ONITA R. KING
Tariffs and Regulatory Compliance
Tel: 503.721.2452
Fax: 503.721.2516
email: ork@nwnatural.com

NW Natural
220 NW 2ND AVENUE
PORTLAND, OR 97209
TEL 503.226.4211
www.nwnatural.com

August 6, 2012

NWN Advice No. OPUC 11-19
Sixth Errata Filing

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, NE, Suite 215
Post Office Box 2148
Salem, Oregon 97308-2148

Attention: Filing Center

Re: **UG 221 – SIXTH ERRATA FILING**

Errata to Exhibit NWN/2600 Miller

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith its Errata to the above-referenced NWN Exhibit as follows:

<u>Exhibit NWN/2600 Miller.</u>

Miller/6 The reference to accounting guidance in footnote 8 was corrected from "480-340" to "980-340".

Miller/12 Line 1 was corrected to note in all cases "except two" instead of "except one". Footnote 14 on the same page was updated with the information on the second case.

Please call me if you have questions.

Sincerely,

NW NATURAL

/s/ Onita King

Onita R. King
Tariffs and Regulatory Compliance

enclosures

NW Natural

CERTIFICATE OF SERVICE

I hereby certify that I served the foregoing SIXTH ERRATA FILING OF NW NATURAL in docket UG 221, upon each party listed in the Service List by electronic mail and, where paper service is not waived, by U.S. mail, postage prepaid.

G. CATRIONA MCCRACKEN ***W*** *CITIZENS' UTILITY BOARD OF OREGON* *catriona@oregoncub.org*	*ROBERT JENKS* ***W*** *CITIZENS' UTILITY BOARD OF OREGON* *bob@oregoncub.org*
OPUC DOCKETS ***W*** *CITIZENS' UTILITY BOARD OF OREGON* *dockets@oregoncub.org*	*CHAD M. STOKES* ***W*** *CABLE HUSTON BENEDICT* *HAAGENSEN & LLOYD LLP* *cstokes@chbh.com*
TOMMY BROOKS ***W*** *CABLE HUSTON BENEDICT* *HAAGENSEN & LLOYD LLP* *tbrooks@cablehuston.com*	*PAULA E PYRON* ***W*** *NORTHWEST INDUSTRIAL GAS USERS* *ppyron@nwigu.org*
JASON W. JONES ***W*** *PUC STAFF-DEPARTMENT OF* *JUSTICE* *jason.w.jones@state.or.us*	*JESS KINCAID* ***W*** *COMMUNITY ACTION PARTNERSHIP* *OF OREGON* *jess@caporegon.org*
WENDY GERLITZ ***W*** *NW ENERGY COALITION* *wendy@nwenergy.org*	*JUDY JOHNSON* ***W*** *PUBLIC UTILITY COMMISSION* *judy.johnson@state.or.us*
JANE HARRISON ***W*** *NORTHWEST PIPELINE GP* *jane.f.harrison@williams.com*	*STEWART MERRICK* ***W*** *NORTHWEST PIPELINE GP* *stewart.merrick@williams.com*
RANDY DAHLGREN ***W*** *PORTLAND GENERAL ELECTRIC* *pge.opuc.filings@pgn.com*	*DOUGLAS C TINGEY* ***W*** *PORTLAND GENERAL ELECTRIC* *doug.tingey@pgn.com*
LISA F RACKNER ***W*** *MCDOWELL RACKNER & GIBSON PC* *dockets@mcd-law.com*	

DATED at Portland, Oregon, this 6th day of August, 2012

/s/ Kelley C. Miller

Kelley C. Miller
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
1.503.226.4211, extension 3589
kelley.miller@nwnatural.com

<u>"Sharing" proposals</u>

Q. Please explain how the parties' specific proposals to require the Company to bear ten, or fifty percent of all of its costs for environmental remediation would inappropriately impose negative financial consequences on NW Natural.

A. The parties characterize their proposals as "sharing" because costs would be borne by both customers and shareholders. The effect of this sharing, however, would be very significant and would produce consequences that are highly unusual under normal utility regulation.

Under generally accepted accounting principles, a utility is required to write off costs that are not likely to be recovered.[1] This occurs at the time the utility determines that the costs are not likely to be recovered. If the Commission adopts Staff's proposal, NW Natural would be required to write off approximately $11 million in 2012[2]. This represents about eleven percent of the utility income the Company would otherwise expect to earn this year. Adoption of Staff's proposal would also require the Company to write off ten percent of all future incremental expenses. If NWIGU-CUB's proposal were adopted, the Company would be required to write off around $56 million[3] in 2012, and fifty percent of all future incremental expenses. This would reduce NW Natural's net income by over half in that year, and could significantly damage the Company over the long-term.

---

[1] Accounting Standard Code No. 980-340, *Regulated Operations – Other Assets and Deferred Costs*
[2] $11 million represents ten percent of the $112 million regulatory asset balance (net of insurance recoveries) as of March 31, 2012.
[3] This is fifty percent of the $112 million regulatory asset balance.

Rates & Regulatory Affairs
NW NATURAL
220 N.W. Second Avenue
Portland, Oregon 97209-3991
1-503-226-4211

Natural has researched and found that in *every* case, except two, commissions around the country have found that prudent manufactured gas plant-related environmental remediation costs are recoverable from current ratepayers, even though the costs relate to cleanup for historic operations. In the one case where costs were not allowed, the utility could not establish that the historic operations were related to the provision of utility service.[1] In NW Natural's case, a nexus with utility operations is indisputable.

Q. If the Commission declines to adopt sharing, as proposed by Staff and NWIGU-CUB, how will the utility be incentivized to manage its costs and seek to maximize insurance recoveries?

A. The utility does not need a sharing mechanism in order to have an incentive to manage costs and maximize recoveries. The utility already has an incentive to do that because its actions are always subject to review for prudence by the Commission, with the engagement of the parties as well. The Company understands that it is expected to manage its costs well, and has provided extensive evidence on how it has done that. *See* NWN/1300 Wyatt. Additionally, the Company understands that it is expected to maximize insurance recoveries, and has provided extensive evidence on how it is doing that. *See* NWN/1400 Hart.

It is noteworthy that despite providing the parties a very high level of transparency into NW Natural's remediation actions, no party has raised any arguments that NW Natural has failed to manage its costs or that it has been ineffective in maximizing insurance recoveries. Under these circumstances, the Commission should

[1] The Indiana Regulatory Commission (IURC), 1995 WL 447073 and Westlaw 675 N.E.2d 739, Util. L. Rep. P26, 591; the Public Service Commission of Maryland, *Delmarva Power and Light*, 2009 Case No. 9192, Order No. 83085

Rates & Regulatory Affairs
NW NATURAL
220 N.W. Second Avenue
Portland, Oregon 97209-3991
1-503-226-4211