

BEFORE THE ENVIRONMENTAL QUALITY COMMISSION
OF THE STATE OF OREGON

IN THE MATTER OF)
NORTHWEST NATURAL GAS)
COMPANY d/b/a NW NATURAL,)
Respondent.)

MUTUAL AGREEMENT
AND FINAL ORDER

CASE NO. AQ-ACDP-NWR-2026-649

WHEREAS:

1. Respondent operates an underground natural gas storage facility located off a private logging road northwest of Mist, Oregon (the Facility).

2. Respondent operates the Facility pursuant to Air Contaminant Discharge Permit No. 05-2581-ST-01 to Respondent, issued by DEQ on August 2, 2011 (the Permit). The Permit expired on February 1, 2016, but is administratively extended according to OAR 340-216-0082(1)(a)(A) because Respondent submitted a timely renewal application.

3. The Permit authorizes Respondent to operate air contaminant sources at the Facility, including a gas fired turbine compressor, Cooper Rolls model CR501-KC5, installed in 1998 and retrofitted with staged combustion to reduce carbon monoxide emissions in 2022. The compressor is known as “Turbine 1” or “GC-500.”

4. GC-500 is one of four compressors that Respondent uses to withdraw natural gas from the underground storage structure, or inject natural gas into it, depending on natural gas demand.

5. On July 12, 2024, Respondent submitted a Type 3 Notice of Intent to Construct and Permit modification application to DEQ to replace GC-500 with a new turbine unit, to be called “GC-700.” (Similarly, Respondent proposed to replace GC-600 with a new turbine unit, to be called “GC-800.”) The application stated that Respondent anticipated installing the new turbines in 2026 and 2027. The application indicated that Respondent understood DEQ would process the modification along with the Permit renewal.

1 6. On January 17, 2025, the Oregon Energy Facility Siting Council authorized Respondent
2 to replace GC-500 and GC-600 with new turbines.

3 7. On January 30, 2025, Respondent submitted an update to the application described in
4 Paragraph 5 above. The updated application requested production limits and provided updated
5 emissions calculations. The updated application stated that Respondent anticipated installing the
6 new turbines in the second half of 2025 (GC-700) and 2026 (GC-800).

7 8. Due to the physical constraints at the Facility, each existing turbine must be
8 decommissioned and removed before a new turbine can be constructed in its place.

9 9. On June 18, 2025, Respondent removed GC-500.

10 10. On August 27, 2025, Respondent and DEQ conferred about the likely timeframe for the
11 Permit to be issued relative to the upcoming winter heating season.

12 11. On September 12, 2025, Respondent submitted a letter to DEQ requesting an upfront
13 MAO. In that request, Respondent stated that in order for Respondent to access the underground
14 reservoirs at the Facility to ensure reliability during periods of peak natural gas demand during the
15 winter heating season, Respondent needs to operate all four compressors, including the new GC-700
16 which is being installed. Respondent indicated it would like to begin commissioning the new GC-
17 700 turbine in the fall of 2025 so that it is available for the winter heating season. Respondent
18 estimates the commissioning of the new unit will take approximately nine weeks, after which
19 Respondent would begin normal operation.

20 12. As of the date of this Mutual Agreement and Final Order (MAO), DEQ has not issued a
21 modified Permit to Respondent that authorizes Respondent to commission or operate GC-700.

22 13. According to ORS 468A.045(1)(b), “Without first obtaining a permit pursuant to ORS
23 468.065, 468A.040 or 468A.155, no person shall ... (b) Construct, install, establish, develop,
24 modify or enlarge or operate an air contamination source for which a permit is required under ORS
25 468A.040.”

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1 14. According to OAR 340-216-0020(5), "The owner or operator of a source that has been
2 issued an ACDP may not modify the source without first complying with the requirements of OAR
3 340-210-0205 through 340-210-0250."

4 15. According to OAR 340-210-0250(3)(c), "For sources currently operating under a ...
5 Standard ACDP, approval to operate a Type 3 change will require the owner or operator to obtain a
6 ... new or modified Standard ACDP, in accordance with OAR chapter 340, division 216 before
7 operation of the approved changes. All current ACDP terms and conditions remain in effect until
8 the new or modified ACDP is issued."

