



e-FILING REPORT COVER SHEET

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[PUC.FilingCenter@state.or.us](mailto:PUC.FilingCenter@state.or.us)

REPORT NAME: 2013 New Construction Budget Report

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? No Yes

If yes, please submit only the cover letter electronically. Submit confidential information as directed in OAR 860-001-0070 or the terms of an applicable protective order.

If known, please select designation: RE (Electric) RG (Gas) RW (Water) RO (Other)

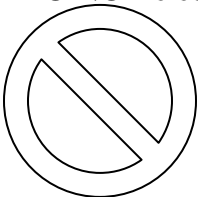
Report is required by: OAR OAR 860-027-0015  
Statute ORS 757.105  
Order  
Other

Is this report associated with a specific docket/case? No Yes

If yes, enter docket number: RG 19

List applicable Key Words for this report to facilitate electronic search:  
New Construction Budget Report, Annual Report 2013

**DO NOT electronically file with the PUC Filing Center:**



- Annual Fee Statement form and payment remittance or
- OUS or RSPF Surcharge form or surcharge remittance or
- Any other Telecommunications Reporting or
- Any daily safety or safety incident reports or
- Accident reports required by ORS 654.715

**Please file the above reports according to their individual instructions.**

**MARK R. THOMPSON**  
Manager, Rates & Regulatory Affairs  
Tel: 503.721.2476  
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February 15, 2013

**VIA ELECTRONIC FILING**

Public Utility Commission of Oregon  
550 Capitol Street, NE, Suite 215  
Post Office Box 2148  
Salem, Oregon 97308-2148

Attention: Filing Center

**Re: RG 19(1): 2013 NEW CONSTRUCTION BUDGET REPORT**

Northwest Natural Gas Company, dba NW Natural, submits herewith its 2013 New Construction Budget Report, pursuant to ORS 757.105 and OAR 860-27-0015.

Please address any correspondence on this matter to me, with copies to John W. Sohl, Budget Manager, 503.226.4211, extension 3435, at the address stated above.

Sincerely,

*/s/ Mark R. Thompson*

Mark R. Thompson

enclosure

cc: David Anderson  
Stephen Feltz  
Alex Miller  
John Sohl



PUBLIC UTILITY COMMISSION OF OREGON  
 550 CAPITOL ST NE SUITE 215, SALEM, OR 97301-2551  
 PO BOX 2148, SALEM, OR 97308-2148  
 PUC.FilingCenter@state.or.us

**GAS UTILITY NEW CONSTRUCTION BUDGET FOR 2013**

**GENERAL INSTRUCTIONS**

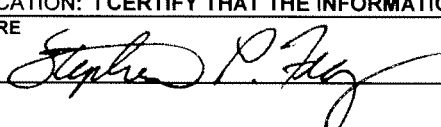
1. Each energy utility operating within the State of Oregon and having gross operating revenues of \$50,000 or more per year is required to file a New Construction Budget annually on or before December 31<sup>st</sup>, and report information on new construction extension, and new additions to property of the utility in accordance with Oregon Administrative Rule 860-027-0015.
2. The New Construction Budget should be completed and filed with the Public Utility Commission of Oregon Filing Center. Complete the e-Filing Report Cover Sheet found at [http://egov.oregon.gov/PUC/eFiling/eReports/efiling\\_report\\_cover\\_sheet.docx](http://egov.oregon.gov/PUC/eFiling/eReports/efiling_report_cover_sheet.docx). Email both the report and cover sheet to [PUC.FilingCenter@state.or.us](mailto:PUC.FilingCenter@state.or.us) not later than December 31<sup>st</sup> of the year preceding that for which the budget is made.

