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January 17, 2018

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attn: Filing Center
201 High St SE, Suite 100
Post Office Box 1088
Salem, Oregon 97308-1088

RE: UM 1078 - Application for Reauthorization to Defer Certain Expenses or Revenues

In accordance with ORS 757.259, and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), files herewith an application for reauthorization to defer unrecovered environmental costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland Harbor, Central Gas Hold, and Oregon Steel Mills.

A notice concerning this application will be sent to all parties participating in the Company's most recent general rate case, UG 344. A copy of the notice is part of the enclosed application.

Please address correspondence on this matter to me with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, ext. 3589
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Affairs Analyst

Attachments

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1078

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba, NW NATURAL

For Reauthorization to Defer Certain
Expenses or Revenues Pursuant to
ORS 757.259

Application

1 Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”),
2 hereby files with the Public Utility Commission of Oregon (“Commission”) this
3 application for reauthorization (“Application”) to use deferred accounting pursuant to
4 ORS 757.210, ORS 757.259, and OAR 860-027-0300, for the 12-month period
5 beginning January 26, 2018 through January 25, 2019 for unrecovered environmental
6 costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front
7 Street), Portland Harbor, Central Gas Hold, and Oregon Steel Mills.

8 In support of this Application, NW Natural submits the following:

9 **A. NW Natural.**

10 NW Natural is a public utility in the State of Oregon and is subject to the
11 jurisdiction of the Commission regarding rates, service, and accounting practices. NW
12 Natural provides retail natural gas service in the States of Oregon and Washington.

13 **B. Statutory Authority.**

14 This application is filed pursuant to ORS 757.259, which empowers the

1 Commission to authorize the deferral of expenses or revenues of a public utility for later
2 inclusion in rates.

3 **C. Communications.**

4 Communications regarding this Application should be addressed to:

5 NW Natural
6 e-Filing for Regulatory Affairs
7 220 NW Second Avenue
8 Portland, Oregon 97209-3991
9 Telephone: (503) 226-4211, ext. 3589
10 Facsimile: (503) 721-2516
11 Email: eFiling@nwnatural.com;

12
13 Zachary D. Kravitz (OSB# 152870)
14 Associate Counsel
15 220 NW Second Avenue
16 Portland, Oregon 97209-3991
17 Phone: (503) 220-2379
18 Email: Zachary.Kravitz@nwnatural.com;

19
20 and

21
22 Kyle Walker, CPA
23 Rates & Regulatory Affairs
24 220 NW Second Avenue
25 Portland, Oregon 97209-3991
26 Phone: (503) 226-4211 Ext. 5858
27 Email: Kyle.Walker@nwnatural.com

28 **D. Description of the Expenses or Revenues for which Deferred Accounting is**
29 **Requested – OAR 860-027-0300(3)(a).**

30
31 NW Natural seeks authorization to record all environmental costs, which shall
32 include, but are not necessarily limited to, all costs related to investigation, study,
33 monitoring, oversight, legal and remediation costs, and all costs associated with
34 pursuing insurance recoveries (hereafter “Environmental Costs”) that are associated

1 with six projects at the following sites: Gasco, Wacker (aka Siltronic), Portland Harbor,
2 Oregon Steel Mills, Central Gas Hold, and Portland Gas (aka Front Street).¹

3 NW Natural has also received approval from the Washington Utilities and
4 Transportation Commission (WUTC) to defer the Environmental Costs.² The Oregon
5 Public Utility Commission, in Docket No. UM 1635, determined that 96.68% of the
6 deferred costs amortized through the SRRM will be allocated to Oregon customers.

7 **E. Reasons for Application for Reauthorization of Deferred Accounting –**
8 **OAR 860-027-0300(3)(b).**
9

10 This application is made pursuant to ORS 757.259(2)(e), which authorizes the
11 deferral of “utility expenses or revenues, the recovery or refund of which the
12 commission finds should be deferred in order to minimize the frequency of rate changes
13 ... or to match appropriately the costs borne by and benefits received by ratepayers.”

14 The Commission authorized deferred accounting for these costs and proceeds in
15 2003 and has reauthorized the Company’s use of deferred accounting in each
16 subsequent year.³ Additionally, in its Order No. 12-408 issued in UG 221, the
17 Commission authorized a cost recovery mechanism through which NW Natural will
18 recover its environmental remediation costs. In that Order, the Commission determined

¹ In past deferral applications, NW Natural also requested authorization to defer costs associated with EWEB, Tar Body (a subset of Portland Harbor), and French American International School. These three sites are closed and no longer require further remediation action. The costs incurred at these sites and others through December 31, 2013 were deemed prudent (Order No. 15-049) and have been moved to the Site Remediation Recovery Mechanism (SRRM) Post Prudent account.

