

**BEFORE THE UTILITIES
AND TRANSPORTATION COMMISSION**

UW-_____

**APPLICATION FOR SALE AND TRANSFER OF ASSETS
FROM LEHMAN ENTERPRISES, INC.
TO CASCADIA WATER, LLC**

Exhibit 3

NW Natural Financial Statements

July 17, 2018

NORTHWEST NATURAL GAS COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<i>In thousands, except per share data</i>	Year Ended December 31,		
	2017	2016	2015
Operating revenues	\$ 762,173	\$ 675,967	\$ 723,791
Operating expenses:			
Cost of gas	324,795	260,588	327,305
Operations and maintenance	165,246	149,974	157,521
Environmental remediation	15,291	13,298	3,513
General taxes	32,012	30,538	30,281
Depreciation and amortization	85,578	82,289	80,923
Impairment expense	192,478	—	—
Total operating expenses	815,400	536,687	599,543
Income (loss) from operations	(53,227)	139,280	124,248
Other income (expense), net	5,348	(543)	7,747
Interest expense, net	38,501	39,128	42,539
Income (loss) before income taxes	(86,380)	99,609	89,456
Income tax expense (benefit)	(30,757)	40,714	35,753
Net income (loss)	(55,623)	58,895	53,703
Other comprehensive income (loss):			
Change in employee benefit plan liability, net of taxes of \$735 for 2017, \$452 for 2016, and (\$988) for 2015	(2,059)	(744)	1,561
Amortization of non-qualified employee benefit plan liability, net of taxes of (\$374) for 2017, (\$624) for 2016, and (\$883) for 2015	572	955	1,353
Comprehensive income (loss)	<u>\$ (57,110)</u>	<u>\$ 59,106</u>	<u>\$ 56,617</u>
Average common shares outstanding:			
Basic	28,669	27,647	27,347
Diluted	28,669	27,779	27,417
Earnings (loss) per share of common stock:			
Basic	\$ (1.94)	\$ 2.13	\$ 1.96
Diluted	(1.94)	2.12	1.96
Dividends declared per share of common stock	1.88	1.87	1.86

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED BALANCE SHEETS

As of December 31,

In thousands

	2017	2016
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Assets:**Current assets:**

Cash and cash equivalents	\$ 3,472	\$ 3,521
Accounts receivable	68,362	66,700
Accrued unbilled revenue	62,381	64,946
Allowance for uncollectible accounts	(956)	(1,290)
Regulatory assets	45,781	42,362
Derivative instruments	1,735	17,031
Inventories	47,973	54,129
Gas reserves	15,704	15,926
Other current assets	25,484	24,728
Total current assets	269,936	288,053

Non-current assets:

Property, plant, and equipment	3,215,451	3,208,816
Less: Accumulated depreciation	960,477	947,916
Total property, plant, and equipment, net	2,254,974	2,260,900
Gas reserves	84,053	100,184
Regulatory assets	356,608	357,530
Derivative instruments	1,306	3,265
Other investments	66,363	68,376
Other non-current assets	6,506	1,493
Total non-current assets	2,769,810	2,791,748
Total assets	\$ 3,039,746	\$ 3,079,801

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED BALANCE SHEETS

<i>In thousands</i>	As of December 31,	
	2017	2016
Liabilities and equity:		
Current liabilities:		
Short-term debt	\$ 54,200	\$ 53,300
Current maturities of long-term debt	96,703	39,989
Accounts payable	112,308	85,664
Taxes accrued	18,883	12,149
Interest accrued	6,773	5,966
Regulatory liabilities	34,013	40,290
Derivative instruments	18,722	1,315
Other current liabilities	40,248	35,844
Total current liabilities	381,850	274,517
Long-term debt	683,184	679,334
Deferred credits and other non-current liabilities:		
Deferred tax liabilities	270,526	557,085
Regulatory liabilities	586,093	349,319
Pension and other postretirement benefit liabilities	223,333	225,725
Derivative instruments	4,649	913
Other non-current liabilities	147,335	142,411
Total deferred credits and other non-current liabilities	1,231,936	1,275,453
Commitments and contingencies (see Note 14 and Note 15)		
Equity:		
Common stock - no par value; authorized 100,000 shares; issued and outstanding 28,736 and 28,630 at December 31, 2017 and 2016, respectively	448,865	445,187
Retained earnings	302,349	412,261
Accumulated other comprehensive loss	(8,438)	(6,951)
Total equity	742,776	850,497
Total liabilities and equity	\$ 3,039,746	\$ 3,079,801

See Notes to Consolidated Financial Statements

NORTHWEST NATURAL GAS COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>In thousands</i>	Year Ended December 31,		
	2017	2016	2015
Operating activities:			
Net income (loss)	\$ (55,623)	\$ 58,895	\$ 53,703
Adjustments to reconcile net income (loss) to cash provided by operations:			
Depreciation and amortization	85,578	82,289	80,923
Regulatory amortization of gas reserves	16,353	15,525	17,991
Deferred income taxes	(52,414)	32,056	26,972
Qualified defined benefit pension plan expense	5,364	5,274	5,697
Contributions to qualified defined benefit pension plans	(19,430)	(14,470)	(14,120)
Deferred environmental expenditures, net	(13,716)	(10,469)	(10,568)
Regulatory disallowance of prior environmental cost deferrals	—	3,287	15,000
Amortization of environmental remediation	15,291	13,298	3,513
Impairment of long-lived assets	192,478	—	—
Other	2,127	3,225	(1,613)
Changes in assets and liabilities:			
Receivables, net	3,099	(7,484)	2,373
Inventories	5,571	16,620	6,964
Income taxes	6,734	9,467	(6,541)
Accounts payable	1,424	12,380	(17,175)
Interest accrued	807	93	(206)
Deferred gas costs	17,122	(10,204)	31,918
Other, net	(4,061)	12,365	(10,143)
Cash provided by operating activities	206,704	222,147	184,688
Investing activities:			
Capital expenditures	(213,595)	(139,511)	(118,320)
Other	(577)	2,882	3,022
Cash used in investing activities	(214,172)	(136,629)	(115,298)
Financing activities:			
Repurchases related to stock-based compensation	(2,034)	(1,042)	—
Proceeds from stock options exercised	4,819	8,404	3,875
Proceeds from common stock issued	—	52,760	—
Long-term debt issued	100,000	150,000	—
Long-term debt retired	(40,000)	(25,000)	(60,000)
Change in short-term debt	900	(216,735)	35,335
Cash dividend payments on common stock	(53,957)	(51,508)	(49,243)
Other	(2,309)	(3,087)	(4,680)
Cash provided by (used in) financing activities	7,419	(86,208)	(74,713)
(Decrease) increase in cash and cash equivalents	(49)	(690)	(5,323)
Cash and cash equivalents, beginning of period	3,521	4,211	9,534
Cash and cash equivalents, end of period	\$ 3,472	\$ 3,521	\$ 4,211
Supplemental disclosure of cash flow information:			
Interest paid, net of capitalization	\$ 34,787	\$ 36,023	\$ 39,634
Income taxes paid (refunded)	14,780	(7,157)	17,306

See Notes to Consolidated Financial Statements