

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of:)	
)	DOCKET NO. UG-11-_____
NORTHWEST NATURAL GAS)	
COMPANY)	
)	PETITION
For an accounting order authorizing)	
deferred accounting treatment of certain)	
costs associated with environmental)	
remediation)	
.....)	

1. Pursuant to WAC 480-07-370(1)(b), Northwest Natural Gas Company (“NW Natural” or “the Company”) petitions the Washington Utilities and Transportation Commission (the “Commission”) to grant NW Natural an order authorizing the deferred accounting treatment of environmental remediation costs (“Environmental Costs”) associated with the following sites: Gasco, Wacker, aka Siltronic, Portland Harbor, Tar Deposit and Central Gas Holdings. In support of this Petition, NW Natural states as follows:

I. Name of Applicant

2. NW Natural is in the business of furnishing natural gas service within the State of Washington as a public service company and is subject to the regulatory authority of the Commission as to its rates, service, facilities, and practices. Its full name and mailing address for the purposes of this proceeding are:

Northwest Natural Gas Company
 c/o Mark Thompson
 Manager of Rates and Regulatory Affairs
 220 NW Second Ave.
 Portland, OR 97209

3. The name and address of the Company's attorney for purposes of this proceeding are:

Lisa Rackner
McDowell Rackner & Gibson
419 SW 11th Ave. Suite 400
Portland, OR 97206

II. Support for Petition

A. Factual Background

4. Through this Petition, the Company seeks to defer future expenses related to environmental remediation efforts resulting from the Company's ownership and operation of a residual oil gasification facility at NW Natural's Gasco Site ("the Plant") —described in particularity below. NW Natural's predecessor in interest, Portland Gas & Coke Company, owned and operated 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 operation in 1956, and in the late 1960's most of the gasification facilities were dismantled and removed. As described in more detail below, the Gasco Site and several adjacent properties are under under voluntary investigation for environmental contaminants by NW Natural under Oregon Department of Environmental Quality's ("DEQ") Voluntary Clean-Up Program and the Federal Superfund law administered by the United States Environmental Protection Agency ("EPA").

1. Gasco Site

5. The Gasco Site refers to the approximately 47 acres of property owned by NW Natural at 7900 NW St. Helens Road in Portland, Oregon, on which the Plant was located. As stated above, the Gasco site is under voluntary investigation by NW Natural for environmental contaminants under DEQ's Voluntary Clean-Up Program.

2. Siltronic Site

6. The Siltronic Site is adjacent to the Gasco Site and is now owned by Wacker Siltronic Corporation. The Siltronic Site is also under voluntary investigation by NW Natural for environmental contaminants under DEQ's Voluntary Clean-Up Program.

3. Portland Harbor Site

7. The Willamette River forms the eastern boundary of the Gasco and Siltronic Sites and is the location of a portion of the designated Portland Harbor Site. The Portland Harbor Site currently covers approximately 5.5 miles of the Willamette River stretching from downtown Portland north (downstream). In 1998, DEQ and the EPA completed a study of sediments in this segment of the Willamette River. In 2000, the EPA listed the Portland Harbor as a Superfund site and notified NW Natural that it is a potentially responsible party. NW Natural then joined with other potentially responsible parties, referred to as the Lower Willamette Group, to fund environmental studies in the Portland Harbor. EPA and the Lower Willamette Group are currently conducting focused studies on approximately nine miles of the lower Willamette River, including the 5.5-mile segment previously studied by the EPA.

4. Tar Deposit

8. The Tar Deposit costs are a subset of the costs associated with the Portland Harbor site, and are related to sediment contamination that may have resulted from the Gasco facilities.

5. Central Gas Holdings Site

9. Gas manufactured at the Company's Gasco site was piped to the Central Gas Holdings Site in southeast Portland and stored there until it was distributed. In 2006, the Company received notice from DEQ that its Central Gas Holdings Site was assigned a high priority for further environmental investigation by DEQ. Three manufactured gas storage tanks previously located on the premises are believed to be the source of contamination associated with releases of

condensate from stored manufactured gas, or through historic gas handling practices. The Company is currently performing an environmental investigation of the property with the DEQ's Independent Cleanup Pathway.¹

