

**KYLE WALKER, CPA**  
Rates/Regulatory Analyst  
Tel: 503.226.4211 Ext. 5858  
Fax: 503.721.2516  
Email: Kyle.Walker@nwnatural.com



January 25, 2019

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St SE, Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**RE: UM 1078 - Application for Reauthorization to Defer Certain Expenses or Revenues**

In accordance with ORS 757.259, and OAR 860-027-0300, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith 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. Portions of this filing are confidential, per OAR 860-001-0070, because certain items have not been disclosed to the public.

A notice concerning this application will be sent to all parties participating in the Company’s most recent general rate case, UG 344. A copy of the notice is part of the enclosed application.

Please address correspondence on this matter to me with copies to the following:

eFiling  
Rates & Regulatory Affairs  
NW Natural  
220 NW Second Avenue  
Portland, Oregon 97209  
Telecopier: (503) 721-2516  
Telephone: (503) 226-4211, ext. 3589  
eFiling@nwnatural.com

If you have any questions, please contact me.

Sincerely,

*/s/ Kyle Walker, CPA*

Kyle Walker, CPA  
Rates/Regulatory Affairs Analyst

Attachments

**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 757.210, ORS 757.259, and OAR 860-027-0300, for the 12-month period  
5 beginning January 26, 2019 through January 25, 2020 for unrecovered environmental  
6 costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front  
7 Street), Portland Harbor, Central Gas Hold, and Oregon Steel Mills. Certain portions of  
8 this filing are deemed confidential, per OAR 860-001-0070, because the items have not  
9 been 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  
9 220 NW Second Avenue  
10 Portland, Oregon 97209-3991  
11 Telephone: (503) 226-4211, ext. 3589  
12 Facsimile: (503) 721-2516  
13 Email: eFiling@nwnatural.com;

14  
15 Zachary D. Kravitz (OSB# 152870)  
16 Director, Rates & Regulatory Affairs  
17 220 NW Second Avenue  
18 Portland, Oregon 97209-3991  
19 Phone: (503) 220-2379  
20 Email: zdk@nwnatural.com;

21  
22 and

23  
24 Kyle Walker, CPA  
25 Rates & Regulatory Affairs  
26 220 NW Second Avenue  
27 Portland, Oregon 97209-3991  
28 Phone: (503) 226-4211 Ext. 5858  
29 Email: Kyle.Walker@nwnatural.com

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

32  
33 NW Natural seeks authorization to record all environmental costs, which shall  
34 include, but are not necessarily limited to, all costs related to investigation, study,  
35 monitoring, oversight, legal and remediation costs, and all costs associated with

1 pursuing insurance recoveries (hereafter “Environmental Costs”) that are associated  
2 with six projects at the following sites: Gasco, Wacker (aka Siltronic), Portland Harbor,  
3 Oregon Steel Mills, Central Gas Hold, and Portland Gas (aka Front Street).<sup>1</sup>

4 NW Natural has also received approval from the Washington Utilities and  
5 Transportation Commission (WUTC) to defer the Environmental Costs.<sup>2</sup> The Oregon  
6 Public Utility Commission, in Docket No. UM 1635, determined that 96.68% of the  
7 deferred costs amortized through the SRRM will be allocated to Oregon customers.

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

10 This application is made pursuant to ORS 757.259(2)(e), which authorizes the  
11 deferral of “utility expenses or revenues, the recovery or refund of which the  
12 commission finds should be deferred in order to minimize the frequency of rate changes  
13 ... or to match appropriately the costs borne by and benefits received by ratepayers.”

14 The Commission authorized deferred accounting for these costs and proceeds in  
15 2003 and has reauthorized the Company’s use of deferred accounting in each  
16 subsequent year.<sup>3</sup> Additionally, in its Order No. 12-408 issued in UG 221, the  
17 Commission authorized a cost recovery mechanism through which NW Natural will  
18

---

<sup>1</sup> 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 Site Remediation Recovery Mechanism (SRRM) Post Prudent account.

<sup>2</sup> See Order No. 1 in WUTC Docket No. UG-110199

<sup>3</sup> 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.

