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May 8, 2015

VIA ELECTRONIC FILING AND US MAIL

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

**RE: LC 60 – NW Natural’s Integrated Resource Plan Update
Northwest Pipeline Firm Storage Redelivery Service from Jackson Prairie**

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”) hereby submits the enclosed filing as an update to its 2014 Integrated Resource Plan (IRP). At NW Natural’s quarterly meeting with the Staff of the Public Utility Commission of Oregon¹, Staff and NW Natural discussed a memorandum of understanding (MOU) that NW Natural has entered into with Northwest Pipeline (NWP) that will result in the increased reliability of NW Natural’s firm resource stack. At the quarterly meeting, it was discussed that supplying the MOU as part of an IRP update would help allow for Commission Staff to review the MOU ahead of the Company’s Purchased Gas Adjustment filing this summer, and that it would also provide transparency to the Commission on the MOU and how it relates to NW Natural’s IRP. Accordingly, the main intent of this update is to provide transparency for the new NWP TF-1 transportation contract contemplated in the MOU. NW Natural does not believe that Commission acknowledgement of this update is necessary.

Background.

On August 29, 2014, NW Natural submitted its 2014 IRP for Commission acknowledgment. The Commission acknowledged the IRP on February 24, 2015. In the IRP, NW Natural identified removal of resources from the Company’s firm resource stack that NW Natural previously assumed could be reliably called upon to meet design day peak demand and their replacement with interim resources as a bridge to a long-term solution.² Specifically, NW Natural identified the following changes:

1. Removal of the Plymouth LNG facility’s deliverability starting immediately.
2. Removal of a portion of the Jackson Prairie storage facility’s deliverability starting in 2018.

¹ The “Quarterly Portfolio Planning Meeting” described in the Natural Gas Portfolio Development Guidelines developed in docket UM1286 (OPUC Order 11-196 dated June 16, 2011, Appendix pages 10-11).

² IRP at 1.3.

3. Addition of segmented capacity on Northwest Pipeline (NWP) in 2014 for a 5-year period.

NW Natural sought the removal of Plymouth and a portion of Jackson Prairie from its firm resource stack following an event in the prior winter when NWP curtailed NW Natural’s TF-2 service from Plymouth. Although the NW Natural’s TF-2 service from Plymouth and Jackson Prairie is labeled “firm capacity,” NWP confirmed that NW Natural’s TF-2 service from Plymouth (originally designed for storage usage) is “secondary firm,” which is subject to curtailment before that of primary firm service.³ With respect to NW Natural’s service from Jackson Prairie, 13,525 Dth/day of NW Natural’s total contracted capacity of 46,030 Dth/day is designated “subordinate” TF-2 service, which is synonymous with secondary firm service and, therefore, subject to curtailment ahead of primary firm service. The remaining service from Jackson Prairie is primary firm TF-2 service.

In the IRP, NW Natural stated that the pathway from Sumas and Jackson Prairie south to the Company’s service territory is currently reliable.⁴ However, in the future, as the load on NWP’s system being served from Sumas grows, NW Natural’s secondary TF-2 service eventually will become less reliable.⁵ Based on the forecasted slow load growth from Sumas, NW Natural retained the secondary TF-2 service from Jackson Prairie in its IRP analysis for the next five years. Thereafter, the IRP analysis phases out this capacity from the firm resource stack due to expected gas load developments related to, for example, the shutdown and replacement of the region’s two coal plants⁶.

As described in the IRP, the removal of Plymouth created an immediate deficiency in NW Natural’s resource stack.⁷ As part of the Company’s short term response, the Company intended to rely, in part, on segmented TF-1 capacity on NWP’s system.⁸

As also described in the IRP, NW Natural identified the gap between maximum daily delivery obligations (MDDO) and forecasted peak day demand, specifically in the Company’s Clark County service territory. NW Natural’s use of Mist storage avoids the need for the Company to subscribe to new NWP contract demand (CD), but, in turn, NW Natural does not add MDDOs when it recalls Mist storage or pays NWP to increase gate station capacity. As the Company continues to rely on Mist to satisfy load growth, and as the Clark County system load grows, the mismatch between physical gate station capacity and MDDOs in Washington will grow. The current MDDO gap in Clark

³ IRP at 3.11-3.12

⁴ IRP at 3.12.

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

County has been estimated at 60,000 Dth/day on a design peak-day.⁹

As a result, NW Natural also identified the following actions related to changes to its resource stack:

- a. Given that segmented capacity is an interim solution, continue working with NWP to investigate options regarding both the Plymouth and Jackson Prairie storage facilities.¹⁰
- b. Explore alternatives with NWP for increasing contracted MDDO capacity at Vancouver gates, including but not limited to, TF-1 contract extensions and/or subscription for additional CD capacity at some future date.¹¹

Proposed Service Agreement with NWP.

<Begin Confidential> [Redacted]

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⁹ IRP at 1.5 (Figure 1.2).
¹⁰ IRP at 1.20.
¹¹ IRP at 1.21.

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Results of Analysis of the MOU.

<Begin Confidential> [Redacted]

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If there are additional questions about this filing, please contact Tamy Linver, Senior Director of Strategic Planning at (503) 226-4211 ext. 2430 or me directly at (503) 220-2476.

Sincerely,

NW NATURAL

/s/ Mark R. Thompson

Mark R. Thompson
Rates and Regulatory Affairs

Attachment

cc: Service List



CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing confidential portions via US MAIL of LC 60 -NW Natural Integrated Resource Plan Update dated May 8, 2015 and Confidential Attachment A upon all parties that signed protective order 14-142 as referenced below.

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DATED at Portland, Oregon, this 8TH day of May 2015.

/s/ Shannon L. Seagondollar
Shannon L. Seagondollar
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NW NATURAL