

Gas Transmission Northwest Corporation Pipeline Integrity Plan (PIP) Filing for 2008

GTN's Total Qualifying Costs for the year ended December 31, 2008 were \$4,212,693. As such, there will be no PIP Surcharge for the PIP Surcharge Period of April 1, 2009 through March 31, 2010. Details of the program spending incurred for the year 2008 follow, along with schedules showing the calculation of the Total Qualifying Costs for the year.

Expense Program

Aerial Surveys

- **Description of Work:** The Aerial Patrol/Aerial Survey program monitors for pipeline leaks and for unauthorized activity on the pipeline right of way. As per the Integrity Management Plan (Additional Preventive and Mitigative Measures) the threat of third party interference is partially managed through increased frequency of aerial patrols
- **Pipeline Integrity Justification:** To prevent integrity threats to the pipeline and to identify potential leaks.
- **Location:** The work occurs along the length of the GTN pipeline right of way via aerial observation.
- **Compliance:** Subpart O 192.935, Subpart M 192.613, Subpart M 192.705, Subpart M 192.706.
- **Program/Project Cost:** \$261,551

Cathodic Protection

- **Description of Work:** Includes diagnostic testing, test lead repairs, cable breaks, equipment repairs, test lead survey work, close interval surveys, post remedial, junction box surveys, right of way brushing and the program development efforts on GTN's cathodic protection system. All these endeavours lead to a reduction in corrosion on the pipeline.
- **Pipeline Integrity Justification:** Cathodic protection protects areas where the pipeline protective coating is lacking; maintenance on the cathodic protection system infrastructure is required to keep these systems operating effectively.
- **Location:** The entire GTN system.
- **Compliance:** Subpart I 192.463
- **Program/Project Cost:** \$457,923

Corrosion

- **Description of Work:** Locations identified as potential external corrosion sites were excavated and assessed.

- **Pipeline Integrity Justification:** To assess and manage the integrity risk by identifying and repairing areas of corrosion.
- **Location:** GTN A Line.
- **Compliance:** Subpart O 192.933
- **Program/Project Cost:** \$514,609

Geotechnical

- **Description of Work:** Geotechnical assessments along the length of the right of way to assess landslide and fault zone geotechnical threats. Engineering analysis work on various water crossings. As per the Integrity Management Plan (Threat Identification, Weather and Outside Forces) the threat of Geotechnical issues along the pipeline must be addressed.
- **Pipeline Integrity Justification:** Reduce and eliminate geotechnical integrity risks. Remediate exposed pipelines.
- **Location:** Geotechnical assessments for fault zone and slope threats occur along the length of the pipeline. Exposed pipe remediation occurred in 2008 on the exposed A-line at Pine Creek, and at the Klamath Falls canal crossing exposure.
- **Compliance:** Subpart O 192.917, Subpart M 192.613
- **Program/Project Cost:** \$960,842

Stress Corrosion Cracking (SCC)

- **Description of Work:** As per the Integrity Management Baseline Assessment Plan, the threat of Stress Corrosion Cracking (SCC) on the GTN A line was assessed through the Stress Corrosion Cracking Direct Assessment (SCCDA) process. Excavations were performed on MLV 9-2 to assess SCC and tape coating conditions.
- **Pipeline Integrity Justification:** To assess the threat of SCC on the GTN A line.
- **Location:** GTN A line.
- **Compliance:** Subpart O 192.933
- **Program/Project Cost:** \$534,326

Compliance Program Management

- **Description of Work:** This work comprises the activities required to develop and manage the Integrity Program as per the Subpart O Integrity Management Plan.
- **Pipeline Integrity Justification:** This work is required to develop and manage the integrity programs.
- **Location:** n/a
- **Compliance:** General requirement of the entire Subpart O document.
- **Program/Project Cost:** \$107,652

Damage Prevention – Imagery/Structure Interpretation

- **Description of Work:** As a part of the damage prevention program, imagery is purchased to examine for new structures on the pipeline right of way.
- **Pipeline Integrity Justification:** By identifying new structures on the right of way we can properly adjust our integrity work to reflect changing population statuses.
- **Location:** Valve sites M-2, M-3, and M-4 at Medford Lat and lateral side valves at Coyote Springs Lateral.
- **Compliance:** Subpart O 192.935
- **Program/Project Cost:** \$21,400

Total Expense: \$2,858,302

Total Expense (Subpart O): \$2,858,302

Capital Program

Cathodic Protection

- **Description of Work:** Corrosion remedial work includes upgrading cathodic protection (CP) systems that have completed their life cycle or that require additional infrastructure due to deteriorating pipe coatings. Instances of shorted casings must be fixed as they interfere with CP systems .
- **Pipeline Integrity Justification:** Cathodic protection protects areas where the pipeline protective coating is lacking and to maintain the cathodic protection system infrastructure. Periodically ground beds and rectifiers need to be replaced to ensure proper functioning of the cathodic protection system.
- **Location:** Corrosion remedial occurs at various locations on the system. Shorted casings repair occurred at MP 14.1 on the B-Line.
- **Compliance:** Subpart I 192.463
- **Program/Project Cost:** \$495,954

