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 a Revolving Line of Credit with a Syndication of Banks and the Borrowing of up to $600,000,000 in Connection therewith Primarily to Back-Up the Company's Commercial Paper Program.	)))))))))))))	DOCKET NO. UG-________ STATEMENT ESTABLISHING COMPLIANCE

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 proposed revolving line of credit with a syndication of banks, including the issuance of up to $600,000,000, with an initial facility commitment in the amount $400,000,000, such facility to have an initial term of five years, an accordion feature of up to $200,000,000, with the option to extend the term of the facility for two additional one-year periods, and the execution of other ancillary documents issued in connection therewith, including, but not limited to, notes if requested by the lenders, and letters of credit (the "Facility"). The Facility contains substantially similar terms to the Company's existing credit facility ("Existing Facility") with the addition of sustainability-linked pricing mechanisms.

After analysis, NW Natural determined that its Existing Facility is currently below the necessary threshold to meet the requirements of the business. The increased facility is necessitated to support a growing company and the associated working capital requirements, inflationary pressures, and higher gas costs. In addition, the Company has performed benchmarking to peers and regression analysis on EBITDA, among other metrics, that also support the increase. All of these reasons have resulted in NW Natural increasing its facility to $600,000,000.

The Company's Existing Facility is due to expire in October 2023. The Company has reviewed comparative pricing and determined that entry into the new Facility on the terms described herein is more cost-effective on an all-in basis than would be the cost of extending and expanding the Company's existing facility. Additionally, the Company anticipates higher liquidity needs over the next five years, and entry into this Facility provides the appropriate level of liquidity and locks in that liquidity for a longer period of time. The Company's management and Board of Directors have concluded that it is prudent to protect and maintain the Company's cash liquidity position by arranging for a new, syndicated credit facility from banks.

Securing a back-up line of credit is generally a requirement for a commercial paper rating. Additionally, the Facility provides reasonable assurance to creditors and others that the Company would have access to cash and working capital should commercial paper markets tighten and become temporarily unavailable to the Company. Dislocations in the financial markets, including the coronavirus (COVID-19) pandemic and the negative impact the pandemic had on the credit markets, have demonstrated that the time to ensure adequate credit is when the market is stable and a company's financial condition is strong, not when either is facing a crisis. Fees and borrowing spreads have largely reverted to pre-COVID-19 levels and borrowers are once again continuing to access the financial markets and arrange lines of credit, making this an appropriate time for the Company to pursue the Facility.

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 80.08.30:

The purpose of the Facility is primarily to back commercial paper when the Company is operating its commercial paper program, and to provide a committed source of short-term liquidity in case NW Natural is unable to issue short-term commercial paper notes from time to time. The purposes for which individual borrowings under the 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 service; 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 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:

NW Natural's primary source of short-term funds is commercial paper notes payable. NW Natural currently issues commercial paper under Sales Agreements with Wells Fargo Bank and Bank of America.

The Company proposes to enter into a credit agreement for the Facility (the "Credit Agreement"), substantially upon the terms described in the Term Sheet attached as **Exhibit A**, with JPMorgan Chase Bank, N.A. as administrative agent, and Bank of America, N.A., Wells Fargo Bank, National Association and U.S. Bank National Association as co-syndication agents, providing for a committed revolving line of credit to be used primarily as a back-up facility for the Company's commercial paper borrowings. The aggregate amount of the proposed Facility is $400,000,000, with an accordion feature authorizing increases in the line of credit up to an additional $200,000,000. Under the terms of the Credit Agreement, NW Natural will pay an arrangement fee, upfront fees, administrative agent fees and annual commitment fees but is not required to maintain compensating bank balances. The interest rates on borrowings under the lines of credit, if any, are based on the Company's debt ratings and on current market rates, with a potential adjustment based on the Company's performance in relation to predetermined sustainability key performance indicators.

The Credit Agreement will require that notice be given of any change in NW Natural's debt or corporate ratings. A change in NW Natural's credit rating will not be an event of default, nor will the maintenance of a specific minimum level of credit rating be a condition to drawing upon the lines of credit. However, interest rates on any loans outstanding under the lines of credit are tied to credit ratings, which would increase or decrease the cost of borrowing under the lines of credit, if any, when ratings are changed.

The Credit Agreement will not include an ongoing "material adverse change" clause that would entitle the bank to terminate the lending commitment and accelerate the maturity of any borrowings outstanding if there were a material adverse change in the Company's operations or financial condition. Instead, the Credit

Agreement will require that the Company maintain an indebtedness to total capitalization ratio, as defined in the Credit Agreement, of 70 percent or less. Failure to comply with this covenant would entitle the banks to terminate their lending commitments and to accelerate the maturity of all amounts outstanding. The Company was in compliance at December 31, 2020 and June 30, 2021 with a similar covenant in its current credit facility. The maturity dates for any individual borrowings under the Facility would be on or about October 2026, subject to two additional one-year extensions.

