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November 28, 2011

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn: Filing Center

Re: **LC 51**, NW Natural's Reply Comments
2011 Modified Integrated Resource Plan

Northwest Natural Gas Company, dba NW Natural ("NW Natural" or "Company"), hereby submits an original and one copy of NW Natural's Reply Comments in LC 51, 2011 Modified Integrated Resource Plan.

A copy of this filing has been served to parties as indicated in the attached certificate of service.

If you have any questions, please contact Jennifer Gross at (503) 226-4211 extension 3590.

Sincerely,

/s/ John Sohl

John Sohl

Enclosure

cc: LC 51 Service List

Before the Public Utility Commission of Oregon
LC 51

In the Matter of
NW Natural
2011 Integrated Resource Plan

NW Natural's Reply Comments

BACKGROUND

The process for developing NW Natural's 2011 Integrated Resource Plan ("IRP") began in January 2009. In customary form, NW Natural invited parties and customers to collaborate in defining the assumptions and informing the parameters for the model runs. Four technical working group ("TWG") meetings and one customer meeting were held where the Company invited questions and feedback on its proposed methodology for the plan.¹ The 2011 plan was finalized and filed with the Oregon Public Utility Commission ("PUC") on January 12, 2011. A procedural schedule was adopted in Docket No. LC 51 that was opened for the purpose of determining if the Company's Plan met the guidelines established in Commission Orders Nos. 07-002 and 07-047.

The Preferred Portfolio identified in the 2011 IRP included capacity on the proposed pipeline project referred to as "Palomar East." On March 23, 2011, Palomar Gas Transmission LCC made a filing in which it provided notice to the Federal Energy Regulatory Commission ("FERC") that it was withdrawing its application for a certificate of public convenience and necessity for the Palomar Gas Transmission Project. On April 7, 2011, NW Natural filed a motion to suspend the procedural schedule adopted for LC 51 in order to respond to parties' concerns that the 2011 IRP contained assumptions regarding Palomar East that were rendered invalid. The Company proposed to file a modified IRP in the much abbreviated timeframe of approximately five months. The Company outlined the steps it would take, requested feedback from parties, held a fifth technical working group meeting, and answered data requests before completing the 2011 Modified Plan that was filed September 1, 2011.

Since the September 1, 2011, filing, the Company has responded to additional data requests. Below the Company separately responds to the comments filed in the subject docket by Citizen's Utility Board ("CUB") and PUC Staff.

¹ A summary of these meetings is included in Chapter 7 of the IRP.

NATURE OF NW NATURAL'S IRP

An IRP is a long term plan for meeting supply needs. It comprehensively analyzes a number of assumptions. The process unfolds over time and inevitably, some assumptions may be less accurate by the time the plan is completed. If the plan were to be updated for each evolving assumption, the Company would never be able publish a final plan. The benefit of drawing a line in the sand and presenting a plan which is based on assumptions that could be up to two years old, is that the Company and parties have a snapshot of results based on a methodology that can be reasonably applied in more fluid decision making forums.

NW Natural believes that this timing issue associated with integrated resource planning is important to emphasize, especially in the case of its 2011 Modified IRP, given the long amount of time that has elapsed since it began its 2011 IRP and given the nature of the comments that NW Natural received on its IRP, which are discussed below.

RESPONSE TO CUB'S COMMENTS

In their comments, CUB raises two issues with the NW Natural's 2011 Modified IRP. First, CUB recommends that the Commission not acknowledge the IRP since it does not contain an analysis of export LNG, and second, CUB believes the plan should include an analysis of a specific rate design.

Export LNG

CUB states that NW Natural's 2011 Modified IRP fails to address the impact export LNG could have on gas prices. CUB acknowledges that some discussion of an export LNG facility is contained in the IRP, but asserts that it is not sufficient.

