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VIA ELECTRONIC FILING

January 22, 2021

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 most recent general rate case, UG 388. 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 “Company”),
2 hereby files with the Public Utility Commission of Oregon (“Commission”) this
3 application for reauthorization (“Application”) to use deferred accounting pursuant to
4 ORS 757.259 and OAR 860-027-0300, for the 12-month period beginning January 26,
5 2021 through January 25, 2022 for unrecovered environmental costs associated with
6 Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland
7 Harbor, Central Gas Hold, and Oregon Steel Mills. Certain portions of this filing are
8 deemed confidential, per OAR 860-001-0070, because the items have not been
9 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. NW
14 Natural provides retail natural gas service in the States of Oregon and Washington.

1 **B. Statutory Authority.**

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

5 **C. Communications.**

6 Communications regarding this Application should be addressed to:

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

14
15 Eric W. Nelsen (OSB# 192566)
16 Senior Regulatory Attorney
17 250 SW Taylor Street
18 Portland, Oregon 97204
19 Phone: (503) 610-7618
20 Email: eric.nelsen@nwnatural.com;

21
22 and

23
24 Kyle Walker, CPA
25 Rates & Regulatory Affairs
26 250 SW Taylor Street
27 Portland, Oregon 97204
28 Phone: (503) 610-7051
29 Email: kyle.walker@nwnatural.com

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

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

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

14 **E. Reasons for Application for Reauthorization of Deferred Accounting –**
15 **OAR 860-027-0300(3)(b).**

16 This application is made pursuant to ORS 757.259(2)(e), which authorizes the
17 deferral of “utility expenses or revenues, the recovery or refund of which the

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 commission finds should be deferred in order to minimize the frequency of rate changes
2 ... or to match appropriately the costs borne by and benefits received by ratepayers.”

3 The Commission authorized deferred accounting for these costs and proceeds in
4 2003 and has reauthorized the Company’s use of deferred accounting in each
5 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 determined
8 that NW Natural should continue to defer these costs and determined that they would
9 be collected through the Company’s SRRM, subject to an earnings test and prudence
10 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	262140	Injuries & Damage Reserve -----Gasco ⁶
16	262143	Injuries & damage Reserve -----Wacker (nka Siltronic)
17	262144	Injuries & Damage Reserve-----Portland Harbor
18	262145	Injuries & Damage Reserve-----Oregon Steel Mills
19	262147	Injuries & Damage Reserve-----Central Gas Hold
20	262148	Injuries & Damage Reserve-----Portland Gas (aka FrontStreet)

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

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 (aka Siltronic) site in the Gasco regulatory liability and asset accounts.

1 As environmental liabilities are paid, or as they are accrued and if insurance
2 recovery is uncertain, the costs will be deferred in the following deferred regulatory
3 asset accounts on the balance sheet:

4	186145	Environmental Inv.-----Gasco
5	186147	Environmental Inv ----- Wacker (nka Siltronic)
6	186148	Environmental Inv.-----Portland Harbor
7	186149	Environmental Inv.-----Portland Gas (aka Front Street)
8	186152	Environmental Inv.-----Oregon Steel Mills
9	186153	Environmental Inv.-----Central Gas Hold

10 NW Natural has recorded amounts estimated as insurance receivables or
11 reimbursements in Account 186160----OR Environ Recovery & Reimbursement.
12 Recoveries from insurance are, and will continue to be recorded in the 186160 accounts
13 and will offset the recorded expenses for purpose of amortization as determined by the
14 Commission.

15 **G. Estimated Accounts Subject to Deferral – OAR 860-027-0300(3)(d).**

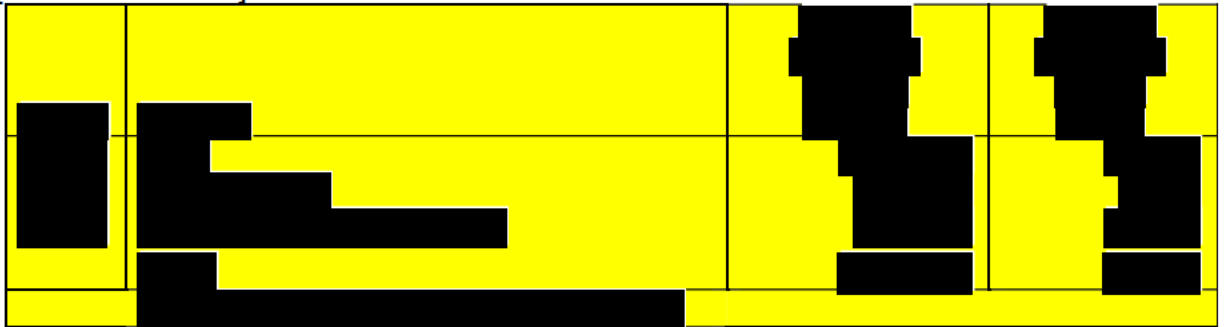
16 The Company will incur additional site study, clean-up, potential natural resource
17 damages, DEQ/Environment Protection Agency, tribe and natural resource damage
18 trustee oversight, and legal costs as well as administrative expenses related to
19 feasibility studies and remediation activities associated with these sites. Environmental
20 Costs will be charged to deferred regulatory asset accounts. Insurance recoveries and
21 other proceeds will be used as offsets to deferred Environmental Costs. These
22 anticipated expenses and recoveries from insurance and other proceeds are the cause

