

# Gas Transmission Northwest Corporation

## Pipeline Integrity Plan (PIP) Filing for 2009

GTN's Total Qualifying Costs for the year ended December 31, 2009 were \$3,755,765. As such, there will be no PIP Surcharge for the PIP Surcharge Period of April 1, 2010 through March 31, 2011. Details of the program spending incurred for the year 2009 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 Mitigating 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:** \$168,716

#### **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:** \$645,533

#### **Corrosion**

- **Description of Work:** Locations identified as potential external corrosion sites were excavated and assessed in 2008. This work was not required in 2009. There is a minor credit in 2009 due to a 2008 accrual reversal.

- **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:** (\$42,497)

### **Geotechnical**

- **Description of Work:** Soil erosion remediation was required on the Medford Lateral line. Engineering analysis work on landslide hazards and canal 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:** Erosion remediation occurred on the MP72 Medford Lateral. Landslide hazard assessment completed on the Medford Lateral.
- **Compliance:** Subpart O 192.917, Subpart M 192.613
- **Program/Project Cost:** \$196,378

### **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 B line was assessed through the Stress Corrosion Cracking Direct Assessment (SCCDA) process. Excavations were performed on the B line to assess SCC and tape coating conditions.
- **Pipeline Integrity Justification:** To assess the threat of SCC on the GTN B line.
- **Location:** GTN B line.
- **Compliance:** Subpart O 192.933
- **Program/Project Cost:** \$1,083,704

### **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:** \$247,014

### **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. Work

on integrated public awareness (IPA) is required to prevent third party damage on the pipeline.

- **Pipeline Integrity Justification:** By identifying new structures on the right of way we can properly adjust our integrity work to reflect changing population statuses. IPA mitigates third party damage that affects the safety and integrity of the line.
- **Location:** Valve sites M-2, M-3, and M-4 at Medford Lat and lateral side valves at Coyote Springs Lateral. IPA targets all right of way locations on the GTN system.
- **Compliance:** Subpart O 192.935
- **Program/Project Cost:** \$82,805

**Total Expense: \$2,381,653**

**Total Expense (Subpart O): \$2,381,653**

## **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 across the entire system.
- **Compliance:** Subpart I 192.463
- **Program/Project Cost:** \$519,162

### **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:** \$13,515

**Total Capital: \$532,677**

**Total Capital (Subpart O): \$532,677**

**Gas Transmission Northwest Corporation  
Pipeline Integrity Plan (PIP) Filing for 2009  
Calculation of Total Qualifying Costs**

<b>Cost tracking requirements:</b>	<b>Schedule</b>	<b>Amount</b>
Gross Plant	1	\$ 9,080,833
Accumulated Depreciation	1	(416,014)
Net Plant at December 31, 2009	1	<u>8,664,819</u>
Accumulated Deferred Tax Liability at December 31, 2009	2	<u>(655,130)</u>
PIP Rate Base at December 31, 2009		<u>8,009,689</u>
Pre-tax Return - 15% of PIP Rate Base		1,201,453
Annual Depreciation Expense on PIP Plant	3	172,658
Actual PIP-related O&M Expense		<u>2,381,653</u>
Total Qualifying Costs		<u><u>\$ 3,755,765</u></u>

Note:

Threshold of \$12M not reached therefore there will be no surcharge during the 2009 - 2010 PIP Surcharge Period.

**Gas Transmission Northwest Corporation**  
**2009 PIP Filing**  
**SCHEDULE 1 - NET PLANT**

Description	Account	Reference	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Gross Plant	367.0	Appendix 1.1	\$ 8,548,228	\$ 8,548,300	\$ 8,551,662	\$ 8,551,734	\$ 8,554,610	\$ 8,572,041	\$ 8,634,387	\$ 8,642,049	\$ 8,678,273	\$ 8,705,305	\$ 9,060,348	\$ 9,080,833
Accumulated Depreciation	367.0	Appendix 1.1	268,512	271,849	286,096	300,349	314,602	328,860	343,146	357,537	371,941	386,404	400,913	416,014
<b>Net Plant</b>			<b>\$ 8,279,716</b>	<b>\$ 8,276,451</b>	<b>\$ 8,265,566</b>	<b>\$ 8,251,385</b>	<b>\$ 8,240,008</b>	<b>\$ 8,243,181</b>	<b>\$ 8,291,241</b>	<b>\$ 8,284,512</b>	<b>\$ 8,306,332</b>	<b>\$ 8,318,901</b>	<b>\$ 8,659,435</b>	<b>\$ 8,664,819</b>

