

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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In the Matter of the Statement Establishing)	DOCKET NO. UG-_____
Compliance of)	
)	
NORTHWEST NATURAL GAS COMPANY)	
)	STATEMENT ESTABLISHING
Establishing Compliance With RCW 80.08.040)	COMPLIANCE
With Respect to an Uncommitted Letter of)	
Credit Facility with Lenders and Canadian)	
Imperial Bank of Commerce, New York Branch.)	

Northwest Natural Gas Company (“NW Natural” or the “Company”)

respectfully submits this Statement and Application to the Washington Utilities and Transportation Commission (the “Commission”) to establish compliance with RCW 80.08.040 and WAC 480-90-242 with respect to NW Natural’s entry into an Uncommitted Letter of Credit and Reimbursement Agreement (“LC Agreement”) among NW Natural, the lenders from time to time party thereto and Canadian Imperial Bank of Commerce, New York Branch as administrative agent (“Administrative Agent”), and for authority to execute other ancillary documents issued in connection therewith (the “LC Facility”), provided that at no one time will the aggregate amount available to be drawn under letters of credit (“LCs”) issued and outstanding under the LC Facility exceed \$100 million. The proposed terms of the LC Facility are substantially similar to the terms of the letter of credit sub-facility under the Company’s existing credit facility (the “Existing Facility”)¹, except that the LC Facility has different pricing and the LC Facility is solely

¹ Amended and Restated Credit Agreement, dated as of November 31, 2021, by and among the Borrower, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent, as the same may be amended, restated, amended and restated, refinanced, replaced, supplemented or otherwise modified from time to time.

for purposes of the issuance of LCs. There is no revolving borrowing capacity under the LC Facility beyond LCs.

NW Natural is required to post letters of credit as bid guarantees for auctions or reserve sales in which the Company participates in connection with the Washington Climate Commitment Act cap-and-invest program (“Program Auctions”). Program Auctions have specific rules regarding the amount, terms and form of letters of credit that can be used. NW Natural has reviewed various options and determined that the LC Facility is more economically advantageous and better suited logistically than the Existing Facility for the Company’s participation in Program Auctions.

The following information is furnished in support of this Statement:

(1) A description of the purposes for which the issuance is 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 purpose of the LC Facility is primarily to support the Company’s participation in the Program Auctions. The purposes for which proceeds, if any,² received under the LC Facility are proposed to be used, if and as required, are the acquisition of property, to arrange for the construction, completion, extension, or improvement of the Company’s facilities; the improvement or maintenance of its services; and/or the discharge or refunding of the Company’s obligations, the reimbursement of moneys actually expended from income or 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

² The Company does not expect there to be proceeds received from the LC Facility, as it is solely for the purposes of posting LCs.

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 Commission 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.

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

While the Company has the ability to request letters of credit under the Existing Facility, the LC Facility is more economically advantageous and better suited logistically than the Existing Facility for the Company's participation in Program Auctions. The Company proposes to enter into the LC Agreement³ and request LCs issued thereunder primarily for purposes of participation in Program Auctions.

The LC Facility will permit the issuance of LCs for the account of the Company in an uncommitted amount, and in a form reasonably acceptable to the Administrative Agent and the applicable lender issuing such LC ("Issuing Bank"), at any time and from time to time during the availability period under the LC Facility. Any drawing on an LC shall be reimbursed by the Company on the terms set forth in the LC Agreement (as described in further detail below). While there is no expressly stated aggregate maximum amount of LCs that can be issued or outstanding under the LC Facility, the Issuing Banks have no commitment to issue LCs under the LC Facility and will have the discretion to limit and condition the terms for the issuance of LCs (including maximum face amounts) in their sole discretion.

³ A final copy of the LC Agreement will be filed with the first required compliance filing when available.

The Company will pay (a) to the Administrative Agent, for the account of each lender, a participation fee with respect to such lender's participations in Letters of Credit at a per annum rate equal to 0.65% of the daily average amount of each lender's LC exposure, and (b) to the applicable Issuing Bank such Issuing Bank's standard fees and commissions with respect to the issuance, amendment, cancellation, negotiation, transfer, presentment, renewal or extension of any LC or processing of drawings thereunder. No LC shall have an expiration date after the date that is one year after the date of issuance, provided that any LC with a one-year tenor may provide for the renewal thereof for additional one-year periods.

