

BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

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GENERAL RATE APPLICATION
OF
NORTHWEST NATURAL GAS COMPANY

MARCH 28, 2008

**Direct Testimony of Kimberly A. Heiting:
Consumer Communications**

DIRECT TESTIMONY OF KIMBERLY A. HEITING

Consumer Communications

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1 **I. Introduction and Summary**

2 **Q. Please state your name, address and position.**

3 A. My name is Kimberly A. Heiting. My address is 220 NW Second Avenue,
4 Portland, OR 97209. I am the Director of Communications at Northwest Natural
5 Gas Company (“NW Natural” or “the Company”).

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to present and explain the Company’s test year
8 expenses of \$170,143 for consumer information and communications. See,
9 *Exhibit No. ____ (KAH-2)*. My testimony will (1) present summaries of the types of
10 communications that NW Natural developed in the test year, (2) describe NW
11 Natural’s approach to communications, and (3) explain the environmental
12 conditions that inform this communications approach.

13 **II. Test Year Consumer Communications Expense**

14 **Q. Please describe NW Natural’s test year expense for consumer
15 communications.**

16 A. The Company’s test year expense for consumer communications is \$170,143.
17 See, *Exhibit No. ____ (KAH-2)*. Consumer communications in the test year
18 focused on the following topics:

- 19
- 20 ▪ Wise and efficient use of energy
 - 21 ▪ Payment options and programs for customers
 - 22 ▪ Safety information
 - Phone numbers and contact information

1 The 2007 JD Power and Associates Residential Gas Utility Customer
2 Satisfaction Study supports this communication strategy. The study shows that
3 frequent and effective communications about energy efficiency, payment options
4 and plans, and natural gas safety information positively impact utility customer
5 satisfaction ratings. In the same study, NW Natural's customers gave the
6 Company high rankings for its communication on these topics. See, *Exhibit No.*
7 *_____ (KAH-3, page 22).*

8 **Q. Please describe the energy industry changes that have impacted the**
9 **Company's communication strategy.**

10 A. Volatile energy prices experienced over the last several years have increased
11 customer interest in information that will help them better manage their energy
12 bills. And in just the last year, climate change issues have risen to the top of
13 public discourse, with more concern being raised about the impact energy use
14 has on the environment. Finally, new natural gas safety regulations have
15 required an increase in the frequency, breadth, and message delivery of safety
16 communications that target customers and the general public.

17 **Q. How does NW Natural know that its consumer communications strategy is**
18 **effective?**

19 A. NW Natural conducts its own pre- and post- message awareness testing to
20 assess the effectiveness of its communications efforts. We use the results of the
21 awareness testing to refine and improve the impact and usefulness of our
22 message. As an example, NW Natural launched a comprehensive advertising

1 and communications campaign in 2005 that focused on increasing customer
2 awareness about the Company's energy saving web site tools, web payment
3 options and the Equal Pay program (which can reduce the impact of higher
4 winter heating bills for customers). The post-message awareness test showed
5 that (a) customer use of NW Natural services increased substantially following
6 the television and newspaper advertising campaign running from
7 December 2005 through April 2006; (b) customer awareness of the Equal Pay
8 program increased three times over initial levels; and (c) customer awareness of
9 the Company's web site tools doubled over initial levels. *See, Exhibit No. ____*
10 *(KAH-4).*

11 NW Natural also uses national research to gauge relative effectiveness of
12 its communications efforts. In 2006, the company ranked fifth nationally for
13 providing effective and satisfying customer communications in the national JD
14 Power Residential Gas Utility Customer Satisfaction Study. In 2007, NW Natural
15 customers ranked the company first in the West region and second nationally for
16 overall customer satisfaction with communications (out of 58 other gas-only and
17 combo utilities across the nation). As part of that same 2007 survey, NW
18 Natural customers had the third highest "recall" (the measurement of customers'
19 ability to recall the message of a particular communication) of natural gas safety
20 messages and the fourteenth highest "recall" of energy savings messages. *See,*
21 *Exhibit No. ____ (KAH-3, page 18).*

1 **Q. Please describe NW Natural’s communications strategy regarding safety**
2 **education.**

