



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 is for one or more of the purposes allowed by RCW 80.08.030.**

The Company will use the proceeds from the First Mortgage Bonds for the acquisition of property, or the construction, completion, extension or improvement of its facilities, or the improvement or maintenance of its service, or the discharge or refunding of its obligations, or 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, or to refund the Company's short-term debt incurred in connection with the acquisition of property or the construction, completion, extension or improvement of the Company's facilities, or the improvement or 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 expenditure was made. Such purposes are permitted by RCW 80.08.030.

In accordance with WAC 480-90-242, the Company will, within 60 days after the issuance of any First Mortgage Bonds, 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**

The Company will issue the First Mortgage Bonds under its Mortgage and Deed of Trust, dated as of July 1, 1946, as amended and supplemented by twenty-three Supplemental Indentures, including the 23<sup>rd</sup> Supplemental Indenture to be entered into in connection with the issuance of the First Mortgage Bonds, (the “Mortgage”), with Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as Trustee, which is attached hereto as Exhibit B. The Mortgage constitutes a first mortgage lien on substantially all of the utility property now owned and hereafter acquired by the Company. The First Mortgage Bonds will be issued through a Bond Purchase Agreement, substantially in the form attached hereto as Exhibit C.

The First Mortgage Bonds are expected to be sold on a private placement basis in a negotiated transaction and be unregistered securities. The Company expects to sign and close the Bond Purchase Agreement by selling the First Mortgage Bonds and receiving proceeds on or around mid- September 2018. The bonds are expected to have a term of 30 years.

**(b) Amount of Securities.**

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 up to \$50,000,000 of First Mortgage Bonds.

**(c) Interest Rate**

The interest rate on the First Mortgage Bonds are expected to be fixed and payable semi-annually in arrears, beginning in early 2019. The interest rate for the First Mortgage Bonds is determined at the point of sale based on individual negotiations between individual investors, through a placement agent, and the Company, 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.

**(d) Date of Issuance and Maturity**

Pursuant to the Bond Purchase Agreement, the Company expects to issue up to \$50,000,000 of First Mortgage Bonds on or around mid-September 2018. The First Mortgage Bonds are expected to be issued on a private placement basis through privately negotiated transactions as reflected in the Bond Purchase Agreement, and be unregistered securities. The First Mortgage Bonds are expected to have a 30-year maturity.

**(e) Method of Sale**

The First Mortgage Bonds are expected to be issued and sold with the services of Bank of America Merrill Lynch as Placement Agent.

**(f) Fees for Services.** Upon execution of the Bond Purchase Agreement, the Company expects to pay a fee approximately equal to 0.25 percent of the aggregate principal amount of the First Mortgage Bonds sold to investors (Placement Fee). The Placement Fee is a customary fee for such services in arm's-length transactions.

From time-to-time it may be advantageous to sell Medium-Term Notes to an agent as principal. 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. 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.

**(g) Price and Proceeds.** This application seeks approval for an aggregate principal amount of not more than \$50,000,000 of Medium-Term Notes in one or more tranches. The following are the estimated fees and expenses the Company expects to incur in connection with the issuance of the First Mortgage Bonds.

Estimated Fees and Expenses

<u>Item</u>	<u>Amount</u>
1. Principal amount or Par Value	\$50,000,000
2. Plus Premium or Less Discount	<u>None</u>
3. Gross proceeds estimated	50,000,000
4. Agents' Commissions	125,000
5. Securities and Exchange Commission registration fee	None
6. State mortgage registration tax	None
7. New York Stock Exchange fee	None
8. State Commission fee	None
9. Fees for recording indenture	5,000
10. United States document tax	None
11. Printing and engraving expenses	None
12. Trustee's or Registrar's fees	20,000
13. Counsel's fees	250,000
14. Accountants' fees	None
15. Bond Rating Agency fees	None
16. Miscellaneous expenses	<u>10,000</u>
17. Total estimated commissions and expenses	405,000
18. Net estimated amount to be realized	\$49,595,000

#### **(h) Corporate Authority**

The Board of Directors has authorized the issuance of up to \$325,000,000 secured notes under the Mortgage and has authorized the officers of the Company to seek OPUC and WUTC approval for such issuances. In addition, the Board of Directors has delegated to the Finance Committee of the Board the authority to issue and sell up to an aggregate principal amount of \$325,000,000 of secured notes through a private placement. A copy of Certified Board Resolutions is attached hereto as Exhibit D. The Finance Committee of the Board of Directors has approved the sale of the First Mortgage Bonds through the Bond Purchase Agreement, and has authorized the officers of the Company to seek WUTC approval for such issuances. A copy of the Certified Finance Committee Resolutions are attached hereto as Exhibit E. The OPUC has issued an order that permits the Company to issue the First Mortgage Bonds.

#### **(i) Other Matters**

The First Mortgage Bonds 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 First Mortgage Bonds will have voting privileges.

