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COMPANY NAME: NW Natural

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Select report type: RE (Electric) RG (Gas) RW (Water) RT (Telecommunications)
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Did you previously file a similar report? No Yes, report docket number: UM 1732

Report is required by: OAR
 Statute
 Order 15-049

Note: A one-time submission required by an order is a compliance filing and not a report (file compliance in the applicable docket)

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Is this report associated with a specific docket/case? No Yes, docket number: UM 1732

List Key Words for this report. We use these to improve search results.

2018 Annual Report Site Remediation and Recovery Mechanism, SRRM, Schedule 183, Environmental Prudence Review

Send the completed Cover Sheet and the Report in an email addressed to PUC.FilingCenter@state.or.us

Send confidential information, voluminous reports, or energy utility Results of Operations Reports to PUC Filing Center, PO Box 1088, Salem, OR 97308-1088 or by delivery service to 201 High Street SE Suite 100, Salem, OR 97301.

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March 15, 2019

VIA ELECTRONIC FILING AND US MAIL

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

**RE: UM 1732 - NW Natural's Site Remediation and Recovery Mechanism
Schedule 183 2018 Annual Report**

In accordance with Rate Schedule 183 and the Commission's Order No. 12-137 in Docket UG 221, implementing NW Natural's Site Remediation and Recovery Mechanism (SRRM), NW Natural provides the enclosed annual report of NW Natural's environmental remediation expenses incurred between January 1, 2018 and December 31, 2018. Exhibit C to the report will be provided via USB drive and physically mailed following the electronic submission of this report due to its voluminous nature.

Please feel free to call if you have any questions.

Sincerely,

/s/ Kyle Walker, CPA

Kyle Walker, CPA
Rates/Regulatory Manager
(503) 226-4211 Ext. 5858
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Enclosures: Report
Exhibit A
Exhibit B
Exhibit C (USB drive by U.S. mail)

NW NATURAL

**SCHEDULE 183 - 2018 ANNUAL REPORT
ENVIRONMENTAL SITE REMEDIATION AND RECOVERY MECHANISM (SRRM)**

JANUARY 1, 2018 – DECEMBER 31, 2018

In accordance with Rate Schedule 183 and the Public Utility Commission of Oregon (“Commission”) Order No. 12-137 in Docket UG 221, implementing Northwest Natural Gas Company’s (“NW Natural” or “Company”) Site Remediation and Recovery Mechanism (SRRM), NW Natural provides the following information to allow the Commission, Staff and any interested stakeholders to review NW Natural’s environmental remediation expenses incurred between January 1, 2018 and December 31, 2018. Subject to that review, NW Natural will include these expenses in the SRRM for rates effective November 1, 2019.

A. 2018 Remediation Activities

NW Natural has seven sites at which the Oregon Department of Environmental Quality (DEQ) or the Environmental Protection Agency (EPA) has required clean-up. These include: Portland Harbor, Portland Gas Manufacturing (PGM), Gasco¹, Central, Eugene Water Electric Board, French American International School, and Oregon Steel. NW Natural also incurred litigation costs related to Portland Harbor cost recovery and natural resource damage litigation and minor litigation costs related to collections under the settlement agreements.

Total costs incurred for the period of January 1, 2018 through December 31, of 2018 by site (or activity) are listed below:

<u>SITE</u>	<u>AMOUNT</u>
Gasco (1)	\$13,259,373
Harbor	820,132
PGM	869,252
Central	13,592
	<hr/>
	\$14,962,350

(1) Includes Gasco Uplands, Sediments, operation of Source Control, and Siltronic.

These expenditures are further detailed in Exhibit A and B of this Report. Descriptions of the significant activities at these sites for this period are described below.

¹ The Gasco site includes Siltronic, as the property is now being managed as one area.

B. Portland Harbor

The Portland Harbor site is a stretch of approximately ten miles along the Willamette River that is listed as a Superfund site by the EPA.

EPA issued its Record of Decision (“ROD”) for Portland Harbor in January 2017. EPA estimates the cost of the selected remedy at \$1.05 billion net present value and projects 13 years of construction to complete active cleanup. The ROD indicates EPA will exercise site-specific flexibility during remedial design, and EPA may decide to break the site into smaller “work areas.” DEQ may take a lead role in overseeing portions of the cleanup.