When the initial 2011 Plan was developed, no west coast export LNG terminal project was planned for the near-term, and therefore, the 2011 Plan filed on January 12, 2011 did not include an analysis of export LNG terminals. However, by the time the Company developed its 2011 Modified Plan, the plan to build an export LNG terminal in Kitimat B.C. was accelerating. NW Natural discussed the impact this terminal could have in Chapter 5:

The natural gas price forecast was updated for the modification phase. The base forecast was developed by IHS-CERA and is proprietary. Two additional price curves were generated for the AECO and Sumas price hubs to evaluate the impact of a potential future price spread between Canadian Gas and US gas. One potential reason for a future spread is (the) completion of the Kitimat B.C.

LNG export terminal. This facility could be in service by 2015 and would export Canadian gas to the world market for the first time. (Page 5.28)

The 2011 Modified Plan included the completion of four model runs in order to capture the impact that higher Canadian gas prices resulting from an export LNG terminal in Kitimat B.C. would have on NW Natural's long-term supply portfolio. These model runs (1412 through 1415) are summarized in Table 5.10 of the IRP.

No other west coast terminal was viable during the process of developing this plan. NW Natural believes that the discussion on proposed export LNG facilities contained in its IRP is adequate. In the future, as any more details of specific LNG export facilities or their effect on market prices develop, NW Natural anticipates that such information would be further developed in future IRPs.

Straight Fixed Variable Pricing

CUB's second contention is that the Company did not model the effects of straight fixed variable pricing ("SFV") on its demand forecasts and demand side management potential. SFV is a rate design that recovers fixed costs through the customer charge rather than through the per therm energy charge. CUB assumes that a smaller per therm amount may dissuade customers from saving energy resulting in a measurable reduction in achievable DSM savings. CUB further assumes that a higher customer charge may result in customers migrating from gas to electric appliances.²

The Company believes this comment is not appropriate for this forum. As CUB states, NW Natural held two workshops with potential parties to its next rate case and discussed the Company's intent to file for a new rate design. To date, the Company has not filed for SFV rates nor had it finalized its rate design proposal for its upcoming rate case when the IRP analysis was being conducted. The appropriate forum for a discussion of potential new rate design proposals is when those proposals are made. An analysis of an unfiled and unapproved rate design in our IRP would have been inappropriate, and would have vaulted a discussion of rate design into the IRP process rather than in a rate case, where the details and impacts of such a proposal should be considered and are, in fact, determined.

Further, other aspects of the Company's current rate design, such as its weather normalization or decoupling mechanisms were never modeled in the IRP, nor should they have been, as the IRP is a long term resource plan, not a document for determining an appropriate rate design. To the extent an adopted rate design is truly expected to have a significant impact on resource development, loads, or sales, such an issue may be appropriate to discuss in future IRPs.

² See pps 3-4 of CUB's Comments in LC 51, dated November 14, 2011.

RESPONSE TO STAFF'S COMMENTS

Rather than providing Staff's position on NW Natural's IRP or its underlying analysis, Staff's comments took the unusual form of a table containing around 50 data requests. For several reasons, NW Natural finds these comments troubling.

First, at this stage of the process, parties were expected to provide their *comments* on NW Natural's IRP, so that NW Natural could reply to those comments (in nine business days) ahead of the Commission's review of the IRP. The process at this stage does not accommodate a back and forth exchange of voluminous information without prejudicing NW Natural's ability to respond to any concerns put forth by Staff.

Second, many of the requests seem to result from a low level of engagement in the IRP process to date, and now request actions or information that conflict with the process and substantive approaches that were developed and presented to parties during the development of the IRP.

Finally, in many instances, Staff's comments and questions lack the context necessary to enable NW Natural to determine what concern, if any, Staff has that can be addressed at this stage.

Nothing in Staff's "Comments" supports a conclusion that NW Natural's updated IRP should not be acknowledged by the Commission.

