

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UF 4365

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for an Order Authorizing a
Revolving Line of Credit with a
Syndication of Banks and the borrowing of
up to \$600,000,000.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on October 14, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 14, 2025**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: October 1 2025

TO: Public Utility Commission

FROM: Matt Muldoon

THROUGH: Scott Gibbens **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UF 4365)
Request authorization of a credit facility of up to \$600 million commitment with a maturity of up to seven years.

STAFF RECOMMENDATION:

Staff recommends the Commission authorize Northwest Natural Gas Company's (NW Natural, NWN or Company) refreshment of its primary revolving credit agreement in an amount of up to \$600 million inclusive of an accordion feature with a term up to seven years inclusive of all extensions and accordion features, subject to Staff recommended six Conditions and five Restrictions.

Conditions

1. *Authorization Limit*

Sum of borrowing principal and Letters of Credit (LC) under this Revolving Credit Facility (Credit Agreement) shall not exceed \$400 million initially, and not more than \$600 million inclusive of all accordion features, at any one time.

Limits shown herein are **in addition to** the Company's separate \$100 million of aggregate uncommitted Letter of Credit and Reimbursement Agreement authority.¹

2. *Term of the Credit Agreement*

The term of this Credit Agreement will be up to five years with up to two one-year extensions.

¹ See Commission Order No. 23-447 in Docket No. UF 4349, entered November 28, 2023.

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3. *Fees and expenses will be limited to those listed below:*

- a. One-time aggregate arrangement fees (not including the upfront fee) may not exceed \$487,500 in total or \$300,000 for the Administrative Agent bank and \$62,500 per each other Joint Lead Arranger bank.
- b. Passed through one-time out-of-pocket miscellaneous expenses and lenders' counsel fees may not exceed an additional \$300,000, and the annual administrative agent fee may not exceed \$15,000 per year.
- c. Aggregate one-time fees and expenses for each one-year extension of the credit facility (including but not limited to arrangement fees, upfront fees, out-of-pockets expenses and lenders' counsel fees) may not exceed 15 basis points (bps) of the applicable commitment amount specified in Condition 1.
- d. Each participating bank's one-time upfront fee (not including arrangement fees) may not exceed 20 bps of that bank's final allocated amount (15 bps of the applicable commitment amount specified in Condition 1 for old money and 17.5 bps for new money.)²
- e. LC fronting fees shall not exceed 20 bps per annum of the amount of each LC issued and outstanding under the credit facility. LC participation fees will not exceed the amounts shown respectively in Attachment A.
- f. Each bank's annual commitment fees (or facility fees) and base interest charges for variable rate borrowing and fixed rate borrowing will not exceed the amounts and spreads shown respectively in Attachment A.
- g. Amendments to LCs will not exceed \$500 per amendment.
- h. Aggregate Company and participating bank legal fees may not exceed \$300,000.

Note: Estimated Legal Fees are \$200,000 in current market conditions.

4. *Withdrawal of Prior Authorization*

Authority for the up to \$600 million aggregate credit facilities authorized in Docket No. UF 4324 by Commission Order No. 21-335 (Prior Credit Facility) is terminated upon close and execution of this new Credit Agreement.

5. *Timely Reporting*

- a. The Company will file a certified copy of the executed Credit Agreement with the Commission within 30 calendar days after closing, with a report demonstrating all fees, interest rates (showing spreads over benchmark

² Sample calculation for referent credit line cost: \$400,000,000 times 0.15 percent.

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securities where applicable), and expenses are consistent with contemporaneous competitive market prices for such credit agreements.

- b. The Company will maintain a quarterly activity log as an electronic MS Excel spreadsheet, with all cell references and formulas intact capturing quarterly information for each outstanding credit facility. This quarterly information will include: outstanding balances of revolving credit, inclusive of any Commercial Paper (CP) activity and balances, LCs issued, total interest accrued, and fees paid, other commitments and drawdowns with detailed descriptions, and cost data, breaking out execution cost for accordion features. Data capture will continue for as long as Northwest Natural has a credit facility outstanding for any portion of a given calendar year. In lieu of periodic reporting, Northwest Natural will provide this data to Staff upon request.

6. *Reservation of Judgment Regarding Reasonableness*

The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's capital costs, capital structure, and commissions and expenses incurred for security issuances. Northwest Natural has the burden of proof to demonstrate that the Company's financing activities; capital costs, including embedded expenses; and capital structure are just and reasonable in any future proceeding before the Commission.