EPA began implementation of the harborwide remedy through an initial round of baseline sampling. During the period of January through December 2018, the Company responded to EPA’s demand that responsible parties perform this baseline sampling. Ultimately, in December 2017, four other parties signed an order with EPA agreeing to conduct this initial sampling. NW Natural has agreed to provide \$27,500 in funding toward this work through the allocation group but was not directly involved performing the sampling. NW Natural is obligated to make a second payment of \$27,500 toward this work in 2019. NW Natural also incurred costs in 2018 in preparation for the harborwide allocation.

NW Natural also participates in the Portland Harbor Natural Resource Damage (NRD) cooperative assessment process. During the period of January through December 2018, the Company worked with the Natural Resource Trustees in the NRD cooperative process on pathways to reach settlement. On January 30, 2017, the Confederated Tribes and Bands of the Yakama Nation filed a lawsuit against NW Natural and 29 other potentially responsible parties for alleged Portland Harbor response costs and natural resource damage assessment costs related to the Portland Harbor Superfund Site, as well as natural resource damage assessment costs related to the Multnomah Channel, Lower Willamette and Columbia Rivers. The defendants, including NW Natural, filed several motions to dismiss some or all claims in the case. NW Natural, the Port of Portland, the City of Portland and the United States also filed motions to stay any portions of the case that survive the motions to dismiss. These motions were argued in April 2018, and, in January 2019, the federal magistrate judge recommended staying the case consistent with related litigation over Portland Harbor cleanup costs.

C. PGM

The PGM site covers approximately 3.7 upland acres and is located on the Willamette River near the Steel Bridge. The location of the former PGM plant is now a fully developed part of downtown Portland. NW Natural is managing this site as the PGM Project under DEQ’s oversight.

The Oregon Department of Environmental Quality issued a Record of Decision for the PGM Site in July 2017. The selected remedy requires dredging of one area of tar-like material and a few other areas of shallow sediment and installation of a treatment cap in the dredged areas. Other areas will be capped without dredging, will be allowed to recover naturally, or will be covered by sand to accelerate the natural recovery process. The remedy also requires institutional controls, and long-term inspection and maintenance. The estimated non-discounted cost of the ROD remedy is \$10.5 million.

The Company prepared remedial design documents for the cleanup in 2018, and construction is expected to be completed in 2019.

D. Gasco

The Gasco site covers approximately 45 acres and is located on the Willamette River between the St. Johns Bridge and the Railroad Bridge. The manufacturing facility is gone, and the site is currently occupied by the Company's Portland liquefied natural gas storage facility and two tenant facilities. Work at this site consists of various projects: the Uplands Project (which, due to DEQ project restructuring in 2016, also includes a 38.5 acre portion of the adjacent property previously owned by Portland Gas & Coke and currently owned by Siltronic Corporation), the Sediments Project (which addresses sediments in the adjacent Willamette River), and the Source Control Project. These projects are subject to EPA and DEQ oversight.

The Gasco Upland site is now in the feasibility study phase. In 2018, NW Natural continued work with DEQ to integrate the data sets from the parcel currently owned by Siltronic into the Gasco data set and develop an addendum to the Gasco risk assessment and submitted an interim feasibility study. During 2018, NW Natural also evaluated potential stormwater source control options for the Gasco property, submitted an application for coverage and worked to complete a source control evaluation of Doane Creek.

EPA's January 2017 ROD for Portland Harbor included a selected remedy for the Gasco Sediments site. In July 2018, NW Natural worked with EPA to develop technical approaches for the use of site-specific information and data, including information and data developed for the 2012 Engineering Evaluation/Cost Analysis, to refine technology assignments and other aspects of the ROD. NW Natural also began preparation for remedial design field work to be performed in 2019.

The Company also conducted monthly visual monitoring of the shoreline area in the direct vicinity of the pilot cap area.

Construction of the Source Control wells and groundwater treatment plant was completed in October 2013. Following a period of optimization, DEQ approved the system for long-term operation on December 30, 2016. In 2018, NW Natural operated the system and submitted an application to renew the discharge permit for the system. The Company will continue to incur costs associated with operating the wells and environmental regulatory oversight.

