

June 23, 2023

VIA ELECTRONIC FILING

Amanda Maxwell, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop S.E.
Lacey, Washington 98503

Received
Records Management
Jun 23, 2023

Re: U-210800—NW Natural Response to Notice of Opportunity to Provide Comments

Dear Ms. Maxwell:

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), provides the following in response to the Washington Utilities and Transportation Commission's June 2, 2023, Notice of Opportunity to Provide Comments (Notice).

As stated in our comments provided in this docket on August 19, 2022, NW Natural continues to believe the focus in this docket should be on preventing disconnections by serving customers and meeting the needs of energy-burdened customers with an array of programs that include energy assistance, payment plans and options, weatherization programs, bill discounts, and other programs that we develop with our Advisory Group partners. Allowing customers to build large balances produces a negative experience for these customers, and results in increased costs for all customers, caused by the expenses associated with bad debt in a manner that fails to address the energy burden they experience.

NW Natural maintains that it is better to invest in low-income discount programs, energy assistance, and energy efficiency programs while allowing customers to request budget plans, time payment arrangements or due date extensions as needed. Indeed, it would be more cost-effective and empowering to encourage customers to take advantage of and participate in programs and to interact with their utilities and local resources to prevent non-payment and bad debt.

NW Natural also notes that it is currently working with its GREAT Advisory group on the final details of its low-income residential bill discount program, which we hope will be implemented this fall before the heating season begins. The Company implemented a similar program in its Oregon service territory in November 2023 and customer participation has been encouraging, with over 31,000 participants enrolling in the program, representing just under 5% of NW Natural's residential customers in Oregon.

It cannot be overstated that disconnection is not the utility's goal and is always the last resort after providing multiple opportunities to prevent it. Helping customers connect with the programs and tools mentioned above will alleviate energy burden for low-income customers while also reinforcing the pathways to prevent non-payment and helping those customers to feel a sense of stability

regarding their access to gas service. At the same time, it must be recognized that to protect all customers and to preserve the principle of cost causation in utility ratemaking, disconnection for non-payment remains necessary and in the public interest as a “last resort” option when customers do not pay for the utility service and natural gas they consume.

We must focus our efforts on low-income programs and tools to minimize energy burden, and consider additional protections for low-income customers to reduce the potential for disconnection. Eliminating disconnections for non-payment will have the effect of raising costs for all customers, discouraging energy conservation, diminishing the customer experience, and placing a strain on the utility-customer relationship.

The following graphs illustrate the impact of allowing disconnections for non-payment. In both Oregon and Washington, NW Natural suspended disconnections for non-payment for residential customers through the majority of 2020 and 2021. In Oregon, residential disconnections for non-payment resumed in August of 2021.

Figure 1 shows a comparison of the percentage of residential customers in arrears in Washington and Oregon. This data typically trends symmetrically but a variance emerged when disconnections for non-payment resumed in Oregon. At that point, the percentage of residential customers in arrears in Washington is trending higher, while the percentage of residential customers in arrears in Oregon has returned nearly to pre-pandemic levels. Once disconnections for non-payment resumed in Washington, the symmetry of the trends returned.

