

Rates and Regulatory Affairs
Facsimile: 503.721.2516



January 21, 2010

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, NE, 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, ORS 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, Eugene Water and Electric Board, Central Gas Hold, Oregon Steel Mills, and the French American International 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 (503) 226-4211, extension 3590, if you have any questions or require any further information.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson
Manager, Rates and Regulatory Affairs

enclosures

1 BEFORE THE PUBLIC UTILITY COMMISSION

2 OF

3 OREGON

4 **UM 1078**

5 In the Matter of the Application)
6 by NORTHWEST NATURAL GAS COMPANY,)
7 dba NW NATURAL, for Reauthorization)
8 to Defer Certain Expenses or Revenues)
9 Pursuant to ORS 757.259)

10 APPLICATION FOR REAUTHORIZATION
11 TO DEFER CERTAIN EXPENSES OR REVENUES

12 Northwest Natural Gas Company, dba NW Natural (NW Natural or Company),
13 hereby files with the Public Utility Commission of Oregon (Commission) this application
14 for reauthorization (Application) to use deferred accounting pursuant to ORS 757.210
15 and 757.259, and OAR 860-027-0300, for the 12-month period beginning January 26,
16 2011, through January 25, 2012.

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

19 **1. A description of the utility expenses or revenues for which deferred**
20 **accounting is requested. [OAR 860-027-0300 (3)(a)]:**

21 NW Natural seeks authorization to record all environmental costs, which shall
22 include, but are not necessarily limited to, all costs related to investigation, study,
23 monitoring, oversight, legal and remediation costs, and all costs associated with
24 pursuing insurance recoveries (hereafter "Environmental Costs") that are associated

1 with the nine projects: eight were described in more detail in the Company's initial
2 Application for Authorization to Defer Accounting, filed April 7, 2003; the ninth project
3 designated as the French American International School (FAIS), was described in the
4 Company's Application for Reauthorization to Defer Accounting, filed on January 25,
5 2008.

6 In addition, the Company has recently received notice from the US Army Corp of
7 Engineers that it believes that Gasco operations contributed to the contamination at its
8 US Moorings facility, which is adjacent to Gasco. If responsibility is assigned to NW
9 Natural during the deferral period, the Company may file a supplemental request to
10 begin deferring Environmental Costs associated with this site as well.

11 NW Natural is also currently attempting to determine what portion of the
12 Environmental Costs are attributable to the provision of service in Washington, and NW
13 Natural advises the Commission that it may soon be filing in Washington an application
14 for deferred accounting similar to the one in this docket.

15 **2. Justification for the deferred accounting requested with reference to**
16 **the sections of ORS 757.259 under which deferral can be authorized. [OAR 860-**
17 **027-0300 (3)(b)]:**

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

2 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 **3. The accounts proposed for recording the amounts to be deferred**
2 **and the accounts that would be used for recording the amounts in the absence of**
3 **approval of deferred accounting are as follows. [OAR 860-027-0300 (3)(c)]:**

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

7	262140	Injuries & Damage Reserve -----Gasco
8	262143	Injuries & Damage Reserve-----Wacker (<i>aka</i> Siltronic)
9	262144	Injuries & Damage Reserve-----Portland Harbor
10	262145	Injuries & Damage Reserve-----Oregon Steel Mills
11	262146	Injuries & Damage Reserve-----Tar Body (a subset of
12		Portland Harbor)
13	262147	Injuries & Damage Reserve-----Central Gas Hold
14	262149	Injuries & Damage Reserve-----French American
15		International School (FAIS)

16 As environmental liabilities are paid, or as they are accrued and if insurance
17 recovery is not likely or is uncertain, the costs will be deferred in the following deferred
18 regulatory asset accounts on the balance sheet:

19	186145	Environmental Inv.-----Gasco
20	186146	Environmental Inv.-----EWEB (<i>aka</i> Eugene)
21	186147	Environmental Inv.-----Wacker (<i>nka</i> Siltronic)
22	186148	Environmental Inv.-----Portland Harbor
23	186149	Environmental Inv.-----Portland Gas (<i>aka</i> Front Street)
24	186151	Environmental Inv.-----Tar Body (a subset of Portland
25		Harbor)

1 186152 Environmental Inv.-----Oregon Steel Mills
2 186153 Environmental Inv-----Central Gas Hold
3 186154 Environmental Inv-----French American International
4 School (FAIS)

5 NW Natural has recorded amounts estimated as insurance receivables, Account
6 143008----Insurance Recovery for Gasco and Portland Harbor and Account 186260----
7 Deferred Regulatory Receivable-Environmental. The total balance in the receivable
8 accounts is currently \$703,608. The estimated insurance receivable reduced the
9 amount charged to the O&M expense. Any recoveries from insurance would be
10 recorded in the 143008 or 186260 accounts.

