural" or "NWN") parent company, Northwest Natural Holding Company ("NW Holdings"), attached to this Affiliated Interest Report.¹

(A) 2018 changes in the list of directors and/or officers common to the regulated utility and to the affiliated interest.

NORTHWEST NATURAL HOLDING COMPANY²

DIRECTORS

Tod R. Hamachek, Chair	C. Scott Gibson
David H. Anderson	Jane L. Peverett
Timothy P. Boyle	Kenneth Thrasher
Martha L. ("Stormy") Byorum	Malia H. Wasson
John D. Carter	Charles A. Wilhoite
Mark S. Dodson	

OFFICERS

<u>Names</u>	<u>2018</u>
David H. Anderson	President and Chief Executive Officer
Frank H. Burkhartsmeier	Senior Vice President and Chief Financial Officer
MardiLyn Saathoff	Senior Vice President and General Counsel
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer

¹ Effective October 1, 2018, NW Natural completed a reorganization into a holding company structure (the "Reorganization") as approved by the OPUC in 2017 in Order No. 17-526.

² Directors and Officers as of October 1, 2018, when the holding company reorganization became effective. Changes that occurred during 2018 or after October 1, 2018, have been noted. Before October 1, 2018, David H. Anderson was the sole director of NW Holdings and NWN Merger Sub, Inc.

Brody J. Wilson

Vice President, Chief Accounting Officer,
Controller, and Treasurer

NORTHWEST NATURAL GAS COMPANY³

DIRECTORS

Tod R. Hamachek, Chair
David H. Anderson
Timothy P. Boyle
Martha L. ("Stormy") Byorum
John D. Carter
Mark S. Dodson

C. Scott Gibson
Jane L. Peverett
Kenneth Thrasher
Malia H. Wasson
Charles A. Wilhoite
Steven E. Wynne

CHANGES IN MEMBERS OF THE BOARD

- Mr. Wilhoite was appointed to the Board of Directors effective August 1, 2018.
- Mr. Wynne was appointed to the Board of Directors effective October 2, 2018.

OFFICERS

<u>Names</u>	<u>2018</u>
David H. Anderson	President and Chief Executive Officer
Frank H. Burkhartsmeier	Senior Vice President and Chief Financial Officer
Lea Anne Doolittle	Senior Vice President and Chief Administrative Officer ⁴
MardiLyn Saathoff	Senior Vice President, Regulation and General Counsel
James Downing	Vice President and Chief Information Officer
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer
Kimberly A. Heiting	Senior Vice President, Operations and Chief Marketing Officer
Jon G. Huddleston	Vice President, Engineering and Utility Operations
Thomas J.M. Imeson	Vice President, Public Affairs

³ Directors and Officers as of December 31, 2018. Changes that occurred during 2018 or after December 31, 2018, have been noted.

⁴ Ms. Doolittle retired as Senior Vice President and Chief Administrative Officer as of December 31, 2018.

Justin Palfreyman	Vice President, Strategy and Business Development
Melinda B. Rogers	Vice President and Chief Human Resources and Diversity Officer
Lori L. Russell	Vice President, Utility Services
Brody J. Wilson	Vice President, Chief Accounting Officer, Controller, and Treasurer

CHANGES IN OFFICERS

- Ms. Heiting was appointed Senior Vice President, Communications and Chief Marketing Officer as of January 1, 2018. Ms. Heiting became Senior Vice President, Operations and Chief Marketing Officer as of March 31, 2018.
- Mr. Huddleston was appointed Vice President, Engineering and Utility Operations effective March 31, 2018.
- Ms. Rogers was appointed Vice President and Chief Human Resources and Diversity Officer as of August 1, 2018.
- Mr. Imeson retired effective March 31, 2019, and Ms. Kathryn M. Williams became Vice President, Public Affairs.

NNG FINANCIAL CORPORATION

Wholly-owned subsidiary of Northwest Natural Holding Company (*effective October 1, 2018*)

Type of operations: Financial

Year Created: 1984

BOARD OF DIRECTORS

David H. Anderson, Chair*

MardiLyn Saathoff*

Frank H. Burkhartsmeier*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- No changes.

OFFICERS OF THE CORPORATION

David H. Anderson* President and Chief Executive Officer

Brody J. Wilson* Treasurer and Controller

Shawn M. Filippi* Corporate Secretary

Alison M. Pear Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- No changes.

KB PIPELINE COMPANY

Wholly-owned subsidiary of NNG Financial Corporation
Type of Operations: Gas Pipeline, Owner
Year Created: 1991

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- No changes.

OFFICERS OF THE COMPANY

David A., Weber	President
Randolph S. Friedman	Vice President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- David A. Weber was appointed President as of March 31, 2018.

NORTHWEST ENERGY CORPORATION

Wholly-owned subsidiary of Northwest Natural Gas Company
Type of Operations: Non-Operating Holding Company
Year Created: 2001

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- No changes.

OFFICERS OF THE CORPORATION

David H. Anderson*	President and Chief Executive Officer
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- No changes.

NWN GAS RESERVES LLC

Wholly-owned subsidiary of Northwest Energy Corporation
Type of Operations: Natural Gas Reserves Development
Year Created: 2013

MANAGEMENT

Manager-managed
Manager: Board of Directors

BOARD OF DIRECTORS

David H. Anderson*
Frank H. Burkhartsmeyer*
MardiLyn Saathoff*
David A. Weber

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- David A. Weber was appointed as a director effective March 31, 2018.

OFFICERS OF THE LIMITED LIABILITY COMPANY

David H. Anderson*	President and Chief Executive Officer
Justin B. Palfreyman*	Vice President
David A. Weber	Vice President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- Justin B. Palfreyman was appointed Vice President as of April 1, 2018.
- David A. Weber was appointed Vice President as of April 1, 2018.

TRAIL WEST HOLDINGS, LLC

50% membership interest owned by NW Natural Energy, LLC
50% membership interest owned by TransCanada American Investment Ltd.
Type of Operations: Gas Pipeline Owner
Year created: 2006

MANAGEMENT

Management is by Management Committee consisting of: Russell Mahan, TransCanada and Justin Palfreyman, NW Natural Energy, LLC.

TRAIL WEST PIPELINE, LLC

Wholly-owned subsidiary of Trail West Holdings, LLC
Type of Operations: Gas Pipeline Owner and Operator
Year Created: 2006

MANAGEMENT

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

BL CREDIT HOLDINGS, LLC

Wholly-owned subsidiary of Trail West Pipeline, LLC.
Type of Operations: Gas Transportation
Year Created: 2009

MANAGEMENT

BL Credit Holdings, LLC is member-managed.

OFFICERS OF THE LIMITED LIABILITY COMPANY

No officers of NWN are officers of the limited liability company.

NW NATURAL ENERGY, LLC

Wholly-owned subsidiary of Northwest Natural Holding Company (*effective October 1, 2018*)
Type of Operations: Holding Company
Year Created: 2009

MANAGEMENT

NW Natural Energy, LLC is manager-managed
Manager: Board of Directors

BOARD OF DIRECTORS

David H. Anderson*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- Lea Anne Doolittle resigned as director effective as of December 31, 2018.

OFFICERS OF THE LIMITED LIABILITY COMPANY

David H. Anderson*	President and Chief Executive Officer
Justin Palfreyman*	Vice President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- No changes.

NW NATURAL GAS STORAGE, LLC

Wholly-owned subsidiary of NW Natural Energy, LLC
Type of Operations: Natural Gas Storage Development and Holding Company
Year Created: 2009

MANAGEMENT

NW Natural Gas Storage, LLC is manager-managed
Manager: Board of Directors

BOARD OF DIRECTORS

David H. Anderson*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- Lea Anne Doolittle resigned as director effective as of December 31, 2018.

OFFICERS OF THE LIMITED LIABILITY COMPANY

David A. Weber	President and Chief Executive Officer
Justin Palfreyman*	Vice President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

Alison M. Pear

Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- No changes.

GILL RANCH STORAGE, LLC

Wholly-owned subsidiary of NW Natural Gas Storage, LLC

Type of Operations: Natural Gas Storage

Year Created: 2007

MANAGEMENT

Gill Ranch Storage, LLC is manager-managed

Manager: Board of Directors

BOARD OF DIRECTORS

David H. Anderson*

Frank H. Burkhartsmeier*

MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- Lea Anne Doolittle resigned as director effective as of December 31, 2018.

OFFICERS OF THE LIMITED LIABILITY COMPANY

David A. Weber President and Chief Executive Officer

Justin Palfreyman* Vice President

Brody J. Wilson* Treasurer and Controller

Shawn M. Filippi* Corporate Secretary

Alison M. Pear Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- No changes.

NW NATURAL WATER COMPANY, LLC

Wholly-owned subsidiary of Northwest Natural Holding Company

Type of Operations: Non-Operating Holding Company

Year Created: 2017

BOARD OF DIRECTORS

David H. Anderson, Chair*

Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- Lea Anne Doolittle was appointed to the Board of Directors on April 30, 2018, and resigned effective as of December 31, 2018.

OFFICERS OF THE CORPORATION

Justin Palfreyman*	President and Chief Executive Officer
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- Effective May 1, 2018, Mr. Palfreyman replaced Mr. Anderson as President and Chief Executive Officer.
- Effective May 1, 2018, Ms. Pear was added as Assistant Corporate Secretary.

NW NATURAL WATER OF OREGON, LLC

Wholly-owned subsidiary of Northwest Natural Water Company, LLC
Type of Operations: Water Company
Year Created: 2018

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

No changes.

NW NATURAL WATER OF WASHINGTON, LLC

Wholly-owned subsidiary of Northwest Natural Water Company, LLC

Type of Operations: Water Company

Year Created: 2018 (Washington)

BOARD OF DIRECTORS

David H. Anderson, Chair*

Frank H. Burkhartsmeier*

MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman* President

Brody J. Wilson* Treasurer and Controller

Shawn M. Filippi* Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

No changes.

CASCADIA WATER, LLC

Wholly-owned subsidiary of Northwest Natural Water Company, LLC

Type of Operations: Water Company

Year Created: 2018 (Washington)

BOARD OF DIRECTORS

David H. Anderson, Chair*

Frank H. Burkhartsmeier*

MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary
Alison M. Pear	Assistant Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- Effective June 1, 2018, Mr. Palfreyman replaced David H. Anderson as President.
- Effective June 1, 2018, Ms. Pear was added as Assistant Corporate Secretary.

NW NATURAL WATER OF IDAHO, LLC

Wholly-owned subsidiary of Northwest Natural Water Company, LLC
Type of Operations: Water Company
Year Created: 2018 (Idaho)

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

No changes.

GEM STATE WATER COMPANY, LLC

Wholly-owned subsidiary of Northwest Natural Water of Idaho, LLC
Type of Operations: Water Company
Year Created: 2018 (Idaho)

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

No changes.

FALLS WATER CO., INC.

Wholly-owned subsidiary of Northwest Natural Water Company, LLC
Type of Operations: Water Company
Year Acquired: 2018 (Idaho); acquired by merger with FWC Merger Sub, Inc. on September 12, 2018

BOARD OF DIRECTORS⁵

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes after September 12, 2018, effective date of merger.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

⁵ Board of Directors effective as September 12, 2018, upon completion of the merger.

CHANGES IN OFFICERS

All officers appointed as of November 30, 2018.

FWC MERGER SUB, INC.

Wholly-owned subsidiary of NW Natural Water Company, LLC
Type of Operations: Non-Operating Merger Sub Corporation
Year Created: 2017 (Idaho); MERGED INTO FALLS WATER CO., INC.
EFFECTIVE September 12, 2018

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

No changes; merged into Falls Water Co., Inc. effective September 12, 2018.

OFFICERS OF THE CORPORATION

David H. Anderson*	President and Chief Executive Officer
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

No changes; merged into Falls Water Co., Inc. effective September 12, 2018.

SALMON VALLEY WATER COMPANY

Wholly-owned subsidiary of Northwest Natural Water Company, LLC
Type of Operations: Water Company
Year Acquired: 2018; Acquired through purchase of outstanding stock effective
November 2, 2018.

BOARD OF DIRECTORS

David H. Anderson, Chair*
Frank H. Burkhartsmeier*
MardiLyn Saathoff*

(*Officer of NWN)

CHANGES IN MEMBERS OF THE BOARD

- All members of the Board of Directors as of December 31, 2018 were appointed effective as of December 1, 2018.

OFFICERS OF THE CORPORATION

Justin B. Palfreyman*	President
Brody J. Wilson*	Treasurer and Controller
Shawn M. Filippi*	Corporate Secretary

(*Officer of NWN)

CHANGES IN OFFICERS

- All officers as of December 31, 2018 were appointed effective as of December 1, 2018.

NORTHWEST BIOGAS, LLC

50% membership interest owned by Northwest Natural Holding Company
50% membership interest owned by BEF Renewable Incorporated
Type of Operations: Biodigester Owner
Year Created: 2008

Northwest Biogas, LLC is member-managed
Managing Member: Northwest Natural Holding Company

MANAGEMENT

Northwest Biogas, LLC is member-managed
Managing Member: Northwest Natural Holding Company

OFFICERS OF THE LIMITED LIABILITY COMPANY

Angus Duncan**	President
Barbara Summers	Vice President
Felicia Phillips**	Treasurer and Controller

** Not employees of NWN or its affiliates.

CHANGES IN OFFICERS

- Felicia Phillips was appointed Treasurer and Controller effective as of September 30, 2018.

(B) *Changes in successive ownership between the regulated utility and affiliated interest.*

As previously disclosed, effective October 1, 2018, NW Natural completed a reorganization into a holding company structure, as approved by the OPUC in 2017 pursuant to Order No. 17-526. More information about this restructuring has been submitted to the OPUC in docket UM 1804. To effect the

Reorganization, NWN Merger Sub, Inc., a wholly owned subsidiary of NW Holdings, was merged with and into NW Natural and each outstanding share of NW Natural common stock was converted into one share of NW Holdings common stock, so that the holders of NW Natural common stock would become holders of NW Holdings common stock and NW Natural would become a wholly owned subsidiary of NW Holdings. Contemporaneously with the effective time of the merger, when NW Holdings became the sole holder of NW Natural common stock, NW Natural transferred to NW Holdings all outstanding shares of each of its subsidiaries other than Northwest Energy Corporation and that entity's subsidiary, NWN Gas Reserves LLC, which comprise part of the regulated gas utility business of NW Natural.

(C) A narrative description of each affiliated entity with which the regulated utility does business. State the factor(s) giving rise to the affiliation.

In addition to the information provided below, see the Cost Allocation Manual included as Exhibit B to this Affiliated Interest Report for further descriptions of the activities with which NWN has affiliated transactions.

NW Natural Holdings

Northwest Natural Holding Company ("NW Holdings") is the parent company of NWN (effective October 1, 2018).

Affiliated transactions between NWN and NW Holdings generally include:

- Direct charges of NWN's payroll and administrative expense for NW Holdings' use of NWN staff;
- Infrequent vendor payments may be made by NWN on behalf of the NW Holdings which are then subsequently direct charged to the NW Holdings and reimbursed to NWN through intercompany billings;
- Insurance may be purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NW Holdings and reimbursed to NWN through intercompany billings; and
- Equity distributions/contributions and dividends between NWN and NW Holdings;
- Payments between NWN and NW Holdings for current tax expense or benefit; and
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual.

NNG Financial Corporation

NNG Financial Corporation ("NNGFC") owns 100% of the stock of KB Pipeline Company ("KBPC"). Effective October 1, 2018, NNGFC became a wholly-owned subsidiary of NW Holdings. See KBPC activities described below.

Affiliated transactions between NWN and NNGFC generally include:

- Direct charges of NWN's payroll and administrative expense for NNGFC's use of NWN staff;
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Vendor payments made by NWN on behalf of NNGFC, which are then subsequently direct charged to NNGFC and reimbursed to NWN through intercompany billings;
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NWN Energy and reimbursed to NWN through intercompany billings;
- Equity distributions/contributions between NWN and NNGFC (pre-October 1, 2018 only);
- Payments between NWN and NNGFC for NNGFC's current tax expense or benefit (pre-October 1, 2018 only); and
- Payments from NWN to NNGFC for KBPC demand and commodity transportation charges.

KB Pipeline Company

KB Pipeline Company ("KBPC") is a wholly-owned subsidiary of NNG Financial Corporation ("NNGFC"). KBPC owns a 10% interest in, and is the former operator of, an interstate natural gas pipeline known as the Kelso-Beaver Pipeline. The pipeline runs between Kelso, Washington and Clatskanie, Oregon, and is regulated by the Federal Energy Regulatory Commission ("FERC"). The other owners of the Kelso-Beaver Pipeline are Portland General Electric Company (79.5%) and B-R Pipeline Company (10.5%). Each of the co-owners has a separate FERC certificate regarding the ownership and transportation of gas on its share of the pipeline. Pursuant to a memorandum from the Public Utility Commission of Oregon, dated October 15, 1992, KBPC is not required to file a separate affiliated interest report to the OPUC under OAR 860-27-040.

In 1991, FERC issued KBPC a certificate of public convenience and necessity under Part 157 of its regulations to construct, own, and transport gas for NW Natural using its 10% share of the capacity of the Kelso-Beaver Pipeline at FERC-approved rates. See, *Portland General Electric Co.*, 57 FERC ¶ 61,095 (1991), amended, 57 FERC ¶ 61,312 (1991). Currently, KBPC's share of the pipeline is not open access so it may only provide transportation service to NW Natural. NW Natural and KBPC are parties to a gas transportation agreement with respect to such transportation service, whereby the Kelso-Beaver Pipeline is obligated to receive and deliver a specified amount of natural gas from NW Natural in exchange for a demand charge and a volumetric fee.

KBPC has no separate employees of its own. It uses employees shared with NW Natural to accomplish its *de minimis* business functions. In terms of the FERC Standards of Conduct ("SOC") regulations that apply to relationships between transmission providers and their marketing and energy affiliates, since 2008, in Order No. 717, FERC concluded that the revised SOC rules do not apply to non-open access interstate pipelines that are certificated only under Part

157 of FERC's regulations, such as KBPC's share of the Kelso-Beaver Pipeline. Given this, KBPC is not required to comply with the current FERC SOC regulations with respect to its affiliated relationship with NW Natural, and KBPC and NW Natural may continue to share employees as necessary to conduct the business of KBPC.

Effective December 1, 2004, KBPC resigned as operator of the Kelso-Beaver Pipeline. Since that date, certain operator responsibilities were handled under contract by Cascade Natural Gas Corporation ("Cascade"), which is not affiliated with any of the co-owners. Cascade resigned as the operator effective December 31, 2010, and since that time, co-owner Portland General Electric ("PGE") has assumed the operator responsibilities for the pipeline.

Northwest Energy Corporation

NW Natural wholly owns Northwest Energy Corporation ("NW Energy Corp"), which was formed in 2001 to serve as the holding company for NW Natural and PGE in the event that the proposed acquisition of PGE was completed. However, the acquisition effort was terminated in May 2002, and the corporation remained dormant until 2013. Since 2013, NW Energy Corp has served as the holding company for NWN Gas Reserves LLC.

Affiliated transactions between NW Natural and NW Energy Corp generally include:

- Equity distributions/contributions between NW Natural and NW Energy Corp;
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Insurance may be purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NWN Energy and reimbursed to NWN through intercompany billings; and
- Payments between NW Natural and NW Energy Corp for NW Energy Corp's current tax expense or benefit.

Northwest Energy Sub Corporation

Northwest Energy Sub Corporation ("NW Energy Sub") was a subsidiary of Northwest Energy Corporation, and was formed in 2001 to be a holding company in the event that the acquisition of PGE was completed. Articles of Dissolution were filed with respect to the Corporation on March 6, 2018.

NWN Gas Reserves LLC

NWN Gas Reserves LLC ("NWN Gas Reserves") is a wholly owned subsidiary of Northwest Energy Corporation and was formed in December 2012. In 2013, NW Natural's working interest in the Jonah gas field was transferred to this entity. The agreements related to the working interest were amended in 2014 to facilitate Encana Oil & Gas (USA) Inc.'s sale of its interest in the Jonah Field to an affiliate of TPG Capital. The agreements related to the working interest were

again amended in 2016 to further clarify the terms related to additional well development and capital expenditures.

Affiliated transactions between NW Natural, NW Energy Corp and NWN Gas Reserves generally include:

- Equity distributions/contributions between NW Natural and NW Energy Corp and/or NWN Gas Reserves LLC
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NWN Energy and reimbursed to NWN through intercompany billings; and
- Payments between NW Natural and the NWN Gas Reserves for current tax expense or benefit.

Northwest Biogas, LLC

Effective October 1, 2018, NW Holdings owns a 50% membership interest in NW Biogas. NW Holdings also serves as the Managing Member. The other 50% membership interest is owned by BEF Renewable Incorporated. NW Biogas previously developed and operates a demonstration biodigester located at Three Mile Canyon Farms in Boardman, Oregon. In 2017, NW Biogas began leasing the previously used demonstration biodigester to an unaffiliated third party.

NW Natural Energy, LLC

Effective October 1, 2018, NW Natural Energy, LLC ("NWN Energy") became a wholly-owned subsidiary of NW Holdings. NWN Energy was formed in 2009 to own NW Natural Gas Storage, LLC ("NWN Gas Storage") and other non-utility businesses.

Affiliated transactions between NWN and NWN Energy generally include:

- Direct charges for NWN Energy's use of NWN's administrative and operating staff;
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Infrequent vendor payments made by NWN on behalf of NWN Energy, which are then subsequently direct charged to NWN Energy and reimbursed to NWN through intercompany billings;
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NWN Energy and reimbursed to NWN through intercompany billings;
- Equity distributions/contributions between NWN and NWN Energy (pre-October 1, 2018 only); and
- Payments between NWN and NWN Energy for NWN Energy's current tax expense or benefit (pre-October 1, 2018 only).

NW Natural Gas Storage, LLC

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

Affiliated transactions between NWN and NWN Gas Storage generally include:

- Direct charges for NWN Gas Storage's use of NWN's administrative and operating staff;
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Infrequent vendor payments made by NWN on behalf of NWN Gas Storage, which are then subsequently direct charged to NWN Gas Storage and reimbursed by NWN Gas Storage's subsidiary, Gill Ranch Storage, LLC ("GRS");
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to NWN Gas Storage and reimbursed to NWN through intercompany billings;
- Equity investments in NWN Gas Storage via NWN Energy (pre-October 1, 2018 only);
- Distributions from NWN Gas Storage to NWN Energy (pre-October 1, 2018 only); and
- Payments between NWN and NWN Gas Storage for NWN Gas Storage's current tax expense or benefit (pre-October 1, 2018 only).