² See Order No. 1 in WUTC Docket No. UG-110199

³ See Order Nos. 03-328; 04-244; 05-138, 06-211, 07-147, 08-247, 09-172, 10-117, 11-336, 12-090, 14-051, 15-059, 16-066.

1 that NW Natural should continue to defer these costs and determined that they would
2 be collected through the Company’s Site Remediation and Recovery Mechanism (the
3 “SRRM”), subject to an earnings test and prudence review.⁴

4 **F. Accounting – OAR 860-027-0300(3)(c).**

5 NW Natural proposes to accrue estimates of the Environmental Costs to a
6 separate liability account for each site. The proposed balance sheet accounts to be
7 used are:

8	262140	Injuries & Damage Reserve -----Gasco ⁵
9	262144	Injuries & Damage Reserve-----Portland Harbor
10	262145	Injuries & Damage Reserve-----Oregon Steel Mills
11	262147	Injuries & Damage Reserve-----Central Gas Hold
12	262148	Injuries & Damage Reserve-----Portland Gas (<i>aka</i> Front
13		Street)

14 As environmental liabilities are paid, or as they are accrued and if insurance
15 recovery is uncertain, the costs will be deferred in the following deferred regulatory
16 asset accounts on the balance sheet:

17	186145	Environmental Inv.-----Gasco
18	186148	Environmental Inv.-----Portland Harbor
19	186149	Environmental Inv.-----Portland Gas (<i>aka</i> Front Street)
20	186152	Environmental Inv.-----Oregon Steel Mills
21	186153	Environmental Inv.-----Central Gas Hold

22 ///

23 ///

⁴ See page 5 of Public Utility Commission of Oregon Order No. 12-408 issued in Docket No. UG-221

⁵ In 2017, NW Natural will accrue estimates and defer costs related to the Wacker (*aka* Siltronic) site in the Gasco regulatory liability and asset accounts.

1 NW Natural has recorded amounts estimated as insurance receivables or
 2 reimbursements in Account 186160---OR Environ Recovery & Reimbursement.
 3 Recoveries from insurance are, and will continue to be recorded in the 186160 accounts
 4 and will offset the recorded expenses for purpose of amortization as determined by the
 5 Commission.

6 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(3)(d).**

7 The Company will incur additional site study, clean-up, potential natural resource
 8 damages, DEQ/Environment Protection Agency, tribe and natural resource damage
 9 trustee oversight, and legal costs as well as administrative expenses related to
 10 feasibility studies and remediation activities associated with these sites. Environmental
 11 Costs will be charged to deferred regulatory asset accounts. Insurance recoveries and
 12 other proceeds will be used as offsets to deferred Environmental Costs. These
 13 anticipated expenses and recoveries from insurance and other proceeds are the cause
 14 of this filing. At this time, information is insufficient to more accurately estimate the total
 15 potential liability for investigation and remediation costs associated with the six sites.

16 **H. Entries into deferred account during past 12 months – OAR 860-027-**
 17 **0300(4)(a)**

18 Below is a list of all costs and interest recorded in calendar year 2017:

Account	Site Name	1/1/2016- 12/31/2016 Recorded Expense*	1/1/2016- 12/31/2016 Accrued Interest
186145	Gasco	11,916,283	171,494
186148	Portland Harbor	1,039,752	17,030
186149	Portland Gas (aka Front Street)	473,173	5,823
186152	Oregon Steel Mills	0	0
186153	Central Gas Hold	55,018	1,660
	TOTAL	13,484,226	196,007
* Recorded expense includes accrued interest			

1 Recorded costs are for investigation and remediation, including consultants' fees
2 and DEQ oversight reimbursement and legal fees.

3 The deferred expense and accrued interest amounts listed above only include
4 costs incurred from January 1, 2017 through December 31, 2017 not yet deemed
5 prudent. NW Natural has received approximately \$28,000 in insurance or other
6 proceeds from January 1, 2017 through December 31, 2017.

7 As of December 31, 2017, the Company has spent approximately \$149.3 million
8 on environmental remediation and recovered \$152.3 million in insurance and other
9 proceeds.

10 The costs found prudent by the Commission and allowed for recovery are
11 included in the SRRM Post Prudent account. The balance in that account as of
12 December 31, 2017 was \$29.8 million.

