

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 1078(2)

In the Matter of	)	
	)	
NORTHWEST NATURAL GAS COMPANY,	)	
dba NW NATURAL	)	ORDER
	)	
Request for Authorization to Defer	)	
Unrecovered Environmental Costs Associated	)	
with the Oregon Steel Mills Site and	)	
Reauthorization for Deferral of Unrecovered	)	
Environmental Costs Associated with Gasco,	)	
Wacker, Portland Gas, Portland Harbor,	)	
Eugene Water and Electric Board sites.	)	

**DISPOSITION: APPLICATION APPROVED**

On January 27, 2005, Northwest Natural Gas Company (NW Natural), filed an application with the Public Utility Commission of Oregon (Commission) requesting authorization for deferral of unrecovered environmental costs including investigation, study, oversight, and likely remediation associated with a site designated Oregon Steel Mills. The application also requested reauthorization for deferral of continuing unrecovered environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor, and Eugene Water and Electric Board sites, for a 12-month period beginning January 27, 2005. 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 March 8, 2005, the Commission adopted Staff's Recommendations and approved NW Natural's current requests.

**ORDER**

IT IS ORDERED that:

- 1) Northwest Natural's request for authorization to defer unrecovered environmental costs associated with Oregon Steel Mills is approved for a 12-month period beginning January 27, 2005.

- 2) Northwest Natural's request for reauthorization 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 January 27, 2005, is approved.
- 3) Northwest Natural is to file for recovery of these costs only in the context of future general rate cases.

Made, entered and effective MAR 15 2005

BY THE COMMISSION:



Becky L Beier  
**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.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 8, 2005**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE**   January 27, 2005  

**DATE:** February 16, 2005

**TO:** Public Utility Commission

**FROM:** Ed Durrenberger

**THROUGH:** Lee Sparling, Ed Busch, Judy Johnson and Bonnie Tatom

**SUBJECT:** NORTHWEST NATURAL: (Docket No. UM 1078 (2)) Requests authorization to defer unrecovered environmental costs associated with the Oregon Steel Mills site and reauthorization for deferral of unrecovered environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor and the Eugene Water and Electric Board sites.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Northwest Natural's (NW Natural or company) request for authorization, under ORS 757.259, to defer unrecovered environmental costs associated with the Oregon Steel Mills site and for reauthorization to defer environmental costs associated with Gasco, Wacker, Portland Gas, Portland Harbor and the Eugene Water and Electric Board (EWEB) sites, for a 12-month period beginning January 27, 2005. I further recommend that the Commission only consider recovery of these costs in future general rate cases.

**DISCUSSION:**

On January 27, 2005, NW Natural requested authorization to defer unrecovered environmental costs including investigation, study, oversight and likely remediation associated with a site designated Oregon Steel Mills. At the same time the company also made a request for reauthorization for deferral of continuing unrecovered environmental costs associated with the five initial project sites designated Gasco, Wacker, Portland Gas, Portland Harbor and EWEB. The Commission originally authorized deferral of costs for these five project sites 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's insurance carriers, but at this point it is unable to determine the extent of the environmental costs or any related insurance recovery. The company proposes to record these environmental costs and any offsetting insurance proceeds in deferred accounts and consider their proper ratemaking treatment at a future company general rate case or purchased 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 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 ORS 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 the six sites are unknown for this authorization period. Of the five initial sites, \$5.4 million has been committed to Gasco, \$500,000 to Wacker, \$3.6 million to Portland Harbor and \$3.3 million to the Tar Body (a subset of Portland Harbor). Costs for Portland Gas and EWEB are unknown. Oregon Steel Mills currently has \$200,000 in recorded liabilities. The total overall insurance receivables are currently \$8.5 million.

### **PROPOSED COMMISSION MOTION:**

NW Natural's request for authorization, under ORS 757.259, to defer unrecovered environmental costs associated with Oregon Steel Mills be approved for a 12-month period beginning January 27, 2005. NW Natural's request for reauthorization to defer unrecovered environmental costs, under ORS 757.259, for Gasco, Wacker, Portland Gas, Portland Harbor including the Tar Body

UM 1078(2)  
February 16, 2005  
Page 3

ORDER NO. 05-138

and EWEB also be approved for a 12-month period beginning January 27, 2005. Recovery of these costs would be considered in a future general rate case.

UM 1078(2)