Although the Company finds it problematic to engage in responding to what amount to data requests at this stage of the proceeding, we have attempted below to provide our reply to Staff's questions and comments, which are offset with bullets and italicized text. Additionally, where substantive concerns are raised by Staff, we respond to those concerns:

- *Staff recommends not acknowledging NW Natural's 2011 Modified IRP, unless and until the Company performs a Monte Carlo simulation of the three portfolios represented in NW Natural's 2011 Modified IRP based on assumptions of weather patterns and natural gas prices.*

NW Natural would direct the Commission to the Company's response to data request ("DR") 39. Before NW Natural entered the modification phase, it sent parties a clearly stated proposal of the modeling work it expected to complete within a defined timeframe to complete the revised IRP. The Company asked members of the TWG, including Staff, for feedback. The Company received a request that it update the price forecast, which it did. No requests arose about Monte Carlo at the time, and NW Natural filed its modified IRP under the schedule it had proposed. The Company again

discussed the modeling for the modification phase at fifth TWG meeting held on June 22, 2011. No concerns were raised around Monte Carlo simulations.

Monte Carlo modeling was performed in the original modeling phase of the 2011 IRP. Discussion of the methods and results may be found on pages 5.19 through 5.24 of the IRP. The simulation was performed around two planning cases, one with Palomar East in operation (1319), and one without (1321). The planning case without Palomar (1321) from the original modeling phase is very similar to the base case from the modified phase (1411) in terms of resource levels. It is reasonable to expect that the reliability results from the completed Monte Carlo simulation would be comparable to simulation around the modification phase base case.

At this stage, revising the modified IRP to include the Monte Carlo simulations requested by Staff would require a significant departure from the schedule in this proceeding. And, Staff provides no description of why it believes such simulations are required or appropriate. NW Natural's IRP provides a robust analysis of each of these portfolios, and does not see a reason to require the simulations requested by Staff at this stage.

- *Staff does not agree with the design year weather pattern (85% colder than normal) augmented with the 3 day peak event late in the season and usage of a peak dated to 1989.*

NW Natural is uncertain of the basis for this comment. In response to DRs 48 and 49, the Company provided the requested new weather pattern and ran it through the model.

The Design Weather Pattern and Peak Day were discussed at the first TWG meeting on February 24, 2010 and the second TWG meeting on May 17, 2010. No concerns about the weather pattern designation were raised at either time, and the Company believes that the weather pattern is appropriate, and that the IRP should not be modified at this time to include a different design year weather pattern that has not been discussed or proposed until now.

- *Staff did not notice any swing demand load mentioned in the IRP.*

This statement does not have sufficient context to allow a response, and NW Natural is unfamiliar with the phrase "demand during swing time periods."

- *Coos Bay area temperatures and housing characteristics are significantly different from Eugene. Consider separating Coos Bay area as a separate demand*

Coos Bay was combined with Eugene for simplicity in modeling. The Coos Bay customer base is relatively small (0.2% of total system wide firm customer base), and the resource path for serving demand is not appreciably different from Eugene from an IRP resource modeling view. Breaking out this demand region may not be useful, but it is something that could be investigated in a future IRP cycle.

- *The IRP mentions on page 5.2 that load can be curtailed in the case of capacity constraint caused by an extreme weather event, but Staff could not identify the critical temperature serving to potentially trigger such curtailment. Update IRP to include an explanation.*

Pages 5.2 and 5.3 of the IRP state that curtailment guidelines are outlined in the Company's tariffs. Curtailment does not necessarily occur in conjunction with a specific temperature. Please see Rule 13 in the Company's Oregon Tariff which states that a curtailment is called when "the Company determines that Curtailment is required to meet all Firm Service Customer requirement; to balance available gas supply; to sustain operational control and/or to maintain the integrity of the Company's distribution systems or when Curtailment is deemed necessary due to Force Majeure conditions."³

- *Staff is not sure how NW Natural accounts for weatherization and insulation improvements to existing buildings; i.e., are they assigned to replacement and must be accounted for or are they assumed to be retrofit. IRP should have additional reasoning for this NW Natural modeling approach.*

Please see Appendix 4, pages 4A-5 through 4A16. The tables contained herein detail each energy efficiency measure modeled in the technical potential study. As noted in the table, weatherization measures are retrofit projects. Insulation improvements may be either retrofit or replacement depending upon the job. For instance some roofing installations are classified as replacement projects since the existing insulation must be completely removed. The assumptions associated with each measure impact the therm savings which is also noted in the table.