Restrictions

1. *Balanced Capital Structure*

Under the Credit Agreement, the Company must maintain a consolidated indebtedness to total consolidated capitalization ratio of 70 percent or less.

2. *Use of Proceeds*

Proceeds must be used for lawful utility purposes authorized by ORS 757.415.

3. *Swing-line Loans Cap*

Swing-line Loans may not exceed \$15 million.

4. *LC Support Limit*

The Company may not use over \$60 million of the credit facility at any one time to support the issuance of LCs.

5. *Application of Credit Facility*

Portions of the requested Credit Facility devoted to a given use will not simultaneously be available to support other financing activity or to meet other commitments.

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DISCUSSION:

Issue

Whether the Commission should approve Northwest Natural Gas Company's request to refresh and extend the maturity of a revolving credit agreement to a term of five years with two separate optional one-year extensions for a total refreshed term potential of seven years, keeping its maximum aggregate size at \$600 million inclusive of an accordion feature, with an unchanged initial facility commitment of \$400 million.

Applicable Law

ORS 757.405 provides the Commission with the authority to regulate the issuance of utility securities.

ORS 757.410 requires public utilities to obtain Commission approval prior to issuing notes or other evidence of indebtedness.

ORS 757.415 sets forth the purposes for which a public utility may issue notes and other evidence of indebtedness,³ and outlines the contents of a Commission order authorizing the issuance of securities by a public utility.

ORS 757.420 requires an application for a Commission order approving the issuance of securities to be given priority, and be disposed of within 30 days after the filing of the application, unless the public utility consents to the extension of that period.

ORS 757.430 provides that the Commission may include in its order conditions to approval that it deems are reasonable and necessary.

OAR 860-027-0030 specifies the requirements for rate-regulated utility to issue securities, and the exhibits that must be attached to the public utility's application.

Analysis

On September 19, 2025, Northwest Natural Gas Company ("NW Natural," "NWN," or "Company") filed an application (Application) under ORS 757.410(1) and OAR

³ Such purposes include the acquisition of property; construction, completion, extension or improvement of facilities; improvement or maintenance of service; and discharge or lawful refunding of obligations.

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860-027-0030 requesting authorization to refresh and extend the maturity of its revolving Credit Agreement, keeping the initial facility size at \$400 million.

The Company expects to close the extended and amended Credit Agreement in November 2025 or soon thereafter. The Company proposes to enter the Credit Agreement with JP Morgan Chase Bank, N.A. as the administrative agent, and Bank of America N.A., Wells Fargo Bank, National Association, and U.S. Bank National Association as co-syndication agents.

The Company notes that the Credit Facility is primarily used as a backstop when engaging in the commercial paper market. The Company has no outstanding balances of borrowings under the current Northwest Natural lines of credit as of December 31, 2024. This Credit Agreement will again be used to back commercial paper.

At close, the Company will have \$400 million in credit initially, with an accordion feature option allowing enlargement to \$600 million.

The requested Credit Agreement replaces Northwest Natural's current authority, largely refreshing and extending current credit provisions.

Subject to the recommended Conditions and Restrictions as provided herein, the proposed issuance satisfies the Commission's and the statutory criteria. Below is a comparison between the current authorized revolving credit facility and the proposed Credit Agreement.

<u>Docket No.</u>	<u>Initial \$ Amount</u>	<u>Maximum \$ Amount</u>
UF 4324	\$400 million (Current)	\$600 million
UF 4365	\$400 million (Proposed)	\$600 million
<u>UF 4349</u>	<u>\$100 million (Current)</u>	<u>\$100 million (for LCs)</u>
	\$500 million (with LCs)	\$700 million (with LCs)

Other Securities Covered by This Application

Northwest Natural may choose either fixed (Eurodollar) or floating borrowing rates.

Letters of Credit

Letters of Credit may be issued in an aggregate amount up to \$60 million outstanding at any one time.

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Extensions Authorized Beyond Initial Term

The Credit Facility will have an initial term of up to five (5) years with an option to extend the term by up to one year two separate times.⁴ Costs for extending the Credit Facility beyond the initial five-year term must comply with Condition 3.

Northwest Natural's Credit Ratings

Credit Ratings	S & P⁵	Moody's
Senior Secured	AA-	A2
Senior Unsecured	N/A	Baa1
Ratings Outlook	Stable	Stable

The Credit Agreement will not require a specific rating, but its costs are directly driven by the Company's credit ratings. Northwest Natural's debt ratings from Moody's and Standard and Poor's (S&P) affect both the credit facility fee and borrowing spreads, each of which is specified for the applicable credit rating. In place of the Company's N/A Senior Unsecured rating from S&P, then the Senior Secured rating can be used and reduced by one notch/level.

