

ORDER NO. 04-244

ENTERED MAY 12 2004

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1078(1)

In the Matter of)	
)	ORDER
NORTHWEST NATURAL GAS COMPANY,)	
dba NW NATURAL)	
)	
Application for Deferred Accounting of)	
Unrecovered Environmental Costs Associated)	
with Gasco, Wacker, Portland Gas, Portland)	
Harbor and Eugene Water and Electric Board.)	

DISPOSITION: APPLICATION APPROVED

On April 6, 2004, Northwest Natural Gas Company, doing business as Northwest Natural (NW Natural), filed an application with the Public Utility Commission of Oregon (Commission) requesting reauthorization for deferral of unrecovered environmental costs including investigation, study, oversight, and likely remediation costs that are associated with Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board sites, for a 12-month period beginning April 7, 2004. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

At its Public Meeting on May 4, 2004, the Commission adopted Staff's Recommendations and approved NW Natural's current request.

ORDER

IT IS ORDERED THAT:

- 1) Northwest Natural's application for reauthorization to defer costs relating to unrecovered environmental costs associated with Gasco, Wacker,

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Portland Gas, Portland Harbor and Eugene Water and Electric Board sites,
for a 12-month period beginning April 7, 2004, is approved.

- 2) Northwest Natural is to file for recovery of these costs only in the context of future general rate cases.

Made, entered and effective _____.

BY THE COMMISSION:

Becky Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 4, 2004**

REGULAR _____ CONSENT X EFFECTIVE DATE April 7, 2004

DATE: April 12, 2004

TO: Lee Sparling through Ed Busch and Judy Johnson

FROM: Ed Durrenberger

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1078 (1)) Requests reauthorization to defer unrecovered environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board sites.

STAFF RECOMMENDATION:

I recommend the Commission approve Northwest Natural's request for reauthorization, under ORS 757.259, to defer costs relating to unrecovered environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board sites, for a 12-month period beginning April 7, 2004. I further recommend that the Commission only consider recovery of these costs in future general rate cases.

DISCUSSION:

On April 6, 2004, Northwest Natural (NW Natural) requested reauthorization for deferral of unrecovered environmental costs including investigation, study, oversight, and likely remediation costs that are associated with five projects designated the Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board (EWEB) sites. The Commission originally authorized deferral of these costs beginning April 7, 2003, under ORS 757.259 in Order No. 03-328 (Docket UM 1078).

NW Natural anticipates recovery of some environmental costs from the company insurance carriers, but at this point it is unable to determine the extent of the environmental costs or any related insurance recovery. NW Natural proposes to record these environmental costs and any offsetting insurance proceed revenues in deferred accounts and consider their proper ratemaking treatment at a future company general

rate case or purchase gas adjustment (PGA) filing after the magnitude of costs and insurance recovery associated with a particular site are known.

Staff believes the proper ratemaking treatment should only be handled in a general rate case. The magnitude and importance of these costs are potentially too great to be included in a summary fashion in a PGA filing where time is extremely short for review. In addition, during a general rate case, Account 925 (Injuries & Damages) would be reviewed to determine whether customers have already paid any portion of the costs.

Reason for Deferral

Adoption of this deferred account is authorized by 757.259(2)(e) in order to minimize the frequency of rate changes or fluctuation of rate levels. NW Natural has met the requirements of OAR 860-027-0300 in its filing.

Proposed Accounting

The proposed deferrals would be recorded in separate sub accounts of account 186 (Miscellaneous Deferred Debits) for each environmental site. In the absence of deferral approval, the company would record the amounts in the sub accounts of FERC account 401 (Utility Operation Expense).

Estimated Deferrals in Authorization Period

Accurate estimates of the unrecovered environmental costs, including insurance recovery for five sites, are unknown for this authorization period. To date, \$5.1 million has been committed to the Gasco site, \$0.3 million to the Wacker site and \$2.6 million to the Portland Harbor site. Costs for the Portland Gas and EWEB sites are unknown. Insurance recoveries currently total \$3.7 million.

PROPOSED COMMISSION MOTION:

NW Natural's request for reauthorization, under ORS 757.259, to defer costs relating to unrecovered environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board sites, for a 12-month period beginning April 7, 2004, be approved and NW Natural should file for recovery of these costs only in the context of future general rate cases.