BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Statement Establishing Compliance and Request for Written Order 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 $450,000,000 in Connection therewith Primarily to Back-Up the Company's Commercial Paper Program.	)	DOCKET NO. UG-________ Statement Establishing Compliance and Request for Written Order

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 $450,000,000, with an initial facility commitment in the amount $300,000,000, such facility to have an initial term of five years, 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 Company understands that pursuant to WAC 480-90-242(2), a Commission order is not required for the filing, but the Company may request a written order affirming that the Company has complied with the requirements of RCW 80.08.040. The Company now respectfully requests in this Statement Establishing Compliance that the WUTC enter an order establishing compliance with RCW 80.08.040 and WAC 480-

90-242 with respect to the Company's proposed revolving line of credit with a syndication of banks as outlined in this Statement. A form of proposed order is attached as Exhibit A.

The Company's existing credit facility is due to expire in late 2019. 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. The Facility is substantially similar to the Company's prior credit facility. It is crucial that NW Natural have a committed source of short-term liquidity in case it is unable to issue commercial paper notes from time to time. Additionally, even in the event the Company can utilize its commercial paper program, the Facility provides reasonable assurance to creditors and others that the Company would have access to cash and working capital should it be unable to sell its commercial paper in the future. Dislocations in the financial markets have demonstrated that the time to ensure adequate credit is when the market is stable or a company's financial condition is strong, not when either is facing a crisis. Securing a back-up line of credit is generally required for a commercial paper rating.

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 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 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 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.

(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 issues commercial paper under Sales Agreements with two banks.

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 B**, 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 $300,000,000, with an accordion feature authorizing increases in the line of credit up to an additional

$150,000,000. 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.

The Credit Agreement will require that credit ratings be maintained in effect at all times and 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 a "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, 2017 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 2023, subject to two additional one-year extensions. However, the Company may prepay any Adjusted Base Rate (ABR) Loan (to be defined in the Credit Agreement), in a minimum amount of $1,000,000, without premium payment or penalty. The Company may prepay a Eurodollar Loan (to be defined in the Credit Agreement), in a minimum of $1,000,000, but the Company will have to pay breakage charges and costs if prepaid on a date other than the end of an interest period.

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)[1], each as defined in the Term Sheet. The Credit Agreement will contain provisions to be mutually agreed with respect to a replacement of the LIBOR to the extent a replacement is necessary or required by law. 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, and one level below the Company's credit rating on secured long-term debt as published by Standard & Poor's, two nationally recognized credit rating agencies.

The table below outlines the proposed pricing grid for the Facility, which is consistent with pricing for the Company's current credit facility.

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[1] The Credit Agreement will contain alternate interest rate calculations in the event LIBOR becomes unavailable. Currently, the Company expects that under the Credit Agreement, if LIBOR becomes unavailable, all future borrowings and conversions will be made at the Alternate Base Rate (the greater of the prime rate or the NYFRB Rate (which is the greater of the federal funds effective rate and the overnight bank funding rate) plus 0.5%); provided, that if the administrative agent determines that the unavailability of LIBOR is unlikely to be temporary or other specified circumstances exist (including that the supervisor for the administrator of LIBOR has made a public statement identifying a specific date after which LIBOR will permanently or indefinitely cease to be published), it will work with the Company to establish an alternate rate of interest to LIBOR that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and the administrative agent and the Company will enter into an amendment to the Credit Agreement to reflect the new benchmark rate. The amendment reflecting the new benchmark rate would be effective unless, within five business days of receiving notice of the amendment and new benchmark rate, the required lenders deliver notice to the administrative agent objecting to the new rate. If the required lenders so object, only the Alternate Base Rate would be available. This is a standard alternative formulation to LIBOR in credit agreements at this time.

