

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

LC 51

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, d/b/a NW NATURAL
2011 INTEGRATED RESOURCE PLAN

STAFF'S SUMMARY COMMENTS
ON NW NATURAL'S MODIFIED 2011
INTEGRATED RESOURCE PLAN

Staff appreciates the responsiveness of the Company's IRP to the Commission's IRP guidelines and provides the following summary comments following its comments filed on November 14, 2011.¹ The purpose of this summary is to clarify comments which Staff believes to be requirements for acknowledgement or conditional acknowledgment of the Company's Modified IRP from comments that it is more appropriate to address them in the next IRP.

A. Requirements for acknowledgment or conditional acknowledgment of the Company's Modified IRP:

1. Comprehensive evaluation and benefit-cost analysis of the proposed Palomar/Blue Bridge pipeline:

The Company's Modified IRP contains in its action plan the following item:

“Support development of the Palomar East Pipeline, primarily for risk management purposes in diversifying the Company's supply path options.”²

On the other hand the Company's filing indicates that there are uncertainties about this pipeline. Under these uncertainties, it is not clear, what is the Company's intent by including this action plan item in its IRP. The Company should be explicit and specific about the purpose of including this pipeline as part of its supply side resources and IRP while it is unable to provide details about this project.

If it is only a matter of a possible resource that may or may not materialize, then the Company should not make this action plan item as a component of its IRP and reserve this option to a future date when reliable information about this project becomes available.

If it is a matter of asking the Commission to acknowledge this project as a component of its IRP, then Staff requests that Commission directs the Company to perform a

¹ See Order No. 07-002 *et.seq.*

² See p.1.13, Chapter 1.

more thorough analysis and evaluation of the proposed project as a condition to acknowledge this action item.

In its filing, the Company states: “the primary benefit accruing from construction of Palomar/Blue Bridge would be to manage the risks associated with the delivery of natural gas into the region.” To be clear, Staff agrees that having access to a second source of supply is desirable. Nonetheless, an essential requirement to support a specific project or solution is that a cost and benefits analysis is performed and updated as necessary, which results should support the selection and acknowledgment of that specific solution.³

This analysis should specify the risks of service reliability issues to the Company’s core customers and the benefits that will be provided to them through this project. In addition to describing the risks, the Company’s analysis should include the likelihood of such risks to occur, their frequencies, magnitude, and their potential impact on the Company’s core customers in terms of cost and service interruption. In addition, the analysis should demonstrate the cost savings and other benefits that such project will provide to the Company’s core customers when compared to other potential and available solutions.⁴

Last but not least, if the feasibility of the proposed pipeline is in part contingent upon a regional collective work,⁵ the Company should include the benefits of the regional solution in its analysis in order to justify the Commission acknowledgement on this action item.

2. Update Monte-Carlo Optimization Results of the Modified IRP to include reliability in meeting peak demand:

The Company provided the optimization results for the two original planning cases showing the degree of reliability in serving annual demand (See Table 5.8.) However, as the Company states, the plan’s objective is to meet the peak demand with the least cost and least risk resources. Staff requests that the Company provide updated results of the Monte-Carlo Optimization Results to include the level of reliability in meeting peak demand for the three cases: 1411-2011 IRP Mod Base Case, 1392-2011 IRP Mod PAL 100, and 1391-2011 IRP Mod PAL BB 50, which are highlighted in Table 5.10, p.5.29 of the Company’s Modified IRP.

³ Please see the list of future additional resources listed in Table 5.2, p.5.6, Chapter 5 of the Modified IRP.

⁴ As an analogy, the Company may wish to consider the risks as in the 10-year, 25-year, 50-year, and 100-year flood events when evaluating the benefits and cost of the proposed pipeline compared to other solutions.

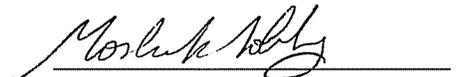
⁵ Please refer to the presentations by Palomar, NW Natural, Williams, PGE, and PSE at the joint February 2011 Public Meeting in Portland before the OPUC and WUTC.

B. Comments to be addressed in the next IRPs:

1. The design-year weather pattern: The Company's design-year weather pattern is colder than 85% of the normal winter augmented with the 3-day peak (peak day plus the day before and the day after). In its next IRP, the Company should include other possible and reasonable design-year weather patterns and explain why a specific design-year weather pattern is more appropriate than the others?
2. Demand growth vs. Un-served demand: The Company's filing concludes that growth in demand is large enough to justify the need for additional resources. Also, the analysis indicates significant acceleration in the un-served demand especially beginning in year 2021 and in the following years of the planning horizon (See Figure 5.4). With more uncertainty about the slow recovery of the economy, the Company should explain how much of the un-served demand is related to demand growth as opposed to un-served demand that is a result of the expiration of certain supply and/or demand side sources.
3. Interstate Pipeline Capacity and Deliverability: In its next IRP, the Company should address the comments on page 9 of Staff's comments filed on November 14, 2011.
4. Natural Gas Price Forecasting: In its next IRP, the Company should address Staff's comments on page 8 of Staff comments filed on November 14, 2011.
5. Palomar/Blue Bridge: In its next IRP, the Company should address Staff's comments on page 10 of Staff comments filed on November 14, 2011.
6. Customer Number and Load Forecasting: In its next IRP, the Company should thoroughly address Staff's comments on pages 4, 5 and 6 of Staff comments filed on November 14, 2011.
7. Mist Storage Recall and Storage: In its next IRP, the Company should thoroughly address Staff's comments on pages 6 and 7 of Staff comments filed on November 14, 2011.

This concludes Staff's Final Comments on NW Natural's Modified 2011 Integrated Resource Plan.

Dated at Salem, Oregon, this 28th day of November, 2011.


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CERTIFICATE OF SERVICE

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I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 28th day of November, 2011 at Salem, Oregon

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