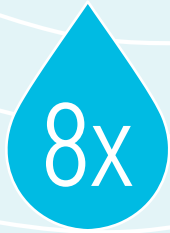


# Water & Wastewater

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

# Water Highlights



Increased customer base by eight-fold since entering the water utility sector in 2017

## \$20 MILLION

Invested nearly \$20 million in critical infrastructure on an accrual basis in 2022, including new wells and backup generation to maintain water and wastewater services during power outages



Completed acquisition of Far West (now Foothills), doubling our customer base and extending our operations into a fifth state



Continued our investment in Avion Water in Central Oregon, strategically expanding our presence in Oregon



Expanded our footprint in Texas with agreements to acquire three more utilities in the state



**Continued to formalize safety standards and expand safety training across our water subsidiaries**

## 89%



of NW Natural Water employees responding to 2022 employee satisfaction survey described themselves as engaged, committed, and enthusiastic about their work

## Building on a Strong Foundation

NW Natural Water provides our service territories with financial, technical, and regulatory resources to help ensure safe, reliable and affordable delivery of water and wastewater services to our customers every day. As a subsidiary of NW Natural Holdings, NW Natural Water is building on a strong foundation of superior customer service, responsible environmental stewardship and constructive regulatory engagement.

We've grown exponentially since NW Natural Holdings entered the water utility sector in December 2017. Through a deliberate and measured growth strategy, NW Natural Water has expanded its service territory to five states: Oregon, Washington, Idaho, Arizona, and Texas. We have acquired more than 25 water and wastewater utilities, serving around 155,000 people through about 63,000 connections as of December 31, 2022.



## Safety & Reliability

Investing in new infrastructure and meeting customer needs safely and efficiently requires significant resources. We regularly invest in infrastructure improvements and safety measures that can be out of reach for small, stand-alone water utilities. In 2022, we invested nearly \$20 million in our water and wastewater infrastructure on an accrual basis with plans to invest \$90 to \$110 million in capital expenditures over the next five years.

- We made broad investments in backup generation to keep electric-driven equipment operating in the event of a power outage. This equipment prevents pressure drops that can compromise water quality and cause service interruptions. Standby generators to protect reliability and safety aren't required for some of our smaller water utilities, but we're investing in them because it helps us provide the superior service our customers deserve.
- We provided infrastructure capital to bring on new wells—one of the most involved and expensive projects in the water business.
- We started construction on a major upgrade of our Sunriver Water wastewater treatment plant to create a state-of-the-art facility that can produce 1.5 million gallons of Class A recycled water each day, the Oregon Department of Environmental Quality's highest standard for recycled water.
- We invested in technology to prevent business disruptions.
  - » We moved several programs to the cloud to reinforce security.
  - » We implemented supervisory control and data acquisition (SCADA) systems at all our subsidiaries, making it possible to proactively detect leaks and pressure drops.

"Since working with NW Natural Water we've been able to pursue capital improvements that would have taken us years to save up for. We simply would not be able to do this without NW Natural Water."

— Ron Payne, Blue Topaz Utilities General Manager

## Building a culture of safety

As our water business has grown, we have created a comprehensive safety program to help our NW Natural Water subsidiaries all meet the same high health and safety standards to protect our employees and communities. To build that culture and standard of safety, we've implemented formalized safety practices and training that we are continually integrating throughout the workplace. Building a comprehensive safety program from the ground up is typically a long and challenging process, but we have been able to make swift, steady progress with the support from our experienced safety team. In 2022, the third year of our NW Natural Water safety program:

- We performed a safety risk analysis at each facility and began making item-by-item improvements.
- We began tracking safety metrics and reporting results to increase visibility.
- We introduced a monthly meeting for all safety teams and managers to review safety status and determine what needs to be done.

"It's great to partner with a company that has hands-on experience with safety issues that affect the utility industry."

— Tony Wise, Falls Water Company Operations Manager



## Our commitment to safety and reliability

served NW Natural Water customers well in 2022, when we made a large investment in installing generators in all our Texas water systems. During a freeze that lasted for several days, our customers did not lose their water supply when power outages affected several other water systems in the state. We are currently working on a generator project to help ensure the customers who depend on our Southeast Texas water systems will be supplied with water during storms.