For major projects (total project cost greater than ~~\$300,000~~ \$1 Million) a narrative supplying the following information is required:

**PROJECT NARRATIVE**

1. Project Description: Include a brief technical specification of the project, ownership, if jointly owned, operating date, stage of construction, and other relevant information.
2. Need for the Project: Attach all prepared information documenting the need for the project, including the specific need the project is intended to fill. Economic comparisons with alternatives are to be provided. All the underlying assumptions of the economic analyses are to be specified.
3. Contingencies: Provide a listing of existing or potential future problems which might impact the final cost or successful completion and operation of the project, such as licensing problems, labor difficulties, litigation, etc.
4. Reconciliation with Prior Budget: Each successive year's budget can be expected to reflect differing estimates of project costs as the project progresses. For each major project, prepare a reconciliation with the prior budget's estimates and provide specific reasons for the changes.

In addition, please attach copies of prepared documentation or plans describing transmission, distribution, and general plant projects located in Oregon exceeding \$100,000 \$1 Million in total cost and for which construction will commence in the budget year. Information submitted should contain a brief project description, location, and total budgeted cost.

FULL NAME OF GAS UTILITY Northwest Natural Gas Company			
ADDRESS: PO BOX OR STREET NUMBER 220 NW 2 <sup>nd</sup> Ave	CITY Portland	STATE OR	ZIP CODE 97209
CERTIFICATION: I CERTIFY THAT THE INFORMATION REPORTED IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE.			
SIGNATURE 		TITLE Treasurer & Controller	DATE 2/15/2013

**INSTRUCTIONS**

1. Report percent ownership, scheduled operating dates, and expenditures required to complete project for major production, transmission, and general plant projects.
2. Major projects are defined as those projects having a total estimated cost to completion exceeding \$300,000.
3. Under "Distribution," report specific line item expenditures for the budget year only. All expenditures for distribution following the budget year should be aggregated for the year and only total distribution expenditures reported for the period.
4. Non-major project expenditures within each category should be aggregated and only the totals reported.
5. Report all expenditures in thousands of dollars.

DESCRIPTION	PERCENT OWNERSHIP %	SCHEDULED OPERATING DATE (MO / YR)	EXPENDITURES (B.Y. = BUDGET YEAR; B.Y. + 1 = THE FIRST YEAR AFTER THE BUDGET YEAR, ETC.)						REQUIRED TO COMPLETE	TOTAL
			PRIOR TO B.Y.	B.Y.	B.Y. + 1	B.Y. + 2	B.Y. + 3	B.Y. + 4		
Major Production and Storage Projects:										
Non-Major Production and Storage Projects										
Total Production and Storage Projects										
Major Transmission Projects:										
Non-Major Transmission Projects										
Total Transmission Projects										
Distribution (See Instruction 3):										
Mains										
Measuring & Reg. Sta. Equipment										
Compressor Station Equipment										
Services										
Meters and Regulators										
Meter Installations										
Other (Land, Equipment, Structures)										
Total Distribution										
Major General Plant Projects:										
Non-Major General Plant Projects										
Total General Plant Projects										
Total New Construction Budget										

**INSTRUCTIONS**

1. Report percent ownership, scheduled operating dates, and expenditures required to complete project for major production, transmission, and general plant projects.
2. Major projects are defined as those projects having a total estimated cost to completion exceeding \$300,000.
3. Under "Distribution," report specific line item expenditures for the budget year only. All expenditures for distribution following the budget year should be aggregated for the year and only total distribution expenditures reported for the period.
4. Non-major project expenditures within each category should be aggregated and only the totals reported.
5. Report all expenditures in thousands of dollars

DESCRIPTION	PERCENT OWNERSHIP %	SCHEDULED OPERATING DATE (MO / YR)	EXPENDITURES (B.Y. = BUDGET YEAR; B.Y. + 1 = THE FIRST YEAR AFTER THE BUDGET YEAR, ETC.)					REQUIRED TO COMPLETE	TOTAL
			PRIOR TO B.Y.	B.Y.	B.Y. + 1	B.Y. + 2	B.Y. + 3		
<b>Major Production and Storage Projects:</b>									
<b>Non-Major Production and Storage Projects</b>									
<b>Total Production and Storage Projects</b>									
<b>Major Transmission Projects:</b>									
<b>Non-Major Transmission Projects</b>									
<b>Total Transmission Projects</b>									
<b>Distribution (See Instruction 3):</b>									
Mains									
Measuring & Reg. Sta. Equipment									
Compressor Station Equipment									
Servives									
Meters and Regulators									
Meter Installations									
Other (Land, Equipment, Structures)									
<b>Total Distribution</b>									
<b>Major General Plant Projects:</b>									
<b>Non-Major General Plant Projects</b>									
<b>Total General Plant Projects</b>									
<b>Total New Construction Budget</b>									