Damage Prevention

- **Description of Work:** Replacements in areas where population increases have caused a change in the class location designation of the pipelines.
- **Pipeline Integrity Justification:** Replacements in areas where population increases have caused a change in the class location designation of the pipelines.
- **Location:** Oregon section.
- **Compliance:** Subpart O 192.935
- **Program/Project Cost:** \$830,228

Total Capital: \$1,326,182

Total Capital (Subpart O): \$1,326,182

**Gas Transmission Northwest Corporation
Pipeline Integrity Plan (PIP) Filing for 2008**

Calculation of Total Qualifying Costs

Cost tracking requirements:	Schedule	Amount
Gross Plant	1	\$ 8,548,156
Accumulated Depreciation	1	<u>(232,446)</u>
Net Plant at December 31, 2008	1	8,315,710
Accumulated Deferred Tax Liability at December 31, 2008	2	<u>(333,755)</u>
PIP Rate Base at December 31, 2008		<u>7,981,955</u>
Pre-tax Return - 15% of PIP Rate Base		1,197,293
Annual Depreciation Expense on PIP Plant	3	157,097
Actual PIP-related O&M Expense		<u>2,858,302</u>
Total Qualifying Costs		<u>\$ 4,212,693</u>

Note:

Threshold of \$12M not reached therefore there will be no surcharge during the 2008 - 2009 PIP Surcharge Period.

**Gas Transmission Northwest Corporation
2008 PIP Filing
SCHEDULE 1 - NET PLANT**

Description	Account	Reference	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Gross Plant	367.0	Appendix 1.1	\$ 7,244,165	\$ 7,246,145	\$ 7,252,124	\$ 7,252,786	\$ 7,963,275	\$ 8,089,618	\$ 8,317,764	\$ 8,329,835	\$ 8,391,359	\$ 8,402,380	\$ 8,546,940	\$ 8,548,156
Accumulated Depreciation	367.0	Appendix 1.1	87,385	99,459	111,536	123,623	135,711	148,983	162,465	176,328	190,211	204,197	218,201	232,446
Net Plant			\$ 7,156,780	\$ 7,146,686	\$ 7,140,588	\$ 7,129,163	\$ 7,827,564	\$ 7,940,635	\$ 8,155,299	\$ 8,153,507	\$ 8,201,148	\$ 8,198,183	\$ 8,328,739	\$ 8,315,710

**Gas Transmission Northwest Corporation
2008 PIP Filing
SCHEDULE 2 - DEFERRED TAX LIABILITY**

Deferred Tax Expense

Description		Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
Tax Depreciation	Appendix 1.2	\$ 57,266	\$ 57,275	\$ 57,305	\$ 57,309	\$ 61,750	\$ 62,652	\$ 64,553	\$ 64,674	\$ 65,443	\$ 65,627	\$ 69,241	\$ 69,301	\$ 752,397
Book Depreciation	Schedule 3	12,037	12,074	12,077	12,087	12,088	13,272	13,483	13,863	13,883	13,986	14,004	14,245	157,097
Timing difference		45,230	45,202	45,228	45,222	49,662	49,380	51,071	50,811	51,560	51,641	55,237	55,057	595,299
Tax rate - 38.3565%		38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%	38.36%
Deferred Tax Expense		\$ 17,349	\$ 17,338	\$ 17,348	\$ 17,346	\$ 19,048	\$ 18,940	\$ 19,589	\$ 19,489	\$ 19,777	\$ 19,808	\$ 21,187	\$ 21,118	\$ 228,336

Accumulated Deferred Tax Liability

Description		Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Beginning balance		\$ 105,419	\$ 122,768	\$ 140,105	\$ 157,453	\$ 174,799	\$ 193,848	\$ 212,788	\$ 232,377	\$ 251,866	\$ 271,643	\$ 291,450	\$ 312,637
Deferred taxes		17,349	17,338	17,348	17,346	19,048	18,940	19,589	19,489	19,777	19,808	21,187	21,118
Accumulated Deferred Tax Liability		\$ 122,768	\$ 140,105	\$ 157,453	\$ 174,799	\$ 193,848	\$ 212,788	\$ 232,377	\$ 251,866	\$ 271,643	\$ 291,450	\$ 312,637	\$ 333,755

Gas Transmission Northwest Corporation
2008 PIP Filing
SCHEDULE 3 - DEPRECIATION EXPENSE

Description	Account	Dep. Rate	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
MAINS	367.0	2.00%	\$ 12,037	\$ 12,074	\$ 12,077	\$ 12,087	\$ 12,088	\$ 13,272	\$ 13,483	\$ 13,863	\$ 13,883	\$ 13,986	\$ 14,004	\$ 14,245
DEPRECIATION EXPENSE			\$ 12,037	\$ 12,074	\$ 12,077	\$ 12,087	\$ 12,088	\$ 13,272	\$ 13,483	\$ 13,863	\$ 13,883	\$ 13,986	\$ 14,004	\$ 14,245
YTD DEPRECIATION EXPENSE			\$ 12,037	\$ 24,110	\$ 36,187	\$ 48,274	\$ 60,362	\$ 73,634	\$ 87,117	\$ 100,980	\$ 114,863	\$ 128,848	\$ 142,852	\$ 157,097

Note:
 Depreciation begins in the month following the in-service date.

