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January 20, 2020

VIA ELECTRONIC FILING AND FEDEX

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

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 recently completed general rate case, UG 344. 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
220 NW Second Avenue
Portland, Oregon 97209
Telephone: (503) 226-4211, ext. 3589
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

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 757.259 and OAR 860-027-0300, for the 12-month period beginning January 26,
5 2020 through January 25, 2021 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
9 220 NW Second Avenue
10 Portland, Oregon 97209-3991
11 Telephone: (503) 226-4211, ext. 3589
12 Facsimile: (503) 220-2579
13 Email: eFiling@nwnatural.com;

14
15 Eric W. Nelsen (OSB# 192566)
16 Senior Regulatory Attorney
17 220 NW Second Avenue
18 Portland, Oregon 97209-3991
19 Phone: (503) 721-2476
20 Email: eric.nelsen@nwnatural.com;

21
22 and

23
24 Kyle Walker, CPA
25 Rates/Regulatory Manager
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 NW Natural seeks authorization to record all environmental costs, which shall
33 include, but are not necessarily limited to, all costs related to investigation, study,
34 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).¹

4 NW Natural has also received approval from the Washington Utilities and
5 Transportation Commission (WUTC) to defer the Environmental Costs.² The Public
6 Utility Commission of Oregon, in Docket No. UM 1635, determined that 96.68% of the
7 deferred costs amortized through the SRRM will be allocated to Oregon customers.³

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.⁴ Additionally, in Order No. 12-408 issued in Docket No. UG 221, the
17 Commission authorized a cost recovery mechanism through which NW Natural will

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 Site Remediation Recovery Mechanism (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).

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.

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.⁵

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 ⁶ |
| 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) |

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 defer costs related to the Wacker (*aka* Siltronic) site in the Gasco regulatory liability and asset accounts.

1 186152 Environmental Inv.-----Oregon Steel Mills

2 186153 Environmental Inv.-----Central Gas Hold

3 NW Natural has recorded amounts estimated as insurance receivables or
4 reimbursements in Account 186160----OR Environ Recovery & Reimbursement.

5 Recoveries from insurance are, and will continue to be recorded in the 186160 accounts
6 and will offset the recorded expenses for purpose of amortization as determined by the
7 Commission.

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

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

18 **H. Entries into deferred account during past 12 months – OAR 860-027-**
19 **0300(4)(a).**

20 Below is a list of all costs and interest recorded in calendar year 2019:

21 ///

22 ///

23 ///

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

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

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

5 Below is the information required per Commission Order No. 09-263, issued in
6 Docket UM-1286, the Commission’s Investigation into Purchased Gas Adjustment
7 Mechanisms:

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

11 The Summary Sheet will be included in the 2020 PGA filing work papers and
12 in the electronic file entitled "Proposed Temps Oregon 2020-21 PGA
13 filing.xlsx."

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

15 This application is for the 12-month period beginning January 26, 2020 and
16 ending January 25, 2021.

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

18 Approval to defer Environmental Costs was last granted under Commission
19 Order No. 19-298.

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

21 [CONFIDENTIAL] [REDACTED] [CONFIDENTIAL] was deferred in the 2019
22 calendar year. This amount includes [CONFIDENTIAL] [REDACTED]
23 [CONFIDENTIAL] in interest on the deferred payments. These amounts do

1 not include the effect of offsetting insurance payments.

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

3 The Commission authorized NW Natural to collect [CONFIDENTIAL]
4 [REDACTED] [CONFIDENTIAL] of costs deemed prudent (excluding revenue
5 sensitive effects) for the period November 1, 2019 through October 31, 2020.

6 The remaining balance to be amortized as of December 31, 2019 was
7 [CONFIDENTIAL] [REDACTED]. [CONFIDENTIAL]

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

9 The interest rate for deferral accounts is 7.317%, the Company's current rate
10 of return. As directed in the Commission's Order Nos. 12-408 and 12-437
11 issued in Docket No. UG 221, a different interest rate will apply once the
12 amounts have been reviewed for prudence, and until they are amortized.

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

14 A notice of this Application has been served on the all parties who participated in
15 the Company's most recently completed general rate case, UG 344, and is attached to
16 this Application.

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

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DATED this 20th day of January 2020.

Respectfully Submitted,

NW NATURAL

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager

/s/ Eric W. Nelsen

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



UM 1078

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

January 20, 2020

To all Parties who participated in UG 344:

Please be advised that on January 20, 2020 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 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
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 19, 2020. 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 20, 2020 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 344.

UG 344

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DATED at Portland, Oregon, this 20th day of January 2020.

/s/ Erica Lee-Pella
Erica Lee-Pella
Rates & Regulatory Affairs
NW NATURAL