

ONITA R. KING
Rates & Regulation
Tel: 503.721.2452
Fax: 503.721.2516
Email: ork@nwnatural.com



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VIA ELECTRONIC FILING

Steven V. King, Executive Director and Secretary
WASHINGTON UTILITIES &
TRANSPORTATION COMMISSION
1300 S Evergreen Park Drive, SW
Post Office Box 47250
Olympia, Washington 98504-7250

RE: Docket No. U 144155: NW Natural Comments
Rulemaking to Consider Amending Billing Requirements for Electric and Natural Gas Companies

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or the “Company”), submits the following comments in response to the Washington Utilities & Transportation Commission’s (“Commission”) September 4, 2015 Notice of Opportunity to File Written Comments (the “Notice”) issued in Docket U-144155. The Notice states that a CR 101 was filed to consider the adoption of rules within Washington Administrative Code (WAC) 480-90-178 and WAC 480-100-178, Billing requirements and payment date. The Notice further states that the Commission has developed draft rules and is seeking written comments from interested persons related to the draft rules.

Please note that NW Natural first provides additional comment regarding the revised draft rule, and second responds to the questions posed in the Notice.

Comments

1. **General.** NW Natural appreciates the Commission staff’s willingness to expand the rulemaking beyond bill corrections due to meter failure or malfunction. In general, staff’s draft rule does address most of the Company’s suggestions. However, there are still some areas within the draft rule which continue to raise concern. We address each of these concerns, by section, below.
2. **Section (5)(a).** NW Natural has a number of concerns and comments regarding this section of the draft rule as follows:

First, consistent with NW Natural’s earlier comments in this docket, we suggest that the six-month limitation regarding bill corrections be applicable only to residential customer bills. As such, we recommend that corrected bills related to non-residential customer bills be included as an exception under the proposed new section (7). See also NW Natural’s comments relating to section (7) below.

Second, regarding unassigned energy usage. The Company acknowledges that when it learns of unassigned energy usage that a corrected bill is issued. However, because unassigned usage is the direct result of the failure by a customer to inform the Company of their obligations for service, the inclusion of these types of bill corrections in a rule where the purpose of the rule is to address corrected bills due to some cause related to the utility's facilities or utility action, is problematic.

The Company is also concerned that subjecting bill corrections for unassigned usage to the six-month limitation might be in conflict with WAC 480-90-128(2), which provides for disconnection of service without notice or without further notice, and states at (2)(f):

"The utility has determined a customer has used service prior to applying for service. The utility must charge the customer for service used in accordance with the utility's filed tariff."

The potential conflict is with the language "The utility must charge the customer for service used ..." This sentence implies that a consumer is responsible for all amounts used during their occupancy. If the corrected bills for unassigned usage are included in the proposed new rule, then the utility would be limited to six-months of corrected bills, thereby unduly relieving a consumer of their true obligation should the unassigned usage period extend beyond six months.

Extended periods of unassigned usage are somewhat rare, but they do occur. The Company's preference would be to exclude unassigned usage from this rule altogether. As a compromise, NW Natural would recommend that corrected bills related to unassigned usage be included as an exception under the proposed new section (7). See also NW Natural's comments relating to section (7) below.

Second, there is a duplicate sentence that should be deleted. The sentence begins "The utility must issue the corrected bill"

Third, with regard to the same sentence referenced above, NW Natural recommends that the sentence be modified to remove any ambiguity created from the use of the word "discovery." The Company's suggested language is as follows:

The utility must issue the corrected bill within 60 days from the date the utility confirmed that an account had been ~~the under- or over-billeding.~~

Fourth, the last sentence in this section requires clarification. As proposed, the use of the word "collect" implies that the intent is to impose the six-month restriction only to under-billings. If that is Staff's intent, then NW Natural recommends that a limitation on over-billings also be established. If Staff finds that six months is too short, NW Natural would recommend a 12-month limitation on refunds for over-billings. There is considerable administrative cost incurred in investigating and processing corrected bills, and an open-ended timeframe for processing over-billings would be administratively burdensome.

3. **Section (5)(b)(ii).** As discussed above, the Company's first preference is to remove unassigned usage from the proposed new rule altogether. If this recommendation is not adopted, NW Natural recommends revising this section as follows:

(ii) for the purpose of this rule, unassigned energy usage meter is defined as a meter that is installed at a valid service address and has accurately recorded and transmitted energy usage during a period of time where there was no active gas service account at that premise. ~~Correctly records and transmits energy usage but does not have a customer assigned to the account.~~

4. **Section (5)(c).** NW Natural is fundamentally opposed to the inclusion of this new section in this rule as it is currently proposed. Our concerns are set forth below:

First, the requirements for identifying, repairing or replacing meters that are not functioning correctly are already governed by other rules – specifically WAC 480-90-343 and WAC 480-90-183. These rules have been in effect for many years, and as a result the Company has tariff provisions and associated well established procedures in place for ensuring compliance with these rules. Incorporating a seemingly new requirement in this rule serves only to create an unnecessary duplication of effort, and may ultimately only create potential conflict and confusion.