#### **(j) Consistency with Company 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 and Request, the Company's secured debt is rated "A1" by Moody's Rating and "AA-" by Standard & Poor's (S&P), and the Company's unsecured debt is rated "A3" by Moody's and a

Corporate credit rating of A+ by S&P, with a Negative credit outlook by Moody's and a stable credit outlook by S&P.

The following table sets forth the Company's capital structure at June 30, 2018, along with its pro forma capital structure assuming the issuance of the full \$50,000,000 of the First Mortgage Bonds.

	Capital Structure at June 30, 2018 (\$ 000)	Percent of Total	Pro Forma Financings <sup>(2)</sup> (\$000)	Pro Forma Capital Structure with Financings <sup>(1)</sup> (\$ 000)	Percent of Total
Common Equity	\$ 759,526	48.5%		\$ 759,526	48.5%
Long-Term Debt	\$ 683,895	43.7%	\$ 50,000	\$ 733,895	46.9%
Long-Term Debt < 1 year	\$ 74,785	4.8%		\$ 74,785	4.8%
Short-term Notes Payable	\$ 47,100	3.0%	\$ (49,665)	\$ (2,565)	-0.2%
Total	\$ 1,565,306	100%	\$ 335	\$ 1,565,641	100%

<sup>1</sup> The pro forma capital structure set forth in the table above is not a projection of the Company's actual capital structure at June 30, 2018; it is for demonstrative purposes only and is presented on a consolidated basis. The Universal Shelf Registration that the Company maintains for its Medium-Term Note Program allows for issuance of equity as well as debt securities. The Company will provide notification for equity issuances, if any, under the Universal Shelf Registration in a separate application to the WUTC at the appropriate time. The Company intends to seek approval for and issue sufficient equity to maintain a capital structure with a total common equity level of 45 to 50 percent.

<sup>2</sup> Reduced the debt issuance to reflect issuance fees and costs.

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

The advantages of the First Mortgage Bond issuance in a private placement offering is that it enables the Company to: (1) issue a small tranche of debt at a rate that generally would be below that which could be obtained in a larger publicly underwritten issue; (2) negotiate customized terms to take advantage of current favorable yield and credit spread market conditions; (3) obtain more attractive pricing on smaller-sized transactions; (4) manage its financing program in light of market changes; (5) balance the maturities of its debt securities; and (6) achieve a lower average interest cost while managing interest rate risk. In short, the First Mortgage Bonds give the

Company flexibility to take advantage of the current favorable markets and attractive debt terms while delaying the higher cost of long-term debt to a later point in time to better balance the Company's debt portfolio.

The market for our First Mortgage Bonds 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 15 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 First Mortgage Bonds is for a lawful object within the corporate purposes of the Company and is compatible with the public interest; that said object 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 First Mortgage Bonds 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 First Mortgage Bonds described herein will further enable the Company to effectively manage the overall financing costs and risks associated with the Company's public utility obligations. Therefore, the Company believes that the First Mortgage Bonds are for a lawful object within the corporate purposes of the Company; are compatible with the public interest; that said object is necessary or appropriate for and consistent with the proper performance by the Company of service as a public utility; will not impair the



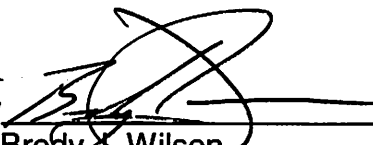
Company's ability to perform such service; and is reasonably appropriate for such purposes.

Accordingly, this filing satisfies the Company's obligations under RCW 80.08.040. Although an order is not required for the valid issuance of securities for which a public service company has filed a statement establishing compliance with RCW 80.08.040, a public service company may request an order confirming such compliance. Pursuant to RCW 80.08.040(4), the Company respectfully requests a written order establishing the Company's compliance with RCW 80.08.040 and WAC 480-90-242.

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 28th day of August, 2018.

NORTHWEST NATURAL GAS COMPANY

By   
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Brody J. Wilson  
Vice President, Treasurer, Controller  
and Chief Accounting Officer  
NW Natural  
220 NW 2<sup>nd</sup> Ave  
Portland, OR 97209  
503-226-4211, ext. 2524  
Brody.Wilson@nwnatural.com

## EXHIBITS

- Exhibit A Proposed Form of Order
- Exhibit B Copy of the Mortgage and Deed of Trust, dated as of July 1, 1946, as heretofore amended and supplemented by 22 Supplemental Indentures, to Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), Trustee and Form of 23<sup>rd</sup> Supplemental Indenture
- Exhibit C Form of Bond Purchase Agreement
- Exhibit D A certified excerpt of minutes of the Board of Directors meeting held July 28, 2016 approving the issuance of up to \$325,000,000 of Medium-Term Notes.
- Exhibit E Certified resolutions adopted by the Finance Committee of the Board of Directors, effective August 17, 2018, approving the sale of the First Mortgage bonds, approving the Bond Purchase Agreement, and approving the 23<sup>rd</sup> Supplemental Indenture.  
**Confidential; non-public information.**
- Exhibit F A copy of the Company's Restated Article of Incorporation, as amended.
- Exhibit G A copy of the Company's Bylaws, as amended.