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December 31, 2014

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

ATTN: Filing Center

Re: **STIPULATION - UM 1706 – Request for Determination of the Prudence of Environmental Remediation Costs for the Calendar Year 2013 and the First Quarter 2014**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files in the above-referenced docket the following items:

- **Stipulation**
- **Certificate of Service**

Please contact me if you have any questions.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Rates and Regulatory Affairs
mark.thompson@nwnatural.com
503-721-2476

cc: UM 1706 Service List

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1706

In the Matter of

NORTHWEST NATURAL GAS COMPANY,
dba NW Natural

Request for Determination of the Prudence of
Environmental Remediation Costs for the
Calendar Year 2013 and the First Quarter
2014

STIPULATION

This Stipulation is entered into for the purpose of resolving all issues among the parties in docket UM 1706, Northwest Natural Gas Company's ("NW Natural" or the "Company") annual report to the Public Utility Commission of Oregon (the "Commission") detailing all activity associated with Environmental Site Remediation Costs from January 1, 2013 through March 31, 2014 to be recovered in NW Natural's Site Remediation Recovery Mechanism ("SRRM").

PARTIES

1. The parties to this Stipulation are NW Natural, Commission Staff ("Staff"), the Citizens' Utility Board of Oregon ("CUB"), and the Northwest Industrial Gas Users ("NWIGU") (collectively, "Parties").

BACKGROUND

2. In NW Natural's last rate case – UG 221¹ –the Commission authorized Schedule 183, attached as Stipulation Exhibit 1, which establishes a mechanism for the recovery of the Company's costs to remediate environmental impacts associated with its historic manufactured gas plants ("MGP"). Specifically, the Commission approved a Site Remediation Recovery

¹ See *In re Northwest Natural Gas Co. Application for a General Rate Revision*, Docket UG 221, Order No. 12-408 (Oct. 26, 2012); *In re Northwest Natural Gas Co. Application for a General Rate Revision*, Docket UG 221, Order No. 12-437 (Nov. 16, 2012). Order Nos. 12-408 and 12-437 can be found online at <http://apps.puc.state.or.us/orders/2012ords/12-408.pdf> and <http://apps.puc.state.or.us/orders/2012ords/12-437.pdf>, respectively.

Mechanism (“SRRM”) through which past deferred and future costs would be tracked and included in rates over a five-year amortization period. Stipulation Exhibit 1.

3. Schedule 183 requires the Company to submit an annual report (the “Report”) to the Commission detailing, “all activity associated with Environmental Site Remediation Costs, including insurance or other third-party proceeds related to remediation activities recorded in the deferral account through March 31 of the report year”. The Report is to be filed on or before, “May 15, 2014, and each year thereafter”. Stipulation Exhibit 1. The Report is subject to a review by the Parties and the Commission to ensure that the costs and Insurance Proceeds were prudently incurred.

4. On May 15, 2014, NW Natural filed its first Report with the Commission for the period January 1, 2013 through March 31, 2014.

5. Discovery followed and was reviewed by the Parties.

6. On December 1, 2014, the Parties held a settlement conference. As a result of the settlement conference, the Parties have reached settlement regarding the prudence of the Company’s Environmental Site Remediation Costs and Insurance Proceeds in the Report.

AGREEMENT

Prudence

7. The Parties agree that the \$24,742,728 in Environmental Site Remediation Costs spent between January 1, 2013 and March 31, 2014, and the \$113,513,337 in Insurance Proceeds received between January 1, 2013 and March 31, 2014 were prudently incurred costs and settlement receipts, respectively.

8. The Parties further agree that these amounts will be reflected in rates consistent with the Commission’s resolution of Docket UM 1635.

General Provisions

9. This Stipulation will be offered into the record as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and any

appeal, provide witnesses to sponsor this Stipulation at hearing, if needed, and recommend that the Commission issue an order adopting the Stipulation.

10. If this Stipulation is challenged by any other party to this proceeding, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Parties reserve the right to cross-examine witnesses and put in such evidence as they deem appropriate to respond fully to such issues presented including the right to raise issues that are incorporated in the settlements embodied in this Stipulation.

11. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party shall have the right to withdraw from the Stipulation, along with any other rights provided in OAR 860-001-0350(9), including the right to present evidence and argument on the record in support of the Stipulation, and shall be entitled to seek reconsideration pursuant to OAR 860-001-0720.


12. By entering into this Stipulation, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed by any other Party in arriving at the terms of this Stipulation, other than as specifically identified in the body of this Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding, except as specifically identified in this Stipulation.

13. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Stipulation is entered into by each Party on the date entered below such Party's signature.

SIGNATURE PAGE TO FOLLOW

NW NATURAL

By: 
Printed Name: Mark R. Thompson
Date: 12/18/14

STAFF

By: _____
Printed Name: _____
Date: _____

CUB

By: _____
Printed Name: _____
Date: _____

NWIGU

By: _____
Printed Name: _____
Date: _____

NW NATURAL

By: _____

Printed Name: _____

Date: _____

CUB

By: _____

Printed Name: _____

Date: _____

STAFF

By:  _____

Printed Name: Jessie Jones

Date: 12/18/14

NWIGU

By: _____

Printed Name: _____

Date: _____

NW NATURAL

STAFF

By: _____

By: _____

Printed Name: _____

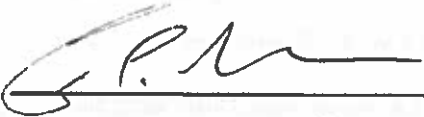
Printed Name: _____

Date: _____

Date: _____

CUB

NWIGU

By:  _____

By: _____

Printed Name: G. Catherine McCradie

Printed Name: _____

Date: 12-18-14

Date: _____

NW NATURAL

By: _____

Printed Name: _____

Date: _____

CUB

By: _____

Printed Name: _____

Date: _____

STAFF

By: _____

Printed Name: _____

Date: _____

NWIGU

By:  _____

Printed Name: Chad Stokes

Date: 12/19/14



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing STIPULATION upon all parties of record in the UM 1706 proceeding by electronic mail.

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JUDY JOHNSON **W**
PUBLIC UTILITY COMMISSION
OF OREGON
judy.johnson@state.or.us

DATED at Portland, Oregon, this 31st day of December 2014

/s/ Mark R. Thompson
Mark R. Thompson
Rates & Regulatory Affairs
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