The interest rates that would be applicable to any loans under the Facility are defined in the Term Sheet. The selections or definitions of interest rates are specified as a spread over benchmark interest rates in effect from time to time, such as the prime rate, the Federal Funds Effective Rate, the Overnight Bank Funding Rate or the Adjusted London Interbank Overnight Rate (LIBOR), each as defined in the Term Sheet. The Credit Agreement will contain provisions to be mutually agreed with respect to a mechanism for a replacement of the LIBOR and the related transition period. The spreads above the benchmark interest rates that are applicable to the Company depend on the level of the Company's credit ratings on unsecured long-term debt as published by Moody's Investors Service, Inc. ("Moody's"), and as published by Standard & Poor's Ratings Services ("S&P"), two nationally recognized credit rating agencies.

Consistent with the Company's current credit facility pricing, the applicable margin and facility fee rate under the Facility will be determined according to the below grid by reference to the ratings of S&P and Moody's applicable to the senior, unsecured, non-credit enhanced long-term debt of NW Natural (the "Debt Rating"); provided that (a) if NW Natural's senior, unsecured, non-credit enhanced long-term debt is not rated by S&P, "Debt Rating" for S&P shall mean the rating that is one level below the rating assigned by S&P to NW Natural's senior, secured long-term debt and (b) if NW Natural's senior, unsecured, non-credit enhanced long-term debt is not rated by Moody's, "Debt Rating" for Moody's shall mean the rating that is one level below the rating assigned by Moody's to NW Natural's senior, secured long-term debt.

Pricing Level	**Debt Rating**	**Facility Fee**	**Applicable Margin for ABR Loans**	**Applicable Margin for Eurodollar Loans / LC Fee Rate**	**All-in Drawn (including Facility and Utilization Fees)**
Level I	≥ AA- / Aa3	7.0 bps	0.0 bps	68.0 bps	75.0 bps
Level II	A+ / A1	8.0 bps	0.0 bps	79.5 bps	87.5 bps
Level III	A / A2	10.0 bps	0.0 bps	90.0 bps	100.0 bps
Level IV	A- / A3	12.5 bps	0.0 bps	100.0 bps	112.5 bps
Level V	BBB+ / Baa1	17.5 bps	7.5 bps	107.5 bps	125.0 bps
Level VI	BBB / Baa2	22.5 bps	27.5 bps	127.5 bps	150.0 bps

For purposes of the foregoing, (i) if only one of S&P and Moody's shall have in effect a Debt Rating, the applicable Pricing Level shall be determined by reference to the available rating; (ii) if neither S&P nor Moody's shall have in effect a Debt Rating, the applicable Pricing Level will be set in accordance with Level VI; (iii) if the ratings established or deemed to have been established by Moody's and S&P for the Debt Rating shall fall within different Pricing Levels, the applicable Pricing Level shall be based on the higher of the two ratings unless the ratings are not in two adjacent Pricing Levels, in which case the applicable Pricing Level shall be determined by reference to the Pricing Level one level below the Pricing Level corresponding to the higher of the two ratings; and (iv) if the Debt Ratings established or deemed to have been established by Moody's and S&P shall be changed, such change shall be effective as of the date on which it is first publicly announced by the applicable rating agency. Each change in Pricing Level shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change.

The table below summarizes the Company's current debt credit ratings from S&P and Moody's.

	S&P	Moody's
Senior Secured	AA-	A2
Senior Unsecured	n/a	Baa1
Outlook	Stable	Stable

In May 2019, Moody's revised NW Natural's ratings outlook from negative to stable. In addition, the senior secured (long-term debt) rating changed from A1 to A2 and the senior unsecured (long-term debt) rating was revised from Q3 to Baa1. Except as noted, the credit ratings have not changed since the Company entered into its current credit agreement.

Under the terms of the proposed Credit Agreement, the ABR Rate and a Eurodollar Rate (subject to mutually agreed terms for a replacement of the LIBOR and the related transition period) will be available as interest rate benchmark options. The banks must offer ABR and Eurodollar Loans if the Company decides to draw down on the credit line. Full terms of the line of credit will be set forth in the form of Credit Agreement and the schedule of fees, the material terms of which are included in the Term Sheet attached to this filing.

