

ORDINANCE NO: 1208

AN ORDINANCE GRANTING A NON-EXCLUSIVE GAS UTILITY FRANCHISE TO NORTHWEST NATURAL GAS COMPANY, AND FIXING TERMS, CONDITIONS AND COMPENSATION OF SUCH FRANCHISE, REPEALING ORDINANCE NO. 788, AND DECLARING AN EMERGENCY.

THE CITY OF CANBY ORDAINS AS FOLLOWS:

Section 1: Definitions and Explanations.

- (1) As used in this ordinance:
 - (a) "City" means the City of Canby and the areas within its boundaries, including its boundaries as extended in the future.
 - (b) "Council" means the legislative body of the City.
 - (c) "Grantee" means the corporation referred to in Section 2 of this ordinance.
 - (d) "Gas mains" includes all gas transmission and distribution facilities located on or under any street, bridge or public place within the City.
 - (e) "Person" includes an individual, corporation, association, firm, partnership and joint stock company.
 - (f) "Public place" includes any city-owned park, place or grounds within the City that is open to the public, but does not include a right-of-way.
 - (g) "Right-of-Way" includes a street, alley, avenue, road, boulevard, thoroughfare, bridge or public highway within the City, but does not include a public place.
- (2) As used in this ordinance, the singular number may include the plural and the plural number may include the singular.

Section 2: Rights Granted.

Subject to the conditions and reservations contained in this ordinance, the City hereby grants to NORTHWEST NATURAL GAS COMPANY, a corporation, the right, privilege and franchise to:

- (1) Construct, maintain and operate a gas utility system within the City.
- (2) Install, maintain and operate on and under the streets, bridges and rights-of-way of the City, facilities for the transmission and distribution of gas to the City and its inhabitants and to other customers and territory beyond the limits of the City; and
- (3) Transmit, distribute and sell gas.

Section 3: Use of Right-of-way by Grantee.

- (1) Before the Grantee may use or occupy any right-of-way, the Grantee shall first obtain permission from the City to do so and shall comply with any special conditions the City desires to impose on such use or occupation.
- (2) The compensation paid by the Grantee for this franchise includes all compensation for the use of rights-of-way located within the City as authorized.

Section 4. Duration.

This franchise is granted for a period of 20 years from and after the effective date of this ordinance.

Section 5. Franchise Not Exclusive.

This franchise is not exclusive, and shall not be construed as a limitation on the City in:

- (1) Granting rights, privileges and authority to other persons similar to or different from those granted by this ordinance.
- (2) Constructing, installing, maintaining or operating any City-owned public utility.

Section 6. Public Works and Improvements Not Affected by Franchise.

The City reserves the right to:

- (1) Construct, install, maintain and operate any public improvement, work or facility.
- (2) Do any work that the City may find desirable on, over or under any right-of-way or public place.
- (3) Vacate, alter or close any right-of-way or public place. Whenever the City shall vacate any street for the convenience or benefit of any person or governmental agency or instrumentality, Grantee's rights under this franchise shall be preserved as to any of its facilities then existing in the street if reasonably

practical. If not reasonably practical to preserve an easement upon vacation, the City shall make a reasonable good faith effort to make an alternative right-of-way available to Grantee for the location of its facilities.

- (4) Whenever the City shall excavate or perform any work in any of the present and future rights-of-way and public places of the City, or shall contract, or issue permits, for such excavation or work where such excavation or work may disturb Grantee's gas mains, pipes and appurtenances, the City shall, in writing, notify Grantee sufficiently in advance of such contemplated excavation or work to enable Grantee to take such measures as may be deemed necessary to protect such gas mains, pipes and appurtenances from damage and possible inconvenience or injury to the public. In any such case, the Grantee, upon request, shall furnish maps or drawings to the City or contractor, as the case may be, showing the approximate location of all its structures in the area involved in such proposed excavation or other work.

Section 7: Continuous Service.

