

ORDER NO. 19-297

ENTERED Sep 12 2019

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1732(4)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL,

Application for Annual Prudence Review of
Environmental Remediation Costs, Schedule
183 - 2018 Annual Report.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 10, 2019, 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:



Nolan Moser
Chief Administrative Law Judge



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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 10, 2019**

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** September 10, 2019

DATE: September 3, 2019

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Jason Eisdorfer and John Crider **SIGNED**

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1732(4)) Requests Prudence Review of Environmental Remediation Costs for Calendar Year 2018.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural or Company) request and find that the Environmental Remediation Costs from January 1, 2018 through December 31, 2018 are prudent and eligible for recovery.

DISCUSSION:

Whether NW Natural's environmental remediation costs incurred between January 1, 2018 and December 31, 2018 are prudent and are eligible for recovery.

Applicable law

NW Natural makes this filing in accordance with Commission Order Nos. 12-408 and 12-437 in Docket UG 221 approving Rate Schedule 183 – Site Remediation Recovery Mechanism (SRRM), and Order No.15-049 in Docket UM 1635. In Order No. 15-049, the Commission determined that environmental remediation costs incurred on and after January 1, 2013, would be reviewed annually for prudence prior to becoming eligible for offset by insurance proceeds and amounts collected in base rates or amortization under the SRRM. To determine whether a cost was prudently incurred and recoverable in rates, "the Commission examines the objective reasonableness of a company's actions measured at the time the company acted."¹

¹ *In re PacifiCorp, dba Pacific Power, Application for an Accounting Order Regarding Excess Net Power Costs*, Docket No. UM 995, Order No. 02-469 at 4 (July 18, 2002).

Analysis

Background

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), Gasco, Central, Eugene Water Electric Board, French American School, and Oregon Steel. The total expenditures for the period of January 1, 2018 through December 31, 2018 are \$14,962,350.

Staff Review

Staff reviewed the Company's filing, associated workpapers and Annual Report, in addition to issuing several data requests, to ensure that costs included for recovery are a) actually incurred; b) solely incremental and associated with the environmental and remediation activities as identified in Commission Order Nos. 12-408 and 12-437; and c) reasonable.

Internal Audit

During Staff's prudence review of 2015 expenses, Staff noted that an internal audit by the Company suggested that the Company consider performing compliance audits of key vendors involved in its environmental projects to ensure consistent application of contract terms. Staff urged the Company to follow up on this recommendation in 2016 and 2017. The Company completed the compliance audit in 2017 and provided a copy to Staff for review.

As suggested in the Company 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. The Company found no major or moderate concerns. However, some process improvements were implemented, including filing electronic file data management, and restructuring a consulting contract to more clearly segregate program support work from project tasks.

Description of expenses

The largest expenditures for 2018 were at the Gasco site. Expenditures for the various Gasco projects totaled \$13,259,373. The Gasco site covers approximately 45 acres and is located on the Willamette River between the St. Johns Bridge and the Railroad Bridge. Work at this site consists of various projects: the Uplands Project, the Sediments Project, and the Source Control Project. These projects are subject to EPA and DEQ oversight.

The Gasco Upland site is currently in the feasibility study phase. NWN and DEQ continued to integrate data sets from a parcel previously owned by NWN and currently owned by Siltronic, and develop an addendum to the Gasco risk assessment. The Company 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.

The EPA's 2017 Record of Decision (ROD) for Portland Harbor included a selected remedy for the Gasco sediments site. NW Natural worked with EPA to develop technical approaches for the use of site-specific information and data to refine technology assignments and other aspects of the ROD. The Company also began preparation for remedial design field work to be performed in 2019.

NW Natural completed construction of the Source Control wells and groundwater treatment plant in 2013. NW Natural continued to operate the system in 2018. It will continue to incur costs associated with operating the wells and with environmental regulatory oversight.

Expenditures related to the Portland Harbor site in 2018 were \$820,132.

The Portland Harbor site is a stretch of approximately 10 miles along the Willamette River that has been designated as a Superfund site by the EPA. The EPA issued its ROD for the entire site in January 2017, estimating a total remediation cost of \$1.05 billion over a 13 year cleanup period to be allocated among potentially responsible parties. Activities at this site included participation in baseline sampling activities along the river, as well as activities related to identifying the Company's potential liability for the cleanup. In addition, NWN participates in the Portland Harbor Natural Resource Damage (NRD) cooperative assessment process.

The PGM site covers approximately 3.7 upland acres along the Willamette River near the Steel Bridge. In 2018 NWN prepared remedial design documents for cleanup activities identified by DEQ in its 2017 ROD for this area. Construction is expected to be completed in 2019. Expenditures in 2018 were \$869,252.

At the Central Service Center site, NWN negotiated with DEQ regarding terms and conditions for future cleanup action for the site, and prepared a Contaminated Media Management Plan to address the management of soil and groundwater for future development plans. Expenditures at this site in 2018 were \$13,592

Conclusion

Staff recommends that the Commission find that that NW Natural's Environmental Remediation Costs from January 1, 2018 through December 31, 2018 are prudent and eligible for recovery through the SRRM. Staff appreciates the Company's efforts to improve its internal process with regard to vendors contracted to work on remediation activities, and recommends the Company continue monitoring those processes to ensure continued compliance.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to find that the Environmental Remediation Costs from January 1, 2018 through December 31, 2018 are prudent and eligible for recovery.

NWN UM 1732(4) SRRM Prudence Review