Figure 1 – Percentage of Residential Customers in Arrears

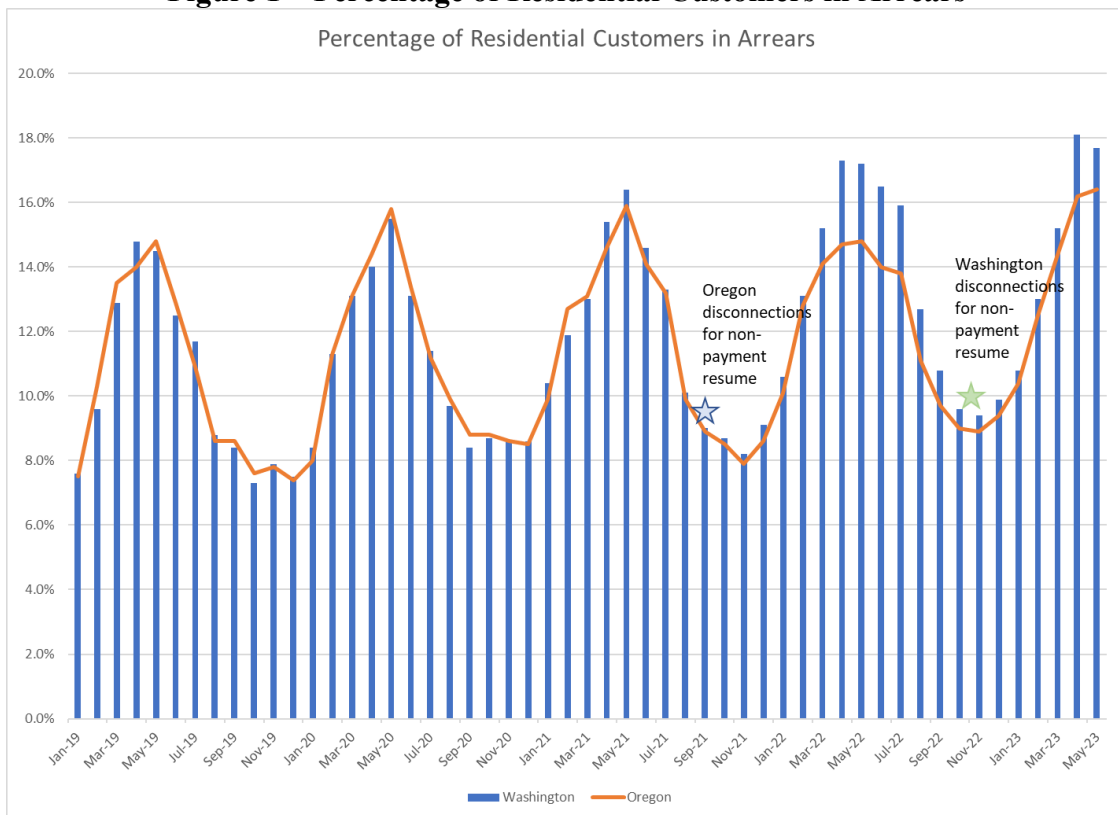
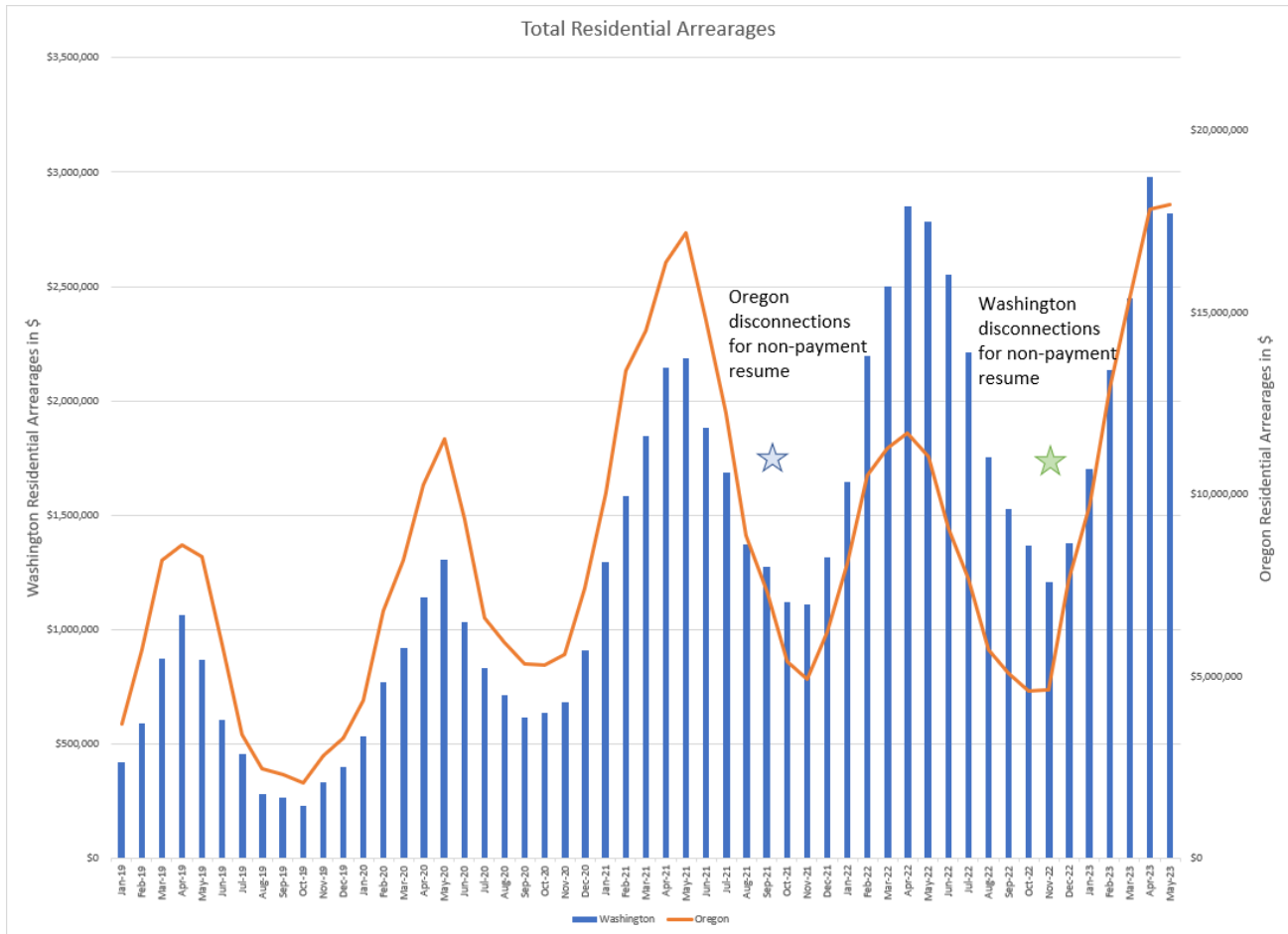