**Gas Transmission Northwest Corporation  
2009 PIP Filing  
SCHEDULE 2 - DEFERRED TAX LIABILITY**

**Deferred Tax Expense**

Description		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
Tax Depreciation	Appendix 1.2	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 84,210	\$ 1,010,523
Book Depreciation	Schedule 3	14,247	14,247	14,247	14,253	14,253	14,258	14,287	14,391	14,403	14,464	14,509	15,101	172,658
Timing difference		69,963	69,963	69,963	69,957	69,957	69,953	69,924	69,820	69,807	69,746	69,701	69,110	837,864
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%
<b>Deferred Tax Expense</b>		<b>\$ 26,835</b>	<b>\$ 26,835</b>	<b>\$ 26,835</b>	<b>\$ 26,833</b>	<b>\$ 26,833</b>	<b>\$ 26,831</b>	<b>\$ 26,820</b>	<b>\$ 26,780</b>	<b>\$ 26,775</b>	<b>\$ 26,752</b>	<b>\$ 26,735</b>	<b>\$ 26,508</b>	<b>\$ 321,375</b>

**Accumulated Deferred Tax Liability**

Description		Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Beginning balance		\$ 333,755	\$ 360,590	\$ 387,426	\$ 414,261	\$ 441,095	\$ 467,928	\$ 494,759	\$ 521,579	\$ 548,360	\$ 575,135	\$ 601,887	\$ 628,622
Deferred taxes		26,835	26,835	26,835	26,833	26,833	26,831	26,820	26,780	26,775	26,752	26,735	26,508
<b>Accumulated Deferred Tax Liability</b>		<b>\$ 360,590</b>	<b>\$ 387,426</b>	<b>\$ 414,261</b>	<b>\$ 441,095</b>	<b>\$ 467,928</b>	<b>\$ 494,759</b>	<b>\$ 521,579</b>	<b>\$ 548,360</b>	<b>\$ 575,135</b>	<b>\$ 601,887</b>	<b>\$ 628,622</b>	<b>\$ 655,130</b>

**Gas Transmission Northwest Corporation**  
**2009 PIP Filing**  
**SCHEDULE 3 - DEPRECIATION EXPENSE**

Description	Account	Dep. Rate	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
MAINS	367.0	2.00%	\$ 14,247	\$ 14,247	\$ 14,247	\$ 14,253	\$ 14,253	\$ 14,258	\$ 14,287	\$ 14,391	\$ 14,403	\$ 14,464	\$ 14,509	\$ 15,101
<b>DEPRECIATION EXPENSE</b>			<b>\$ 14,247</b>	<b>\$ 14,247</b>	<b>\$ 14,247</b>	<b>\$ 14,253</b>	<b>\$ 14,253</b>	<b>\$ 14,258</b>	<b>\$ 14,287</b>	<b>\$ 14,391</b>	<b>\$ 14,403</b>	<b>\$ 14,464</b>	<b>\$ 14,509</b>	<b>\$ 15,101</b>
<b>YTD DEPRECIATION EXPENSE</b>			<b>\$ 14,247</b>	<b>\$ 28,494</b>	<b>\$ 42,741</b>	<b>\$ 56,994</b>	<b>\$ 71,247</b>	<b>\$ 85,504</b>	<b>\$ 99,791</b>	<b>\$ 114,182</b>	<b>\$ 128,585</b>	<b>\$ 143,049</b>	<b>\$ 157,558</b>	<b>\$ 172,658</b>

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

**Gas Transmission Northwest Corporation**  
**2009 PIP Filing**  
**APPENDIX 1.1 - CAPITAL**  
**Gross Plant**

Description	Reference	Beg. Bal.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Beginning balance		8,548,156	8,548,156	8,548,228	8,548,300	8,551,662	8,551,734	8,554,610	8,572,041	8,634,387	8,642,049	8,678,273	8,705,305	9,060,348
MAINS - in service additions	Appendix 1.2		72	72	3,362	72	2,876	17,431	62,346	7,662	36,224	27,032	355,043	20,485
<b>Gross Plant</b>		<b>8,548,156</b>	<b>8,548,228</b>	<b>8,548,300</b>	<b>8,551,662</b>	<b>8,551,734</b>	<b>8,554,610</b>	<b>8,572,041</b>	<b>8,634,387</b>	<b>8,642,049</b>	<b>8,678,273</b>	<b>8,705,305</b>	<b>9,060,348</b>	<b>9,080,833</b>

