

Rates and Regulatory Affairs
Facsimile: 503.721.2516



July 28, 2009

Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn: Filing Center

Re: OPUC Order No. 09-067: Docket UM 1406, Compliance Filing

Enclosed is NW Natural's first Annual System Integrity Program ("SIP") Report. This report is provided in compliance with approved language in the Company's Schedule 177, System Integrity Program Rate Adjustment which states at Special Provisions item 2, in part:

"The Company will provide parties...in August, a report of actual program spending compared with annual collections under this adjustment schedule."

This report also is provided in compliance with approved language in the System Integrity Program Stipulation in Docket UM 1406, at 13 which states:

"Each August, NW Natural will provide OPUC Staff, NWIGU, and CUB a report of actual expenses by Tracker Year broken down by specific projects and initiatives."

If you have any questions, please call me at (503) 226-4211 x3588.

Sincerely,

/s/ Natasha Siores

Natasha Siores
Senior Rates Analyst

enclosure

cc: Lisa Gorsuch, OPUC
Bob Jenks, CUB
Carla Owings, OPUC
Paula Pyron, NWIGU



2009 Annual SIP Report:

Report of actual expenses

August 1, 2009

NW Natural
2009 Annual SIP Report
Narrative of actual expenses

Bare Steel and Geo-Hazard

Three major Bare Steel projects were completed during the period October 2007 through September 2008. Staff also approved one major Geo-Hazard project for construction during 2007. The projects are briefly described as follows:

- 1) Bare Steel Service Replacement Project- Replacement of approximately 1700 bare steel service lines with new polyethylene services. Replacement services were located throughout the service territory.
 - o Actual Cost - \$4.2 MM
- 2) Boones Ferry Feeder Bare Steel Replacement, Portland- Replacement of 1000 feet of 10-inch bare steel main operating at 125 MAOP with 12-inch coated, cathodically protected steel main along Lower Boones Ferry Road in Portland.
 - o Actual Cost - \$600 M
- 3) Mt Angel/Gervais road replacement of approximately 4.5 miles of 4-inch Class 'B' bare main with new 6-inch poly Class 'B' main.
 - o Actual Cost - \$1.2 MM
- 4) Salmon River Highway Geo-Hazard Project, Highway 18- The scope of this Geo-Hazard Mitigation project entailed the installation of approximately 5,220 lineal feet of 12-inch, 720 MAOP, coated and cathodically protected steel pipe to replace a 12-inch steel pipe exposed and threatened by severe river erosion. The project was completed in December 2007.

Transmission Pipeline Integrity

TIMP Projects in progress in the period October 1, 2007 to September 30, 2008:

- Westside Transmission 16", from SW Scholls Ferry Road at the BPA right-of-way to Gasco Mixer Station:
 - o Excavated and remediated remaining two anomalies that required long lead time permits. One of the anomalies required the replacement of the Highway 26 crossing in Washington County.
- Northeast Transmission 16", from Sauvie Island Gate to N. Ramsey Blvd.
 - o Modified pipeline to allow for inline inspection
 - o Cleaned and assessed pipeline with inline inspection tool
 - o Evaluate inline inspection data
 - o Excavate and remediated required anomalies on pipeline
- Northeast Transmission 12", from N. Ramsey Blvd to NE 82nd Ave at Webster.
 - o Modified pipeline to allow for inline inspection
 - o Cleaned and assessed pipeline with inline inspection tool
 - o Evaluate inline inspection data
 - o Excavate and remediated required anomalies on pipeline
- Northeast Transmission 10"/12", from NE Gate to 122nd on Sandy Blvd.

August 1, 2009

- Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- Newberg Transmission 10"/12", from Brookman Rd Station to SW Scholls Ferry Road at BPA right-of-way:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- Southwest Transmission 12", from SW Scholls Ferry Road at BPA right-of-way to SW Garden Home Rd & Oleson Rd:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- Southeast Transmission 12", from Hwy 212 at 102nd to Bell Rd Station:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- Southeast Transmission 10", from Bell Rd Station to 66th and Woodward:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- South Portland Transmission 16", from Harbor Way to SW Barbur Blvd & Slavin Rd:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluate inline inspection data
 - Excavate and remediated required anomalies on pipeline
- External Corrosion Direct Assessment projects of 13+ miles of transmission lines at various locations in Portland, Beaverton, Newberg, Yamhill, McMinnville, Amity, Dundee, and along the 24" South Mist Transmission Pipeline.
 - Preassessment and feasibility study
 - Conduct field data gathering and evaluation
 - Excavate and remediate anomalies on all pipeline segments
 - Recoat the pipeline and restore the sites
- PBV Valve investigation and remediation
 - Identified all PBV valves in system
 - Replaced defective trunnion cap screws as necessary