Figure 2 illustrates a comparison of the total residential arrearage dollars between the two states. The trend is symmetrical once again until the point at which disconnections for non-payment resumed in Oregon. After that point, Washington arrearage balances continue to grow while Oregon arrearage balances have returned to pre-pandemic levels. After disconnections resumed in Washington, the trend shape moved back towards symmetry.

Figure 2 – Total Residential Arrearages



Comments on the proposals for modifying rules related to disconnection of service for non-payment.

Regarding the questions posed in the Notice, NW Natural provides the following responses:

- The current level for a bad debt accrual from the Company’s last rate case is \$97K reflecting an uncollectible percentage of 0.105% of revenue, as provided in our June 16, 2023 filing in this docket.
- NW Natural estimates that discontinuing residential disconnections today would result in:
 - An immediate write-off of \$1.3 million in residential arrearages, which is about 1.5% of total revenue.

- In that case, the bad debt accrual in rates would need to increase by \$612K resulting in an uncollectible percentage of 0.819% - this is an increase of over 630%.
- We estimate that discontinuing both residential and small commercial disconnections today would result in:
 - An immediate write-off of \$1.4 million in arrearages, which is about 1.6% of total revenue.
 - In that case, the bad debt accrual in rates would need to increase by \$641K resulting in an uncollectible percentage of 0.852% - this is an increase of over 660%.
- NW Natural notes that it is difficult to quantify the impacts of proposals 1, 2, and 6 in the Notice. The Company does not have information about household income, energy burden, all utility bills or other special status of its customers. It is especially difficult for utilities to have any information about a customer's other energy or utility bills. To implement proposals 1, 2, and 6 would be an administrative burden to identify and confirm the conditions inherent in each proposal. Such administrative burden may be yet another barrier for customers in need to connect with the assistance they need.

Conclusion

NW Natural's goal is to protect and help energy-burdened customers. Our focus should be on the strengthening of current programs and partnerships, development of the new bill discount program, and consideration of additional protections and services to prevent the potential for disconnection as a last resort.

Please contact me with any questions.

Sincerely,

/s/ Natasha Siores

Natasha Siores
Senior Manager, Regulatory Affairs
NW Natural
250 SW Taylor St.
Portland, OR 97204
(503) 610-7074
natasha.siores@nwnatural.com