The Grantee shall maintain and operate an adequate system for the distribution of gas in the City. The Grantee shall use due diligence to maintain continuous and uninterrupted 24-hour a day service which shall at all times conform at least to the standards common in the business and to the standards adopted by state authorities and to standards of the City which are not in conflict with those adopted by the state authorities. Under no circumstances shall the Grantee be liable for an interruption or failure of service caused by an act of God, unavoidable accident or other circumstances beyond the control of the Grantee through no fault of its own.

Section 8: Safety Standards and Work Specifications.

- (1) The facilities of the Grantee shall at all times be maintained in a safe, substantial and workmanlike manner.
- (2) For the purpose of carrying out the provisions of this section, the City may provide such specifications relating thereto as may be necessary or convenient for public safety or the orderly development of the City. The City may amend and add to such specifications from time to time.

Section 9: Control of Construction.

- (1) The Grantee shall file with the City maps showing the location of any construction, extension or relocation of its gas mains in the right-of-way and public places of the City and shall obtain from the City approval of the location and plans prior to commencement of the work. The City may require the Grantee to obtain a permit before commencing the construction, extension or relocation of any of its gas mains.

- (2) In all of its work authorized under this grant of franchise, Grantee shall comply with all generally applicable regulations of the City concerning work in the rights-of-way, including permitting, insurance, bonding, work scheduling and the payment of any applicable fees for permits.

Section 10: Right-of-Way Excavations and Restorations.

- (1) Subject to the provisions of this ordinance, the Grantee may make necessary excavations for the purpose of constructing, installing, maintaining and operating its facilities. Except in emergencies, and in the performance of routine service connections and ordinary maintenance, on private property, prior to making an excavation in the traveled portion of any right-of-way or public place, and, when required by the City, in any untraveled portion of any right-of-way or any public place, the Grantee shall obtain from the City approval of the proposed excavation and of its location. Grantee shall give notice to the City by telephone, electronic data transmittal or other appropriate means prior to the commencement of service or maintenance work and as soon as is practicable after the commencement of work performed under emergency conditions.
- (2) When any excavation is made by the Grantee, the Grantee shall promptly restore the affected portion of the right-of-way or public place to the same condition in which it was prior to the excavation. The restoration shall be in compliance with specifications, requirements and regulations of the City in effect at the time of such restoration. If the Grantee fails to restore promptly the affected portion of a right-of-way or public place to the same condition in which it was prior to the excavation, upon thirty (30) days prior written notice to Grantee, the City may make the restoration and the cost thereof shall be paid by the Grantee.

Section 11: Location and Relocation of Facilities.

- (1) All facilities of the Grantee shall be placed so that they do not interfere unreasonably with the use by the City and the public of the right-of-way and public places and in accordance with any specifications adopted by the City governing the location of facilities.
- (2) The City may require, in the public interest, the removal or relocation of facilities maintained by the Grantee in the rights-of-way and public places of the City, and the Grantee shall remove and relocate such facilities within a reasonable time after receiving notice to do so from the City. The cost of such removal or relocation of its facilities shall be paid by the Grantee, but when such removal or relocation is required for the convenience or benefit of any person, governmental agency or instrumentality other than the City, Grantee shall be entitled to reimbursement for the reasonable cost thereof from such person, agency or instrumentality. The City shall provide the Grantee with timely notice of any anticipated requirement to remove or relocate its facilities and shall cooperate

with the Grantee in the matter of assigning or allocating the costs of removal or relocation.

Section 12: Compensation.