- *Staff finds it logically inconsistent to use base case customer growth and base case gas usage growth for scenarios 1354 (Low gas price) and 1355 (High gas price). Explain to Staff and consider option to split WA into two demand areas*

Scenario 1354-Low Gas Price was run to judge the effect of low gas prices on demand, planning, and cost. The base case customer growth forecast was used in conjunction with the base case customer usage parameters. The low gas price forecast was used to estimate a lowered delivered customer gas rate. Demand was higher than the base case

³ See First Revision of Sheet RR-13, Rule 13 in NW Natural's Oregon Tariff.

as a result of the lower gas rate, while overall costs were lowered due to the reduced commodity cost.

Scenario 1355-High Gas Price was run to judge the effect of high gas prices on demand, planning, and cost. The base case customer growth forecast was used in conjunction with the base case customer usage parameters. The high gas price forecast was used to estimate an elevated delivered customer gas rate. Demand was lower than the base case as a result of the higher gas rate, while overall costs were higher due to the increased commodity cost. In Tables 5.5 and 5.9, Customer Usage refers to the usage parameters, not necessarily the resulting demand.

Dalles WA accounts for about 0.3% of the overall customer base, so it was combined with Vancouver for modeling purposes. It may be investigated in a future IRP as to whether it would be useful to breakout or not.

- *Staff has observed what appear to be anomalous data points in Figure 5.8 for the August and September Monte Carlo draws when compared with those in Figure 5.7. Explain to Staff.*

During the Monte Carlo modeling phase of the IRP, 250 simulation draws were completed to evaluate planning under weather and price uncertainty. For explanatory purposes, a small sample containing two years of weather data from a single draw was displayed in the IRP for the Portland and Vancouver/Dalles WA regions. It does appear that within that specific simulation, the Vancouver/Dalles WA region saw a few days of abnormally cold weather in August of 2027. However, this appears to be simply the result of the Monte Carlo simulation generating a range of potential temperatures. The August Heating Degree Day (HDD) values for Vancouver/Dalles WA do fall into the range of acceptable variability and the overall correlation between Portland and Vancouver/Dalles WA for draw 100 does fall within expected values.

- *Not a single modified model run among those listed on page 5.27 assumed low gas usage growth.*

Two model runs from the modification phase resulted in low demand growth. From Table 5.9 of the IRP, Model 1397-2011 IRP Mod Low Customer Growth was composed with the low customer growth forecast and base case usage parameters. Model 1405-2011 IRP Mod Electric Breakthrough was comprised with the very low customer forecast, base case usage parameters, and high gas prices. The demand scenarios for low customer growth and the electric breakthrough are graphically represented on page 2.23 of the IRP.

- *Growth in WA jurisdiction is anticipated to be significantly higher than in OR. Staff was unable to compare information from the states of Washington and Oregon serving to validate this statement as applicable over the relevant timeframe.*

Provide demographic statistics and other assumptions, using internal and external sources, for the Vancouver metropolitan area and for Clark, Skamania, and Klickitat counties confirming the 2.7% annual rate of growth in the number of customers.