Gill Ranch Storage, LLC

GRS was formed in 2007. In 2007, GRS entered into a Joint Project Agreement with Pacific Gas & Electric Company ("PG&E") to develop and own the Gill Ranch underground natural gas storage facility near Fresno, California. Currently, GRS owns 75% undivided ownership interest in this facility and is the sole operator of the facility. PG&E owns 25% undivided ownership interest. Ownership in the facility is structured as tenants in common. GRS owns rights of 75% of the available storage capacity at the facility. GRS's share is designed to provide 15 Bcf of working gas capacity. The facility began operations in the fourth quarter of 2010.

GRS is subject to California Public Utility Commission ("CPUC") regulation with respect to the gas storage services it provides, but it has market-based rate authority with respect to the rates for its services offered in the California market. In addition, GRS is subject to regulation by the CPUC for certain activities, including but not limited to the issuance of securities, operation of the facility, certain terms of customer services, systems of accounts, the nature of investments it may make, safety standards, and transactions with affiliated interests. Accounting records and practices of its regulated business conform to the requirements and uniform system of accounts prescribed by its regulatory authority in accordance with U.S. GAAP.

Affiliated transactions between NWN and GRS generally include:

- Direct charges for GRS's use of NWN's administrative and operating staff;

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Vendor payments made by NWN on behalf of GRS and subsequently reimbursed by GRS through intercompany billings;
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to GRS and reimbursed to NWN through intercompany billings; and
- Equity investments in GRS from NWN Gas Storage (pre-October 1, 2018 only);
- Distributions from GRS to NWN Gas Storage (pre-October 1, 2018 only); and
- Payments between NWN and GRS for GRS's current tax expense or benefit (pre-October 1, 2018 only).

Trail West Holdings, LLC (TWH)

NW Natural Energy, LLC ("NWN Energy") and TransCanada American Investment Ltd. each own a fifty percent (50%) membership interest in TWH. TWH wholly owns Trail West Pipeline, LLC (TWP), which is developing the cross-Cascades natural gas pipeline. See below for description of TWP.

Affiliated transactions between NWN/NWN Energy and TWH generally include:

- Direct charges for TWH's use of NWN administrative and operating staff;
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual; and
- Because accounting is based on the equity method, TWH has no separate set of accounts except for dedicated nominal accounts in other income and expense on NWN Energy's Income Statement, which includes non-billable expenses to TWH. The investment is tracked as "Other Investments" (account 124059).

Trail West Pipeline, LLC (TWP)

TWP is a wholly-owned subsidiary of TWH, and has been pursuing the development of a proposed FERC-regulated cross-Cascades natural gas pipeline.

Affiliated transactions between NWN and the affiliate would generally include:

- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to TWP and reimbursed to NWN through intercompany billings; and
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual.

BL Credit Holdings, LLC

BL Credit Holdings, LLC is a wholly-owned subsidiary of TWP.

NW Natural Water Company, LLC

NW Natural Water Company, LLC (“NW Water”) is a subsidiary of NW Holdings (effective October 1, 2018), and was formed in December 2017 to be a holding company for one or more water companies.

Affiliated transactions between NWN and the affiliate would generally include:

- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to NW Water and reimbursed to NWN through intercompany billings;
- Direct charges of NWN's payroll and administrative expense for NW Water's use of NWN staff;
- Infrequent vendor payments may be made by NWN on behalf of NW Water, which are then subsequently direct charged to NW Water and reimbursed to NWN through intercompany billings; and
- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual.

NW Natural Water of Oregon, LLC

NW Natural Water of Oregon, LLC is a subsidiary of NW Water and was formed in October 2018 to be a holding company for one or more water companies in Oregon.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for NW Natural Water of Oregon, LLC's use of NWN staff; and
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to NW Natural Water of Oregon, LLC and reimbursed to NWN through intercompany billings.

NW Natural Water of Washington, LLC

NW Natural Water of Washington, LLC is a subsidiary of NW Water and was formed in October 2018 to be a holding company for one or more water companies in Washington.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for NW Natural Water of Washington, LLC's use of NWN staff; and
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to NW Natural Water of Washington, LLC and reimbursed to NWN through intercompany billings.

Cascadia Water, LLC

Cascadia Water, LLC is a subsidiary of NW Water and was formed in April 2018 to hold assets acquired from water utilities in Washington.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for Cascadia Water, LLC's use of NWN staff; and
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to Cascadia Water, LLC and reimbursed to NWN through intercompany billings.

NW Natural Water of Idaho, LLC

NW Natural Water of Idaho, LLC ("NW Water ID") is a subsidiary of NW Water and was formed in October 2018 to be a holding company for one or more water companies in Idaho.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for NW Water ID's use of NWN staff; and
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to NW Water ID and reimbursed to NWN through intercompany billings.

Gem State Water Company, LLC

Gem State Water Company, LLC is a subsidiary of NW Water ID and was formed in December 2018 to hold assets acquired from water utilities in Idaho. As of the date of this filing, no assets have been acquired.

Falls Water Co., Inc.

Falls Water Co., Inc. is a wholly owned subsidiary of NW Water. It is a water utility in Idaho acquired by NW Water through merger on September 12, 2018.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for Falls Water Co.'s use of NWN staff; and

- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently direct charged to Falls Water Co. and reimbursed to NWN through intercompany billings.

FWC Merger Sub, Inc.

FWC Merger Sub, Inc. was a subsidiary of NW Water, and was formed in December 2017 to be a merger vehicle for the acquisition of an Idaho-based water company. FWC Merger Sub, Inc. was merged with and into Falls Water Co., Inc.

Salmon Valley Water Company

Salmon Valley Water Company is a wholly owned subsidiary of NW Water. It is a water utility in Idaho acquired by NW Water pursuant to a stock purchase agreement in November 2018.

Affiliated transactions between NWN and the affiliate would generally include:

- Annual allocation of indirect charges pursuant to NW Natural's Cost Allocation Manual;
- Direct charges of NWN's payroll and administrative expense for Salmon Valley Water Company's use of NWN staff; and
- Insurance purchased by NWN on behalf of the consolidated enterprise, and is subsequently charged to Salmon Valley Water Company and reimbursed to NWN through intercompany billings.

(D) A balance sheet and income statement for each affiliated interest for the 12-month reporting period.

See NWN's affiliated interest financial statements ("Confidential Exhibit A") attached to this Affiliated Interest Report.

II. Report of service transactions.

Unless services are provided under tariff as specified in OAR 860-027-0040(3), provide cost of service and related information if total Oregon payments/receipts exceed 0.1% of utility total Oregon annual operating revenues.

(A) Service payments by the utility to the affiliate.

None in excess of 0.1% of utility total Oregon annual operating revenues or outside of the scope of NW Natural's Master Service Agreement.

(B) Service payments by the affiliate to the utility.

None in excess of 0.1% of utility total Oregon annual operating revenues or outside of the scope of NW Natural's Master Service Agreement.

III. For intercompany loans to the utility from affiliates or loans from affiliates to the utility, provide:

(A) The month-end amounts outstanding separately for short-term and long-term loans.

Short-term loans:

None.

Long-term loans:

None.

(B) The highest amount during the year separately for short-term and long-term loans.

Short-term loans:

None.

Long-term loans:

None.

(C) A description of the terms and conditions for loans including the basis for interest rates.

Intercompany balances are paid off in cash each month; therefore, no interest is charged.

(D) The total amount of interest charged or credited and the weighted average rate of interest separately for short-term and long-term loans.

Short-term loans:

None.

Long-term loans:

None.

(E) Specify the Commission Order(s) approving the transactions where such approval is required by law.

None.

IV. If the utility guarantees any debt of affiliates, identify the entities involved, the nature of the debt, the original amount of the debt, the maximum amounts during the year, the balance as of the end of the year, and the Commission Order(s) approving the transactions where such approval is required by law.

None.

V. Report other transactions (utility leasing of affiliate property, affiliate leasing of utility property, utility purchase of affiliate property, material or supplies and affiliate purchase of utility property, material or supplies) as follows:

(A) Other payments by the utility to the affiliate.

None in excess of 0.1% of utility total Oregon annual operating revenues or outside of the scope of NW Natural's Master Service Agreement.

Description of basis of tax pricing, when applicable:

Prior to the October 1, 2018 reorganization NW Natural would file and pay taxes on a consolidated basis with its subsidiaries. These subsidiaries have income and expenses, which would cause NWN's consolidated tax liability to increase or decrease. Monthly payments would be made to or from NWN to the extent the operations have income or losses. During 2018, no individual tax sharing transaction exceeded 0.1% of utility total Oregon annual operating revenues.

Post October 1, 2018 NW Holdings will file and pay taxes on a consolidated basis with its subsidiaries. For any taxable year, these subsidiaries have income and expenses, which cause NW Holdings' consolidated tax liability to increase or decrease. Monthly payments would be made from NWN and its subsidiaries to or from NW Holdings to the extent the operations have income or losses. During 2018, no individual tax sharing transaction exceeded 0.1% of utility total Oregon annual operating revenues.

(B) Other payments by the affiliate to the utility.

The following transaction(s) in excess of 0.1% of utility total Oregon annual operating revenues occurred during FY 2018.

Account/description	Total Company (system)
Dividend payment from NWN Energy to NWN *	\$ 930,000
Dividend payment from NWN Energy to NWN *	\$ 1,000,000
One-time equity contribution from NWN to NW Natural Holdings**	\$20,000,000

* On October 1, 2018, the Company completed a reorganization into a holding company structure. These dividend transactions occurred prior to the reorganization on March 3 and June 29, 2018 when NWN Energy was still a subsidiary of NWN. Please see organization chart for further information around the updated structure of the company.

** This was a one-time equity contribution from NWN to NW Natural Holdings before the reorganization. For GAAP purposes, this transaction for NW Natural was an equity contribution to a subsidiary, but is considered discontinued operations for reporting subsequent to 9/30. For NW Holdings, this was considered an equity contribution from a parent.

VI. By affiliate and job title, provide the total number of executive, management, and professional/technical employees transferred to and from the utility. By affiliate, provide the total number of other employees transferred to and from the utility.

No transfer of employees between utility and affiliates during FY 2018.

VII. Description of each intra-company cost allocation procedure, and a schedule of cost amounts, by account, transferred between regulated and non-regulated segments of the company.

See the Cost Allocation Manual filed coincident with this Affiliated Interest Report.

Additional information included

Additional information incorporated into this 2018 affiliated interested report include the following:

- Confidential Exhibit A provides financial statements as discussed in item ID above.
- Confidential Exhibit B provides the Cost Allocation Manual discussed in item IB above.
- Confidential Exhibit C provides NW Natural's Master Services Agreement in compliance with Stipulating Condition No. 26 of Order No. 17-526.
- Exhibit D provides officer contact information in compliance with Stipulating Condition No. 32 of Order No. 17-526.
- Exhibit E provides an itemization of NW Holdings M&A and divestiture activity in compliance with Stipulating Condition No. 33 of Order No. 17-526.
- Exhibit F provides the report on compliance and officer attestation in compliance with Stipulating Condition No. 32 of Order No. 17-526.

Please note that there have been no changes to the enclosed Cost Allocation Manual (Confidential Exhibit B) and Master Services Agreement (Confidential Exhibit C) since NW Natural's filing of these same documents on December 28, 2018 in docket UM 1804. Please see Chart 1 in this Affiliated Interest Report for an updated organization chart.

CHART 1

(As of December 6, 2018, and as in effect on December 31, 2018)

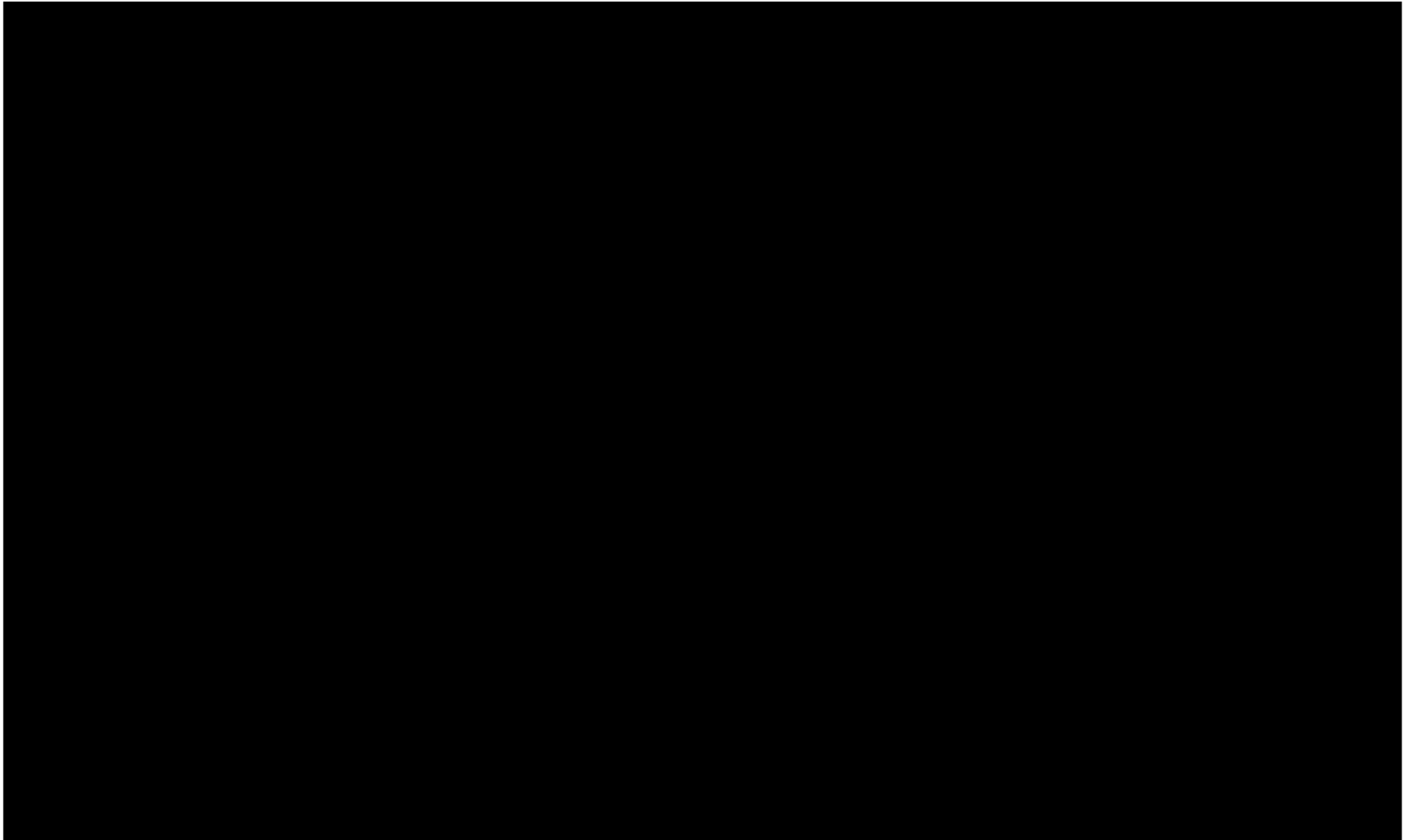


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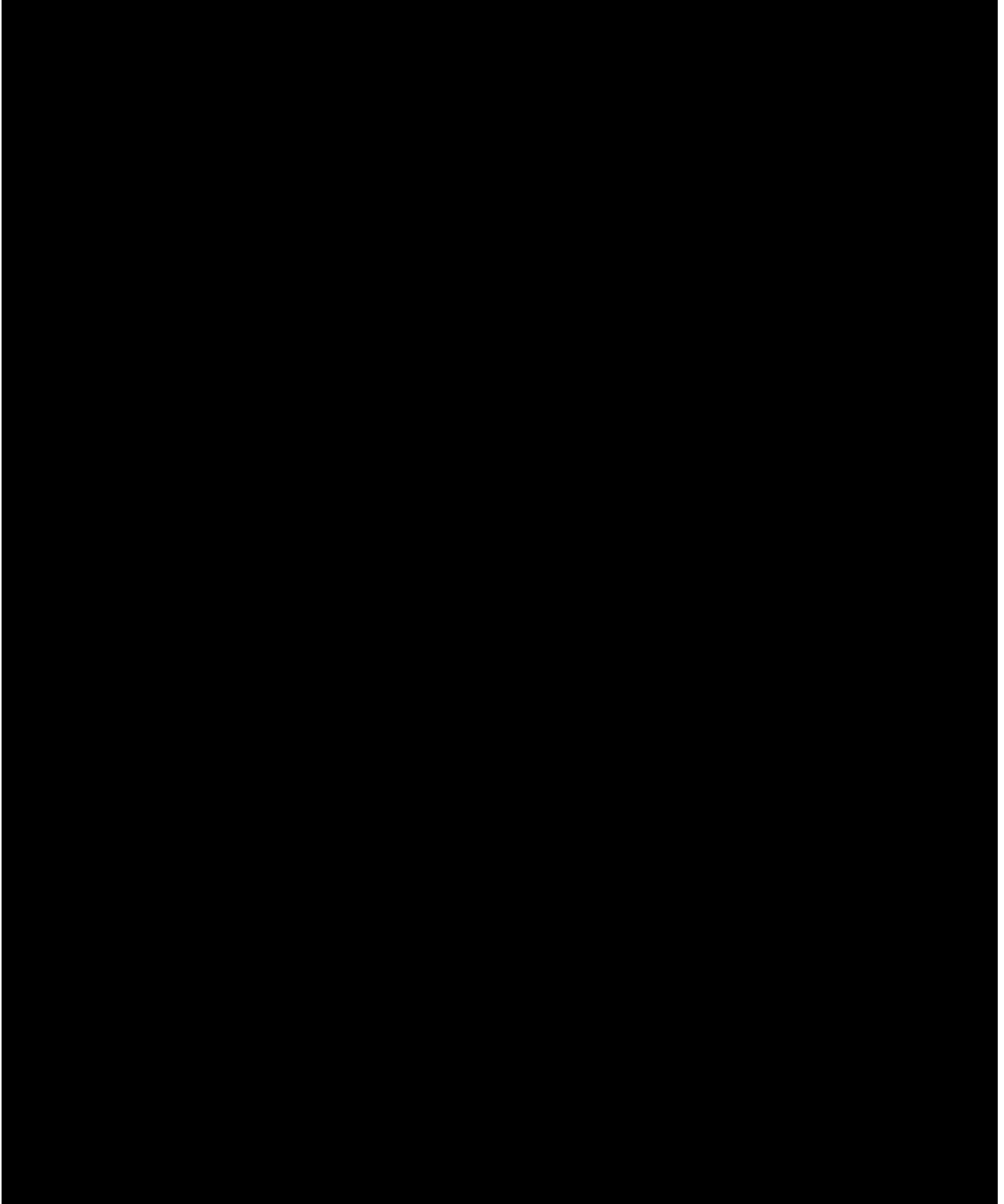


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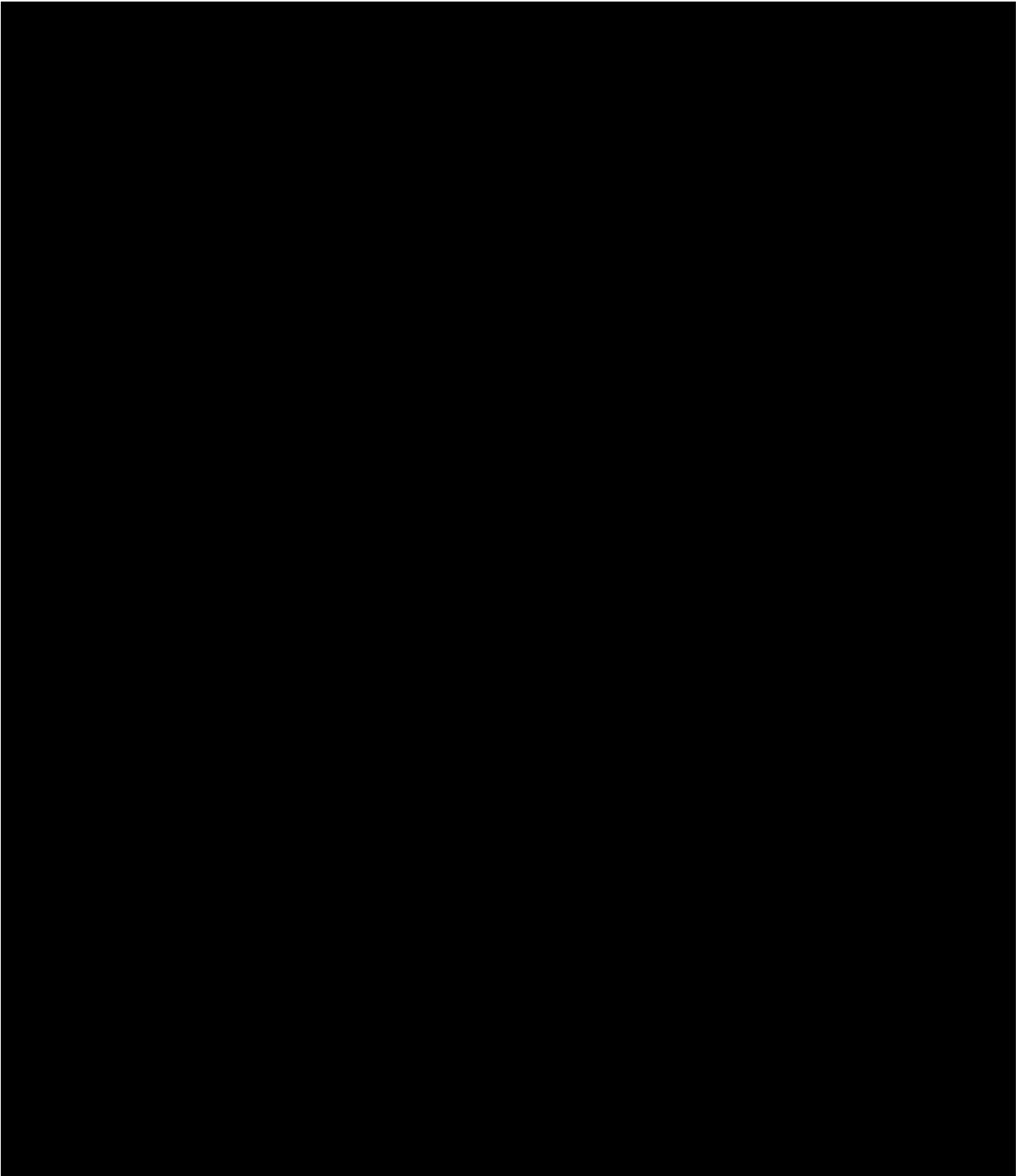