- (1) As compensation for the franchise granted by this ordinance, the Grantee shall pay to the City an amount equal to five percent (5%) of the gross revenue collected by the Grantee from its customers for gas consumed within the City. Gross revenue shall be computed by deducting from the total billings of the Grantee, the total net write-off of uncollectible accounts, revenues derived from the sale or transportation of gas supplied under an interruptible tariff schedule, revenues paid directly by the United States of America or any of its agencies, and sales of gas at wholesale by the Grantee to any public utility or public agency where the public utility or public agency purchasing such gas is not the ultimate consumer.
- (2) The compensation required by this section shall be due for each calendar year, or fraction thereof, within sixty (60) days after the close of such calendar year, or fraction thereof. Within sixty (60) days after the termination of this franchise, compensation shall be paid for the period elapsing since the close of the last calendar year for which compensation has been paid. Interest at the rate of nine percent (9%) per annum will accrue on late payments.
- (3) The Grantee shall furnish to the City with each payment of compensation required by this section a statement showing the amount of gross revenue of the Grantee within the City for the period covered by the payment computed on the basis set out in subsection (1) of this section. The compensation for the period covered by the statement shall be computed on the basis of the gross revenue so reported. If the Grantee fails to pay the entire amount of compensation due the City through error or otherwise, the difference due to City shall be paid by the Grantee within fifteen (15) days from discovery of the error or determination of the correct amount. Any overpayment to the City through error or otherwise, shall be offset against the next payment due from the Grantee.
- (4) Acceptance by the City of any payment due under this section shall not be deemed to be a waiver by the City of any breach of this franchise occurring prior thereto, nor shall the acceptance by the City of any such payments preclude the City from later establishing that a larger amount was actually due, or from collecting any balance due to the City.
- (5) During the term of this franchise, the City may elect to receive increased compensation for the remaining term in an amount not to exceed that paid by the Grantee to any other City in Oregon. The City shall make this election by giving 90 days' written notice to Grantee.

- (6) The City specifically reserves the right to impose a fee or tax, as allowed by law, on any new business undertaking of Grantee that is operated within the City. The City may otherwise separately regulate and obtain compensation for any other use of the City's rights-of-way than those specifically authorized herein. The provisions of this franchise agreement do not impair the imposition of ad valorem taxes on the property of Grantee, as allowed by law.

Section 13: Expiration.

At the end of the Franchise term, if the City and Grantee are negotiating another franchise and have not concluded their negotiations, Grantee's rights and responsibilities shall be controlled by this Franchise until the City grants a new franchise and Grantee accepts it.

Section 14: Books of Account and Reports.

The Grantee shall keep accurate books of account at an office in Oregon for the purpose of determining the amounts due to the City under Section 12 of this ordinance. The City may inspect the books of account at any time during business hours and may audit the books from time to time. The Council may require periodic reports from the Grantee relating to its operations and revenues within the City.

Section 15: Supplying Maps Upon Request.

The Grantee shall maintain on file, at an office in Oregon, maps and operational data pertaining to its operations in the City. Upon reasonable notice, an authorized representative of the City may inspect the maps and data any time during business hours at an office of the Grantee. Grantee and the City may determine that the locations of certain gas facilities should be confidential as the public interest may require. In such a case, Grantee is under no obligation to provide records of the location of these facilities to the City and the City shall treat any public record disclosing the location of these facilities as confidential, subject to the provisions of state law and the Oregon Public Records Law. The City shall limit access to any such confidential record to trustworthy employees of the City with a need to know the information set out in the record. The City shall store any such confidential record in a secure and private place and avoid making and distributing copies of the record.

Section 16: Indemnification.

The Grantee shall indemnify and save harmless the City and its officers, agents and employees from any and all loss, cost and expense arising from damage to property and/or injury to, or death of, persons due to any wrongful or negligent act or omission of the Grantee, its agents or employees in exercising the rights, privileges and franchise hereby granted.

Section 17: Assignment of Franchise.

This franchise shall be binding upon and inure to the benefit of the successors, legal representatives and assigns of the Grantee, provided, however, that Grantee shall not, during the term of this franchise, sell assign, transfer or convey this franchise without prior written consent of the City of Canby expressed by its City Council, which consent shall not be unreasonably withheld.

Section 18: Termination of Franchise for Cause.

The City may terminate this franchise as provided in this Section, subject to Grantee's right to a court review of the reasonableness of such action, upon the willful failure of the Grantee to perform promptly and completely each and every material term, condition or obligation imposed upon it under or pursuant to this ordinance. The City shall provide the Grantee written notice of any such failure and the Grantee shall have sixty (60) days from receipt of notice to cure such failure, or if such failure cannot reasonably be cured within sixty (60) days, to commence and diligently pursue curing such failure.

Section 19: Remedies Not Exclusive, When Requirement Waived.

