

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: September 22, 2020**

REGULAR  CONSENT  EFFECTIVE DATE September 22, 2020

DATE: September 14, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: NORTHWEST NATURAL:  
(Docket No. UM 1732(4))  
Requests Prudence Review of Environmental Remediation Costs for  
Calendar Year 2019.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) request and find that the Environmental Remediation Costs from January 1, 2019 through December 31, 2019, are prudent and eligible for recovery.

**DISCUSSION:**

Issue

Whether NW Natural's environmental remediation costs incurred between January 1, 2019 and December 31, 2019, are prudent and are eligible for recovery.

Applicable law

NW Natural makes this filing in accordance with Commission Order Nos. 12-408 and 12-437 in Docket UG 221 approving Rate Schedule 183 – Site Remediation Recovery Mechanism (SRRM), and Order No.15-049 in Docket UM 1635. In Order No. 15-049, the Commission determined that environmental remediation costs incurred on and after January 1, 2013, would be reviewed annually for prudence prior to becoming eligible for offset by insurance proceeds and amounts collected in base rates or amortization under the SRRM. To determine whether a cost was prudently incurred and recoverable in

rates, "the Commission examines the objective reasonableness of a company's actions measured at the time the company acted."<sup>1</sup>

## Analysis

### *Background*

NW Natural has seven 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, Central, Eugene Water Electric Board, French American School, and Oregon Steel. The total expenditures for the period of January 1, 2019 through December 31, 2019, are \$17,260,657.

### *Staff Review*

Staff reviewed the Company's filing, associated work papers and Annual Report, in addition to issuing several data requests, to ensure that costs included for recovery are a) actually incurred; b) solely incremental and associated with the environmental and remediation activities as identified in Commission Order Nos. 12-408 and 12-437; and c) reasonable.

### *Description of expenses*

The largest expenditures for 2019 were at the Gasco site. Expenditures for the various Gasco projects totaled \$14,685,021. The Gasco site covers approximately 45 acres and is located on the Willamette River between the St. Johns Bridge and the Railroad Bridge. 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. In 2019, NW Natural continued work with DEQ to integrate the data sets from the parcel currently owned by Siltronic into the Gasco data set, develop an addendum to the Gasco risk assessment, and addressed DEQ comments on the interim feasibility study submitted in 2018.

During 2019, NW Natural also evaluated whether potential source control measures might be appropriate following removal of improvements by a departing tenant and modifications to the liquefied natural gas storage facility. EPA's January 2017 ROD for Portland Harbor included a selected remedy for the Gasco Sediments site.

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<sup>1</sup> *In re PacifiCorp, dba Pacific Power, Application for an Accounting Order Regarding Excess Net Power Costs*, Docket No. UM 995, Order No. 02-469 at 4 (July 18, 2002).

In 2019, NW Natural worked with EPA to reach agreement on technical approaches for the use of site-specific information and data, including information and data developed for the 2012 Engineering Evaluation/Cost Analysis, to refine technology assignments and other aspects of the ROD. NW Natural also performed remedial design field investigations in 2019; the Company expects to complete those investigations in 2020. The Company also conducted monthly visual monitoring of the shoreline area in the direct vicinity of the pilot cap area.

Expenditures related to the Portland Harbor site in 2019 were \$1,224,059. The Portland Harbor site is a stretch of approximately 10 miles along the Willamette River that has been designated as a Superfund site by the EPA. The EPA issued its ROD for the entire site in January 2017, estimating a total remediation cost of \$1.05 billion over a 13-year cleanup period to be allocated among potentially responsible parties.

In December 2018, EPA requested that Portland Harbor responsible parties, including NW Natural, enter into consent orders to perform remedial design work. EPA offered to delay initiation of consent decree negotiations or other enforcement action for harbor-wide cleanup in exchange for these remedial design commitments. NW Natural incurred costs in 2019 negotiating with EPA and other responsible parties to address EPA's request for additional remedial design work. NW Natural also incurred costs in 2019 in preparation for the harbor-wide allocation.

The PGM site covers approximately 3.7 upland acres along the Willamette River near the Steel Bridge. Expenditures at this site were \$1,348,989. The Company prepared remedial design documents for the cleanup in 2019, and worked to obtain necessary permits, access agreements, and easements for the cleanup. Construction is expected to be completed in 2020.

At the Central Service Center site, NWN finalized and submitted to Oregon DEQ a Contaminated Media Management Plan per the conditions of the site's No Further Action Determination. There were no other actions required during this time period. Expenditures at this site in 2019 were \$2,588.

### Conclusion

Staff concludes that the Company's expenditures in 2019 are reasonable and consistent with the remediation activities identified in Order Nos. 12-408 and 12-437. Accordingly, Staff recommends that the Commission find that that NW Natural's Environmental Remediation Costs from January 1, 2019 through December 31, 2019, are prudent and eligible for recovery through the SRRM.

Docket No. UM 1732(4)  
September 14, 2020  
Page 4

**PROPOSED COMMISSION MOTION:**

Approve Northwest Natural's request to find that the Environmental Remediation Costs from January 1, 2019 through December 31, 2019, are prudent and eligible for recovery.

NWN UM 1732(4) SRRM 2019 Prudence Review