

Rates and Regulatory Affairs
Facsimile: 503.721.2516



January 21, 2010

VIA ELECTRONIC FILING

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

ATTN: Filing Center

Re: **OPUC Docket UM 1078:** Application for Reauthorization of Deferred Accounting of Certain Expenses or Revenues – Unrecovered Environmental Costs

In accordance with ORS 757.125, 757. 259(2)(e), and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith the above-referenced Application for Reauthorization of Deferred Accounting of Unrecovered Environmental Costs Associated with Gasco, Wacker (now known as Siltronic), Portland Gas, Portland Harbor and Eugene Water and Electric Board, Central Gas Hold, Oregon Steel Mills, and the French American School.

A notice concerning this application will be sent to all parties who participated in Docket UM 1078 and in the Company’s most recent general rate case, UG 152. A copy of the notice is part of the enclosed application.

Please call Jennifer Gross at 1-503-226-4211, extension 3590 if you have any questions or require any further information.

Sincerely,

/s/ Inara Scott

Inara K. Scott
Manager, Rates and Regulatory Affairs

enclosures

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3 OREGON

4 **UM 1078**

5 In the Matter of the Application)
6 by NORTHWEST NATURAL GAS COMPANY,)
7 dba NW NATURAL, for Reauthorization)
8 to Defer Certain Expenses or Revenues)
9 Pursuant to ORS 757.259)

10 APPLICATION FOR REAUTHORIZATION
11 TO DEFER CERTAIN EXPENSES OR REVENUES

12 Northwest Natural Gas Company, dba NW Natural (NW Natural or
13 Company), hereby files with the Public Utility Commission of Oregon (Commission) this
14 application for reauthorization (Application) to use deferred accounting pursuant to ORS
15 727.210 and 757.259, and OAR 860-027-0300, for the 12-month period beginning
16 January 26, 2010 through January 25, 2011.

17 In compliance with the requirements of OAR 860-027-0300(3) and (4), NW
18 Natural hereby submits the following information:

19 **1. A description of the utility expenses or revenues for which deferred**
20 **accounting is requested. [OAR 860-027-0300 (3)(a)]:**

21 NW Natural seeks authorization to record all environmental costs, which
22 shall include, but are not necessarily limited to, all costs related to investigation, study,
23 monitoring, oversight, legal and remediation costs, and all costs associated with
24 pursuing insurance recoveries (hereafter "Environmental Costs") that are associated

1 with the nine projects: eight were described in more detail in the Company's initial
2 Application for Authorization to Defer Accounting, filed April 7, 2003; the ninth project
3 designated as the French American International School (FAIS), was described in the
4 Company's Application for Reauthorization to Defer Accounting, filed on January 25,
5 2008.

6 **2. Justification for the deferred accounting requested with reference to**
7 **the sections of ORS 757.259 under which deferral can be authorized. [OAR 860-**
8 **027-0300 (3)(b)]:**

9 Authorization to defer Environmental Costs and amounts from insurance
10 recoveries can be authorized pursuant to ORS 757.259(2)(d) because they are "utility
11 expenses or revenues, the recovery or refund of which the commission finds should be
12 deferred in order to minimize the frequency of rate changes ... or to match appropriately
13 the costs borne by and benefits received by ratepayers."

14 **3. The accounts proposed for recording the amounts to be deferred**
15 **and the accounts that would be used for recording the amounts in the absence of**
16 **approval of deferred accounting are as follows. [OAR 860-027-0300 (3)(c)]:**

17 NW Natural proposes to accrue estimates of the Environmental Costs to a
18 separate liability account for each site with the charge recorded in an operation and
19 maintenance expense account. The proposed balance sheet accounts to be used are:

20	262140	Injuries & Damage Reserve -----Gasco
21	262143	Injuries & Damage Reserve-----Wacker (<i>nka</i> Siltronic)
22	262144	Injuries & Damage Reserve-----Portland Harbor
23	262145	Injuries & Damage Reserve-----Oregon Steel Mills
24	262146	Injuries & Damage Reserve-----Tar Body (a subset of
25		Portland Harbor)

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1 262147 Injuries & Damage Reserve-----Central Gas Hold

2 262149 Injuries & Damage Reserve-----French American

3 International School (FAIS)

4 As environmental liabilities are paid, or as they are accrued and insurance
5 recovery is not likely, the costs will be deferred in the following deferred regulatory asset
6 accounts on the balance sheet:

7 186145 Environmental Inv.-----Gasco

8 186146 Environmental Inv.-----EWEB (*aka* Eugene)

9 186147 Environmental Inv.-----Wacker (*nka* Siltronic)

10 186148 Environmental Inv.-----Portland Harbor

11 186149 Environmental Inv.-----Portland Gas (*aka* Front Street)

12 186151 Environmental Inv.-----Tar Body (a subset of Portland
13 Harbor)

14 186152 Environmental Inv.-----Oregon Steel Mills

15 186153 Environmental Inv-----Central Gas Hold

16 186154 Environmental Inv-----French American International
17 School (FAIS)

18 NW Natural has recorded amounts estimated as insurance receivables,
19 Account 143008----Insurance Recovery for Gasco and Portland Harbor and Account
20 186260----Deferred Regulatory Receivable-Environmental. The total balance in the
21 receivable accounts is currently \$1,075,475. The estimated insurance receivable
22 reduced the amount charged to the O&M expense. Any recoveries from insurance
23 would be recorded in the 143008 or 186260 accounts.

