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July 16, 2013

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 Amended 2013 Annual Integrated Resource Plan Update

Northwest Natural, dba NW Natural, herewith submits one original and two copies of the following amended pages to its 2013 Annual Integrated Resource Plan Update (IRP Update) that was previously filed on April 25, 2013, in Docket LC-51:

Page 5,
Page 6,
Page 7,
Page 9, and
Page 36.

The pages amended herein are revised to remove all references to the Company's request for Commission acknowledgment of its IRP Update. In accordance with the options available under OAR 860-027-0400(8), the Company initially requested Commission acknowledgement of revised Action Item 2.3 in its IRP Update. A procedural schedule was established to enable Commission Staff and parties to consider the Company's request. At its July 11th workshop, where the Company presented the details of its IRP Update, the Company discussed the request for acknowledgement with parties and decided to retract its request, and instead, resume the conversation it began with its IRP Update in its 2014 IRP, which will be developed with parties starting in August of 2013.

As part of this filing, the Company also requests suspension of the procedural schedule in LC-51 and closure of the docket. The formal comment process is no longer necessary since the Company is not seeking Commission action on its filing.

Attached is a Certificate of Service verifying that this filing has been electronically sent to all parties to the subject docket.

Please call Jennifer Gross at (503)226-4211, extension 3590 if you have any questions regarding this submission.

Sincerely,

/s/ Tamy Linver

Tamy Linver

Enclosure



CERTIFICATE OF SERVICE

I hereby certify that I have this day electronically served the foregoing AMENDED ANNUAL UPDATE TO NW NATURAL'S 2011 MODIFIED IRP to all parties to the LC 51 proceeding.

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DATED at Portland, Oregon, this 16th day of July 2013.

/s/ Jennifer Gross

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1. Introduction

The Company's 2011 Modified Integrated Resource Plan (IRP) was filed September 1, 2011 and acknowledged by the Commission in Order No. 12-161, dated May 9, 2012. The methodology used in the 2011 plan has not changed; however, two items in particular are new to the IRP: first, a more explicit examination of reliability and the resulting preferred resource portfolio from a risk management perspective and, second, new scoping criteria to be used to determine those distribution system planning projects that should be included in future IRPs. Further, the Company has benefitted from recent Commission clarifications of its expectations relative to the IRP process and desires to increase its transparency relative to major utility investments. To this end and in addition to updating the action items, the Company briefly discusses the Corvallis Loop Project, the Mid-Willamette Valley Feeder project, gas reserves, and Newport LNG for informational purposes.

NW Natural is submitting this annual update in compliance with Oregon Administrative Rule (OAR) 860-027-400(8) and while the Company has revised Action Item 2.3, it is not seeking Commission acknowledgement.

A. Reliability-Risk Analysis and Cross-Cascades Pipeline

In its most recently acknowledged IRP, the Company discussed its sole reliance on Northwest Pipeline (NWP) for delivery of interstate gas supplies and proposed mitigating this risk by subscribing for capacity on a new cross-Cascades pipeline.¹ As part of its Multi-Year Action Plan, the Company revised Action Item 2.3 to commit to performing further analysis on the costs, benefits, and risks associated with development of a cross-Cascades pipeline.² Additionally, the Company and Commission Staff agreed that for future IRPs, the Company would perform various cost analyses on any proposed cross-Cascades pipeline and would perform a risk-benefit analysis of all resource portfolios.³ The Company included this type of analysis in its recent 2013 IRP filing with the Washington Utility and Transportation Commission on March 28, 2013. To address its Oregon IRP action item commitment, the Company is including this same analysis along with a detailed discussion of the project steps in this update.

The Company will be entering into a Precedent Agreement with the cross-Cascades pipeline project sponsors. This project is currently the only new cross-Cascades pipeline being proposed. NWP has dropped their initial Blue Bridge project that would have built a second pipeline through the Columbia Gorge and replaced it with what is now called the Northwest Market Area Expansion ("N-MAX), which would bundle capacity from 1) the

¹ See page 3.14 of the Company's Modified IRP filed September, 2011.

² See Order No. 12-161 at 4.

³ See Order No. 12-161 at 5.

interconnection of the NWP and Gas Transmission Northwest (GTN) systems at Stanfield, Oregon, moving gas southward to the vicinity of Madras, Oregon, using a NWP subscription to mainline transmission service on GTN, and 2) a NWP subscription on a cross-Cascades pipeline originating in the vicinity of Madras and terminating at Molalla, Oregon, with 3) an incremental expansion on NWP's existing system to move gas north from Molalla. NW Natural's entering into a Precedent Agreement would enable two concurrent open seasons: 1) cross-Cascades for Madras – Molalla direct capacity and 2) NWP for their N-MAX project. Holding an open season is the only way for the cross-Cascades project sponsors to determine whether sufficient shipper support exists at this time to proceed with long lead time permitting and eventual construction. Holding an open season is also a project step required by FERC. Any financial commitments made by NW Natural on behalf of its customers would be contingent on the results of the open season.

The Commission will have opportunities to review NW Natural's participation in the project at various steps in the process prior to the pipeline being built, including after the signing of a Precedent Agreement and following completion of the open seasons if the sponsors are successful.

B. Distribution System Planning

NW Natural has benefitted from the Commission clarifying its expectation in a recent ruling with respect to being kept informed about anticipated major utility investments⁴ as well as from its own recently concluded rate case.⁵ To this end, the Company intends to begin using the following two criteria on a prospective basis for determining what transmission and distribution projects should be addressed within the IRP Process:

- 1) High pressure transmission projects required to move gas supplies to a discrete load center. (Transmission and distribution projects needed to move gas within a load center would not be included unless they meet the second criteria.)
- 2) Any system reinforcement project over \$10 million.

Two projects in Oregon fall within the new IRP scope criteria: the Mid-Willamette Valley Feeder and the Corvallis Loop projects. This filing discusses both projects to increase transparency with respect to the Company's distribution system planning activities.

C. Gas Reserves

Gas reserve arrangements similar to the Company's arrangement with Encana may offer utility customers long-term price stability. This appears to be a developing trend and is briefly discussed below.

⁴ Order No. 12-493 in Docket No. UE 246 at 33.

⁵ Order No 12-437, in Docket No. UG 221, footnote 44 at 17.

D. Newport LNG

Both of NW Natural's LNG facilities were designed for a 25 to 30 year life and are now each beyond their respective design life. In particular, Newport LNG is 36 years old and the Company is experiencing issues that negatively impact the plant's reliability and operability. In an effort to increase transparency, NW Natural provides a high-level discussion of Newport LNG below.

E. Multi-Year Action Plan

Following the specific sections provided below, the Company presents the Multi-Year Action items identified in its 2011 Modified IRP and the Company's responses to date on fulfilling these action items. As required by OAR 860-027-0400(8), the responses detail: a) the actions the Company has taken to acquire the preferred portfolio identified in its 2011 Modified IRP; b) an assessment of changes subsequent to the 2011 Modified IRP; and c) a justification for any deviation from the action plan contained in the 2011 Modified IRP. In general, the Company's efforts relative to the action plan are ongoing and will be more specifically addressed in its next IRP filing.