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8113 W. GRANDRIDGE BLVD., KENNEWICK, WASHINGTON 99336-7166
TELEPHONE 509-734-4500 FACSIMILE 509-737-7166
www.cngc.com

November 30, 2012

Oregon Public Utility Commission
Attn: Kathy Williams
550 Capitol Street NE
Salem, OR 97310-1380

Re: Application for Deferred Accounting Order

Dear Ms. Williams

In accordance with ORS 757.259 and OAR 860-027-0300, Cascade Natural Gas Corporation applies herewith for an accounting order authorizing the Company to record and defer Cascade's expenses for environmental remediation work at the Manufactured Gas Plant (MGP) in Eugene, Oregon.

The Company respectfully requests that the deferral commence as of the date of this filing for later amortization in rates.

Please contact me directly at (509) 734-4593 with any questions concerning this filing.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Parvinen", with a long horizontal flourish extending to the right.

Michael Parvinen
Manager, Regulatory Affairs

Enclosures

We make warm neighbors

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

3 **DOCKET NO. _____**

4
5 In the Matter of the Application by
6 **CASCADE NATURAL GAS CORPORATION**
7 for Authorization to Defer Certain Expenses or
8 Revenues Pursuant to ORS 757.259 and OAR
9 860-027-0300

10 **APPLICATION FOR DEFERRED**
11 **ACCOUNTING ORDER**

12 In accordance with ORS 757.259 and OAR 860-027-0300, Cascade Natural Gas
13 Corporation (“Cascade” or the “Company”) applies to the Public Utility Commission of Oregon
14 (“Commission”) for an accounting order authorizing the Company to record and defer the
15 estimated expenses for environmental remediation work at the Manufactured Gas Plant (MGP) in
16 Eugene, Oregon. The Company respectfully requests that the deferral commence as of the date
17 of this filing for a 12-month period. Cascade will seek amortization of the deferred amount in a
18 future Commission proceeding.

19 In support of this Application, Cascade states:

20 **1. CASCADE NATURAL GAS CORPORATION**

21 Cascade Natural Gas Corporation is a public utility engaged in the distribution of
22 natural gas in the states of Oregon and Washington and is subject to the jurisdiction of the
23 Commission with regard to its rates, service, and accounting practices.

24 **2. STATUTORY AUTHORITY**

25 This Application is filed pursuant to ORS 757.259, authorization to defer
26 environmental costs and amounts from insurance recoveries because they are

1 “identifiable utility expenses or revenues, the recovery or refund of which the
2 commission finds should be deferred in order to minimize the frequency of rate
3 changes... or to match appropriately the costs borne by and benefits received by
4 ratepayers.” *ORS 757.259(2)(e)*

5
6 **3. COMMUNICATIONS**

7 Communications regarding this Application should be addressed to:

8 Michael Parvinen
9 Manager, Regulatory Affairs
10 Cascade Natural Gas Corporation
11 8113 West Grandridge Boulevard
12 Kennewick, WA 99336-7166
13 Telephone: (509) 734-4593
14 E-mail: michael.parvinen@cngc.com

15
16 **4. BASIS FOR APPLICATION**

17 Due to the variable and unpredictable nature of environmental remediation costs,
18 Cascade seeks authorization to record all environmental costs, which shall include, but
19 are not necessarily limited to, all costs related to investigation, monitoring, legal, study,
20 oversight, and remediation costs, and all costs associated with pursuing insurance
21 recoveries (hereafter “Environmental Costs”) that are associated with MGP projects.

22 Cascade will pay its share (to be determined at a later date) of the remediation
23 costs in the future and the other parties will pay the remainder of the costs.

24
25 **5. CASCADE PROPOSAL**

26 Cascade may present to the Commission a proposed ratemaking treatment for
deferred costs associated with the MGP site, should costs and remediation at the
particular site become known and certain. At the time of consideration for incorporation

1 into rates, Cascade will propose an appropriate amortization period for the Environmental
2 Costs for the Commission consideration. Cascade does not request a determination of
3 ratemaking treatment of the Environmental Costs at this time. Environmental Costs will
4 be charged to deferred regulatory asset accounts and any insurance recoveries will be
5 used as offsets to these Environmental Costs. These anticipated expenses and recoveries
6 from insurance are the cause of this filing. At this time, information is insufficient to
7 more accurately estimate the total potential liability for investigation and remediation
8 costs or to accurately estimate the corresponding total insurance recovery amount.

9 Authorization of Cascade's request would be consistent with Commission
10 approval granted in similar circumstances, most recently the Commission's approval in
11 docket UM 1078, where NW Natural received authorization to defer its portion of the
12 remediation costs incurred at several sites including Oregon Steel Mills in Oregon.

13 14 **6. AMOUNTS SUBJECT TO DEFERRAL**

15 Sufficient information is currently not available to determine the total cost of
16 remediation of the MGP site or the liability involved. Management cannot predict the
17 ultimate outcome of this matter.

18 For the 12-month period, Cascade proposes to transfer expenses incurred from
19 operation and maintenance/administrative and general accounts to a deferred asset
20 account. The proposed deferred asset account to be used is FERC Account 186.

21 22 **7. ACCOUNTING**

23 Cascade's proposed deferrals would be recorded in a sub-account of FERC
24 Account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval,
25 Cascade would record the Environmental Costs of labor to FERC Account 920,
26

1 Administrative and General Salaries, and the costs of outside services (e.g. consulting) to
2 FERC Account 923, Outside Services Employed.

3
4 WHEREFORE, Cascade respectfully requests that in accordance with ORS 757.259 and
5 OAR 860-027-0300, the Commission issue an order authorizing the Company to record and
6 defer, commencing as of the date of this filing, expenses for environmental remediation work at
7 the Manufactured Gas Plant (MGP) in Eugene, as described in this Application.

8 DATED: November 30, 2012.
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11

12 Respectfully submitted,

13 CASCADE NATURAL GAS CORPORATION

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15

16 Michael Parvinen
17 Manager, Regulatory Affairs
18 Cascade Natural Gas Corporation
19 8113 West Grandridge Boulevard
20 Kennewick, WA 99336-7166
21 Telephone: (509) 734-4593
22 E-mail: michael.parvinen@cngc.com
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