Customer forecasts were discussed at the TWG meeting held on May 17, 2010. At this meeting NW Natural explained that customer growth in Washington has historically occurred at a faster rate than other areas within its service territory. Since 2001, customer growth in the Washington service territory has been as much as 2.7 times higher than customer growth in Oregon. Please note that in terms of overall customers, NW Natural serves roughly 9 times more customers in Oregon than in Washington, so comparing growth rates between two areas with substantially different customer bases may not be useful.,

- *There is inadequate explanation provided to support the growth rates presented. Provide details of the basis of the forecasts and then how it was used in SendOut*

Base Case:

Please provide the following about these changes:

1. *How does NWN plan to add 14,000 new residential customers each year between 2011 and 2030?*
2. *Please explain how this growth will be divided among NWN's various operational areas.*

Low Growth Case

1. *As with the base case, how does NWN plan to add 12,000 new residential customers each year between 2011 and 2030?*
2. *Also as with the base case explain how this growth will be divided among NWN's various operational areas.*

The customer forecast was discussed at the second TWG meeting on May 17, 2010. Additionally, the customer forecast by category and region for each of the scenarios is found in Appendix 2 of the IRP on pages 2A.1 – 2A.9.

The factors used to forecast demand are covered in Chapters 2 and 5 of the IRP. Such factors include customer counts, usage parameters, HDD, gas price, and DSM. The IRP SENDOUT™ model provides a resource planning guide for how NW Natural would meet demand under various customer forecasts. The methodology is discussed in Chapter 5 of the IRP, with the results in Chapter 5 and Appendix 5.

- *Based on the Modified Base Resource plan the average annual growth rate in “Served Demand” (2011-2029) is 0.66%. Does NWN concur with value*

Based on the Base Case (1411-2011 IRP Mod Base Case), the average annual growth rate in annual demand and served demand across the planning horizon is calculated to be 0.61%. Please see page 1.2 of the IRP.

- *Please explain the following:*
 1. *The increase in forecasted “Served Demand” growth between 2013-2014 and 2018-2019.*
 2. *The increase in forecasted “Served Demand” growth between 2018-2019 and 2023-2024.*
 3. *And increase again in forecasted “Served Demand” growth between 2023-2024 and 2028-2029.*
 4. *In the explanation please include details on changes in “Demand Served” by customer class and by peak vs. non-peak times of the year.*

The factors used to forecast demand are covered in Chapters 2 and 5 of the IRP. Such factors include customer counts, usage parameters, HDD, gas price, and DSM.

- *Has NWN performed an analysis of the cost differential in serving load without the extreme peak and related shoulder days (February 1989)? If so what are the results. If no, please explain why this was not done.*

The Company did not do this. NW Natural assumes that this request relates to an analysis discussed in Commission Order No. 11-196, which was adopted June 16, 2011. This order was issued after the Company filed its initial 2011 Plan in LC 51. NW Natural, in response to requests from Staff and other parties, developed a proposed scope of modifications to its initial IRP that was limited to address certain circumstances that had changed since its initial IRP—primarily its assumptions about Palomar East. The modifications to the plan were limited in order to file the modified plan within a reasonably short timeframe. NW Natural did not contemplate redoing the fundamental approach of its initial IRP, and did not, until now, receive any comment that NW Natural should fundamentally re-do its initial IRP to accommodate the type of approach that Staff’s request seems to contemplate. Please see NW Natural’s response to DR 39.

NW Natural also points out that by integrating a complete weather pattern into its model, in the IRP we do optimally and simultaneously plan for both annual demand and peak demand.

- *If the February 1989 peak is omitted from the analysis what would be the design day for this IRP?*

Please see the response to DR 48, and the graph on page 2.17 of the IRP. Omitting the February 1989 event, the next peak day would be from December 21, 1990.

- *For the PGA year 2011-2012 the IRP forecasts for Oregon are 653,760,000 (low customer growth) and 663,050,000 (high customer growth and gas breakthrough). This compares to 677,335,011 from the just completed 2011-2012 PGA review.*

The PGA load forecast includes a different customer set, such as interruptible customers, and normal weather.