9 16. Respondent has worked cooperatively with DEQ and has provided requested
10 information related to its Permit modification application.

11 17. The new turbine, GC-700 is more efficient than the unit GC-500 that it is replacing, and
12 the projected emissions from the project will result in a decrease in regulated pollutant emissions.

13 I. AGREEMENT

14 Respondent and DEQ hereby agree that:

15 1. This Mutual Agreement and Final Order (MAO) shall be effective upon the date
16 fully executed (MAO Effective Date).

17 2. The MAO will terminate upon the date that DEQ issues a Permit modification
18 authorizing the operation of GC-700 or March 31, 2026, whichever is sooner (MAO Termination
19 Date).

20 3. From the MAO Effective Date through the MAO Termination Date, if Respondent
21 commissions or operates GC-700 prior to DEQ issuing a Permit modification authorizing the
22 operation of GC-700, Respondent will violate ORS 468A.045(1)(b) by operating an air
23 contamination source without a Permit modification, as required pursuant to OAR 340-210-
24 0250(3)(c) (the "Violation").

25 4. According to ORS 468.140(3)(b), DEQ may assess a civil penalty of up to \$25,000
26 for each day of violation.

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1 5. The total civil penalty for the Violation alleged in Section I, Paragraph 3 of this
2 MAO is \$68,200. The calculation of the civil penalty is attached and incorporated as Exhibit 1 to
3 this this MAO.

4 6. The U.S. Environmental Protection Agency (EPA) appropriately delegated the
5 federal Clean Air Act, 42 U.S.C. §§ 7401 et seq. (the Act), to DEQ, making DEQ the primary
6 administrator and enforcer of the Act in Oregon. This MAO furthers the goals of the Act by
7 ensuring progress towards compliance and is consistent with DEQ's goals of protecting human
8 health and the environment.

9 7. DEQ and Respondent recognize that the Environmental Quality Commission (EQC)
10 has the authority to impose civil penalties and to issue an abatement order for the alleged violation
11 described in Section I, Paragraph 3 of this MAO. Therefore, pursuant to ORS 183.417(3), DEQ and
12 Respondent wish to settle the Violation alleged in Section I, Paragraph 3 of this MAO.

13 8. Pursuant to OAR 340-012-0030(19) and OAR 340-012-0145(2), the Violation
14 alleged in Section I, Paragraph 3 of this MAO, will be treated as a "Prior Significant Action," as
15 defined by OAR 340-012-0030(19), in the event DEQ assesses a civil penalty for violations not
16 expressly settled herein.

17 9. Respondent waives any and all rights and objections Respondent may have to a
18 contested case hearing and judicial review of this MAO; and to service of a copy of this MAO.

19 10. For the period from the MAO Effective Date through the MAO Termination Date,
20 this MAO resolves all civil claims of DEQ, based upon the facts alleged, for the Violation expressly
21 alleged in Section I, Paragraph 3 of this MAO. This MAO is not intended to limit, in any way,
22 DEQ's right to proceed against Respondent in any forum for any past or future violations not
23 expressly settled herein.

24 11. Respondent releases and waives any and all claims of any kind, known or unknown,
25 past or future, against the State of Oregon or its agencies, instrumentalities, employees, officers, or
26 agents, arising out of the matters and events set out in this MAO. Any and all claims includes but is
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not limited to any claim under 42 USC § 1983 et seq., any claim under federal or state law for damages, declaratory, or equitable relief, and any claim for attorney's fees or costs.

12. This MAO shall be binding on Respondent and its respective successors, agents, and assigns. The undersigned representative of Respondent certifies that they are fully authorized to execute and bind Respondent to this MAO. No change in ownership, corporate or partnership status of Respondent, or change in the ownership of the properties or businesses affected by this MAO shall in any way alter Respondent's obligation under this MAO, unless otherwise approved in writing by DEQ through an amendment to this MAO.

13. Verifiable electronic, facsimile, or scanned signatures on this MAO shall be treated the same as original signatures.

