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VIA ELECTRONIC FILING

July 28, 2011

Public Utility Commission of Oregon
550 Capitol Street, NE, Suite 215
Post Office 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 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."

Please call me if you have any questions.

Sincerely,

/s/ Natasha Siores

Natasha Siores

enclosure

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



2011 Annual SIP Report:

Report of actual expenses

Tracker year November 2009 – October 2010

**NW Natural
2011 Annual SIP Report
Tracker year November 2009 – October 2010
Narrative of actual expenses**

2011 Annual SIP Report Narrative of Major Projects

All costs exclude overhead

Bare Steel

One major Bare Steel project was completed during the period November 2009 through October 2010. The project is briefly described as follows:

- Sullivan's Gulch, NE Portland. Replacement of approximately 5000 feet of 8" bare steel and 400 feet of 6" bare steel operating at 57 MAOP with 8" coated, cathodically protected steel pipe installed along NW Broadway from NE 57th to NW 76th in Portland, Oregon.
 - Actual Cost through October 2010 – \$1.2 MM

TIMP

Three major TIMP projects were completed during the period November 2009 through October 2010. The projects are briefly described as follows:

- Southeast Transmission 12", from SE Gate to Bell Rd Station:
 - Modified pipeline to allow for inline inspection
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluated inline inspection data
 - Excavated and remediated required anomalies on pipeline
 - Total Actual project cost through October 2010 - \$2.1 MM. Project was a multi-year project. \$0.7 MM included in 2008-09 rates
 - \$1.1 MM did not meet the used and useful requirement was carried over to 2009-2010 tracker year
 - \$0.3 MM actual project costs spent in 2009-2010 tracker year
- South Mist Pipeline Expansion 24", from Bacona to Mollala:
 - Modified pipeline to allow for inline inspection (two segments)
 - Cleaned and assessed pipeline with inline inspection tool
 - Evaluated inline inspection data
 - Excavated and remediated required anomalies on pipeline
 - Total Actual project cost through October 2010 - \$1.2 MM
- Rock Creek Pipeline Replacement:
 - Installed ~3500 feet of 12" steel Class E main.
 - Replaced pipeline exposed in the waterway due to channel scouring
 - Total Actual project cost through October 2010 - \$1.3 MM

DIMP

There were no major DIMP projects were completed during the period November 2009 through October 2010.



2011 Annual SIP Report:

Report of actual program spending compared with annual collections

Tracker year November 2009 – October 2010

August 1, 2011

NW Natural
 Bare Steel, Geohazard and Integrity Management Programs
 2011 Annual SIP Report: Cost of Service Summary
 Thousands of Dollars

	Actual Investment through October 2010		Estimated Investment Included in 10-11 PGA Filing		Comparison: Actual vs. Estimate		
	Investment [1, 3]	Tracker Year Cost of Service	Investment [3]	Tracker Year Cost of Service	Investment [1,3]	Tracker Year Cost of Service	
Bare Steel Program							
1	Activity Ended September 30, 2002	\$2,665	\$308	\$2,665	\$308	\$0	\$0
2	Activity Ended September 30, 2003	3,510	402	3,510	402	0	0
3	Activity Ended September 30, 2004	3,094	366	3,094	366	0	0
4	Activity Ended September 30, 2005	6,000	731	6,000	731	0	0
5	Activity Ended September 30, 2006 [2]	(695)	(86)	(695)	(86)	0	0
6	Activity Ended September 30, 2007	430	55	430	55	0	0
7	Activity Ended September 30, 2008	3,850	511	3,850	511	0	0
8	Activity Ended October 31, 2009	4,002	550	4,002	550	0	0
9	Activity Ended October 31, 2010	3,057	471	2,624	404	433	67
10	Total Bare Steel Program	\$25,914	\$3,308	\$25,481	\$3,241	\$433	\$67
Geohazard Program							
11	Activity Ended September 30, 2002	\$1,714	\$198	\$1,714	\$198	\$0	\$0
12	Activity Ended September 30, 2003	555	64	555	64	0	0
13	Activity Ended September 30, 2004	139	16	139	16	0	0
14	Activity Ended September 30, 2005	206	25	206	25	0	0
15	Activity Ended September 30, 2006	2,863	355	2,863	355	0	0
16	Activity Ended September 30, 2007	254	33	254	33	0	0
17	Activity Ended September 30, 2008 (Oct 07-Dec 07 ONLY)	1,441	191	1,441	191	0	0
18	Final true-up of final program activity (through Dec 07 only)	272	37	272	37	0	0
19	Total Geohazard Program	\$7,443	\$919	\$7,443	\$919	\$0	\$0
Integrity Management Program (as of October 2008, "TIMP")							
20	Activity Ended September 30, 2005	\$3,476	\$424	\$3,476	\$424	\$0	\$0
21	Activity Ended September 30, 2006	8,978	1,113	8,978	1,113	0	0
22	Activity Ended September 30, 2007	2,604	334	2,604	334	0	0
23	Activity Ended September 30, 2008	9,680	1,285	9,680	1,285	0	0
24	Activity Ended October 31, 2009	3,446	474	3,446	474	0	0
25	Activity Ended October 31, 2010	4,999	770	5,707	879	(708)	(109)
26	Total Transmission Integrity Management Program	\$33,182	\$4,400	\$33,890	\$4,509	(\$708)	(\$109)
Distribution Integrity Management Program ("DIMP")							
27	Activity Ended October 31, 2009	\$0	\$0	\$0	\$0	\$0	\$0
28	Activity Ended October 31, 2010	233	36	136	21	96	15
29	Total Distribution Integrity Management Program	\$233	\$36	\$136	\$21	\$96	\$15
GRAND TOTAL ALL PROGRAMS		\$66,772	\$8,663	\$66,950	\$8,690	(\$179)	(\$28)

NOTES:

- Reflects Actuals through October 31, 2010
- 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:

Agreed to Audit Adjustments (\$000's)			
Years Audited	Bare Steel	Geo-Hazard	IMP
Audit of 2004 completed in 2005	6.7	0.3	2.9
Audit of 2005 completed in 2006	7.7	0.2	22.6
Audit of 2006 completed in 2007	0.0	7.1	8.3
Audit of 2007 completed in 2008	18.1	6.3	15.3
Audit of 2008 completed in 2009	36.6	0.8	37.2
Audit of 2009 completed in 2010	10.3	0.0	11.6
	<u>79.4</u>	<u>14.6</u>	<u>97.9</u>