- *In the “Resource Modeling” results tables the “Demand Served” for 2011-2012 is 732,430,000 (modified base case). How does this compare to the “Total System Load Served” of 750,014,798 from the 2011-2012 October PGA filing by NWW? Please explain the reasons for the difference.*

The numbers differ because they are different metrics. The PGA load forecast includes interruptible customers under normal weather

- 1. *Please explain the new Mist recalls (modified base resource plan) beginning in 2012-2013, the 21 % increase in new Mist recalls in 2014-2015, and the 174 % increase in new Mist recalls beginning in 2015-2016.*
 2. *Are the Mist recalls described in question #1 intended to meet increases in winter (peak season) demand?*
 3. *If the answer to question #2 is yes, please provide the winter (November – March) forecasted demand for each year of the IRP that justifies each such Mist recall.*
 4. *If the answer to question #2 is no, what demand changes are the Mist recalls intended to meet? Please provide the analysis supporting this increased demand that is more appropriately met by Mist storage.*

As discussed in Chapter 5 of the IRP, the SENDOUT™ least cost model selects resources which are currently available and may add new resources at optimal levels to serve all demand, including annual demand and peak demand.

Mist Storage is a currently available resource, and Mist Recall provides an incremental future resource option. The modeling diagram may be seen on page 5.11 of the IRP. Storage may be utilized for peak day as well as non-peak days.

The large increase in projected Mist Recall in 2015/2016 is due to the projected temporary closure of the Newport LNG plant. Please reference Figure 5.14 of the IRP, which provides a clear exhibit of planning decisions through time. This was also featured at the fifth TWG meeting held on June 22, 2011.

- *Please explain how the Encana gas reserves operate like a long-term physical and financial hedge, as indicated by this statement – “The joint venture with Encana serves an important role in the Company’s overall portfolio because it operates somewhat like a long-term physical and financial hedge.”*

NW Natural has the right to physically receive the gas produced under this agreement with Encana. If NW Natural were to experience any difficulties acquiring gas volumes in the future in the U.S. Rockies, NW Natural could exercise this right, offsetting the need to acquire equivalent volumes from other physical gas suppliers. However, since there have been no difficulties acquiring physical volumes in the Rockies, and because it increases certain administrative tasks (e.g., scheduling the gas is more complex because of daily variations in production), NW Natural has not exercised this right.

Accordingly, Encana is selling NW Natural’s share of the production gas in lieu of physical delivery. These sales are at a market price that changes every month pursuant to a published index specified in the agreement. Encana sends the net revenue to NW Natural on a monthly basis. Meanwhile, in the PGA, the cost of these volumes have been included based on the expected capital costs and operating expenses under the agreement, as determined on a per therm basis. As a result, NW Natural is spending money based on the relatively fixed cost of producing each therm of gas, while receiving money based on a sales price per therm that floats each month with the market. No physical gas changes hands. This roughly matches the structure of the basic fixed-for-floating derivative swaps that constitute nearly all of NW Natural’s financial hedges.

- *1. Please provide a copy of the “base” and each alternative PNW gas price forecast utilized by NWN for the preparation of the modified IRP. These should be at least annual forecasts.*
- *2. Please provide a copy of the “world descriptions” associated with each natural gas price forecast provided in response to question #1.*

The gas price forecasts are purchased from a third party, and per the terms of the purchase, the Company cannot share these forecasts.

- *3. Current PNW natural gas price forecasts for 2011-2014 show the average price not rising above \$4.21/Dth. Will NWN examine forecasts for these years and update the IRP results, and when will that occur? Will the Commission be informed of those results, when, and by what means?*
- *4. Gas price forecasts for the IRP period have declined over the last several months. Will NWN update the IRP results to reflect these declines and their impacts on the IRP results?*
- *5. If the answer to question #3 is yes, when is it estimated those updates will be available?*

6. *If the answer to question #4 is no, please explain.*
7. *At page 2.14 the IRP states, Figure 2.8 displays the price forecast used in this IRP.” How can this be correct when Figure 2.8 provides forecasts for Henry Hub gas supply?*

Natural gas price forecasts are updated in each IRP cycle. A new gas price forecast would be included in the next IRP, along with the other forecasts.

Henry Hub is the pricing point for natural gas price futures contracts traded on NYMEX, and acts as a primary price set for natural gas in North America. The price forecast at this single trading hub is often used to represent an overall forecast. The IRP also includes price forecasts for AECO, Opal, and Sumas.

