

**PUBLIC UTILITY COMMISSION OF OREGON
CONFIDENTIAL STAFF REPORT
PUBLIC MEETING DATE: September 7, 2021**

REGULAR CONSENT EFFECTIVE DATE September 7, 2021

DATE: August 27, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

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

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1732(5))
Requests Prudence Review of Environmental Remediation Costs for
Calendar Year 2020.

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, 2020 through December 31, 2020, are prudent and eligible for recovery.

DISCUSSION

Whether NW Natural's environmental remediation costs incurred between January 1, 2020 and December 31, 2020 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 No. UG 221 approving Rate Schedule 183 – Site Remediation Recovery Mechanism (SRRM), and Order No.15-049 in Docket No. 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."¹

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, 2020 through December 31, 2020, are \$29,103,672.

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 2020 were at the Gasco site. Expenditures for the various Gasco projects totaled \$17,840,949. 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 2020, 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 2020, NW Natural also implemented interim source control measures, including a system to collect shallow groundwater across a portion of the site. EPA's January 2017 ROD for Portland Harbor included a selected remedy for the Gasco Sediments site.

¹ *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 2020, NW Natural completed remedial design field investigations. 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 2020 were \$1,279,383.

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 2020 negotiating with EPA and other responsible parties to address EPA's request for additional remedial design work.

In March 2020, EPA and NW Natural agreed to amend the 2009 EPA Consent Order for the Gasco Sediments Site to include remedial design work at two additional Portland Harbor project areas – the US Moorings Project Area and the B1 Navigation Channel Project Area. NW Natural incurred costs in 2020 to develop and negotiate work plans for pre-design investigations in these two project areas, negotiate access agreements, and implement Phase 1 data gaps investigations. The Company also incurred costs 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 \$9,983,340 in 2020. The Company prepared remedial design documents for the cleanup in 2020, and worked to obtain necessary permits, access agreements and easements for the cleanup. Construction of the remedy was completed in 2020. NW Natural will begin performing long-term monitoring of the site.

Conclusion

Staff concludes that the Company's expenditures in 2020 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, 2020 through December 31, 2020, are prudent and eligible for recovery through the SRRM.

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PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to find that the Environmental Remediation Costs from January 1, 2020 through December 31, 2020, are prudent and eligible for recovery.

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