1 recover its environmental remediation costs. In that Order, the Commission determined  
2 that NW Natural should continue to defer these costs and determined that they would  
3 be collected through the Company’s Site Remediation and Recovery Mechanism (the  
4 “SRRM”), subject to an earnings test and prudence review.<sup>4</sup>

5 **F. Accounting – OAR 860-027-0300(3)(c).**

6 NW Natural proposes to accrue estimates of the Environmental Costs to a  
7 separate liability account for each site. The proposed balance sheet accounts to be  
8 used are:

9	262140	Injuries & Damage Reserve -----Gasco <sup>5</sup>
10	262144	Injuries & Damage Reserve-----Portland Harbor
11	262145	Injuries & Damage Reserve-----Oregon Steel Mills
12	262147	Injuries & Damage Reserve-----Central Gas Hold
13	262148	Injuries & Damage Reserve-----Portland Gas ( <i>aka</i> Front
14		Street)

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

18	186145	Environmental Inv.-----Gasco
19	186148	Environmental Inv.-----Portland Harbor
20	186149	Environmental Inv.-----Portland Gas ( <i>aka</i> Front Street)
21	186152	Environmental Inv.-----Oregon Steel Mills
22	186153	Environmental Inv.-----Central Gas Hold

---

<sup>4</sup> See page 5 of Public Utility Commission of Oregon Order No. 12-408 issued in Docket No. UG-221

<sup>5</sup> Since 2017, NW Natural has been accruing estimates and defer costs related to the Wacker (*aka* Siltronic) site in the Gasco regulatory liability and asset accounts.

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

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

7 The Company will incur additional site study, clean-up, potential natural resource  
8 damages, DEQ/Environment Protection Agency, tribe and natural resource damage  
9 trustee oversight, and legal costs as well as administrative expenses related to  
10 feasibility studies and remediation activities associated with these sites. Environmental  
11 Costs will be charged to deferred regulatory asset accounts. Insurance recoveries and  
12 other proceeds will be used as offsets to deferred Environmental Costs. These  
13 anticipated expenses and recoveries from insurance and other proceeds are the cause  
14 of this filing. At this time, information is insufficient to more accurately estimate the total  
15 potential liability for investigation and remediation costs associated with the six sites.

16 **H. Entries into deferred account during past 12 months – OAR 860-027-**  
17 **0300(4)(a)**

18 Below is a list of all costs and interest recorded in calendar year 2018: [CONFIDENTIAL]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[CONFIDENTIAL]

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

3 The deferred expense and accrued interest amounts listed above only include  
4 costs incurred from January 1, 2018 through December 31, 2018 not yet deemed  
5 prudent. NW Natural has received approximately [CONFIDENTIAL] \$ [REDACTED]  
6 [CONFIDENTIAL] in insurance or other proceeds from January 1, 2018 through  
7 December 31, 2018.

8 As of December 31, 2018, the Company has spent approximately  
9 [CONFIDENTIAL] \$ [REDACTED] [CONFIDENTIAL] on environmental remediation and  
10 recovered [CONFIDENTIAL] \$ [REDACTED] [CONFIDENTIAL] in insurance and other  
11 proceeds.

12 The costs found prudent by the Commission and allowed for recovery are  
13 included in the SRRM Post Prudent account. The balance in that account as of  
14 December 31, 2018 was [CONFIDENTIAL] \$ [REDACTED]. [CONFIDENTIAL]

15 NW Natural has also included in regulatory deferrals [CONFIDENTIAL] \$ [REDACTED]  
16 [REDACTED] [CONFIDENTIAL] of total estimated future costs.

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

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

20 **J. 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:

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

4           The Summary Sheet will be included in the 2019 PGA filing work papers and  
5           in the electronic file entitled "Proposed Temps Oregon 2019- PGA filing.xlsx."

- 6           2. **The effective date of the deferral**

7           This application is for the 12-month period beginning January 26, 2019 and  
8           ending January 25, 2020.

- 9           3. **Prior year Order Number approving the deferral**

10          Approval to defer Environmental Costs was last granted under Commission  
11          Order No. 18-120.

- 12          4. **The amount deferred last year.**

13          [CONFIDENTIAL] \$ [REDACTED] [CONFIDENTIAL] was deferred in the 2018  
14          calendar year. This amount includes [CONFIDENTIAL] \$ [REDACTED]  
15          [CONFIDENTIAL] in interest on the deferred payments. These amounts do  
16          not include the effect of offsetting insurance payments.

