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August 10, 2016

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
Attention: Filing Center
3930 Fairview Industrial Drive SE
Post Office Box 1088
Salem, Oregon 97308-1088

Re: UCB-67 – Northwest Natural’s Gas Company’s Supplemental Answer and Affirmative Defense

Northwest Natural Gas Company, dba NW Natural (“NW Natural” or “Company”), files herewith its Supplemental Answer and Affirmative Defense in this matter.

Please call me if you have any questions or require any further information.

Sincerely,

/s/ Zachary D. Kravitz

Zachary D. Kravitz
Associate Counsel

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UCB 67

In the Matter of)	
)	
REVTEK LLC,)	SUPPLEMENTAL ANSWER and
Complainant,)	AFFIRMATIVE DEFENSE
)	
NORTHWEST NATURAL GAS)	
COMPANY,)	
Defendant,)	
<hr style="width: 50%; margin-left: 0;"/>)	

Pursuant to OAR 860-001-0400 and 860-021-0015, Defendant Northwest Natural Gas Company (“NW Natural” or “Company”) files its Supplemental Answer to the Amended Complaint in this proceeding, and responds as follows:

ANSWER

NW Natural denies each allegation in the Complainant Revtek, LLC’s (“Revtek”) Amended Complaint, except that: Complainant is a commercial customer of NW Natural receiving natural gas service under NW Natural’s Rate Schedule 3. Revtek has two accounts with NW Natural: Account No. 2856029-0 established on July 1, 2013 and Account No. 3026671-2 established July 17, 2014. Both accounts receive service at 2800 Taylor Way, Forest Grove, OR 97116. Revtek accounts were set up for service under NW Natural’s Weather Adjusted Rate Mechanism program (“WARM”) when service was established. NW Natural applied the WARM adjustment to each of Revtek’s accounts for the 2014-2015 winter.

**AFFIRMATIVE DEFENSE: NW NATURAL HAS NOT VIOLATED ANY STATUTE,
RULE OR TARIFF.**

Revttek 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 2014-2015 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 so that the customer would not see large variations caused by the weather from year to year.¹ For WARM customers that have a therm usage, the warm adjustment appears on bills that are generated based on meters read on or after December 1st and on or before May 15th (the "WARM Period"). For WARM customers that have no therm usage during the WARM Period, the rate adjustment is deferred to the first billing month following the WARM Period and is billed or credited to that customer's June bill in one lump sum (the "True-up"). Revtek, as a new customer, had the option to opt-out of the program within 30 days of receiving NW Natural's welcome packet, which explains the WARM program and recommends customers not participate if they are not using gas for heat. Revtek did not to opt out of WARM. NW Natural acted properly and complied with its tariff when it applied the WARM rate adjustment to Revtek's accounts with zero therm usage for the 2014/2015 WARM Period.

**SECOND AFFIRMATIVE DEFENSE – THE COMPANY APPROPRIATELY
APPLIED THE WARM ADJUSTMENT TO COMPLAINANT'S BILL**

¹ 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. Conversely, 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.

WARM is a program designed to recover fixed costs of the system in the form of an adjustment; however, the amount of the adjustment is not determined by, or dependent on, a customer's gas usage. The amount of the adjustment is a fixed cost or credit that all WARM customers receive that are in the same rate class, weather zone and billing period.² For most customers, the WARM adjustment is collected monthly, spread over their volumetric usage and subject to caps and floors as stated in NW Natural's Tariff Schedule 195-2 (3-5), with any remaining amount of that fixed cost collected in the June True-up bill.³ For customers without gas usage, there is no volumetric usage to spread the fixed cost (or credit) over, therefore, the entire adjustment is collected (or credited) in the June True-up bill. As such, for Complainant, who had no gas usage during the WARM period, the WARM adjustment was appropriately deferred and applied on Complainant's June bill.

**THIRD AFFIRMATIVE DEFENSE –THE COMMISSION INVESTIGATED NW
NATURAL'S WARM PROGRAM AND DETERMINED THAT NW NATURAL
PROPERLY CALCULATED THE WARM ADJUSTMENTS DURING THE 2014-2015
WARM PERIOD**

At the conclusion of the 2014-2015 WARM Period, the Commission's Consumer Service Staff ("CSS") reported higher volumes of customer complaints related to the True-up adjustment in comparison to previous years' customer complaints. Specifically, the OPUC CSS staff received 14 residential complaints and 18 commercial complaints

² In colder than normal winters, WARM will lower a customer's bill to the extent the Company would have over-recovered its fixed costs from the customer's increased gas usage as a result of the below-normal temperatures. In warmer than normal winters, WARM will increase a customer's bill to the extent the Company would have under-recovered its fixed costs from the customer's decreased gas usage as a result of the above-normal temperatures.

³ The June True-up was modified in Docket UM 1750. The Company now defers any amounts not recovered on monthly bills and recovers those amounts from all Rate Schedule 2 and 3 customers at the time of the Company's next purchased gas adjustment.

related to the True-up adjustment applied to zero use and low use customers, which is the subject of Complainant's Complaint.

On September 8, 2015, the Commission opened an investigation into NW Natural's WARM program.⁴ Specifically, Staff was directed to investigate:

1. Whether NW Natural is calculating the WARM adjustment correctly.
2. The factors leading to a high volume of complaints related to the 2014-2015 winter season and which of the factors are common to all the complaints.
3. Whether there are targeted and appropriate modifications to WARM that adequately address the issues raised in the complaints.

As a result of that investigation, the parties to the docket entered into a Stipulation resolving all issues in the docket. Specifically, the parties agreed in the Stipulation that the Company calculated the WARM adjustment correctly in the 2014-2015 WARM Period. On June 20, 2016, the Commission in Order No. 16-223 adopted the Stipulation. In light of the investigation and resulting Stipulation, the Company believes that it appropriately applied the WARM adjustment to customers enrolled in WARM who had zero or low gas usage in the WARM Period. As such, the Complainant should not be treated any differently than any other zero or low use customer who received WARM adjustments on their bills, and Complainant's request for relief should be denied.

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.

⁴ UM 1750, Order No. 15-264 (Sep. 8, 2015).

Dated this 10th day of August, 2016.

Respectfully submitted,

/s/ Zachary D. Kravitz

Zachary D. Kravitz

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