Note: Staff recommends reliance on just S&P and Moody's and does NOT recommend the Commission accept ratings by national credit rating agencies in lieu of ratings of S&P and/or Moody's.

SOFR Replaces LIBOR for the Refreshed Credit Facility

The Company shifts to a primary referent borrowing rate herein of SOFR in lieu of LIBOR which has been phased out.⁶

Use of Proceeds

Northwest Natural may issue notes to banks participating in the Credit Agreement for amounts equal to the individual bank's commitment level. The Company may also use the Credit Agreement for any utility purpose authorized by ORS 757.415, including:

- The acquisition of property, or the construction, completion, extension or improvement of its facilities;
- The improvement or maintenance of its service;
- The discharge or lawful refunding of its obligations;

⁴ The Company expects eight to nine banks to participate in the Credit Agreement.

⁵ S&P refers to Standard & Poor's Rating Service, a division of The McGraw-Hill Companies, Inc., while Moody's refers to Moody's Investors Service, Inc.

⁶ SOFR refers to the Secured Overnight Financing Rate, while LIBOR refers to the London Interbank Offered Rate. After a scandal, financial markets moved to replace the LIBOR benchmark.

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- The reimbursement of money actually expended, consistent with 757.415(1)(d); and
- For such other purposes, as permitted by law.

Expenses and Estimated Fees

Northwest Natural represents in its Application that fees and expenses incurred will be market-based costs typical for this type of facility. The Company estimates **five-year** facility costs will be approximately:

Commitment Fees (Facility Fees)	\$2,000,000
Administrative Agent Fee* (\$15,000 / year)	\$75,000
Upfront Fees at onset of 5-year term**	\$625,000
Syndication Arrangements Fee	\$487,500
Letter of Credit (LC) Fronting Fees***	Up to 20 bps per annum of issued LCs
Legal & Administrative (Out-of-pocket costs to Agent)	\$125,000
Counsel Fees	\$75,000
Miscellaneous Expenses (e.g. audit fees)	\$50,000

Total Fees and Expenses	\$3,437,500
[Average Annual Cost of Credit Line]	[\$687,500]

* Based on assumption of maintaining current credit rating and a \$400,000,000 aggregate commitment amount.

** A pro rata portion of the most recent annual administrative fee paid in connection with the Existing Facility will be credit against the first annual administration fee under the refreshed Facility.

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

**** LC fronting fees depend on amount of utilization of LCs

The Company is not required to subject the Credit Agreement or related LCs to competitive bidding. However, Northwest Natural must still demonstrate in reporting and in subsequent general rate cases and other Commission proceedings that fees and expenses incurred reflect competitive contemporaneous market conditions. In general, annual costs are comparable to the currently authorized credit facility.

Geographic and Institutional Syndication Diversity

Northwest Natural will arrange for a geographically diverse syndication of different banks without common ownership to avoid concentration risk – as was experienced by many utilities at the time of the Lehman Brothers bankruptcy on September 15, 2008.

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Shortly prior thereto, Lehman Brothers offered significant incentives to concentrate utility financial business with their firm, and the bank had appeared “too big to fail”.

Accordion Feature

Staff continues to view the accordion feature as an excellent cost-control measure. Rather than pay for a credit facility up to the full size, the accordion allows the Company to size their Credit Agreement based on the needs of the Company at the time, thus containing unnecessary costs when added liquidity is not needed.

Board of Directors’ (BOD) Authorization

The Company will make a subsequent filing within 30 days of closing with Northwest Natural’s BOD’s resolution approving the proposed Credit Agreement by its board of directors.

Conclusion

The Company represents that funds obtained under this amendment to and extension of the existing Credit Agreement will be used solely for ongoing lawful utility purposes.

Staff’s review of Northwest Natural’s Application finds the terms reasonable subject to the recommended conditions and restrictions provided herein. Approval of Northwest Natural’s application will do no harm to ratepayers, investors, or the Company, and the proposed issuance is consistent with the requirements of ORS 757.415(2).

Staff supports flexible extensions and an accordion feature to control initial and ongoing financing costs and to avoid the Company facing liquidity constraints. The Company may take the following actions without returning to the Commission for further authorization:

- Northwest Natural may exercise an accordion feature⁷ to enlarge the proposed credit facility up to \$600 million.
- Northwest Natural may extend the term of the refreshed Credit Facility by one year – up to two times – for up to a total term of seven years.

Conditions herein require that Northwest Natural continue to capture and maintain the same level of quarterly detail as in the past. However, the Company need only submit this data to Staff upon request. This approach minimizes the burden of frequent confidential financial reporting, without materially impairing compliance.

The Company has reviewed this memo and agrees with its content.

⁷ An accordion feature is an optional feature of a credit agreement the Company can exercise giving it the right, but not the obligation, to increase the size of its credit facility. This feature can benefit ratepayers by allowing the Company to more quickly take positive net present value financing actions than would be the case in the absence of such a feature.

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PROPOSED COMMISSION MOTION:

Authorize Northwest Natural's refreshment of its primary revolving credit agreement in an amount of up to \$600 million inclusive of an accordion feature with a term up to seven years inclusive of all extensions and accordion features, subject to Staff recommended six Conditions and five Restrictions.

Also see Attachment A.

CA1 - NWN UF 4365 Credit Facility

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Attachment A

Shading indicates the current applicable spread.

Annual Facility Fees: A bank's annual commitment (facility) fee may not exceed the following bps of average commitment amounts based on Standard and Poor's (S&P) and Moody's (M) applicable rating⁸ in effect in the relevant period:⁹

S&P	M	S&P	M	S&P	M	S&P	M	S&P	M	S&P	M
AA-	Aa3	A+	A1	A	A2	A-	A3	BBB+	Baa1	BBB	Baa2
◀ 7.0 bps		8.0 bps		10.0 bps		12.5 bps		17.5 bps		22.5 bps ▶	

◀ Also applies for higher credit ratings

▶ Also applies for lower credit ratings

Variable Rate Borrowing: The Alternate Base Rate (ABR) associated with floating-rate borrowing of less than one month under the Credit Agreement will not exceed the highest of the following:

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⁸ When S&P and Moody's credit ratings differ by 1 notch, the factor for the higher rating will apply. If the difference is greater than one notch, the factor for one notch less than the higher rating will apply.

⁹ Caution: While interest and fees hereunder are generally computed based on a year of 360 days, annual commitment (facility) charges and ABR rates are computed based on a year of 365 days (or 366 days for a leap year). Thus, the applicable annual commitment (facility) fee is determined as follows: Fee = Annual Average Commitment Amount X Current Credit Spread X 365 / 360 (for non-leap year).

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Attachment A (Continued)

Shading indicates the current applicable spread.

S&P	M	S&P	M	S&P	M	S&P	M	S&P	M
A+	A1	A	A2	A-	A3	BBB+	Baa1	BBB	Baa2
◀ 0.0 bps		0.0 bps		0.0 bps		7.5 bps		27.5 bps ▶	

◀ Also applies for higher credit ratings

▶ Also applies for lower credit ratings

Fixed Rate (Eurodollar) Borrowing: The rate associated with fixed rate borrowing under the Credit Agreement will not exceed the applicable SOFR Rate plus the following Eurodollar Margin, for borrowings with a term of at least one month, based on S&P or Moody's applicable rating, as in effect on the day of borrowing.

S&P	M	S&P	M	S&P	M	S&P	M	S&P	M	S&P	M
AA-	Aa3	A+	A1	A	A2	A-	A3	BBB+	Baa1	BBB	Baa2
◀ 68.0 bps		79.5 bps		90.0 bps		100.0 bps		107.5 bps		127.5 bps ▶	
Spreads are Shown as All-In Drawn (Including commitment (facility) and Utilization Fees)											
Below											
◀ 75.0 bps		87.5 bps		100.0 bps		112.5 bps		125.0 bps		150.0 bps ▶	

◀ Also applies for higher credit ratings

▶ Also applies for lower credit ratings

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Attachment A (Concluded)

Shading indicates the current applicable spread.

Letter of Credit Participation Fee: The rate associated with letters of credit (LC) issued under the Credit Agreement will not exceed the following based on S&P or Moody's applicable rating, as in effect. This also applies to term benchmark loans.

S&P	M	S&P	M	S&P	M	S&P	M	S&P	M	S&P	M
AA-	Aa3	A+	A1	A	A2	A-	A3	BBB+	Baa1	BBB	Baa2
◀ 68.0 bps		79.5 bps		90.0 bps		100.0 bps		107.5 bps		127.5 bps ▶	

◀ Also applies for higher credit ratings

▶ Also applies for lower credit ratings