



STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

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May 30, 2018

Mark L. Johnson, Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

RE: *For An Accounting Order Authorizing deferred accounting treatment of certain costs associated with environmental remediation; Docket UG-110199.*

Dear Mr. Johnson:

Commission staff has reviewed the semiannual compliance filings of Northwest Natural Gas Company (NW Natural or company) relating to its deferrals of expenses incurred to environmentally remediate contamination along and eleven mile stretch of the Willamette River in Portland, Oregon.¹

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 has incurred costs related to the investigation and remediation of environmental contamination resulting from the processes employed to manufacture gas.

The deferred cost balances were provided in the company's most recent compliance report filed on March 15, 2018:

Remediation Deferral Balances as of December 31, 2017 ²	
Gasco	\$2,925,385
Central Gas Hold	\$23,679
Tar Deposits	\$367,391
Portland Harbor	\$636,101
Wacker (aka Siltronic)	\$125,800
Insurance Recoveries (Credits)	-\$5,056,925
Balance	-\$978,569

¹ In its semi-annual accounting of expenses related to its ongoing environmental remediation along the Willamette River, NW Natural refers to five separate sites: Gasco, Central Gas Hold, Tar Deposits, Portland Harbor and Wacker (aka Siltronic). Collectively, these sites (and others) are listed as a single Superfund Site; Portland Harbor, by the Environmental Protection Agency (EPA).

² These expense amounts represent a 3.32 percent allocation to NW Natural's Washington customers with the bulk of environmental remediation expense allocated to its Oregon customers. On July 17, 2012, the company filed a supplement to its original accounting petition seeking Commission approval of these allocation percentages which would also apply to any proceeds NW Natural would receive from insurance companies. According to NW Natural, the supplemental petition was not acted upon, and the company was informed by staff that Washington allocations would be determined once it files to seek recovery of these costs in Washington.

Staff has examined NW Natural's most recent compliance filing, as well as those going back through August of 2012, and believes that the company has fully complied with Commission's Order 01, entered on September 16, 2010.

At a future open meeting, NW Natural will also propose, and staff supports, modifying Order 01 to reduce reporting from twice a year (July 1 and December 31 of each year) to once a year (December 31).

Sincerely,

DAVID CARLOS GOMEZ
Assistant Power Supply Manager, Energy