

**MARK R. THOMPSON**  
Manager, Rates and Regulatory Affairs  
Tel: 503.721-2476  
Fax: 503.721.2516  
email: mark.thompson@nwnatural.com



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: **BRIEF IN SUPPORT OF 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:

- **Brief in Support of 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

1 **BEFORE THE PUBLIC UTILITY COMMISSION**  
2 **OF OREGON**

3 **UM 1706**

4 In the Matter of

5 NORTHWEST NATURAL GAS  
6 COMPANY, dba NW Natural

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

**JOINT BRIEF IN SUPPORT OF  
STIPULATION**

11 **I. INTRODUCTION.**

12 On December 19, 2014, NW Natural Gas Company (“NW Natural” or the  
13 “Company”), Staff of the Public Utility Commission of Oregon (“Staff”), Citizens’ Utility  
14 Board of Oregon (“CUB”), and Northwest Industrial Gas Users (“NWIGU”) (collectively,  
15 the “Parties”) entered into an agreement (hereinafter, “Stipulation”) resolving all issues  
16 raised by NW Natural’s Request for Determination of the Prudence of Environmental  
17 Remediation Costs for the Calendar Year 2013 and the First Quarter 2014, filed with the  
18 Public Utility Commission of Oregon (“Commission”) in this proceeding. This brief is  
19 submitted on behalf of the Parties, pursuant to OAR 860-001-0350(7), to provide an  
20 explanation of support for the Stipulation.

21 **II. BACKGROUND.**

22 In Order Nos. 12-408 and 12-437, the Commission authorized Schedule 183,  
23 which establishes the Site Remediation Recovery Mechanism (“SRRM”) - a mechanism  
24 for the recovery of NW Natural’s costs to remediate environmental impacts associated  
25 with its historic manufactured gas plants (“MGP”).<sup>1</sup> The SRRM will recover past deferred  
26 amounts and future costs will be tracked and included in rates over a five-year

<sup>1</sup> See *In re Northwest Natural Gas Co. Application for a General Rate Revision*, Docket UG 221, Order No. 12-408 at 5-6 (Oct. 26, 2012); *In re Northwest Natural Gas Co. Application for a General Rate Revision*, Docket UG 221, Order No. 12-437 at 31-32 (Nov. 16, 2012).

1 amortization period.<sup>2</sup> Schedule 183 requires the Company to submit an annual report  
2 (the “Report”) to the Commission detailing, “all activity associated with Environmental  
3 Site Remediation Costs, including insurance or other third-party proceeds related to  
4 remediation activities recorded in the deferral account through March 31 of the report  
5 year”.<sup>3</sup> The Report is to be filed on or before “May 15, 2014, and each year thereafter”.<sup>4</sup>  
6 The Report is subject to a review by the Parties and the Commission to ensure that the  
7 costs and insurance proceeds were prudently incurred.<sup>5</sup>

8 On May 15, 2014, NW Natural filed its annual report (the “Report”) to the  
9 Commission detailing all activity associated with Environmental Site Remediation Costs  
10 from January 1, 2013 through March 31, 2014 to be recovered in the SRRM.

11 Discovery in this proceeding commenced soon after NW Natural filed the Report.

12 Pursuant to Administrative Law Judge Pines’ Prehearing Conference  
13 Memorandum of October 2, 2014, the Parties to this docket convened a settlement  
14 conference on December 1, 2014. Representatives of NW Natural, Staff, CUB, and  
15 NWIGU participated in the settlement conference. As a result of the settlement  
16 conference, the Parties have reached settlement regarding the prudence of the  
17 Company’s Environmental Site Remediation Costs and insurance proceeds as  
18 contained in the May 15, 2014 annual report.

19 **III. THE STIPULATION.**

20 Based on the discovery, and discussions at the December 1, 2014 settlement  
21 conference, the Parties agreed that the Company’s Environmental Site Remediation  
22 Costs spent between January 1, 2013 and March 31, 2014, and insurance proceeds  
23 received in the same time period were prudently incurred costs and settlement

24 \_\_\_\_\_  
25 <sup>2</sup> *Id.*

26 <sup>3</sup> Schedule 183 is attached to the Stipulation as Stipulation Exhibit 1.

<sup>4</sup> Stipulation Exhibit 1.

<sup>5</sup> Stipulation Exhibit 1.

1 receipts.<sup>6</sup> Specifically, the Company prudently incurred \$24,742,728 of Environmental  
2 Site Remediation Costs during this time period.<sup>7</sup> Additionally, the Company prudently  
3 incurred \$113,513,337 of insurance proceeds from settlement receipts related to  
4 litigation against NW Natural's insurance carriers for past and future costs of its  
5 environmental remediation.<sup>8</sup> The Parties further agreed that these amounts will be  
6 reflected in rates consistent with the Commissions resolution of Docket UM 1635, which  
7 is currently pending.<sup>9</sup>

#### 8 **IV. DISCUSSION.**

9 The Parties believe that the terms of the Stipulation are consistent with  
10 Commission policy and will produce fair and reasonable rates, and should, therefore, be  
11 approved by the Commission. When the Commission considers a Stipulation, the  
12 Commission has “the statutory duty to make an independent judgment as to whether  
13 any given settlement constitutes a reasonable resolution of the issues.”<sup>10</sup> The  
14 Commission will approve a stipulation if it is an appropriate resolution of the issues in a  
15 case,<sup>11</sup> the stipulation is in the public interest,<sup>12</sup> and the outcome is fair, just, and  
16 reasonable.<sup>13</sup>

---

17 <sup>6</sup> *Id.*

18 <sup>7</sup> Stipulation at 2; *In re NW Natural's Request for Determination of the Prudence of*  
19 *Environmental Remediation Costs for the Calendar Year 2013 and the First Quarter*  
20 *2014*, Docket UM 1706, Schedule 183 Annual Report (“Report”) at 1 (May 15, 2014).

