



NW Natural

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March 15, 2016

VIA ELECTRONIC FILING AND US MAIL

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

RE: UM 1732 - Application for Prudence Review of Environmental Remediation Costs Schedule 183 - 2015 Annual Report

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith its report of Environmental Remediation Costs for the period January 1, 2015 through December 31, 2015, and requests Commission review and a determination of prudence of these costs.

In accordance with Rate Schedule 183 “Site Remediation Recovery Mechanism (SRRM)” and the Commission’s Order No. 12-137 in Docket UG 221 approving Schedule 183, the Company is required to submit an annual report of environmental site remediation costs recorded in the deferral account through March 31 of the report year. The Company proposed to change the reporting cycle to a calendar year cycle in the compliance phase of Docket UM 1635. In the Company’s last annual report filed in UM 1732, the Company transitioned to the calendar year reporting cycle by seeking review of environmental remediation costs from April 1, 2014 through December 31, 2014. Those costs were found prudent in Order No. 16-069. The 2015 annual report will implement the full calendar year report year from January 1, 2015 through December 31, 2015.

Please feel free to call me at 503.226.4211 ext. 5858 if you have any questions.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates Analyst

Attachments: Report Narrative
Exhibit A
Exhibit B
Exhibit C (CD by U.S. mail)

NW NATURAL

**SCHEDULE 183 - 2015 ANNUAL REPORT
ENVIRONMENTAL SITE REMEDIATION AND RECOVERY MECHANISM (SRRM)**

JANUARY 1, 2015 – DECEMBER 31, 2015

In accordance with Rate Schedule 183 and the Oregon Public Utility Commission (“Commission”) Order No. 12-137 in Docket UG 221, implementing Northwest Natural Gas Company’s (“NW Natural” or “Company”) Site Remediation and Recovery Mechanism (SRRM), NW Natural provides the following information to allow the Commission, Staff, and any parties to review for prudence NW Natural’s environmental remediation expenses incurred between January 1 of 2015 and December 31 of 2015. NW Natural submits this information so that review of the expenses can be conducted before they are included in the SRRM for rates effective November 1, 2016.

A. 2015 Remediation Activities

NW Natural has eight sites at which the Oregon Department of Environmental Quality (DEQ) or the Environmental Protection Agency (EPA) has required clean-up. These include: Portland Harbor, Portland Gas Manufacturing (PGM), Gasco, Siltronic, Central, Eugene Water Electric Board, French American International School, and Oregon Steel.¹ NW Natural also incurred litigation costs related to recovery of insurance proceeds and minor litigation costs related to collections under the settlement agreements.

Total expenditures by site (or activity) for the period of January 1, 2015 through December 31, of 2015, are as follows:

<u>SITE</u>	<u>AMOUNT</u>
Gasco (1)	\$7,921,365
Siltronic	263,409
Harbor	1,820,552
PGM	459,376
Central	120,641
	<hr/>
	\$10,585,343

(1) Includes Gasco Uplands, Sediments,
and operation of Source Control.

These expenditures are further detailed in Exhibit A and B of this Report. Descriptions of the significant activities at these sites for this period are described below.

¹ The remediation at the Eugene Water and Electric Board and French American International School sites is now complete.

B. Portland Harbor

The Portland Harbor site is a stretch of approximately ten miles along the Willamette River that is listed as a Superfund site by the Environmental Protection Agency (EPA). Investigation of the site is being managed by a consortium of potentially responsible entities known as the Lower Willamette Group (LWG), under EPA's oversight. NW Natural is a member of the LWG and is co-funding the work performed with other members of the LWG. As of March 1, 2016, the Portland Harbor site is still in the feasibility study phase of remediation.

NW Natural also participates in the Portland Harbor Natural Resource Damage (NRD) cooperative assessment process. During the period of January through December 2015, the Company worked with the Natural Resource Trustees in the NRD cooperative process on pathways to reach settlement.

