

Rates and Regulatory Affairs  
Facsimile: 503.721.2516



February 25, 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: Amended** Application for Reauthorization of Deferred Accounting of Certain Expenses or Revenues – Unrecovered Environmental Costs

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”) hereby amends its 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, filed on January 21, 2010, to include a request for authorization to defer costs associated with its Tualatin site. Changes to the application filed on January 21, 2010, are in italicized print. This amended application is made in accordance with ORS 757.125, 757. 259(2)(e), and OAR 860-027-0300.

A notice concerning this amended 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 Amended Application )  
6 by NORTHWEST NATURAL GAS COMPANY, )  
7 dba NW NATURAL, for Reauthorization )  
8 and Authorization to Defer Certain )  
9 Expenses or Revenues )  
10 Pursuant to ORS 757.259 )

11 APPLICATION FOR REAUTHORIZATION  
12 TO DEFER CERTAIN EXPENSES OR REVENUES

13 Northwest Natural Gas Company, dba NW Natural (NW Natural or Company),

14 hereby files with the Public Utility Commission of Oregon (Commission) this application for  
15 reauthorization (Application) to use deferred accounting pursuant to ORS 727.210 and 757.259,  
16 and OAR 860-027-0300, for the 12-month period beginning January 26, 2010 through January  
17 25, 2011.

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

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

22 NW Natural seeks authorization to record all environmental costs, which shall  
23 include, but are not necessarily limited to, all costs related to investigation, study, monitoring,  
24 oversight, legal and remediation costs, and all costs associated with pursuing insurance  
25 recoveries (hereafter "Environmental Costs") that are associated with the nine projects: eight  
26 were described in more detail in the Company's initial Application for Authorization to Defer

1 Accounting, filed April 7, 2003; the ninth project designated as the French American  
2 International School (FAIS), was described in the Company's Application for Reauthorization to  
3 Defer Accounting, filed on January 25, 2008.

4 *In this amended filing, the Company hereby requests authorization to defer*  
5 *Environmental Costs associated with its Tualatin site for the twelve month period beginning*  
6 *January 26, 2010, through January 25, 2011. The Tualatin site is located at 7100 SW McEwan*  
7 *Rd., Lake Oswego, OR 97035, and is affected by the Underground Injection Control (UIC)*  
8 *program. UIC is a federal program under the Safe Water Drinking Act designed to protect*  
9 *groundwater supplies from pollution. In Oregon, the program is administered by the Oregon*  
10 *Department of Environmental Quality (ODEQ). The ODEQ is requiring NW Natural to bring its*  
11 *'dry well sumps', which are controlled under the UIC program, into compliance with the*  
12 *requirements. The Company has the option to apply for a permit for operation of the wells or*  
13 *find other suitable methods of disposing storm water. A letter was sent to the ODEQ at the end*  
14 *of December indicating that NW Natural will move forward with an investigation to decide*  
15 *whether to apply for a permit for continuing the use of the wells or close them at the Tualatin*  
16 *Service Center. This request assumes the conditions established for deferral of the costs for*  
17 *the other sites under this docket will likewise apply to costs deferred for the Tualatin site.*

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

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

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

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

- 7           262140           Injuries & Damage Reserve -----Gasco
- 8           262141           *Injuries & Damages Reserve-----Tualatin*
- 9           262143           Injuries & Damage Reserve-----Wacker (*nka* Siltronic)
- 10          262144           Injuries & Damage Reserve-----Portland Harbor
- 11          262145           Injuries & Damage Reserve-----Oregon Steel Mills
- 12          262146           Injuries & Damage Reserve-----Tar Body (a subset of Portland
- 13                           Harbor)
- 14          262147           Injuries & Damage Reserve-----Central Gas Hold
- 15          262149           Injuries & Damage Reserve-----French American International
- 16                           School (FAIS)

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

- 20          186145           Environmental Inv.-----Gasco
- 21          186146           Environmental Inv.-----EWEB (*aka* Eugene)
- 22          186147           Environmental Inv.-----Wacker (*nka* Siltronic)
- 23          186148           Environmental Inv.-----Portland Harbor
- 24          186149           Environmental Inv.-----Portland Gas (*aka* Front Street)
- 25          186151           Environmental Inv.-----Tar Body (a subset of Portland Harbor)

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1           186152           Environmental Inv.-----Oregon Steel Mills  
2           186153           Environmental Inv.-----Central Gas Hold  
3           186154           Environmental Inv.-----French American International  
4                            School (FAIS)  
5           186155           *Environmental Inv.-----Tualatin*

6                    NW Natural has recorded amounts estimated as insurance receivables, Account  
7 143008----Insurance Recovery for Gasco and Portland Harbor and Account 186260----Deferred  
8 Regulatory Receivable-Environmental. The total balance in the receivable accounts is currently  
9 \$1,075,475. The estimated insurance receivable reduced the amount charged to the O&M  
10 expense. Any recoveries from insurance would be recorded in the 143008 or 186260 accounts.

