

July 15, 2020

**VIA ELECTRONIC FILING**

Mark L. Johnson, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop S.E.  
Lacey, Washington 98503

**Re: U-200281—NW Natural Response to Notice of Opportunity to File Written Comments**

Dear Mr. Johnson:

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”) request for comments issued on July 1, 2020.

At the June 16, 2020 Commission workshop, stakeholders discussed a comprehensive approach that utilities and stakeholders in Illinois have taken to address the provision of utility service during the COVID-19 public health emergency. A comprehensive unanimous stipulation was agreed to by the state’s utilities, Illinois Commerce Commission Staff, Office of the Illinois Attorney General and numerous stakeholder groups that implemented a resolution on the moratoriums for disconnections, late fees and reconnection fees, the provision of more flexible credit and collection procedures, the implementation of a COVID-19 bill payment assistance program for each utility, and the creation of a special tariff rider enabling the utilities to recover the costs associated with these measures.<sup>1</sup> NW Natural’s comments focus on this Illinois stipulation as a potential regulatory framework as we move forward during this time of uncertainty.

At the outset, NW Natural appreciates the Commission’s and our stakeholders’ dedication to working through these complex issues that are impacting the lives of many of our customers and Washingtonians. As discussed at the June 16<sup>th</sup> workshop, in connection with the COVID-19 pandemic and the moratorium on our ordinary customer bill collections process, we have seen an increase in customer past-due balances across our Washington service territory. In response to these events, NW Natural is proactively reaching out to our customers with past due balances on their bills through our customer call center and through targeted mailings and emails. We are providing flexible payment arrangements, providing our customers with energy assistance options that are currently available to them, and applying customer deposits to arrearage balances when applicable. Our focus has been on helping our customers get their accounts into a stable account status before the next winter heating season starts. However, NW Natural remains concerned about the customer impact of growing customer arrearage balances if the current moratorium remains in place. We look forward to the continued constructive engagement with our stakeholders in addressing these issues.

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<sup>1</sup> Please see <https://www.icc.illinois.gov/docket/P2020-0309/documents/300566>

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### ***The Illinois Stipulation***

Below is a brief summary of the major elements of the stipulation. Please note that references to paragraph numbers correlate with the numbering in the Illinois stipulation.

1. Suspension of disconnects and late fees through the stipulated moratorium period plus 30 days. The stipulated moratorium period referenced in the stipulation is defined as the earlier of either Restore Illinois Health Regions moving to Phase 4 or August 1, 2020. The Illinois Commerce Commission may also extend the moratorium period pending the status of the COVID-19 public health crisis. (Paragraph 5).
2. Customer communications - through mail, email and website to all residential customers with past due balances (Paragraph 6).
3. Reconnection and waiver of reconnect fees - utilities will reach out to customers disconnected for nonpayment prior to the moratorium to provide reconnection without reconnection fees. Reconnected customers will have any outstanding balances rolled to the reconnected accounts; customers will be encouraged to enroll in a payment plan (Paragraph 7).
4. Deferred payment arrangements (DPAs) for residential customers – utilities will offer payment plans of up to 18 months for non-financial hardship, and 24 months for customers expressing financial hardship. These DPAs may have a down payment that is capped at 10% of the DPA amount (Paragraph 8).
5. DPAs for Commercial and Industrial customer classes - customers may enroll in or renegotiate DPAs; utilities will offer plans of 3 months with 33% down, 6 months with 50% down (sales customers only) (Paragraph 9).
6. Deposits - utilities will waive new deposit requirements associated with late or non-payment arrearages or credit related issues for new or existing residential customers (Paragraph 10).
7. Credit reporting - Utilities will continue their current practices of not reporting late payments and nonpayment for active customers to credit bureaus and reporting agencies during the Stipulated Moratorium Period and Transition Grace Period and for no less than four (4) months following the end of the Transition Grace Period (Paragraph 11).<sup>2</sup>
8. Monthly Reporting requirements - utilities will report data agreed upon and outlined in the stipulation Exhibit 1 by zip code; monthly reports will continue during the Stipulated Moratorium Period and for 6 months after or until 15 days after the reporting period ending August 31, 2020, whichever is later (Paragraph 12).
9. Utilities and stakeholders agree to begin discussions on how to improve the affordability of utility services for low-income customers (Paragraph 13).
10. Utilities shall recover COVID-19 related costs through a special purpose tariff rider. COVID-19 related costs include four main categories of 1) COVID-19 Direct Costs net of COVID-19 Direct Offsets; (2) COVID-19 Foregone Late Fees; (3) COVID-19 Foregone Reconnection Charges; and (4) COVID-19 Bill Payment Assistance Program Amounts, with the utilities providing quarterly reports on these four cost categories (Paragraphs 16, 18 and 19).
11. Utilities will establish COVID-19 bill payment assistance programs to provide eligible residential customers with relief from high arrearages (Paragraph 17).