**SCHEDULE B: GAS UTILITY NEW CONSTRUCTION BUDGET (SYSTEM)**

COMPANY		BUDGET YEAR						
Northwest Natural Gas Company		2013						
DESCRIPTION	PERCENT OWNERSHIP %	SCHEDULED OPERATING DATE (MO/YR)	(THOUSANDS)				REQUIRED TO COMPLETE	TOTAL
			PRIOR TO B.Y.	B.Y.	B.Y.+1	B.Y.+2		
EXPENDITURES (B.Y. = BUDGET YEAR; B.Y. + 1 = THE FIRST YEAR AFTER THE BUDGET YEAR, ETC.)								
<b>MAJOR PRODUCTION &amp; STORAGE PROJECTS:</b>								
Mist Storage Project (Includes Utility) - 352			1,031	621	615	672	678	
LNG Plant Modifications - 363			3,967	22,018	20,564	622	635	
<b>NON-MAJOR PRODUCTION &amp; STORAGE PROJECTS</b>			4,998	22,639	21,179	1,294	1,313	\$ 51,423
<b>MAJOR TRANSMISSION PROJECTS:</b>								
<b>NON-MAJOR TRANSMISSION PROJECTS</b>								\$ -
<b>DISTRIBUTION:</b>								
<b>MAINS:</b>								
NEW BUSINESS - 376			3,797	5,062	6,197	7,146	8,283	
REPLACEMENTS - 376, 380			22,544	12,862	12,523	12,861	13,611	
BARE STEEL - 376, 380			16,816	6,658	6,438	6,471	6,678	
<b>SERVICES:</b>								
NEW BUSINESS - 380			16,783	20,866	24,017	26,818	30,318	
REPLACEMENTS - 374, 376, 380			3,094	2,772	2,754	2,838	3,001	
MEASURING & REG. STA. EQUIPMENT - 378			1,029	989	986	1,020	1,084	
PIPELINE INTEGRITY - 376			8,680	9,994	9,637	9,690	10,026	
GEO HAZARD - 376 (due to landslides)								
COMPRESSOR STATION EQUIPMENT								
METERS - 381								
AUTOMATED METER READING			4,543	3,676	3,785	3,986	4,263	
METER SETS - 382			4,037	5,043	6,192	7,127	8,120	
PERMITS, CONTRIBUTIONS, REINFORCEMENTS, CATHODIC PROTECTION - 376, 380			11,029	8,665	17,469	18,239	3,591	
OTHER BETTERMENTS - 352, 376, 397			73	205	213	224	237	
<b>TOTAL DISTRIBUTION</b>			92,425	76,592	90,211	96,440	89,212	\$ 444,880
<b>MAJOR GENERAL PLANT PROJECTS:</b>								
INFORMATION SYSTEMS - 303, 397			14,056	9,542	9,109	13,130	11,223	
STRUCTURES - 390			14,281	9,694	6,756	6,774	6,849	
<b>NON-MAJOR GENERAL PLANT PROJECTS - 390, 391, 392, 394, 396</b>			4,240	3,898	4,002	4,306	4,459	
<b>TOTAL GENERAL PLANT PROJECTS</b>			32,577	23,134	19,867	24,210	22,531	\$ 122,319
<b>TOTAL NEW CONSTRUCTION BUDGET</b>			130,000	122,365	131,257	121,944	113,056	\$ 618,622

SCHEDULE B: GAS UTILITY NEW CONSTRUCTION BUDGET (OREGON)		COMPANY Northwest Natural Gas Company		BUDGET YEAR 2013							
DESCRIPTION	PERCENT OWNERSHIP %	SCHEDULED OPERATING DATE (MO/YR)	(THOUSANDS)								
			PRIOR TO B.Y.	B.Y.	B.Y.+1	B.Y.+2	B.Y.+3	B.Y.+4	REQUIRED TO COMPLETE	TOTAL	
EXPENDITURES (B.Y. = BUDGET YEAR, B.Y. + 1 = THE FIRST YEAR AFTER THE BUDGET YEAR, ETC.)											
<b>MAJOR PRODUCTION &amp; STORAGE PROJECTS:</b>											
Mist Storage Project (Includes Utility) - 352				1,031	621	615	672	678			
LNG Plant Modifications - 363				3,967	22,018	20,564	622	635			
<b>NON-MAJOR PRODUCTION &amp; STORAGE PROJECTS</b>											
<b>TOTAL PRODUCTION &amp; STORAGE PROJECTS</b>				4,998	22,639	21,179	1,294	1,313			\$ 51,423
<b>MAJOR TRANSMISSION PROJECTS:</b>											
<b>NON-MAJOR TRANSMISSION PROJECTS</b>											
<b>TOTAL TRANSMISSION PROJECTS</b>											\$ -
<b>DISTRIBUTION:</b>											
<b>MAJORS:</b>											
NEW BUSINESS - 376				3,265							
REPLACEMENTS - 376, 380				20,290							
BARE STEEL - 376, 380				15,134							
<b>SERVICES:</b>											
NEW BUSINESS - 380				14,433							
REPLACEMENTS - 374, 376, 380				2,785							
MEASURING & REG. STA. EQUIPMENT - 378				885							
PIPELINE INTEGRITY - 376				7,812							
GEO HAZARD - 376 (due to landslides)				-							
COMPRESSOR STATION EQUIPMENT				-							
METERS - 381				3,907							
AUTOMATED METER READING				-							
METER SETS - 382				3,472							
PERMITS, CONTRIBUTIONS, REINFORCEMENTS, BETTERMENTS - 376, 380				9,485							
OTHER BETTERMENTS - 352, 378, 397				73							
<b>TOTAL DISTRIBUTION</b>				81,541	67,182	78,865	84,245	78,086			\$ 389,919
<b>MAJOR GENERAL PLANT PROJECTS:</b>											
INFORMATION SYSTEMS - 303, 397				14,056	9,542	9,109	13,130	11,223			
STRUCTURES - 390				14,281	9,694	6,756	6,774	6,849			
<b>NON-MAJOR GENERAL PLANT PROJECTS - 390, 391, 392, 394, 396</b>											
<b>TOTAL GENERAL PLANT PROJECTS</b>				4,240	3,898	4,002	4,306	4,459			\$ 122,319
				32,577	23,134	19,867	24,210	22,531			\$ -
<b>TOTAL NEW CONSTRUCTION BUDGET</b>											\$ 563,661
				119,116	112,955	119,911	109,749	101,930			\$ -

# OPUC GAS UTILITY NEW CONSTRUCTION BUDGET FOR 2013

## Narrative of Major Projects

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### **S of Monmouth Bare Main (12" W)**

This project is located in the Monmouth area. The project will include installation of 62,600' of 12" steel pipe certified at 720 MAOP. This pipeline is part of the Company's Bare Steel Replacement program. This project starts at Haley Rd. and Corvallis Rd., heads south along Corvallis Rd. onto Oakhill Rd. onto Albany Rd. and onto Independence Highway, ending 500' north of Highway 20. The Company is currently seeking to determine the expected completion date.

#### **Project Budget – 2013 Capital Expenditures**

- \$16,800,000 – Bare Steel

### **Corvallis Reinforcement (12" W)**

This project is located in the Corvallis area. The project will include installation of 12,700' of 12" steel pipe certified at 720 MAOP and 39,300' of 12" steel pipe certified at 400 MAOP. This pipeline will connect to the existing 10" Corvallis Albany Transmission line located on Riverside Drive in Linn County; extend south on Hwy 34 and end at the Campus Energy Center at Oregon State University. Project is currently expected to be completed in 2013.