Debt Rating(1)	Facility Fee	Applicable Margin for ABR Loans	Applicable Margin for Eurodollar Loans / LC Fee Rate	All-in Drawn (including Facility and Utilization Fees)
> AA- / Aa3	7.0 bps	0.0 bps	68.0 bps	75.0 bps
A+ / A1	8.0 bps	0.0 bps	79.5 bps	87.5 bps
A / A2	10.0 bps	0.0 bps	90.0 bps	100.0 bps
A- / A3	12.5 bps	0.0 bps	100.0 bps	112.5 bps
BBB+ / Baa1	17.5 bps	7.5 bps	107.5 bps	125.0 bps
BBB / Baa2	22.5 bps	27.5 bps	127.5 bps	150.0 bps

(1) The Facility Fee, the Applicable Margin for ABR Loans, the Applicable Margin for Eurodollar Loans and the LC Fee Rate shall be the applicable rate per annum set forth in the table above opposite the Rating (as defined below) from Standard & Poor's ("S&P") or Moody's Investors Service Inc. ("Moody's"), changing when any applicable Rating changes. For purposes of the foregoing, "Rating" means the rating assigned by S&P or Moody's, as applicable, of the Company's senior, unsecured long-term debt; provided that (a) if the Company's senior, unsecured long-term debt is not rated by S&P, "Rating" for S&P shall mean the rating that is one grade below the rating assigned by S&P to the Company's senior, secured long-term debt and (b) if the Company's senior, unsecured long-term debt is not rated by Moody's, "Rating" for Moody's shall mean the rating that is one grade below the rating assigned by Moody's to the Company's senior, secured long-term debt. In the case of a difference between Ratings by S&P and Moody's of (i) one ratings grade, the Rating shall be the higher of the two ratings and (ii) more than one ratings grade, the Rating shall be the rating that is one grade below the higher of the two ratings.

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

	S&P	Moody's
Type	Senior secured	Senior unsecured
Credit Rating	AA-	A3
Outlook	Stable	Negative

The noted credit ratings have not changed since the Company entered into its current credit agreement six years ago.[2]

[2] Moody's did change the Company's outlook as part of a broader evaluation of the utility industry in light of federal tax reform. Several companies saw rating or outlook changes as a result of Moody's evaluation. In its release Moody's noted that its anticipated impact of tax reform on the utilities industries cash flows was negative. The Company continues to work through discussions with Moody's and S&P regarding their views of tax reform and its effects on the Company. It is worth noting, that an outlook does not change the Company's costs under the proposed Credit Agreement.

Under the terms of the proposed Credit Agreement, the ABR Rate and a Eurodollar Rate (both as defined in the Term Sheet) 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.

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

	Estimated
Commitment Fees	$1,500,000
Agent fee	75,000
Upfront fees	525,000
Arrangement fee	450,000
Out-of-pocket legal and administrative costs to agent	50,000
Printing and Engraving Expenses	None
Counsel Fees	50,000
Miscellaneous Expenses (e.g. freight, postage, travel)	2,000
Total fees and expenses	$2,652,000

Estimated fees for NW Natural's Facility are largely consistent with the fees of the Company's existing credit facility and total $2,652,000, including $300,000 per year in commitment fees (paid quarterly), an annual agent fee of $15,000, and approximately $525,000 in upfront fees (paid at the outset of the initial five-year period)[3]. In addition, an arrangement fee of $450,000 will be paid for the syndication arrangements. The Company will also pay out-of-pocket legal and other costs to the administrative agent, which are estimated to total $50,000, and $52,000 in other legal and miscellaneous expenses. The average annual cost of the credit line is approximately 12 basis points (0.118 percent), or $530,400, which is slightly higher than the average cost of the Company's existing five-year syndicated credit facility, reflecting 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.

The Company has not drawn down on its existing credit facility in recent years, and there were no outstanding balances of borrowings under the current NW Natural lines of credit as of December 31, 2017.

The Company held discussions with all of the banks in its existing credit facility and a few banks outside of its current 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

3 Arrangement fees, annual administrative fees, and commitment fees are the same as the Company's existing credit facility. Upfront fees have increased since the Company entered into its existing credit facility six years ago, rising from $483,750 for the existing credit facility to

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 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.

$525,000 for the proposed Credit Agreement.

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 September 2018.

NORTHWEST NATURAL GAS COMPANY

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