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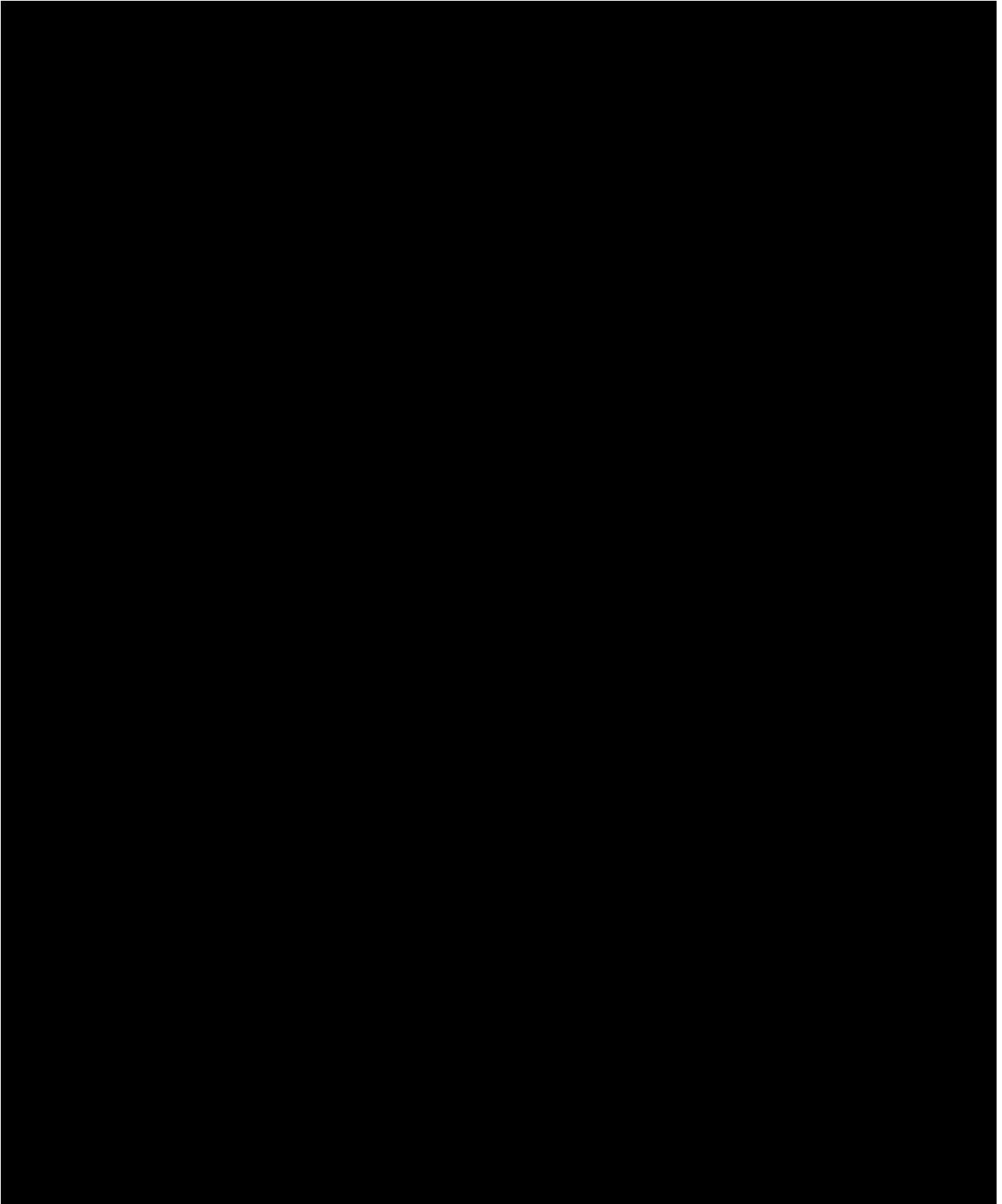


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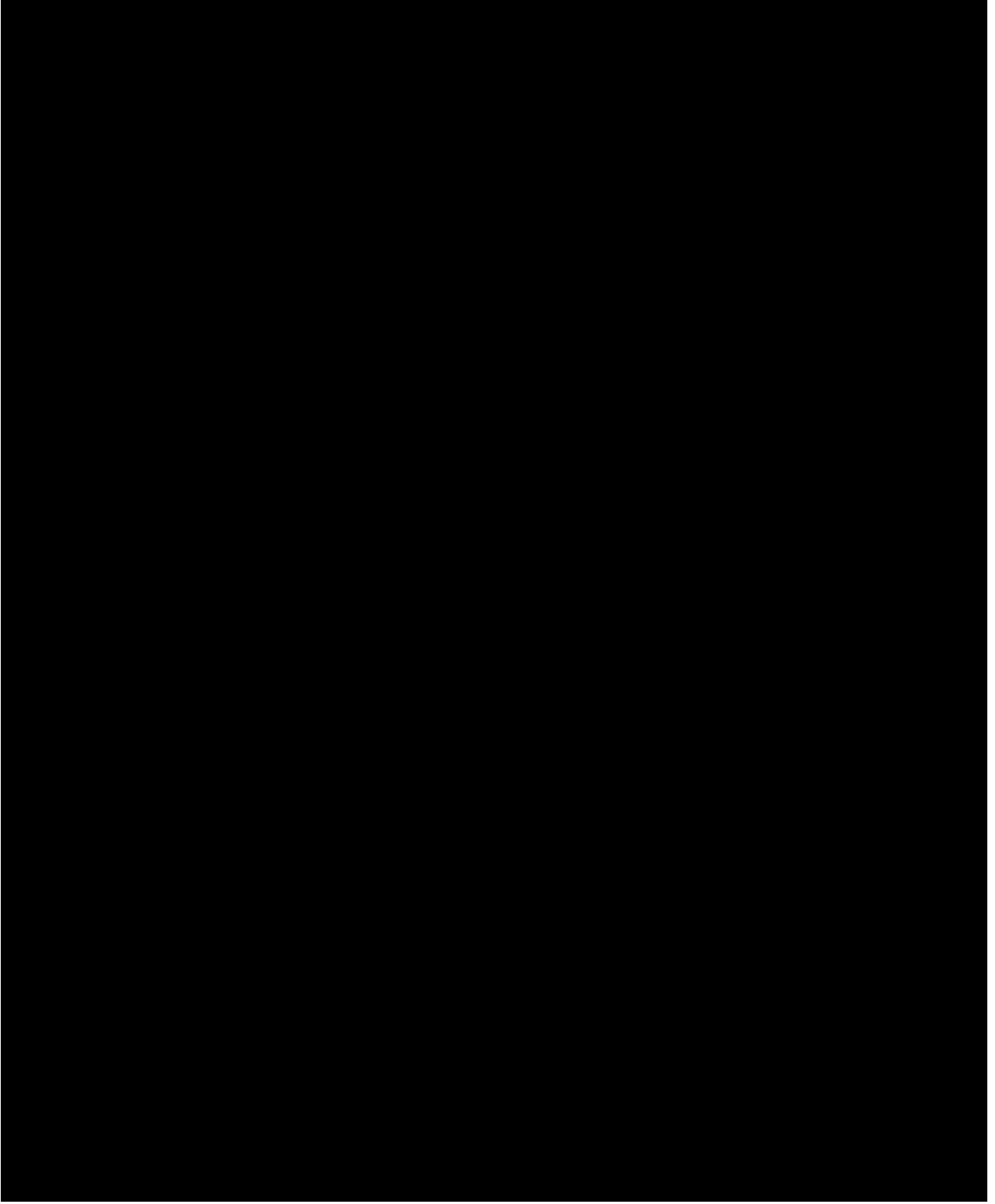


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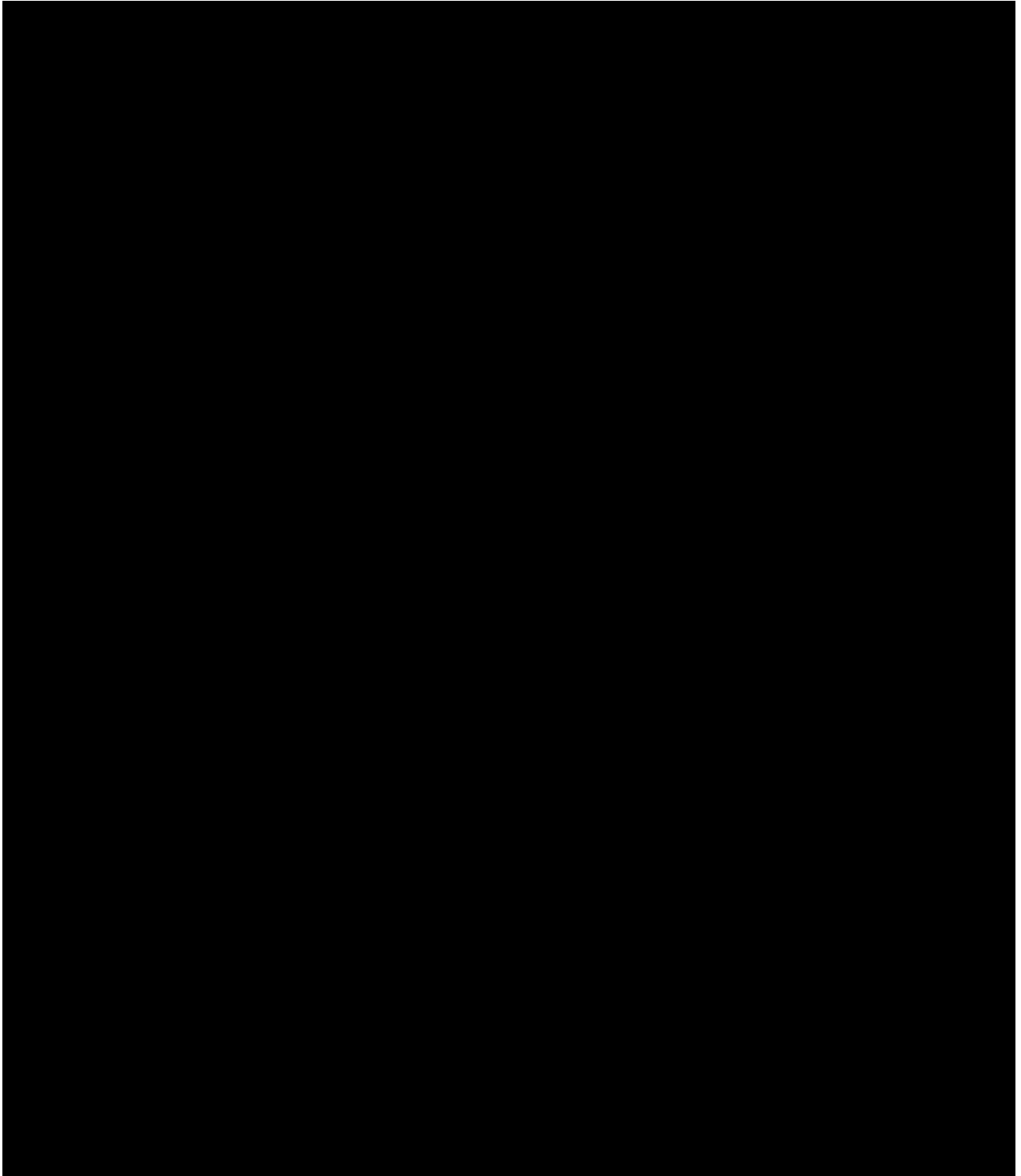


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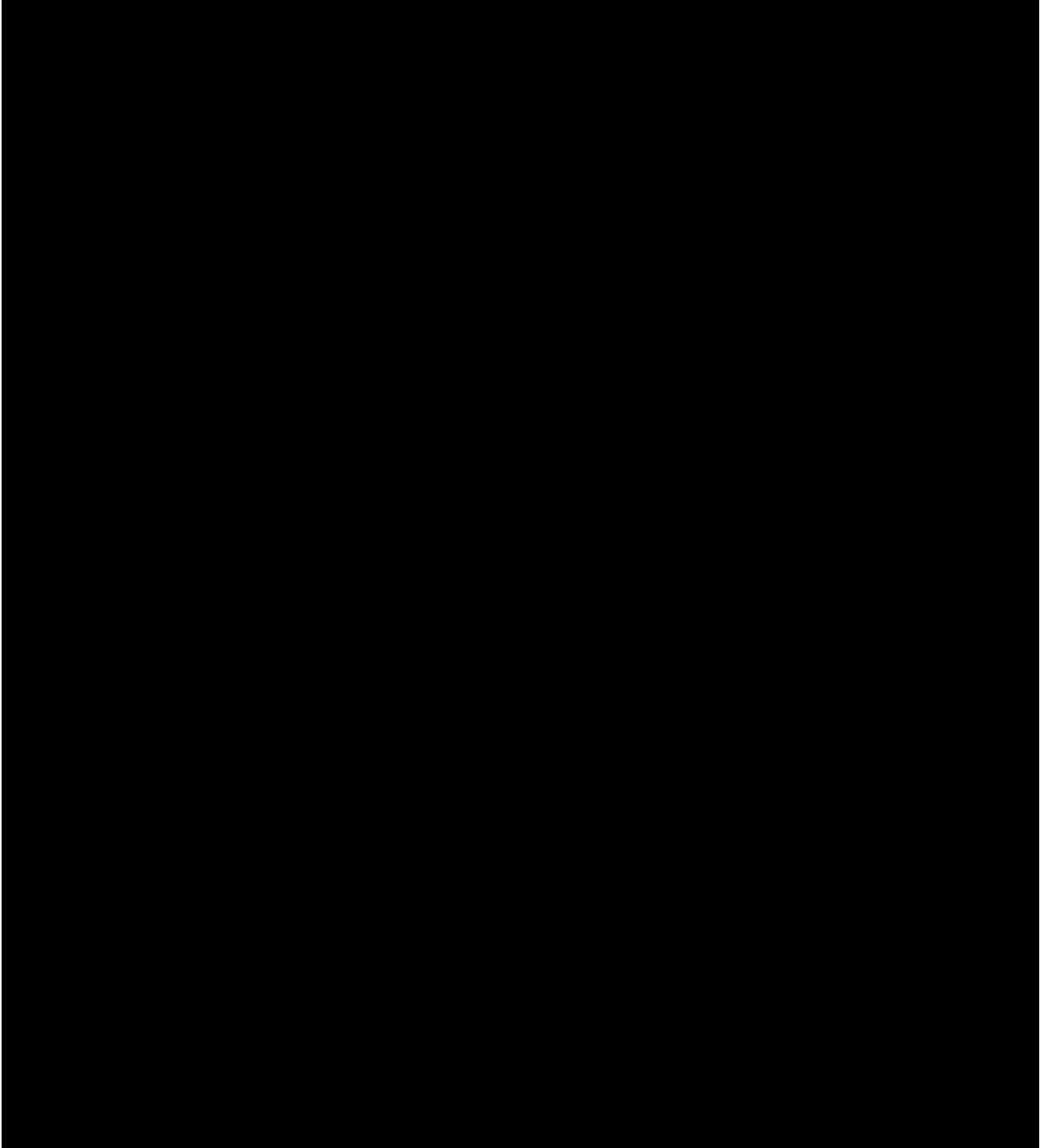


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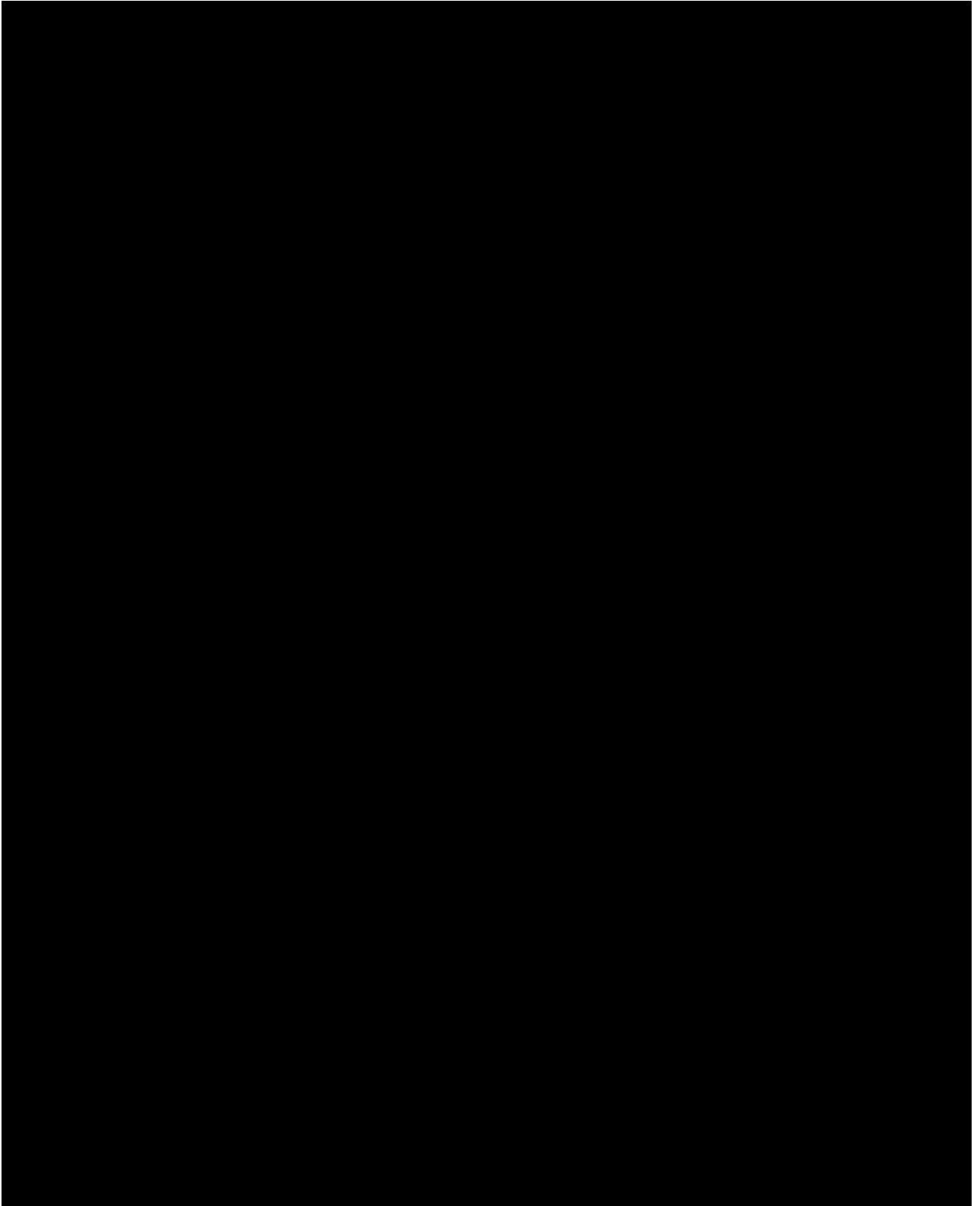


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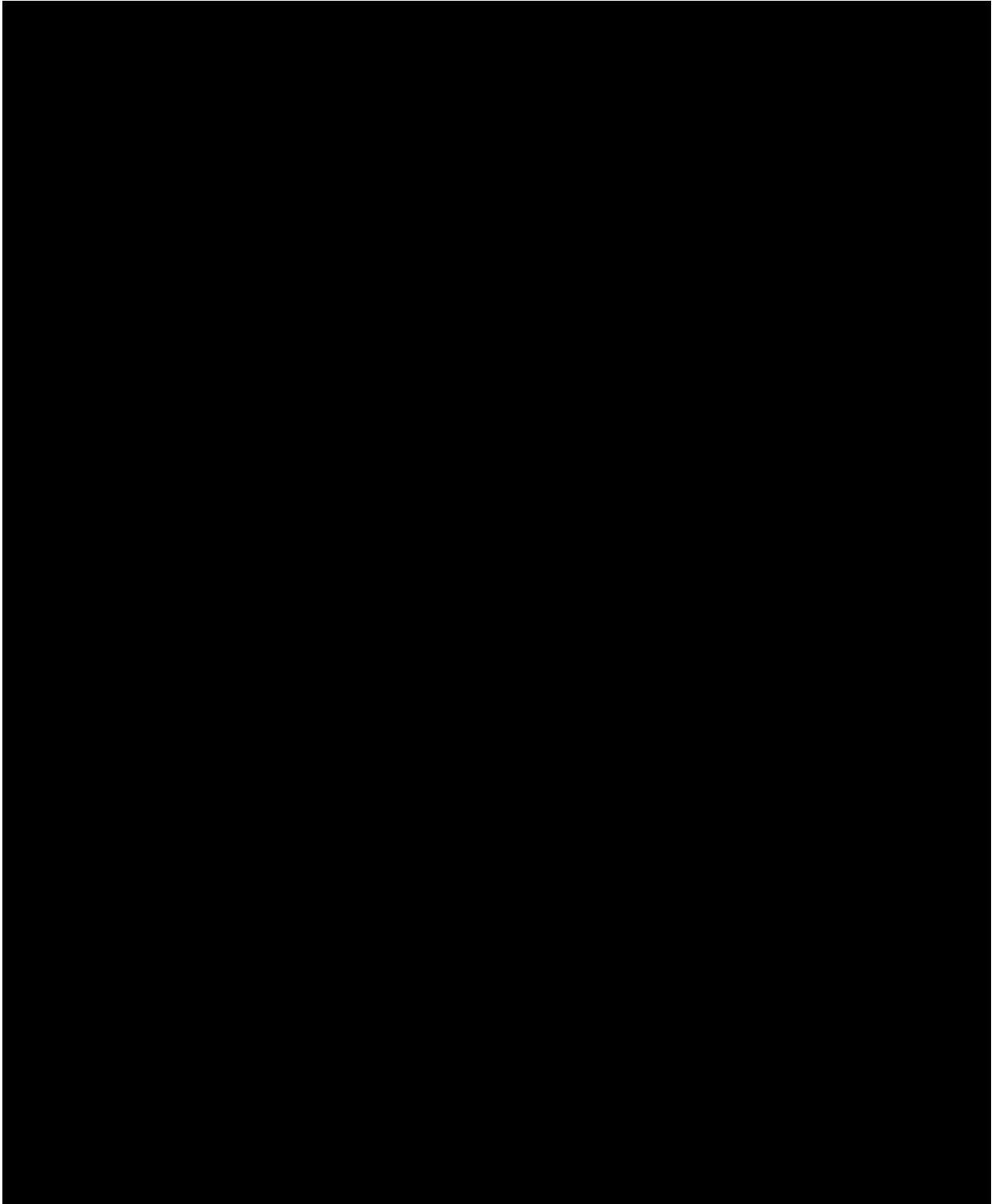