C. PGM

The PGM site covers approximately 3.7 upland acres and is located on the Willamette River near the Steel Bridge. The location of the former PGM is now a fully developed part of downtown Portland. NW Natural is managing this site as the PGM Project under DEQ's oversight. During the period of January through December 2015, NW prepared and submitted the Feasibility Study to the DEQ.

D. Gasco

The Gasco site covers approximately 45 acres and is located on the Willamette River between the St. Johns Bridge and the Railroad Bridge. The manufacturing facility is gone, and the site is currently occupied by the Company's Portland liquefied natural gas storage facility and two tenant facilities. Work at this site consists of various projects: the Uplands Project, the Sediments Project, and the Source Control Project. These projects are subject to EPA and DEQ oversight.

The Gasco Upland site is now in the feasibility study phase. The primary work activities conducted in 2015 were finalizing the risk assessment and performing upland groundwater monitoring activities, and the initial scoping of the feasibility study. Offshore boom maintenance and work on the temporary treatment unit for LNG containment basin storm water and groundwater were also performed.

The Sediments site is still in the Engineering Evaluation/Cost Analysis (EE/CA) phase. In 2015, NW Natural continued to work with EPA on its regulatory requirements for the site. Although revision of the EE/CA has been delayed due to a delay in the release of the EPA Portland Harbor Superfund Site Feasibility Study, NW Natural continued to work with EPA to incorporate the results of the EE/CA into EPA's proposed plan for Portland Harbor. The Company also conducted monthly visual monitoring of the shoreline area in the direct vicinity of the pilot cap area.

Construction of the Source Control wells was completed in October 2013. DEQ-required testing of the source control system is ongoing. The Company will continue to incur costs associated with operating the wells and environmental regulatory oversight.

E. Siltronic

The Siltronic site is adjacent to the Gasco site. The land is now owned by Siltronic Corporation ("Siltronic"), but approximately 38.5 acres of it was previously owned by NW Natural's predecessor company, Portland Gas & Coke (PG&C). Some of the contamination at the site resulted from PG&C's use of approximately 400 feet of the property adjacent to the Gasco site for storage and management of MGP residuals. Subsequent owners of the Siltronic site placed a significant amount of fill on the property and redistributed MGP material across the property. Other contaminants from different sources, including Siltronic's own operations, also exist at the site. The Siltronic site is managed by Siltronic and NW Natural under DEQ's oversight. The Siltronic Project consists of all of NW Natural's work on the site that is not covered by the other two Gasco site projects.

Siltronic is still in the investigation phase. The primary work performed during the period of January through December 2015 was quarterly routine groundwater monitoring activities, and access negotiations to complete sampling on the adjacent railroad right of way.

F. Central

The Central Service Center is the former site for company operations including as a gas holder site and other activities. At the end of 2006, the Central Service Center site was identified by DEQ for cleanup and ranked as a high priority site.

During the period of January 2015 through January 2016, the company completed the following tasks:

1. Finalized and submitted to Oregon DEQ a Remedial Investigation and Risk Assessment (RI/RA) report which characterized the legacy environmental impacts associated with the site's historical operations, assessed the environmental and human health risks associated with those impacts, and provided recommendations for moving the site forward.
2. Decommissioned all remaining Underground Injection Control (UIC) wells (6) so that Oregon DEQ can consider removing NW Natural from the UIC program.
3. Completed cleanup activities related to the former holder pad #7, including soil/sediment removal of contaminated media on and around the holder pad and the decommissioning of a defunct historical oil-water separator associated the former operation of the holder pad.

G. Major Reports and Communications with Environmental Regulators

To assist the Commission, Staff, and any parties in reviewing NW Natural's costs for the January 1 2015 to December 31 2015 period, the Company is providing the major reports and communications with environmental regulators related to the activities described above, which can be found in Exhibit C.