As suggested in the August 20, 2018 Confidential Staff Report, NW Natural performed a compliance audit of one of the key vendors involved in its environmental projects to ensure consistent application of contract terms. No major or moderate concerns were identified in the audit for consistent application of contract terms. Some process improvements were implemented, including electronic file data management, and restructuring a consulting contract to more clearly segregate program support work from project tasks.

E. Central

The Central Service Center is the former site for company operations including as a gas holder site and other activities. At the end of 2006, the Central Service Center site was identified by DEQ for cleanup and ranked as a high priority site.

During the period of January 2018 through December 2018, the Company completed the following tasks:

- 1) Negotiated with Oregon DEQ for the conditions and issuance of a Conditional No Further Action (cNFA) for the site.
- 2) Preparation of a written Contaminated Media Management Plan (CMMP) to address the management of soil and groundwater for any potential future development plans.

F. Major Reports and Communications with Environmental Regulators

To assist the Commission, Staff, and any parties in reviewing NW Natural's costs for the January 1, 2018 to December 31, 2018 period, the Company is providing the major reports and communications with environmental regulators related to the activities described above, found in Exhibit C.

NW Natural
UM 1732 - Exhibit A

Deferred Environmental Remediation Costs and Insurance Proceeds

For the period of January 1, 2018 through December 31, 2018

1 Refer to Exhibit B for the deferred costs for each site broken out by work tasks

2
3 Debit (Credit)

4	5	6	7	8	9	10	11	12	13	14
Month/Year	GASCO (1)	HARBOR	FRONT (PGM)	CENTRAL	TOTAL REMEDIATION SPEND	INSURANCE & 3RD PARTY RECOVERY				
(a)	(b)	(c)	(d)	(e)	(h) = sum (b):(e)	(f)				
1 Jan-18	1,187,008	90,950	2,265		1,280,223	-				
2 Feb-18	906,491	44,841	86,029		1,037,361	-				
3 Mar-18	1,184,046	47,467	62,039	1,515	1,295,066	(216,861)				
4 Apr-18	1,045,956	74,903	48,090		1,168,948					
5 May-18	980,039	84,787	59,656		1,124,482					
6 Jun-18	1,436,164	65,900	142,186		1,644,249	(3,385)				
7 Jul-18	662,744	109,675	20,579		792,998					
8 Aug-18	1,541,342	72,429	113,366		1,727,137					
9 Sep-18	648,610	38,472	14,954		702,036	(5,355)				
10 Oct-18	897,220	75,889	124,523		1,097,633	(208,124)				
11 Nov-18	1,577,996	55,186	162,021	4,776	1,799,978					
12 Dec-18	1,191,758	59,634	33,545	7,302	1,292,238	(377)				
	13,259,373	820,132	869,252	13,592	14,962,350	(434,101)				

15 **Notes:**

16 (1) Includes the operating costs of Gasco Source Control.

NW Natural
UM 1732 - Exhibit B
Task Detail - Deferred Environmental Remediation Costs and Insurance Proceeds
For the period of January 1, 2018 through December 31, 2018

Note: Monthly totals by site agree to the amounts presented in the Exhibit A Summary

