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Portland, OR 97204

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nwnatural.com

January 25, 2023

VIA ELECTRONIC FILING

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

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

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), hereby files 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. **The information in the enclosed filing includes commercially sensitive information considered to be a trade secret and is provided as confidential under OAR 860-001-0070.**

A notice concerning this application will be sent to all parties who participated in the Company's last general rate case, UG 435. A copy of the notice and the certificate of service are attached to the application.

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

eFiling
Rates & Regulatory Affairs
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Phone: (503) 610-7330
Fax: (503) 220-2579
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager

Enclosures

**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
2 “Company”), hereby files with the Public Utility Commission of Oregon
3 (“Commission”) this application for reauthorization (“Application”) to use deferred
4 accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month
5 period beginning January 26, 2023 through January 25, 2024 for unrecovered
6 environmental costs associated with Gasco, Wacker (now known as Siltronic),
7 Portland Gas (aka Front Street), Portland Harbor, Central Gas Hold, and Oregon
8 Steel Mills. Certain portions of this filing are deemed confidential, per OAR 860-001-
9 0070, because the items have not been disclosed to the public.

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

11 **A. NW Natural.**

12 NW Natural is a public utility in the State of Oregon and is subject to the
13 jurisdiction of the Commission regarding rates, service, and accounting practices.

1 NW Natural provides retail natural gas service in the States of Oregon and
2 Washington.

3 **B. Statutory Authority.**

4 This application is filed pursuant to ORS 757.259, which empowers the
5 Commission to authorize the deferral of expenses or revenues of a public utility for
6 later inclusion in rates.

7 **C. Communications.**

8 Communications regarding this Application should be addressed to:

9 NW Natural
10 e-Filing for Regulatory Affairs
11 250 SW Taylor Street
12 Portland, Oregon 97204
13 Phone: (503) 610-7330
14 Fax: (503) 220-2579
15 Email: eFiling@nwnatural.com;

16
17 Eric W. Nelsen (OSB# 192566)
18 Senior Regulatory Attorney
19 250 SW Taylor Street
20 Portland, Oregon 97204
21 Phone: (503) 610-7618
22 Email: eric.nelsen@nwnatural.com;

23
24 and

25
26 Kyle Walker, CPA
27 Manager, Rates & Regulatory Affairs
28 250 SW Taylor Street
29 Portland, Oregon 97204
30 Phone: (503) 610-7051
31 Email: kyle.walker@nwnatural.com

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

3 NW Natural seeks reauthorization to record all environmental costs, which
4 shall include, but are not necessarily limited to, all costs related to investigation,
5 study, monitoring, oversight, legal and remediation costs, and all costs associated
6 with pursuing insurance recoveries (hereafter “Environmental Costs”) that are
7 associated with six projects at the following sites: Gasco, Wacker (nka Siltronic),
8 Portland Harbor, Oregon Steel Mills, Central Gas Hold, and Portland Gas (aka Front
9 Street).¹

10 NW Natural has also received approval from the Washington Utilities and
11 Transportation Commission (“WUTC”) to defer the Environmental Costs.² The
12 Oregon Public Utility Commission, in Docket No. UM 1635, determined that 96.68%
13 of the deferred costs amortized through the Site Remediation and Recovery
14 Mechanism (“SRRM”) will be allocated to Oregon customers.³

15 **E. Reasons Reauthorization of Deferred Accounting is Being Requested –**
16 **OAR 860-027-0300(3)(b).**

17 This application is made pursuant to ORS 757.259(2)(e), which authorizes the
18 deferral of “utility expenses or revenues, the recovery or refund of which the
19 commission finds should be deferred in order to minimize the frequency of rate

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 SRRM Post Prudent account.

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

³ *In the Matters of Northwest Natural Gas Company, dba NW Natural, Mechanism for Recovery of Environmental Remediation Cost*, Order No. 16-029, Docket No. UM-1635, at 2-3 (Jan. 26, 2016).

1 change or...to match appropriately the costs borne by and benefits received by
2 ratepayers.”

3 The Commission authorized deferred accounting for these costs and
4 proceeds in 2003 and has reauthorized the Company’s use of deferred accounting in
5 each subsequent year.⁴ Additionally, in its Order No. 12-408 issued in UG 221, the
6 Commission authorized a cost recovery mechanism through which NW Natural will
7 recover its environmental remediation costs. In that Order, the Commission
8 determined that NW Natural should continue to defer these costs and determined
9 that they would be collected through the Company’s SRRM, subject to an earnings
10 test and prudence review.⁵

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

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

15	280040	Injuries & Damage Reserve -----Gasco ⁶
16	280050	Injuries & damage Reserve -----Wacker (<i>nka</i> Siltronic)
17	280055	Injuries & Damage Reserve-----Portland Harbor
18	280060	Injuries & Damage Reserve-----Oregon Steel Mills
19	280070	Injuries & Damage Reserve-----Central Gas Hold

⁴ 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, 17-148, 18-120, 19-298, 20-046, 21-047.

⁵ See *In the Matters of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision*, Order No. 12-408, Docket No. UG-221, at 5-6 (Oct. 26, 2012).

