

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 over 160 years also guide our growing family of water and wastewater utilities.

Water Highlights

Extended our operations

in our existing footprint in 2021, with our nineteenth acquisition pending in Arizona

\$17.6 MILLION

invested in critical infrastructure on an accrual basis in 2021, including new wells and backup generation to maintain water and wastewater services during power outages



Formalized safety standards and expanded safety training across our water subsidiaries

400%

CUSTOMER BASE INCREASE SINCE ENTERING THE WATER UTILITY SECTOR IN 2017



94%

of NW Natural Water employees responding to 2021 employee satisfaction survey described themselves as engaged, committed, and enthusiastic about their work

Building on a Strong Foundation

Reliable Delivery

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, we're 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 Dec. 2017. Through a deliberate and measured growth strategy, NW Natural Water has expanded its service territory and increased the number of customers we serve by 400% since our initial transactions. In 2021, we acquired an ownership stake in Oregon's largest investor-owned water utility, and signed purchase agreements that extended our operations in the Pacific Northwest with pending transactions in Texas and a new foothold pending in Arizona.

"We're excited to see NW Natural Water expand and grow, and we look forward to enhancing customer service and investing in these communities."
— Justin Palfreyman, NW Natural Water president

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 water utilities. In 2021, we invested \$17.6 million in our water and wastewater infrastructure on an accrual basis with plans to invest \$60 to \$70 million in capital expenditures over the next five years.

"NW Natural Water takes system reliability and security seriously. Having operated water systems since 1988, I'm more confident than ever that we have the capital, technical and regulatory resources to support our rapidly expanding service territory."
— Tony Wise, Falls Water Company operations manager



Moving into Arizona

NW Natural Water's 19th announced acquisition, an agreement to purchase Far West Water & Sewer in Yuma, Arizona, will establish our operations in a fifth state and will nearly double the number of connections we serve upon closing.

"We're very pleased to partner with NW Natural Water. It is a strong utility with a proven track record and an outstanding commitment to its customers. NW Natural Water's industry expertise, reputation and financial capacity will be critical to meeting the needs of our growing community."
— Andrew Capestro, Far West Water & Sewer general manager

2021 investments

- 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.”

— Justin Palfreyman, NW Natural Water president

- We provided our water systems with infrastructure capital to bring on new wells —one of the most involved and expensive projects in the water business.
- We’re investing in a major upgrade to our wastewater treatment plant in Sunriver, so we can continue reliably and safely serving the community.
- We invested in technology to prevent business disruptions.
 - » We moved core systems to the cloud to improve efficiency and security.
 - » We implemented supervisory control and data acquisition (SCADA) systems at all our subsidiaries, making it possible to proactively detect leaks and pressure drops.

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. Backup generation is not required for many of our smaller water systems in Texas, but we have been making prudent investments in standby backup capabilities and portable generators to bolster reliability and resiliency for our customers during power outages.



Safety training

To build a culture of safety, we’ve formalized safety standards and training across our water subsidiaries. Building a comprehensive safety training program from the ground up is typically a long and challenging process, and we have been able to make swift, steady progress with support from our experienced safety team. In 2021, the second year of our program, we expanded our safety training to include new topics such as business-interruption planning and setting benchmarks for safety metrics.

“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

New well improves water quality and supply for our smallest water utility

The owners of Salmon Valley Water knew five years ago that their small family-run water system in Northwest Oregon was going to need a new well. Faced with this significant investment, they went looking for a partner with the capital and expertise to make system improvements. They selected NW Natural Water, becoming one of the company’s first acquisitions.

“With NW Natural Water’s support, the new well was completed last summer. We replaced three old wells that needed it,” said Michael Bowman, Salmon Valley Water general manager.

In addition to providing capital, NW Natural Water gave Salmon Valley Water access to contractors that small utilities with limited budgets have trouble connecting with. The new well came online in July,” said Bowman. “We had a lot of happy customers.”

