

ORDER NO.

17 306

ENTERED

AUG 10 2017

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1636(5)

In the Matter of

CASCADE NATURAL GAS  
CORPORATION,

Application for Reauthorization for Deferral  
of Environmental Remediation Expenses for  
the Manufactured Gas Plant in Eugene,  
Oregon.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on August 8, 2017, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



  
**Michael Dougherty**  
Chief Operating Officer

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

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ITEM NO. CA10

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT

PUBLIC MEETING DATE: August 8, 2017

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE December 1, 2016

DATE: August 1, 2017

TO: Public Utility Commission

FROM: *JE For MM*  
Mitchell Moore

THROUGH: *JE For MM*  
Jason Eisdorfer and Marc Hellman

SUBJECT: CASCADE NATURAL GAS: (Docket No. UM 1636(5)) Requests  
reauthorization to defer costs associated with the Manufactured Gas Plant  
in Eugene.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Cascade Natural Gas Corporation's (Cascade or Company) request to defer expenses associated with the Manufactured Gas Plant (MGP) in Eugene, Oregon for a period of 12 months commencing December 1, 2017.

**DISCUSSION:**

Issue

Whether the Commission should reauthorize deferral of costs associated with environmental remediation expenses at the MGP in Eugene, Oregon for the 12-month period beginning December 1, 2017.

Applicable Law

This Application is filed by Cascade pursuant to OAR 860-027-0300 and ORS 757.259(2)(e), requesting authorization to defer environmental costs and amounts from insurance recoveries because they are "identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes... or to match appropriately the costs borne by and benefits received by ratepayers."

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This deferral was approved originally by Order No. 13-004, and most recently reauthorized by Order No. 16-010.

### Discussion and Analysis

The MGP was constructed in 1907 as a coal carbonization process facility. In 1910-1911 the plant expanded and was converted to a water-gas processing facility. On January 1, 1929, a PacifiCorp predecessor sold the MGP and underlying property to Northwest Cities. In 1950, Northwest Cities ceased MGP gas operation and the plant was converted for propane-air gas storage and distribution. On October 12, 1953, Cascade merged with Northwest Cities. Cascade sold the MGP and property to a predecessor of Northwest Natural five years later, in 1958. Eugene Water & Electric Board, PacifiCorp, and Cascade entered into a participation agreement for site investigation on February 26, 1996.

In 2012, Cascade submitted its first application to defer expenses associated with environmental remediation of the MGP site.

### *Description of Expense*

The Company proposes to defer its share of all related environmental costs that are associated with the MGP project. These costs include, but are not necessarily limited to, investigation, monitoring, legal, study, oversight, remediation, and pursuit of insurance recoveries.

### *Proposed Accounting*

Cascade proposes to record the deferrals in a sub account of FERC Account 186 (Miscellaneous Deferred Debits). In the absence of deferral approval, Cascade would record the environmental costs of labor to FERC Account 920, Administrative and General Salaries, and the costs of outside services (e.g. consulting) to FERC Account 923, Outside Services Employed.

### *Estimated Deferrals in Authorization Period*

In January of 2015, the Department of Environmental Quality issued a Record of Decision that identified and authorized specific remediation measures. The Company anticipates that its portion of the effort will amount to approximately \$1.7 million.

### *Deferrals during Current Period*

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The Company has been working to identify potential insurance providers and policy coverage during the relevant time periods. As of September 30, 2016, Cascade has deferred costs in the amount of approximately \$189,883 associated with this effort, net of insurance proceeds. The Company is continuing to seek insurance recovery of remediation costs.

*Information Related to Future Amortization*

- Earnings review – An earnings review should be conducted prior to amortization.
- Prudence Review – A prudence review is a requirement of the earnings review which does apply to this deferral. The prudence review should extend to the accounting methodology used to calculate any amount to be amortized.
- Sharing – Whether sharing will be limited to the results of the earnings review or take some other form has not yet been determined in this docket.
- Rate Spread/Design – This has not yet been decided in this docket.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. The limit for these deferrals will be determined at the time of amortization. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test per the advice of Staff's counsel. The three percent test is applicable to this deferred account.

Conclusion

Staff supports Cascade's request to reauthorize the deferral of environmental remediation costs.

The Company's application meets the requirements of OAR 757.259 and OAR 860-027-0300, and the rationale for this deferral is still valid. For these reasons, Staff recommends Commission approval.

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**PROPOSED COMMISSION MOTION:**

Approve Cascade's filing for reauthorization to defer expenses associated with the Manufactured Gas Plant (MGP) in Eugene, Oregon for the 12 months beginning December 1, 2017.

Cascade UM 1636(5) Cascade deferral gas plant