Row Labels	Column Labels												Grand Total	
	2018	1	2	3	4	5	6	7	8	9	10	11		12
Sum of Amount				1,515								4,776	7,302	13,592
Central			1,515									4,776	7,302	13,592
Study														
Gasco Sediments														
DEQ		2,101	4,697	2,637	8,468	22,541	4,619	11,280	3,897	60,241				
EE/CA and Data Report		50,250	73,541	56,067	81,073	238,671	432,239	140,984	373,826	78,965	1,525,615			
Legal - PLG - Gasco Sediments Remedy	8,225	8,600	3,370	7,840	5,245	9,447	10,106	6,150	15,951	13,591	26,760	135,175		
Meetings, Budget, Schedule		13,253	10,433	19,399	17,072	19,566	25,532		24,492	7,231	152,822			
EPA				65,232						197,438				
Trustees		27,196												
Gasco Sediments Total	8,225	101,400	92,041	151,174	111,859	267,684	32,647	463,921	20,570	411,909	187,997	314,291	2,163,719	
Gasco Source Control														
NWN Direct Costs	10,953	9,994	10,200	6,213	30,976	9,762	13,256	9,339	9,697	7,908	8,773	7,908	9,346	136,416
Legal - PLG - Gasco Source Controls	12,058	7,610	15,480	9,600	(460)	3,230	1,920	950	1,590	1,470	2,750	1,470	-	56,198
Groundwater Study	30	30	30	29	28	28	28	27	28	29	29	31	347	
Operation of Water Treatment Plant	539,627	353,026	395,491	494,037	438,457	240,875	455,000	332,564	442,280	297,190	290,067	490,088	4,768,703	
Gasco Source Control Total	562,667	370,661	421,201	509,879	469,001	253,894	470,203	342,880	453,595	306,597	301,618	499,465	4,961,663	
Gasco Uplands														
DEQ		30,303	25,550	54,691	25,199	59,437	88,025	17,057	20,411	320,673				
Final RI	151,563	53,735	81,271	51,657	63,325	142,495	17,454	57,066	17,792	84,364	50,692	818,628		
Finalize Risk Assessment	51,743	54,288	116,631	35,999	32,310	67,540	48,636		18,532	7,477	446,463			
Gasco Other	15,000					5,000				20,000				
Interim Action Maintenance	4,003	5,312	6,878	4,502	1,814	2,616	698	8,634	1,290	13,478	689	52,151		
Legal - PLG - Gasco Site Remedy	18,630	34,250	19,339	11,025	28,044	32,235	27,571	6,128	9,460	15,324	8,370	240,121		
Restoration Evaluation						103				4,605	16,267	4,305	25,279	
Site Wide FS	43,690	59,302	90,847	78,891	65,586	218,758	739	280,668	9,771	98,085	412,884	122,762	1,481,984	
Technical Coordination	67,001	63,630	74,249	69,148	70,223	159,946	27,909	59,099	27,003	29,065	36,251	22,481	706,006	
Technical Support for Allocation Process	107,700	109,538	150,669	20,365	22,308	67,691	136,122		36,194	44,765	61,746	757,098		
Site-Wide Technical Services	156,787	23,478	104,906	58,624	90,370	223,202	20,954	138,188	21,104	129,959	217,624	78,674	1,263,868	
Insurance Recovery		595	463			132				132		397	1,720	
Insurance Litigation														
Gasco Uplands Total	616,116	434,430	670,803	384,903	399,179	914,586	159,894	734,540	174,445	859,489	407,604	378,002	6,133,992	
Harbor														
Legal - PLG	81,217	24,665	46,920	46,587	77,230	57,853	103,096	57,920	41,964	39,844	72,856	50,906	701,059	
Legal - PLG NRD	7,408	18,820	934	22,503	582	490	4,060	8,696	1,158	531	3,033	1,365	69,580	
Legal - Crowell and Mooring	2,325	1,356	(388)	5,813	6,975	7,556	2,519	5,813	(4,650)	14,811	7,363	49,492		
Harbor Total	90,950	44,841	47,467	74,903	84,787	65,900	109,675	72,429	38,472	55,186	75,889	59,634	820,132	
PGM														
DEQ		6,606	1,990	12,296	4,304	5,709	1,124	1,599	12,584	46,211				
Legal - PLG	2,265	5,280	3,880	600	12,040	7,572	14,870	6,820	13,830	15,555	5,896	1,975	90,583	
Sediment Investigation 2nd Ph Work Plan			2,244	9,504	1,393	9,417							24,647	
Upland Investigation 2nd Ph Work Plan		3,636	3,287	4,454	3,853	15,957	11,768	7,054	24,045	8,830	82,883			
Permitting		147	3,721	1,877	134	10,306	40,713	21,667	2,331	98,046				
Design		70,360	49,161	26,620	29,822	107,357	52,673	82,071	100,996	7,825	526,883			
PGM Total	2,265	86,029	62,039	48,090	59,656	142,186	20,579	113,366	14,954	124,523	162,021	33,545	869,252	
Grand Total	1,280,223	1,037,361	1,295,066	1,168,948	1,124,482	1,644,249	792,998	1,727,137	702,036	1,097,633	1,799,978	1,292,238	14,962,350	
Σ(1) Total Gasco (SC, Uplands, Sediments, Silttronic)	1,187,008	906,491	1,184,046	1,045,956	980,039	1,436,164	662,744	1,541,342	648,610	1,577,996	897,220	1,191,758	13,259,373	