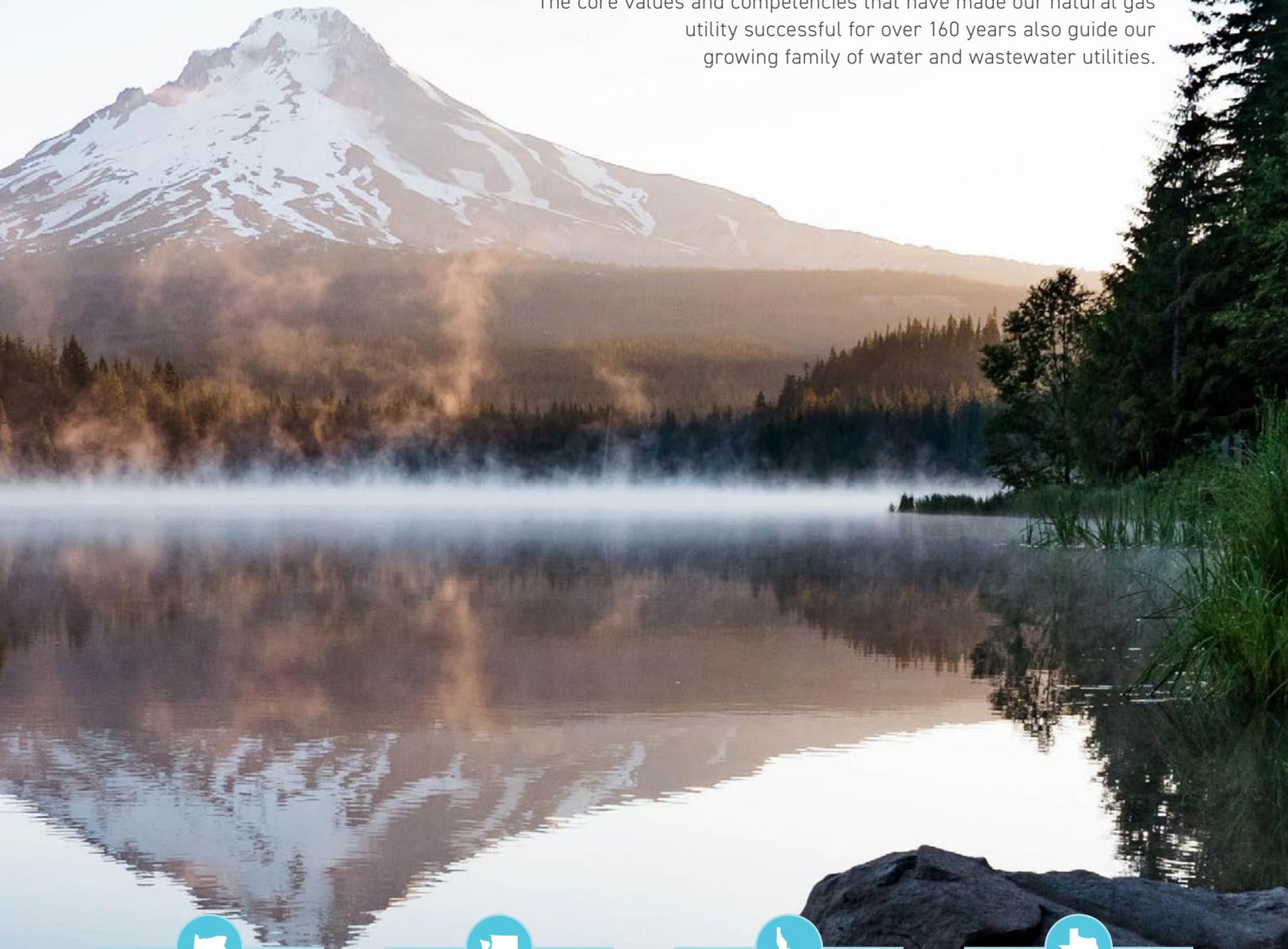


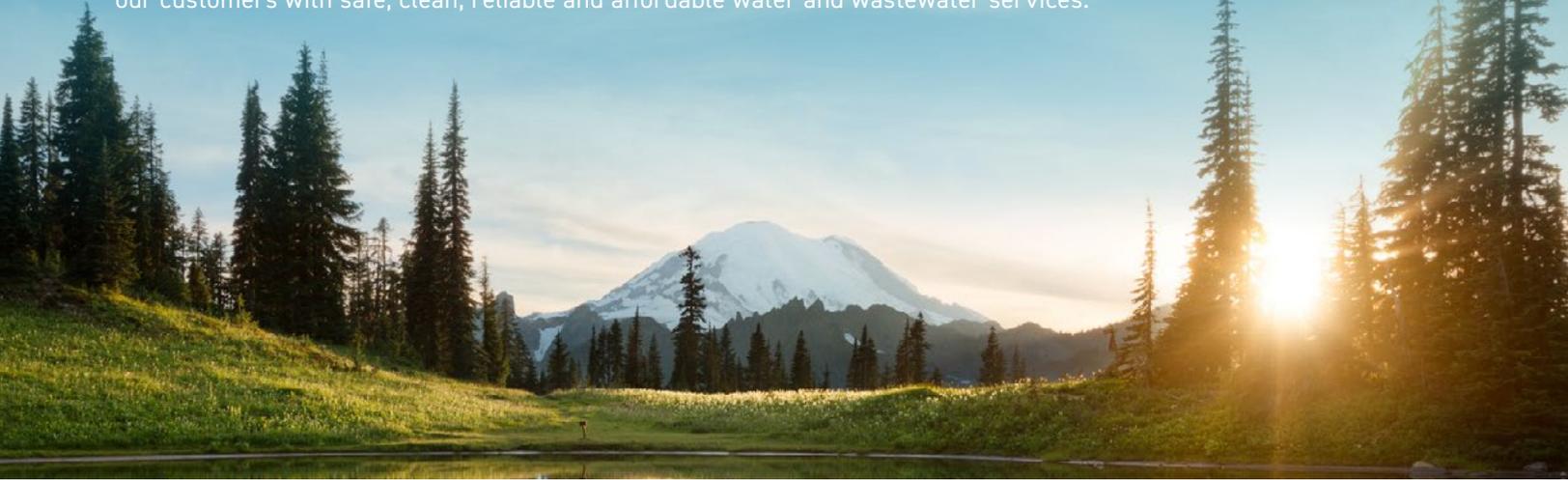
Water & Wastewater

Water is essential for life, growth, food security and stability. We value this critical resource and take our responsibility to provide and protect it seriously. The core values and competencies that have made our natural gas utility successful for over 160 years also guide our growing family of water and wastewater utilities.



Building a Strong Foundation

We are committed to building a strong foundation of superior customer service, responsible environmental stewardship and constructive regulatory engagement. We work to provide the financial, technical and regulatory resources to support our service territories, so each and every day we can provide our customers with safe, clean, reliable and affordable water and wastewater services.



NW Natural Holdings entered the water utility sector in December 2017, announcing acquisitions of several water utilities in the Pacific Northwest, where our natural gas distribution business is located. Our deliberate and measured approach to acquisitions paid off. Since our initial transactions, NW Natural Water has expanded into four states and quadrupled the number of connections it serves.

In 2020, we kept up a steady pace, acquiring five utilities and expanding our service territory with our first acquisition in Texas and our first municipal acquisition. These acquisitions are giving us important experience and insight into another aspect of the water business. With the support NW Natural Water is able to provide, these utilities are better equipped to address a host of issues, including system maintenance, employee

safety, improvements to infrastructure and technology, increased regulation, and emerging challenges from climate change.

Safety

We work on several fronts to keep our water systems safe and reliable, and to provide clean drinking water to customers. We regularly invest in infrastructure improvements such as pipe replacements and new wells, and execute on multiyear plans for larger upgrades. In 2020, we invested \$7 million in our water and wastewater infrastructure on an accrual basis with plans to invest \$40 to \$50 million in capital expenditures over the next five years.

Technology is also crucial to providing reliable service. In 2020, we worked to implement or upgrade supervisory control and data acquisition (SCADA) systems at utilities across our water platform. This technology can determine the status of equipment at every lift and pump station, making it possible to proactively detect leaks and pressure drops that can compromise water quality and cause service interruptions. The SCADA systems allow our employees to proactively check on equipment, more quickly assess anomalies and deploy staff to correct issues faster than before, ultimately improving safety and reliability for customers.

