

Rates and Regulatory Affairs
Facsimile: 503.721.2532



January 26, 2006

Public Utility Commission of Oregon
550 Capitol Street, Northeast, 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 Associated with Gasco, Wacker, Portland Gas, Portland Harbor, Eugene Water and Electric Board, and Oregon Steel Mills

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, Portland Gas, Portland Harbor and Eugene Water and Electric Board and Oregon Steel Mills.

A notice concerning this application will be sent to all parties who participated in the company's most recent general rate case, UG 152. A copy of the notice is part of the enclosed application.

Please call me at 1-503-721-2452 if you have any questions or require any further information.

Sincerely,

/s/ Onita King

Onita R. King, Manager
Tariffs & Regulatory Compliance

ORK/cmt
enclosures

cc: UM 1078 Service List
UG 152 Service List

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3
4 OREGON

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7 **UM 1078**

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9 In the Matter of the Application)
10 by NORTHWEST NATURAL GAS COMPANY,)
11 dba NW NATURAL, for Reauthorization)
12 to Defer Certain Expenses or Revenues)
13 Pursuant to ORS 757.259)

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16 APPLICATION FOR REAUTHORIZATION
17 TO DEFER CERTAIN EXPENSES OR REVENUES

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20 Northwest Natural Gas Company, dba NW Natural (NW Natural or
21 company), hereby files with the Public Utility Commission of Oregon (Commission) this
22 application for reauthorization (Application) to use deferred accounting pursuant to *ORS*
23 *727.210* and *757.259*, and *OAR 860-27-300*, for the 12-month period beginning
24 January 27, 2006. The company's last reauthorization commenced January 27, 2005,
25 and, therefore, the existing 12-month reauthorization period has not yet expired. This
26 application seeks reauthorization for the period beginning January 27, 2006 through
27 January 26, 2007.

28 In compliance with the requirements of *OAR 860-027-0300(4)*, NW
29 Natural hereby submits the following information:

- 30 1. A description of the utility expenses or revenues for which deferred
31 accounting is requested:

1 NW Natural seeks authorization to record all environmental costs, which
2 shall include, but are not necessarily limited to, all costs related to investigation, study,
3 monitoring, oversight, legal and remediation costs, and all costs associated with
4 pursuing insurance recoveries (hereafter "Environmental Costs") that are associated
5 with the six projects, described in more detail in the Company's initial Application dated
6 April 4, 2003, and in the Company's supplemental Application dated January 27, 2005.

7 2. Justification for the deferred accounting requested with reference to the
8 sections of *ORS 757.259* under which deferral can be authorized:

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
13 appropriately the costs borne by and benefits received by ratepayers."

14 3. The accounts proposed for recording the amounts to be deferred and the
15 accounts that would be used for recording the amounts in the absence of approval of
16 deferred accounting are as follows:

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 (now known as
22		Siltronic)
23	262144	Injuries & Damage Reserve-----Portland Harbor
24	262145	Injuries & Damage Reserve-----Oregon Steel Mills

2 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 matter. As the six sites are at different study and remediation stages, NW Natural may
2 present to the Commission a proposed ratemaking treatment for deferred costs
3 associated with a particular site, should costs and remediation at the particular site
4 become known and certain. At the time of consideration for incorporation into rates,
5 NW Natural will propose an appropriate amortization period for the Environmental
6 Costs for the Commission's consideration. NW Natural does not request a
7 determination of ratemaking treatment of the Environmental Costs at this time.

8 4. An estimate of the amount to be recorded in the deferred accounts for the
9 12-month period subsequent to the Application:

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

20 5. A description and explanation of the entries in the deferred accounts on
21 the date of this Application for Reauthorization:

22 NW Natural has recorded liabilities totaling \$6.5 million for the estimated
23 costs of investigation and interim remediation at the Gasco site, including consultants'
24 fees, and ODEQ oversight reimbursement and legal fees, of which \$5.1 million had
25 been spent as of December, 2005. NW Natural has recorded liabilities totaling \$0.6

1 million for its estimated costs of the investigation and initial remediation on the Wacker
2 (now known as Siltronic) site and has paid expenses totaling \$0.6 million as of
3 December 2005. NW Natural has recorded liabilities totaling \$6.4 million as of
4 December, 2005 for its estimated remedial investigation costs on the Portland Harbor
5 site of which \$4.2 million had been spent as of December, 2005. NW Natural has
6 recorded liabilities totaling \$0.2 million as of December, 2005 for its estimated remedial
7 investigation costs on the Oregon Steel Mills site of which \$21 thousand had been
8 spent as of December, 2005. Finally, NW Natural has recorded liabilities totaling \$10.0
9 million as of December, 2005 for its estimated investigation and remediation costs on
10 Tar Body of which \$7.2 million had been spent as of December, 2005.

11 6. As part of this reauthorization application, the company seeks to begin
12 accruing interest to the deferred balances. As of the date of this application, the
13 company has spent over \$17 million on projects. As those amounts continue to be
14 outstanding in anticipation of insurance offsets or recovery from ratepayers, there is an
15 ongoing burden of financing the spent amounts. As insurance proceeds are attained,
16 they will be used to draw down the amounts outstanding, until final ratemaking is
17 determined for the deferred accounts, and interest on the balance would be affected
18 accordingly.

19 7. The continuation of deferred accounting for the matters addressed above
20 is justified because they are continuing in nature.

21 8. A notice of this Application has been served on the UM 1078 service list
22 and on all parties who participated in the company's most recent general rate case, UG
23 152, and is attached to this Application.

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5 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

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

2 C. Alex Miller, Director
3 Regulatory Affairs & Forecasting
4 NW Natural
5 220 NW Second Avenue
6 Portland, OR 97209-3991
7 Telephone: (503) 721-3580
8 Facsimile: (503) 721-2532
9 E-mail: alex.miller@nwnatural.com

10
11 and

12
13 Onita R. King, Manager
14 Tariffs & Regulatory Compliance
15 NW Natural
16 220 NW Second Avenue
17 Portland, OR 97209-3991
18 Telephone: (503) 721-2452
19 Facsimile: 503-721-2532
20 E-mail: ork@nwnatural.com

21
22 DATED this 26th day of January, 2006.

23 Respectfully submitted,

24 NW NATURAL

25
26 /s/ Onita King

27 Onita R. King, Manager
28 Tariffs & Regulatory Compliance
29 220 N.W. Second Avenue
30 Portland, Oregon 97209-3991
31 Phone: (503) 721-2452
32 Email: ork@nwnatural.com



January 26, 2006

**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, 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 and district offices.

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: Onita R. King
220 N.W. Second Ave.
Portland, Oregon 97209-3991
Telephone: (503) 721-2452

Public Utility Commission of Oregon
Attn: Bonnie Tatom
550 Capitol St., N.E., Ste. 215
P. O. Box 2148
Salem, Oregon 97308-2148
Telephone: (503) 378-6600

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.

The company's district offices in Oregon are located at:

7150 Supra Drive
Albany, Oregon 97321
Telephone: (541) 926-4253

176 W. Marine Drive
Astoria, Oregon 97103
Telephone: (503) 325-1632

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309 E. 2nd Street
The Dalles, Oregon 97058
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3123 Broadway N.E.
Salem, Oregon 97303
Telephone: (503) 585-6611



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

I hereby certify that on the 26th day of January, 2006, I served the foregoing 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 26th day of January, 2006.

/s/ Kelley C. Miller
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