

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of

NORTHWEST NATURAL GAS  
COMPANY, dba NW NATURAL

For an Order Determining that Certain  
Property Located in Astoria, Oregon Is No  
Longer Useful, or, in the Alternative, an  
Order Authorizing the Sale of that Certain  
Property

DOCKET NO. UG-\_\_\_\_\_

APPLICATION

**I. INTRODUCTION**

*I* In accordance with WAC 480-143-180, Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), respectfully requests that the Washington Utilities and Transportation Commission (“Commission”) declare that certain real property commonly known as the “Astoria Resource Center”<sup>1</sup> is not necessary or useful and should be sold. NW Natural seeks to sell the Astoria Resource Center to Ganesh K. Sonpatki (“Buyer”), pursuant to the Agreement for Purchase of Real Property (“Agreement”), executed on January 20, 2020, and attached here as Exhibit B. Alternatively, pursuant to RCW 80.12.020 and WAC 480-143-180, NW Natural requests that the Commission approve the sale of the Astoria Resource Center to the Buyer as set forth in the Agreement. NW Natural respectfully requests Commission approval by no later than November 30, 2020, to reflect the provision in the Agreement that contemplates the Company will receive Commission approval by that date.<sup>2</sup>

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<sup>1</sup> Exhibit A of this Application is a picture of the Astoria Resource Center and maps showing its location at 176 West Marine Drive, Astoria, Oregon 97013. The Astoria Resource Center consists of approximately 1.31 acres of land and includes an office building, a warehouse building, a storage yard and a parking area.

<sup>2</sup> Agreement, Section 17.

## II. BACKGROUND ON THE SALE AND PURPOSE FOR THE SALE

2 This transaction, expected to close December 31, 2021,<sup>3</sup> involves NW Natural’s sale of the Astoria Resource Center to the Buyer. The Astoria Resource Center is located in a Coastal Tsunami Zone on the bank of the Columbia River just east of the Astoria-Melger Bridge. Based on a seismic assessment completed by NW Natural’s seismic consultant, KPFF Engineering, the facility requires extensive seismic upgrading and has high earthquake tsunami and liquefaction hazards.<sup>4</sup> In addition to the seismic, tsunami and liquefaction concerns, the Astoria Resource Center was originally constructed circa 1945 and requires significant maintenance work. The Company will be relocating its Astoria Resource Center to Warrenton, Oregon in October 2021.<sup>5</sup>

3 The Company hired Cushman & Wakefield to be its broker and market the Astoria Resource Center. Cushman & Wakefield began marketing the Astoria Resource Center in 2018. One bona fide offer was submitted, from the Buyer. The sales price for the property is \$1,400,000.00. This amount is at the high end of the market value range identified in the “Broker Opinion of Value,” conducted by Cushman & Wakefield, based upon information available at the time NW Natural identified the Buyer for the sale of the Astoria Resource Center. A copy of the “Broker Opinion of Value” is provided as Exhibit D of this Application. The Company and the Buyer arrived at the sales price by means of arms-length negotiations.

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<sup>3</sup> Agreement, Section 10.

<sup>4</sup> KPFF Engineering, ASCE 41-13 Tier 1 Seismic Evaluation of NW Natural – Astoria Service Center (August 2016). The report (at page 5) states that the Astoria Resource Center “does not achieve the desired seismic performance objective for Life Safety Structural Performance” or “Life Safety Nonstructural Performance” and “is in an area that is highly susceptible to damage from a tsunami that would be associated with an earthquake due to the Cascadia Subduction Zone.” The report (at page 4) states that the “building site has a ‘high’ earthquake liquefaction hazard.” Exhibit C is a copy of the KPFF seismic assessment report.

<sup>5</sup> An address of the Warrenton Resource Center has not yet been assigned, but it is located at Lot 2300 SE Dolphin Ave, Warrenton OR 97146; County APN 51755, Map #08-10-34.

