



3.

Revtex received service under NW Natural's Weather Adjusted Rate Mechanism (WARM) for each account upon establishing service with NW Natural. NW Natural applied the WARM adjustment to each of Revtek's accounts during the applicable WARM months for the 2014/2015 winter.

4.

**AFFIRMATIVE DEFENSE—Failure to State a Claim**

NW Natural realleges paragraphs 1 through 3 above and further pleads as follows:

5.

Revtex fails to allege a violation by NW Natural of any statute, tariff, or rule. The Complaint asserts that Revtek should not be subject to the WARM adjustment because Revtek did not use any therms during the 2015/2016 winter. Revtek's argument is misplaced. NW Natural's tariff, Schedule 195 details the WARM rate formula, which is designed to normalize customers' gas bills on a rate per therm basis so that the customer would not see large variations caused by the weather from year to year.<sup>1</sup> The adjustment covers bills that are generated based on meters read on or after December 1st and on or before May 15<sup>th</sup> (the "WARM Period"). For instances when WARM customers have no therm usage during the WARM Period, the rate adjustment is deferred to the first billing month following the WARM Period. NW Natural acted properly and complied with its tariff when it applied the WARM rate adjustment to

---

<sup>1</sup> The Commission approved WARM, in part, because the Company's fixed costs were recovered through volumetric charges, which could vary significantly depending on the weather. Prior to the implementation of WARM, in cold years, the Company's revenues to recover those fixed costs would increase at the expense of its customers because of the increased gas usage on NW Natural's system. On the other hand, in warmer years, NW Natural would under-recover its fixed costs. WARM addresses this problem by separately identifying and collecting revenues to cover fixed costs from revenues that cover usage-related costs.

Revtex's accounts for the WARM Period in 2015/2016, even though Revtex did not have gas usage during the WARM Period. Furthermore, a waiver of Revtex's requirement to pay the WARM adjustment is inappropriate in this instance because Schedule 195 prohibits a customer to opt-out of the WARM program retroactively. Because NW Natural acted within the bounds of its tariff, Revtex's Complaint should be dismissed for failure to state a claim upon which relief may be granted.

**FIRST DEFENSE – NW NATURAL'S NOTICES TO CUSTOMERS ARE  
APPROPRIATE AND COMPLY WITH THE WARM PROGRAM**

In the Complaint, Revtex argues that it should not be required to pay the WARM adjustment for the 2014/2015 winter because NW Natural's on-bill message and WARM brochure state that the WARM program adjusts on a rate per therm basis, and therefore, Revtex should not have to pay its WARM adjustment because it had no therm usage. As explained above, NW Natural properly applied the WARM adjustment to Revtex based on Schedule 195. However, NW Natural's brochure and on-bill statements are important tools in messaging to customers NW Natural's programs and their bill impacts. These notices are designed to strike the appropriate balance of providing a basic understanding of how the WARM program works without attempting to explain all of the complexities of the calculation of the rate mechanism. There is nothing factually incorrect in these notices. Both the on-bill message and the brochure explain that the WARM program adjusts the billing rate up or down if the actual weather is colder or warmer than normal. Typically, this is how the WARM program works. There are instances, however, where the billing rate adjustment cannot be made because the customer has not used any therms (therm usage is the denominator in the formula that determines the change in billing rate). In these instances, the WARM adjustment is

applied as a surcharge, and it is set aside until the end of the WARM Period. The adjustment is then included in the customer's first bill issued after May 15 (the first month following the WARM Period), which is lawfully provided for in Schedule 195.

NW Natural works to provide customers with accurate information to make knowledgeable decisions for their gas account and actively updates this information when circumstances arise that demonstrate a need to do so. The unusually warm winter we recently experienced has identified an area of service under the WARM program that NW Natural intends to explain in greater detail to customers in notices going forward. The brochure currently recommends that customers who do not use natural gas for space heating should opt-out of the WARM program because these customers will not experience large variances in their bill due to extreme weather. Based on Revtek's correspondence with the OPUC, it appears that Revtek's facilities are equipped for natural gas space heating, but Revtek only uses space heating on an as-needed basis for freeze protection. NW Natural recognizes that this situation presents a nuance of the WARM program that is not expressly identified in the brochure. NW Natural is currently working with OPUC Staff to develop an additional notice to customers that will further aid customers in choosing whether to opt-out of the WARM program. The new notice will identify customers with low gas usage in winter months and customers using gas service for freeze protection as customers that may want to consider opting out of the WARM Program. Nevertheless, NW Natural followed its tariffs and met all obligations it had with respect to Revtek. The Commission should reject the argument that failure to explain every nuance of the WARM mechanism in a bill message or brochure would relieve a customer of the obligation to pay the rates prescribed in NW Natural's tariff.

WHEREFORE, NW Natural requests the Commission to grant the following relief:

- A. An Order dismissing Complainant's Complaint for failure to state a claim;
- B. Such other and further relief as this Commission finds just and equitable in the circumstances.

Respectfully submitted this 13<sup>th</sup> day of August, 2015.

**NORTHWEST NATURAL GAS COMPANY**

By: /s/ Katherine K. Rosenbaum  
Katherine K. Rosenbaum  
Zachary D. Kravitz  
220 NW Second Avenue  
Portland, OR 97209  
(503) 503.220.2354 Tel  
(503) 721-2516 Fax  
zdk@nwnatural.com  
kkr@nwnatural.com

CERTIFICATE OF SERVICE

**REVTEK LLC V. NORTHWEST NATURAL GAS COMPANY; UCB 67**

I hereby certify that I submitted Defendant NW Natural's **ANSWER AND AFFIRMATIVE DEFENSE**, by first class mail on August 13, 2015, to the following persons a true copy thereof, addressed to said persons at their last known address indicated below:

Complainant REVTEK LLC  
2800 Taylor Way  
Forest Grove, OR 97116-1963

Filing Center – Public Utility Commission of Oregon  
PO Box 1088  
Salem, OR 97308-1088

**Also filed electronically via email submission to:** PUC.FilingCenter@state.or.us

DATED this 13<sup>th</sup> day of August, 2015.

NORTHWEST NATURAL GAS COMPANY

/s/ Katherine K. Rosenbaum

Katherine K. Rosenbaum

Zachary D. Kravitz

200 NW Second Avenue

Portland, OR 97209

zdk@nwnatural.com

kk@nwnatural.com

Attorneys for Defendant Northwest Natural Gas  
Company