

MARK R. THOMPSON
Manager, Rates and Regulatory Affairs
Tel: 503.721.2476
Fax: 503.721.2516
email: mrt@nwnatural.com



February 26, 2014

VIA ELECTRONIC FILING

Steven King, Executive Director and Secretary
WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION
1300 S Evergreen Park Drive, SW
Post Office Box 47250
Olympia, Washington 98504-7250

Re: Docket UG-110199 – 1st 2014 Semi Annual Report on Environmental Costs

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), hereby files its second semi-annual report of environmental costs as deferred in compliance with condition (3)(i) of Order No. 01 in Docket UG-110199.

Background

On January 26, 2011, NW Natural filed with the Washington Utilities and Transportation Commission (“Commission”) a petition requesting authorization to defer expenses associated with environmental remediation at the following five Company-owned sites: Gasco, Central Gas Holding, Tar Deposit, Portland Harbor, and Wacker (aka Siltronic).

NW Natural’s predecessor, Portland Gas and Coke Company, produced and sold manufactured gas to Oregon and Washington customers from 1913 to 1956. The Company is now incurring costs related to the investigation and remediation of environmental contamination resulting on properties where gas was either manufactured onsite or nearby, or where there were activities associated with manufactured gas.

Since early 2006, NW Natural has been pursuing recovery of insurance for its environmental liabilities. It has identified and analyzed all of the liability insurance policies issued between the late 1930s and 1986 which may provide coverage. Most insurers agreed to enter into negotiations in an effort to resolve the claims. In late 2010, NW Natural determined it would not be able to reach settlements within a reasonable period of time, so the Company filed a lawsuit against the insurers seeking a recovery of funds. The resulting litigation was scheduled to culminate in a jury trial in early January.

In the days before the trial was set to begin, negotiations with the insurers finally became fruitful, and the Company was able to reach a settlement with all insurers that remained in the litigation. NW Natural issued an 8-K describing these settlements, which is attached to this report.

In the Company's 2011 General Rate Case filed with the Public Utility Commission of Oregon ("OPUC") on December 31, 2011 and docketed as UG-221, NW Natural requested OPUC approval to begin collecting from customers the environmental remediation costs that it has been deferring in Oregon since 2003. In its request, the Company asserted that 96.68% of the costs were attributable to providing service to Oregon customers and explained its expectation that 3.32% are associated with serving Washington customers. Work papers were filed demonstrating how historic sales data were used to determine this allocation. In our last rate case, the OPUC approved a mechanism for recovery of our deferred environmental expenses, but ordered a new proceeding, which is still ongoing, to determine specific parameters about how this mechanism will operate. One of the open issues in that case is the allocation of expenses between Oregon and Washington.

Through a supplemental petition for an accounting order filed July 17, 2012, in UG-110199, the Company proposed to the Washington Commission an allocation of 3.32% deferred costs to service in Washington. That petition was not acted upon, and NW Natural was informed by Staff that the Commission would not want to entertain this request until the Company actually sought rate recovery in Washington. The Company currently anticipates that it will still request an allocation to Washington customers of 3.32% of its deferred expenses. The table below shows 3.32% of total costs incurred during the timeframe February 1, 2011 through December 31, 2014, for environmental remediation at the following sites: Gasco, Central Gas Holding, Tar Deposit, Portland Harbor, and Wacker (aka Siltronic). In accordance with Order No. 1 in the subject docket, interest is not being accrued to the deferred balances. However, as stated in the Order, these costs may be eligible for working capital treatment when the Company files its next rate case.