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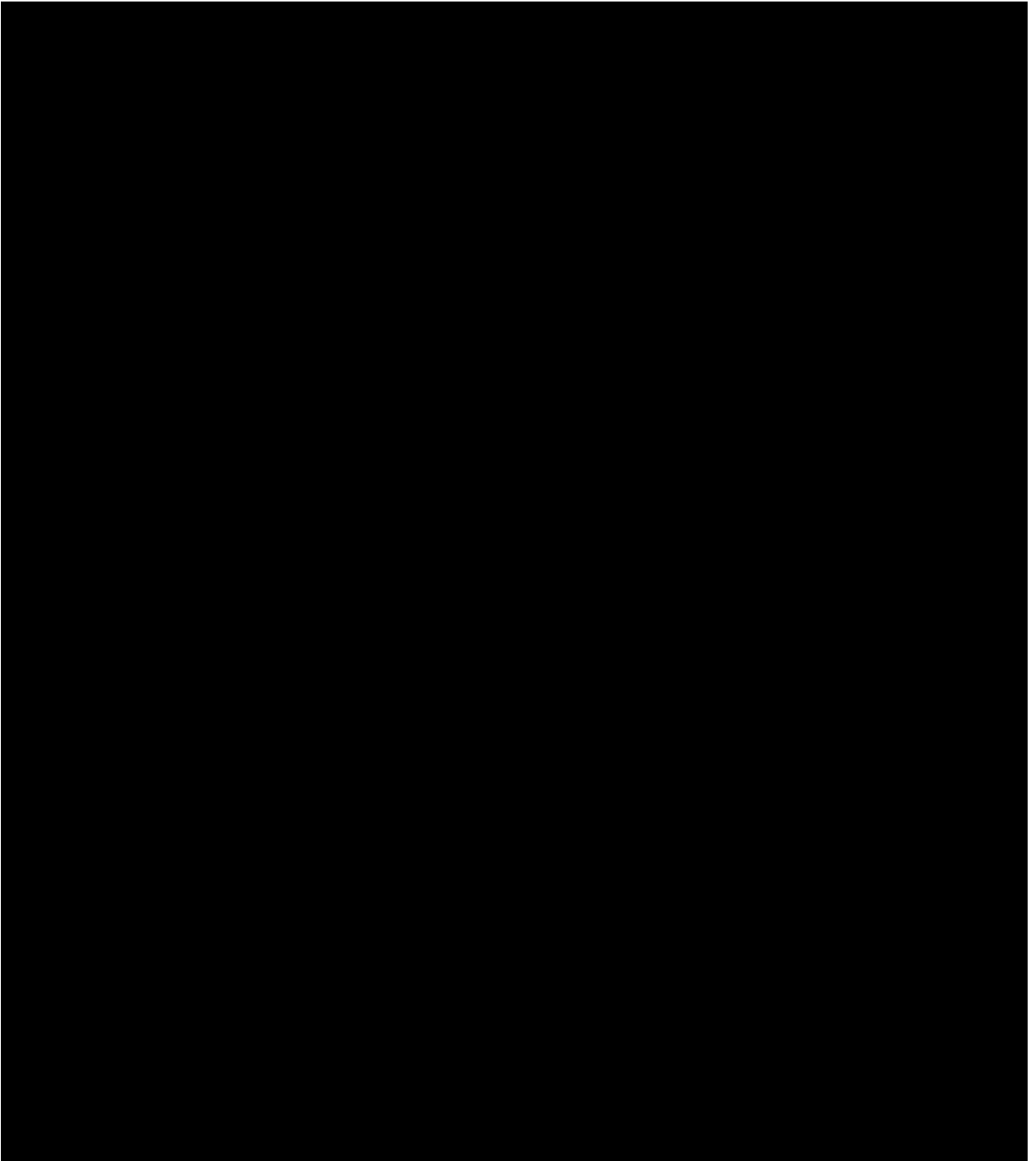


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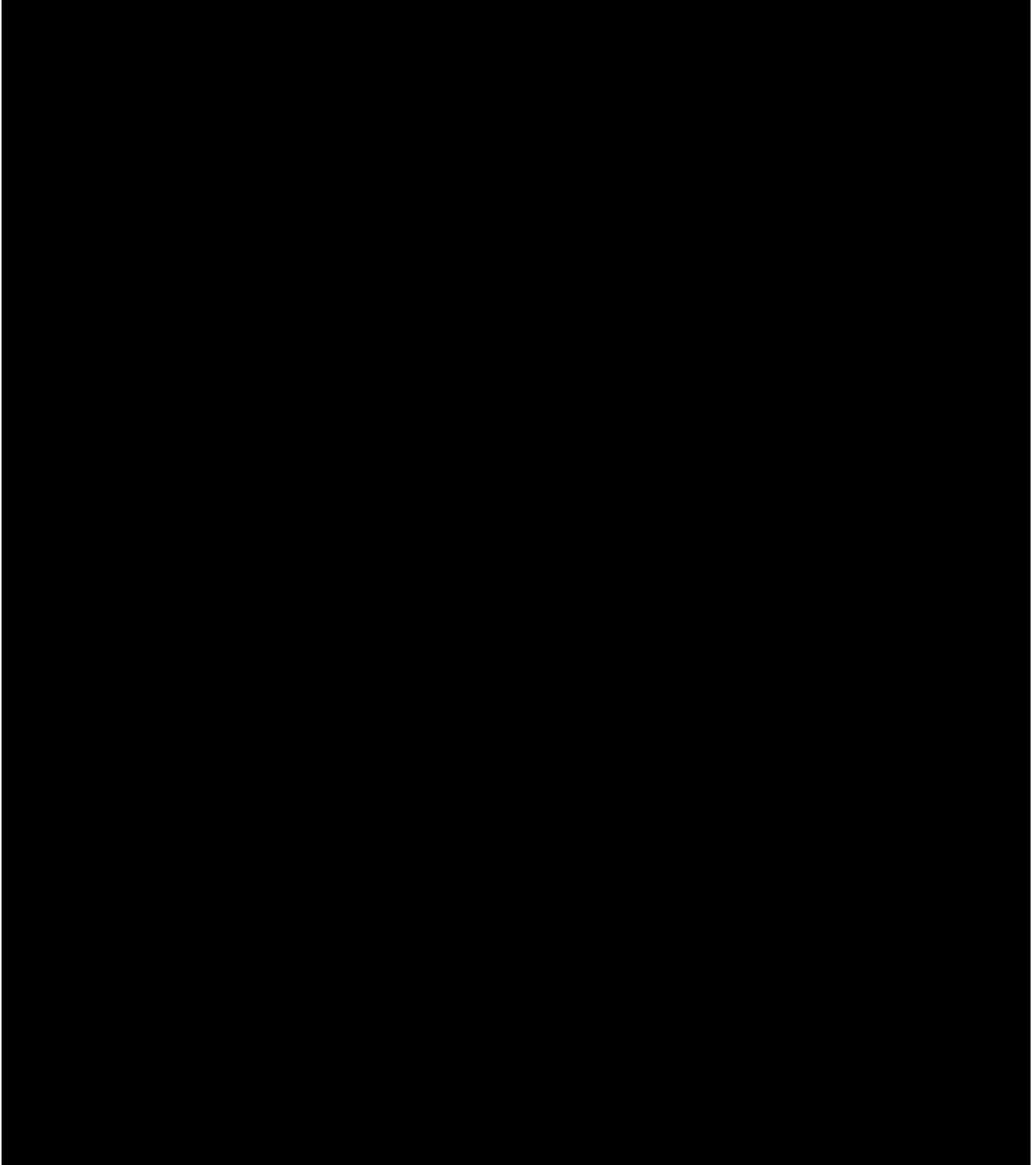


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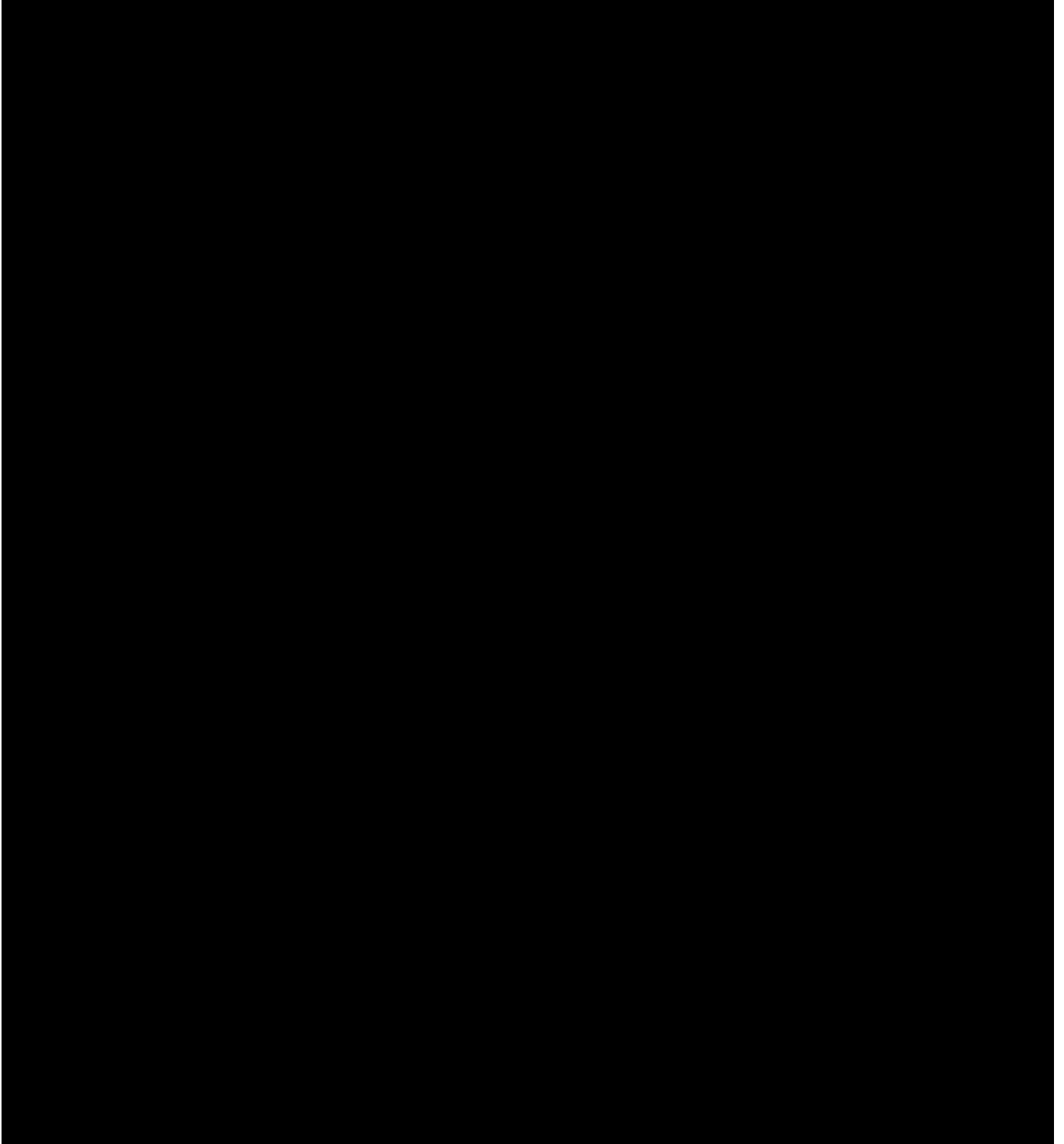


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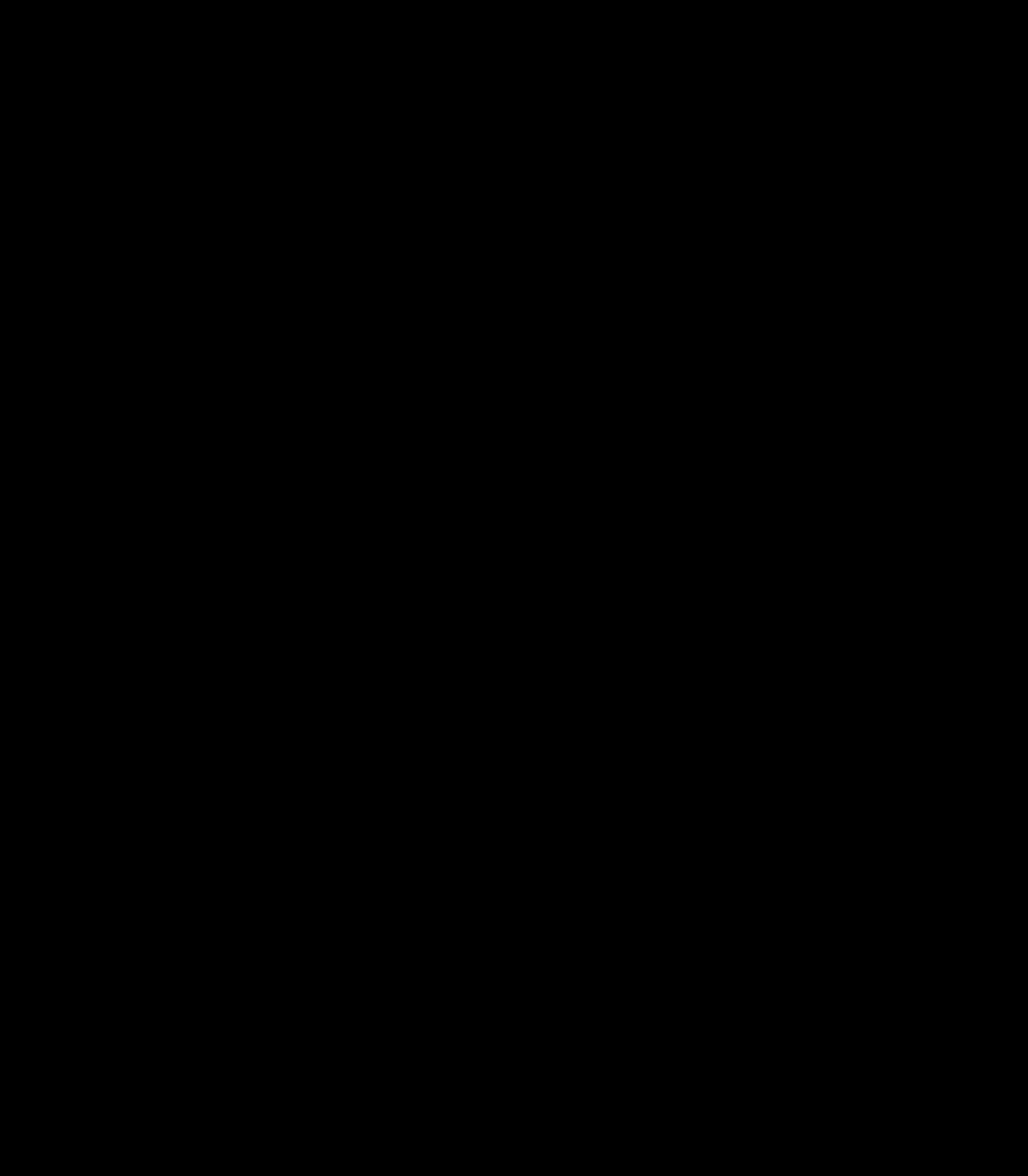


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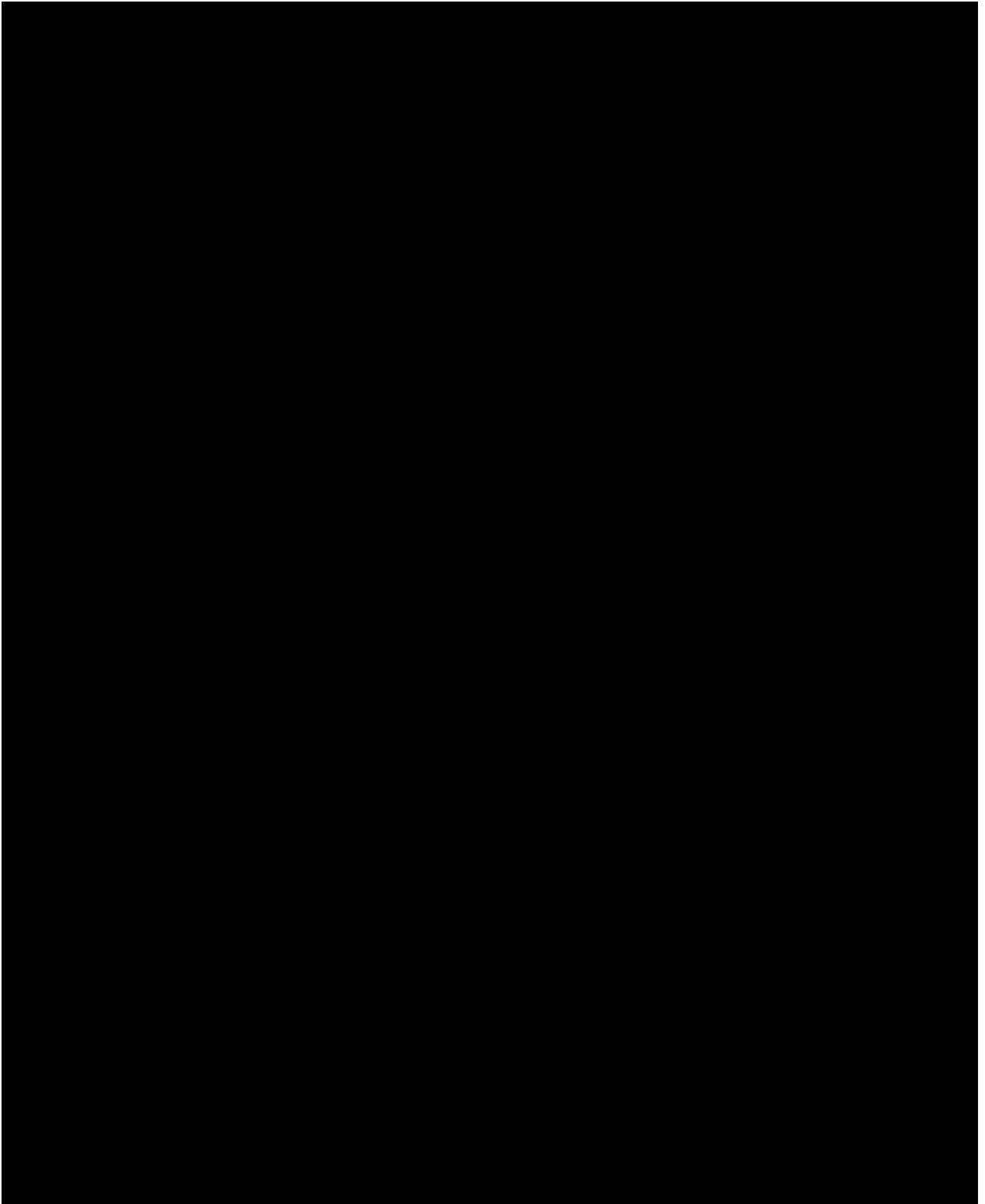


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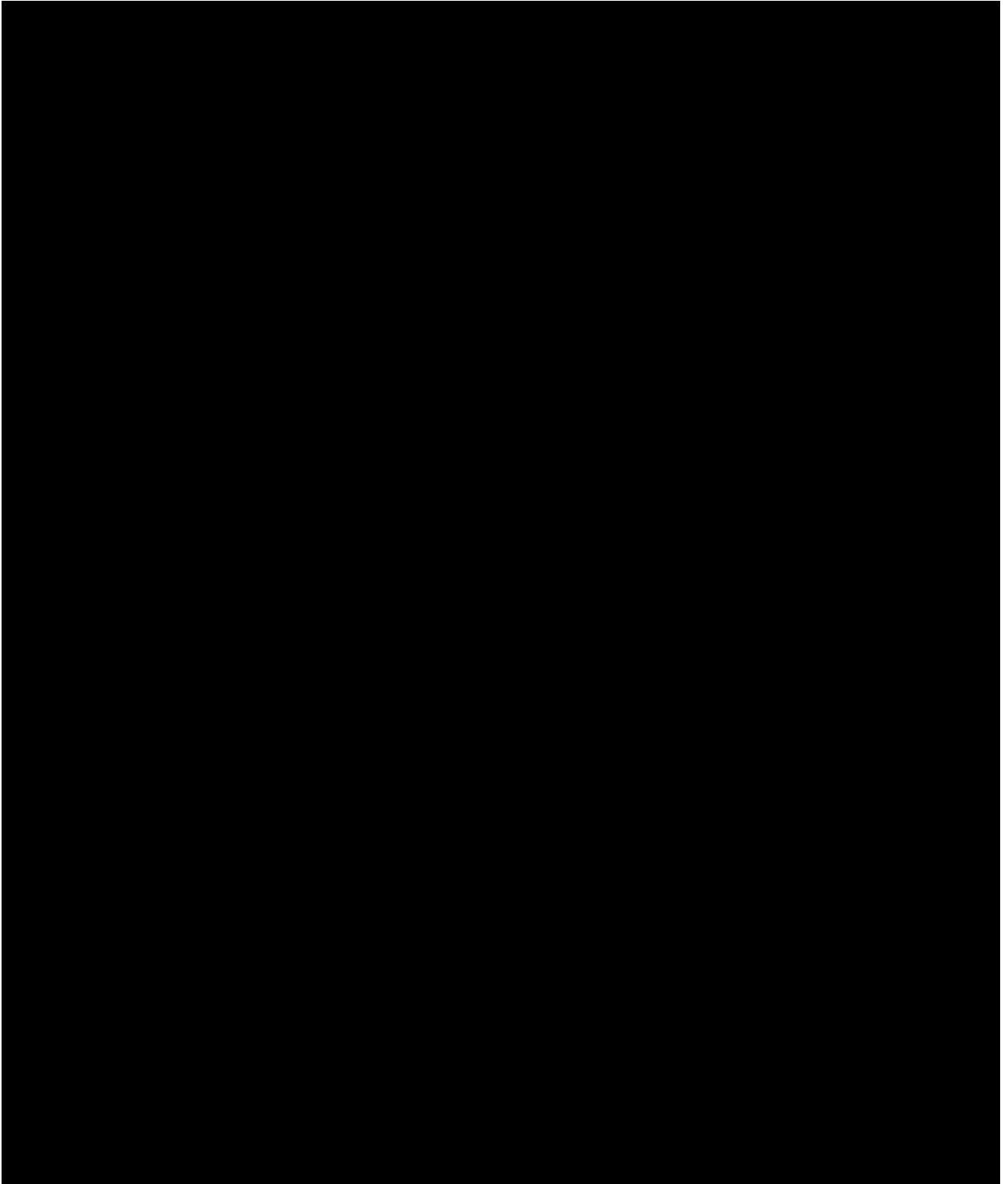