24 NW Natural contemplates recording of authorized deferred expenses and
25 insurance recoveries until the net Environmental Costs can be addressed in a future

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1 general rate case filing, in compliance with the Commission's Order No. 06-211, dated
2 April 27, 2006, in this matter. As the nine sites are at different study and remediation
3 stages, NW Natural may present to the Commission a proposed ratemaking treatment
4 for deferred costs associated with a particular site, should costs and remediation at the
5 particular site become known and certain. At the time of consideration for incorporation
6 into rates, NW Natural will propose an appropriate amortization period for the
7 Environmental Costs for the Commission's consideration. NW Natural does not request
8 a determination of ratemaking treatment of the Environmental Costs at this time.

9 **4. An estimate of the amount to be recorded in the deferred accounts**
10 **for the 12-month period subsequent to the Application. [OAR 860-027-0300**
11 **(3)(d)]:**

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

22 **5. A description and explanation of the entries in the deferred**
23 **accounts. [OAR 860-027-0300 (4)(a)]:**

24 Below is a list of all liabilities, costs and interest that has been recorded as of
25 December 31, 2009:

Account	Site Name	Recorded Liability	Recorded Expense*	Accrued Interest
186145	Gasco	70,032,888	17,458,956	2,874,991
186146	EWEB	0	133,785	38,132
186147	Wacker (<i>nka</i> Siltronic)	2,907,753	2,112,909	329,243
186148	Portland Harbor	16,670,170	11,655,703	2,449,469
186149	Portland Gas (Front Street)	890,539	412,924	19,600
185151	Tar Body (a subset of Portland Harbor)	9,888,017	14,104,216	3,789,632
186152	Oregon Steel Mills	200,000	29,264	8,341
186153	Central Gas Hold	549,815	33,205	4,693
186154	French American International School (FAIS)	123,482	146,412	12,968
186155	Tualatin	131,000	117,164	0
TOTAL		101,393,664	46,204,537	9,527,069

* Recorded expense includes interest

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

3 **6. Interest on Deferred Balances. [OAR 860-027-0300(4)(b)]:**

4 As part of this reauthorization, the Company requests for continued permission to
5 accrue interest to the deferred actual cash expenses. The Commission has allowed the
6 Company to collect interest on deferred balances as stated in Commission Order Nos.
7 06-211, 07-147, 08-247, and 09-172. As of 2009, the Company has spent over \$46
8 million on projects. As those amounts continue to be outstanding in anticipation of
9 insurance offsets or recovery from ratepayers, financing the spent amounts is an
10 ongoing burden. As insurance proceeds are attained, they will be used to draw down
11 the amounts outstanding, until final ratemaking is determined for the deferred accounts
12 and interest on the balance would be affected accordingly. Please note, that the
13 Company does not accrue interest on the recorded liability.

14 **7. Reason for the continued request to defer accounting. [OAR 860-
15 027-0300(4)(b)]:**

16 Since early 2006, NW Natural has been pursuing recovery of insurance for its
17 environmental liabilities. It has identified and analyzed all of the liability insurance

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1 policies issued between the late 1930s and 1986 which may provide coverage. All of
2 the insurers have been contacted. Most have signed confidentiality agreements and
3 have been provided detailed information about the environmental liabilities. Because
4 the coverage issues involve complex legal and factual issues, the insurers have not
5 agreed that coverage exists. However, most have agreed to enter into negotiations in
6 an effort to resolve the claims. Given the complexity of the claims, negotiations are
7 expected to be lengthy. NW Natural will pursue litigation against any of the insurers with
8 which it is unable to reach settlements within a reasonable period of time.

9 8. A notice of this Application has been served on the UM 1078 service list
10 and on all parties who participated in the Company's most recent general rate case, UG
11 152, and is attached to this Application.

12 9. Communications regarding this Application should be addressed to:

13 Inara K. Scott, Manager
14 Rates & Regulatory Affairs
15 NW Natural
16 220 NW Second Avenue
17 Portland, OR 97209-3991
18 Telephone: (503) 721-2476
19 Facsimile: (503) 721-2516
20 E-mail: inara.scott@nwnatural.com

21
22 and

23
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6 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

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

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DATED this 21st day of January, 2010.

Respectfully submitted,

NW NATURAL

/s/ Inara Scott

Manager
Rates & Regulatory Affairs



January 21, 2010

**NOTICE OF APPLICATION FOR REAUTHORIZATION TO
DEFER ACCOUNTING OF UNRECOVERED ENVIRONMENTAL COSTS**

To All Parties Who Participated in UG 152:

Please be advised that today Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to defer certain expenses and revenues relative to unrecovered environmental costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas, Portland Harbor, Eugene Water and Electric Board, Central Gas Hold, the French American School, and Oregon Steel Mills, pursuant to the provisions of ORS 757.259(2)(e). Copies of the Company's application are available for inspection at its main office.

This is not a rate case. The purpose of this Notice is to inform parties that participated in Docket UM 1078, and in the Company's most recent general rate case, UG 152, 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: Jennifer Gross
220 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 ext 3590

Public Utility Commission of Oregon
Attn: Judy Johnson
550 Capitol St., NE, Ste 215
PO Box 2148
Salem, Oregon 97308-2148
Telephone: (503) 378-6636

Any person may submit to the Commission written comments on this matter no sooner than 25 days from the date of this Application. 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.



**UM 1078-Application for Reauthorization to Defer Certain Revenues and Expenses
CERTIFICATE OF SERVICE**

I hereby certify that on the 21st day of January 2010, I served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES upon each party listed below by electronically mailing a copy to each party's email address of record, as listed on the Public Utility Commission of Oregon's official service lists for these matters.

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DATED at Portland, Oregon, this 21st day of January, 2010

/s/ Kelley C. Miller
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