## Water conservation

In the midst of a multi-year drought, our Falls Water subsidiary has been emphasizing water conservation. To reduce the amount of water being pumped, the company developed a program that limits watering of lawns and landscaping to every other day and encourages customers to start their sprinklers during off-peak hours. These measures, along with heightened customer awareness of the drought, helped Falls Water reduce production by 140 acre feet of water even while adding 281 connections to the system. The company's current rate case seeks approval for a tiered water rate to further reduce consumption.

## Environmental Stewardship

Water is a precious resource, and we're committed to using it wisely.

- **We strive to operate and maintain high-quality** water and wastewater systems so our facilities deliver safe and clean water to our customers.
- **We engage in comprehensive planning** to support investments in infrastructure and technology that are resource-efficient, cost-effective over their lifecycle, protective of the environment, and consistent with the goals of our communities.
- **We invest in critical infrastructure** that's essential for meeting water-quality regulations. For example, across our water utilities we've invested in new wells, valves, pressure regulating valves, water mains, and technology like SCADA and GIS systems that help us maintain water quality by detecting and preventing low-pressure events that can lead to contamination.

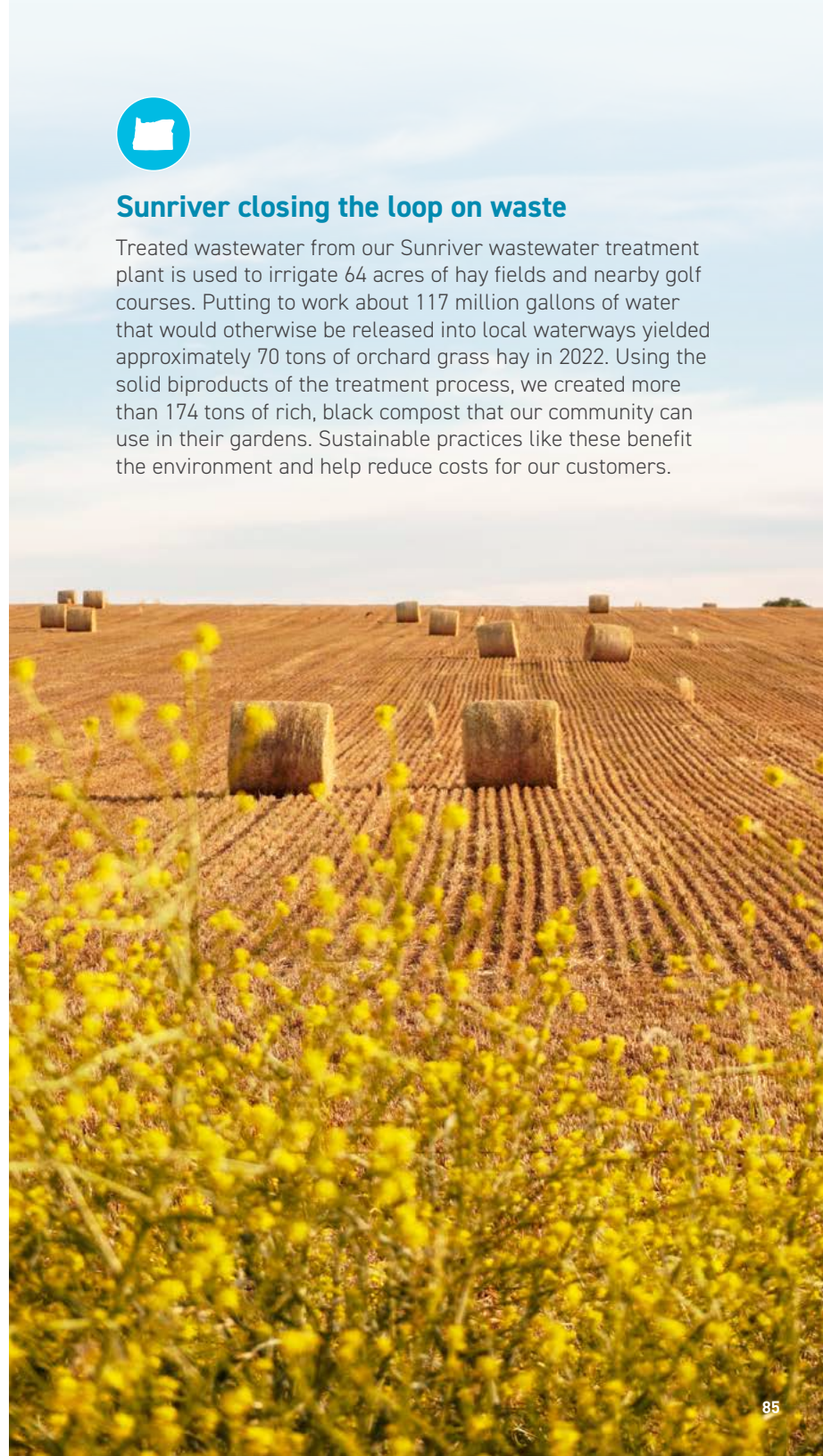
**A major upgrade to our wastewater treatment plant in Sunriver has brought the water quality at the plant to the class "A" reclaimed water profile, the Oregon Department of Environmental Quality's highest standard.**

