

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

In the Matter of the Petition of)	DOCKET UG-100589
)	
CASCADE NATURAL GAS)	ORDER 01
CORPORATION,)	
)	
Petitioner,)	
)	
For An Accounting Order Authorizing)	
Deferred Accounting Treatment of)	
Expenses Related to the Environmental)	
Remediation of the Old Bremerton Gas)	ORDER GRANTING ACCOUNTING
Works and Sesko Property Site.)	PETITION
.....)	

BACKGROUND

- 1 On April 12, 2010, Cascade Natural Gas Corporation (Cascade 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 Cascade to defer treatment of expenses related to the environmental remediation of the Old Bremerton Gas Works and Sesko Property Site (Bremerton Site or Site).
- 2 On March 5, 2010, the Washington State Department of Ecology notified Cascade that it is a potentially liable person (PLP) under the Washington Model Toxics Control Act (MTCA) for environmental contamination at the Bremerton Site on the basis that at least a portion of the contamination is attributable to historic operation of a gasification facility. Cascade is both a past operator of the facility and a successor corporation of another operator. Investigation and cleanup costs at the Bremerton Site have been estimated to range from \$340,000 to \$6,400,000. The actual amount of Cascade’s liability could vary depending on a number of factors including recovery from third parties and receipt of insurance proceeds.
- 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 the deferred costs in Account number 186, Other Miscellaneous Deferred Debits. The Company will file with the Commission an

accounting petition to transfer the accumulated balance to FERC Account 182.3, Other Regulatory Assets, once deferred costs, net of insurance and third party recoveries, are fully known.

- (b) Costs eligible for deferred accounting treatment will include only those amounts paid to outside vendors, contractors, or attorneys (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, remediation, and removal), and will not include internal employee salaries or other employee incidental costs, such as, hotel, meals, etc. 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 costs defined above 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 Bremerton Site 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) The Company will normalize the tax benefits associated with these costs.
- (g) Environmental remediation projects deferred in previous orders will continue to meet the terms of the order granting that deferral.
- (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) Cascade 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 Cascade seeks approval.
- 7 (4) Staff has reviewed the petition in Docket UG-100589.
- 8 (5) Staff believes the proposed accounting order Cascade requests is reasonable and should be granted subject to the conditions above in paragraph 3 of this order.
- 9 (6) This matter came before the Commission at its regularly scheduled meeting on September 16, 2010.
- 10 (7) After reviewing Cascade's petition filed in Docket UG-100589 on September 16, 2010, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the proposed Petition filed should be granted. The proposed petition will allow the Company to defer costs associated with environmental remediation of the Bremerton Site.

ORDER

THE COMMISSION ORDERS:

- 11 (1) Cascade's request to defer the costs associated with the environmental remediation of the Bremerton Site is granted.
- 12 (2) This authorization is subject to the following conditions:

- (a) The company will record the deferred costs in Account number 186, Other Miscellaneous Deferred Debits. The Company will file with the Commission an accounting petition to transfer the accumulated balance to FERC Account 182.3, Other Regulatory Assets, once deferred costs, net of insurance and third party recoveries, are fully known.
- (b) Costs eligible for deferred accounting treatment will include only those amounts paid to outside vendors, contractors, or attorneys (i.e., investigation and feasibility studies, sampling, evaluation, monitoring, remediation, and removal), and will not include internal employee salaries or other employee incidental costs, such as, hotel, meals, etc. 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 costs defined above 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 Bremerton Site 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) The Company will normalize the tax benefits associated with these costs.
- (g) Environmental remediation projects deferred in previous orders will continue to meet the terms of the order granting that deferral.
- (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.

- 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 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 Cascade 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 September 16, 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary