

February 6, 2023

VIA ELECTRONIC FILING

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

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State of WASH.
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COMMISSION

Re: U-210590—NW Natural Response to Notice of Opportunity to File Written Comments

Dear Ms. Maxwell:

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), submits the following in response to the Washington Utilities and Transportation Commission’s (“Commission”) Notice of Opportunity to File Written Comments issued on January 5, 2023 (“Notice”). The following comments reflect the Company’s feedback to the Commission’s questions regarding the proposed U-210590 Phase 2A Work Plan (“Work Plan”) that was attached to the Notice. The Company’s comments recognize the Commission’s Notice Temporarily Postponing Proceeding issued on January 12, 2023, which has postponed activities in this proceeding through April 2023.

First, the Company would like to acknowledge the amount of time and effort Commission Staff has thus far put into developing the draft performance-based ratemaking (“PBR”) metrics in Phase 1 of this multi-phase, multi-year docket. We appreciate the opportunity to provide feedback as this process moves through each phase.

1. Do you have any thoughts, concerns, or suggestions on the proposed scope or timing of Phase 2A?

Response: The Company is concerned about what it feels is a compressed timeline for Phase 2A, which will require substantial work on behalf of the Company and Commission Staff. The Company noted, in comments filed in this proceeding on December 30, 2022, that it believes the proposed metrics, as they are currently written, are still in a conceptual phase. Prior to postponement of the proceeding, the Work Plan anticipated that not only would the metrics be completed by April 2023, but that the Company would be able to propose a calculation methodology for each of 23 metrics applicable to gas utilities. The Company would perform the calculation and obtain a result over a three-month period ending June 2023 when the first set of Phase 2A written comments were due. We anticipate that some metrics will require data collection and analysis that will be challenging (if not impossible) to complete during the comment period.

We are also concerned that the first event in the Work Plan “Notice for Written Comment (general concept questions)” requests feedback on questions that we believe should be settled in the Phase 1 process, specifically: “What term definitions need to be established to support the metric and calculation? What are your proposed definitions for those terms?” In comments filed December 30, 2022, the Company provided feedback on several metrics indicating that more definition of terms

and processes are required. Both utility and non-utility parties, in their filed comments, concurred. NW Natural believes that this feedback must be addressed prior to responding to the general concept questions, namely, the questions asking for calculation of each metric.

The Company is further concerned that the Work Plan does not align with the Phase 2A scope. The Final U-210590 Work Plan filed as an appendix to the Legislative Report on December 30, 2021, as an update to the Senate Environment, Energy & Technology Committee and House Environment & Energy Committee,¹ Phase 2A scope: (A) Establish utility-specific performance metrics; and (B) Establish reporting and review process. The Work Plan as attached to the Notice does not lay out a process for developing utility-specific performance metrics although the Notice states, in part, that “in this phase [Phase 2A], we will assign metrics to investor-owned utilities, explore and identify appropriate calculations consistent with investor-owned utility’s operations.” It is unclear to the Company whether this process is meant to occur during the workshops in July-August 2023 and the potential “additional workshops” in September-November 2023. If certain workshops are meant for the development of utility-specific metrics, we ask for clarification on the process, for example, whether Commission Staff will schedule a separate workshop for each utility.

2. What are the most important issues for the Commission to address in Phase 2A?

Response: The Company believes the most important issues for the Commission to consider for the remainder of Phase 1 and throughout Phase 2A are as follows:

- First and foremost, term definitions need to be agreed upon. Per the Company’s feedback above, we believe that definitions should be largely resolved in Phase 1, not in Phase 2A. Uncertainty around term definitions will make it difficult to be responsive to the general concept questions in Phase 2A for many metrics and may cause parties to spend time and resources calculating metrics based on faulty interpretation of terms or a misunderstanding of metric goals.
- Due to one or more issues of administrative or operational burden, timing, data availability, and cost, some metrics will not be able to be computed during the three-month period before Phase 2A comments are due. We are hopeful that many of these issues can be addressed through the Phase 2A workshops, however, as currently written these metrics require data that is currently not available and/or will be time consuming to acquire.
- In order to ease administrative burden, metrics should not be duplicative of any rate case or integrated resource planning requirements or reporting. The Commission should consider how each metric fits into the regulatory framework and timing. For example, for Metric 7, more clarity is needed around the communication/approval process between utilities and the Commission for types of listed resiliency projects and how this process would complement/supplement existing regulatory processes.
- Phase 2A should develop clear reporting and review processes, including the timing of and entities responsible for issuing of any reports or results. Stakeholders should have an expectation for the timing and outcome of the review process.

¹ U-210590 UTC Legislative Report – Performance-Based Regulation, *Re: Update on Performance-Based Regulation Proceeding*, filed December 30, 2021.

3. Do you have any other comments you would like to offer on the overall work plan (filed on January 27, 2022), including phases beyond Phase 2A, or on the development of policy under RCW 80.28.425 more generally?

Response: NW Natural does not have any additional comments regarding phases beyond Phase 2A or the policy under RCW 80.28.425 at this time but reserves the right to comment on these topics in the future. The Company looks forward to continued participation in this docket.

NW Natural appreciates the opportunity to comment in this proceeding. If you have any questions about these comments, please contact me at kyle.walker@nwnatural.com or (503) 610-7051 with copies to the following:

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Sincerely,

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