To build a culture of safety, we've begun implementing consistent safety standards and training across our water businesses. In 2020 we created a companywide safety training program by leveraging the experience and expertise at NW Natural. Employees at all our water utilities quickly adopted the program and completed industry-specific

“The challenges of this past year, from COVID to wildfires to a cold weather event in February 2021, reinforced our decision to build a water and wastewater utility platform, and highlighted the value we can bring to and create in this sector.”

— Justin Palfreyman,
president NW Natural Water

and OSHA-required safety training. We now provide regular trainings through an online system. In addition, we formed a safety steering committee that meets regularly to share best practices and arrive at holistic proactive solutions. We also implemented COVID health and safety standards and ensured all of our subsidiaries had the equipment and support required to keep employees and customers safe and healthy during the pandemic. We're continuing to work collaboratively across the water utilities and leverage resources and experience to expand our employee safety program.

OUR COMMITMENT TO SAFETY AND RELIABILITY SERVED NW NATURAL WATER CUSTOMERS WELL

In February 2021 when many Texans faced water disruptions due to winter storms. Power outages resulted in freezing and bursting pipes on roughly half of our systems in Texas, but we were able to restore water service within 24 to 48 hours and get customers back online very rapidly relative to many other utilities in the state. For many of our smaller water systems in Texas, backup generation is not required; however, we have been making prudent investments in standby backup capabilities and portable generators to bolster reliability and resiliency for our customers during power outages.

Environmental Stewardship

Water is a precious resource, and we're committed to using it wisely. To this end, we strive to operate and maintain high-quality water and wastewater systems. As we undertake comprehensive planning, we seek to ensure that our investments in infrastructure and technology are resource-efficient, cost-effective over their lifecycle, and consistent with the goals of our communities.

We strive to meet the highest standards for reuse and environmental sustainability at our wastewater treatment plants. The SCADA systems we installed in 2020 at lift stations helps prevent wastewater overflow

to protect lakes, rivers and streams, in addition to its other safety benefits. After extensive planning in 2020, we broke ground on a new wastewater facility in 2021 for our Sunriver utility. The new facility will be equipped with the latest technologies and equipment for treating wastewater, meeting stringent environmental guidelines and helping Sunriver continue to provide safe, reliable service to the area.

We strive to effectively manage water supply in order to protect the long-term availability of clean and safe water for the customers that we serve. The risks posed by climate change increase the importance of this. To encourage conservation, many of our water utilities have implemented measures designed to reduce water usage by residential customers who consume the highest percentage of water. Our Sunriver water utility continues to publish articles on water and water conservation measures annually in the consumer confidence report issued to all metered users. Conservation issues discussed in the report include household water conservation tips, repair of leaky fixtures, replacement of aging fixtures with new water saving fixtures, water-conserving lawn irrigation practices, as well as water system and water quality information.

To safeguard our long-term water supply, we promote conservation throughout our value chain, work to minimize water leakage throughout our infrastructure, and utilize water-reuse strategies in areas of limited supply. In addition, we use technology and innovation coupled with customer education and efficiency in an effort to provide reliable water supply to customers.

Sunriver Closing the Loop on Waste

Treated wastewater from our Sunriver wastewater treatment plant is used to irrigate 64 acres of hay fields and nearby golf courses. Putting to work about 51 million gallons of water that would otherwise be released into local waterways yielded approximately 77 tons of orchard grass hay in 2020. Using the solid byproducts of the treatment process, in 2020 we created more than 5,240 yards of rich, black compost that our community can use in their gardens. Sustainable practices like these benefit the environment and help reduce costs for our customers.





Investing in Safety and Communities from the Beginning

One of NW Natural Water's first acquisitions was Salmon Valley Water, a small family-run water system in northwest Oregon. In 2017 the owners were looking for a suitable partner to run their business as the owners retired. After considering multiple organizations, they chose NW Natural Water because of NW Natural's strong reputation as a business and the high ratings it receives from customers.

With NW Natural Water's resources and support, Salmon Valley Water has been able to move forward on infrastructure improvements it would have been forced to postpone as an independent company. Through its partnership with NW Natural Water, the company is positioned to serve its growing community safely well into the future.

"We were looking for someone not just to buy the company, but to invest in the community, too."

— Michael Bowman, Salmon Valley Water general manager

Our Communities, Our Customers

NW Natural Water strives for superior customer service and believes strong relationships with its communities are essential for success.