11                   NW Natural contemplates recording of authorized deferred expenses and  
12 insurance recoveries until the net Environmental Costs can be addressed in a future general  
13 rate case filing, in compliance with the Commission’s Order No. 06-211, dated April 27, 2006, in  
14 this matter. As the nine sites are at different study and remediation stages, NW Natural may  
15 present to the Commission a proposed ratemaking treatment for deferred costs associated with  
16 a particular site, should costs and remediation at the particular site become known and certain.  
17 At the time of consideration for incorporation into rates, NW Natural will propose an appropriate  
18 amortization period for the Environmental Costs for the Commission’s consideration. NW  
19 Natural does not request a determination of ratemaking treatment of the Environmental Costs at  
20 this time.

21           **4.       An estimate of the amount to be recorded in the deferred accounts for the**  
22 **12-month period subsequent to the Application. [OAR 860-027-0300 (3)(d)]:**

23                   The Company will incur additional site study, clean-up, potential natural resource  
24 damages, DEQ/Environment Protection Agency, tribe and natural resource damage trustee  
25 oversight, and legal costs as well as administrative expenses related to feasibility studies and

4 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 remediation activities associated with these sites. Environmental Costs will be charged to  
 2 deferred regulatory asset accounts. Insurance recoveries will be used as offsets to deferred  
 3 Environmental Costs. These anticipated expenses and recoveries from insurance are the  
 4 cause of this filing. At this time, information is insufficient to more accurately estimate the total  
 5 potential liability for investigation and remediation costs associated with the nine sites, or to  
 6 accurately estimate the corresponding total insurance recovery amounts.

7 **5. A description and explanation of the entries in the deferred accounts.**

8 **[OAR 860-027-0300 (4)(a)]:**

9 Below is a list of all liabilities, costs and interest that has been recorded as of December  
 10 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
<b>TOTAL</b>		<b>101,393,664</b>	<b>46,204,537</b>	<b>9,527,069</b>

\* Recorded expense includes interest

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

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

14 As part of this reauthorization, the Company requests for continued permission to accrue  
 15 interest to the deferred actual cash expenses. The Commission has allowed the Company to  
 16 collect interest on deferred balances as stated in Commission Order Nos. 06-211, 07-147, 08-

1 247, and 09-172. As of 2009, the Company has spent over \$46 million on projects. As those  
2 amounts continue to be outstanding in anticipation of insurance offsets or recovery from  
3 ratepayers, financing the spent amounts is an ongoing burden. As insurance proceeds are  
4 attained, they will be used to draw down the amounts outstanding, until final ratemaking is  
5 determined for the deferred accounts and interest on the balance would be affected accordingly.  
6 Please note, that the Company does not accrue interest on the recorded liability.

7 The Company also requests authorization to collect interest on deferred actual cash  
8 expenses for the Tualatin site.

9 **7. Reason for the continued request to defer accounting. [OAR 860-027-**  
10 **0300(4)(b)]:**

11 Since early 2006, NW Natural has been pursuing recovery of insurance for its  
12 environmental liabilities. It has identified and analyzed all of the liability insurance policies  
13 issued between the late 1930s and 1986 which may provide coverage. All of the insurers have  
14 been contacted. Most have signed confidentiality agreements and have been provided detailed  
15 information about the environmental liabilities. Because the coverage issues involve complex  
16 legal and factual issues, the insurers have not agreed that coverage exists. However, most  
17 have agreed to enter into negotiations in an effort to resolve the claims. Given the complexity of  
18 the claims, negotiations are expected to be lengthy. NW Natural will pursue litigation against  
19 any of the insurers with which it is unable to reach settlements within a reasonable period of  
20 time.

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

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6 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

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

2                           Inara K. Scott, Manager  
3                           Rates & Regulatory Affairs  
4                           NW Natural  
5                           220 NW Second Avenue  
6                           Portland, OR 97209-3991  
7                           Telephone: (503) 721-2476  
8                           Facsimile: (503) 721-2516  
9                           E-mail: inara.scott@nwnatural.com

10  
11                           and

12  
13                           efiling  
14                           Rates & Regulatory Affairs  
15                           NW Natural  
16                           220 NW Second Avenue  
17                           Portland, OR 97209-3991  
18                           Telephone: (503) 226-4211 ext. 3589  
19                           Facsimile: 503-721-2516  
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21

22                           DATED this 25<sup>th</sup> of February 2010.

23

24   Respectfully submitted,

25   NW NATURAL

26

27

28   /s/ Inara Scott

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30   \_\_\_\_\_  
31   Manager  
   Rates & Regulatory Affairs





February 25, 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"), amended its 2010 application 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). The amended application requests approval to defer certain expenses and revenues relative to unrecovered environmental costs associated with the Company's Tualatin site. 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.

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

I hereby certify that on the 25th day of February 2010, I served the foregoing NOTICE OF AMENDED 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.

**UM 1078 SERVICE LIST**

CARLA OWINGS  
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**UG 152 SERVICE LIST**

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DATED at Portland, Oregon, this 25th day of February 2010.

/s/ Kelley C. Miller  
Kelley C. Miller, Staff Assistant  
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