

Rates and Regulatory Affairs
Facsimile: 503.721.2516



January 20, 2009

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, Northeast, Suite 215
Post Office Box 2148
Salem, Oregon 97308-2148

ATTN: Filing Center

Re: **OPUC Docket UM 1078:** Application for Reauthorization of Deferred Accounting of Certain Expenses or Revenues – Unrecovered Environmental Costs

In accordance with ORS 757.125, 757. 259(2)(e), and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith the above-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.

A notice concerning this 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 K. Scott

Inara K. Scott
Manager, Rates and Regulatory Affairs

enclosures

cc: UM 1078 Service List
UG 152 Service List

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3
4 OREGON

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6
7 **UM 1078**

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9 In the Matter of the Application)
10 by NORTHWEST NATURAL GAS COMPANY,)
11 dba NW NATURAL, for Reauthorization)
12 to Defer Certain Expenses or Revenues)
13 Pursuant to ORS 757.259)

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16 APPLICATION FOR REAUTHORIZATION
17 TO DEFER CERTAIN EXPENSES OR REVENUES

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20 Northwest Natural Gas Company, dba NW Natural (NW Natural or
21 Company), hereby files with the Public Utility Commission of Oregon (Commission) this
22 application for reauthorization (Application) to use deferred accounting pursuant to ORS
23 727.210 and 757.259, and OAR 860-027-0300, for the 12-month period beginning
24 January 26, 2009. The Company's last reauthorization was for the 12-month period
25 January 26, 2008 through January 25, 2009. This application seeks reauthorization for
26 the period beginning January 26, 2009 through January 25, 2010.

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

- 29 1. A description of the utility expenses or revenues for which deferred
30 accounting is requested:

1 NW Natural seeks authorization to record all environmental costs, which
2 shall include, but are not necessarily limited to, all costs related to investigation, study,
3 monitoring, oversight, legal and remediation costs, and all costs associated with
4 pursuing insurance recoveries (hereafter "Environmental Costs") that are associated
5 with the nine projects: eight were described in more detail in the Company's initial
6 Application dated April 4, 2003; the ninth project designated as the French American
7 International School (FAIS), was described in the Company's January 25, 2008 filing.

8 2. Justification for the deferred accounting requested with reference to the
9 sections of ORS 757.259 under which deferral can be authorized:

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

15 3. The accounts proposed for recording the amounts to be deferred and the
16 accounts that would be used for recording the amounts in the absence of approval of
17 deferred accounting are as follows:

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

21	262140	Injuries & Damage Reserve -----Gasco
22	262143	Injuries & Damage Reserve-----Wacker (<i>nka</i> Siltronic)
23	262144	Injuries & Damage Reserve-----Portland Harbor
24	262145	Injuries & Damage Reserve-----Oregon Steel Mills

2 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1	262146	Injuries & Damage Reserve-----Tar Body (a subset of
2		Portland Harbor)
3	262147	Injuries & Damage Reserve-----Central Gas Hold
4	262149	Injuries & Damage Reserve-----French American
5		International School (FAIS)

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

9	186145	Environmental Inv.-----Gasco
10	186146	Environmental Inv.-----EWEB (<i>aka</i> Eugene)
11	186147	Environmental Inv.-----Wacker (<i>nka</i> Siltronic)
12	186148	Environmental Inv.-----Portland Harbor
13	186149	Environmental Inv.-----Portland Gas (<i>aka</i> Front Street)
14	186151	Environmental Inv.-----Tar Body (a subset of Portland
15		Harbor)
16	186152	Environmental Inv.-----Oregon Steel Mills
17	186153	Environmental Inv-----Central Gas Hold
18	186154	Environmental Inv-----French American International
19		School (FAIS)

20 NW Natural has recorded amounts estimated as insurance receivables,
21 Account 143008----Insurance Recovery for Gasco and Portland Harbor and Account
22 186260----Deferred Regulatory Receivable-Environmental. The total balance in the
23 receivable accounts is currently \$1,075,475. The estimated insurance receivable
24 reduced the amount charged to the O&M expense. Any recoveries from insurance
25 would be recorded in the 143008 or 186260 accounts.

3 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 NW Natural proposes to defer, in accordance with ORS 757.259(2)(e), the
2 Environmental Costs associated with the nine identified sites, commencing with the
3 current expiration date of this matter (January 26, 2009). NW Natural contemplates
4 recording of authorized deferred expenses and insurance recoveries until the net
5 Environmental Costs can be addressed in a future general rate case filing, in
6 compliance with the Commission's Order No. 06-211, dated April 27, 2006, in this
7 matter. As the nine sites are at different study and remediation stages, NW Natural may
8 present to the Commission a proposed ratemaking treatment for deferred costs
9 associated with a particular site, should costs and remediation at the particular site
10 become known and certain. At the time of consideration for incorporation into rates,
11 NW Natural will propose an appropriate amortization period for the Environmental Costs
12 for the Commission's consideration. NW Natural does not request a determination of
13 ratemaking treatment of the Environmental Costs at this time.