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<sup>2</sup> The stipulation defines the Transition Grace Period as the 60-day period immediately following the end of the Stipulated Moratorium Period.

### ***Considerations in Applying the Elements of the Stipulation in Washington***

The provisions of the Illinois stipulation address many of the concerns raised by the Commission, utilities and stakeholders during the WUTC's June 16<sup>th</sup> workshop. Given the comprehensive nature of the stipulation, it provides a framework for engagement, and possible path towards a resolution, of these important issues.

After reviewing the applicability of the stipulation provisions to the regulatory environment in Washington, the Company provides the following comments, questions and clarifications relating to major elements of the stipulation.

- As noted above, the stipulation defines set periods for a stipulated moratorium period and transition grace period. Although the periods can be reconsidered by the Illinois Commerce Commission pending the status of the COVID-19 public health emergency, NW Natural finds that defining the periods for transitioning to the Company's normal credit cycles with regard to late notices, late fees and disconnections provides needed certainty for utility operations. Keeping customers connected is a priority for NW Natural; balancing this priority with maintaining reasonable credit cycles and management of arrearage balances is a key benefit provided in the stipulation.
- In paragraph 7 of stipulation, utilities and stakeholders also agreed to the reconnection of customers previously disconnected for nonpayment before the moratoriums began, with the waiving of reconnection fees for these customers. The stipulation allows for the "rolling" of the reconnected customer's outstanding balance to their reconnected accounts; these customers will be encouraged to enter payment plans. NW Natural notes the prior obligation rule outlined in WAC 480-90-123 currently prohibits the application of the outstanding prior obligation to an active account. Thus, implementation of a similar provision in Washington would require a waiver of the prior obligation rule or a creative solution to address previous outstanding balances for reconnected customers.
- NW Natural supports the use of flexible payment arrangements to help residential and non-residential customers address late balances and provide payment predictability for customers.
- With regard to customer deposits, the Company notes its current process requires deposits from customers for certain reasons, including the inability to establish satisfactory credit or previous disconnection for nonpayment. Default deposit amounts (depending on gas-fired equipment installed) of \$40-\$100 for residential customers and \$200 for non-residential customers are defined in NW Natural's tariff. To the extent that we revisit these policies, the Company believes the approach in the Illinois stipulation that focuses on residential customers may be appropriate, but we will need to have discussions about the implications on such a decision on all of our customer base. Additionally, NW Natural believes that maintaining deposits for non-residential customers continues to be a business practice that saves costs for all customers in the long-term.
- The Illinois stipulation calls for the continuation of the utilities' practices of not reporting late payments and nonpayment for active customers to credit bureaus and reporting agencies for active accounts during the agreed-upon periods in the agreement. The Company notes that this mirrors its current practice. In addition, NW Natural notes that for closed accounts,

the reporting of nonpayment to credit bureaus and reporting agencies remains an effective tool for reducing bad debt expense.

- NW Natural supports a generic investigation with all utilities and stakeholders to explore new ideas and methodologies to improve the affordability of utility services for low-income customers. Creative solutions for serving low-income customers in a more efficient and productive way should be developed in a manner that is comprehensive and durable and inclusive of many voices.
- NW Natural is open to establishing bill payment assistance programs to provide eligible residential customers with relief from high arrearages. We note that thoughtful program design will be key to the success of such programs. The Company's initial questions, notes and concerns in designing these programs include:
  - How do we determine the eligibility criteria for the participants?
  - What entity will administer the program?
  - What is the correct amount of assistance needed?
  - How can we develop a program that appropriately incentivizes customers to reach a healthy account status before costs are broadly socialized?
  - How long would such a program be available to customers?
- Illinois utilities and stakeholders agreed to a special tariff rider that utilities would employ to recover the costs associated with the measures in the stipulation. The types of costs addressed in the Illinois stipulation could be facilitated through utilities' deferral applications. In addition, the additional reporting requirements associated with the tariff rider as outlined in the stipulation appear reasonable and will be useful in facilitating cost review.

### **Conclusion**

NW Natural is committed to continuing to support our customers during this difficult and unprecedented time. Our goal is to do what we can to help our customers and keep them connected to our system. We look forward to collaborating the Commission, stakeholders, and utilities in determining how to move forward in the most transparent, efficient and least disruptive manner for our customers and companies. We find that the Illinois stipulation provides a useful illustration of a potential straw proposal that could be examined by stakeholders to develop a comprehensive and long-term solution.

NW Natural appreciates the opportunity to provide these comments. Please contact me at (503) 610-7617 if you have questions.

Sincerely,

*/s/ Zachary Kravitz*  
Zachary Kravitz  
Director, Rates and Regulatory Affairs  
NW Natural  
250 SW Taylor Street  
Portland, OR 97204  
503-610-7617  
zachary.kravitz@nwnatural.com