- 17          5. **The amount amortized last year.**

18          The Commission authorized NW Natural to collect [CONFIDENTIAL]  
19          \$ [REDACTED] [CONFIDENTIAL] of costs deemed prudent (excluding revenue  
20          sensitive effects) for the period November 1, 2018 through October 31, 2019.  
21          The remaining balance to be amortized as of December 31, 2018 was  
22          [CONFIDENTIAL] \$ [REDACTED]. [CONFIDENTIAL]

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



1 The interest rate for deferral accounts is 7.317%. As directed in the  
2 Commission's Order Nos. 12-408 and 12-437 issued in UG 221, a different  
3 interest rate will apply once the amounts have been reviewed for prudence,  
4 and until they are amortized.

5 **K. Notice – OAR 800-027-0300(3)e(6).**

6 A notice of this Application has been served on the all parties who are  
7 participating in the Company's most recent general rate case, UG 344, and is attached  
8 to this Application.

9 NW Natural respectfully requests that the Commission issue an order  
10 reauthorizing the Company to defer the expenses described in the Application to ensure  
11 that the Company will be authorized to seek to recover environmental costs associated  
12 with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland  
13 Harbor, Central Gas Hold, and Oregon Steel Mills beginning on the date of this  
14 Application.

15 DATED this 25<sup>th</sup> day of January 2019.

16 Respectfully Submitted,

17  
18 NW NATURAL

19  
20 /s/ Kyle Walker, CPA  
21 Kyle Walker, CPA  
22 Rates/Regulatory Analyst

23  
24 /s/ Zachary D. Kravitz  
25 Zachary D. Kravitz (OSB# 152870)  
26 Director, Rates & Regulatory Affairs  
27 220 NW Second Avenue  
28 Portland, Oregon 97209-3991  
29 Phone: (503) 220-2379  
30 Email: zdk@nwnatural.com



**UM 1078  
NOTICE OF APPLICATION FOR REAUTHORIZATION TO  
DEFER CERTAIN EXPENSES OR REVENUES**

January 25, 2019

**To All Parties Who Participated in UG 344:**

Please be advised that on January 25, 2019 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(2)(e).

**This is not a rate case.** The purpose of this Notice is to inform parties participating in the Company's most recent general rate case, UG 344, that a Reauthorization of Deferral 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 Public Utility Commission of Oregon as follows:

**NW Natural  
Attn: Kyle Walker, CPA  
220 NW Second Avenue  
Portland, Oregon 97209-3991  
Telephone: (503) 226-4211 Ext. 5858**

**Public Utility Commission of Oregon  
Attn: Filing Center  
201 High St SE, Suite 100  
PO Box 1088  
Salem, Oregon 97308-1088  
Telephone: (503) 378-6636**

Any person may submit to the Commission written comments on this matter by February 24, 2019. The granting of this Reauthorization of Deferral Application 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 25, 2019 I served by electronic mail the foregoing NOTICE OF APPLICATION FOR REAUTHORIZATION TO DEFER CERTAIN EXPENSES ASSOCIATED WITH UNRECOVERED ENVIRONMENTAL COSTS upon all parties of record in for the Company's most recent general rate case, UG 344.

**UG 344**

*OPUC DOCKETS  
OREGON CITIZENS UTILITY BOARD  
dockets@oregoncub.org*

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

*MICHAEL GOETZ  
OREGON CITIZENS UTILITY BOARD  
MIKE@oregoncub.org*

*MCDOWELL RACKNER &  
GIBSON PC  
dockets@mrg-law.com*

*MARIANNE GARDNER  
PUBLIC UTILITIES COMMISSION  
Marianne.gardner@state.or.us*

*STEPHANIE ANDRUS  
PUBLIC UTILITY COMMISSION  
Stephanie.andrus@state.or.us*

*BRAD MULLINS  
Mountain West Analytics  
brmullins@mwanalytics.com*

*CHAD M. STOKES  
CABLE HUSTON BENEDICT  
HAAGENSEN & LLOYD  
cstokes@cablehuston.com*

*EDWARD FINKLEA  
ALLIANCE OF WESTERN ENERGY  
CONSUMERS  
efinklea@awec.solutions*

*BRYAN CONWAY  
PUBLIC UTILITY COMMISSION  
bryan.conway@state.or.us*

DATED at Portland, Oregon, this 25<sup>th</sup> day of January 2019.

/s/ Erica Lee-Pella  
Erica Lee-Pella  
Rates & Regulatory Affairs  
NW NATURAL  
220 NW Second Avenue  
Portland, Oregon 97209-3991  
503.226.4211, extension 3589  
erica.lee@nwnatural.com