

e-FILING REPORT COVER SHEET

REPORT NAME: Annual System Integrity Program (SIP) 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 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
 Statute
 Order 09-067
 Other

Is this report associated with a specific docket/case? No Yes
If Yes, enter docket number: UM 1406

Key words: Annual System Integrity Program (SIP) Report, UM 1406, Order No. 09-067, NWN's Schedule 177-System Integrity Program Rate Adjustment

If known, please select the PUC Section to which the report should be directed:

- Corporate Analysis and Water Regulation
- Economic and Policy Analysis
- Electric and Natural Gas Revenue Requirements
- Electric Rates and Planning
- Natural Gas Rates and Planning
- Utility Safety, Reliability & Security
- Administrative Hearings Division
- Consumer Services Section

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- 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.

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VIA ELECTRONIC FILING

August 31, 2012

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

Attn: Filing Center

Re: RG ___: 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
Ed Finklea, NWIGU



2012 Annual SIP Report:

Report of actual expenses

Tracker year November 2010 – October 2011

**NW Natural
2012 Annual SIP Report
Tracker year November 2010 – October 2011
Narrative of actual expenses**

2012 Annual SIP Report Narrative of Major Projects

All costs exclude overhead

Bare Steel

There were no major Bare Steel projects completed during the period of November 2010 to October 2011.

TIMP

One major TIMP project was completed during the period November 2010 through October 2011. The project is briefly described as follows:

- Baseline Rd 8", from Hillsboro to Beaverton:
 - 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 - \$1.4 MM

DIMP

There were no major DIMP projects were completed during the period November 2010 through October 2011.



2012 Annual SIP Report:

Report of actual program spending compared with annual collections

Tracker year November 2010 – October 2011

NW Natural
 Bare Steel, Geohazard and Integrity Management Programs
 2012 Annual SIP Report: Cost of Service Summary
 Thousands of Dollars

	Actual Investment through October 2011		Estimated Investment included in 11-12 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	\$297	\$2,665	\$297	\$0	\$0
2 Activity Ended September 30, 2003	3,510	389	3,510	389	0	0
3 Activity Ended September 30, 2004	3,094	354	3,094	354	0	0
4 Activity Ended September 30, 2005	6,000	709	6,000	709	0	0
5 Activity Ended September 30, 2006 [2]	(695)	(83)	(695)	(83)	0	0
6 Activity Ended September 30, 2007	430	53	430	53	0	0
7 Activity Ended September 30, 2008	3,850	494	3,850	494	0	0
8 Activity Ended October 31, 2009	4,002	531	4,002	531	0	0
9 Activity Ended October 31, 2010	2,624	362	2,624	362	0	0
10 Activity Ended October 31, 2011	1,175	181	2,478	382	(1,304)	(201)
11 Total Bare Steel Program	<u>\$26,656</u>	<u>\$3,288</u>	<u>\$27,959</u>	<u>\$3,488</u>	<u>(\$1,304)</u>	<u>(\$201)</u>
Geohazard Program						
12 Activity Ended September 30, 2002	\$1,714	\$191	\$1,714	\$191	\$0	\$0
13 Activity Ended September 30, 2003	555	62	555	62	0	0
14 Activity Ended September 30, 2004	139	16	139	16	0	0
15 Activity Ended September 30, 2005	206	24	206	24	0	0
16 Activity Ended September 30, 2006	2,863	343	2,863	343	0	0
17 Activity Ended September 30, 2007	254	31	254	31	0	0
18 Activity Ended September 30, 2008 (Oct 07-Dec 07 ONLY)	1,441	185	1,441	185	0	0
19 Final true-up of final program activity (through Dec 07 only)	272	36	272	36	0	0
20 Total Geohazard Program	<u>\$7,443</u>	<u>\$888</u>	<u>\$7,443</u>	<u>\$888</u>	<u>\$0</u>	<u>\$0</u>
Integrity Management Program (as of October 2008, "TIMP")						
21 Activity Ended September 30, 2005	\$3,476	\$411	\$3,476	\$411	\$0	\$0
22 Activity Ended September 30, 2006	8,978	1,076	8,978	1,076	0	0
23 Activity Ended September 30, 2007	2,604	323	2,604	323	0	0
24 Activity Ended September 30, 2008	9,680	1,242	9,680	1,242	0	0
25 Activity Ended October 31, 2009	3,446	458	3,446	458	0	0
26 Activity Ended October 31, 2010	5,707	788	5,707	788	0	0
27 Activity Ended October 31, 2011	2,703	416	3,621	557	(917)	(141)
28 Total Transmission Integrity Management Program	<u>\$36,593</u>	<u>\$4,713</u>	<u>\$37,511</u>	<u>\$4,855</u>	<u>(\$917)</u>	<u>(\$141)</u>
Distribution Integrity Management Program ("DIMP")						
29 Activity Ended October 31, 2009	\$0	\$0	\$0	\$0	\$0	\$0
30 Activity Ended October 31, 2010	136	21	136	21	0	0
31 Activity Ended October 31, 2011	875	135	882	136	(8)	(1)
32 Total Distribution Integrity Management Program	<u>\$1,011</u>	<u>\$156</u>	<u>\$1,019</u>	<u>\$157</u>	<u>(\$8)</u>	<u>(\$1)</u>
GRAND TOTAL ALL PROGRAMS	<u>\$71,703</u>	<u>\$9,045</u>	<u>\$73,932</u>	<u>\$9,388</u>	<u>(\$2,229)</u>	<u>(\$343)</u>

NOTES:

- Reflects Actuals through October 31, 2011
- 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>
No PUC audit in 2011 or 2012			