BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Statement Establishing Compliance of NORTHWEST NATURAL GAS COMPANY Establishing Compliance With RCW 80.08.040 With Respect to the Proposed Issuance and Sale of Not More Than $100,000,000 Principal Amount of Medium-Term Notes, Series B in one or more tranches	DOCKET NO. UG-______ STATEMENT ESTABLISHING COMPLIANCE

Northwest Natural Gas Company ("NW Natural" or the "Company") hereby files this Statement Establishing Compliance pursuant to RCW 80.08.040, for the issuance and sale of not more than $100,000,000 of Secured Notes, Series B under the Company's Medium-Term Note Program ("Medium-Term Notes") through a public offering.

On August 13, 2021, the Company filed a universal shelf registration (the "Universal Shelf Registration") with the Securities and Exchange Commission (the "SEC") on a Form S-3 registering for public offerings an unlimited amount of certain debt and equity securities, including, but not limited to: (i) Medium-Term Notes; (ii) Unsecured Notes issued under the Company's unsecured indenture ("Unsecured Notes"); and (iii) other debt instruments (collectively the "Debt Securities"). In accordance with WAC 480-90-242(3), no filing with the Washington Utilities and Transportation Commission ("WUTC") was necessary upon filing of the Universal Shelf

Registration. This Universal Shelf Registration replaced the Company's previously filed Universal Shelf Registration which was due to expire in October 2021.

With the filing of this Statement Establishing Compliance, the understanding is that the Company has satisfied its statutory obligations under RCW 80.08.040 and WAC 480-90-242 with respect to the Company's proposed issuance and sale of not more than $100,000,000 principal amount of Medium-Term Notes.

The following is the information required in RCW 80.08.040:

(1) A description of the purposes for which the issuance will be made, including a certification by an officer authorized to do so, that the proceeds from any such financing are for one or more of the purposes allowed by RCW 80.08.030.

The Company will use the proceeds from the Medium-Term Notes for (i) the acquisition of property, or (ii) the construction, completion, extension or improvement of its facilities, or (iii) the improvement or maintenance of its service, or (iv) the discharge or refunding of its obligations, or (v) the reimbursement of moneys actually expended from income or from any other moneys in the treasury of the Company not secured by or obtained from the issue of stock or stock certificates or other evidence of interest or ownership, or bonds, notes or other evidence of indebtedness of the Company for any of the aforesaid purposes except maintenance of service. In each case, the Company keeps its accounts and vouchers for such expenditures in such manner as to enable the WUTC to ascertain the amount of money so expended and the purpose for which the expenditures were made. Such purposes are permitted by RCW 80.08.030.

Given the growing market for sustainability bonds, and the potential pricing advantages that market can provide, the Company may issue any of the Debt Securities with agreements to allocate all or a portion of the net proceeds to sustainable purposes (to the extent statutorily permissible).

In accordance with WAC 480-90-242, the Company will, within 60 days after the issuance of any Medium-Term Notes, file with the WUTC a verified statement (a) outlining the final terms and conditions of the transaction; and (b) setting forth actual proceeds from the issuance and, to the extent known, the disposition of proceeds stating the final amount to be used for each purpose allowed by RCW 80.08.030.

(2) A description of the proposed issuance, including the terms of financing.

(a) Type and nature of securities

A full description of the Medium-Term Notes is included in the Universal Shelf Registration filed with the SEC on August 13, 2021, a copy of which is attached hereto as Exhibit A, and in the Prospectus Supplement, filed on August 13, 2021, attached hereto as Exhibit B.

The Company intends to issue the Medium-Term Notes under its Mortgage and Deed of Trust, dated as of July 1, 1946, as amended and supplemented by twenty-five Supplemental Indentures, and as may be further amended and supplemented (the "Mortgage"), with Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee, which is attached hereto as Exhibit C. The Mortgage constitutes a first mortgage lien on substantially all of the utility property now owned and hereafter acquired by the Company. The Company intends to issue the Unsecured Notes, if any, under the Indenture dated as of June 1, 1991 (the "Indenture"), which has been entered into with Deutsche Bank Trust Company Americas, as Trustee, which is attached hereto as Exhibit D. The Medium-Term Notes will be issued through a Distribution Agreement, as amended by the Company's Notice dated August 13, 2021, which is attached hereto as Exhibit E. The Medium-Term Notes would have maturities of between one and 31 years.

The Medium-Term Notes will be sold in a public offering on a principal or agented basis, they will be registered securities, and they may be priced by competitive bid or in a privately negotiated transaction.

(b) <u>Amount of Securities</u>

The Company makes this filing to comply with the requirements of RCW 80.08.040 and WAC 480-90-242 with respect to the issuance and sale of an aggregate principal amount of not more than $100,000,000 of Medium-Term Notes, provided that if the Medium-Term Notes are issued at an original issue discount ("OID") not to exceed 1%, such greater amount will result in an aggregate offering price of not more than $100,000,000.

(c) <u>Interest Rate</u>

The interest rate on the Medium-Term Notes is expected to be fixed and payable semi-annually in arrears. The interest rate for the Medium-Term Notes is determined at the point of sale either from competitive offers communicated by the Company's Medium-Term Notes Program agents or from individual negotiations between an agent and the Company, in both cases, based on prevailing rates at the time for U.S. Treasury debt securities of comparable maturities and spreads over those rates reflecting the risk premium for corporate debt with the Company's credit ratings.[1]

(d) <u>Date of Issuance and Maturity</u>

The Company expects to issue the Medium-Term Notes sometime within six months from the date of this Statement in an amount, not to exceed an aggregate principal amount of not more than $100,000,000 in one or more tranche, provided that if

[1] It is noted that the London Interbank Offering Rate (LIBOR) is set for elimination. In the event that LIBOR is not reported or is unavailable, the Company and its agents intend to use a rate from another recognized source or a rate agreed to by the parties consistent with then-prevailing market convention.

such Medium-Term Notes are issued at an OID not to exceed one percent, such greater amount shall result in an aggregate offering price of not more than $100,000,000. The Medium-Term Notes will be issued as public offerings on a principal or agented basis, they will be publicly registered securities, and they may be priced by competitive bidding or by privately negotiated transactions. The maturities of Medium-Term Notes will be not less than one year and not more than 31 years.

(e) <u>Method of Sale</u>

The Medium-Term Notes will be issued and sold through BofA Securities, Inc., J.P. Morgan Securities, LLC, Wells Fargo Securities, LLC, U.S. Bancorp Investments, Inc., BMO Capital Markets Corp., RBC Capital Markets, LLC, CIBC World Markets Corp., or TD Securities (USA) LLC, as agents, or through such other agents as may hereafter be engaged by the Company. Upon the placement of the Medium-Term Notes, such agents will be paid commissions for their services in amounts based on a pre-determined percentage, ranging from 0.150% to 0.875% of the principal amount of the Medium-Term Notes sold, depending upon maturity term for the Medium-Term Notes. The amounts of such commissions will not exceed the customary fee for such services in arm's-length transactions. A table showing the commissions at the various maturities is set forth below.

The agents will provide the Company with information upon request regarding market conditions, interest rate levels and anticipated rate movements. Since offers to sell Medium-Term Notes may be posted on short notice, the Company can respond quickly to changes in market conditions, and interest rates can be readily updated to reflect the aggressiveness with which the Company desires to access a particularly favorable market opportunity.

From time-to-time it may be advantageous to sell Medium-Term Notes to an agent as principal, in which case the Medium-Term Notes will be purchased by the agent at a price not to exceed 100 percent of the principal amount of the Medium-Term Notes. Such Medium-Term Notes may be resold by the agent to investors and other purchasers at varying prices related to prevailing market prices at the time of resale, as determined by the agent, or at a fixed public offering price. The Company also may sell the Medium-Term Notes directly to investors.

(f) Fees for Services

As described above, the Medium-Term Notes are expected to be issued and sold through agents, which will receive a commission in the form of a discount upon the placement of each of the Notes. The maximum agents' commissions for the issuance and sale of all Medium-Term Notes under this Statement Establishing Compliance in a given maturity range are as follows, unless otherwise agreed:

Range of Maturities	Maximum Commission/Discount in Normal Market Conditions (Percentage of Aggregate Principal Amount of Medium-Term Notes Sold)
From 1 year to less than 18 months	.150%
From 18 months to less than 2 years	.200%
From 2 years to less than 3 years	.250%
From 3 years to less than 4 years	.350%
From 4 years to less than 5 years	.450%
From 5 years to less than 7 years	.600%
From 7 years to less than 10 years	.625%
From 10 years to less than 12 years	.650%
From 12 years to less than 15 years	.675%
From 15 years to less than 20 years	.750%
From 20 years to less than 31 years	.875%

Should the Company sell any portion of the Medium-Term Notes to an agent as principal, the Medium-Term Notes will be purchased by such agent at a price not to exceed 100 percent of the principal amount thereof, less a percentage equal to the commission applicable to an agency sale of Medium-Term Notes of identical maturity.

(g) <u>Price and Proceeds</u>

This Statement establishes compliance with RCW 80.08.040 with respect to an aggregate principal amount of not more than $100,000,000 of Medium-Term Notes in one or more tranches.