14 4. An estimate of the amount to be recorded in the deferred accounts for the
15 12-month period subsequent to the Application:

16 The Company will incur additional site study, clean-up, potential natural
17 resource damages, DEQ/Environment Protection Agency, tribe and natural resource
18 damage 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 will
21 be used as offsets to deferred Environmental Costs. These anticipated expenses and
22 recoveries from insurance are the cause of this filing. At this time, information is
23 insufficient to more accurately estimate the total potential liability for investigation and
24 remediation costs associated with the nine sites, or to accurately estimate the
25 corresponding total insurance recovery amounts.

4 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 5. A description and explanation of the entries in the deferred accounts:
 2 Below is a list of all liabilities, costs and interest that has been recorded as of
 3 December 31, 2008:

Account	Site Name	Recorded Liability	Recorded Expense*	Accrued Interest on Recorded Expense
186145	Gasco	\$34,008,667	\$12,242,401	\$1,617,749
186146	EWEB	\$0	\$122,812	\$27,159
186147	Wacker (<i>nka</i> Siltronic)	\$2,590,490	\$1,485,733	\$172,757
186148	Portland Harbor	\$22,265,800	\$9,350,899	\$1,548,698
186149	Portland Gas	\$337,770	\$47,024	\$3,593
185151	Tar Body (a subset of Portland Harbor)	\$10,822,700	\$12,714,164	\$2,643,666
186152	Oregon Steel Mills	\$200,000	\$26,864	\$5,941
186153	Central Gas Hold	\$545,000	\$21,622	\$2,407
186154	French American International School (FAIS)	\$104,002	\$109,197	\$2,277
	TOTAL	\$70,874,429	\$36,120,715	\$6,024,247

* Recorded Expense includes accrued interest

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

6 6. Interest on Deferred Balances:

7 As part of this reauthorization, The Company requests for continued permission
 8 to accrue interest to the deferred actual cash expenses. The Commission has allowed
 9 the Company to collect interest on deferred balances as stated in Commission Order
 10 Nos. 06-211, 07-147 and 08-247. As of 2008, the Company has spent over \$36 million
 11 on projects. As those amounts continue to be outstanding in anticipation of insurance
 12 offsets or recovery from ratepayers, financing the spent amounts is an ongoing burden.
 13 As insurance proceeds are attained, they will be used to draw down the amounts
 14 outstanding, until final ratemaking is determined for the deferred accounts and interest
 15 on the balance would be affected accordingly. Please note, that the Company does not
 16 accrue interest on the recorded liability.

5 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 7. Reason for the continued request to defer accounting.

2 Since early 2006, NW Natural has been aggressively pursuing recovery of
3 insurance for its environmental liabilities. It has identified and analyzed all of the liability
4 insurance policies issued between the early 1940s and 1986 which may provide
5 coverage. All of the insurers have been contacted. Most have signed confidentiality
6 agreements and have been provided detailed information about the environmental
7 liabilities. Because the coverage issues involve complex legal and factual issues, the
8 insurers have not agreed that coverage exists. However, they have agreed to enter into
9 negotiations in an effort to resolve the claims. Given the complexity of the claims,
10 negotiations are expected to be lengthy. NW Natural has stated that it will pursue
11 litigation against any of the insurers with which it is unable to reach settlements.

12 8. A notice of this Application has been served on the UM 1078 service list
13 and on all parties who participated in the Company's most recent general rate case, UG
14 152, and is attached to this Application.

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

16 Inara K. Scott, Manager
17 Rates & Regulatory Affairs
18 NW Natural
19 220 NW Second Avenue
20 Portland, OR 97209-3991
21 Telephone: (503) 721-2476
22 Facsimile: (503) 721-2516
23 E-mail: inara.scott@nwnatural.com

24
25 and

26
27 efiling
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DATED this 20th day of January, 2009.

Respectfully submitted,

NW NATURAL

/s/ Inara K. Scott
Manager
Rates & Regulatory Affairs



January 20, 2009

**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"), applied 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). 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 N.W. Second Ave.
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 ext 3590

Public Utility Commission of Oregon
Attn: Judy Johnson
550 Capitol St., N.E., Ste. 215
P. O. 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.



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

I hereby certify that on the 20th day of January 2009, I served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES upon the parties or attorneys of parties listed below by U.S. mail, postage prepaid.

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DATED at Portland, Oregon, this 20th day of January 2009.

/s/ Kelley C. Miller
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