NW Natural
UM 1732 - Exhibit A

Deferred Environmental Remediation Costs and Insurance Proceeds

For the period of January 1, 2015 through December 31, 2015

1 Refer to Exhibit B for the deferred costs for each site broken out by work tasks

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3 Debit (Credit)

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Month/Year	GASCO (1)	HARBOR	SILTRONIC	FRONT (PGM)	CENTRAL	TOTAL	
						REMEDIATION SPEND	INSURANCE & 3RD PARTY RECOVERY
(a)	(b)	(c)	(d)	(e)	(f)	(g) = sum (b)-(f)	(h)
Jan-15	1,022,807	379,668	12,650	52,863	-	1,467,989	(9,281)
Feb-15	726,768	(357)	32,217	941	164	759,733	-
Mar-15	602,978	384,295	24,815	75,570	-	1,087,659	(18,707)
Apr-15	502,466	58,516	22,624	16,133	4,657	604,396	(4,489)
May-15	1,007,674	91,448	3,908	3,511	9,004	1,115,546	-
Jun-15	444,247	56,795	15,270	108,256	3,593	628,160	(10,301)
Jul-15	674,243	174,250	54,649	66,009	1,294	970,445	-
Aug-15	658,709	147,603	12,583	38,680	1,161	858,736	-
Sep-15	485,152	58,358	17,459	25,062	476	586,508	(6,725)
Oct-15	464,992	157,891	31,540	28,616	97,096	780,135	-
Nov-15	422,582	76,285	(5,478)	5,308	-	498,696	-
Dec-15	908,746	235,799	41,173	38,427	3,197	1,227,342	(17,331)
	7,921,365	1,820,552	263,409	459,376	120,641	10,585,343	(66,833)

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22 Notes:

23 (1) Includes the operating costs of Gasco Source Control.

**NW Natural
UM 1732 - Exhibit B
Task Detail - Deferred Environmental Remediation Costs and Insurance Proceeds**
For the period of January 1, 2015 through December 31, 2015

Note: Monthly totals by site agree to the amounts presented in the Exhibit A Summary

