

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of)	DOCKET UG-110199
)	
NORTHWEST NATURAL GAS)	ORDER 01
COMPANY,)	
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
deferred accounting treatment of certain)	
costs associated with environmental)	ORDER GRANTING ACCOUNTING
remediation)	PETITION
.....)	

BACKGROUND

- 1 On January 26, 2011, Northwest Natural Gas Company, (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing NW Natural to defer treatment of expenses related to environmental remediation costs of the following sites: Gasco; Wacker, aka Siltronic; Portland Harbor; Tar Deposit, and Central Gas Holdings.

- 2 NW Natural’s predecessor in interest, Portland Gas and Coke Company owned and operated the Gasco Site (the Plant) from 1913 to 1956, during which time the Plant produced gas that was used to serve that Company’s Oregon and Washington customers. The Plant ceased operations in 1956, and in the late 1960’s most of the gasification facilities were dismantled and removed. The Gasco site is under voluntary investigation for environmental contaminants by NW Natural under Oregon Department of Environmental Quality’s Voluntary Clean-Up Program and the Federal Superfund law administered by the United States Environmental Protection Agency. The Siltronic, Portland Harbor, Tar Deposit and Central Gas Holdings sites are also under voluntary investigation by NW Natural or designated Superfund sites due to their proximity to, or operations related to those of, the Company’s Gasco site.

- 3 The Company requests deferral accounting treatment of environmental remediation costs because of the variable and unpredictable costs of environmental remediation. Staff agrees with this characterization and supports the accounting treatment subject to the following conditions:

- (a) The Company will record deferred costs in Account number 186, Other Miscellaneous Deferred Debits.
- (b) Costs eligible for deferred accounting treatment will include only those amounts paid to outside vendors, contractors or attorneys for expenditures such as investigation and feasibility studies, sampling, evaluation, monitoring, remediation and litigation. Expenditures for internal employee salaries or other employee incidental costs such as hotels, meals etc., are not eligible for deferral. Outside legal expenses to defend individual company employees from environmental liability are also not eligible for deferred accounting treatment.
- (c) Net deferred costs are the eligible defined costs less any insurance and/or third party proceeds.
- (d) The prudence of the net deferred costs will be determined in a future rate proceeding. Deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes.
- (e) The net deferred costs of the Gasco, Siltronic, Portland Harbor, Tar Deposit, and Central Gas Holdings sites when approved for recovery in a general rate case will be amortized over a period determined in that rate case and beginning with the rate effective period of that rate case.
- (f) Any costs incurred prior to this filing are not eligible for deferred accounting treatment.
- (g) The Company will normalize the tax benefits associated with these costs.
- (h) The Company will not accrue interest on the environmental remediation deferral. The project will be eligible for working capital treatment.
- (i) The Company will file semi-annual reports for the environmental remediation deferral project.

FINDINGS AND CONCLUSIONS

- 4 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including gas companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 5 (2) NW Natural is a gas company and a public service company subject to Commission jurisdiction.
- 6 (3) WAC 480-07-370(1)(b), allows companies to file petitions including that for which NW Natural seeks approval.
- 7 (4) Staff has reviewed the petition in Docket UG-110199.
- 8 (5) Staff believes the proposed accounting order NW Natural requests is reasonable and should be granted, subject to conditions above in paragraph 3 of this order.
- 9 (6) This matter came before the Commission at its regularly scheduled meeting on June 30, 2011.
- 10 (7) After reviewing NW Natural 's petition filed in Docket UG-110199 on January 26, 2011, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted. The proposed petition will allow the Company to defer costs associated with environmental remediation of the Gasco, Siltronic, Portland Harbor, Tar Deposit, and Central Gas Holdings sites.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Northwest Natural Gas Company's request to defer the costs associated with the environmental remediation of the Gasco, Siltronic, Portland Harbor, Tar Deposit, and Central Gas Holdings sites is granted.

- 12 (2) This authorization is subject to the following conditions:
- (a) Northwest Natural Gas Company will record deferred costs in Account number 186, Other Miscellaneous Deferred Debits.
 - (b) Costs eligible for deferred accounting treatment will include only those amounts paid to outside vendors, contractors or attorneys for expenditures such as investigation and feasibility studies, sampling, evaluation, monitoring, remediation and litigation. Expenditures for internal employee salaries or other employee incidental costs such as hotels, meals etc., are not eligible for deferral. Outside legal expenses to defend individual company employees from environmental liability are also not eligible for deferred accounting treatment.
 - (c) Net deferred costs are the eligible defined costs less any insurance and/or third party proceeds.
 - (d) The prudence of the net deferred costs will be determined in a future rate proceeding. Deferred costs shown to be imprudent or inappropriate will be subject to disallowance for rate recovery purposes.
 - (e) The net deferred costs of the Gasco, Siltronic, Portland Harbor, Tar Deposit and Central Gas Holdings sites when approved for recovery in a general rate case will be amortized over a period determined in that rate case and beginning with the rate effective period of that rate case.
 - (f) Any costs incurred prior to this filing are not eligible for deferred accounting treatment.
 - (g) Northwest Natural Gas Company will normalize the tax benefits associated with these costs.
 - (h) Northwest Natural Gas Company will not accrue interest on the environmental remediation deferral. The project will be eligible for working capital treatment.
 - (i) Northwest Natural Gas Company will file semi-annual reports for the environmental remediation deferral project.
- 13 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting the Petition be construed as an

agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.

- 14 (4) The Commission retains jurisdiction over the subject matter and Northwest Natural Gas Company to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Olympia, Washington, and effective June 30, 2011.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary