

250 SW Taylor Street
 Portland, OR 97204

 503-226-4211
 nwnatural.com

June 13, 2022

VIA ELECTRONIC FILING

 Amanda Maxwell, Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop S.E.
 Lacey, Washington 98503

 State Of WASH.
 UTIL. AND TRANSP.
 COMMISSION

06/13/22 15:11

 Received
 Records Management

Re: U-210590—NW Natural Response to Notice of Opportunity to File Written Comments

Dear Ms. Maxwell:

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 May 2, 2022 (“Notice”).

- Please provide a list of your priority regulatory goals, desired outcomes, and a rationale for including those, using the table format illustrated below. Your suggested regulatory goals should align to the Commission’s statutory authority with respect to utility regulation in Washington. For each Regulatory Goal, there should be one or more desired outcomes that reflect what is desired from utility performance to achieve that goal. Please include a rationale for the goals and the outcomes, as applicable.**

Regulatory Goal	Desired Outcome	Rationale
Lowest reasonable cost planning	<ul style="list-style-type: none"> Incentivize utility projects that coordinate across gas and electric utilities for the benefit of all customers. 	<ul style="list-style-type: none"> Using both systems may have significant cost savings, especially when peak planning.
Affordability/Energy Burden	<ul style="list-style-type: none"> Deployment of annual energy assistance. Collaboration between electric and gas utilities for peak planning. 	<ul style="list-style-type: none"> Reach more customers and spend unused funds. Peak planning may avoid large costs for generation that would seldom be used.
Customer satisfaction and engagement	<ul style="list-style-type: none"> Incentivize utilities that have and maintain high customer satisfaction and engagement. 	<ul style="list-style-type: none"> Essential services should be well run, reliable, and responsive. Customer engagement will help drive energy efficiency, low income, and demand side management programs.
Service response time	<ul style="list-style-type: none"> Meet or exceed set response times. 	<ul style="list-style-type: none"> Customer safety and satisfaction.

Conservation acquisition	<ul style="list-style-type: none"> • Comply with legislative policy. 	<ul style="list-style-type: none"> • Conservation can make long lasting reduction to emissions, helping with CCA compliance year after year.
Demand-side management expansion	<ul style="list-style-type: none"> • Incentivize utilities to lower peak demand (geographically targeted or system-wide). 	<ul style="list-style-type: none"> • Lower cost for peak supply.
Attainment of state energy and emissions reduction policies/ Rapid integration of renewable energy resources	<ul style="list-style-type: none"> • Meet emissions reduction policies while still serving a critical need in the State’s energy distribution system. 	<ul style="list-style-type: none"> • Reduce emissions Reduce overall energy costs (electric and gas working together in system planning; ex. hydrogen deployment).

2. How well do current regulatory mechanisms accomplish goals and outcomes you listed above? Please share specific reasons for your answer.

NW Natural currently utilizes mechanisms that accomplish some of the goals and outcomes above, such as multi-year rate plans based on the cost of service and existing low-income and energy efficiency programs. While we believe that it is worthwhile to determine how existing regulatory mechanisms can be improved, as well as exploring new mechanisms, it is important to also determine how any wholesale changes to the regulatory model may inadvertently create regulatory uncertainty during a period where significant new investments are needed to decarbonize the energy system. Any new or revised regulatory mechanisms must be carefully considered and clearly expressed so that they can be utilized immediately to advance the regulatory goals expressed above.

3. Workshop 1, held on April 19, 2022, featured some discussion of metric design principles, which would be used as guidance to develop metrics to measure utility performance against the goals and outcomes. Please provide any specific metric design principles you would like the Commission to use when it adopts metrics, and why. Please also comment on whether the Commission should use the metric design principles listed below:

- a. **Outcomes-based:** track outputs or outcomes, not inputs.
- b. **Non-duplicative:** avoid any overlap of reward or penalty for legal or regulatory requirements.
- c. **Clear, measurable, and verifiable:** base metrics on easy-to-acquire data that can be verified — or even collected — by a third party.
- d. **Evaluated regularly:** revisit the effectiveness of metrics and incentives on regular intervals with the expectation that adjustments may be made.

NW Natural generally agrees with the metric design principles, but cautions that each utility is situated differently in the state based on size, geography, fuel source, customer mix, existing utility programs/services and other factors. “One size fits all” approaches should be carefully scrutinized, and utility-specific metrics preferred.

4. Are there any additional considerations you would like to raise for the Commission related to regulatory goals, desired outcomes, and metric design principles, beyond what you have already shared in Workshop 1, held on April 19, 2022, and in response to the questions above?

The energy sector is in the midst of transformational change where utilities and stakeholders are balancing the need for emissions reductions with the need to maintain affordability for our customers, especially those in communities most vulnerable to the impacts of rising costs. NW Natural encourages the Commission to look holistically at the entire energy sector in total (gas and electric) and be open to solutions that harness the structural benefit of both the electric and gas system for the benefits of all customers by furthering goals of reliability, emissions reductions, and financially healthy utilities.

NW Natural appreciates the opportunity to comment in this proceeding. If you have any questions about these comments, please contact me at zachary.kravitz@nwnatural.com or (503) 610-7617 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/ Zachary Kravitz
Zachary Kravitz
Senior Director, Rates and Regulatory Affairs
NW Natural
250 SW Taylor Street
Portland, OR 97204
(503) 610-7617
zachary.kravitz@nwnatural.com