PIPELINE INTEGRITY EXPENDITURE UPDATE for RATE PURPOSES

Projects completed October 1, 2007 thru September 30, 2008

	Amount Listed on 2007 Report	Totals through 7/31/08	Actuals 08/01/08 to 09/30/2008
INLINE INSPECTION			
P10.01 St Helens Rd Trans - 16"	1,927	128	67
P11.01 Westside Trans (included P24.01)	2,232	813	354
P12.01 thru P12.03 Newberg - 10" & 12"		788	406
P20.01A Bell Rd to 102nd - 12"		443	425
P20.02 SE Trans 66th to Bell Rd - 10"		1,072	84
P25.01 & P25.02 Columbia Blvd - 16" & 12"		1,525	537
P25.04 thru P25.05 Replacement on Killingsworth		315	0
P25.09 thru P25.12 NE Sandy - 10" & 12"		905	349
P59.01 SW Trans Oleson Rd - 12"		763	67
P68.01 SW Intertie Barbur- 16"		111	402
System Wide Charges (umbrella)		78	12
		ILI Total	6,941
			2,703
DIRECT ASSESSMENT			
		ECDA	
9 Pipeline segments - includes Mears, Coast to Coast, NWN Excavations & DCVG Instrument. Also CP Mat on P20.02.12 & bridge hangers on P25.09 and additional survey on P25.09 (overspeeds).		546	156
		ECDA Total	546
			156
		ICDA	
Additional costs from 2007 work		0	3
8" replacement on Seavey Loop		0	0
Corrison Sensors		0	0
		ICDA Total	0
			0
Other			
E04.04 relocate 6" riser @ Beltline bridge		0	0
PBV Valve Program		388	109
		Other Total	0
			0
		Totals	7,487
			2,859
		All Pipeline Integrity Activities Totals for Rates	
			10,346

Updated current expenditures off Intranet 10/16/08 & 10/17/08 - c6c Updated ECDA costs only from Intranet 12/15/08 - c6c



2009 Annual SIP Report:

Report of actual program spending compared with annual collections

August 1, 2009

**NW Natural
Bare Steel, Geohazard and Integrity Management Programs
2009 Annual SIP Report
Thousands of Dollars**

	<u>Actual Investment through September 2008</u>		<u>Estimated Investment included in 08-09 PGA Filing</u>		<u>Comparison: Actual vs. Estimate</u>		
	<u>Investment</u>	<u>Tracker Year Cost of Service</u>	<u>Investment</u>	<u>Tracker Year Cost of Service</u>	<u>Investment</u>	<u>Tracker Year Cost of Service</u>	
	<u>[1,3]</u> (a)	<u>(b)</u>	<u>[3]</u> (c)	<u>(d)</u>	<u>[1,3]</u> (e)	<u>(f)</u>	
<u>Bare Steel Program</u>							
1	Activity Ended September 30, 2002	\$2,665	\$330	\$2,665	\$330	\$0	\$0
2	Activity Ended September 30, 2003	3,510	428	3,510	428	0	0
3	Activity Ended September 30, 2004	3,094	389	3,094	389	0	0
4	Activity Ended September 30, 2005	6,000	779	6,000	779	0	0
5	Activity Ended September 30, 2006 [2]	(695)	(92)	(695)	(92)	0	0
6	Activity Ended September 30, 2007	430	59	430	59	0	0
7	Activity Ended September 30, 2008	3,875	596	3,861	594	14	2
8	Total Bare Steel Program	\$18,879	\$2,488	\$18,865	\$2,486	\$14	\$2
<u>Geohazard Program</u>							
9	Activity Ended September 30, 2002	\$1,714	\$212	\$1,714	\$212	\$0	\$0
10	Activity Ended September 30, 2003	555	68	555	68	0	0
11	Activity Ended September 30, 2004	139	17	139	17	0	0
12	Activity Ended September 30, 2005	206	27	206	27	0	0
13	Activity Ended September 30, 2006	2,863	380	2,863	380	0	0
14	Activity Ended September 30, 2007	254	35	254	35	0	0
15	Final Activity Through December 31, 2007	1,713	264	1,441	222	272	42
16	Total Geohazard Program	\$7,444	\$1,002	\$7,171	\$961	\$272	\$42
<u>Integrity Management Program</u>							
17	Activity Ended September 30, 2005	\$3,476	\$451	\$3,476	\$451	\$0	\$0
18	Activity Ended September 30, 2006	8,978	1,192	8,978	1,192	0	0
19	Activity Ended September 30, 2007	2,604	358	2,604	358	0	0
20	Activity Ended September 30, 2008	10,331	1,589	9,680	1,489	651	100
21	Total Integrity Management Program	\$25,389	\$3,591	\$24,738	\$3,491	\$651	\$100
GRAND TOTAL ALL PROGRAMS		\$51,712	\$7,081	\$50,774	\$6,937	\$937	\$144

NOTES:

- Column a reflects actuals through September 30, 2008
- Bare Steel expenditures did not exceed the \$3 million threshold. As a result, no new investment for Oct05-Sep06 was placed in rates. Line 5 reflects what was actually placed in rates in the 2006-2007 PGA, which is made up of a refund of the mis-classified Leakage workorders and a true-up of prior estimates.
- Investments EXCLUDE the following disallowed amounts from prior audit reports:

<u>Agreed to Audit Adjustments (\$000's)</u>			
	<u>Bare Steel</u>	<u>Geo-Hazard</u>	<u>IMP</u>
2004 Audit	6.7	0.3	2.9
2005 Audit	7.7	0.2	22.6
2006 Audit	0.0	7.1	8.3
2007 Audit	18.1	6.3	15.3
Total	<u>32.5</u>	<u>13.8</u>	<u>49.1</u>