All remedies and penalties under this ordinance, including termination of the franchise, are cumulative, and the recovery or enforcement of one is not a bar to the recovery or enforcement of any other such remedy of penalty. The remedies and penalties contained in this ordinance, including termination of the franchise, are not exclusive and the City reserves the right to enforce the penal provisions of any ordinance or resolution and to avail itself of any and all remedies available at law or in equity. Failure to enforce shall not be construed as a waiver of a breach of any term, condition or obligation imposed upon the Grantee by or pursuant to this ordinance. A specific waiver of a particular breach of any term, condition or obligation imposed upon the Grantee by or pursuant to this ordinance shall not be a waiver of any other or subsequent or future breach of the same or of any other term, condition or obligation, or a waiver of the term, condition or obligation itself.

Section 20: Acceptance.

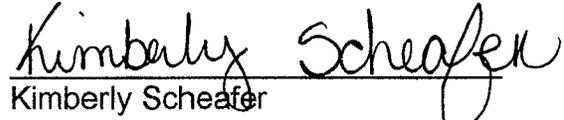
The Grantee shall, within thirty (30) days from the date this ordinance takes effect, file with the City its written unconditional acceptance of this franchise, and if the Grantee fails so to do, this ordinance shall be void.

Section 21: Emergency Declared.

It being necessary to update the City Ordinance on the issue and to assure seamless regulation of the City's rights-of-way and Ordinance No. 788 having expired, an

emergency is hereby declared to exist and this Ordinance shall take effect immediately upon final reading and passage by the Canby City Council.

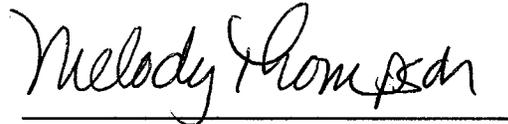
Submitted to the Canby City Council and read the first time at a regular meeting thereof on Wednesday, May 17, 2006; ordered posted as provided by the Canby City Charter and scheduled for the second reading and action of the City Council at a regular meeting thereof to be held on June 7, 2006, after the hour of 7:30 p.m., at the Council meeting chambers at the Canby City Hall in Canby, Oregon.



Kimberly Scheafer
City Recorder Pro Tem

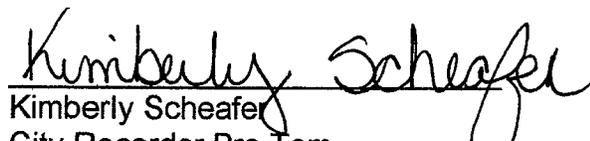
PASSED on final reading of the Canby City Council at a regular meeting thereof on the 7th day of June, 2006, by the following vote:

YEAS: 6 NAYS: 0



Melody Thompson
Mayor

ATTEST:



Kimberly Scheafer
City Recorder Pro Tem

ACCEPTANCE OF ORDINANCE NO. 1208

To the Honorable Mayor and City Council of City of Canby

Northwest Natural Gas Company, a corporation, hereby unconditionally accepts the amendment to Ordinance No. 788 of the City of Canby and all the terms, provisions, and conditions thereof.

Ordinance No. 1208 was duly passed and adopted by the Council and approved by the Mayor of said City of Canby on the 7th day of June, 2006.

IN WITNESS WHEREOF said Northwest Natural Gas Company has caused the acceptance of said Ordinance to be signed by its VICE-PRESIDENT General Counsel, and its corporate seal to be affixed hereto and attested by its Secretary, this 20th day of June, 2006.

ATTEST:



Secretary

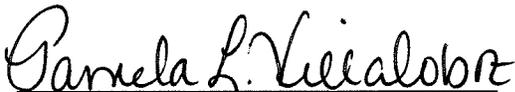
NORTHWEST NATURAL GAS COMPANY



VICE-PRESIDENT, General Counsel

STATE OF OREGON
COUNTY OF MULTNOMAH

On this 20th day of June 2006 personally appeared Margaret Kirkpatrick who being duly sworn, did say that she is the VICE PRESIDENT, General Counsel, of Northwest Natural Gas Company and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors; and he acknowledged said instrument to be its voluntary act and deed. Before me:



Notary Public for Oregon

My Commission expires: 12.23.06