- 1. *Please confirm that between NWPL and GTN NWN has purchased 467,356 of firm pipeline capacity.*
 2. *If question #1 is confirmed, please provide the daily deliverability associated with this capacity.*
 3. *If question #1 is not confirmed please provide the correct firm pipeline capacity value and associated deliverability.*
 4. *Please confirm that NWN has purchased in total 157,039 of firm TCPL-BC capacity.*
 5. *If question #4 is confirmed, please provide the daily deliverability associated with this capacity.*
 6. *If question #4 is not confirmed please provide the correct firm pipeline capacity value and associated deliverability.*
 7. *Please confirm that NWN has purchased in total 158,921 of firm TCPL-Alberta capacity.*
 8. *If question #7 is confirmed, please provide the daily deliverability associated with this capacity.*
 9. *If question #7 is not confirmed please provide the correct firm pipeline capacity value and associated deliverability.*
 10. *Please identify the justification in the IRP for this level of firm pipeline capacity and daily deliverability.*
 11. *If this justification is based on outside studies of firm transportation needs for NWN please provide copies of those studies.*
 12. *If based on internal studies of firm transportation needs for NWN please provide copies of those studies.*

Supply side resources are discussed in Chapter 3 of the IRP. Table 3.1 provides a look at Transportation capacity

- 1. *Please explain in detail how the costs for the Palomar/Blue Bridge projects were estimated.*

2. *If these costs are estimated on a “real” basis please provide the inflation and discounting values applied by NWN.*
3. *If these costs are not estimated on a “real” basis please explain how such estimates are utilized in preparing the IRP and the final resource selection portfolios.*
4. *Please provide a copy of the construction schedule and the construction budget for both the Palomar and Blue Bridge projects.*

NW Natural explained the Palomar/Blue Ridge pricing estimates that at length at its fifth TWG meeting held on June 22, 2011. The pricing estimates are also discussed on pages 1.2, 3.14, and 5.9 of the IRP.

Again as discussed, the Company expects a project like the Palomar/Blue Ridge project that is described in its 2011 Modified IRP will be completed in the future. At this time, no one holds permits for such projects.

- *1. Please explain in detail 2.3 in the action plan. Particularly the word “support.”*

The Company expects to continue to analyze and model the potential impact of the proposed Palomar/Blue Bridge project in terms of serving demand, cost and supply options, as long as the project is viable.

- *2. Please indicate how changes in price elasticity will be treated in the action plan.*

Price elasticity changes would fall under the action plan No. 1.2 under Demand Forecasting. The demand forecast is recalibrated each cycle, and price elasticity would be evaluated.

- *3. Please provide the construction budgets and schedules for each section (as scheduled to come into service) of the Willamette Valley Feeder (WVF). (2.5)*
- 4. Also with regard to the WVF provide an overview of the bidding process for construction as well copies of the actual RFB and each bid received in response.*
- 5. Are upgrades to the capacity or deliverability of the Mist storage facility anticipated over the next two years? If so, when and provide copies of construction schedules and budgets along with all details regarding the bidding process related to the work. (2.2).*
- 6. Please provide the final construction budget and schedule for the Harrisburg River Crossing project. Also, provide full details of the bidding processes involved with selecting contractors for this project. (4.2)*

NW Natural does not believe that these requests relate to the IRP or underlying analysis, and that they deal more specifically with NW Natural’s actions in implementing projects in accordance with the IRP.

CONCLUSION

NW Natural believes that its IRP contains a robust analysis of all of the requirements associated with integrated resource planning. Neither the comments of CUB or Staff provide reasons for which the Commission should decline to acknowledge NW Natural's IRP.



CERTIFICATE OF SERVICE

I certify that I have this day served the foregoing NW NATURAL'S REPLY COMMENTS upon all parties of record in this proceeding (LC 51), by e-mailing an electronic copy to the following parties or attorneys of parties:

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