

Rates and Regulatory Affairs
Facsimile: 503.721.2516



August 2, 2010

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."

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
Carla Bird, OPUC
Bob Jenks, CUB
Paula Pyron, NWIGU



2010 Annual SIP Report:

Report of actual expenses

Tracker year October 2008 – October 2009

**NW Natural
2010 Annual SIP Report
Tracker year October 2008 – October 2009
Narrative of actual expenses**

Bare Steel

One major Bare Steel project was completed during the period October 2008 through October 2009. The project is briefly described as follows:

Hwy 22, Pacific Hwy 99W and Rickreall Road. Replacement of 14,000 feet of 4-inch bare steel main operating at 125 MAOP with 8-inch coated, cathodically protected steel main installed along the north side of Highway 22 between Rickreall and Salem, Oregon.

- Actual Cost through October 09- \$1.4 MM

Transmission Pipeline Integrity

Three major TIMP projects were completed during the period October 2008 through October 2009. The projects are briefly described as follows:

- Southeast Transmission 12", from SE Gate to Bell Road 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 pipelineActual cost through October 09- \$1.9 MM (\$1.1MM of this project was not included in last year's PGA tracker; it will be included in the 2010-11 PGA)

- Clackamas to West Linn Transmission 12", from Hwy 212 to West Linn:
 - 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 pipelineActual cost through October 09- \$1.8 MM

- Browns Landing Pipeline Replacement:
 - Installed approximately 3,000 feet of 8" steel class D main
 - Replaced pipeline exposed in the waterway due to channel scouringActual cost through October 09- \$1.1 MM



2010 Annual SIP Report:

Report of actual program spending compared with annual collections

Tracker year October 2008 – October 2009

NW Natural
 Bare Steel, Geohazard and Integrity Management Programs
 2010 Annual SIP Report: Cost of Service Summary
 Thousands of Dollars

	Actual Investment through October 2009		Estimated Investment included in 09-10 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	\$319	\$2,665	\$319	\$0	\$0
2 Activity Ended September 30, 2003	3,510	415	3,510	415	0	0
3 Activity Ended September 30, 2004	3,094	377	3,094	377	0	0
4 Activity Ended September 30, 2005	6,000	755	6,000	755	0	0
5 Activity Ended September 30, 2006 [2]	(695)	(89)	(695)	(89)	0	0
6 Activity Ended September 30, 2007	430	57	430	57	0	0
7 Activity Ended September 30, 2008	3,850	529	3,850	529	0	0
8 Activity Ended October 31, 2009	4,777	735	4,002	616	775	119
9 Total Bare Steel Program	<u>\$23,632</u>	<u>\$3,097</u>	<u>\$22,857</u>	<u>\$2,978</u>	<u>\$775</u>	<u>\$119</u>
Geohazard Program						
10 Activity Ended September 30, 2002	\$1,714	\$205	\$1,714	\$205	\$0	\$0
11 Activity Ended September 30, 2003	555	66	555	66	0	0
12 Activity Ended September 30, 2004	139	17	139	17	0	0
13 Activity Ended September 30, 2005	206	26	206	26	0	0
14 Activity Ended September 30, 2006	2,863	367	2,863	367	0	0
15 Activity Ended September 30, 2007	254	34	254	34	0	0
16 Activity Ended September 30, 2008 (Oct 07-Dec 07 ONLY)	1,441	198	1,441	198	0	0
17 Final true-up of final program activity (through Dec 07 only)	272	42	272	42	0	0
18 Total Geohazard Program	<u>\$7,443</u>	<u>\$954</u>	<u>\$7,443</u>	<u>\$954</u>	<u>\$0</u>	<u>\$0</u>
Integrity Management Program (as of October 2008, "TIMP")						
19 Activity Ended September 30, 2005	\$3,476	\$437	\$3,476	\$437	\$0	\$0
20 Activity Ended September 30, 2006	8,978	1,152	8,978	1,152	0	0
21 Activity Ended September 30, 2007	2,604	346	2,604	346	0	0
22 Activity Ended September 30, 2008	9,680	1,331	9,680	1,331	0	0
23 Activity Ended October 31, 2009	3,893	599	3,446	530	447	69
24 Total Integrity Management Program	<u>\$28,631</u>	<u>\$3,865</u>	<u>\$28,184</u>	<u>\$3,796</u>	<u>\$447</u>	<u>\$69</u>
Distribution Integrity Management Program ("DIMP")						
25 Activity Ended October 31, 2009	\$0		\$0		\$0	\$0
Total Integrity Management Program	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
GRAND TOTAL ALL PROGRAMS	<u>\$59,706</u>	<u>\$7,917</u>	<u>\$58,483</u>	<u>\$7,729</u>	<u>\$1,222</u>	<u>\$188</u>

NOTES:

- Reflects Actuals through October 31, 2009
- 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)			
Year Audited	Bare Steel	Geo-Hazard	IMP
2004	6.7	0.3	2.9
2005	7.7	0.2	22.6
2006	0.0	7.1	8.3
2007	18.1	6.3	15.3
2008	36.6	0.8	37.2
	<u>69.1</u>	<u>14.6</u>	<u>86.3</u>