11 NW Natural contemplates recording of authorized deferred expenses and
12 insurance recoveries until the net Environmental Costs can be addressed in a future
13 general rate case filing, in compliance with the Commission's Order No. 06-211, dated
14 April 27, 2006. As the nine sites are at different study and remediation stages, NW
15 Natural may present to the Commission a proposed ratemaking treatment for deferred
16 costs associated with a particular site, should costs and remediation at the particular
17 site become known and certain. At the time of consideration for incorporation into rates,
18 NW Natural will propose an appropriate amortization period for the Environmental Costs
19 for the Commission's consideration. NW Natural does not request a determination of
20 ratemaking treatment of the Environmental Costs at this time.

21 **4. An estimate of the amount to be recorded in the deferred accounts**
22 **for the 12-month period subsequent to the Application. [OAR 860-027-0300**
23 **(3)(d)]:**

24 The Company will incur additional site study, clean-up, potential natural resource
25 damages, DEQ/Environment Protection Agency, tribe and natural resource damage

1 trustee oversight, and legal costs as well as administrative expenses related to
 2 feasibility studies and remediation activities associated with these sites. Environmental
 3 Costs will be charged to deferred regulatory asset accounts. Insurance recoveries will
 4 be used as offsets to deferred Environmental Costs. These anticipated expenses and
 5 recoveries from insurance are the cause of this filing. At this time, information is
 6 insufficient to more accurately estimate the total potential liability for investigation and
 7 remediation costs associated with the nine sites, or to accurately estimate the
 8 corresponding total insurance recovery amounts.

9 **5. A description and explanation of the entries in the deferred**
 10 **accounts. [OAR 860-027-0300 (4)(a)]:**

11 Below is a list of all liabilities, costs and interest that has been recorded as of
 12 December 31, 2010:

Account	Site Name	Recorded Liability	Recorded Expense*	Accrued Interest
186145	Gasco	72,847,178	25,271,052	4,659,744
186146	EWEB	0	145,738	50,085
186147	Wacker (<i>nka</i> Siltronic)	2,907,753	2,637,729	529,056
186148	Portland Harbor	16,745,170	13,915,799	3,543,724
186149	Portland Gas (Front Street)	1,937,539	932,647	82,162
185151	Tar Body (a subset of Portland Harbor)	9,888,017	15,582,720	5,060,916
186152	Oregon Steel Mills	200,000	31,878	10,956
186153	Central Gas Hold	549,815	37,798	7,743
186154	French American International School (FAIS)	138,482	174,278	26,475
TOTAL		105,213,954	58,729,639	13,970,861
*Recorded expense includes accrued interest				

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

15 **6. Interest on Deferred Balances. [OAR 860-027-0300(4)(b)]:**

16 As part of this reauthorization, the Company requests continued permission to
 17 accrue interest to the deferred actual cash expenses. The Commission has allowed the
 18 Company to collect interest on deferred balances as stated in Commission Order Nos.

5 - APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES

1 06-211, 07-147, 08-247, 09-172, and 10-117. As of 2010, the Company has spent over
2 \$59 million on projects. As those amounts continue to be outstanding in anticipation of
3 insurance offsets or recovery from ratepayers, financing the spent amounts is an
4 ongoing burden. As insurance proceeds are attained, they will be used to draw down
5 the amounts outstanding, until final ratemaking is determined for the deferred accounts
6 and interest on the balance would be affected accordingly. Please note that the
7 Company does not accrue interest on the recorded liability.

8 **7. Reason for the continued request for deferred accounting. [OAR**
9 **860-027-0300(4)(b)]:**

10 Since early 2006, NW Natural has been pursuing recovery of insurance for its
11 environmental liabilities. It has identified and analyzed all of the liability insurance
12 policies issued between the late 1930s and 1986 which may provide coverage. All of
13 the insurers have been contacted. Most have signed confidentiality agreements and
14 have been provided detailed information about the environmental liabilities. Because
15 the coverage issues involve complex legal and factual issues, the insurers have not
16 agreed that coverage exists. However, most insurers agreed to enter into negotiations
17 in an effort to resolve the claims. In late 2010, NW Natural determined it would not be
18 able to reach settlements within a reasonable period of time, so the Company filed a
19 lawsuit against the insurers seeking a recovery of funds.

20 **8. Requirements per Commission Order No. 09-263**

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

- 23 **a. A completed Summary Sheet, the location in the PGA filing, and**
24 **an account map that highlights the transfer of dollars from one**
25 **account to another**

1 NW Natural does not currently intend to request that costs deferred
2 under UM 1078 be amortized in the 2011 PGA filing.

3 **b. The effective date of the deferral**

4 This application is for the 12-month period beginning January 26, 2011
5 through January 25, 2012.

6 **c. Prior year Order Number approving the deferral**

7 Approval to defer Environmental Costs was last granted under
8 Commission Order No. 10-117.

9 **d. The amount deferred last year**

10 \$ 12,642,266 was deferred in the last deferral year of January 26,
11 2009, through January 26, 2010. This amount includes \$4,443,792 in
12 interest.

13 **e. The amount amortized last year**

14 No costs deferred under UM 1078 were amortized for collection in
15 2010.

16 **f. The interest rate that will apply to the accounts**

17 The interest rate for deferral accounts is 8.618%.

18 **g. An estimate of the upcoming PGA-period deferral and / or**
19 **amortization**

20 For the reasons described in Section 4 above, the Company is unable
21 to estimate the costs it will incur for its environmental remediation
22 efforts in 2011.