In recognition of the growing demand for Environmental, Social and Governance (ESG)-related metrics in bank lending programs, the Company proposes to add a modifying pricing mechanism that adjusts pricing based on the Company's performance on identified KPIs relevant to the Company's core business and strategy. The Company currently intends to select two quantifiable KPIs, with respect to which annual performance targets and thresholds will be set. Performance against these KPIs would be assessed annually. The Company intends for the first KPI to be environmentally focused, and relate to the Company's carbon savings goal of 30% savings by 2035 associated with NW Natural's operations and the use of NW Natural's product by residential and business sale customers from 2015 emissions levels. The second KPI is intended to be safety focused.

Annually the Company will assess its performance against the KPIs, and that performance will be independently verified. Based on the Company's performance against the KPIs, pricing adjustments (increase, decrease, or no adjustment) will be made to the commitment fee and interest rate margins. Adjustments for commitment/facility fees will not exceed an increase or decrease of 1bps, and adjustment for interest rate margins will not exceed an increase or decrease of 4bps, for a total possible annual adjustment of 5bps. Pricing adjustments, if any, reset off of primary pricing annually and are not cumulative.

Achieving both KPI targets in a given year would result in a reduction of 5bps from the primary pricing grid. The below table demonstrates that pricing effect under two scenarios: an undrawn facility and a $25,000,000 draw:

UNDRAWN - COMMITMENT FEE ONLY			
	Current Pricing Grid	**One Target Achieved (-.5) bps**	**Both Targets Achieved (-1) bps**
Revolver Size	$400,000,000	$400,000,000	$400,000,000
Undrawn Amount	$400,000,000	$400,000,000	$400,000,000
Drawn Amount	-	-	-
Unadjusted Commitment/Facility Fee	0.10%	0.10%	0.10%
KPI Adjustment		(0.005%)	(0.010%)
Adjusted Commitment Fee:		**0.095%**	**0.090%**
Total Fees	$400,000	$380,000	$360,000
Savings	-	**$20,000**	**$40,000**

DRAWN – COMMITMENT/Facility FEE + LIBOR MARGIN			
	Current Pricing Grid	**One Target Achieved (-2.5) bps**	**Both Targets Achieved (-5) bps**
Revolver Size	$400,000,000	$400,000,000	$400,000,000
Undrawn Amount	$375,000,000	$375,000,000	$375,000,000
Drawn Amount	$25,000,000	$25,000,000	$25,000,000
Unadjusted Commitment Fee	0.10%	0.10%	0.10%
KPI Adjustment		(0.005%)	(0.010%)
Adjusted Commitment Fee:		**0.095%**	**0.090%**
Unadjusted LIBOR Spread	0.90%	0.90%	0.90%
KPI Adjustment		(0.020%)	(0.040%)
Adjusted LIBOR Spread:		**0.880%**	**0.860%**
1-Month LIBOR	0.10%	0.10%	0.10%

Total Fees	$650,000	$625,000	$600,000
Savings	-	**$25,000**	**$50,000**

NW Natural expects to meet or exceed the minimum threshold of the KPIs and provide neutral or beneficial pricing.

The tables below demonstrate the primary pricing alone and as modified by the secondary, sustainability-based pricing modifier.

Primary Pricing Mechanism

	S&P M AA- ≥Aa3	**S&P M** A+ A1	**S&P M** **A A2**	**S&P M** A- A3	**S&P M** BBB+ Baa1	**S&P M** BBB Baa2≤
Facility Fee Rate (bps)	◄ 7.0	8.0	**10.0**	12.5	17.5	22.5 ►
Applicable Eurodollar Margin (bps)	◄ 68.0	79.5	**90.0**	100.0	107.5	127.5 ►
Applicable ABR Margin (bps)	◄ -	-	-	-	7.5	27.5 ►
Letter of Credit Fee Rate (bps)	◄ 68.0	79.5	**90.0**	100.0	107.5	127.5 ►

Secondary Pricing Mechanism[1]

	S&P AA- / **M** ≥Aa3	**S&P** A+ / **M** A1	**S&P** **A** / **M** **A2**	**S&P** A- / **M** A3	**S&P** BBB+ / **M** Baa1	**S&P** BBB / **M** Baa2≤
Undrawn						
Commitment Fee (bps)	◄ 7.0	8.0	**10.0**	12.5	17.5	22.5 ►
Max KPI Pricing Impact (bps)	+/- 1.0	+/- 1.0	**+/- 1.0**	+/- 1.0	+/- 1.0	+/- 1.0
New Commitment Fee Range (bps)	6.0 – 8.0	7.0 – 9.0	**9.0 – 11.0**	11.5 – 13.5	16.5 – 18.5	21.5 – 23.5