4           The Agreement memorializes the \$1,400,000.00 transaction price and the other terms and conditions between NW Natural and the Buyer. The net book value of the property is \$328,731. The estimated net gain from the sale of the Astoria Resource Center is \$1,071,269, of which Washington’s state allocation is approximately \$52,492. The calculations of the gain on sale and state allocation are provided as part of Exhibit E. NW Natural is not seeking to retain any of Washington’s state allocated amount of the estimated net gain from the sale of the Astoria Resource Center. It is proposing to return one-hundred percent of the gain allocated to Washington to NW Natural’s Washington customers. The Company proposes that such amount be held in a regulatory liability account (account 254) for the benefit of customers, and accrue interest at the Company’s authorized rate of return, until the amount can be credited to all customers on an equal-percent-of-margin basis in the Company’s Purchased Gas Adjustment (“PGA”) mechanism on November 1, 2022 (as the transaction is not expected to close until December 31, 2021).

5           The Company believes that its customers will not be harmed by this transaction because rates will not increase to customers as a result of the sale of the Astoria Resource Center.

6           In support of this Application, the Company states as follows:

7           **(1) Identity of the Applicant.** The exact name of the Applicant is Northwest Natural Gas Company. The Company is a utility that is subject to the Commission’s jurisdiction under RCW 80.04.010. NW Natural’s principal business office is located at 220 NW Second Avenue, Portland, Oregon 97209.

8           **(2) Person Authorized to Receive Notices.** All notices and communications regarding this Application should be addressed to the following:

Zachary D. Kravitz  
NW Natural  
220 NW Second Avenue  
Portland, OR 97209-3991  
Telephone: (503) 220-2379  
Facsimile: (503) 220-2579  
Email: [Zachary.Kravitz@nwnatural.com](mailto:Zachary.Kravitz@nwnatural.com)

Eric W. Nelsen  
NW Natural  
220 NW Second Avenue  
Portland, OR 97209-3991  
Telephone: (503) 721-2476  
Facsimile: (503) 220-2584  
Email: [Eric.Nelsen@nwnatural.com](mailto:Eric.Nelsen@nwnatural.com)

The Company respectfully requests that the Commission send copies of all such notices and communications to:

eFiling  
NW Natural  
Rates and Regulatory Affairs  
220 NW Second Avenue  
Portland, OR 97209-3991  
Telephone: (503) 610-7330  
Facsimile: (503) 220-2579  
Email: [eFiling@nwnatural.com](mailto:eFiling@nwnatural.com)

9           **(3) General Character of the Business.** NW Natural is a public utility engaged principally in the business of distributing and selling natural gas to residential, commercial, institutional, and industrial customers in various cities and unincorporated areas in three counties in the State of Washington and 15 counties in the State of Oregon. A map of the Company's service territory in Washington is provided on Original Sheet ii of its tariff, WN U-6.<sup>6</sup>

10           **(4) Sale of Property.** This Application involves the sale of real property, the Astoria Resource Center. The sales price for the property is \$1,400,000.00. This amount is at the high end of the market value range identified in the "Broker Opinion of Value," conducted by the Company's broker, Cushman & Wakefield, based upon information available at the time NW Natural identified the Buyer for the sale of the Astoria Resource Center. A copy of

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<sup>6</sup> The Company's financial statement for the Third Quarter 2019 is available at <http://www.snl.com/Cache/400838493.pdf>.

the “Broker Opinion of Value” is provided as Exhibit D of this Application. The Company and the Buyer arrived at the sales price by means of arms-length negotiations.

11           **(5) Description of Property to be Sold.** The Astoria Resource Center is located in Clatsop County at 176 W. Marine Drive, Astoria, Oregon 97103 (Tax Lot 700). It consists of approximately 1.31 acres of land and includes an office building, a warehouse building, a storage yard and a parking area.

12           **(6) Statement of Accounting.** The net book value of the property is \$328,731. The proposed journal entries to be used to record this transaction on the Company’s books are attached as Exhibit E of this Application.

13           **(7) Other Jurisdictions.** NW Natural will be filing an application for review with and approval by the Public Utility Commission of Oregon addressing the proposed property transfer.

14           **(8) Resolution of Directors Authorizing Transaction.** The Company’s Board of Directors (“Board”) is required to authorize this transaction. The Company will supplement this Application with a copy of the Board’s Resolution (expected May 2020), to be provided as Exhibit F of this Application. Shareholder approval is not required for the sale of the Astoria Resource Center.

### III. DISCUSSION

15           **(9) Astoria Resource Center No Longer Will Be Necessary or Useful.** Under WAC 480-143-180, where property has a market value that exceeds the greater of 0.1 percent of the utility’s rate base or \$20,000, the utility must seek prior Commission approval to determine that the property is not necessary or useful. Here, the Astoria Resource Center’s

market value exceeds 0.1 percent of NW Natural’s jurisdictional rate base, and thus the Company seeks Commission approval prior to the property’s disposition.

16 Previously, this Commission has concluded that “property is no longer necessary and useful” where it “has been replaced by a more suitable facility.”<sup>7</sup> In 2008, NW Natural asked the Commission to conclude that the real property that had formerly served as the Company’s customer service center in Albany, Oregon, was no longer “necessary or useful” and should therefore be sold.<sup>8</sup> The Commission agreed, concluding that the property was no longer necessary and useful given the acquisition of replacement facilities.<sup>9</sup>

17 In this case, the Astoria Resource Center is similarly no longer necessary and useful in the performance of the Company’s service to customers. The Company will be relocating its Astoria Resource Center to Warrenton, Oregon in October 2021. The Astoria Resource Center also is an unneeded asset for which the Company is receiving full value.<sup>10</sup> As the Company no longer has need of or use for the property, NW Natural respectfully requests that the Commission deem the Astoria Resource Center no longer “necessary or useful” for the Company to perform its public duties.<sup>11</sup>

18 **(10) The Sale of the Astoria Resource Center Is in the Public Interest.** As explained above, the Astoria Resource Center no longer is “necessary or useful” for the Company to perform its public duties, so NW Natural is selling it to the Buyer for \$1,400,000, which is at the high end of the market value range identified by the Company’s broker. NW Natural is proposing to defer Washington’s state allocated portion of the net

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<sup>7</sup> *In the Matter of the Application of Northwest Natural Gas Co. for an Order Authorizing the Sale of that Certain Property Located in Albany, Oregon*, docket UG-081317, Order 01 at ¶9 (Aug. 14, 2008).

<sup>8</sup> Docket UG-081317, Order 01 at ¶1.

<sup>9</sup> Docket UG-081317, Order 01 at ¶9, 14.

<sup>10</sup> WAC 480-143-180(2).

<sup>11</sup> WAC 480-143-180.

gains from the sale of the Astoria Resource Center in a regulatory liability account until the amount can be credited to all customers on an equal-percent-of-margin basis in the Company's PGA mechanism, which would be on November 1, 2022. The proposed sale of the Astoria Resource Center is in the public interest because it will allow the Company to dispose of property for which it no longer has use and to use Washington's portion of the net gain from the sale for the benefit of customers.

#### IV. CONCLUSION

19 The sale of the Astoria Resource Center will benefit NW Natural's customers by disposing of property, at a fair market price, that will no longer be used and useful to the Company and therefore is in the public interest. Accordingly, NW Natural respectfully requests that the Commission enter an appropriate Order determining that the Astoria Resource Center is not necessary or useful or, alternatively, that the proposed sale of the Astoria Resource Center is in the public interest. The Company also respectfully requests that the Commission authorize it to transfer Washington's portion of the net gain from the sale of the Astoria Resource Center, specifically an estimated \$52,492, into a regulatory liability account (account 254), and accrue interest at the Company's authorized rate of return, until the amount can be credited to all customers on an equal-percent-of-margin basis in the Company's PGA mechanism, which would be on November 1, 2022. Finally, the Company respectfully requests that the Commission take any other action that it deems necessary and appropriate.

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Respectfully submitted this 18th day of February, 2020.

**NORTHWEST NATURAL GAS COMPANY**

*/s/ Eric W. Nelsen*

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## EXHIBITS

The following exhibits are included with this Application:

Exhibit A – Picture and map showing the location of the Astoria Resource Center.

Exhibit B – Agreement for Purchase of Real Property, executed on January 20, 2020.

Exhibit C – KPFF Engineering, ASCE 41-13 Tier 1 Seismic Evaluation of NW Natural – Astoria Service Center (August 2016).

Exhibit D – Cushman & Wakefield’s “Broker Opinion of Value” of the Astoria Resource Center.

Exhibit E – Proposed Journal entry to be used to record the transaction on the Company’s books, and calculation of state allocation.

Exhibit F – (Placeholder). NW Natural Secretary’s Certificate of the Board’s Resolution.