Gas Transmission Northwest Corporation
2008 PIP Filing
APPENDIX 1.1 - CAPITAL
Gross Plant

Description	Reference	Beg. Bal.	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Beginning balance		7,221,974	7,221,974	7,244,165	7,246,145	7,252,124	7,252,786	7,963,275	8,089,618	8,317,764	8,329,835	8,391,359	8,402,380	8,546,940
MAINS - in service additions	Appendix 1.2	-	22,191	1,980	5,979	662	710,489	126,343	228,146	12,071	61,524	11,021	144,560	1,216
Gross Plant		7,221,974	7,244,165	7,246,145	7,252,124	7,252,786	7,963,275	8,089,618	8,317,764	8,329,835	8,391,359	8,402,380	8,546,940	8,548,156

Accumulated Depreciation

Description	Account	Beg. Bal.	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
Beginning balance		86,258	86,258	98,295	110,368	122,445	134,532	146,620	159,892	173,375	187,238	201,121	215,106	229,110
MAINS - Depreciation	367.0		12,037	12,074	12,077	12,087	12,088	13,272	13,483	13,863	13,883	13,986	14,004	14,245
		86,258	98,295	110,368	122,445	134,532	146,620	159,892	173,375	187,238	201,121	215,106	229,110	243,355
RETIREMENTS IN PROCESS (RWIP)		(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)	(10,909)
Accumulated Depreciation		\$ 75,349	\$ 87,385	\$ 99,459	\$ 111,536	\$ 123,623	\$ 135,711	\$ 148,983	\$ 162,465	\$ 176,328	\$ 190,211	\$ 204,197	\$ 218,201	\$ 232,446

Net Plant

Description	Account	Beg. Bal.	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08
MAINS - Gross Plant	367.0	\$ 7,221,974	\$ 7,244,165	\$ 7,246,145	\$ 7,252,124	\$ 7,252,786	\$ 7,963,275	\$ 8,089,618	\$ 8,317,764	\$ 8,329,835	\$ 8,391,359	\$ 8,402,380	\$ 8,546,940	\$ 8,548,156
Accumulated Depreciation		75,349	87,385	99,459	111,536	123,623	135,711	148,983	162,465	176,328	190,211	204,197	218,201	232,446
Net Plant		\$ 7,146,625	\$ 7,156,780	\$ 7,146,686	\$ 7,140,588	\$ 7,129,163	\$ 7,827,564	\$ 7,940,635	\$ 8,155,299	\$ 8,153,507	\$ 8,201,148	\$ 8,198,183	\$ 8,328,739	\$ 8,315,710

Gas Transmission Northwest Corporation
2008 PIP Filing
APPENDIX 1.2 - TAX DEPRECIATION

Description	Account	Beg. Bal.	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Total
MAINS - in service additions	367.0	7,221,974	\$ 22,191	\$ 1,980	\$ 5,979	\$ 662	\$ 710,489	\$ 126,343	\$ 228,146	\$ 12,071	\$ 61,524	\$ 11,021	\$ 144,560	\$ 1,216	\$ 8,548,156
Tax Depreciation on 2007 additions	9.5%		57,174	57,174	57,174	57,174	57,174	57,174	57,174	57,174	57,174	57,174	57,174	57,174	686,088
Monthly depreciation (1)															
Jan			92	92	92	92	92	92	92	92	92	92	92	92	1,110
Feb				9	9	9	9	9	9	9	9	9	9	9	99
Mar					30	30	30	30	30	30	30	30	30	30	299
Apr						4	4	4	4	4	4	4	4	4	33
May							4,441	4,441	4,441	4,441	4,441	4,441	4,441	4,441	35,524
Jun								902	902	902	902	902	902	902	6,317
Jul									1,901	1,901	1,901	1,901	1,901	1,901	11,407
Aug										121	121	121	121	121	604
Sep											769	769	769	769	3,076
Oct												184	184	184	551
Nov													3,614	3,614	7,228
Dec														61	61
Subtotal 2008 additions			92	101	131	135	4,576	5,478	7,379	7,500	8,269	8,453	12,067	12,128	66,309
Total Tax Depreciation - 2008			\$ 57,266	\$ 57,275	\$ 57,305	\$ 57,309	\$ 61,750	\$ 62,652	\$ 64,553	\$ 64,674	\$ 65,443	\$ 65,627	\$ 69,241	\$ 69,301	\$ 752,397

Note:

(1) Assumed all additions are pipeline assets, using 15 Yr MACRS, Half-Year Convention (5%)