

RATES AND REGULATORY AFFAIRS
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February 20, 2001

Secretary
Washington Utilities &
Transportation Commission
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket Number U-991301
Utility General – Tariffs, Chapter 480-80 WAC

NW Natural respectfully submits the following initial comments on the rules proposed in the above-referenced matter.

480-090-193 Gas customer notification requirements. In the introductory section, the statement is made that this rule “*does not contain the notice requirements for other proposals set for hearing to increase any rate or charge*”. At the time a utility makes a filing to change rates, including a general rate case filing, the matter has not been set for hearing. Therefore, we assume that the intent is that the utility will always be required to notice customers under this rule when they make a filing to increase recurring rates, and for other reasons specified. Then, if the matter is set for hearing, the utility would again make notice to customers under 480-80-125 WAC. This calls for clarification, because in our past experience, the utility has not been required to do two separate notices prior to Commission approval. For example, if the utility made notice coincident with the date the filing was made with the Commission, a second notice subsequent to the matter being set for hearing was not expected.

If the intent of this statement is to exclude general rate case filings or other specific types of filings for which suspension and hearing are standard procedure, then the rule should identify those filings specifically. If the intent is to require two prior notices, please explain the justification for this requirement.

Refer to Section (1)(a). This is a significant change in that the current rule (480-80-120 WAC) requires only a posted notice in pay station offices and payment areas. Even though NW Natural is generally supportive of staff’s proposal to improve the content and accessibility of customer notices about tariff and rate changes, we are concerned about the increased cost this rule change could impose on utilities.

The extent to which the utility will experience increased costs will hinge upon the resulting structure of subsection (a), specifically, staff’s proposal to specify the number of days notice each customer must receive prior to the proposed effective date. We do not

believe it necessary to assign a specific number of days for customer notice. If an attempt is made to do this, it will likely result in a conflict with statutory filing requirements, or will otherwise force the utility to notice customers by direct mail, which can be a costly undertaking. As discussed in more detail in the attached responses to staff's Attachment A, the utility has no control over when a customer actually receives notice. The utility has only partial control over when a notice is delivered to a customer. As such, there is no apparent reason why the utility should be held to a customer notice period that is other than coincident with the date the filing is made with the Commission. Therefore, it is suggested that staff consider revisions to this section as follows:

(a) Amount of prior notice. Except as provided in section 2, each affected customer must receive ~~at least _____ days' notice before the requested effective date when a utility proposes to:~~ notice coincident with the date that the filing is made with the commission. If notice is by bill insert, the notice shall be distributed to customers starting with the first billing cycle reasonably available following the date the filing is delivered to the Commission.

Refer to Section (2)(a). The proposed language reflects a slightly different prior notice requirement than we understood from previous workshop discussions on this issue. It is our recollection that the prior customer notice on PGA filings was to serve an educational purpose – to educate the consumer about the PGA process generally - not to make a statement about how much rates might change. It was suggested that such a notice be made during the summer months as a way to prepare the consumer for the upcoming fall gas cost adjustments. As a generic educational notice, it could be easily accommodated within our existing processes without additional cost.

However, if a summer notice is envisioned, then the proposed language would require that the utility attempt to estimate their gas cost changes before they negotiate prices with suppliers. Because NW Natural is often in these negotiations right up to the day the filing goes out the door, any statement about gas cost changes prior to that time will only be speculative. A couple of months can make a significant difference in the price paid for natural gas. As such, the actual customer impact could change significantly between the time the notice is issued and the time the actual filing is made with the Commission. This may end up causing more confusion to customers than is warranted. Even if a range for the potential rate change impact were provided, we question if the customer would find it useful.

NW Natural has had a long-lived practice of noticing customers about PGA filings (increases and decreases) coincident with the date we file with the Commission. Therefore, from our perspective, we see no reason to have separate prior notice rules for PGA filings. However, we would be more than happy to accommodate a consumer educational article about the PGA process in our quarterly customer newsletter.

WAC 480-80-125 Formal hearing customer notice. Refer to Section (1). This section states that the utility *"must provide notice to each affected customer at least thirty days before the scheduled public hearing"*. Our concern is that the utility has no control nor do they have any advance knowledge, of the hearing date the Commission will select.

At 480-09-700 WAC, the Commission is only required to provide at least twenty days notice in advance of a hearing date. If a utility is to be expected to provide at least thirty days advance notice, then 480-09-700 WAC must be amended such that the utility has sufficient time to comply with this rule. Further, to minimize the cost of such notice, the hearing notice must be sufficiently long, such as 45 days, so that the utility is not forced into complying by using the most costly method, direct mail.

We noticed that this rule does not require post notification to consumers. If the expectation is that Section (3) of 480-90-193 WAC apply for post notification on matters set for hearing, it would provide clarity if that requirement were so stated in this rule.

Attached to this letter are NW Natural's responses to the questions posed in staff's Attachment A.

Thank you again for the opportunity to comment in this proceeding.

Sincerely,

Onita R. King
Tariff Consultant, NW Natural

NW NATURAL
RESPONSES TO ATTACHMENT A
Docket Number U-991301
Utility General – Tariffs, Chapter 480-80 WAC
February 20, 2001

NW Natural respectfully submits the following comments on the issues and questions contained in Attachment A in the above-referenced matter.