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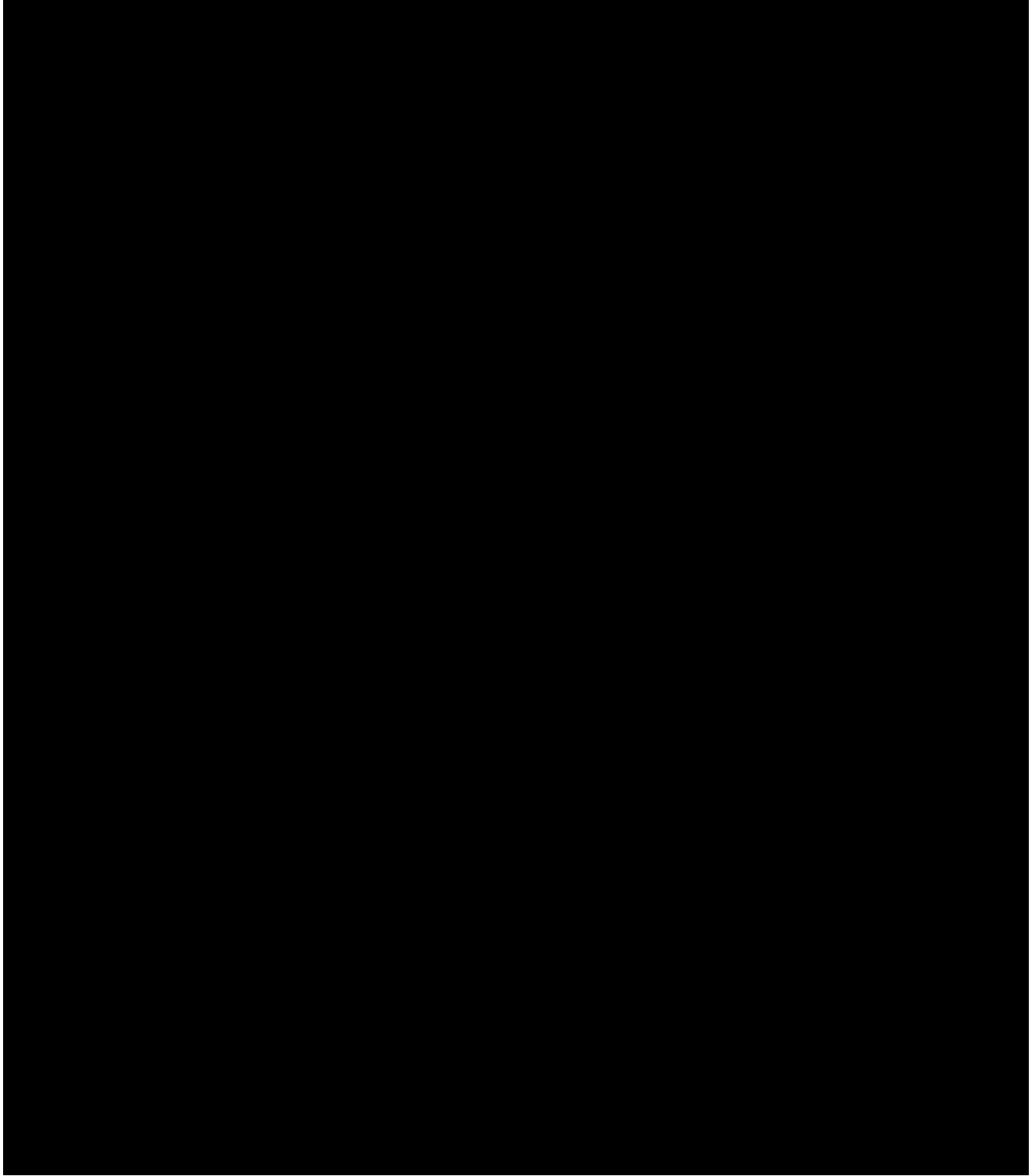


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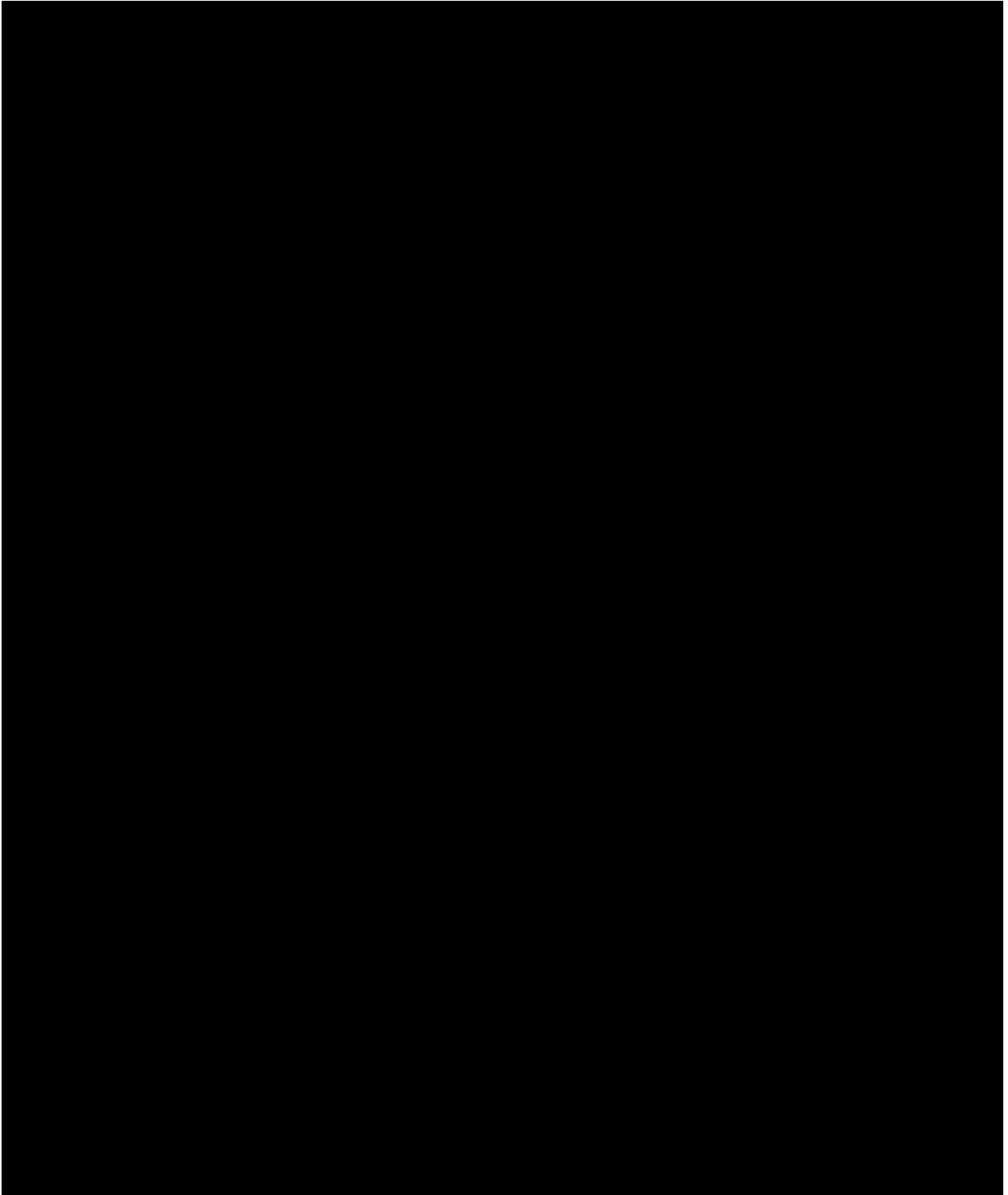


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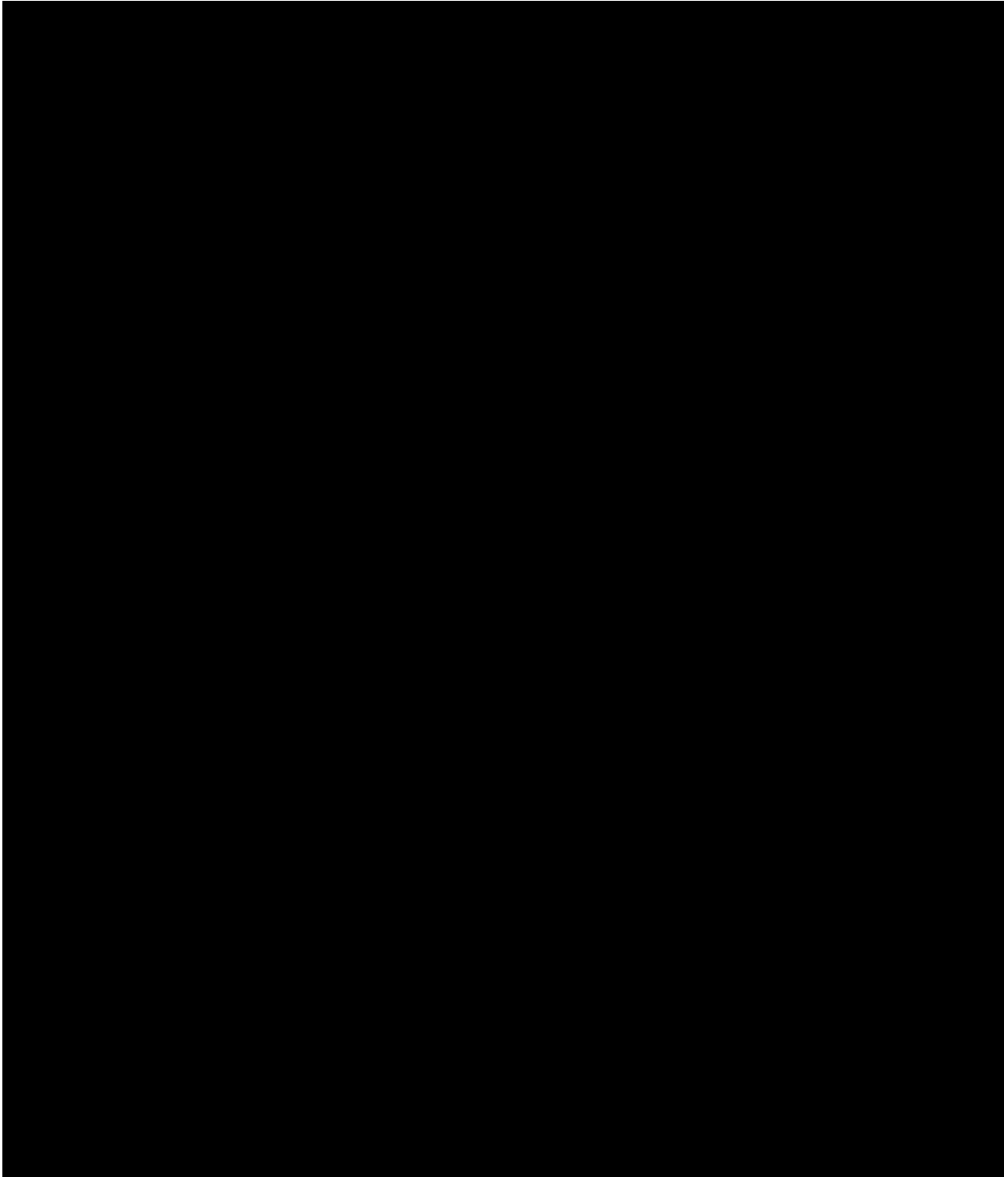
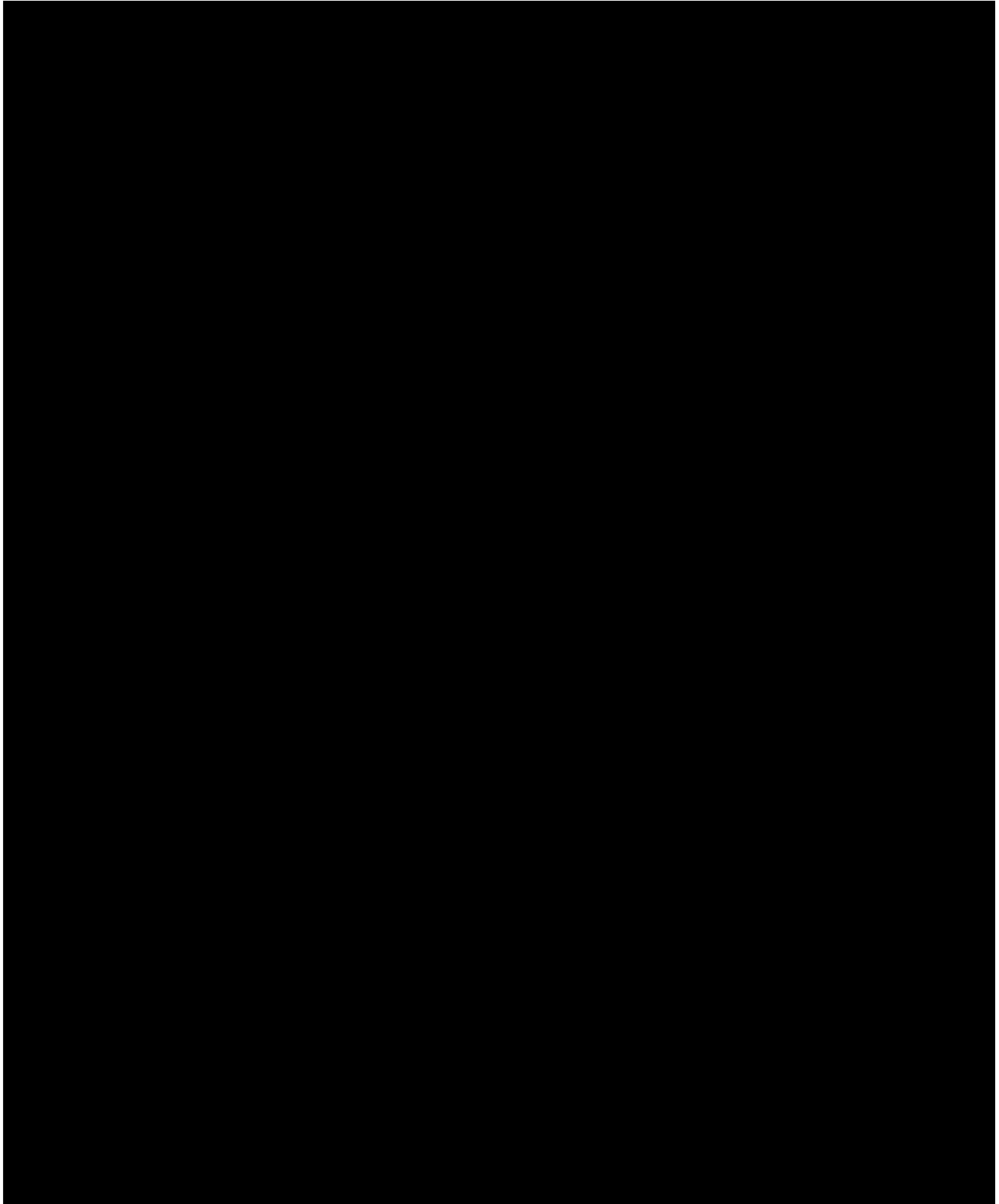


EXHIBIT A



NORTHWEST NATURAL GAS COMPANY COST ALLOCATION MANUAL

Overview

The purpose of Northwest Natural Gas Company's ("NWN") Cost Allocation Manual is to describe the methodologies for allocating direct, indirect and shared services costs between NWN, and any affiliates of NWN, and its non-regulated or non-utility affiliates and activities.

NWN is a natural gas local distribution company, which operates in Oregon and Washington, and is regulated by the Public Utility Commission of Oregon ("OPUC") and Washington Utilities and Transportation Commission ("WUTC"). NWN is owned by NWN Holdings. NWN Holdings also owns certain other businesses. NWN, NWN Holdings, and the other businesses owned by NWN and NWN Holdings are "affiliated interests" to NWN under ORS 757.015, and RWC 80.16.10. As such, the allocation of costs between these entities is subject to regulation by the OPUC and WUTC, and this manual sets out the methodologies, policies, and procedures for ensuring that the allocation of costs is done appropriately.

This document is intended to provide an overview of the different types of allocations and the processes employed to direct costs to the proper affiliate or activity.

This Cost Allocation Manual ("CAM") has been completed in accordance and conformance with the NARUC *Guidelines for Cost Allocations and Affiliate Transactions* ("*NARUC Guidelines*") as follows:

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.
5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

Overall, the approach to allocating costs is to directly assign costs when applicable and to allocate costs based on the primary cost driver of the common cost, or relevant proxy, and to ensure that unauthorized subsidization of unregulated activities by regulated activities, and vice versa, does not occur. Except where otherwise approved, goods or services provided to the utility by an affiliate are provided at the lower of cost or prevailing market price. Goods or services provided by the utility to an affiliate are provided at the higher of cost or market price.

Costs allocated can take the form of: direct labor, direct purchased goods or services, and indirect labor and other indirect common costs. These costs are charged by the providing party to the receiving party at fully loaded costs. For the indirect labor and common costs that cannot be direct charged or allocated based on the primary cost driver of the common cost an indirect general allocator of the Massachusetts Formula will be used as a relevant proxy. The general allocator (“Massachusetts Formula”) will be developed using an average of plant, revenues, and employee headcount for the preceding year ended December 31st. Refer to “Indirect Costs - Allocation of Common Costs” below.

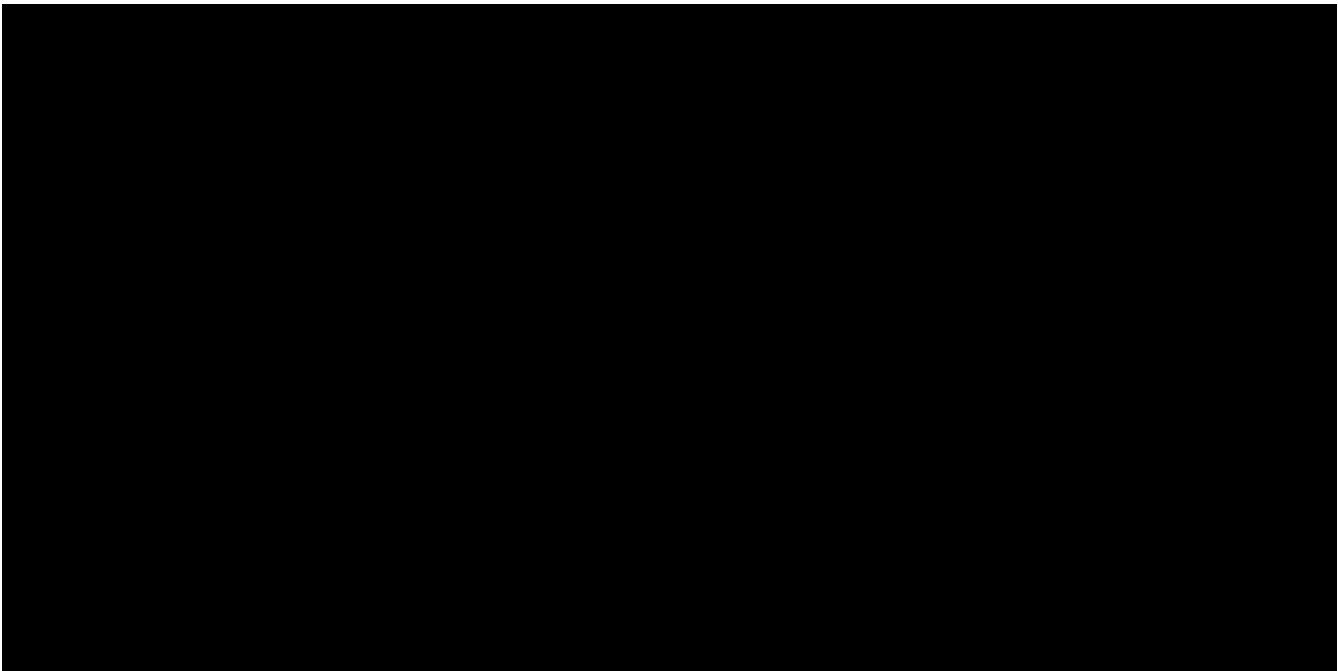
Affiliates & Non-Regulated Activities

Refer to the subsequent organizational chart for the list of all affiliates and subsidiaries of NWN that currently meet the requirements of ORS 757.015 and RCW 80.16.010, respectively.^{1 2}

The following is a list of NWN's non-regulated activities with additional cost allocation considerations:

1. Appliance Center/Miscellaneous Merchandising
2. Interstate Storage

NW Natural Organizational Chart – as of November 1, 2018



¹ BlackRock, Inc. and The Vanguard Group hold more than five percent of the voting securities of NWN, however they are not allocated any direct, indirect and shared services costs by NWN. The ownership of voting securities held by these entities are reported pursuant to ORS 757.511 and OAR 860-027-0175.

² On October 1, 2018, NWN consummated a holding company reorganization, whereby Northwest Natural Holding Company became the sole shareholder of all of the outstanding shares of NWN, and NWN transferred to Northwest Natural Holding Company all outstanding interests of each of its subsidiaries other than Northwest Energy Corporation and its subsidiary, NWN Gas Reserves LLC.

Labor Allocation Methods

Management oversight and other labor performed by NWN employees for the benefit of affiliates or non-public utility activities are recorded in accordance with the labor allocation methods described below.

Direct Labor - Shared Services

NWN has several departments that may provide services to affiliates that specifically benefit another entity. These departments direct-charge time incurred in aggregate of 30 minutes per day directly to the respective affiliate, or non-utility activity in which the time relates to in the SAP time reporting system to the extent possible. The costs are assigned directly to the entity for which the service is being provided through intercompany accounts. NWN charges labor rates for these shared services at cost per the payroll systems, grossed up for payroll overheads. Refer to 'Payroll Loadings and Overheads' below.

The departments that direct charge time incurred include:

- Accounting, including Shared Services Management
- Accounts Payable
- Clerical Administrative Services
- Corporate Communications
- Engineering and Operations
- Environmental
- Executives – Management Oversight
- Facilities and Security
- Gas Accounting
- HR and Payroll
- Information Technology & Services
- Legal
- Marketing
- Public Policy and Government Affairs
- Purchasing and Stores
- Rates and Regulatory
- Risk and Land
- Safety
- Strategic planning, business development
- Tax
- Treasury

Indirect Labor - General and Administrative Services

NWN has several departments that perform administrative and general functions for the benefit of NWN, NW Natural Holdings and its affiliates as well as public company related activities in service of NWN and other affiliates. These departments' labor costs are indirectly charged via a corporate allocation to the affiliates that benefit from their services. See 'Indirect Costs - Allocations of Common Costs' below. The below departments are determined to be indirect labor costs as they cannot be identified with a particular service or product to be charged and the labor benefits all affiliates. As such, the labor costs of these departments are allocated using

allocation factors designed to equitably allocate costs between NWN and its affiliates. These allocation factors are designed with an emphasis on recognizing cost drivers, or a relevant proxy in the absence of a primary cost driver.