**Accumulated Depreciation**

Description	Account	Beg. Bal.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
Beginning balance		243,355	243,355	257,602	271,849	286,096	300,349	314,602	328,860	343,146	357,537	371,941	386,404	400,913
MAINS - Depreciation	367.0		14,247	14,247	14,247	14,253	14,253	14,258	14,287	14,391	14,403	14,464	14,509	15,101
		243,355	257,602	271,849	286,096	300,349	314,602	328,860	343,146	357,537	371,941	386,404	400,913	416,014
RETIREMENTS IN PROCESS (RWIP)		(10,909)	10,909	0	0	0	0	0	0	0	0	0	0	0
<b>Accumulated Depreciation</b>		<b>\$ 232,446</b>	<b>\$ 268,512</b>	<b>\$ 271,849</b>	<b>\$ 286,096</b>	<b>\$ 300,349</b>	<b>\$ 314,602</b>	<b>\$ 328,860</b>	<b>\$ 343,146</b>	<b>\$ 357,537</b>	<b>\$ 371,941</b>	<b>\$ 386,404</b>	<b>\$ 400,913</b>	<b>\$ 416,014</b>

**Net Plant**

Description	Account	Beg. Bal.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09
MAINS - Gross Plant	367.0	\$ 8,548,156	\$ 8,548,228	\$ 8,548,300	\$ 8,551,662	\$ 8,551,734	\$ 8,554,610	\$ 8,572,041	\$ 8,634,387	\$ 8,642,049	\$ 8,678,273	\$ 8,705,305	\$ 9,060,348	\$ 9,080,833
Accumulated Depreciation		232,446	268,512	271,849	286,096	300,349	314,602	328,860	343,146	357,537	371,941	386,404	400,913	416,014
<b>Net Plant</b>		<b>\$ 8,315,710</b>	<b>\$ 8,279,716</b>	<b>\$ 8,276,451</b>	<b>\$ 8,265,566</b>	<b>\$ 8,251,385</b>	<b>\$ 8,240,008</b>	<b>\$ 8,243,181</b>	<b>\$ 8,291,241</b>	<b>\$ 8,284,512</b>	<b>\$ 8,306,332</b>	<b>\$ 8,318,901</b>	<b>\$ 8,659,435</b>	<b>\$ 8,664,819</b>

**Gas Transmission Northwest Corporation**  
**2009 PIP Filing**  
**APPENDIX 1.2 - TAX DEPRECIATION**

Description	Account	Beg. Bal.	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total
MAINS - 2009 in service additions	367.0	8,548,156	\$ 72	\$ 72	\$ 3,362	\$ 72	\$ 2,876	\$ 17,431	\$ 62,346	\$ 7,662	\$ 36,224	\$ 27,032	\$ 355,043	\$ 20,485	\$ 9,080,833
Tax Depreciation on 2007 additions	8.55%		51,457	51,457	51,457	51,457	51,457	51,457	51,457	51,457	51,457	51,457	51,457	51,457	617,479
Tax Depreciation on 2008 additions	9.5%		9,449	9,449	9,449	9,449	9,449	9,449	9,449	9,449	9,449	9,449	9,449	9,449	113,389
Tax Depreciation on 2009 additions	5.0%		23,305	23,305	23,305	23,305	23,305	23,305	23,305	23,305	23,305	23,305	23,305	23,305	279,655
Total Tax Depreciation - 2009			<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 84,210</b>	<b>\$ 1,010,523</b>

Note:

- (1) Pipeline assets depreciated using 15 Yr MACRS, Half Year Convention
- (2) 20% of 2008 additions qualified for 50% bonus depreciation
- (3) 100% of 2009 additions qualified for 50% bonus depreciation
- (4) Tax basis differences for AFUDC, Capitalized Interest, & CIACs immaterial - no basis adjustment.
- (5) GTNs significant operations in states that follow federal bonus depreciation rules; therefore, no adjustment calculated for bonus depreciation for state deferred taxes