U-210590
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NW Natural®

250 SW Taylor Street
Portland, OR 97204
503-226-4211
nwnatural.com

May 17, 2024

VIA ELECTRONIC FILING

Jeff Killip, Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: U-210590—NW Natural Response to Notice of Opportunity to File Written Comments Issued April 18, 2024

Dear Mr. Killip:

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 April 18, 2024 ("Notice").

On April 12, 2024, the Commission issued an Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms ("Interim Policy Statement") for Phase I of Docket U-210590. As noted in the Notice, the purpose of the Interim Policy Statement was to provide the Commission's general guidance and opinions of Performance Based Ratemaking ("PBR"), establish goals and preferred metrics for this docket, and provide an "interim process for proposing, amending, or terminating metrics."[1] The Interim Policy Statement (among other considerations) established a set of Commission Preferred Metrics across four goals as well as set as a Commission expectation that utilities will report, as part of settled Multi-Year Rate Plans ("MYRP"), 10 Commission-ordered MYRP evaluation metrics.[2]

The Company thanks the Commission for its work on the Interim Policy Statement as well as for the opportunity to comment here on proposed calculations and definitions for the Commission Preferred Metrics. Prior to commenting on specific metrics, the Company makes the following general comments:

- The Interim Policy Statement is responsive to the feedback requesting that the core list of metrics established for MYRPs as well as for Docket U-210590 should be meaningful and transparent for internal and external stakeholders, yet calculation and reporting requirements should be manageable and can be standardized for each utility. Further, to ease administrative burden for both utilities and Commission staff, metrics should not be duplicative of other existing reporting processes or regulatory requirements. Finally, that each metric is aligned with the guiding principles established for this docket.

[1] Docket U-210590: *Notice of Workshop and Opportunity to Comment.* April 18, 2024, page 2.
[2] *Ibid*, page 14, paragraph 38.

- The Notice states: "The comments received to date largely agree that metrics identified in this docket do not apply to natural gas utilities."[3] To-date, the Company has interpreted proposed metrics in this docket as applying to only electric or natural gas utilities, or both. While some of the Commission Preferred Metrics clearly apply only to electric utilities (e.g., Goal 1 Metric 1 *Equity in Reliability: Length of Power Outages*), others could be interpreted as applying to either type of utility (e.g., Goal 2 Metric 4: *Arrearages by Month*). The Company requests that moving forward, there is more specificity around which utility types are subject to each metric (natural gas and/or electric). For each of the Commission Preferred Metrics discussed below, the Company indicates whether or not it interprets it as being applicable to natural gas utilities.
- The Company is supportive of the Commission's approach to develop the Commission Preferred Metrics as reported metrics, not Performance Incentive Metrics ("PIMs"), at this stage of the proceeding.[4] The Company's comments are limited to feedback related to reported metrics only. The Company would not support all of these metrics becoming PIMs, but will reserve those comments for a future phase of this proceeding.

The Company provides the following comments on proposed calculations and definitions for each of the Commission Preferred Metrics:

<u>**Goal 1: Resilient, Reliable, and Customer-Focused Utility Distribution Systems**</u>

- **Metric 1***. Equity in Reliability: Length of Power Outages*.
  This metric does not apply to natural gas utilities.
- **Metric 2.** *Historically Worst Performing Circuits*.
  This metric does not apply to natural gas utilities.
- **Metric 3.** *Customers Experiencing Multiple Interruptions (CEMI) for Named and Non-named Communities*.
  This metric does not apply to natural gas utilities.

<u>**Goal 2: Customer Affordability**</u>

- **Metric 4***. Arrearages by Month*.
  This metric can apply to natural gas utilities.
    a. The Company confirms that the reporting by total number of customers per period is completed at the highest interval, while total dollars in arrears is reported in the actual interval.

[3] Docket U-210590: *Notice of Workshop and Opportunity to Comment.* April 18, 2024, page 2.
[4] *See*: Docket U-210590: *Interim Policy Statement Addressing Performance Measures and Goals, Targets, Performance Incentives, and Penalty Mechanisms.* April 12, 2024, page 12, paragraph 30.

- **Metric 5***. Percent of Customers in Arrears with Arrearage Management Plans.*
  This metric can apply to natural gas utilities.
  a. NW Natural proposes clarification that the metric sought here pertains to time-payment arrangements versus arrearage management plans. Time-payment arrangements are typically offered by all utilities as a means of providing flexibility for a customer to pay an arrearage while continuing service. Arrearage management plans typically entail a form of arrearage forgiveness. Not all utilities have arrearage management plans/programs at this time. To the extent the terminology of time-payment arrangements is being sought for this metric, the Company recommends that the calculation not include specific thresholds for past due accounts because each utility's policies for time-payment arrangements may vary with each utility. A metric pertaining to customers in arrears who have participated in an arrearage management plan/program would not be as useful (due to the arrearage being totally or partially forgiven) as a metric that considers arrearages for those customers with time-payment arrangements. The metric for customers in arrears with time-payment arrangements should be based on a singular value specific to each utility. For NW Natural, once a customer has entered into a time-payment arrangement, their balance does not continue to "age".
  b. Not applicable.