B. Request for Deferral

10. NW Natural seeks authorization to defer Environmental Costs associated with the five sites listed above. Such Environmental Costs will include, but are not necessarily limited to costs associated with investigating, studying, and monitoring the remediation, costs associated with the remediation itself, legal costs, and costs associated with pursuing insurance recoveries. NW Natural requests deferral of such costs net of any recoveries from insurance or other third parties.
11. Authorization of the deferral requested by NW Natural is consistent with the Commission's recent approval of deferred accounting treatment of Cascade Natural Gas Corporation ("Cascade").² In that order, Cascade requested authorization to defer environmental remediation costs associated with the Old Bremerton Gasworks and Sesko Property site on the basis that environmental remediation costs are variable and unpredictable.³ The Commission found that deferral of the environmental remediation costs requested by Cascade was reasonable. The environmental remediation costs described in this Petition are also variable and unpredictable and therefore reasonably subject to deferral. Deferral of such costs would prevent rate fluctuations that would result from the variability of remediation costs and insurance recoveries.

¹ In addition, the Company has recently received notice from the US Army Corp of Engineers that it believes that Gasco operations contributed to the contamination at its US Moorings facility, which is adjacent to Gasco. If responsibility is assigned to NW Natural during the deferral period, the Company may file a supplemental request to begin deferring Environmental Costs associated with the US Moorings site as well.

² *Re Petition of Cascade Natural Gas Corp. for an Accounting Order Authorizing Deferred Accounting Treatment of Expenses Relating to the Environmental Remediation at the Old Bremerton Gasworks and Sesko Property Site*, Docket No. UG-100589, Order 1 (Sept. 16, 2010).

³ *Re Petition of Cascade Natural Gas Corp. for an Accounting Order Authorizing Deferred Accounting Treatment of Expenses Relating to the Environmental Remediation at the Old Bremerton Gasworks and Sesko Property Site*, Docket No. UG-100589, Petition (Apr. 12, 2010).

12. NW Natural contemplates recording of authorized deferred expenses and insurance recoveries until the net Environmental Costs can be addressed in a future general rate case or purchased gas adjustment filing. As the five sites are at different study and remediation stages, NW Natural may present to the Commission a proposed ratemaking treatment for deferred costs associated with a particular site, should costs and remediation at the particular site become known and certain. At the time of consideration for incorporation into rates, NW Natural will propose an appropriate amortization period for the Environmental Costs for the Commission's consideration.

C. Cost Estimate

13. In the deferral period, the Company will incur site study, clean-up, potential natural resource damages, DEQ/Environment 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. Environmental Costs will be charged to deferred regulatory asset accounts. Insurance recoveries will be used as offsets to deferred Environmental Costs. These anticipated expenses and recoveries from insurance are the cause of this filing. At this time, information is insufficient to more accurately estimate the total potential liability for investigation and remediation costs associated with the five sites, or to accurately estimate the corresponding total insurance recovery amounts.
14. NW Natural is currently attempting to determine what portion of the Environmental Costs are attributable to the provision of service in Washington, and will provide that information to the Commission as soon as it is available.

D. Accounting

15. NW Natural proposes to accrue estimates of the Environmental Cost expenses to a separate liability account for each site with the charge recorded in an operation and maintenance expense account. The proposed balance sheet accounts to be used are:

- 262140 Injuries & Damage Reserve Gasco
- 262143 Injuries & Damage Reserve Siltronic
- 262144 Injuries & Damage Reserve Portland Harbor
- Tar Deposits
- 262147 Injuries & Damage Reserve Central Gas Holdigs

16. As NW Natural pays the Environmental Costs, the costs will be deferred in the following deferred regulatory asset accounts on the balance sheet:

- 186140 Environmental Inv. Gasco
- 186143 Environmental Inv. Siltronic
- 186144 Environmental Inv. Portland Harbor
- Tar Deposits
- 186153 Environmental Inv. Central Gas Holdings

17. NW Natural has also recorded an insurance receivable, Account 89050 143008__Insurance Recovery.

III. Relief Requested

18. The Company requests authorization to defer the costs associated with environmental remediation at the five sites listed above, plus interest at its allowed rate of return.

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19. WHEREFORE, the Company respectfully requests that the Commission enter an order approving deferred accounting treatment for Environmental Costs described in this Petition.

Dated this 26th day of January, 2011.

MCDOWELL RACKNER & GIBSON PC



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