21 <sup>8</sup> Stipulation at 2; Report at 4.

22 <sup>9</sup> Stipulation at 2.

23 <sup>10</sup> *In re PacifiCorp Request for a General Rate Revision*, Docket UE 210, Order No. 10-  
24 022 at 6 (Jan. 26, 2010).

25 <sup>11</sup> See *Re PacifiCorp's 2010 Transition Adjustment Mechanism*, Docket UE 207, Order  
26 No. 09-432 at 6 (Oct. 30, 2009) (“The Commission concludes that the Stipulation is an  
appropriate resolution of all primary issues in this docket.”); See *Re PacifiCorp Request*  
for a General Rate Revision, Docket UE 210, Order No. 10-022 at 6 (Jan. 26, 2010)  
 (“When considering a stipulation, we have the statutory duty to make an independent  
judgment as to whether any given settlement constitutes a reasonable resolution of the  
issues.”).

<sup>12</sup> See *Re Application for an Order Approving Deferral of Changes in Power Costs*, UM  
1039, Order No. 04-293 at 3 (May 24, 2004) (“The Parties also agree that the Prudence

1           The Stipulation should be approved because it constitutes an appropriate  
2 resolution of the issues presented in the Report. Pursuant to Schedule 183, NW  
3 Natural submitted the Report to the Commission and the Parties for a prudency review  
4 of its Environmental Site Remediation Costs spent between January 1, 2013 and March  
5 31, 2014, and its insurance proceeds received between January 1, 2013 and March 31,  
6 2014. To determine whether a cost was prudently incurred and recoverable in rates,  
7 “the Commission examines the objective reasonableness of a company's actions  
8 measured at the time the company acted.”<sup>14</sup> The Parties have reviewed the costs and  
9 proceeds in the Report and agree that they were objectively reasonable at the time NW  
10 Natural incurred them. Further, the Parties agree that the Stipulation is in the public  
11 interest. Finally, the Parties agree that the outcome will result in fair, just, and  
12 reasonable rates.

## 13 **V. CONCLUSION**

14           For the foregoing reasons, the Parties respectfully request that the Commission  
15 approve the Stipulation.  
16  
17  
18  
19  
20  
21

---

22 Review Stipulation is in the public interest and that the overall outcome is fair, just and  
reasonable.”).

23 <sup>13</sup> See *Id.*; See *Re PacifiCorp Request for a General Rate Revision*, Docket UE 217,  
24 Order No. 10-473 at 7 (Dec. 14, 2010) (“We have reviewed the Stipulation, and find that  
25 it will result in rates that are fair, just and reasonable.”); See *Re Application for Deferral  
26 of Incremental Administrative Costs Associated with the Trojan Refund*, UM 1402, Order  
No. 11-520 at 10 (Dec. 21, 2011) (costs “were prudently incurred and that amortizing  
the deferred administrative costs will result in fair, just, and reasonable rates.”).

<sup>14</sup> *In Re PacifiCorp, dba Pacific Power, Application for an Accounting Order Regarding  
Excess Net Power Costs*, Docket No. UM 995, Order No. 02-469 at 4 (Jul 18, 2002).

1 DATED this 31<sup>st</sup> day of December, 2014.

2  
3 Respectfully submitted,

4 /s/ Mark R. Thompson  
5 NW NATURAL GAS COMPANY  
6 Mark R. Thompson  
7 Rates & Regulatory Affairs  
8 220 NW Second Avenue  
9 Portland, Oregon 97209-3991

10 PUBLIC UTILITY COMMISSION STAFF  
11 Jason Jones  
12 Attorney for Staff  
13 Oregon Department of Justice  
14 1162 Court Street NE  
15 Salem, OR 97301-4096

16 CITIZENS' UTILITY BOARD OF OREGON  
17 Catriona McCracken  
18 General Counsel  
19 Citizens' Utility Board of Oregon  
20 610 SW Broadway, Ste. 400  
21 Portland, OR 97205

22 NORTHWEST INDUSTRIAL GAS USERS  
23 Chad Stokes  
24 Cable Huston, LLP  
25 1001 SW Fifth Ave., Ste. 2000  
26 Portland, OR 97204-1136



**CERTIFICATE OF SERVICE**

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

*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@cablehuston.com*

*TOMMY BROOKS* **W**  
*CABLE HUSTON BENEDICT*  
*HAAGENSEN & LLOYD LLP*  
*tbrooks@cablehuston.com*

*ED FINKLEA* **W**  
*NORTHWEST INDUSTRIAL GAS USERS*  
*efinklea@nwigu.org*

*JASON W. JONES* **W**  
*PUC STAFF-DEPARTMENT OF*  
*JUSTICE*  
*jason.w.jones@state.or.us*

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

DATED at Portland, Oregon, this 31<sup>st</sup> day of December 2014

/s/ Mark R. Thompson  
Mark R. Thompson  
Rates & Regulatory Affairs  
NW NATURAL  
220 NW Second Avenue  
Portland, Oregon 97209-3991  
503-721-2476  
Mark.thompson@nwnatural.com