13 NW Natural has also included in regulatory deferrals \$126.2 million of total
14 estimated future costs.

15 **I. Reason for Continuation of Deferral Account – OAR 860-027-0300(4)(b)**

16 NW Natural seeks continuation of this deferral as environmental expenses are
17 expected to be incurred over the next 12 months.

18 **J. Requirements per Commission Order No. 09-263**

19 Below is the information required per Commission Order No. 09-263, issued in
20 Docket UM-1286, Staff's Investigation into Purchased Gas Adjustment Mechanisms:

21 **1. A completed Summary Sheet, the location in the PGA filing, and an**

1 **account map that highlights the transfer of dollars from one account to**
2 **another.**

3 The Summary Sheet will be included in the 2018 PGA filing work papers and
4 in the electronic file entitled "Proposed Temps Oregon 2018-19 PGA
5 filing.xlsx."

6 **2. The effective date of the deferral**

7 This application is for the 12-month period beginning January 26, 2018 and
8 ending January 25, 2019.

9 **3. Prior year Order Number approving the deferral**

10 Approval to defer Environmental Costs was last granted under Commission
11 Order No. 17-148.

12 **4. The amount deferred last year.**

13 \$ 13,484,226 was deferred in the 2017 calendar year. This amount includes
14 \$196,007 in interest on the deferred payments. These amounts do not
15 include the effect of offsetting insurance payments.

16 **5. The amount amortized last year.**

17 The Commission authorized NW Natural to collect \$7,407,258 of costs
18 deemed prudent (excluding revenue sensitive effects) for the period
19 November 1, 2017 through October 31, 2018. The remaining balance to be
20 amortized as of December 31, 2017 was \$4,700,431.

21 **6. The interest rate that will apply to the accounts.**

22 The interest rate for deferral accounts is 7.778%. As directed in the

1 Commission's Order Nos. 12-408 and 12-437 issued in UG 221, a different
2 interest rate will apply once the amounts have been reviewed for prudence,
3 and until they are amortized.

4 **K. Notice – OAR 800-027-0300(3)e(6).**

5 A notice of this Application has been served on the all parties who are
6 participating in the Company's most recent general rate case, UG 344, and is attached
7 to this Application.

8 NW Natural respectfully requests that the Commission issue an order
9 reauthorizing the Company to defer the expenses described in the Application to ensure
10 that the Company will be authorized to seek to recover environmental costs associated
11 with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland
12 Harbor, Central Gas Hold, and Oregon Steel Mills beginning on the date of this
13 Application.

14 DATED this 17th day of January 2018.

15 Respectfully Submitted,

16
17 NW NATURAL

18
19 /s/ Kyle Walker, CPA

20 Kyle Walker, CPA
21 Rates/Regulatory Analyst

22
23 /s/ Zachary D. Kravitz
24 Zachary D. Kravitz (OSB# 152870)

25 Associate Counsel
26 220 NW Second Avenue
27 Portland, Oregon 97209-3991
28 Phone: (503) 220-2379 Email:
29 Zachary.Kravitz@nwnatural.com



**UM 1078
NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER CERTAIN EXPENSES OR REVENUES**

January 17, 2018

To All Parties Who Participated in UG 344:

Please be advised that on January 17, 2018 Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer unrecovered environmental costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland Harbor, Central Gas Hold and Oregon Steel Mills, pursuant to the provisions of ORS 757.259(2)(e). A copy of the Company's Deferral Application is available for inspection at its main office or at the Public Utility of Oregon's ("Commission") eDocket website.

This is not a rate case. The purpose of this Notice is to inform parties that are participating in the Company's most recent general rate case, UG 344, that the Application was filed.

Parties who desire more information or who wish to obtain a copy of the filing, or notice of the time and place of any hearing, if scheduled, should contact the Company or the Public Utility Commission of Oregon as follows:

**NW Natural
Attn: Kyle Walker, CPA
220 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 Ext. 5858**

**Public Utility Commission of Oregon
Attn: Filing Center
201 High St SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Telephone: (503) 378-6636**

Any person may submit to the Commission written comments on this Reauthorization for Deferral Application by February 17, 2018. The granting of this Application will not authorize a change in rates, but will permit the Company to defer amounts in rates to a subsequent proceeding.

* * * * *



**CERTIFICATE OF SERVICE
UM 1078**

I hereby certify that on January 17, 2018 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES ASSOCIATED WITH UNRECOVERED ENVIRONMENTAL COSTS upon all parties of record in UG 344, which is the Company's most recent general rate case.

UG 344

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DATED at Portland, Oregon, this 17th day of January 2018.

/s/ Erica Lee
Erica Lee
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