Location of rules. NW Natural is indifferent as to the location of the rules. One observation, however. If the rule is ultimately located in the operations section of each industry's rules, staff might want to consider combining the rules into one. As we read the proposed rules, 480-80-125 WAC would apply to any filing a utility makes to increase recurring rates and for other reasons specified, should the Commission order a hearing. As such, in our opinion, 480-80-125 WAC is really just an additional provision of customer notices, and does not need to be separately stated as a rule.

Draft rules. See our comments on the proposed rules dated February 20, 2001.

Customer notice for formal cases. See our comments on the proposed rules for possible issues.

Process for noticing customers after Commission action. NW Natural would use a bill message for post notices in most situations. However, the message area is limited to 6 lines of text. If the text exceeded this limit, a bill insert would be used.

Process for noticing customers prior to Commission action.

1. In the last two years, how many of your filings, based on the proposed rule, would have required customer notice prior to the Commission's open meeting decision? Please list the filings with the docket numbers.

Answer. Including the PGA filing effective 12/1/98, five filings would require prior notice:

12/1/98 PGA – UG 981378
6/1/99 special adjustment – UG 990511
12/1/99 PGA – UG-991654
8/1/00 PGA – UG 001011
1/1/00 general rate case filing (effective 11/1/00) – UG-000073

2. If you were to use a direct notice mailing to notify your customers, how

3. long would it take your company to prepare, produce, and mail that notice?

Answer. For Washington customer notices only (approximately 43,000 customers), we estimate that it could take up to 3 days to prepare the content of the notice, including time to draft, to obtain internal editorial input and WUTC staff input, and to incorporate changes. It would take up to an additional 3-7 days to produce the notice, depending on whether it needed to be sent to an outside source for typesetting and printing. It would take up to 2 additional days to stuff envelopes and/or apply mailing labels. NW Natural would mail the notices at a bulk mail rate. With bulk mail, the post office can hold the mailing up to an additional 5 days before delivering the notice to the addressee. In summary, it could take up to 12 days, not including postal delivery, for the company to prepare, produce, and mail the notice.

4. In the case of filings that would have increased recurring rates, how many filings over the last two years were less than a five percent increase for the affected rate?

Answer. One, Docket No. UG-990511.

5. If a notice were sent to all of your customers through the use of a bill insert starting at the first of the month, when would the first customer receive the notice and when would the last customer receive the notice?

Answer. Because a customer may not pick up or read their mail immediately on delivery, we cannot speak to when a customer would actually receive the notice. However, we understand that a bill that is mailed from Portland, Oregon to Vancouver, Washington is usually delivered to the addressee by the next day.

The information requested about the percentage of customers that would receive a notice within a specified number of days is not available at the time of this comment. We hope to have that information for purposes of the workshop discussions on February 28, 2001.

6. For purposes of saving money over direct mailing notices to all customers, would it be practical to send direct mail notices only to those customers who would not receive a bill insert until later in the month? For instance, if a company filed a tariff increase on February 1 and began inserting notices into customer bills that same day, would it be practical to direct mail those customers who would not be mailed a bill insert until after the 15th of the month? If not please explain why?

Answer. Certainly NW Natural could do this, but it is not very practical, and would increase costs. Additional CIS and mailroom equipment programming would be required. The time required to re-program and the interruption to the process may not warrant the effort, such that it might be more efficient to allow the bill insert to continue through all cycles.

This would mean that some customers would receive two of the same notice, and the company would incur the added cost associated with the direct mailing. It would also require at least one additional day (depending on the number of notices required to be direct mailed) to manually prepare the direct mail. It could take up to an additional five days for the post office to actually deliver the notice.

7. If bill inserts were used as a way to provide customer notice, what methods could your company employ to ensure that all of your customers received a notice prior to Commission action?

Answer. There is nothing that NW Natural or any other utility can do, short of personal delivery, to ensure that all customers receive a notice prior to Commission action. In fact, NW Natural has only partial control over when a notice could actually be delivered to the customer. For instance, not everyone visits their mail box daily. Some customers use mail box services. In this case, it would not be unexpected to find a customer picking up their mail only once a week, or even once a month. Even the customer that picks up their mail daily, may not open the mail. This would hold especially true in the case of a utility bill, where the bill is opened just prior to when it is paid. A customer that has elected an automatic payment option may never open their bill. The simple fact is, the utility cannot control when a customer receives notice, and the rules should not expect them to. The utility's obligation should be strictly limited to delivering a notice to customers when it makes a filing with the Commission. To require otherwise is unreasonable.

8. If getting all customers a bill insert prior to Commission action is not possible without starting the notice process sooner than 30 days prior to the filing's effective date, what methods could be employed, in tandem with bill inserts, to increase the likelihood that all affected customers are informed of the proposal prior to Commission action?

Answer. Again, NW Natural has no control over when the customer is informed of the proposal. This notwithstanding, NW Natural makes every effort possible to ensure that the customer has access to the information they need with respect to a proposal to change rates. Today, and in the future, NW Natural will make the information available to customers from several sources, including but not necessarily limited to, issuing press releases, posting the notice on the company web site, referencing the information in on-hold messages, providing a pre-recorded message option to callers, and posting notices in cashier areas and pay stations.