These departments include:

- Corporate Governance and Compliance
- Corporate Secretary
- Financial Planning & Budgeting
- Financial Reporting
- Internal Audit
- Investor Relations
- Shareholder Services

Payroll Loadings and Overheads

NWN Employee payroll overhead (POH) is comprised of Vacation and Holiday Overhead Load and Benefits Overhead Load. The Company's payroll overheads loading rate is reviewed and updated annually by HR, Accounting, and Finance. Quarterly, any over or under allocation of costs recorded to the payroll overhead clearing accounts is reviewed and allocated to corporate expense and non-utility activities consistent with the underlying payroll charged.

Vacation and Holiday Overhead Load

A vacation and holiday overhead load is included in the payroll overheads which includes the estimated cost of all vacation, sick and company designated holiday days earned by an employee so that these costs appropriately follow where an employee charges their time.

Benefits Overhead Load

The benefit overhead load includes the cost of health care, pension, post-retirement medical, workers' compensation, 401K plans, payroll taxes, and annual incentive plan and key goal bonuses. If exception time is reported (see "Labor Allocation Methods"), the benefits overhead load follows the payroll dollars. The benefits overhead load is set at a rate adequate to fully allocate by year-end all actual benefit costs. The rate is determined at the beginning of the year based on estimated costs. Because benefit cost rates may differ depending on employee grade, employees are categorized into two classes, with different benefits overhead load rates for each class. The employee classes are: (1) Executives, and (2) Non-executives.

In 2017, the following costs were allocated as payroll overhead loadings (company averages):

Executives	
Vacation & Holiday Overhead Load	15.57% of payroll
Benefits Overhead Load	91.09% of payroll
Total Executive Payroll Overhead ³	106.66% of payroll
Non-Executives	
Vacation & Holiday Overhead Load	15.57% of payroll
Benefits Overhead Load	79.89% of payroll
Total Non-Executives Payroll Overhead	95.46% of payroll
Overtime and Doubletime Overhead ⁴	15.80% of payroll

Service Provider and Administrative Allocations

For affiliate labor charges, both direct and indirect charged, an additional administrative overhead load of 27.5% of the labor cost is added to cover the cost of rented space, office supplies, IT costs, utilities, furniture and equipment and other administrative costs.⁵ In like manner, an appropriate administrative overhead load is also charged from an affiliate to NWN when an affiliate provides services to NWN. The Company's administrative overhead is reviewed annually by Accounting.

Other Goods or Services

Direct Costs

Affiliates or non-regulated utility activities are charged directly for materials, supplies and services (e.g., consulting services, accounting software, office supplies, Kelso-Beaver Pipeline demand charge⁶) purchased by NWN on behalf of the affiliate on the basis of the full cost of the items supplied.

Indirect Costs - Allocation of Common Costs Incurred

Common costs incurred by NWN that may benefit other affiliates that are not able to be directly assigned will be allocated to the affiliates using the general corporate allocation methodology.

³ The executive payroll overhead rates do not include expenses for various elements of our executive compensation program such as stock option expense, restricted stock unit expense or long-term incentive plan expenses, because these expenses are excluded from rate base and are therefore, not necessary to allocate out.

⁴ The overtime overhead rates do not include a vacation and holiday component, and only include those benefit costs that are incurred when additional salary is incurred including payroll taxes and 401k match.

⁵ The administrative overhead load will not be charged if the employee providing the Services is located on affiliate premises for which all facilities related costs are borne by the Affiliate receiving the Services.

⁶ Under the Gas Transportation Agreement between Kelso-Beaver Pipeline Company ("KBPC") and NWN dated September 26, 1991, NWN pays KBPC a monthly demand charge which is charged directly. Additionally, if KBPC actually transports gas for NWN, there is an additional volumetric/commodity charge payable by NWN to KBPC for gas transported. The rates charged by KBPC to NWN for gas transportation services on the Kelso-Beaver Pipeline were approved by FERC in KBPC's 1991 certificate order.

These common costs include the indirect labor of the General and Administrative departments listed above as well as indirect department costs. See summary below.

Additionally, common costs incurred by NWN Holdings that benefit NWN and other affiliates will be allocated using the general corporate allocation methodology and NWN will be charged its portion intercompany. NWN Holdings' structure as a publicly traded holding company provides substantial benefits to its regulated utilities and other affiliates. Indeed, the NWN Holdings' without any operations of its own, exists for the purpose of, and in service to, its subsidiaries. For these costs that benefit various functional areas and affiliates, it is not practical to charge the costs directly. Costs incurred by NWN Holdings directly related to the publicly traded company structure will be allocated to the affiliates using the general corporate allocator.

The following table shows the formulas that shall be used to allocate the cost of services and costs incurred which are not directly charged. These allocators shall be updated annually based on the preceding year ended December 31st data. However, if a significant or material event occurs during the year the Company will update the allocators to reflect such an event on a pro-rata basis. The following table includes functions and costs that do not have a direct cost causation. The general corporate allocator ("Massachusetts Formula") will be developed using an average of plant, operating revenues, and payroll expense for the preceding year ended December 31st.

NWN Indirect Costs Incurred⁷	Basis of Allocation
Corporate Governance and Compliance Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Corporate Secretary Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Financial Planning and Budgeting Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Financial Reporting Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Internal Audit Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Investor Relations Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense

⁷ The departments include the departmental payroll and non-payroll costs incurred and additional administrative overhead charge on payroll costs.

Shareholder Services Department	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Insurance Premiums	Allocation to affiliates and non-regulated activities covered by the group insurance based on the underwriting principles for each type of policy.
Property Taxes	Allocation to affiliates and non-regulated activities based on the value of the property owned that the taxes relate to.

NW Natural Holdings Common Costs Incurred	Basis of Allocation
Costs related to publicly traded company structure	General corporate allocation: 33.3% plant, 33.3% operating revenues, 33.3% payroll expense
Income tax Expense or Benefit	Allocated based on the adjusted pre-tax income or loss of the affiliate or activity

Other Goods and Services related to Individual NWN Non-Regulated Activities

Appliance Center

NWN's Appliance Center is a retail store that demonstrates and sells natural gas appliances to the general public. In addition to the allocations described within, an additional charge for management oversight of 1.5% of NWN's selling expenses is charged to the Appliance Center business. Certain NWN employees work exclusively on matters related to the operation of the Appliance Center. The cost of the employees and all related payroll overheads are charged to directly to the appliance center. In addition, all expenses incurred in the operation of the Appliance Center are charged to directly.

Interstate Storage

NWN owns and operates the Mist underground natural gas storage facility in Columbia County near Mist, Oregon. In addition to the allocations described within NWN provides the interstate storage service under a limited jurisdiction blanket certificate issued to it by FERC under Section 284.224 of FERC's regulations. See, Northwest Natural Gas Company, 95 FERC ¶ 61,242 (2001). Under that certificate, NWN is authorized to provide FERC-jurisdictional bundled firm and interruptible storage and related transportation services to and from its Mist storage field in interstate commerce. In addition, NWN provides an intrastate firm storage service for eligible intrastate customers and sites in Oregon under Tariff Schedule 80 (experimental). The terms of Rate Schedule 80 mirror NWN's FERC-authorized interstate service. Since the provision of the storage services is accomplished by the use of some shared storage and transportation assets that are included in the core rate base, NWN has sharing agreements in place with its Oregon and Washington regulators. In Oregon, the sharing arrangement for both storage services and asset optimization assistance is set forth in NWN's Tariff Schedules 185 and 186. These sharing agreements are in lieu of specific allocations of costs.

MASTER SERVICES AGREEMENT

THIS MASTER SERVICES AGREEMENT (the “Agreement”), effective January 1, 2019, is between Northwest Natural Gas Company (“NW Natural”), its parent company, Northwest Natural Holding Company (“NW Natural Holdings”), and its affiliates and subsidiaries (together, the “Affiliates”). 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 Oregon and southwestern Washington. NW Natural is a wholly owned subsidiary of NW Natural Holdings—a publicly held company traded on the New York Stock Exchange. A list of NW Natural’s Affiliates is included in Addendum 1, which may be amended periodically. NW Natural and its Affiliates, as identified in Addendum 1, are referred to herein as “Party” or collectively as “Parties”. 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 is headquartered in Portland, Oregon.

B. Attached as Addendum 1 is a list of NW Natural’s Affiliates. 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.

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.

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 the WUTC, or unless provided at an approved rate on file with the OPUC and/or the WUTC or the FERC.

c. All billings for Services rendered to NW Natural by an Affiliate shall meet the following three criteria: (1) they must be 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 and other payroll overhead costs; amounts paid for independent technical and professional Services; amounts paid to third-party contractors; and all administrative overhead expenses, including, but not limited to, space utilization, utilities, IT costs and other administrative costs. Labor costs shall be based on the number of hours worked by the employees multiplied by the average cost rate per hour applicable to those employees. The hourly rate shall be adjusted to

include all appropriate payroll overhead loadings (for vacation, benefits, taxes, etc.). In addition, the applicable Administrative overhead 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 NW Natural’s Cost Allocation Manual, attached as 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 December 21, 2018

NORTHWEST NATURAL GAS COMPANY

By:  _____

Name: Brody J. Wilson

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

Exhibit A – COST ALLOCATION MANUAL

NORTHWEST NATURAL GAS COMPANY COST ALLOCATION MANUAL

Overview

The purpose of Northwest Natural Gas Company's ("NWN") Cost Allocation Manual is to describe the methodologies for allocating direct, indirect and shared services costs between NWN, and any affiliates of NWN, and its non-regulated or non-utility affiliates and activities.

NWN is a natural gas local distribution company, which operates in Oregon and Washington, and is regulated by the Public Utility Commission of Oregon ("OPUC") and Washington Utilities and Transportation Commission ("WUTC"). NWN is owned by NWN Holdings. NWN Holdings also owns certain other businesses. NWN, NWN Holdings, and the other businesses owned by NWN and NWN Holdings are "affiliated interests" to NWN under ORS 757.015, and RWC 80.16.10. As such, the allocation of costs between these entities is subject to regulation by the OPUC and WUTC, and this manual sets out the methodologies, policies, and procedures for ensuring that the allocation of costs is done appropriately.

This document is intended to provide an overview of the different types of allocations and the processes employed to direct costs to the proper affiliate or activity.

This Cost Allocation Manual ("CAM") has been completed in accordance and conformance with the NARUC *Guidelines for Cost Allocations and Affiliate Transactions* ("NARUC Guidelines") as follows:

1. To the maximum extent practicable, in consideration of administrative costs, costs should be collected and classified on a direct basis for each asset, service or product provided.
2. The general method for charging indirect costs should be on a fully allocated cost basis. Under appropriate circumstances, regulatory authorities may consider incremental cost, prevailing market pricing or other methods for allocating costs and pricing transactions among affiliates.
3. To the extent possible, all direct and allocated costs between regulated and non-regulated services and products should be traceable on the books of the applicable regulated utility to the applicable Uniform System of Accounts. Documentation should be made available to the appropriate regulatory authority upon request regarding transactions between the regulated utility and its affiliates.
4. The allocation methods should apply to the regulated entity's affiliates in order to prevent subsidization from, and ensure equitable cost sharing among the regulated entity and its affiliates, and vice versa.
5. All costs should be classified to services or products which, by their very nature, are either regulated, non-regulated, or common to both.
6. The primary cost driver of common costs, or a relevant proxy in the absence of a primary cost driver, should be identified and used to allocate the cost between regulated and non-regulated services or products.
7. The indirect costs of each business unit, including the allocated costs of shared services, should be spread to the services or products to which they relate using relevant cost allocators.

Overall, the approach to allocating costs is to directly assign costs when applicable and to allocate costs based on the primary cost driver of the common cost, or relevant proxy, and to ensure that unauthorized subsidization of unregulated activities by regulated activities, and vice versa, does not occur. Except where otherwise approved, goods or services provided to the utility by an affiliate are provided at the lower of cost or prevailing market price. Goods or services provided by the utility to an affiliate are provided at the higher of cost or market price.

Costs allocated can take the form of: direct labor, direct purchased goods or services, and indirect labor and other indirect common costs. These costs are charged by the providing party to the receiving party at fully loaded costs. For the indirect labor and common costs that cannot be direct charged or allocated based on the primary cost driver of the common cost an indirect general allocator of the Massachusetts Formula will be used as a relevant proxy. The general allocator ("Massachusetts Formula") will be developed using an average of plant, revenues, and employee headcount for the preceding year ended December 31st. Refer to "Indirect Costs - Allocation of Common Costs" below.

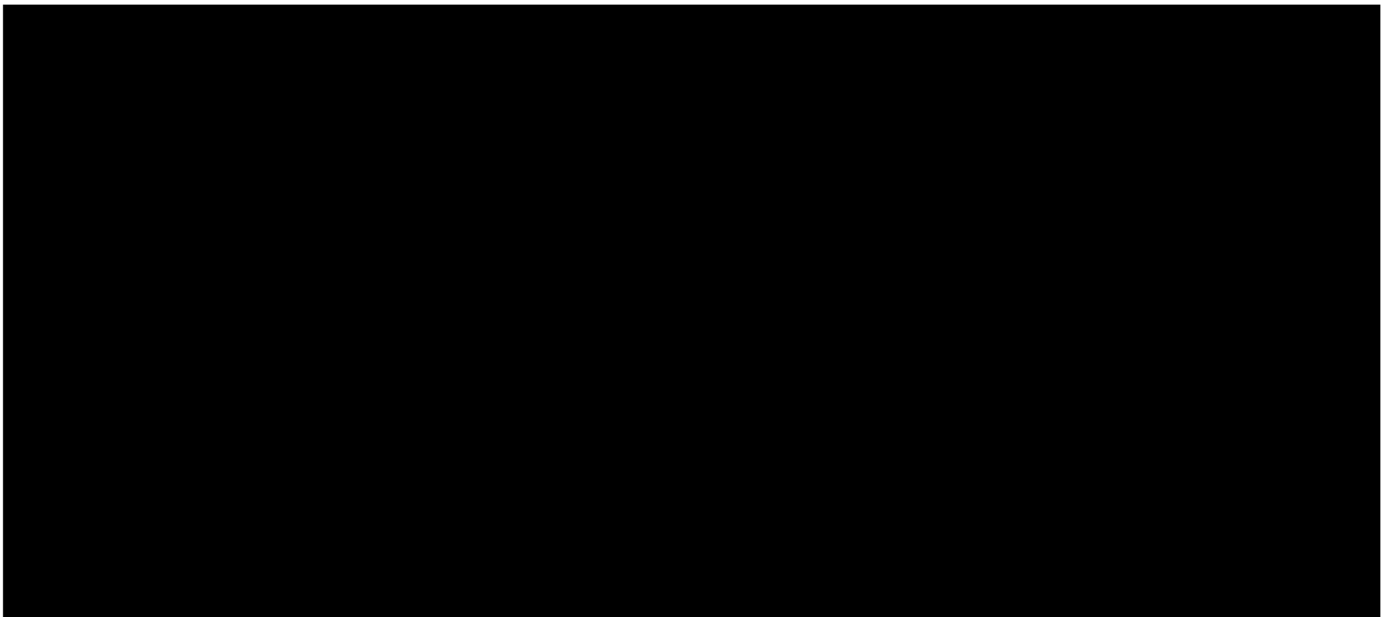
Affiliates & Non-Regulated Activities

Refer to the subsequent organizational chart for the list of all affiliates and subsidiaries of NWN that currently meet the requirements of ORS 757.015 and RCW 80.16.010, respectively.^{1,2}

The following is a list of NWN's non-regulated activities with additional cost allocation considerations:

1. Appliance Center/Miscellaneous Merchandising
2. Interstate Storage

NW Natural Organizational Chart – as of November 1, 2018



¹ BlackRock, Inc. and The Vanguard Group hold more than five percent of the voting securities of NWN, however they are not allocated any direct, indirect and shared services costs by NWN. The ownership of voting securities held by these entities are reported pursuant to ORS 757.511 and OAR 860-027-0175.

² On October 1, 2018, NWN consummated a holding company reorganization, whereby Northwest Natural Holding Company became the sole shareholder of all of the outstanding shares of NWN, and NWN transferred to Northwest Natural Holding Company all outstanding interests of each of its subsidiaries other than Northwest Energy Corporation and its subsidiary, NWN Gas Reserves LLC.

Labor Allocation Methods

Management oversight and other labor performed by NWN employees for the benefit of affiliates or non-public utility activities are recorded in accordance with the labor allocation methods described below.

Direct Labor - Shared Services

NWN has several departments that may provide services to affiliates that specifically benefit another entity. These departments direct-charge time incurred in aggregate of 30 minutes per day directly to the respective affiliate, or non-utility activity in which the time relates to in the SAP time reporting system to the extent possible. The costs are assigned directly to the entity for which the service is being provided through intercompany accounts. NWN charges labor rates for these shared services at cost per the payroll systems, grossed up for payroll overheads. Refer to 'Payroll Loadings and Overheads' below.

The departments that direct charge time incurred include:

- Accounting, including Shared Services Management
- Accounts Payable
- Clerical Administrative Services
- Corporate Communications
- Engineering and Operations
- Environmental
- Executives – Management Oversight
- Facilities and Security
- Gas Accounting
- HR and Payroll
- Information Technology & Services
- Legal
- Marketing
- Public Policy and Government Affairs
- Purchasing and Stores
- Rates and Regulatory
- Risk and Land
- Safety
- Strategic planning, business development
- Tax
- Treasury

Indirect Labor - General and Administrative Services

NWN has several departments that perform administrative and general functions for the benefit of NWN, NW Natural Holdings and its affiliates as well as public company related activities in service of NWN and other affiliates. These departments' labor costs are indirectly charged via a corporate allocation to the affiliates that benefit from their services. See 'Indirect Costs - Allocations of Common Costs' below. The below departments are determined to be indirect labor costs as they cannot be identified with a particular service or product to be charged and the labor benefits all affiliates. As such, the labor costs of these departments are allocated using

allocation factors designed to equitably allocate costs between NWN and its affiliates. These allocation factors are designed with an emphasis on recognizing cost drivers, or a relevant proxy in the absence of a primary cost driver.

These departments include:

- Corporate Governance and Compliance
- Corporate Secretary
- Financial Planning & Budgeting
- Financial Reporting
- Internal Audit
- Investor Relations
- Shareholder Services

Payroll Loadings and Overheads

NWN Employee payroll overhead (POH) is comprised of Vacation and Holiday Overhead Load and Benefits Overhead Load. The Company's payroll overheads loading rate is reviewed and updated annually by HR, Accounting, and Finance. Quarterly, any over or under allocation of costs recorded to the payroll overhead clearing accounts is reviewed and allocated to corporate expense and non-utility activities consistent with the underlying payroll charged.

Vacation and Holiday Overhead Load

A vacation and holiday overhead load is included in the payroll overheads which includes the estimated cost of all vacation, sick and company designated holiday days earned by an employee so that these costs appropriately follow where an employee charges their time.

Benefits Overhead Load

The benefit overhead load includes the cost of health care, pension, post-retirement medical, workers' compensation, 401K plans, payroll taxes, and annual incentive plan and key goal bonuses. If exception time is reported (see "Labor Allocation Methods"), the benefits overhead load follows the payroll dollars. The benefits overhead load is set at a rate adequate to fully allocate by year-end all actual benefit costs. The rate is determined at the beginning of the year based on estimated costs. Because benefit cost rates may differ depending on employee grade, employees are categorized into two classes, with different benefits overhead load rates for each class. The employee classes are: (1) Executives, and (2) Non-executives.

In 2017, the following costs were allocated as payroll overhead loadings (company averages):

Executives	
Vacation & Holiday Overhead Load	15.57% of payroll
Benefits Overhead Load	91.09% of payroll
Total Executive Payroll Overhead ³	106.66% of payroll
Non-Executives	
Vacation & Holiday Overhead Load	15.57% of payroll
Benefits Overhead Load	79.89% of payroll
Total Non-Executives Payroll Overhead	95.46% of payroll
Overtime and Doubletime Overhead ⁴	15.80% of payroll

Service Provider and Administrative Allocations

For affiliate labor charges, both direct and indirect charged, an additional administrative overhead load of 27.5% of the labor cost is added to cover the cost of rented space, office supplies, IT costs, utilities, furniture and equipment and other administrative costs.⁵ In like manner, an appropriate administrative overhead load is also charged from an affiliate to NWN when an affiliate provides services to NWN. The Company's administrative overhead is reviewed annually by Accounting.

Other Goods or Services

Direct Costs

Affiliates or non-regulated utility activities are charged directly for materials, supplies and services (e.g., consulting services, accounting software, office supplies, Kelso-Beaver Pipeline demand charge⁶) purchased by NWN on behalf of the affiliate on the basis of the full cost of the items supplied.

Indirect Costs - Allocation of Common Costs Incurred

Common costs incurred by NWN that may benefit other affiliates that are not able to be directly assigned will be allocated to the affiliates using the general corporate allocation methodology.

³ The executive payroll overhead rates do not include expenses for various elements of our executive compensation program such as stock option expense, restricted stock unit expense or long-term incentive plan expenses, because these expenses are excluded from rate base and are therefore, not necessary to allocate out.

⁴ The overtime overhead rates do not include a vacation and holiday component, and only include those benefit costs that are incurred when additional salary is incurred including payroll taxes and 401k match.

⁵ The administrative overhead load will not be charged if the employee providing the Services is located on affiliate premises for which all facilities related costs are borne by the Affiliate receiving the Services.

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The following table shows the formulas that shall be used to allocate the cost of services and costs incurred which are not directly charged. These allocators shall be updated annually based on the preceding year ended December 31st data. However, if a significant or material event occurs during the year the Company will update the allocators to reflect such an event on a pro-rata basis. The following table includes functions and costs that do not have a direct cost causation. The general corporate allocator ("Massachusetts Formula") will be developed using an average of plant, operating revenues, and payroll expense for the preceding year ended December 31st.