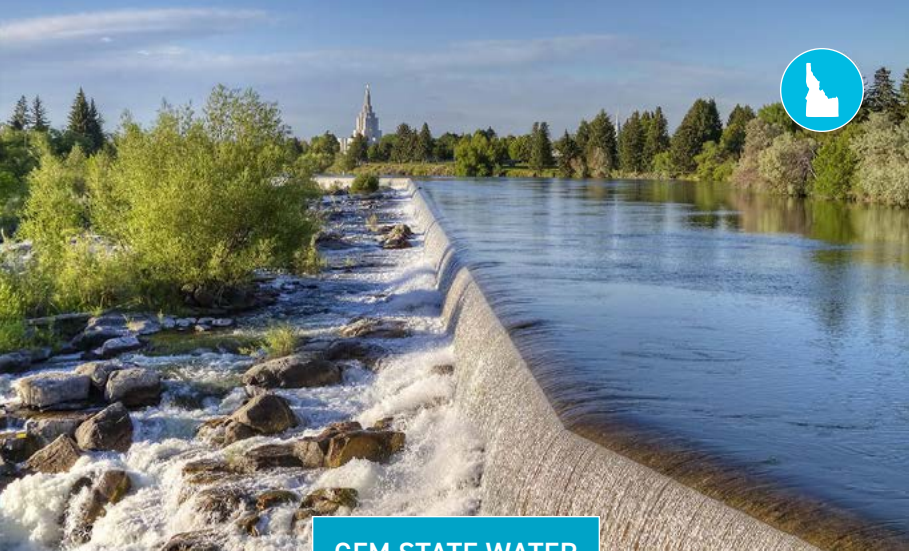
- **At our wastewater treatment plants**, we strive to meet the highest standards for environmental sustainability. We continue to install SCADA systems at lift stations to help prevent wastewater overflow and protect lakes, rivers and streams.
- **We are resolutely focused on reducing water loss, conserving water and preventing waste.**
  - » We have installed technology to help minimize water leakage across our infrastructure. Our subsidiaries now have tools to perform water-loss analysis.
  - » We encourage customers to reduce water use. Our water utilities feature water conservation tips on their websites and encourage customers to use water-saving household fixtures. Sunriver Utilities provides low-flow faucet kits at no cost for homeowners who want to conserve water.
  - » Many of our water utilities have also adopted measures designed to reduce the amount of water used by residential customers who consume the highest percentage of water. In certain cases we work directly with heavy water-users to help them reduce their consumption.
- **We look for opportunities to implement water reuse strategies** in areas of limited supply—a practice we believe is good business as well as our responsibility to the environment. For example, at our Sunriver and Foothills utilities, we reuse treated wastewater for secondary irrigation on several golf courses.