14. Stipulated Penalties: If Respondent fails to comply with the requirements in Section II, Paragraph 3 of this MAO, upon receipt of a written Penalty Demand Notice from DEQ, Respondent shall pay a civil penalty of \$1,600 per day of violation.

15. Within twenty (20) days of receipt of a Penalty Demand Notice from DEQ, Respondent may contest the Penalty Demand Notice pursuant to the procedures in ORS Chapter 183, OAR Chapter 340, Division 011 and OAR 137-003-0501 to 137-003-0700. Respondent agrees that the issue shall be limited to Respondent's compliance or noncompliance with this MAO. The amount of the stipulated civil penalty is established in advance by this MAO and is not a contestable issue.

16. This MAO may be amended by mutual agreement of DEQ and Respondent.

17. Respondent agrees to refrain from using the value of the Supplemental Environmental Project (SEP) described in Section II, Paragraph 2, as a tax deduction or as part of a tax credit application; and, whenever Respondent publicizes the SEP or the results of the SEP, Respondent will state in a prominent manner that the project was undertaken as settlement of a DEQ enforcement action. An approved SEP will be incorporated into this MAO by amendment. Respondent will be deemed to have completed the SEP when the DEQ Office of Compliance and Enforcement receives a final report documenting the completion of the SEP.

1 18. Civil penalty payments pursuant to this MAO may be made as follows:

- 2 a. Pay online with e-check (ACH) or credit card. Go to Your DEQ Online here:
3 <https://ydo.oregon.gov>. Select Register Account or Login, then select Pay
4 Invoices/Fees on your account dashboard. Enter the Reference Number and
5 FIMS Account ID included on the attached payment slip. Note: US Bank
6 charges a 2.3% convenience charge for credit card transactions. ACH
7 payments have no additional charges, OR
8 b. Pay by check or money order: Make check payable to "Department of
9 Environmental Quality" and mail to the address on the enclosed payment
10 slip. Please make sure to include the payment slip with your check or money
11 order and note the case number on your check.

12 II. FINAL ORDER

13 The Environmental Quality Commission hereby enters a final order:

- 14 1. Imposing on Respondent a total civil penalty of \$68,200 for the Violation alleged in
15 Section I, Paragraph 3 of this MAO, \$13,640 of which is due by October 17, 2025.
16 2. By no later than 90 days after the MAO Effective Date, requiring Respondent to either:
17 a. Submit to DEQ a Supplemental Environmental Project (SEP) application for a
18 project that meets DEQ SEP approval criteria and contributes no less than \$54,560
19 to a third-party organization to implement a SEP. Within 30 days of DEQ's
20 approval of the SEP application, Respondent must transmit payment of no less
21 than \$54,560 to the third-party organization and provide DEQ with
22 documentation of the transmittal. If DEQ disapproves Respondent's SEP
23 application in writing, then the balance of the civil penalty (\$54,560) is due and
24 owing within 30 days of DEQ's written disapproval.
25 OR
26 b. Notify DEQ in writing that Respondent intends to pay the balance of the civil
27 penalty (\$54,560). The balance of the civil penalty (\$54,560) will be due and

owing within 30 days of DEQ's transmittal to Respondent of a payment slip for

that amount.

3. From the MAO Effective Date until the MAO Termination Date, requiring

Respondent to comply with the following requirements with respect to the operation of GC-700:

a. Respondent must comply with all applicable conditions of the Permit, including

the Plant Site Emission Limits; and

b. Respondent must comply with the applicable requirements of 40 CFR Part 60,

Subpart KKKK, including source testing requirements.

NORTHWEST NATURAL GAS COMPANY
(RESPONDENT)



Signature Megan Berge

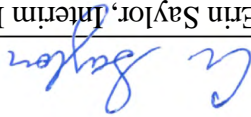
Name (print) General Counsel

Title (print)

DEPARTMENT OF ENVIRONMENTAL QUALITY and
ENVIRONMENTAL QUALITY COMMISSION

10/01/2025

Date



Erin Saylor, Interim Manager

Office of Compliance and Enforcement

on behalf of DEQ pursuant to OAR 340-012-0170

on behalf of the EQC pursuant to OAR 340-011-0505

10/2/2025

Date

EXHIBIT 1

FINDINGS AND DETERMINATION OF RESPONDENT'S CIVIL PENALTY PURSUANT TO OREGON ADMINISTRATIVE RULE (OAR) 340-012-0045

VIOLATION NO. 1 Operating an air contamination source, GC-700, without a required Permit modification, in violation of ORS 468A.045(1)(b).