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NW Natural Holdings Common Costs Incurred	Basis of Allocation
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Other Goods and Services related to Individual NWN Non-Regulated Activities

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Addendum 1:
Affiliates of NW Natural

The Appliance Center**
Northwest Energy Corporation
NWN Gas Reserves, LLC
Northwest Biogas, LLC
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
NW Natural Water Company, LLC
NW Natural Water of Oregon, LLC
NW Natural Water of Washington, LLC
NW Natural Water of Idaho, LLC
Salmon Valley Water Company
Falls Water Company
Cascadia Water, LLC
Gem State Water Company

*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 business segment 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.
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 and Strategic Planning and Business Analysis and Development	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/ Payable/Finance/Budgeting/Treasury	Accounts	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. Provide shared services management and respective intercompany accounting and settlement processes.
Tax	Advise and assist in the preparation of federal, state and other tax returns, and respective tax accounting entries 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.	
Public Policy and Governmental 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/Payroll/Safety	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 and payroll. 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 and Services	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/Clerical Administrative Services	Provide centralized mail, imaging, record management services, and other general administrative support services.
Purchasing and Stores	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.
Engineering and Operations	Provide advice and assistance to Company in engineering and operations matters.
Rates and Regulatory	Provide advice and assistance to Company in rates and regulatory matters. Provide centralized rates and regulatory services and regulatory compliance.

Addendum 3:

Sample Services Request Form

Services Requested

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

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: _____

**2018 Northwest Natural Affiliated Interest Report
Stipulating Condition No. 32 – Officer Contact Information**

In compliance with Stipulating Condition No. 32 contained in Order No. 17-526 in docket UM 1804, below is the contact information for officers of Northwest Natural Holding Company and Northwest Natural Gas Company.

NORTHWEST NATURAL HOLDING COMPANY

Name	Title	Phone	Email
David H. Anderson	President and Chief Executive Officer	(503) 226-4211	david.anderson@nwnatural.com
Frank H. Burkhartsmeier	Senior Vice President and Chief Financial Officer	(503) 226-4211	frank.burkhartsmeier@nwnatural.com
MardiLyn Saathoff	Senior Vice President and General Counsel	(503) 226-4211	mardilyn.saathoff@nwnatural.com
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	(503) 226-4211	shawn.filippi@nwnatural.com
Brody J. Wilson	Vice President, Chief Accounting Officer, Controller, and Treasurer	(503) 226-4211	brody.wilson@nwnatural.com

NORTHWEST NATURAL GAS COMPANY¹

Name	Title	Phone	Email
David H. Anderson	President and Chief Executive Officer	(503) 226-4211	david.anderson@nwnatural.com
Frank H. Burkhartsmeier	Senior Vice President and Chief Financial Officer	(503) 226-4211	frank.burkhartsmeier@nwnatural.com
Lea Anne Doolittle (retired 12/31/2018)	Senior Vice President and Chief Administrative Officer	N/A	N/A
MardiLyn Saathoff	Senior Vice President, Regulation and General Counsel	(503) 226-4211	mardilyn.saathoff@nwnatural.com
James Downing	Vice President and Chief Information Officer	(503) 226-4211	james.downing@nwnatural.com
Shawn M. Filippi	Vice President, Corporate Secretary and Chief Compliance Officer	(503) 226-4211	shawn.filippi@nwnatural.com
Kimberly A. Heiting	Senior Vice President, Operations and Chief Marketing Officer	(503) 226-4211	kimberly.heiting@nwnatural.com
Jon G. Huddleston	Vice President, Engineering and Utility Operations	(503) 226-4211	jon.huddleston@nwnatural.com
Thomas J.M. Imeson (retired 3/31/2019)	Vice President, Public Affairs	N/A	N/A
Justin Palfreyman	Vice President, Strategy and Business Development	(503) 226-4211	justin.palfreyman@nwnatural.com
Melinda B. Rogers	Vice President and Chief Human Resources and Diversity Officer	(503) 226-4211	melinda.rogers@nwnatural.com
Lori L. Russell	Vice President, Utility Services	(503) 226-4211	lori.russell@nwnatural.com
Brody J. Wilson	Vice President, Chief Accounting Officer, Controller, and Treasurer	(503) 226-4211	brody.wilson@nwnatural.com

¹ Directors and Officers as of December 31, 2018.

**2018 Northwest Natural Affiliated Interest Report
Stipulating Condition No. 33 – HoldCo M&A and Divestiture Activity**

In accordance with Order No. 17-526 Stipulated Condition 33, below is an itemized list of completed HoldCo merger and acquisition and divestiture activity contained in this affiliated interest report:

- Effective September 12, 2018, Falls Water Co., Inc., an Idaho corporation, was acquired by NW Natural Water Company, LLC via merger. Falls Water Co., Inc. is now a wholly owned subsidiary of NW Natural Water Company, LLC.
- Effective November 2, 2018, Salmon Valley Water Company, an Oregon corporation, was acquired by NW Natural Water Company, LLC via stock purchase. Salmon Valley Water Company is now a wholly owned subsidiary of NW Natural Water Company, LLC.
- In November 2018, Cascadia Water, LLC, a Washington limited liability company and wholly owned subsidiary of NW Natural Water Company, acquired substantially all of the assets of Sea View Water LLC and Lehman Enterprises, Inc.

Attestation Date: 30-Apr-19
Attestation Period: January 2018 through March 2019

OFFICER ATTESTATION:

On behalf of NW Natural and NW Natural Holding, I, MardiLyn Saathoff, hereby attest that the Stipulated Conditions established by the Public Utility Commission of Oregon (Order 17-526, docket UM 1804, Stipulated Condition No. 32) and the Washington Utilities & Transportation Commission (Order 01, docket UG 170094, Stipulated Condition No. 30), respectively, are being met as reflected in the following Compliance Report; there were no failures during this reporting period, January 1, 2018 through March 31, 2019.

NW NATURAL

/s/ MardiLyn Saathoff

MardiLyn Saathoff, Sr VP, General Counsel & Regulation

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
	LE Legal	AC-F Accounting/Finance	AC Accounting	EG Engineering
	TR Treasury	RA Rates & Regulatory	CS Corp. Secretary	HR Human Resources
	GA Government Affairs	BD Business Development		

Status Legend:	Complete= Compliant. One Time Task is complete	Action Taken = Compliant. A filing or other action occurred in the attestation period	Compliant = The business is aware and/or ongoing monitoring is in place where appropriate
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Condition #		Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
OR #	WA #								Documentation	Notes
1	1	Stipulation Modifications	NWN-U and HoldCo agree that these conditions, except for condition 44 [35], may be modified as a result of regulatory decisions or settlements in other states regarding NWN-U's proposed corporate restructuring. For example, the Commission may add any condition imposed by the Washington Utilities and Transportation Commission (WUTC) [OPUC] or the California Public Utilities Commission (CUPC) to the extent it relates to NWN-U. In the event that the Commission adopts conditions from other jurisdictions, the Commission will re-open and re-issue the order approving this Stipulation to add those conditions accepted or ordered in another state jurisdiction.	L/R	Commission Action	On occurrence	One Time	Complete	N/A	No trigger occurred. No material deviations exist between OR and WA Orders issued 12/28/2017; no re-opening or re-issuing of order will occur. CPUC order issued.
2	2	Ring-Fencing Agreement	NWN-U and HoldCo will enter into an agreement that incorporates the ring-fencing provisions set forth herein. This agreement will be binding on NWN-U and HoldCo. This agreement will be filed with the Commission within 90 days of the transaction's closing. NWN-U and HoldCo commit that they will comply with Commission-approved ring-fencing conditions and will make no amendments, revisions, or modifications to this agreement or any ring-fencing provisions without prior Commission approval.	LE	Board approval of holding company restructure	31-Dec-2018	One Time	Complete	Ring-Fencing Compliance Agreement	12/17/2018: Agreement Filed in OR and WA Transaction Close Date: Oct 1 2018
3	3	Stipulation Modifications	Nothing in these Reorganization conditions will be interpreted as a waiver of NWN-U's or HoldCo's rights to request confidential treatment for information that is the subject of any of these conditions.	LE	N/A	N/A	Ongoing	Compliant		Applicable Administrative Rule/Code: OAR 860-001-0070 WAC 480-07-160
4	4	Credit & Capital Structure	HoldCo and NWN-U will maintain separate corporate credit ratings (if any), Long-Term (LT) Debt ratings (if any), and preferred stock ratings (if any), and make these credit ratings available to the Commission and Staff upon request. NWN-U will also maintain adequate: (a) interest coverage and (b) pool of qualified NWN-U assets to maintain the ability to issue First Mortgage Bonds (FMB). NWN-U agrees to provide notice and, if requested, consult with Commission Staff in the event that S&P or Moody's downgrades NWN-U's secured credit rating for any reason. If NWN-U's LT secured debt rating drops to BBB+ for S&P or Baa1 for Moody's, NWN-U will file a plan with the Commission detailing a range of options to maintain or restore NWN-U's LT secured credit rating, or to explain actions consistent with NWN-U's customers' best interest. Upon Commission request, NWN-U will present this plan to the Commission, with appropriate provisions in place to protect confidential information.	TR	Rating Downgrade	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.05.01. Quarterly certification cycle. First Cycle Start Date: Jan 1 2019.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
	LE Legal	AC-F Accounting/Finance	AC Accounting	EG Engineering
	TR Treasury	RA Rates & Regulatory	CS Corp. Secretary	HR Human Resources
	GA Government Affairs	BD Business Development		

Status Legend:	Complete= Compliant. One Time Task is complete	Action Taken = Compliant. A filing or other action occurred in the attestation period	Compliant = The business is aware and/or ongoing monitoring is in place where appropriate
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Condition #	OR #	WA #	Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
										Documentation	Notes
5	5		Credit & Capital Structure	NWN-U Common Equity must be maintained at a level no less than 44 percent and no more than 56 percent of total NWN-U Capital Structure determined on a preceding or projected thirteen month average. Should NWN-U's equity component of its capital structure fall below 44 percent [outside the range of 56 to 44 percent] in violation of this condition, NWN-U shall,	TR	Common Equity Ratio (CER) < 44% (CER) > 56%	5 bus days from trigger	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.09.01. Quarterly certification cycle. First Cycle Start Date: Feb 2 2019.
5(1)	-			within 5 business days: (A) notify the Commission; and (B) provide an explanation for why NWN-U Common Equity fell below 44 percent, for example, how the drop was caused by forces or events beyond HoldCo and/or NWN-U's control.							
5(2)	-			Within 30 days of providing notice, NWN-U shall provide a plan and timeline ("Compliance Plan") for restoring NWN-U's Common Equity to 44 percent or above that is subject to Commission review, modification, rejection, or approval.		CER < 44%	30 cal days from date of 5(1) event	Ongoing			
5(3)	-			Subsequent to the filing of the Compliance Plan, NWN-U shall file progress reports every 90 calendar days detailing its efforts to restore its equity component to 44 percent or above, as described above, in addition to detailing how NWN-U has met each requirement in the Compliance Plan.		CER < 44%	90 cal days from date of 5(2) event	Ongoing			
5(4)	-			NWN-U agrees to make its officers available to appear before the Commission regarding the violation and/or the Compliance Plan.	LE	Commission Request	On occurrence	Ongoing	Compliant	N/A	
5	-			If HoldCo and NWN-U find it reasonably likely that NWN-U common equity could fall below 44 percent in the preceding or projected thirteen month average, NWN-U shall provide a report to Staff with its projections indicating that common equity could fall below 44 percent, and take the steps listed above.	TR	When likely that CER < 44%	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.09.01. Quarterly certification cycle. First Cycle Start Date: Feb 2 2019.
5	-			If NWN-U's common equity component of its capital structure is at or below 46 percent, on a preceding or projected thirteen month average, and the above steps have not been triggered, NWN-U will provide quarterly projections of the common equity component of its capital structure to Staff, along with supporting workpapers.		When CER =/< 46%	On occurrence	Ongoing			
6	6		Credit & Capital Structure	HoldCo and NWN-U guarantee that Customers of NWN-U will be held harmless from any adverse rate impacts caused by NWN-U's Rate of Return, Common Equity, and LT Debt becoming more costly after the restructuring than they would be had NWN-U not reorganized. For seven years following the reorganization, NWN-U bears the burden of showing that any increase in NWN-U's Cost of LT Debt or cost of Common Equity (to the extent Common Equity affects customers), for which rate recovery is sought did not result from factors associated with either the reorganization or any subsequent HoldCo M&As.	RA	General Rate Case	On occurrence	Ongoing Ends Sep 30 2025	Compliant		
7	7		Credit & Capital Structure	HoldCo and NWN-U guarantee that NWN-U customers shall be held harmless if the reorganization or any subsequent HoldCo M&As cause a higher revenue requirement for NWN-U than if the reorganization had not occurred.	RA	General Rate Case	On occurrence	Ongoing	Compliant		

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
	LE Legal	AC-F Accounting/Finance	AC Accounting	EG Engineering
	TR Treasury	RA Rates & Regulatory	CS Corp. Secretary	HR Human Resources
	GA Government Affairs	BD Business Development		

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Condition #		Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
OR #	WA #								Documentation	Notes
8	8	Credit & Capital Structure	HoldCo and NWN-U commit that neither NWN-U nor NWN-U's subsidiaries will, without the approval of the Commission: A. Make loans or transfer funds (other than dividends and payments pursuant to the MSA) to HoldCo or Affiliates other than NWN-U's subsidiaries; B. Assume any obligation or liability as guarantor, endorser, surety, or otherwise for HoldCo or Affiliates other than NWN-U's subsidiaries; C. Transfer any of its utility assets or property to HoldCo or Affiliates other than NWN-U's subsidiaries; D. Seek to pledge utility assets or securities backing for any hedging, indebtedness, or securities of HoldCo or Affiliates other than NWN-U's subsidiaries; E. Enter into cross-default provisions involving HoldCo or Affiliates other than NWN-U subsidiaries; and F. Participate in a money pool with HoldCo or Affiliates other than NWN-U subsidiaries.	AC-F	Request for Commission Approval of a listed action	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.10.01. Annual certification cycle. First Cycle Start Date: Feb 5 2019.
9	9	Dividends	No dividends or like payments or distribution (special, one-time, or otherwise) may be drawn from NWN-U, without Commission approval, if any of the following conditions are present: A. NWN-U Common Equity would fall below 44 percent of NWN-U Capital Structure determined on a preceding or projected thirteen month average; or B. NWN-U's LT secured credit ratings drops below BBB- for S&P and Baa3 for Moody's. Notwithstanding the above, if NWN-U's LT secured credit ratings are below A- for S&P and A3 for Moody's, then NWN-U may only issue dividends (special, one-time, or otherwise) so long as NWN-U's Common Equity is 45% or above (determined on a preceding or projected thirteen-month average). Further, if NWN-U's LT secured credit ratings are below BBB for S&P and Baa2 for Moody's, then NWN-U may only issue dividends (special, one-time, or otherwise) so long as NWN-U's Common Equity is 46% or above (determined on a preceding or projected thirteen-month average). Table 1 below depicts the conditions under which NWN-U may make dividend distributions under the above-described conditions. [see Table in Order].	TR	CER<44% Rating downgrade	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.11.01. Annual certification cycle. First Cycle Start Date: Feb 5 2019.
10	10	Dividends	NWN-U must notify the Commission no less than 7 calendar days before dividending or otherwise transferring 5 percent or more of its retained earnings. Additionally, NWN-U will notify the Commission of: A. Its intention to transfer more than ten (10) percent of its retained earnings out of NWN-U over a six-month period; B. Its intention to declare a special cash dividend (defined as a one-time dividend that is paid in addition to NWN-U's established or expected quarterly dividend), at least 30 days before declaring the dividend.	TR	(1) Transfer-Dividend =>5% of retained earnings (A) Transfer-Dividend >10% of retained earnings (B) Declare cash dividend	(1) 7 cal days prior (A) 7 cal days prior (B) 30 cal days prior	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.11.01. Annual certification cycle. First Cycle Start Date: Feb 5 2019.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
	LE Legal	AC-F Accounting/Finance	AC Accounting	EG Engineering
	TR Treasury	RA Rates & Regulatory	CS Corp. Secretary	HR Human Resources
	GA Government Affairs	BD Business Development		

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Condition #	OR #	WA #	Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
										Documentation	Notes
11		11	Bankruptcy Protection	Commission approval of NWN-U's proposed restructuring is conditioned on the following: within 60 days of the Commission's order on NWN-U's application to restructure, NWN-U will provide a non-consolidation opinion to the Commission which concludes that the ring-fencing provisions (final conditions adopted by the Commission) are sufficient such that a bankruptcy court would not order the substantive consolidation of the assets and liabilities of NWN-U (including direct subsidiaries) with those of HoldCo, its affiliates or subsidiaries (excluding NWN-U's direct subsidiaries). If the conditions listed herein are insufficient to obtain a nonconsolidation opinion, NWN-U will undertake the following actions: A. Promptly notify the Commission of its inability to obtain a non-consolidation opinion; B. Propose and implement, upon consultation with the parties to this Stipulation and subject to Commission approval, such actions or additional ring-fencing provisions that are sufficient to obtain such a non-consolidation opinion; and C. Obtain such a non-consolidation opinion and provide it to the Commission. If after these actions, NWN-U is unable to obtain the non-consolidation opinion, NWN-U will notify the Commission and the Commission will indicate that NWN-U's application has been denied given that Commission approval of the Holding Company is contingent upon NWN-U obtaining and providing the nonconsolidation opinion to the Commission.	LE	Commission Order OR Docket UM 1804 WA Docket UG 170094	Feb 26, 2018	One Time	Complete	As-filed Document	2/26/2018: Opinion filed in OR & WA by McDowell,Rackner.
12		12	Bankruptcy Protection	A voluntary petition for bankruptcy by NWN-U would require: A. The unanimous vote of the NWN-U Board of Directors (BOD), inclusive of the vote of a least one independent director; and B. The vote of the holder of a "Golden Share," which is defined at p. 1 as the sole (\$1 Par) share of Preferred Stock of NWN-U authorized by the Commission. This share of Preferred Stock must be in the custody of an independent third party as defined at p. 1. In matters of bankruptcy, this share will override all other outstanding shares of all types or classes of stock. The Golden Share is established for the sole purpose of having the right to vote on whether NWN-U files a petition for voluntary bankruptcy.	CS	Petition for Bankruptcy	On occurrence	Ongoing	Compliant		Steven E. Wynne was named as an independent Board Member.
13		13	Bankruptcy Protection	NWN-U and NWN-U's two subsidiaries (NW Energy Corp. and NWN Gas Reserves), will not hold HoldCo investments, with the exception of NWN-U sponsored employee benefit plans or employee compensation plans, without prior Commission approval.	TR	Request for Commission Approval	On occurrence	Ongoing	Compliant		
14		14	Accounting	NWN-U will maintain its books and records (inclusive of audit trails with supporting records) separate from HoldCo's books and records, with such accounting information and financial books and records kept at NWN-U headquarters in Oregon. NWN-U's financial books and records and state and federal regulatory filings and documents will continue to be available to the Commission, upon request, at NWN-U's headquarters in Oregon [consistent with RCW 80.04.075, at NWN-U's headquarters in Oregon, or as provided to the Commission in Washington with reasonable efforts.]	AC	N/A	N/A	Ongoing	Compliant	Regulatory Compliance Control GP G-28.	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.04.01. Annual certification cycle. First Cycle Start Date: Feb 5 2019.
15		15	Accounting	NWN-U assets, cash flows, and financial accounts may not be co-mingled with existing affiliates, or with any new affiliates or operations resulting after the creation of HoldCo.	AC-F	N/A	N/A	Ongoing	Compliant	Regulatory Compliance Control GP G-28.	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.03.01. Semi-annual certification cycle. First Cycle Start Date: Jan 7 2019.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
	LE Legal	AC-F Accounting/Finance	AC Accounting	EG Engineering
	TR Treasury	RA Rates & Regulatory	CS Corp. Secretary	HR Human Resources
	GA Government Affairs	BD Business Development		

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Condition #	OR #	WA #	Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
										Documentation	Notes
16		16	Accounting	So long as required by the U.S. Securities and Exchange Commission (SEC), NWN-U will maintain separate financial statements that will be filed with the SEC. In the event separate financial statements are no longer required to be filed with the SEC, NWN-U will file separate financial statements with the Commission.	AC	N/A	N/A	Ongoing	Compliant	Regulatory Compliance Control SEC Fin'l Stmtns FERC Form 2	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.02.01. Annual certification cycle. First Cycle Start Date: Dec 1 2018.
17		17	HoldCo Formation Costs	Organizational, start-up, or other costs associated with the creation of HoldCo will be separately tracked and will not be allocated to NWN-U customers. Post creation of HoldCo, any remaining formation costs or other HoldCo-related costs will not appear on NWN-U's books, or the books of NWN-U's subsidiaries. NWN-U shall furnish the Commission with journal entries and supporting detail showing the nature and cost of all organizational, start-up, and other costs for HoldCo (including but not limited to management time, BOD time, in-house and outside counsel time, any consultants engaged, etc.) since the reorganization was first contemplated, as well as the accounts charged, within 120 days of a Commission order in this docket.	AC	Commission Order	April 30 2018	One Time	Complete	As-filed journal entries	4/27/2018: Journal entries filed in OR and WA.
18		18	HoldCo Formation Costs	NWN-U will exclude from NWN-U general rate cases, or any other method of cost recovery, all costs related to reorganization and all of HoldCo's costs related to future business endeavors and M&As including but not limited to: all legal work from in-house counsel and outside counsel; NWN-U BOD time; costs related to M&A consulting and advice; preparation of and materials for HoldCo-related presentations; and other reorganization and expansion costs.	RA	General Rate Case or similar cost recovery filing	On occurrence	Ongoing	Compliant	Cost Allocation Manual. GP G-28.	
19		19	HoldCo Formation Costs	Taxes and assessments paid to the federal government, to states, and to political subdivisions thereof shall be no greater than they would be had the Company not restructured. Tax benefits that would not exist had the Company not restructured may be addressed in proceedings before the Commission; however, until that time, NWN-U shall set up a mechanism to monitor, for informational purposes, income tax expense and potential benefits for NWN-U.	AC-T	Change in tax expense/benefit	Ongoing	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.12.01. Annual certification cycle. First Cycle Start Date: Nov 15 2018.
20		20	Allocations	The Commission may audit the accounting records of HoldCo and Affiliates that are the bases for charges to NWN-U, to determine the reasonableness of the costs and the allocation factors used by the HoldCo or its subdivisions to assign costs to NWN-U and amounts subject to allocation or direct charges. HoldCo and Affiliates will cooperate fully with such Commission audits.	RA	Commission Audit	On occurrence	Ongoing	Compliant	Cost Allocation Manual. GP G-28.	
21		21	Allocations	HoldCo and NWN-U will maintain robust systems to track employee, officer, director, agent, and attorney time (inclusive of loading percentages), identifying to within an hour, time not spent for NWN-U utility purposes that shall not be allocated to NWN-U, subject to the cost-allocation principles set forth in Condition 26.	AC	N/A	N/A	Ongoing	Compliant	Cost Allocation Manual. GP G-28.	Regulatory Compliance Monitoring. System Control ID: HoldCo.SC.15. Annual certification cycle.
22		22	Allocations	NWN-U bears the burden of showing that a particular expense from HoldCo or an affiliate of HoldCo may be allocated to NWN-U ratepayers.	RA	Commission Request	On occurrence	Ongoing	Compliant	Cost Allocation Manual. GP G-28.	
23		23	Prevention of Cross-Subsidization	HoldCo and NWN-U will comply with all applicable [Washington] Commission statutes and regulations regarding affiliated interest transactions, including timely filing of applications and reports. [Chapter 80.16 RCW.WAC 480-90-245, WAC 480-90-264, and any other applicable rules.]	RA	N/A	N/A	Ongoing	Compliant		See also Oregon Condition 26(h)
24			Prevention of Cross-Subsidization	NWN-U will file on an annual basis an affiliated interest report including an organizational chart, narrative description of each Affiliate, revenue for each Affiliate, and transactions with each Affiliate.	RA	Affiliated Interest Filing	By June 1	Annual	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1; WA.RPT.1. Annual certification cycle.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

Owner Legend:	L/R Legal/Regulatory	BF Budget/Finance	AC-T Accounting-Tax	IR Investor Relations
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25	24		Prevention of Cross-Subsidization	NWN-U will not cross-subsidize between NWN-U and any other businesses (with the exception of NWN-U and its direct subsidiaries as approved by the Commission (meaning NWN Energy and Gas Reserves), and shall comply with the Commission's applicable orders and rules with respect to such matters.	AC	N/A	N/A	Ongoing	Compliant	Cost Allocation Manual GP G-28.	
26	25		Prevention of Cross-Subsidization	Subject to any cost allocation methodology subsequently approved by the Commission, any allocation of costs, corporate and Affiliate investments, expenses, or overheads between NWN-U and HoldCo or an affiliate will comply with the following principles: [Any allocation of costs, corporate and Affiliate investments, expenses, or overheads between NWN-U and HoldCo or an affiliate will comply with the following principles:]	AC	N/A	N/A	Ongoing	Compliant	Regulatory Compliance Control Cost Allocation Manual GP G-28.	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1; WA.RPT.1; HoldCo.SC.15 Annual certification cycle.
-	25(a)		Prevention of Cross-Subsidization	A. For services rendered to NW Natural or each cost category subject to allocation to NW Natural by HoldCo or any of its affiliates, NW Natural must be able to demonstrate that such service or cost category is necessary to NW Natural for the reasonable performance of its regulated operations, is not duplicative of services already being performed within NW Natural, and is reasonable and prudent.							
26(a)	25(b)		Prevention of Cross-Subsidization	A. Cost allocations to NWN-U will be directly charged whenever possible, and shared or indirect costs will be allocated based upon primary, demonstrable, and transparent cost-driving factors. [B. Costs will be directly assigned to NWN-U if NWN-U is the direct cause of or sole beneficiary of the cost. Shared or indirect costs will be allocated based upon primary, demonstrable, and transparent cost-driving factors.]							
26(b)	25c		Prevention of Cross-Subsidization	B.[C] HoldCo and all subsidiaries and affiliates will maintain accounting systems adequate to support the allocation and assignment of costs of executives and other relevant personnel to or from NWN-U. See Condition [Commitment] 21 above for further detail.							
26c	25(d)		Prevention of Cross-Subsidization	C.[D] All costs subject to allocation will be auditable and their origin among the companies must be demonstrable, so as to be specifically identified, tracked, and trended. Failure to adequately support any allocated cost may result in denial of its recovery in rates.							
26(d)	-		Prevention of Cross-Subsidization	D. Any corporate cost allocation methodology used for rate setting, and subsequent changes thereto, will be submitted to the Commission for approval.	RA	Change in Cost Allocation Methodology	On occurrence	Ongoing	Compliant	Regulatory Compliance Control Cost Allocation Manual GP G-28.	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1; WA.RPT.1; HoldCo.SC.15. Annual certification cycle.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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26e	-		Prevention of Cross-Subsidization	E. The Company's Master Services Agreement (MSA), itemizing and explaining corporate cost allocation methods used for rate setting, will be updated to include the corporate and affiliate cost allocation methodologies between HoldCo, NWN-U, and Affiliates and filed with the Commission no later than 90 days after execution of the reorganization.	RA	Board approval of holding company restructure	Dec 31 2018	One Time	Complete	As-filed Master Services Agreement and Cost Allocation Manual (Confidential)	12/28/2018: Updated MSA with CAM filed in docket UI 385.
26e	-		Prevention of Cross-Subsidization	Thereafter, the MSA will be appended to the annual June affiliated interest report filed with the Commission. This annual filing will capture, highlight and explain all changes from the prior year. The entirety of the MSA and its components are subject to review by Staff in subsequent proceedings before the Commission to confirm that cost drivers, accounting methods, assumptions, and practices result in fair, just and reasonable utility rates. The Company will update, and re-file for approval, the MSA and AI Reporting reflecting HoldCo organizational detail and the outcome of docket No. UM 1804.	RA	Annual affiliated interest report	By June 1	Annual	Action Taken	Regulatory Compliance Control MSA appended to 2018 AI Report .	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1; WA.RPT.1; HoldCo.SC.15. Annual certification cycle. See also OR Condition 26(e).
-	25e		Prevention of Cross-Subsidization	E. The Company's Master Services Agreement (MSA), itemizing and explaining corporate cost allocation methods used to set rates will be fully described and supported in testimony and work papers in NWN-U's first general rate case submitted after this application is approved by the Commission. Thereafter, the MSA will be filed along with any general rate case filed with the Commission. This filing will capture, highlight and explain all changes since the MSA was last provided to the Commission. The entirety of the MSA and its components are subject to review and approval by the Commission in subsequent proceedings before the Commission to confirm that cost drivers, accounting methods, assumptions, and practices result in fair, just and reasonable utility rates.	L/R	General Rate Case	On occurrence	Ongoing	Action Taken	Docket UG-181053; as-filed Testimony and Exhibits of Amanda Faulk; .	Dec 31, 2018. NWN's first general rate case following Commission approval was filed.
-	25e		Prevention of Cross-Subsidization	The Company will update and re-file the MSA and AI Reporting reflecting HoldCo organizational detail within 90 days of the outcome of Docket UG-170094.	L/R	Board approval of holding company restructure	Dec 31 2018	One Time	Complete	As-filed Master Services Agreement and Cost Allocation Manual (Confidential)	12/28/2018: Updated MSA with CAM filed
26(f)	25(f)		Prevention of Cross-Subsidization	F. Costs that would have been denied recovery in rates had they been incurred by NWN-U will likewise be denied recovery whether they are allocated directly or indirectly through subsidiaries of HoldCo.	AC-F	N/A	N/A	Ongoing	Compliant	Cost Allocation Manual GP G-28.	
26(g)	25(g)		Prevention of Cross-Subsidization	G. HoldCo and NWN-U commit to using asymmetrical pricing as required by OAR 860-027-0048(4) (i.e. goods or services priced at higher of cost or market when purchased from or provided by NW Natural, and priced at lower of cost or market when sold to or provided to NW Natural) if the transaction involves a cost of more than \$100,000.	AC-F	Master Services Agreement Submission	On occurrence	Ongoing	Compliant	As-filed Master Services Agreement and Cost Allocation Manual GP G-28	Updated MSA-CAM filed 12/28/2018

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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26(h)	-	-	Prevention of Cross-Subsidization	H. NWN-U will file timely applications and reports in compliance with ORS 757.015 through 757.495 and OAR 860-027-0040 through 860-027-0042.	L/R	Qualifying Event	On occurrence	Ongoing	Compliant		See also Condition 23/23 See also OR Condition 24 See also Condition 26e/25 See also OR Condition 27 See Footnote [1].
27	-	-	Prevention of Cross-Subsidization	HoldCo and NWN-U commit that they will interpret ORS 757.015 and 757.495 to require Commission approval of any contract between NWN-U and any affiliate of HoldCo. This shall include the MSA discussed in Condition 26.	L/R	N/A	N/A	Ongoing	Compliant		See also Condition 23/23 See also OR Condition 24 See also Condition 26e/25 See also OR Condition 26(h)
28(a)	26(a)	-	Prevention of Cross-Subsidization	HoldCo, NWN-U and all Affiliates shall provide the Commission access to: A. All books of account, budgets, integrated resource planning, documents, data, records, accounting, and financial information which pertain to transactions between NWN-U on the one hand, and HoldCo or HoldCo's affiliates on the other, which are reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.	AC	Commission Request	On occurrence	Ongoing	Compliant		
28(b)	26(b)	-	Prevention of Cross-Subsidization	B. Unrestricted access to the written information inclusive of accounting and financial metrics that HoldCo provides to the Rating Agencies and that is reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.	AC	Commission Request	On occurrence	Ongoing	Compliant		
28(c)	26(c)	-	Prevention of Cross-Subsidization	C. HoldCo and NWN-U Board of Director (BOD) meeting minutes and presentations for BOD meetings, committees and subcommittees thereof, as well as investor presentations and transcripts that are reasonably calculated to lead to information relating to NWN-U or may directly or indirectly affect NWN-U.	CS	Commission Request	On occurrence	Ongoing	Compliant		
29	27	-	Prevention of Cross-Subsidization	HoldCo and NWN-U shall provide the Commission with complete and unrestricted access to all information provided by and to common stock, bond, or bond rating analysts, which directly or indirectly pertains to NWN-U. Such information includes, but is not limited to, opinions, reports and presentations made to or provided by common stock analysts and bond rating analysts.	IR	Commission Request	On occurrence	Ongoing	Compliant		
-	28	-	Prevention of Cross-Subsidization	The provisions for access to records and information in this section are not intended to limit or restrict in any way the Commission's access to records and information under federal or state law.	L/R	N/A	N/A	Ongoing	Compliant		
30	29	-	Prevention of Cross-Subsidization	HoldCo, NWN-U, and Affiliates will make their employees, officers, directors and agents available to testify before the Commission at the Commission's request to provide information the Commission considers relevant to matters within its jurisdiction.	LE	Commission Request	On occurrence	Ongoing	Compliant		
31	-	-	Prevention of Cross-Subsidization	Pursuant to OAR 860-027-0175(2), NWN-U agrees to report all Beneficial Ownership as of the last calendar day of each year to the Commission to be received by March 31 of each year.	RA	Beneficial Ownership Report	31-Mar	Annual	Action Taken	As-filed Report dated 2/26/2019.	Regulatory Compliance Monitoring. System Control ID: OR.RPT.19 Annual certification cycle.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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32		30	Prevention of Cross-Subsidization	For the first five calendar years after reorganization, as part of its affiliated interest filings, HoldCo and NWN-U will report on how the company complied with each of the conditions listed herein no later than June 15 of each year. This report will require an officer attestation of compliance with the conditions. If any of the conditions are not being met, the report shall include proposed corrective measures relative to the specific condition, subject to Commission revision and appropriate remedy as determined by the Commission.	RA	Annual AI Report	By June 1	Annual Ends Jun 2023	Action Taken	Regulatory Compliance Control Report and Attestation appended to 2018 AI Report.	Regulatory Compliance Monitoring. System Control ID: HOLDCO.SC.13.01 Annual certification cycle. AND System Control ID: OR.RPT.1; WA.RPT.1. Annual certification cycle.
32		30	Prevention of Cross-Subsidization	Annual affiliated interest reports will enduringly contain a complete Parental-view corporate organizational chart and a second listing of contact telephone number, email, and titles for HoldCo, and NWN-U corporate officers.	RA	Annual AI Report	By June 1	Ongoing	Compliant	Regulatory Compliance Control Included in 2018 AI Report	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1 and WA.RPT.1. Annual certification cycle.
33		-	Prevention of Cross-Subsidization	Annual affiliated interest reports must itemize all HoldCo M&A and divestiture activity.	RA	Annual AI Report	By June 1	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: OR.RPT.1 and WA.RPT.1. Annual certification cycle.
33		-	Prevention of Cross-Subsidization	HoldCo or NWN-U will also notify the Commission within 30-days whenever HoldCo completes a merger, acquisition, or divestiture with capitalization in excess of \$1 million.	BD	Completion of M&A transaction > \$1 million	30 days from trans. Close	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: Holdco.SC.08.01 Quarterly certification cycle. First Cycle Start Date: Jan 5 2019.
34		-	Prevention of Cross-Subsidization	For the first five calendar years after the reorganization, HoldCo will provide a final copy of its annual budget(s) to the Commission for the succeeding year on or before December 31 of each year.	BF	Budget Approval	31-Dec	Annual Ends Dec 2023	Compliant	Regulatory Compliance Control	12/21/2018: 2019 Budget filed. Regulatory Compliance Monitoring. System Control ID: Holdco.SC.01.01 Annual certification cycle. First Cycle Start Date: Dec 1 2018.
35		31	Prevention of Cross-Subsidization	HoldCo and NWN-U agree that in the event that a dispute arises concerning access to records and information in conditions 28-33 [Commitments 26-30], an administrative law judge (ALJ) at the Commission shall determine what records and information are discoverable. By agreeing to this condition, NWN-U does not waive its right to refer a ruling by the ALJ to the Commission or to appeal a decision by the Commission.	L/R	Discovery Dispute	On occurrence	Ongoing	Compliant		
36		32	Service Quality	HoldCo and NWN-U agree that NWN-U will maintain safety standards and policies substantially comparable to or better than the NWN-U currently maintained standards and policies. Neither HoldCo formation nor future acquisitions may diminish delivery of safe and reliable utility service in Oregon. NWN-U will continue to fully comply with CFR Title 49 Parts 190 to 199.	EG	N/A	N/A	Ongoing	Compliant	Eng. Procedures Field Services Procedures OQ Practices	
37		33	Miscellaneous	NWN-U commits [will maintain] that its corporate headquarters will remain in Oregon. HoldCo will not move its headquarters out of Oregon without prior Commission approval.	L/R	HQ move out of Oregon	On occurrence	Ongoing	Compliant		
38		-	Miscellaneous	NWN-U shall maintain its current pension funding approach, until informed by a Commission Order regarding revised best practices. Thereafter, NWN-U will look to Commission orders for further guidance.	TR	PUC or NWN change	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: Holdco.SC.06.01 Annual certification cycle. First Cycle Start Date: Dec 1 2018.

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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39	-	Miscellaneous	For each calendar year 2018 through 2022 inclusive, HoldCo and NWN-U commit to sustaining NWN-U's current funding levels regarding charitable contribution which is one percent of NWN-U's average pre-tax income for the three years immediately preceding the budget year, including contributions to NWN-U's bill payment assistance program, subject to a \$100,000 limit increase or decrease from the prior year's contributions budget.	GA	N/A	N/A	Ongoing Ends Dec 2022	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: Holdco.SC.07.01 Annual certification cycle. First Cycle Start Date: Feb 15 2019.
40	-	Miscellaneous	HoldCo and NWN-U will honor its existing collective bargaining agreement through its current duration. For that same period, employee's compensation and benefits packages will be at least as favorable in the aggregate as the existing benefit package.	HR	N/A	N/A	Ongoing	Compliant	Joint Accord	JA Term ends Nov 30 2019
41	34	Miscellaneous	NWN-U will not oppose maintaining current or greater support levels for energy efficiency and renewable natural gas for two years after the Commission issues a final order in this docket.	BD	N/A	N/A	Ongoing	Compliant		Applicable only for the period Dec 28 2017 thru Dec 27 2019.
42	-	Miscellaneous	Within 90 days of the applicable Board of Directors meeting, NWN-U shall file with the Commission a complete copy of the minutes of the Board of Directors' meeting at which the formation of HoldCo was approved.	CS LE	Board Approval	Dec 31 2018	One Time	Complete	As-filed Minutes (Confidential)	12/28/18: Board Minutes Filed
43	-	Miscellaneous	If the Commission, Staff, or any party believes that NWN-U or HoldCo have violated any of the conditions listed herein, or any conditions included in the Commission's final order approving the application, the Commission shall give HoldCo and NWN-U written notice of the alleged violation. If HoldCo or NWN-U is found to have committed a violation after Commission investigation (or a hearing if requested), the Commission will issue an order stating the remedy it shall seek.	LE	PUC or Other Party Action	On occurrence	Ongoing	Compliant		
44	35	Credit to Customers	For a period of three years following the formation of HoldCo, NWN-U will provide an annual credit to Oregon customers in the amount of \$500,000 [Washington customers in the amount of \$55,000] on an equal percent margin basis concurrent with NWN-U's PGA.	RA	Annual PGA Filing	15-Sep	Annual Ends Sep 2020	Compliant	OPUC Adv 18-12 WUTC Adv 18-06	2018 credit approved effective 11/1/18
45	36	Credit to Customers	Cost savings, inclusive of loadings, allocable to NWN-U that are achieved as a result of HoldCo's future Mergers and Acquisitions (M&A), if greater than \$50,000, will be deferred and later credited to Oregon [Washington] customers until NWN-U's second general rate case following the Commission's order in this docket. Savings will be deferred and credited to the extent that the saved costs, inclusive of loadings, are otherwise already included in NWN-U's customers' rates, and from the time when the savings were realized. This condition does not preclude any party from seeking deferral of any cost savings resulting from any merger or acquisition involving HoldCo that results in over \$100,000 of annual cost savings.	AC-F	M&A Cost Savings	On occurrence	Ongoing	Compliant	Regulatory Compliance Control	Regulatory Compliance Monitoring. System Control ID: Holdco.SC.14.01 Annual certification cycle. First Cycle Start Date: Feb 15 2019. Applicable only until completion of next general rate case following UG 344.
46	37	Future Mergers & Acquisitions	Approval of HoldCo formation does not relieve holders of NWN-U stock, or contractual rights to own such stock (such as stock options or convertible preferred stock), from requirements of ORS 757.511. [Upon approval of the HoldCo formation, holders of NWN-U stock, or holders of contractual rights to own such stock (such as stock options or convertible preferred stock), as well as upstream parent companies of Hold-Co, are subject to the requirements of chapter 80.12 RCW to the same extent as NWN-U, for purposes of property transfers involving NWN-U.]	CS	N/A	N/A	Ongoing	Compliant		

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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47	38	Future Mergers & Acquisitions	HoldCo or NWN-U will notify the Commission in writing subsequent to HoldCo's board approval and as soon as practicable following any public announcement of: (1)[(a)] any acquisition of any business that represents five percent or more of HoldCo's capitalization, or (2) [(b)] change in effective control or acquisition of any material part of HoldCo or NWN-U, as required by ORS 757.511. [any material change in ownership of any part of NWN-U, HoldCo, or upstream ownership of either entity that does not result in a change in effective control of NWN-U; or (c) any change to NWN-U's corporate organizational chart (including upstream parents and all affiliates). "Material" shall mean 10 percent of ownership. Any transaction, regardless of size, that would result in a person, directly or indirectly, acquiring a controlling interest in NWN-U is subject to Commission approval under RCW 80.12.020.]	BD	Ownership Change of 5% or more (OR) or 10% or more (WA)	On occurrence	Ongoing	Compliant	N/A		
48	39	Future Mergers & Acquisitions	HoldCo and NWN-U will refrain from seeking recovery through NWN-U rates any acquisition premiums, goodwill, transaction costs, or incremental executive bonuses associated with the reorganization or any subsequent M&As by HoldCo or any affiliates other than NWN-U.	RA	General rate case	On occurrence	Ongoing	Compliant			
49	40	Future Mergers & Acquisitions	Within 90 days after HoldCo acquires or creates a new subsidiary entity, HoldCo shall file with the Commission a statement that provides the name of the subsidiary, the total value of its assets, the nature of the subsidiary's business and whether it will do business with NWN-U.	CS	New HoldCo acquisition or subsidiary	90 days of occurrence	Ongoing	Action Taken	As-Filed Statement	12/29/2018: Statement filed with WA. 12/28/2018: Statement filed with OR.	
50	41	Future Mergers & Acquisitions	Any diversified holdings and investments (i.e., non-utility businesses or foreign utilities) of HoldCo following approval of the transaction will not be held by NWN-U or a subsidiary of NWN-U, with the exception of NWN-U sponsored employee benefit plans or employee compensation plans. This condition will not prohibit HoldCo or its affiliates other than NWN-U from holding diversified businesses. This provision will also not prohibit NWN-U from continuing to hold the assets it holds within NWN-U immediately prior to the reorganization, including but not limited to the appliance center and interstate storage business.	BD	N/A	N/A	Ongoing	Compliant			

Compliance Report

Attestation Period: January 2018 through March 31, 2019

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Condition #	Topic	Stipulated Condition	Owner(s)	Action Trigger	Due Date	Frequency/Term	Status	COMPLIANCE FULFILMENT	
								OR #	WA #

Footnotes:

[1] Regarding Oregon Condition 26(h), the ORS requirements within 757.015 through 757.495 requiring reports or filings by NWN and/or the holding company are:

- 757.105 Filing of budget; rules; review by commission; pensions as operating expenses
- 757.107 Supplemental budgets and orders
- 757.205 Filing schedules with commission; data filed with schedules
- 757.210 Hearing to establish new schedules; alternative regulation plan.
- 757.212 Resource rate plans; customers who may elect to be exempt; order approving plan; effect of approving plan; rules.
- 757.245 Establishment of joint rates.
- 757.247 Tariff schedules for energy resource measures; rules.
- 757.259 Amounts includable in rate schedule; deferral; limit in effect on rates by amortization; rules.
- 757.415 Purposes for which securities and notes may be issued; order required.
- 757.440 Approval required before utility may guarantee another's indebtedness.
- 757.455 Conservation program investment policy; application for bondable investments; utility rates to include investment costs.
- 757.460 Pledge of conservation investment assets as bond collateral; perfection of security interest; foreclosure.
- 757.480 Approval needed prior to disposal, mortgage or encumbrance of certain operative utility property or consolidation with another public utility; exceptions.
- 757.485 Purchase of property or stocks of one utility by another
- 757.490 Approval needed for certain contracts.
- 757.495 Contracts involving utilities and persons with affiliated interests.

The OAR requirements within OAR 860-027-0040 through 860-027-0042 requiring reports or filings by NWN and/or the holding company are:

- 860-027-0040 Applications for Approval of Transactions Between Affiliated Interests
- 860-027-0041 Information Required for Utility Goods or Services Provided to Affiliated Interests
- 860-027-0042 Timeliness of Application Made Under OAR 860-027-0040 and Filings Made Under OAR 860-027-0041