As of 12/31/2013				
Account	Site Name	Recorded Liability	Recorded Expense*	Accrued Interest
186175	Gasco - Washington Allocation	-	1,037,283.00	-
186176	Central Gas Hold - Washington Allocation	-	10,244.00	-
186177	Tar Deposit - Washington Allocation	-	17,837.17	-
186178	Portland Harbor - Washington Allocation	-	116,008.00	-
186179	Wacker (aka Siltronic) - Washington Allocation	-	30,501.00	-
	TOTAL	-	1,211,873.17	
* Recorded Expense includes Interest				

As noted above, the Company recently entered into settlements with several insurers which will result in funds that can be used to pay for our currently deferred expenses, before the Company would seek to recover these expenses from our Washington customers. In the coming weeks, we will seek to set up a meeting with the Washington Commission's Staff to discuss these issues as we move forward.

If the Commissioners or Staff are interested in better understanding of any of the Company's remediation or cost recovery efforts, Company personnel will gladly work to address any of these questions in the manner you see most fit.

If you have any immediate questions, please call Jennifer Gross at (503) 226-4211, extension 3590.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson

NWN 8-K 2/6/2014

Section 1: 8-K (FORM 8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**February 6, 2014
Date of Report (Date of earliest event reported)**



NORTHWEST NATURAL GAS COMPANY

(Exact name of registrant as specified in its charter)

Commission File No. 1-15973

Oregon
(State or other jurisdiction of
incorporation or organization)

93-0256722
(I.R.S. Employer
Identification No.)

220 N.W. Second Avenue, Portland, Oregon 97209
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: (503) 226-4211

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Events.

As described in Part I, Item 3, “*Legal Proceedings*” in our Annual Report on Form 10-K for the year ended December 31, 2012, in December 2010, NW Natural commenced litigation against certain of its historical liability insurers in Multnomah County Circuit Court, State of Oregon, Case Number 1012-17532. In the suit, NW Natural alleged that the defendant insurance companies issued third party liability insurance policies to NW Natural and that the defendants had breached the terms of those policies by failing to reimburse and indemnify NW Natural for liabilities arising from environmental contamination at certain sites caused or alleged to be caused by its historical operations. See Note 13, “*Environmental Matters*”, in Notes to Unaudited Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013. NW Natural sought damages in excess of \$50 million in losses it had incurred through the date of the complaint, as well as declaratory relief for additional damages it expected to incur in the future.

Settlements with certain of the defendant insurance companies resulted in payments received by NW Natural through December 31, 2013 of approximately \$48 million.

In January and February 2014, the remaining defendant insurance companies agreed to settle all of NW Natural’s claims for insurance recovery for past and future environmental remediation expenses. In 2014 we expect to receive additional payments aggregating approximately \$102 million under settlement agreements signed in 2013 and 2014. Such payments are to be made in the first and second quarters of 2014. As a result of such settlements, we anticipate that the Company will dismiss the litigation in the second quarter of 2014.

Forward-Looking Statements

This report, and other presentations made by NW Natural from time to time, may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods. Examples of forward-looking statements include, but are not limited to, statements regarding the following: plans, objectives, goals, strategies, future events, financial positions, timing and amounts of settlement payments to be received, future actions with respect to and disposition of litigation, and other statements that are other than statements of historical facts.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. We caution you therefore against relying on any of these forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements are discussed by reference to the factors described in Part I, Item 1A “Risk Factors”, and Part II, Item 7 and Item 7A “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosure about Market Risk” in NW Natural’s most recent Annual Report on Form 10-K and in Part I, Items 2 and 3 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Quantitative and Qualitative Disclosures About Market Risk”, and Part II, Item 1A “Risk Factors”, in NW Natural’s quarterly reports filed thereafter.

All forward-looking statements made in this report and all subsequent forward-looking statements, whether written or oral and whether made by or on behalf of the company, are expressly qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which such statement is made, and NW Natural undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. New factors emerge from time to time and it is not possible for the company to predict all such factors, nor can it assess the impact of each such factor or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHWEST NATURAL GAS COMPANY
(Registrant)

Dated: February 6, 2014

/s/ Stephen P. Feltz
Senior Vice President and
Chief Financial Officer

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