

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

In the Matter of the Application of

NORTHWEST NATURAL GAS COMPANY
d/b/a NW NATURAL

DOCKET UG-231041

ORDER 01

For an Order determining that Certain Property
Located in Lincoln City, Oregon is No Longer
Necessary or Useful

DETERMINING PROPERTY IS NOT
NECESSARY OR USEFUL

BACKGROUND

- 1 On December 22, 2023, Northwest Natural Gas Company d/b/a NW Natural (NW Natural or Company) filed with the Washington Utilities and Transportation Commission (Commission) an application (Application) under WAC 480-143-180 seeking a Commission determination that the real property located at 1405 SE Hwy 101 in Lincoln City, Oregon, commonly known as the former Lincoln City Resource Center (Lincoln City Resource Center), is no longer necessary or useful.
- 2 Northwest Natural placed the 44,000 square foot property in service in 1968 and provided customer field services, construction, emergency response, transmission maintenance, leakage inspections, system operations, and field engineering for the Central Coast Regional district. The property consists of two buildings on approximately 0.93 acres of land in a Coastal Tsunami Zone within a highly congested area of U.S. Highway 101. Additionally, the buildings located on this property are inadequately sized to meet the demands of the service area. In October 2022, the Company vacated the old Lincoln Resource Center and occupied a new Lincoln City Resource Center located at Northeast 36th Drive in Lincoln City, OR.
- 3 The results of a 2016 seismic assessment¹ revealed that the former Lincoln Resource Center’s office and storage buildings do not meet the current minimum Life Safety Structural performance objectives related to seismic resiliency. This lack of resiliency could have impeded the Company’s ability to respond to a major natural disaster.

¹ KPFF Engineering, ASCE 41-13 Tier 1 Seismic Evaluation of NW Natural – Lincoln City Service Center (August 2016). The report states that the Lincoln City Service Center “does not achieve the desired seismic performance objective for Life Safety Structural Performance” or “Life Safety Nonstructural Performance.”

- 4 Located in a highly congested area of U.S. Highway 101, the property’s location creates numerous safety issues for the Company’s employees when attempting to bring large trucks and equipment in and out of the facility. Additionally, the Company must stop traffic on U.S. Highway 101 approximately once a week to accept deliveries of necessary equipment and materials.
- 5 The Company asserts that the former Lincoln City Resource Center is too small to support the operational needs of the service area and is inadequately sized to provide material deliveries, a vehicle fueling system, pipe storage, and a decant system. Additionally, the parking lot is unable to accommodate Company parking needs. Finally, the site cannot accommodate sufficient indoor covered storage for Company tools and equipment, or covered parking for Company vehicles, exposing them to the corrosive coastal environment.
- 6 NW Natural has entered into an agreement to sell the property, and the sale is scheduled to close April 1, 2024. The Company Commissioned a broker, Cushman & Wakefield, to value the property as part of the sale process. The sale price of \$1,260,000 is just below the average of the market value range identified in the “Broker Opinion of Value” by Cushman & Wakefield. Northwest Natural estimates that the sale of the property will result in a net gain of \$946,948 after closing costs.² Washington’s state allocated return from this sale is approximately \$57,385.
- 7 The Company is not seeking to retain any of Washington’s state allocated amount of the estimated net gain from the sale of the former Lincoln City Resource Center. It is proposing to return one hundred percent of the gain allocated to Washington to NW Natural’s 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 Federal Energy Regulatory Commission (FERC) rate, until the amount can be credited to all customers on an equal-percent-of-margin basis in the Company’s next annual rate change on November 1, 2024.
- 8 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 former Lincoln City Resource Center.

² The Company estimates \$89,330 for closing costs (e.g., broker, legal title insurance, escrow). The final gain on property sale will be net of the actual costs incurred.

9 Commission Staff (Staff) has reviewed the Application and supporting documents and believes that the new Lincoln City Resource Center provides a larger and safer facility for services required for the area's customers and the old Lincoln City Resource Center is therefore rendered surplus and unneeded. Staff recommends that the Commission reaffirm that conclusion here and issue an Order determining that the former Lincoln City Resource Center is no longer necessary or useful.

DISCUSSION

10 We agree with Staff's recommendation. Pursuant to WAC 480-143-180, a public service company must apply for and obtain written authority from the Commission before disposing of property that is necessary or useful to perform its public duties, or, in the alternative, apply for and obtain a Commission determination that the property is not necessary or useful. We interpret this Application as a request for the latter.

11 WAC 480-143-180(1)-(4) provide criteria for determining that property is not necessary or useful. The Commission finds the property meets the criteria of being substituted with or replaced by items of equal or greater value of usefulness; and is surplus and unneeded asset for which full value is received. Accordingly, we grant the Company's Application and determine under WAC 480-143-180 that the property is not necessary or useful for the Company's performance of its public duties in Washington State.

FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of property and affiliated interests of public service companies, including natural gas companies.
- 13 (2) NW Natural is a public service company subject to Commission jurisdiction.
- 14 (3) WAC 480-143-180 states "A public service company must not dispose of any property necessary or useful to perform its public duties unless it first applies for, and obtains, written authority from the Commission."
- 15 (4) WAC 480-143-180 states that "The public service company must file an application for Commission determination that the property is not necessary or

useful, prior to disposing of such property...”

- 16 (5) Necessary or useful property includes all property except items identified in WAC 480-143-180(1)-(4).
- 17 (6) This matter was brought before the Commission at its regularly scheduled meeting on February 22, 2024.
- 18 (7) After reviewing NW Natural’s Application filed in Docket UG-231041 on December 22, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Company’s Application for a determination that property is not necessary or useful is consistent with the criterion set forth in WAC 480-143-180(4). Accordingly, the Application should be granted.

ORDER

THE COMMISSION ORDERS:

- 19 (1) Northwest Natural Gas Company d/b/a NW Natural’s request for a determination that the real property located in Lincoln City, Oregon is no longer necessary or useful is granted.
- 20 (2) The 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 Application be construed as an agreement or determination of costs, or valuation of property claimed or asserted.
- 21 (3) The Commission retains jurisdiction over the subject matter and Northwest Natural Gas Company d/b/a NW Natural to effectuate the provisions of this Order.

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

Dated at Lacey, Washington, and effective February 22, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Jeff Killip
Executive Director and Secretary