CLASSIFICATION: This is a Class II violation pursuant to OAR 340-012-0054(2)(a).

MAGNITUDE: The magnitude of the violation is moderate pursuant to OAR 340-012-0130(1), as there is no selected magnitude specified in OAR 340-012-0135 applicable to this violation, and the information reasonably available to DEQ does not indicate a minor or major magnitude.

CIVIL PENALTY FORMULA: The formula for determining the amount of penalty of each violation is: $BP + [(0.1 \times BP) \times (P + H + O + M + C)] + EB$

"BP" is the base penalty, which is \$2,000 for a Class II, moderate magnitude violation in the matrix listed in OAR 340-012-0140(3)(b)(B)(ii) and applicable pursuant to OAR 340-012-0140(3)(a)(A) because Respondent has an ACDP for the Facility.

"P" is whether Respondent has any prior significant actions, as defined in OAR 340-012-0030(19), in the same media as the violation at issue that occurred at a facility owned or operated by the same Respondent, and receives a value of 0 according to OAR 340-012-0145(2)(a)(A), because there are no prior significant actions.

"H" is Respondent's history of correcting prior significant actions, and receives a value of 0 according to OAR 340-012-0145(3)(c) because there is no prior history.

"O" is whether the violation was repeated or ongoing, and receives a value of 0 according to OAR 340-012-0145(4)(e) because DEQ is assessing a separate penalty for each occurrence of the Violation as described below.

"M" is the mental state of the Respondent, and receives a value of 4 according to OAR 340-012-0145(5)(c) because Respondent's conduct was negligent. According to OAR 340-012-0030(15), negligent means the respondent failed to take reasonable care to avoid a foreseeable risk of conduct constituting or resulting in a violation.

"C" is Respondent's efforts to correct or mitigate the violation, and receives a value of -3 according to OAR 340-012-0145(6)(c) because Respondent took reasonable affirmative efforts to minimize the effects of the violation by providing information to DEQ as needed for the permitting process, and agreeing to the requirements in Section II, Paragraph 3 of the MAO, which apply to the operation of GC-700 until the MAO Termination Date.

"EB" is the approximate dollar value of the benefit gained and the costs avoided or delayed as a result of the Respondent's noncompliance. It is designed to "level the playing field" by taking away any economic advantage the entity gained and to deter potential violators from deciding it is cheaper to violate and pay the penalty than to pay the costs of compliance. In this case, "EB" receives a value of \$0 because DEQ has insufficient information to calculate an economic benefit for this violation.

PENALTY CALCULATION: $\text{Penalty} = \text{BP} + [(0.1 \times \text{BP}) \times (\text{P} + \text{H} + \text{O} + \text{M} + \text{C})] + \text{EB}$
 $= \$2,000 + [(0.1 \times \$2,000) \times (0 + 0 + 0 + 4 + -3)] + \0
 $= \$2,000 + (\$200 \times 1) + \$0$
 $= \$2,000 + \$200 + \$0$
 $= \$2,200$

In accordance with ORS 468.140(2), each day of violation constitutes a separate offense and is subject to a civil penalty up to \$25,000 per day. At the time of this MAO, DEQ and Respondent expect that Respondent may begin commissioning of GC-700 on or about the beginning of October, following the execution of this MAO, and DEQ expects it will issue a modified Permit authorizing the operation of GC-700 by early November, at the earliest. Thus, DEQ hereby assesses 31 separate civil penalties to account for violations on each day of the month of October, which is the approximate expected term of this MAO. The parties recognize that the MAO may terminate as late as March 31, 2026, and agree that the civil penalty assessed in this MAO covers all violations of operating GC-700 without the required Permit modification through the MAO Termination Date.

TOTAL PENALTY:

$$\$2,200 \times 31 = \$68,200$$