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REPORT NAME: RG-52, NW Natural's 2014 System Integrity Program (SIP) Annual Report

COMPANY NAME: NW Natural

DOES REPORT CONTAIN CONFIDENTIAL INFORMATION? [X]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) [X]RG (Gas) []RW (Water) []RO (Other)

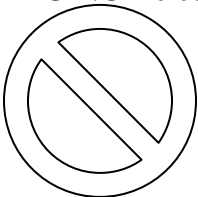
Report is required by: []OAR
[]Statute
[]Order 12-408
[X]Other Rate Schedule 177 requires reporting

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

If yes, enter docket number: RG-52

List applicable Key Words for this report to facilitate electronic search:
NW Natural, SIP, System Integrity Program, 2014, Annual Report, Safety

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Please file the above reports according to their individual instructions.

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October 30, 2014

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

Attention: Filing Center

Re: **RG 52**
NW Natural's 2014 System Integrity Program (SIP) Annual Report

NW Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), hereby submits its 2014 System Integrity Program ("SIP") Annual Report. This report is filed in compliance with the reporting requirements stated in the Company's tariff Schedule 177 and the Stipulation adopted by Commission Order No. 12-408.¹

Please call me if you have any questions.

Sincerely,

/s/ Jennifer Gross

Jennifer Gross
Tariff and Regulatory Compliance Consultant

enclosure

¹ See pages 7 and 8 of Appendix B of Order No. 12-408 issued in UG 221.

Below are the actual and forecasted expenditures for SIP in the past, present, and future PGA-years.

Activity Ended October 31, 2013 (Reflects actuals from Nov. '12 – Oct. '13)

Transmission Integrity	\$3,441,717
Distribution Integrity	\$1,344,435
Bare Steel	\$10,336,716
Leakage Reconstruction (Mains and Services)	\$1,162,386
Total	<u>\$15,122,868</u>

Activity Ended October 31, 2014 (Reflects actuals from Oct. '13 – Sep. '14 and Forecast for Oct. '14)

Transmission Integrity	\$4,525,053
Distribution Integrity	\$1,720,400
Bare Steel ¹	\$11,342,420
Leakage Reconstruction (Mains and Services)	\$1,999,145
Total	<u>\$19,587,018</u>

Activity Ending October 31, 2015 (Forecast)²

Transmission Integrity	\$2,885,257
Distribution Integrity	\$2,888,634
Bare Steel ³	\$3,040,520
Leakage Reconstruction (Mains and Services)	\$1,000,000
Total	<u>\$9,814,411</u>

- ¹ This includes replacement of bare steel mains installed between 1929 and 1931 located south of Monmouth, beginning at the intersection of Corvallis Rd. and Haley Rd. extending 12 miles south to the intersection of Independence Grainer Hwy and Pettibone Rd. Phase 1 (2013) included construction of 6 miles of 12" steel pipeline to the Polk/Benton County line. Phase 2 (2014) includes construction the final 6 miles of 12" steel pipeline.
- ² TIMP and DIMP cost recovery as part of SIP expired October 31, 2014. The Company has submitted Advice no. 14-23 which seeks to extend SIP. This forecast is provided with the understanding that the Company's request to extend SIP is subject to Commission approval.
- ³ At the completion of the 2015 SIP tracker year all know bare steel in NW Natural's system will be replaced.

Below are detailed descriptions of the activities associated with each cost category listed on the prior page.

Transmission Integrity (TIMP)

Transmission Integrity refers to 49 CFR 192 Subpart O-Gas Transmission Pipeline Integrity Management. This federally mandated program covers natural gas transmission pipelines located in an HCA (High Consequence Area).

Activities that reflect expenditure in this category include baseline assessments of transmission lines using in-line and direct assessment methods, pipeline replacements and relocations to comply with integrity management regulations, MAOP validation agreements with the OPUC, and the relocation of pipelines and transmission facilities to mitigate threats posed by natural forces such as flooding, land movement, and erosion.

Distribution Integrity (DIMP)

Distribution Integrity refers to 49 CFR 192 Subpart P- Gas Distribution Pipeline Integrity Management. This federally mandated program requires operators to create a written Integrity Management Program that includes: system knowledge, threat identification, evaluation and ranking of risk, identification and implementation of measures to address risk, measurement of performance/results, and reporting.

Activities that reflect expenditure in this category include risk based projects warranting Accelerated Action (A/A) to address a system integrity risk. These A/A's are made up of projects that have been identified through risk modeling, industry identified threats, and subject matter experts within the Company. Projects include replacement of vintage plastic services, relocation of facilities under structures, replacement of valves and fittings susceptible to leakage, and relocation of distribution gas lines to mitigate threats posed by natural forces such as flooding, land movement, and erosion.

Bare Steel

Bare Steel was installed in NW Natural's distribution system between ~1920 and ~1960. System wide replacement of bare steel service lines is complete and remaining bare steel mains are actively being replaced with a scheduled completion of October 31, 2015. Replacement projects are prioritized by relative risk, scope of work, and are coordinated with municipalities to minimize impact to infrastructure (e.g. roads) and the public.

Bare steel mains are susceptible to the threat of external corrosion and associated leakage, as identified in NW Natural's DIMP Risk Model. Bare pipe represents the largest corrosion threat in NW Natural's system. As of 11/01/13, there were 11.7 miles of bare steel system wide. As of 10/01/14, there are 8.2 miles of bare steel remaining.

Leakage Reconstruction (Mains and Services)

Leakage reconstruction includes the reactive repair or replacement of main(s) where leaks have been reported or discovered through odor calls and routine patrols.