	S&P AA- / **M** ≥Aa3	**S&P** A+ / **M** A1	**S&P** **A** / **M** **A2**	**S&P** A- / **M** A3	**S&P** BBB+ / **M** Baa1	**S&P** BBB / **M** Baa2≤
Drawn						
Applicable Eurodollar Margin (bps)	◄ 68.0	79.5	**90.0**	100.0	107.5	127.5 ►
Max KPI Pricing Impact for Draw (bps)	+/- 4.0	+/- 4.0	**+/- 4.0**	+/- 4.0	+/- 4.0	+/- 4.0
New Drawn Fee Range (bps)	64 – 72	75.5 – 83.5	**86 – 94**	96 – 104	103.5 – 111.5	123.5 – 131.5

[1] The Commitment/Facility Fee Secondary Pricing Mechanism operates as to the full facility on an annual basis. The Drawn Fee Secondary Pricing Mechanism applies only to that portion of the facility drawn at any one time and is in addition to the Commitment/Facility Fee.

The estimated fees and expenses in connection with the five-year Facility are as follows:[2]

	Estimated
Commitment Fees (Facility Fees)*	$1,800,000 - $2,200,000
Administrative Agent Fee	75,000
Upfront Fees**	625,000
Arrangement Fee	487,500
Out-of-pocket Legal and Administrative Costs to Agent	100,000
Printing and Engraving Expenses	None
Counsel Fees	75,000
Miscellaneous Expenses (e.g. audit and sustainability advisor fees)	67,000
Total fees and expenses	$3,229,500 - $3,629,500

* Commitment/Facility fee range includes +/- 1 bps for sustainability-linked pricing

** Upfront fees to be split between existing money (15bps) and new money (17.5bps)

Estimated fees for NW Natural's Facility are generally consistent with the fees of the Company's existing credit facility and total $3,229,500 - $3,629,500 including $400,000 per year in commitment fees (paid quarterly), $40,000 per year of potential benefit or detriment associated with achieving sustainable performance targets, an annual administrative agent fee of $15,000, and approximately $625,000 in upfront fees (paid at the outset of the initial five-year period). In addition, an arrangement fee of $487,500 will be paid for the syndication arrangements. The Company will also pay

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

out-of-pocket legal and other costs to the administrative agent, which are estimated to total $100,000, and $142,000 in other legal, audit and miscellaneous expenses. The average annual cost of the credit line is approximately 11 - 12 basis points (0.108 percent - 0.121 percent), or $645,900 - $725,900, which is similar to the average cost of the Company's existing five-year syndicated credit facility and reflects current market pricing due to the current market environment coupled with lender demand for solid investment grade borrowers. The Company believes these fees are competitive for credit lines of this size and for a company with NW Natural's credit profile.

Prior to 2020, the Company had not drawn down on its existing credit facility in recent years. As the COVID-19 pandemic developed, in early to mid-March 2020, markets displayed significant volatility. In response to that volatility and possible implications for the availability of access to the capital markets, the Company undertook precautionary measures to increase cash on hand and strengthen liquidity for funding needs and utility purposes authorized by RCW 80.08.030. Between March and April 2020, the Company elected to borrow $290 million total under the existing credit facility, which was not backing commercial paper. The Company subsequently repaid all borrowings in full as of June 30, 2020 and there were no outstanding balances of borrowings under the current NW Natural lines of credit as of December 31, 2020.

The Company held discussions with all of the banks in its existing credit facility, and reviewed market terms for recent facilities of a similar size and type. Based on the relative strength of the banks, capability of the banks to execute on the facility, the banks' ability in and experience serving the natural gas and energy industry, the bank's previous experience serving the Company's existing credit facility and need of the Company to select a diverse banking group to reduce the Company's risk exposure, the Company selected one bank to act as Administrative Agent, three banks to act as co-lead arrangers and joint bookrunners, and negotiated the terms and conditions so as to maximize the flexibility with respect to borrowing conditions while minimizing to the extent practicable the total amount of the fees. The Company then selected additional banks within the syndication based on the bank's level of interest and commitment, the strength and capability of execution, ability in and experience serving the natural gas and energy industry, and the composition of the other banks in the syndication to increase the diversification of the banking group in the Facility.

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

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

It is crucial for NW Natural to have a committed source of short-term liquidity in case the Company is unable to issue short-term commercial paper notes from time to time. The Company believes that the facts set forth herein show that the Company's proposed use of the Facility primarily as a back up for its commercial paper program 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 Facility is reasonably necessary or appropriate for such purpose.

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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 25th day of October 2021.

NORTHWEST NATURAL GAS COMPANY

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