#### **Project Budget – 2013 Capital Expenditures**

- \$11,000,000 – System Reinforcement

### **Newport LNG**

This project is located in Newport. The project will improve the liquefaction process to aide in the operation of the facility and prevent the build-up of CO<sub>2</sub> at the plant. The project is expected to be completed by 2015.

#### **Project Budget – 2013 Capital Expenditures**

- \$3,600,000 – Newport LNG

### **Toledo Replacement (12" W)**

This project is located in Toledo. The installation includes 800' of 12" steel pipe certified to 875 MAOP. It will eliminate anomalies associated with the pipe in existing casings. The/ line has been operating at a temporary pressure restriction due to damage in the class location. The project is expected to be completed by summer 2013.

#### **Project Budget – 2013 Capital Expenditures**

- \$1,400,000 – Transmission Integrity Management Program



# OPUC GAS UTILITY NEW CONSTRUCTION BUDGET FOR 2013

## Narrative of Major Projects

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### **Sherwood Building A**

Located in Sherwood, Oregon on the site of the former BMC Lumber Company, Building A is part of a project to consolidate all NW Natural operations support, training, and business continuity functionality into one multi-use facility. Two related projects; Building B and Training Town (a realistic scenario-based training facility) have been completed and are in operation.

Building A is designed to a corporate standard of quality, functionality, and efficiency. This facility replaces our current facilities in Tualatin, which is an aging building requiring expensive upgrades, and our current facility in South Center, which is subject to annual flooding. This will allow for a more predictable, low-cost maintenance expense stream.

The project will repurpose an existing building. The groups moving to the building will include:

1. Training
2. Operations support administration
3. Operations support work shops
4. Main store room
5. District engineering
6. District construction crews
7. District customer service crews
8. Gas Supply crews
9. Business continuity
10. Backup Data Center

#### **Project Budget – 2013 Capital Expenditures**

- \$11,400,000 – Sherwood Building A

### **Unified Communications and Collaboration Phase 2**

Unified Communications and Collaboration Phase 2 is an extension of UCC Phase 1. The telephone infrastructure at OPS and the Resource Centers will migrate to the Avaya Voice over Internet Protocol (VoIP) platform and the Nortel switch will be removed. Core infrastructure hardware will be added to the OPS, resource centers, Salem, Sherwood, and Easy Street locations.

#### **Project Budget – 2013 Capital Expenditures**

- \$1,050,000 – Unified Communications & Collaboration

# OPUC GAS UTILITY NEW CONSTRUCTION BUDGET FOR 2013

## Narrative of Major Projects

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### Technology Replacements

Fund the replacement of capital technology assets according to a planned schedule based upon the estimated useful life of the asset. Additional project objectives include funding new computer hardware and software to comply with regulatory requirements, continue a current level of service (e.g. additional disk storage), and as requested by the business units to support strategic objectives or process improvements (both requiring business justification and ROI).

- **Large Servers - \$445,000**

Our strategy is to replace physical servers through server virtualization to deliver higher availability, improved performance and optimized use of technology (e.g. lower unit cost to implement, improved storage and processor utilization, lower power consumption, etc.). Of our current 404 servers, 285 (70%) are virtualized. The 119 remaining are physical servers that cannot be virtualized because they are at remote locations (e.g. resource centers, DR site, DMZ etc.) or have physical connections to external devices. The estimated useful life of physical servers is 5 years (industry standard). Typical use is 3 years as production servers and then they are repurposed as development/test servers. Over half of these servers are 5+ years old production systems and need to be replaced. This project will replace the 8 most essential servers

- **Desktop/Peripherals - \$1,112,000**

Complete Desktop/Laptop replacements per lease schedules. Desktops are leased for 4 years and laptops for 3 years (industry standard estimated useful life). The 2013 budget request includes the cost of the hardware and labor to refresh approximately 459 leased systems.

- **Network - \$120,000**

The Network and Security Refresh project addresses the need to ensure our network infrastructure provides secure, reliable access to Company systems and data by authorized individuals. It includes replacing internal and external network hardware and software that is 8+ years old to ensure our computing environment remains resistant to external intrusion, addition of new hardware to enable secure WiFi access.