To illustrate the price and proceeds, however, the following illustrative example assumes total gross proceeds of $100,000,000 and calculates the estimated expenses and the net proceeds to the Company from the sale of the Medium-Term Notes:

Estimated Fees and Expenses[2]

	Item	Amount
1.	Principal amount or Par Value	$100,000,000
2.	Plus Premium or Less Discount	None
3.	Gross proceeds estimated	100,000,000
4.	Agents' Commissions[3]	875,000
5.	Securities and Exchange Commission registration fee	11,020
6.	State mortgage registration tax	None
7.	New York Stock Exchange fee	None
8.	State Commission fee	None
9.	Fees for recording indenture	None
10.	United States document tax	None
11.	Printing and engraving expenses	5,000
12.	Trustee's or Registrar's fees	25,000
13.	Counsel's fees	200,000
14.	Accountants' fees	50,000
15.	Bond Rating Agency fees	255,000
16.	Miscellaneous expenses (e.g. audit and sustainability advisor fees)	25,000
17.	Allocation of other shelf registration expenses	200,000
18.	Total estimated commissions and expenses	1,646,020
19.	Net estimated amount to be realized	$98,353,980

2 Many of the costs and terms do not become apparent until NW Natural begins negotiations with the purchasers, agents or underwriters of the Medium-Term Notes.

3 Based on an assumed average maturity for the Medium-Term Notes of 20 years.

(h) Corporate Authority

The Company's management and Board of Directors have concluded that the Company will have an opportunity to achieve the most favorable terms and lowest cost of money with desired issuance, maturity and redemption provisions and timing of issuance with respect to debt financing through the continued issuance of its Medium-Term Notes.

The Board of Directors has authorized the issuance and sale of not more than $400,000,000 in Medium-Term Notes and has authorized the officers of the Company to seek Oregon Public Utility Commission ("OPUC") and WUTC approval for such issuances. The Board of Directors also authorized the officers of the Company to conduct negotiations with respect to the issuance of the Medium-Term Notes. A copy of Certified Board Resolutions is attached hereto as Exhibit F. The OPUC has issued an order authorizing the Company's sale of Medium-Term Notes.

(i) Other Matters

The Medium-Term Notes to be issued as proposed herein will not be issued *pro rata* to existing holders of securities of the Company pursuant to any preemptive right or in connection with any liquidation or reorganization. None of the Medium-Term Notes will have voting privileges. The offering price, agents' commissions, and other terms of each issuance will be determined at the time of sale in accordance with the Twentieth Supplemental Indenture and the Mortgage in the case of the Medium-Term Notes, and in accordance with the Indenture in the case of the Unsecured Notes.

There is growing market for sustainability bonds, and the Company is attentive to the potential pricing advantages in that market. Therefore, the Company may issue any of the Medium-Term Notes with agreements to allocate all or a portion of the net proceeds to sustainable purposes (to the extent statutorily permissible).

(j) Consistency with Company's Financing Plan

The financing plan described in this Statement is consistent with NW Natural's objectives to maintain a long-term capital structure consisting of approximately 50 percent common stock equity and approximately 50 percent long-term debt, and to maintain investment-grade credit ratings. As of the date of this Statement, the Company's secured debt is rated "A2" by Moody's Investors Service ("Moody's") and "AA-" by S&P Global Ratings ("S&P"), the Company's unsecured debt is rated "Baa1" by Moody's and the Company has a corporate credit rating of A+ from S&P, with a stable credit outlook by Moody's and a stable credit outlook by S&P.

The following table sets forth the Company's capital structure at December 31, 2021, along with its pro forma capital structure assuming the issuance of the full $100,000,000 of the Medium-Term Notes.

	Capital Structure at December 31, 2021 ($000)	Percent of Total	Pro Forma Financings (1) ($000)	Pro Forma Capital Structure with Financings (2) ($000)	Percent of Total
Common Equity	$ 977,807	44.2%		$ 977,807	44.2%
Long-term Debt	986,495	44.7%	100,000	1,086,495	49.2%
Long-term Debt < 1 year	-	0.0%	-	-	0.0%
Short-term Notes Payable	245,500	11.1%	(100,000)	145,500	6.6%
Total	$ 2,209,802	100.0%	-	$ 2,209,802	100.0%

(1) The proceeds from the debt issuance will be reduced by estimated debt issuance fees and costs of approximately $1,646,020.