Environmental Stewardship

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

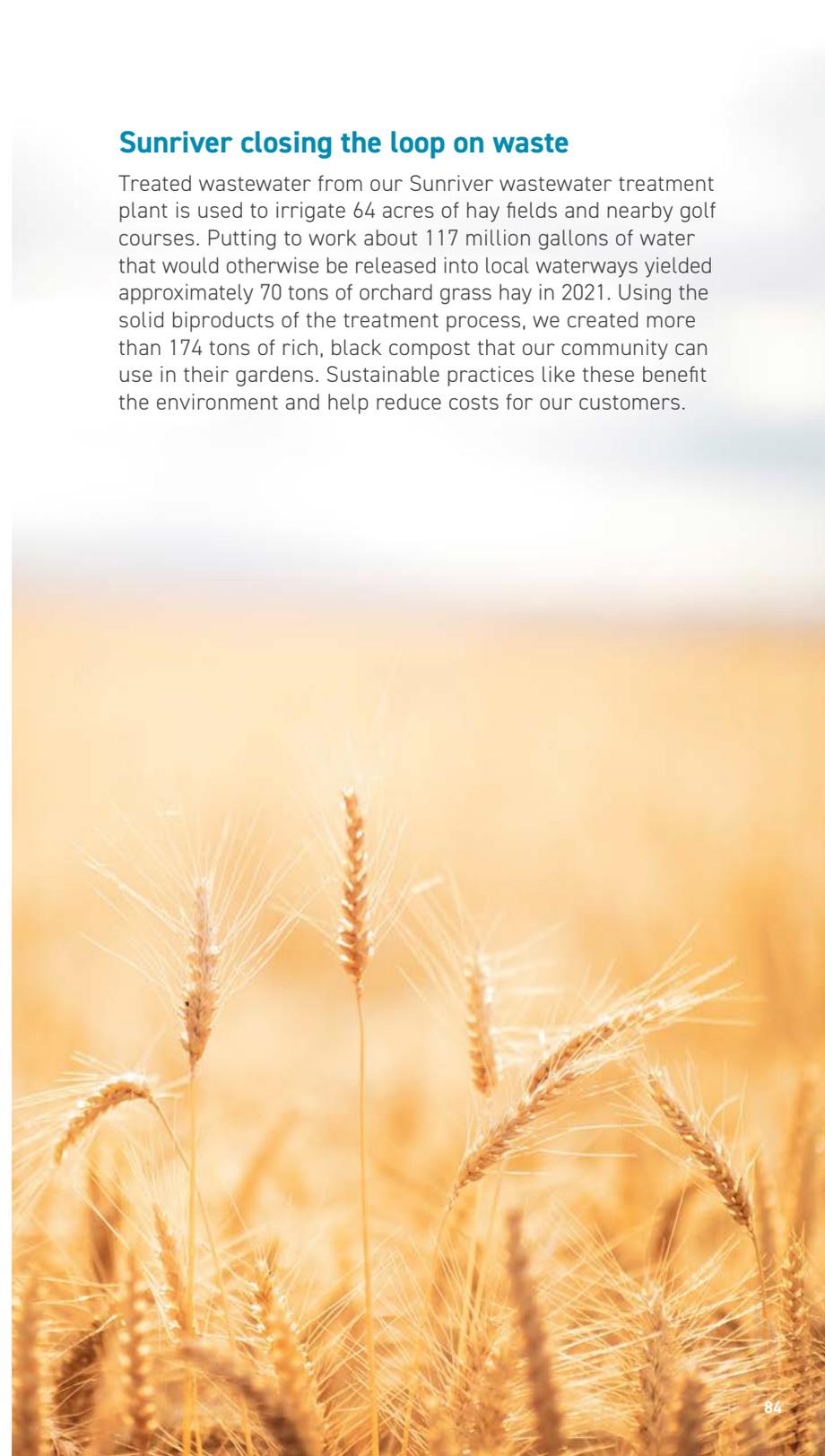
- **We strive to operate and maintain high-quality** water and wastewater systems so that our facilities deliver safe and clean water to our customers.
- Through **comprehensive planning**, we seek to ensure that our investments in infrastructure and technology are resource-efficient, cost-effective over their lifecycle, protect the environment, and are 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.
- At our wastewater treatment plants, **we strive to meet the highest standards** for environmental sustainability. For example, the SCADA systems we installed at lift stations help prevent wastewater overflow to protect lakes, rivers and streams.

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

- **We seek to conserve water** and prevent 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 now feature water conservation tips on their websites, and Sunriver Utilities launched a program in 2021 to provide low-flow faucet kits 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. For example, we encourage customers to use water saving household fixtures, we post conservation tips, and in certain cases we work with heavy water users to identify ways to improve water efficiency.
- **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.

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 2021. 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.





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 knew they needed to make system upgrades that would require access to a bigger balance sheet. They had been approached to sell before, but they wanted a partnership that would preserve their deep ties to the communities they serve. They decided to sell to NW Natural Water in 2018 because of the company’s strong community-oriented reputation. After the acquisition, former owners Culley Lehman and his wife, Amy, stayed on as general manager and office manager of Cascadia Water. Their commitment to continuous improvement and customer service aligns with NW Natural Water’s long-term approach to investing, and they have been able to complete projects that once seemed unattainable, including backup generators that minimize service disruptions, technology that monitors the water system in real time, and new billing software that enables customers to pay online. With access to capital from NW Natural Water, they’re planning more upgrades to improve service for their customers.

“Before partnering with NW Natural Water, some of these projects were more of a dream. It’s gratifying to watch them become a reality, and they ultimately help us help our customers.”

— Amy Lehman, Cascadia Water

Our Communities, Our Customers

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

SAFE, RELIABLE SERVICE – In 2021, our water utilities continued to work together as the pandemic endured and supply-chain disruptions caused longer lead times for key parts such as generators, meters and pipe. This required careful planning, proactive ordering, and sharing supplies to meet critical needs. We continued rotating shift cycles and other safety procedures to protect both employees and customers.

CUSTOMER EXPERIENCE – We improved the quality and consistency of the online experience customers have when they do business with our water utilities. We updated and standardized a disparate collection of websites, so customers now have a one-stop shop and features and information, including water quality (consumer confidence) reports, rate structure, a “call us” button, and water-emergency resources. We also made it easier for customers to pay their bills.

BILL PAYMENT ASSISTANCE – To support people experiencing hardship during the pandemic, we put together time payment agreements that allow customers in need to pay a portion of their bill in installments.

ENGAGEMENT – Our subsidiaries have deep roots in the communities they serve, and they 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’m proud of the proactive community meetings we hold and the project updates we provide to our communities to help make our process transparent and address customers’ questions.”

— Tim Smith, Sunriver utilities general 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. Last year 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 150+ 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 2021, NW Natural Water conducted its second employee engagement survey with 81% of employees participating, and 94% of employees reported that they take pride in their work and in the company. In addition, 94% of NW Natural Water employees described themselves as engaged—compared with just 34% of employees [nationwide](#).

94%

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

94%

Employees proud to work for NW Natural Water

100%

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 (89%)
- In my work area, we operate with integrity and ethical conduct (89%)
- 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. In 2021, all our subsidiaries provided pay increases to keep us within the market analysis. 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, 401(k) retirement accounts, and in 2021 water employees were eligible to participate in the NW Natural Holdings' employee stock purchase program.

In 2021, we rolled out annual 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 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



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