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April 30, 2019

VIA ELECTRONIC FILING

Mark L. Johnson, Executive Director & Secretary
Washington Utilities and Transportation Commission
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COMMISSION

Re: **U-180907 - Comments of Northwest Natural Gas Company**

Dear Mr. Johnson:

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company) provides the following comments in response to the Washington Utilities and Transportation Commission's (Commission) March 21, 2019 Notice of Opportunity to File Written Comments (Notice) in the above-referenced docket.

Policy Issues

The regulatory compact serves to balance the interests of the customers, utilities and stakeholders in setting rates that are fair, just and reasonable and ensuring a safe, reliable system. However, the existing general rate-setting process is restrained in its ability to respond nimbly to emerging technologies and energy industry issues. Expedited rate filings (ERFs) and other regulatory mechanisms, such as tracking mechanisms and deferral/amortizations, would improve the responsiveness of the utilities, our stakeholders, and the Commission in addressing the emerging issues in the changing energy environment. The use of ERFs may improve the efficiency and effectiveness of policy matters by providing a means to surface newly emerging issues (for example, new legislation or safety rules) in a proceeding that would be limited in scope and, by effect, procedure. Bringing the Commission a rapidly emerging issue for rate consideration in an ERF without having the comprehensive filing that includes the myriad and scope of all utility operations required in a general rate case (GRC) would allow for a quicker and more efficient use of utility and Commission resources when evaluating the ERF. In addition, wider use of ERFs and other regulatory mechanisms could improve the efficiency and resource deployment needed for a GRC in that certain issues addressed in ERFs and other mechanisms would not need to be addressed in the GRC, simplifying the process and easing the burden of review.

The questions posed in the Commission's Notice focused on ERFs; NW Natural notes that development of additional regulatory mechanisms such as investment tracking mechanisms, use of cost and benefit deferrals with timely amortizations, performance- or incentive-based ratemaking, formula rate filings, and multi-year rate plans would also advance the effectiveness and efficiency of the regulatory process. All of these mechanisms can be applied in a manner that ensures a review for prudence and reasonableness by the Commission and stakeholders

outside of the GRC process, providing greater flexibility in the regulatory framework. Providing an array of available regulatory tools will aid in enabling the current ratemaking process to be more agile and responsive to the varied and rapid changes in the energy industry.

Threshold Criteria and Methodology

ERFs and/or other regulatory mechanisms addressing regulatory lag may be appropriate under a variety of circumstances. Guidelines establishing ERF parameters should provide flexibility in determining the framework for ERFs. Any guidance on establishing criteria for these circumstances should provide a balance of certainty on what qualifies as an ERF with flexibility in not prohibiting reasonable proposals from qualifying for consideration in an ERF.

Utilities should continue to bear the burden of the need for rate relief, regardless of whether the timeliness of the requested relief is considered “expedited”. Thus, there may not be a need to establish a new standard for demonstrating the need for expedited relief just as there is no standard that requires use of the full 11-month suspension period in a GRC. Indeed, exercising discretion and flexibility in setting the procedural schedule in a GRC, depending on the complexity of the case presented, would be another example of a regulatory methodology that would improve the rate-setting process and concerns about regulatory lag.

An ERF should include all costs and benefits of the investment or issue being addressed in the filing. The standard for determining recovery of utility costs should be the same standard currently used for cost recovery in that costs are prudent and necessary for serving customers and providing safe, reliable utility service.

General Considerations

ERFs and other regulatory mechanisms are not substitutes for GRCs but are flexible tools that could provide fulfillment of the regulatory compact in a way that eases the administrative burden on all parties by limiting scope and duration of both ERF and GRC proceedings.

As indicated in previous NW Natural comments in this proceeding, the availability of ERFs and any regulatory mechanism that enables cost recovery outside of a GRC should further the principles of affordability, planful and accountable utility cost management and customer satisfaction. The results and ideas produced in this proceeding should strive for flexibility in the regulatory framework in Washington and for improving the alignment of customer interests and utility incentives in the wake of rapidly emerging and changing industry trends, new technologies and public policy.

NW Natural appreciates the opportunity to provide these comments and looks forward to continued participation in this proceeding. Please direct any questions regarding these comments to Natasha Siores at 503-721-2452 or natasha.siores@nwnatural.com.

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Respectfully submitted,

/s/ Zachary D. Kravitz

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