Second, NW Natural is concerned with Staff's proposed requirement that a utility file its procedural document with the Commission. This new language imposes an unnecessary degree of oversight that seems to result in little more than the micro-management of utility practices. The additional reporting requirement proposed by Staff serves to add unnecessary administration for both the utilities and for the Commission, given that the Commission Staff may, at any time, invoke the right to request a copy of the utility's procedures and practices should a concern arise. In short, the proposed requirement to file a procedure, and any updates to such procedure, with the Commission is potentially onerous and of questionable value.

NW Natural suggests that the proposed draft rule language in this section be deleted in the entirety, and that this section be revised as follows:

A utility must develop and maintain procedures describing its practices regarding the issuance of corrected bills that result from (a) meter failure or malfunction; (b) unassigned meter usage; and (c) other billing errors, as defined in this rule, not later than May 1, 2016. The utility must submit a copy of such procedures to the Commission within ten (10) business days of receiving a request.

In further comment, NW Natural would not be opposed to incorporating language in its tariff that would generally describe its practices regarding the issuance of corrected bills as a means to comply with this new section of the rule.

5. **Section (6).** NW Natural has suggested changes to several items in this section.

First, NW Natural suggests that the last sentence in the first paragraph of this section be revised as follows:

When a corrected bill is issued, the utility must provide the following information with ~~on~~ the corrected bill or in a letter sent to the customer.

This change will accommodate the use of bill inserts, as stating this information on the actual bill in many cases cannot be accommodated.

Second, with regard to item (b), NW Natural suggests that this section be revised to make this something that is available on request, but that is not a required feature of the corrected bill. There are a couple of reasons that support making this an optional item. Specifically, (i) in many instances, the correction will be made in the form of a line item adjustment on a subsequent bill, and a breakdown is simply not available or necessary; (ii) the creation of a breakdown in a form that is useful to the customer can be time consuming and burdensome; and (iii) because in most cases where a billing issue covers multiple billing months we are in direct communication with the customer, many customers do not want or need a detailed breakdown with the corrected bill. While we are not opposed to providing the breakdown, we would only want to provide it if the customer requests it. NW Natural suggests item (b) be revised as follows:

(b) How to request ~~of~~ a breakdown of the bill correction for each month included in the corrected bill;

Third, with regard to item (e), NW Natural suggests the following revisions:

The actions taken to resolve the issue that resulted in ~~eliminate the cause of~~ the bill correction, if applicable;

Because the utility is not eliminating the bill correction but is eliminating the cause of the bill error, NW Natural suggests rewording item (b) as shown above. The addition of "if applicable" at the end recognizes the fact that not all bill corrections require a corrective action by the utility.

6. **Section (7).** As discussed earlier in our comments, in lieu of eliminating the handling of unassigned usage meters from this rule change, NW Natural recommends that this bill correction type be exempt from the six-month limitation. In addition, NW Natural suggests other revisions to this rule as follows:

Corrected bills issued for the following reasons purposes are exempt from the six-month limitation ~~provisions~~ of section (5)(a)

(a) Meter failure or malfunction or billing error related to customer tampering with the utility's property, use of the utility's service through an illegal connection, or the customer fraudulently obtaining service;

(b) Unassigned meter usage; or

(c) Meter failure or malfunction or billing error related to a non-residential customer bill.

~~(8)(b)~~ An estimated meter read made in accordance with subsection (1)(i) is not considered a meter failure or malfunction or a billing error. A bill true-up based on an actual meter reading after one or more estimated bills is not considered a corrected bill for purposes of subsection (5)(a).

Because it is not the intent to exempt the items in Section (7) from the requirement to issue a corrected bill, the rule should be clarified to identify that the exemption is only from the six-month limitation. Further, because item (b) as proposed in the draft rule is simply a clarification not an exemption, we suggest that it be separately stated from the exemptions identified under Section (7) and reflected as a new section (8).

WUTC Questions

- Please provide the three most recent years of data regarding the number of corrected bills issued for under-billed amounts due to meter failure or malfunctions, or unassigned energy usage meters that exceeded six months in duration. Please provide the information in the following format:**

Year	Residential		Non Residential		Total Revenue
	# of accounts with corrected bill exceeding 6 months	Total amount billed in excess of 6 months	# of accounts with corrected bill exceeding 6 months	Total amount billed in excess of 6 months	
2012	1	\$ 84.68	0	\$ N/A	\$69,954,449
2013	0	\$ -	0	\$ N/A	\$73,988,411
2014	2	\$ 40.24	0	\$ N/A	\$71,567,785

Please note that NW Natural does not track bills issued for unassigned usage. The data presented above is specific only to corrected bills issued due to meter failure or malfunction.

- Please provide the three most recent years of data regarding the number of corrected bills issued for under-billed amounts due to all other billing errors (excluding meter tampering, fraud and estimated bills.) Examples include: corrected bills for incorrect prorated bills; mislabeled meter bases; incorrectly installed meters; incorrect billing rate schedules; and incorrect billing multipliers. Please provide the information in the following format:**

See the table below:

Year	Residential		Non Residential		Total Revenue
	# of accounts with corrected bill exceeding 6 months	Total amount billed in excess of 6 months	# of accounts with corrected bill exceeding 6 months	Total amount billed in excess of 6 months	
2012	0	\$ N/A	3	\$ 147,110.25	\$69,954,449
2013	1	\$ 27.49	0	\$ N/A	\$73,988,411
2014	0	\$ N/A	0	\$ N/A	\$71,567,785

3. The rationale for requesting the exclusion of non-residential customers from the six month billing correction limitation is unclear.

- a. Please provide additional rationale and examples of why it is important to exclude non-residential customers.**
- b. Please provide an explanation of the terms “small business customer,” “commercial customer,” “large commercial customer,” and “industrial customer.”**
- c. Please provide the following additional data regarding seasonal commercial customers. Also, please provide an explanation of how seasonal commercial customers pose a problem for companies to identify and correct billing problems.**

- a. There are a number of reasons to exclude non-residential customers from the six month billing correction limitation. These reasons include, but are not necessarily limited to:
 - (1) The dollar amounts associated with meter failures or malfunctions tend to be much larger than is experienced with residential customers. For example, see the Company’s response to question two above, where two non-residential accounts resulted in more than \$147,000 that would have been written off if the six month rule had been in effect. Large write-offs like this ultimately serve to increase rates to other customers.
 - (2) The non-residential meter set configurations can be complex with more components than the typical residential meter set. The more complex the meter set configuration, the more difficult it is to detect meter failures. As such, a malfunction could exist for longer periods of time without being detected. Once detected, the result could be under- or over-billings that are much larger than would ever be experienced in the residential customer class.
 - (3) Many non-residential customers tend to have varying production schedules throughout the year, often with periods of extremely high and extremely low usage. This variability in usage makes it even more difficult to determine if in any given period the usage increase or decrease is the result of a meter failure or malfunction.

- b. In the Company's Tariff we define commercial customer class and industrial customer, as follows:

Commercial Customer Class. Customers that use natural gas for space or water heating in an office or retail space, or where natural gas is used in equipment that primarily supports a commercial trade or other commercial purpose. For example, providing services, wholesale or retail trade, restaurants, agriculture, forestry, fisheries, transportation, communications, utilities, finance, insurance, real estate, clubs and hotels. Customers not included directly in other definitions will be classified in this category.

Industrial Customers. Customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product, including mining and manufacturing.

We would likely use the "small business customer" and "large commercial customer" terms specifically in conjunction with a rate schedule offering. For example, the "small business customer" would likely be used in the context of Rate Schedule 3 service; "large commercial customer" would be used in the context of Rate Schedule 41 or Rate Schedule 42 which accommodate higher use customers. Because Rate Schedules 41 and 42 serve both commercial and industrial class customers, the tariff definitions are used to establish under which class the customer would be billed.

- c. There were no seasonal customer accounts that were issued corrected bills that exceeded six months of usage. NW Natural does not separately track revenues associated with seasonal customer use.

Any seasonal use customer, whether residential or non-residential, pose a problem in the Company's ability to quickly identify a meter malfunction or failure. This is largely due to the fact that these customers could go several months – maybe even an entire 12 consecutive month period or more – with zero use. For the most part, these are customers that use natural gas only for space heating purposes. In the non-residential sector, this is often associated with freeze protection.

It would not be prudent for the Company to assume that extended consecutive zero use reads (e.g. six months or more) is merely the result of the customer's behavior. As such, NW Natural's policy is to initiate an account review or meter investigation on zero-use meters where six months of consecutive zero use has been recorded. It would be unduly burdensome and costly for the Company to perform these investigations more frequently because in general, the zero use meter read is not attributable to a meter failure or malfunction.

4. Please provide the most recent three years of data for corrected bills related to over-billing.

See the table below:

Year	Residential		Non Residential	
	# of accounts with corrected bill exceeding 6 months	Total amount of refunds in excess of 6 months	# of accounts with corrected bill exceeding 6 months	Total amount of refunds in excess of 6 months
2012	1	\$ 62.14	3	\$ 181.45
2013	8	\$ 287.56	3	\$ 326.50
2014	6	\$ 231.90	4	\$ 501.94

5. Please describe all current procedures in place to prevent and identify billing errors resulting from: incorrect prorated bills; mislabeled meter bases; incorrectly installed meters; incorrect billing rate schedules; or incorrect billing multipliers.