23 8. A notice of this Application has been served on the UM 1078 service list
24 and on all parties who participated in the Company's most recent general rate case, UG
25 152, and is attached to this Application.

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

2 Jennifer Gross
3 Rates & Regulatory Affairs
4 NW Natural
5 220 NW Second Avenue
6 Portland, OR 97209-3991
7 Telephone: (503) 226-4211, ext. 3590
8 Facsimile: (503) 721-2516
9 E-mail: jennifer.gross@nwnatural.com

10
11 and

12
13 efiling
14 Rates & Regulatory Affairs
15 NW Natural
16 220 NW Second Avenue
17 Portland, OR 97209-3991
18 Telephone: (503) 226-4211 ext. 3589
19 Facsimile: 503-721-2516
20 E-mail: efiling@nwnatural.com

21

22 DATED this 21st day of January 2011.

23

24 Respectfully submitted,

25 NW NATURAL

26

27 */s/ Mark R. Thompson*

28

29 _____
30 Mark R. Thompson
 Manager, Rates & Regulatory Affairs



January 21, 2011

**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 NW Second Avenue
Portland, Oregon 97209-3991
Telephone: (503) 226-4211 ext 3590

Public Utility Commission of Oregon
Attn: Judy Johnson
550 Capitol St., NE, Ste 215
PO 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 21st day of January 2011, I served the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES OR REVENUES in dockets UM 1078 and UG 152 upon each party listed below by U.S. mail, postage prepaid, or where paper service is waived, by electronic mail.

UM 1078

CARLA BIRD
PUBLIC UTILITY COMMISSION OF
OREGON
PO BOX 2148
SALEM OR 97308-2148

UG 152

STEVEN LOUNSBURY
COOS COUNTY OFFICE OF LEGAL
COUNSEL
250 N BAXTER
COQUILLE OR 97423

JIM ABRAHAMSON
CASCADE NATURAL GAS CORP
2004 SE CLATSOP ST
PORTLAND OR 97202

GORDON FEIGNER **W**
CITIZENS' UTILITY BOARD OF OREGON
gordon@oregoncub.org

ROBERT JENKS **W**
CITIZENS' UTILITY BOARD OF OREGON
bob@oregoncub.org

G. CATRIONA MCCrackEN **W**
CITIZENS' UTILITY BOARD OF OREGON
catriona@oregoncub.org

RAYMOND MYERS **W**
CITIZENS' UTILITY BOARD OF OREGON
ray@oregoncub.org

KEVIN ELLIOTT PARKS **W**
CITIZENS' UTILITY BOARD OF OREGON
kevin@oregoncub.org

DANIEL W MEEK
ATTORNEY AT LAW
10949 SW FOURTH AVE
PORTLAND OR 97219

JOHN A CAMERON
DAVIS WRIGHT TREMAINE LLP
1300 SW FIFTH AVE STE 2300
PORTLAND OR 97201

MICHAEL T WEIRICH
DEPARTMENT OF JUSTICE
REGULATED UTILITY & BUS SECTION
1162 COURT ST NE
SALEM OR 97310-4096

TED LEHMANN
DIREXX ENERGY
2737 SE 78TH AVE STE 101
MERCER ISLAND WA 98040

EDWARD A FINKLEA
ENERGY ACTION NORTHWEST
PO BOX 8308
PORTLAND OR 97207

MELANIE L GILLETTE
MGR OF REGULATORY AFFAIRS
IGI RESOURCES INC
980 NINTH ST STE 1540
SACRAMENTO CA 95814

GORDON J SMITH
JOHN & HENGERER
1730 RHODE ISLAND AVE NW STE 600
WASHINGTON DC 20036-3116

KATHERINE A MCDOWELL
MCDOWELL RACKNER & GIBSON PC
419 SW 11TH AVE STE 400
PORTLAND OR 97205

STEVEN WEISS
NORTHWEST ENERGY COALITION
4422 OREGON TRAIL CT NE
SALEM OR 97305

PAULA E PYRON
NORTHWEST INDUSTRIAL GAS USERS
4113 WOLF BERRY CT
LAKE OSWEGO OR 97035-1827

PATRICK G HAGER
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST 1WTC0702
PORTLAND OR 97204

JUDY JOHNSON
PUBLIC UTILITY COMMISSION
PO BOX 2148
SALEM OR 97308-2148

DONALD W SCHOENBECK
REGULATORY & COGENERATION
SERVICES INC
900 WASHINGTON ST STE 780
VANCOUVER WA 98660-3455

JAY T WALDRON
SCHWABE WILLIAMSON & WYATT
1211 SW FIFTH AVE STE 1600-1900
PORTLAND OR 97204-3795

DATED at Portland, Oregon, this 21st day of January 2011

/s/ Jennifer Gross
Jennifer Gross
Rates & Regulatory Affairs
NW NATURAL
220 NW Second Avenue
Portland, Oregon 97209-3991
1.503.226.4211, extension 3590
jgg@nwnatural.com