ORDER NO. 26-320

ENTERED Sep 03 2026

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1078(23)

In the Matter of NORTHWEST NATURAL GAS COMPANY Application for Reauthorization of Deferred Accounting of Unrecovered Environmental Costs.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 3, 2026, 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:

Alison Lackey
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.

ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: September 3, 2026

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** N/A

DATE: July 8, 2026

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: NORTHWEST NATURAL:
(Docket No. UM 1078(23))
Requests reauthorization of Deferred Unrecovered Environmental Costs.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Northwest Natural Gas Company's (NW Natural, NWN, or Company) application for reauthorization to defer unrecovered environmental costs and insurance proceeds related to environmental remediation for the 12-month period beginning January 26, 2026.

DISCUSSION:

Issue

Whether the Commission should approve NW Natural's request for reauthorization to defer unrecovered environmental costs related to six project remediation sites, as well as insurance proceeds related to environmental remediation.

Applicable Law

ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities. Previous approval of this deferral was most recently granted by Order No. 25-032.

Analysis

Background

In 2012, the Commission authorized a cost recovery mechanism, the Site Remediation Recovery Mechanism (SRRM), through which NW Natural recovers its environmental remediation costs.[1] Under the SRRM, the Company defers costs related to environmental remediation as well as any offsetting insurance proceeds. The deferred costs are subject to a prudence review and costs not offset by insurance proceeds that are found prudent by the Commission are eligible for amortization, subject to an earnings test. However, the Company is allowed to amortize no more than one-fifth of the total costs eligible for amortization each year[2].

Under the SRRM, deferred costs that have not been reviewed for prudence accrue interest at the Company's rate of return. Amounts that have been moved into an amortization account (i.e., the one-fifth eligible for amortization) accrue interest at the Modified blended treasury rate (MBTR). Amounts that have been reviewed for prudence, but have not yet been moved into an amortization account, accrue interest at the average of the five-year Treasury rates used in calculation the MBTR for the applicable year, with an added 100 basis points.

The Company, on January 23, 2026, submitted this application for reauthorization to use deferred accounting pursuant to ORS 757.259 and OAR 860-027-0300, for the 12-month period beginning January 26, 2026 through January 25, 2027, for unrecovered environmental costs associated with Gasco, Wacker (now known as Siltronic), Portland Gas (aka Front Street), Portland Harbor, Central Gas Hold, and Oregon Steel Mills to match appropriately the costs borne by and benefits received by ratepayers.

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1 *See In the Matters of Northwest Natural Gas Company, dba NW Natural, Request for a General Rate Revision*, Order No. 12-408, Docket No. UG-221, at 5-6 (Oct. 26, 2012).

2 *See* In the Matter of Northwest Natural Gas Company, dba, NW Natural, UG 221, Order No. 12-408 (Preliminary Order) at 5-6, and Order No. 12-437 (Supplemental Order) at 31-32.

Note: In Staff's report in AR 677 on May 19, 2026, and supported by the Commission's Phase 1 comments in AR 676 at the July 7, 2026 Special Public Meeting, Staff will look for opportunities to streamline or consolidate existing adjustment schedules into base rates when feasible.

The incorporation of existing deferrals into base rates would reduce year-to-year filings, improve transparency, and support the multi-year rate plan (MRP) goal of incorporating a broader set of costs within the multi-year framework.

Staff encourages the Company and stakeholders to continue to evaluate the reasonableness of moving this and other deferrals into base rates in preparation for the move to multi-year ratemaking. However, Staff believes that approval of this deferral is

reasonable until such a time that the Commission determines to consolidate the costs at issue into base rates in a general or multi-year rate proceeding.

Description of the Expenses
The Company incurs developing and implementing costs with Department of Environmental Quality (DEQ)/Environmental Protection Agency, tribe and natural resource damage trustee oversight, and legal costs as well as administrative expenses related to feasibility studies and remediation activities associated with these sites.

Proposed Accounting
The Company will be recording costs associated with unrecovered environmental costs using the following accounts:

- 151310Gasco,
- 151315Portland Harbor,
- 151320Portland Gas (Front Street),
- 151312Wacker (Siltronic),
- 151330Central gas hold, and
- 151325Oregon Steel Mills.

Reasons for Deferral
The SRRM approved by the Commission allows NW Natural to defer environmental remediation costs related to remediation efforts at several sites.

Estimate of Amounts
According to the Company "*at the moment information is insufficient to more accurately estimate the total potential liability for investigation and remediation costs associated*

with the six sites". However, all costs and interest recorded in calendar year 2025 for Gasco, Portland Harbor, and Portland Gas are:

[BEGIN CONFIDENTIAL]

[redacted]

[END CONFIDENTIAL]

As of December 31, 2025, the Company has spent **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** on environmental remediation.

The Company has also included in regulatory deferrals **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]** of total estimated future costs.

Thus, the amount deferred last year 2025 was **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**. This amount includes interest in the deferrals amount which is **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**.

NOTE: The costs found prudent by the Commission and allowed for recovery are included in the SRRM Post Prudent account. The balance in that account as of December 31, 2025, was **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**.

The Amount Amortized Last Year
The remaining balance to be amortized as of December 31, 2025, was **[BEGIN CONFIDENTIAL]** [redacted] **[END CONFIDENTIAL]**.

Information Related to Future Amortization

- Earnings Review – ORS 757.259 (5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259 (2)(e). The SRRM requires an application for an earnings test.

- Prudence Review – Prudence review should be performed at the time of deferral amortization. The review should also include verification of the accounting methodology used to determine the final amortization balance.

- Sharing – This deferral is not subject to a general sharing mechanism, but it is included in the earnings sharing component, which applies if the Company earns above its authorized ROE after including 50 percent of its optimization revenues.

Conclusion

As NW Natural's application to reauthorize deferral of environmental remediation costs for the six projects is consistent with ORS 757.259 and the Commission's orders authorizing the SRRM, Staff recommends Commission approval.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Northwest Natural's request to defer costs associated with unrecovered environmental costs and insurance proceeds related to environmental remediation for the 12-month period beginning January 26, 2026.