3 A. Pipeline safety continues to be an issue of national importance. NW Natural has
4 adopted a comprehensive, integrated advertising and communication strategy
5 designed to educate customers and the general public about natural gas safety.
6 The Company’s communication strategy is informed by regulation prescribed in
7 “Public Awareness Programs for Pipeline Operators, Recommended Practices
8 1162”, which requires safety messages to be communicated to customers and to
9 the general public, and specifically to residents near gas storage facilities,
10 residents and businesses located near transmission lines, landowners, places of
11 congregation, emergency responders, excavators and to public officials within
12 the company’s service territory. *See, 49CFR Part 192.616, 2005.*

13 **Q. Please describe the safety messages included in the Company’s consumer**
14 **communications program.**

15 A. The message content includes, but is not necessarily limited to, the following: (a)
16 potential hazards of natural gas, (b) how to recognize a pipeline leak, (c) what to
17 do and what not to do if you believe there is a gas leak, (d) pipeline damage
18 prevention information, (e) pipeline purpose, reliability, maintenance and safety
19 record information, and (f) the existence of natural gas pipelines to those in
20 potentially affected locations or “high consequence” areas. Due to the vast
21 amount of information that must be covered in our public safety communications,
22 we have had to utilize a variety of creative executions and media channels. As a

1 result, our communications efforts have evolved to include more mass media,
2 such as television and print advertising. While mass media can be more
3 expensive than bill inserts and other forms of customer communications, we
4 have found the mass media approach to be the most effective method for
5 educating customers and the public about key issues around natural gas safety.

6 **Q. Please describe the results of the Company's safety education program.**

7 A. Since 2004, NW Natural has been tracking the results of its public safety
8 communications efforts. Overall awareness of natural gas safety messages has
9 increased from 25% in June of 2004 to 56% in October of 2007. But as
10 importantly, the customer "recall" of specific messages which were previously
11 low – such as how to recognize and react to a natural gas leak, for example –
12 has seen a healthy increase. In 2004, recall of "gas smells like rotten eggs"
13 (recognize) was 38%. In 2007, it had reached 53%. In 2004, recall of "if you
14 smell gas, leave the area" (react) was at 13%. In 2007, it had reached 27%.
15 See Exhibit No. ____ (KAH-5). Shifts in survey results from year to year assist in
16 pinpointing market awareness of specific safety messages. We use that
17 intelligence to adjust our message and media strategy in areas that need
18 strengthening.

19 **Q. Please describe any other factors that impact NW Natural's consumer
20 communications.**

21 A. A growing challenge is the ability to reach consumers of differing cultural and
22 linguistic characteristics. With respect to the Hispanic population, for example,

1 the Portland/Vancouver area ranked 23rd out of the 297 “Metro Markets” in the
2 nation defined by the US Census Bureau in terms of total population, and 33rd
3 nationally for Hispanic origin population. We also have a prevalent consumer
4 base in our market that speaks Chinese and Russian. Non-English speaking
5 customers often use culturally targeted channels that require tailored creative
6 material that is properly translated and culturally acceptable. Whether our
7 message is safety- or service- related, reaching a very large and diverse
8 population that includes non-English speaking consumers increases the
9 Company’s communications costs.

10 **Q. Have any other issues affected the test year expenses?**

11 A. Yes. Costs to deliver communications have increased each year since 2003. In
12 particular, postage costs have increased more than 120% and printing costs
13 have increased by about 25%.

14 **IV. Qualifications**

15 **Q. Please describe your education and employment background.**

16 A. My responsibilities at NW Natural include external communications, advertising
17 and the company’s website. I have worked for NW Natural since 1998. From
18 1992 to 1994, I worked as a marketing specialist at a direct-response advertising
19 agency, GSP Marketing, in Chicago, Illinois. From 1994 to 1997, I worked as
20 corporate communications specialist, then communications and public relations
21 manager for Bank of America’s Corporate Banking division in Chicago. From
22 1997 to 1998, I served as communications and media manager for 360

1 Communications, a telecommunications subsidiary of Sprint Corporation in
2 Chicago. I received my undergraduate degree in Communications from the
3 University of Iowa and a Masters of Science in Communications from
4 Northwestern University. I have previously testified in a regulatory proceeding.

5 **Q. Does this conclude your direct testimony?**

6 **A. Yes.**