1 of this filing. At this time, information is insufficient to more accurately estimate the total
2 potential liability for investigation and remediation costs associated with the six sites.

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

5 Below is a list of all costs and interest recorded in calendar year 2020:

6 [CONFIDENTIAL]



[CONFIDENTIAL]

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

9 The deferred expense and accrued interest amounts listed above only include
10 costs incurred from January 1, 2020 through December 31, 2020 not yet deemed
11 prudent. NW Natural has received [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] in
12 insurance or other proceeds from January 1, 2020 through December 31, 2020.

13 As of December 31, 2020, the Company has spent approximately
14 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] on environmental remediation and
15 recovered [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] in insurance and other
16 proceeds.

1 The costs found prudent by the Commission and allowed for recovery are
2 included in the SRRM Post Prudent account. The balance in that account as of
3 December 31, 2020 was [CONFIDENTIAL] [REDACTED]. [CONFIDENTIAL]

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

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

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

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

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

12 **1. A completed Summary Sheet, the location in the PGA filing, and an**
13 **account map that highlights the transfer of dollars from one account to**
14 **another.**

15 The Summary Sheet will be included in the 2021 PGA filing work papers and
16 in the electronic file entitled "Proposed Temps Oregon 2021-22 PGA
17 filing.xlsx."

18 **2. The effective date of the deferral**

19 This application is for the 12-month period beginning January 26, 2021 and
20 ending January 25, 2022.

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

22 Approval to defer Environmental Costs was last granted under Commission
23 Order No. 20-046.

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

2 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] was deferred in the 2020
3 calendar year. This amount includes [CONFIDENTIAL] [REDACTED]
4 [CONFIDENTIAL] in interest on the deferred payments. These amounts do
5 not include the effect of offsetting insurance payments.

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

7 The Commission authorized NW Natural to collect [CONFIDENTIAL]
8 [REDACTED] [CONFIDENTIAL] of costs deemed prudent (excluding revenue
9 sensitive effects) for the period November 1, 2020 through October 31, 2021.
10 The remaining balance to be amortized as of December 31, 2020 was
11 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL]

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

13 The interest rate for deferral accounts is 6.965%. As directed in the
14 Commission's Order Nos. 12-408 and 12-437 issued in UG 221, a different
15 interest rate will apply once the amounts have been reviewed for prudence,
16 and until they are amortized.

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

18 A notice of this Application has been served on the all parties who participated in
19 the Company's most recent general rate case, UG 388, and is attached to this
20 Application.

21 NW Natural respectfully requests that the Commission issue an order
22 reauthorizing the Company to defer the expenses described in the Application to ensure
23 that the Company will be authorized to seek to recover environmental costs associated

1 with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland
2 Harbor, Central Gas Hold, and Oregon Steel Mills beginning January 26, 2021.

3 DATED this 22nd day of January 2021.

4 Respectfully Submitted,

5
6 NW NATURAL

7
8 /s/ Kyle Walker, CPA

9 Kyle Walker, CPA
10 Rates/Regulatory Manager

11
12 /s/ Eric W. Nelsen

13 Eric W. Nelsen (OSB# 192566)
14 Senior Regulatory Attorney



UM 1078

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

January 22, 2021

To All Parties Who Participated in UG 388

Please be advised that on January 22, 2021 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, pursuant to the provisions of ORS 757.259 and OAR 860-027-0300.

This is not a rate case. The purpose of this Notice is to inform parties who participated in the Company's most recent general rate case, UG 388, that a Deferral Reauthorization application 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) 378-6636**

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 22, 2021 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 who participated in the Company's general rate case, UG 388.

UG 388

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DATED at Troutdale, Oregon, this 22nd day of January 2021.

/s/ Erica Lee-Pella
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