Sum of Amount Row Labels Central	Column Labels 2015												Grand Total
	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	
Study	164	164		4,657	9,004	3,593	1,294	1,161	476	134,913	(37,817)	3,197	120,641
Central Total	164	164		4,657	9,004	3,593	1,294	1,161	476	134,913	(37,817)	3,197	120,641
Gasco Sediments													
DEQ			(0)							424			424
EE/CA and Data Report	11,461		2,811		464	52,755	15,367	30,772	17,207	28,372		12,177	171,384
Legal - PLG - Gasco Sediments Remedy	1,814	1,571	360	4,927	1,157	144	2,627	1,972	1,937	3,600	14,886	12,999	47,994
Meetings, Budget, Schedule	161		542		803	2,321	401	1,753	637	731		1,109	8,457
Preliminary Design	164		46,650		50,819	13,418						141,513	111,051
EPA		206,201	(89)									347,626	347,626
Trustees		5,842	1,200			14,602						21,644	21,644
Gasco Sediments Total	13,600	213,614	51,473	4,927	53,242	83,239	18,395	34,496	19,781	33,127	14,886	167,798	708,579
Gasco Source Control													
Groundwater Pilot Study	24	25	24	24	24	24	23	23	24	25	25	26	291
NWN Direct Costs	23,897	19,850	(68,187)	7,621	40,438	1,646	7,947	8,973	10,919	14,578	10,068	14,568	92,317
Legal - PLG - Gasco Source Controls		9,991	1,296	9,137	24,716	9,316	4,982	14,124	2,472	7,869	25,498	21,676	131,077
Optimization of Water Treatment Plant	756,648	455,357	303,315	452,219	707,206	140,016	461,216	474,363	289,989	213,635	354,907	520,322	5,129,194
Gasco Source Control Total	780,570	485,223	236,449	469,001	772,384	151,002	474,167	497,484	303,403	236,106	390,498	556,592	5,352,878
Gasco Uplands													
DEQ	16,690	15,006	30,825		21,103	44,842		48,352	29,347	58,023	43,859		308,046
Final RI	9,610	8,283		24,187		6,909	61,197	(15,864)	40,412	13,722	(54,645)	16,771	110,581
Finalize Risk Assessment	60,171	857	1,900	146	6,997	4,027	15,854	(11,579)	(2,703)	76	(76)		75,669
Gasco Other	10,000							5,000				10,000	25,000
Insurance Recovery	1,113	3,300	827	(13,000)	197	147							(7,416)
Interim Action Maintenance	1,872	731	2,619	1,373	2,074	5,094	6,312	1,415	2,630	1,524	158	2,473	28,273
Legal - PLG - Gasco Site Remedy	27,902	(2,920)	7,714	6,890	9,180	7,215	8,497	6,413	2,600	18,912	19,664	19,029	131,096
Restoration Evaluation	155		23,676		1,103	559	276	42		47		47	25,905
Sediments - LWG Related	5,005		51,086		29,155	24,307	2,501	2,359	13,390	5,101		2,787	135,669
Site Wide FS	58,051	98	96,609	1,853	50,197	14,553	8,085	36,407	39,119	48,676	4,193	78,130	435,968
Technical Coordination	38,252	2,578	99,619	7,088	62,043	102,353	78,961	54,203	37,174	49,677	4,046	55,120	591,116
Insurance Litigation													
Gasco Uplands Total	228,819	27,932	314,874	28,538	182,048	210,006	181,681	126,729	161,968	195,759	17,198	184,357	1,859,907
Harbor													
Legal - PLG	38,286	(6,423)	207,194	45,192	104,395	52,215	171,353	82,230	56,354	106,701	76,065	164,189	1,097,750
Lower Willamette Group	341,382		144,828					41,364		52,760			580,334
Remedial Allocation Process			24,000					24,000					48,000
Trustees													
Legal - PLG NRD		6,066	8,273	13,324	(12,947)	4,580	2,897	8	2,005	(1,569)	220	484	23,341
Harbor Total	379,668	(357)	384,295	58,516	91,448	56,795	174,250	147,603	58,358	157,891	76,285	235,799	1,820,552

Sum of Amount Row Labels	Column Labels												Grand Total
	2015												
	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	
PGM													
DEQ	2,770	869	5,036	2,317	3,511	5,071	9,175	2,219	4,730	8,168	844	4,123	32,023
Legal - PLG	324	72	12,829	13,816	3,511	1,006		1,400	2,484	(324)	4,464		52,880
Sediment Investigation 2nd Ph Work Plan	376												376
Upland Investigation 2nd Ph Implement	5,517		3,795			15,060	6,018	6,359	1,781	4,529		7,873	89,290
Upland Investigation 2nd Ph Work Plan	43,876		53,910			87,119	50,816	28,702	16,068	16,243		26,431	279,289
Feasibility Study													5,517
PGM Total	52,863	941	75,570	16,133	3,511	108,256	66,009	38,680	25,062	28,616	5,308	38,427	459,376
Siltronic													
DEQ	291	1,851	1,359		2,462	949	3,172	6,398	1,383	1,965	3,167		22,997
Meetings, Budget, Schedule	944	1,170	812	1,276	47	2,319	1,616	1,153	910	786	104	2,245	13,381
RI Investigations/Reporting	11,415	11,884	18,287	20,214	355	11,570	46,710	2,299	6,158	13,598	930	37,908	181,329
Risk Assessment									774			395	1,169
Legal - PLG - Gasco Siltronic MGP RI/FS		17,313	4,358	1,134	1,044	432	3,150	2,733	8,233	15,191	(9,679)	625	44,534
Siltronic Total	12,650	32,217	24,815	22,624	3,908	15,270	54,649	12,583	17,459	31,540	(5,478)	41,173	263,409
Grand Total	1,468,171	759,733	1,087,476	604,396	1,115,546	628,160	970,445	858,736	586,508	817,952	460,879	1,227,342	10,585,343