This commitment means we work to keep the water running for our customers every day of the year. In 2020, despite challenges created by the pandemic, our water systems experienced no COVID-related service interruptions. Faced with supply-chain disruptions, PPE shortages and new safety protocols, we quickly implemented rotating shift cycles and other safety procedures to protect employees and customers. We also implemented a new online billing system so customers can easily pay their bills without contact. All our current subsidiaries are now on the same billing platform and can share knowledge to improve customer service.

We are active in the communities we serve, supporting nonprofit organizations at the local level and tailoring our contributions to meet each community's needs. For example, in the Central Oregon resort community of Sunriver, we have continued our subsidiary's longstanding support of a winter holiday event that provides gifts and grocery gift cards to families in need. In 2020 the in-person portion of the celebration was cancelled due to COVID, but in prior years we donated time and equipment in addition to the monetary contributions.

Employees

Attracting and retaining a talented workforce is vital to the success of NW Natural Water, and we continuously look for ways to meet the needs of the dedicated employees who keep our water businesses running smoothly.

In 2020, NW Natural Water conducted its first employee engagement survey, and 96% of employees reported that they take pride in their work and in the company. In addition, 96% of NW Natural Water employees described themselves as engaged—compared with just 36% of employees nationwide.

2020 EMPLOYEE SURVEY RESULTS

96%

ENGAGED, COMMITTED, AND ENTHUSIASTIC ABOUT THEIR WORK AT NW NATURAL WATER

96%

PROUD TO WORK FOR NW NATURAL WATER

82%

PARTICIPATED

Employees also agreed or strongly agreed with the following:

- We provide **excellent service** to our external customers (96%)
- We demonstrate **safe work practices** in our work area (96%)
- In my work area, we operate with **integrity and ethical conduct** (96%)
- We engage with customers and the community in a way that **respects and values diversity and inclusion** (96%)

Smaller water systems often experience challenges providing competitive compensation packages for their employees. We continue to seek opportunities to bring our employees' wages in line with market rates. In 2020, our subsidiary Falls Water Company was able to align wages with the market. Sunriver Water in Oregon was able to introduce a certification-based salary program to help provide competitive wages. Partnering with NW Natural Water has also enabled our smaller water utilities to provide benefits they weren't previously able to offer, including formalized paid time off programs and 401k retirement accounts. In 2021, we rolled out ethics and compliance training to our water employees to further foster a culture that mitigates risk and promotes integrity and ethical behavior.

We're Committed

We're committed to managing our water and wastewater systems responsibly, and we will continue to focus on the following priorities:

- Continually maintain and invest in systems as aging infrastructure must be replaced
- Provide financial capital for infrastructure improvements
- Comply with increased and expanding regulation for water and wastewater systems
- Monitor for contamination and proactively address emerging threats from climate change and natural disasters
- Implement new technologies, including cybersecurity measures
- Attract and develop talented employees, as well as manage an aging workforce

FOR MORE INFORMATION SEE ALSO:

→ [NW Natural Water](#)

Continuing a Tradition of Putting Customers First

After owning and operating a group of small water utilities in northwest Washington for more than 40 years, the Lehman family realized the company needed capital improvements to maintain safe and reliable service, meet changing customer demands, and adapt to growth. They decided to sell their operation to NW Natural because of its strong community-oriented reputation, and Cascadia Water was established as a NW Natural Water subsidiary in 2018. Former owners Culley Lehman and his wife, Amy, continue to play an active role as Cascadia's general manager and office manager.

In 2020, when Cascadia Water needed to replace a well in the middle of the pandemic, the partnership with NW Natural Water made it possible to move forward immediately. Prior to the acquisition, the Lehmans would have needed to go through the time-consuming and unpredictable process of obtaining a bank loan to drill a new well. Instead they were able to get funding approved almost immediately.

During the six weeks it took to drill a new well, the Lehmans hand-delivered bottled water to customers who needed it. As longtime operators of family-run utilities, they remain deeply connected to their customers—and they can continue investing in the communities they serve while NW Natural Water invests in infrastructure to provide safe, reliable water services for the long term.

“Providing bottled water while the well was under construction wasn't a requirement, it was something we as the Cascadia team felt was necessary to maintain that extra level of customer service.”

— Amy Lehman, Cascadia Water office manager and former owner