### 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 117 million gallons of water that would otherwise be released into local waterways yielded approximately 70 tons of orchard grass hay in 2022. Using the solid byproducts of the treatment process, we created more than 174 tons 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.





## GEM STATE WATER

### Continuing a tradition of putting customers first

Gem State Water in Coeur d'Alene, Idaho, prides itself on being a local company, even three years after joining NW Natural Water. Customers appreciate that Gem State Water's employees reside in the same neighborhood as they do, know many customers personally, and go above and beyond to help each customer.

Gem State's employees' caring approach came in handy in 2022 as Gem State Water began a large project to update aging infrastructure, including meters. Due to Idaho's winters, Gem State chose to upgrade to smart meter technology, which can help curb water costs for customers and conserve water. The new meters provides data and immediate alerts if there is a leak or disruption in service, allowing Gem State employees to address issues quickly. Gem State Water is eager to continue working on its comprehensive infrastructure plan to support its unique community with the assistance of NW Natural Water.

"Changes can be hard for people, and our customer service ensures they make contact with everyone that calls. We take the time to personally connect, listen to their concerns, and create a relationship with them."  
— Leslie Abrams-Raynor,  
General Manager of Gem State Water

## Our Communities, Our Customers

Our customers are our community, and we are committed to serving and supporting them.

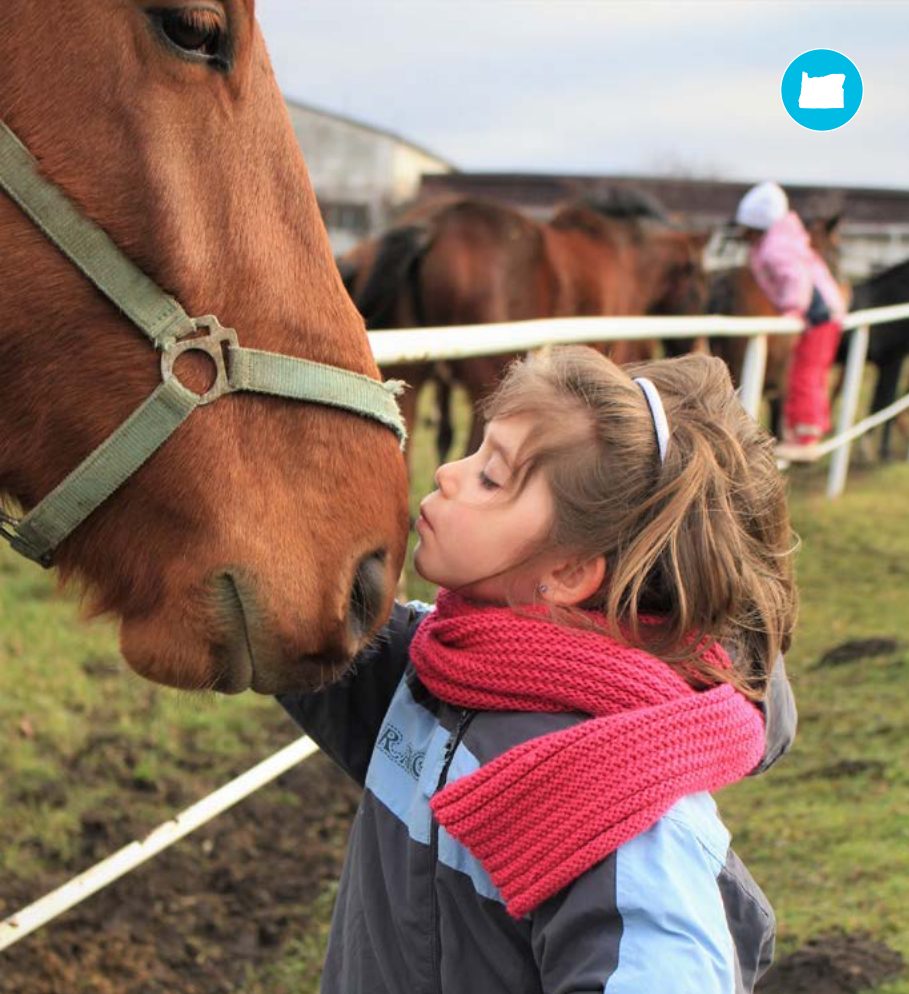
**SAFE, RELIABLE SERVICE** – In 2022, our water utilities continued to work together to address supply-chain disruptions to avoid material issues, although there were long lead times for certain parts. Generators, which support safety and reliability, were back-ordered for two years, and we developed an alternative strategic plan to provide backup generation during power outages.