- **Metric 6.** *Average Energy Burden*.
  This metric can apply to natural gas utilities.
  a. For single-fuel utilities such as NW Natural, energy burden percentage can only be calculated by acquiring average bill data, broken out by the reporting geography applicable to this metric (e.g., Census Tract), for not only their own customers but customers of all other energy utilities also providing service in their Washington service territory. The Company recommends that the Commission, where it has jurisdiction, facilitate the collection of the utility data necessary to complete this calculation. We note, however, that electric utilities in NW Natural's service territory are not under Commission jurisdiction (i.e., they are public utility districts), so obtaining average electric bills by geographic area to fully measure energy burden may be difficult. The Company is interested in understanding what role, if any, the Commission could play in the data facilitation.
  b. NW Natural is not a dual fuel utility and therefore takes no position on the potential benefit(s) of reporting energy burden by combined or separate fuel types as the renewable energy resource mix changes.
  c. NW Natural does not have individual household income for all customers and therefore cannot report the exact number of customers experiencing energy burden by reporting geography. The Company could, however, report the number of customers that may be experiencing energy burden given median household income by reporting geography as long as data were available from other energy providers in the Company's service territory. Since some reporting geographies may have few customers, reporting a percentage value alone may not provide adequate context for how many of the utility's customers are energy burdened.
  d. Energy burden should be calculated after all forms of energy assistance are applied to customer counts. This ensures that the metric is measuring actual burden as reflected on customer's bills. Further, tracking this metric through time can help to demonstrate by how much and where energy assistance is working to reduce customer energy burden, and potentially help identify locations where energy assistance outreach can be targeted.

e. Although NW Natural would need a specific definition of "excess energy burden" prior to commenting on the feasibility of measuring this factor, reporting excess energy burden would likely be subject to the same difficulties as discussed in parts (a) and (c) above. The Company would also like more understanding of what additional value and information this measurement would provide beyond energy burden.

- **Metric 7.** *Net Benefits of DERs and GETs*.
This metric does not apply to natural gas utilities.
- **Metric 8.** *DER Utilization*.
This metric does not apply to natural gas utilities.
- **Metric 9.** *Percent Utility Assistance Funds Dispersed*.
This metric can apply to natural gas utilities.
    a. The Company confirms agreement with the revised language from "rate based" to "customer-funded."
    b. The Company agrees that a narrative discussing year-over-year variances should be included with reporting of this metric. NW Natural notes that cost recovery of customer-funded utility assistance programs vary by utility, which could impact the meaningfulness of a percentage of funds dispersed metric. Specifically, NW Natural's cost recovery for its grant-based energy assistance program, known as the Gas Residential Energy Assistance Tariff, or GREAT, entails the Company annually truing up in rates the amount of GREAT funds spent the previous program year. This means NW Natural recovers costs that have spent, in contrast with other utilities that recover costs based on a forecast of what will be spent. This distinction is relevant as the amount placed in rates for NW Natural's bill assistance program is a reflection of what occurred and not a budget for what is expected. As such, the relevant metric for NW Natural may well be the year-over-year variance or trend in spend for its utility assistance program. The metric of percent of funds dispersed would be applicable for the Company's bill discount program, which does include a forecast of what is expected to be spent for the coming year.
- **Metric 10.** *Customers who Participate in one or more Bill Assistance Program*.
This metric can apply to natural gas utilities.
    a. This metric should only apply to assistance programs that the utility administers and/or participates. It would be difficult to determine participation in programs/services outside of NW Natural's purview. The Company suggests the following language for the metric: "Unique number of low-income customers who participate in at least one Company bill assistance program (numerator) compared to the estimate of total number of low-income customers that qualify for Company bill assistance (denominator)." The denominator for this metric would be difficult to measure, however, and would come from a study such as an energy burden assessment or an income propensity study, which are resource-intensive to produce and may not be completed every year or on a consistent periodic basis.
    b. The Company recommends that broader local and macro economic factors be considered in the evaluation of year-over-year variances in the reported number of customers to better contextualize bill assistance program effectiveness. Allowing utilities to report the metric with additional narrative will help increase understandability and reduce complexity of interpretation of tracked results.

- **Metric 11.** *Revenues Associated with Riders or other Mechanisms Outside of the Multi-Year Rate Plan (MYRP)*.
  This metric can apply to natural gas utilities.
    a. The Company takes no position on this metric at this time but may have feedback after draft language has been presented in this proceeding.

Goal 3: Equitable Utility Operations

- **Metric 12.** *Workforce Diversity.*
  This metric can apply to natural gas utilities.
    a. The Company generally supports the reporting requirement for this metric but would need further discussion regarding whether and how workplace diversity advances beyond a reported metric and becomes a Performance Incentive Metric ("PIM"). The Company is concerned about how the personal employee information will be collected and disclosed, and how to treat disclosure opt-outs for the purposes of metric calculation.
- **Metric 13.** *Supplier Diversity.*
  This metric can apply to natural gas utilities.
    a. The Company recommends that a narrative discussing year-over-year variances should be considered within the context of reporting of this metric. Tracking the percentage of dollars awarded may be mis-leading without context as some items necessary for the continued safe and reliable operation of the utility system may not be available from a supplier self-identified as owned by people of color, other marginalized groups, and/or veterans. The Company recommends that this metric be evaluated using averages over several years, which would help normalize this issue. It is also the Company's preference that the Commission or State of Washington manage a database of suppliers that meet the criteria for this metric that all utilities can cross-reference given that utilities cannot compel suppliers to participate in self-identification nor do utilities have the means for determining eligibility based on self-identification.
- **Metric 14.** *Equity in DER Program Enrollment.*
  This metric does not apply to natural gas utilities.
- **Metric 15***. Equity in DER Program Spending.*
  This metric does not apply to natural gas utilities.

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:

eFiling
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
Fax: (503) 220-2579
Telephone: (503) 610-7330
eFiling@nwnatural.com

Sincerely,

/s/ Kyle Walker
Kyle Walker
Rates/Regulatory Affairs Senior Manager
NW Natural
250 SW Taylor Street
Portland, Oregon 97204
(503) 610-7051
kyle.walker@nwnatural.com