(2) The *pro forma* capital structure set forth in the table above is not a projection of NW Natural's actual capital structure at December 31, 2021; it is for illustrative purposes only and is presented on a consolidated basis. This pro forma capital structure does not include the Company's first mortgage bond issuances of $140 million on September 30, 2022, the $100 million on January 6, 2023 or an additional $130 million of first mortgage bonds to be settled in August 2023. In October 2018, the Company reorganized into a holding company structure with no public equity. The Company's parent may make equity contributions from time to time.

(3) A Statement as to why the transaction is in the public interest.

The advantages of the Medium-Term Note Program are that it enables the Company to: (1) issue small tranches of debt at rates which may be below those required for larger underwritten issues; (2) enter the market on short notice to take advantage of favorable yield and credit spread opportunities; (3) manage its financing program in light of market changes; (4) balance the maturities of its debt securities; and (5) achieve a potentially lower average interest cost while managing interest rate risk. In short, the Medium-Term Note Program gives the Company optimum flexibility to take advantage of favorable markets and attractive debt terms.

The Medium-Term Note Program provides the Company with the ability to raise funds at specific maturities in the intermediate and long-term range. Decisions can be made with the benefit of an immediate evaluation of financing costs. The Medium-Term Notes can be issued precisely when funds are required, mitigating the need for interim financing in the floating rate markets and the reinvestment risk associated with financing in anticipation of capital requirements when market conditions are less attractive.

The Company's ability to enter or depart the market quickly, and to adjust previously posted or negotiated rates, enables it to press the market for the lowest rates possible. In view of the volatility of interest rates, the opportunity to take immediate advantage of fixed-rate market "windows" has proven beneficial to the Company. Such a program serves as an alternative to the risk of fixing the interest rate for a large offering in a less than optimal market and paying debt service for funds before they are needed.

The market for our Medium-Term Notes is comprised of a broad mix of money center and regional institutions. These represent money market and corporate bond investors including banks, bank trust departments, insurance companies, investment companies, municipalities, pension funds and others, including individual investors. The depth of the market is significant. For more than 25 years, utilities and other corporate issuers have found a strong acceptance for their debt securities in this market.

NW Natural believes that the facts set forth herein show that the proposed issuance and sale of the Medium-Term Notes is for a lawful object within the corporate purposes of the Company and is compatible with the public interest; that is necessary or appropriate for or consistent with the proper performance by the Company of service as a public utility; and that the issuance and sale of the Medium-Term Notes is reasonably necessary or appropriate for such purpose.

As a public utility, the Company is obligated to secure sufficient gas supplies and maintain sufficient distribution capacity to serve its customers reliably at the lowest reasonable cost. The Company believes that the Medium-Term Note Program described herein will effectively manage the overall financing costs and risks associated with the Company's public utility obligations. Therefore, the Company believes that the proposed issuance and sale of the Medium-Term Notes are for a lawful object within the corporate purposes of the Company; are compatible with the public interest; are necessary or appropriate for and consistent with the proper performance by the Company of service as a public utility; will not impair the Company's ability to perform such service; and are reasonably appropriate for such purposes.

Accordingly, this filing satisfies the Company's obligations under RCW 80.08.040.

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The undersigned hereby states, "I certify (or declare) under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct."

DATED at Portland, Oregon this ____ day of February 2023.

NORTHWEST NATURAL GAS COMPANY

By ______________________________

Brody J. Wilson
Vice President, Treasurer, Controller and Chief Accounting Officer
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EXHIBITS

Exhibit A	Registration Statement on Form S-3 filed with the Securities and Exchange Commission on August 13, 2021.
Exhibit B	Prospectus Supplement related to the Medium-Term Notes filed with the Securities and Exchange Commission on August 13, 2021.
Exhibit C	Copy of the Mortgage and Deed of Trust, dated as of July 1, 1946, as heretofore amended and supplemented by 25 Supplemental Indentures, to Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), Trustee.
Exhibit D	Copy of Indenture, dated as of June 1, 1991, between the Company and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee.
Exhibit E	Distribution Agreement dated as of March 18, 2009, among the Company, BofA Securities, Inc., J.P. Morgan Securities LLC, Wells Fargo Securities, LLC, U.S. Bancorp Investments, Inc., BMO Capital Markets Corp., RBC Capital Markets, LLC, CIBC World Markets Corp., and TD Securities (USA) LLC, as amended by the Company's Notice dated August 13, 2021.
Exhibit F	A certified excerpt of resolutions adopted by the Board of Directors effective October 19, 2022 approving the registration and issuance of not more than 400,000,000 of First Mortgage Bonds, including Medium-Term Notes.
Exhibit G	A copy of the Company's Amended and Restated Articles of Incorporation.
Exhibit H	A copy of the Company's Amended and Restated Bylaws.