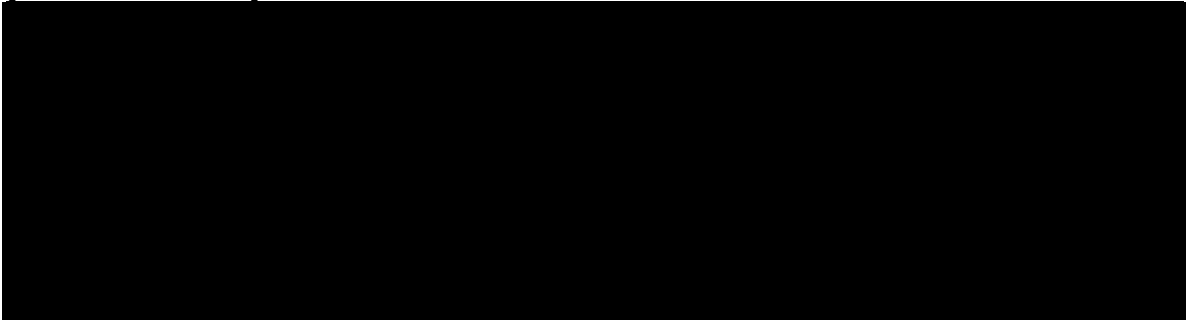
⁶ Since 2017, NW Natural has been accruing estimates and deferring costs related to the Wacker (*nka* Siltronic) site in the Gasco regulatory liability and asset accounts.

1 proceeds will be used as offsets to deferred Environmental Costs. These
2 anticipated expenses and recoveries from insurance and other proceeds are the
3 cause of this filing. At this time, information is insufficient to more accurately
4 estimate the total potential liability for investigation and remediation costs associated
5 with the six sites.

6 **H. Entries into deferred account during past 12 months – OAR 860-027-**
7 **0300(4)(a)**

8 Below is a list of all costs and interest recorded in calendar year 2022:

9 [CONFIDENTIAL]



[CONFIDENTIAL]

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

12 The deferred expense and accrued interest amounts listed above only include
13 costs incurred from January 1, 2022 through December 31, 2022 not yet deemed
14 prudent. NW Natural has received [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] in
15 insurance or other proceeds from January 1, 2022 through December 31, 2022.

16 As of December 31, 2022, the Company has spent approximately
17 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] on environmental remediation

1 and recovered [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] in insurance and
2 other proceeds.

3 The costs found prudent by the Commission and allowed for recovery are
4 included in the SRRM Post Prudent account. The balance in that account as of
5 December 31, 2022 was [CONFIDENTIAL] [REDACTED]. [CONFIDENTIAL]

6 NW Natural has also included in regulatory deferrals [CONFIDENTIAL]
7 [REDACTED] [CONFIDENTIAL] of total estimated future costs.

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

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

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

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

14 Mechanisms:

- 15 1. **A completed Summary Sheet, the location in the PGA filing, and an**
16 **account map that highlights the transfer of dollars from one account**
17 **to another.**

18 The Summary Sheet will be included in the 2023 PGA filing work papers
19 and in the electronic file entitled "Proposed Temps Oregon 2023-24 PGA
20 filing.xlsx."

- 21 2. **The effective date of the deferral**

22 This application is for the 12-month period beginning January 26, 2023
23 and ending January 25, 2024.

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

2 Approval to defer Environmental Costs was last granted under
3 Commission Order No. 22-032, issued on February 10, 2022.

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

5 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] was deferred in the
6 2022 calendar year. This amount includes [CONFIDENTIAL] [REDACTED]
7 [CONFIDENTIAL] in interest on the deferred amounts. These amounts do
8 not include the effect of offsetting insurance payments.

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

10 The Commission authorized NW Natural to collect \$6,810,347 of costs
11 deemed prudent (excluding revenue sensitive effects) for the period
12 November 1, 2022 through October 31, 2023. The remaining balance to
13 be amortized as of December 31, 2022 was [CONFIDENTIAL]
14 [REDACTED]. [CONFIDENTIAL]

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

16 The interest rate for deferral accounts is 6.836%. As directed in the
17 Commission's Order Nos. 12-408 and 12-437 issued in UG 221, a
18 different interest rate will apply once the amounts have been reviewed for
19 prudency, and until they are amortized.

20 **K. Notice – OAR 860-027-0300(3)(e) and (6).**

21 A notice of this Application has been served on all parties that participated in
22 the Company's last general rate case, UG 435, and is attached to this Application.

1 NW Natural respectfully requests that the Commission issue an order
2 reauthorizing the Company to defer the expenses described in the Application to
3 ensure that the Company will be authorized to seek to recover environmental costs
4 associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front
5 Street), Portland Harbor, Central Gas Hold, and Oregon Steel Mills beginning
6 January 26, 2023.

7 DATED this 25th of January 2023.

8 Respectfully Submitted,

9

10 NW NATURAL

11

12 */s/ Kyle Walker, CPA*

13

Kyle Walker, CPA

14

Rates/Regulatory Manager

15

16

/s/ Eric W. Nelsen

17

Eric W. Nelsen (OSB# 192566)

18

Senior Regulatory Attorney



UM 1078

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

January 25, 2023

To All Parties Who Participated in UG 435

Please be advised that on January 25, 2023, Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), applied for reauthorization to use deferred accounting for 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.

This is not a rate case. The purpose of this Notice is to inform parties who participated in the Company's last general rate case, UG 435, that a deferral reauthorization has been 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 Commission as follows:

**NW Natural
Attn: Kyle Walker
250 SW Taylor Street
Portland, Oregon 97204
Phone: (503) 610-7051**

**Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, Oregon 97308-1088
Phone: (503) 378-6678**

Any person may submit to the Commission written comments on this matter within 25 days of this filing. The granting of this deferral reauthorization 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 25, 2023, I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES ASSOCIATED WITH UNRECOVERED ENVIRONMENTAL COSTS upon all parties of record for the Company's last general rate case, UG 435.

UG 435

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DATED January 25, 2023, Troutdale, OR.

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