If an LC is drawn and the Company does not reimburse such drawing in full on the date that it is made, the unpaid amount thereof shall bear interest, for each day from and including the date of drawing to but excluding the date that the reimbursement is due and payable at the "Alternate Base Rate", as defined in the LC Agreement. Generally, the Alternate Base Rate is, for any date, a rate per annum equal to the greatest of (a) the "Prime Rate", as defined in the LC Agreement, as in effect on such day, and (b) the "NYFRB Rate", as defined in the LC Agreement, in effect on such day plus 1/2 of 1%. Generally, the Prime Rate is the rate of interest last quoted by the Wall Street Journal as the "Prime Rate" in the U.S., as more particularly described in the LC Agreement, and the NYFRB Rate is the greater of the "Federal Funds Effective Rate" or the "Overnight Bank Funding Rate", each as defined in the LC Agreement and as more particularly described therein. The LC Facility does not have a stated maturity date.

Under the terms of the LC Facility, NW Natural will pay a participation fee to the Administrative Agent, for the accounts of the lenders, and standard fees and commissions to each Issuing Bank relating to each LC. The interest rates on the

Company's obligation to reimburse drawings on LCs, if any, are based on current market rates.

The LC Agreement contains representations and warranties, covenants, events of default and certain other terms and provisions that are substantially similar to those set forth in the Existing Facility.

The LC Agreement will require that notice be given of any change in NW Natural's debt or corporate ratings. However, a change in NW Natural's credit rating will not be an event of default, and the interest rate on the Company's obligation to reimburse drawings on LCs is not tied to credit ratings.

The LC Agreement will require that the Company maintain an indebtedness to total capitalization ratio, as defined in the LC Agreement, of 70% or less. Failure to comply with this covenant would constitute an event of default and entitle the lenders to require the Company to cash collateralize the lenders' LC exposure and certain related obligations. The Company was in compliance as of December 31, 2022 and June 30, 2023 with a similar covenant in the Existing Facility.

The LC Facility does not have a stated maturity date. If an LC is drawn, the Company is required to reimburse the applicable Issuing Bank by not later than 12:00 noon, New York City time, on the date that such drawing was made, if the Company has received notice of drawing prior to 10:00 a.m. New York City time on such date, or, if such notice has not been received by the Company prior to such time on such date, not later than 12:00 noon, New York City time, on the business day immediately following the day that the Company receives such notice. In addition, the LC Facility does not have a specified term. The Company or the Administrative Agent (in its discretion or at the election of the required lenders) may terminate the LC Facility at any time, it being understood that the Company would still be required to reimburse

the applicable Issuing Bank with respect to any LCs outstanding at the time of termination of the LC Facility but that are drawn after termination of the LC Facility.

The estimated fees and expenses in connection with the LC Facility are as follows⁴: approximately \$35,000 for out-of-pocket legal and administrative fees for the agent; an estimated \$25,000 for counsel fees; and \$5,000 in miscellaneous fees. Additionally, for each LC issued there is a participation fee that accrues at a per annum rate equal to 0.65% on the average daily amount of LC exposure (excluding any portion thereof attributable to unreimbursed LC disbursements).

The Company believes these fees are competitive for LC Facilities for a company with NW Natural's credit profile and that pricing is favorable as compared to the Company's Existing Facility.

The Company held discussions with several banks and reviewed market terms for recent letter of credit facilities of a similar size and type. Based on the relative strength of the banks, capability of the banks to execute on the facility, and the banks' ability and experience serving the natural gas and energy industry, the Company selected one bank to act as Administrative Agent and negotiated the terms and conditions of the LC Facility so as to maximize the flexibility with respect to the issuance of letters of credit (complementary to those available under the Existing Facility) while minimizing to the extent practicable the total amount of the fees under the LC Facility.

No securities issued in connection with the LC Facility are issued *pro rata* to existing holders of any other securities of the Company, and no securities issued in connection with the LC Facility are subject to any preemptive right or in connection with any liquidation or reorganization.

⁴NW Natural acknowledges that it cannot always anticipate all costs and required terms in the preparation of this Statement Establishing Compliance filed with the Commission.

(3) A statement as to why the transaction is in the public interest:

The Company has reviewed comparative pricing and determined that entry into the new LC Facility on the terms described herein is more cost-effective as compared to the Existing Facility and other options explored for compliance with the requirements for the Company's participation in Program Auctions. Additionally, the Company anticipates greater needs for letters of credit in coming years, and entry into this LC Facility provides the appropriate level of additional availability. The Company's management and Board of Directors have concluded that it is prudent for the Company to enter into the LC Facility for the intended purpose. The Company believes that the facts set forth herein show that the Company's proposed use of the LC Facility primarily for its participation in the Program Auctions 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 LC Facility is reasonably necessary or appropriate for such purpose.

The undersigned certifies, under penalties of perjury under the laws of the State of Washington, that he has read the foregoing Statement and knows the contents thereof and that the same are true and correct to the signer's information and belief.

DATED at Portland, Oregon this 15th day of December 2023.

NORTHWEST NATURAL GAS COMPANY

By



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