NW Natural utilizes the following procedures to prevent / identify billing errors:

a. Incorrect prorated bills: When there is a change in rates, the new billing rates are entered into the Company's Customer Information System (CIS) in a test environment where test bills for each rate schedule are generated and reviewed. Once tested and the bill calculation accuracy is verified, the test site is systematically moved to production (rather than re-entering values into production). Once moved to production, a sample of production bills is reviewed to again verify the rates and proration are calculating accurately. In addition, the Company's Account Services Department randomly samples bills on a weekly basis to review and verify the accuracy of all aspects of the bill.

b. Mislabeled meter bases: For purposes of this response, NW Natural assumes this item is in reference to a situation that we refer to as "crossed-meters" where the meters have been mislabeled, usually by a building contractor. To mitigate crossed-meter situations from occurring, the Company's field services team does the following:

When a meter is set by a Company contractor, a NW Natural Quality Assurance (QA) inspector will verify the physical meter number at the premise matches the meter number entered into the as-built paper report completed by the installation crew.

When a meter is set by Company personnel, a NW Natural QA inspector will verify that the meter number at the premise matches the electronic order issued by the Company's P-CAD system.

Once verified, the meter numbers are entered into the CIS to activate the customer account.

c. Incorrectly installed meters: The Company uses a variety of methods to help mitigate the occurrence of meter installation errors. These include:

- Meters come from the manufacturer with the Automated Meter Reading (AMR) device installed. The Company sample tests the devices upon arrival to confirm proper registration.

- Any meter set (or meter change) order must pass certain predefined conditions. If the conditions are not met, the meter order is elevated for additional review. The conditions that would cause a meter order to escalate include:
 - i. Meter pressure of old meter does not match newly installed meter.
 - ii. Number of index digits does not match meter profile.
 - iii. Meter number not eligible for install
 - If a meter fails to transmit a meter read for two consecutive months, a meter inspection order is automatically generated and investigated by field services.
 - At the time an account bills, the CIS bill logic auto checks for certain conditions. If the condition is not valid, a bill exception will be created and a billing clerk must review / resolve the condition before the bill will be released. Such conditions include:
 - i. Meter pressure error (MTRPR)
 - ii. Meter temperature compensation error (MTRTM)
 - iii. Meter multiplier error (MLTPR)
 - iv. Low / high use (various)
 - v. No use (ZUSE)
- d. Incorrect billing rate schedules: As new premises are initialized into the system, a NW Natural representative determines whether the account is residential or non-residential. The customer class associated with the rate schedule must match the customer class designated on the account. For example, residential Rate Schedule 2 cannot be selected if the customer class designation is commercial.

As customer turnover occurs on an existing premise, the Customer Contact Center (CCC) representative (CSR) queries the customer to determine whether the existing rate schedule assignment is the appropriate rate schedule for service to the new customer. For residential and small commercial accounts there is just one rate schedule option for each (Schedule 2 for residential and Schedule 3 for commercial).

Larger use non-residential customers (typically where usage is expected to be more than 2,000 therms per month) are handled by the Major Account Services Department as there are multiple rate options available. These customers are required to sign an election form to document which rate option they desire to be placed on. Clerk entry of these rate schedule elections is reviewed by a second individual to confirm that the account is properly set-up.

At the time an account bills, a bill exception will be created if certain conditions exist. A billing clerk must review / resolve the condition before the bill can be released. Such conditions include:

- Rate schedule not valid for state (RSWS)
 - Rate schedule not effective during billing period (RSCH)
 - Rate schedule requires contract but contract not found (CRRS)
 - Rate schedule does not agree with contract record (RSMM)
- e. Incorrect billing multipliers: Meters are grouped by families as they are purchased and each family is assigned one meter multiplier value. This value follows the meter except where there is a need to change the meter multiplier, such as when certain attachments are added to the meter set.

Each time an account bills, there is system logic in CIS to confirm that the meter multiplier associated with the meter agrees with an algorithmic formula. A bill exception stops any bill that fails this logic and must be reviewed / corrected by a billing clerk.

NW Natural appreciates the opportunity to comment in this proceeding. We would welcome a second workshop to discuss the utility comments and suggested changes to the draft rule should the Commission find it would be helpful to the process.

Please address correspondence on this matter to me with copies to the following:

eFiling
Rates & Regulatory Affairs
NW Natural
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2516
Telephone: (503) 226-4211, x3589
eFiling@nwnatural.com

Sincerely,

NW NATURAL

/s/ Onita King

Onita R. King
Rates and Regulation