**CUSTOMER EXPERIENCE** – We partner with community-oriented water utilities that are dedicated to serving customers, and we're committed to preserving and building on that legacy. We have enhanced the online experience people have when they do business with our subsidiaries, with updated and standardized websites where customers can pay their bills and get instant access to features and information, including water quality (consumer confidence) reports, rate structure, a "call us" button, and water-emergency resources.

**BILL PAYMENT ASSISTANCE** – To support people experiencing financial hardship, we offer time payment agreements that allow customers in need to pay a portion of their bill in installments. We created this program during the pandemic and we are keeping it in place to assist low-income members of our communities.

**ENGAGEMENT** – With deep roots in the communities they serve, our subsidiaries work diligently to meet their customers' needs, understand their stakeholders' concerns, and operate as good neighbors. Our water and wastewater companies support a range of local nonprofits and they solicit community input on important matters such as rate cases and infrastructure upgrades.

"I have personal conversations with stakeholders who have questions about a rate case. If a customer calls and wants to understand something, I pick up the phone."  
— Tim Smith, Northwest Regional Manager



## Treated wastewater yields a gift for a local nonprofit

Every year treated wastewater from our Sunriver Environmental plant irrigates a bountiful crop of orchard grass hay. In 2022 the utility donated the entire crop—70 tons of hay—to Healing Reins Therapeutic Riding Center in nearby Bend, Oregon. Healing Reins offers nationally accredited programs that incorporate specially trained horses into therapy for people with a wide range of disabilities and challenges. In partnership with the local medical community and more than 100 volunteers, the organization serves 190+ children, teens, adults and veterans every week.

## 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 2022, NW Natural Water conducted its third employee engagement survey with 80% of employees participating, and 95% reported that they take pride in their work and in the company. In addition, 89% of NW Natural Water employees described themselves as engaged—compared with just 32% of employees nationwide in 2022.

89%

Employees engaged, committed, and enthusiastic about their work at NW Natural Water

95%

Employees proud to work for NW Natural Water

94%

Believe their company provides excellent service to customers

Employees also agreed or strongly agreed with the following:

- We demonstrate safe work practices in our work area (93%)
- In my work area, we operate with integrity and ethical conduct (95%)
- We engage with customers and community in a way that values diversity and inclusion (98%)

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, and we do an annual wage analysis of all subsidiaries to make sure we're staying competitive.

Partnering with NW Natural Water has also enabled our water utilities to provide benefits they weren't previously able to offer, including formalized paid time off programs, 401(k) retirement accounts and participation in the NW Natural Holdings' employee stock purchase program. At the end of 2022 we launched a package that pays for 75% of medical and dental coverage for employees and their dependents. Prior to being acquired by NW Natural Water earlier in the year, employees at our Foothills Utilities subsidiary in Arizona had been paying 50% of the cost for medical insurance, and the coverage didn't cover dependents.

**In 2022, all active NW Natural Water employees completed annual ethics and compliance training in support of 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 intend to continue focusing on the following priorities:

- Maintaining and investing in systems as aging infrastructure needs to be replaced
- Providing financial capital for infrastructure improvements
- Complying with increased and expanding regulation for water and wastewater systems
- Monitoring for contamination and proactively addressing emerging threats from climate change and natural disasters
- Implementing new technologies, including cybersecurity measures
- Attracting and developing talented employees, as well as managing an aging workforce



**For more information see also:**  
**[NW Natural Water](#)**