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May 23, 2011

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street NE, Suite 215
PO Box 2148
Salem, Oregon 97308-2148

**Re: Docket No. UM 1218
B1 Service Quality Measure for Billing Accuracy – Report of Bill Error –
Bill Message Error**

On June 25, 2010, NW Natural reported to Commission Staff that it had made an error on a message included on certain customers' bills, and that it was reporting the error under the B1 Service Quality Measure ("B1 SQM") applicable to NW Natural. In short, the error consisted of a misprint in a message to customers concerning a proration of their bill. While the message was intended to state that the proration reflects a change approved by regulators effective June 1, 2010, it instead stated that the proration reflected a change effective Jan. 1, 2009.¹

The misprint was reflected on bills that were sent to approximately 109,000 customers. It did not affect any billed amounts, and did not generate any inquiries or complaints from customers.

On July 9, 2010, NW Natural filed a final report on the error, describing the issue and the actions taken to correct it. This error was also described in NW Natural's 2010 Annual Report for B1 SQM, filed on March 1, 2011 (attached).

We have discussed the message misprint with Staff, and described our position that the message misprint should not be subject to B1 SQM, and that if it is subject to B1 SQM, we would request that the Commission waive, or at least reduce, any penalties associated with the misprint.

Staff requested that NW Natural explain its position in writing, so that Staff can evaluate our position before drafting a recommendation to the Commission. We appreciate this opportunity to explain our position.

¹ The full text of the message is contained in NW Natural's 2010 Annual Report for B1 Service Quality Measure for Billing Accuracy, Docket No. UM 1218 (March 1, 2011). That document is attached to this letter.

B1 SQM Should Not Be Applied to the Misprinted Message

As described above, NW Natural reported its bill presentation error to the Commission Staff in a manner that would be timely, and as would be required under B1 SQM. Upon further evaluation of B1 SQM, however, we do not believe that it applies to message misprints.

B1 SQM requires that NW Natural report “Bill Errors” to Commission Staff by email within ten days from the date it is identified by the Company, and provides for penalties, or remedies to be assessed for such Bill Errors. B1 SQM does not define the term Bill Error, except to explain that the term does not include errors related to certain meter reading errors, estimated meter reads, crossed meters, rebilling due to “turn-on or off” dates, re-billings due to incorrect customer-supplied data, or unavoidable events. See NWN UM 1218(1) Attachment A (“B1 SQM”), p. 3. Each of these exclusions refers to events that would cause billed *amounts*, *i.e.* dollars, to be incorrect, leading NW Natural to believe that B1 SQM is intended to address errors that cause billed amounts to be incorrect. As described above, the message misprint reported by NW Natural did not affect amounts billed to customers.

Additionally, the stated “interpretation” provided for in B1 SQM argues against applying it to the situation reported by NW Natural. That interpretation states:

B1 SQM shall be interpreted in accordance with the guiding principles used to develop this B1 SQM, which are to:

1. Provide assurance that NW Natural shall achieve a certain billing accuracy target level;
2. Provide assurance that NW Natural shall monitor, provide notification and respond to systematic billing errors quickly and effectively;
3. Provide sufficient remedy to customers for large-impact, systematic billing errors;
4. Develop an appropriate balance between customer benefit and the cost of administration and reporting; and
5. Not change the function and application of the existing C1 Service Quality Measure attached hereto as Exhibit A.

B1 SQM, p. 1 (emphasis added).

The misprint reported by NW Natural did not constitute a “large-impact, systematic billing error” by the company. To the contrary, although NW Natural certainly regrets the error in the text displayed on its bill, it is unaware of any impact it caused customers. We also believe that applying B1 SQM to the message error would not strike an “appropriate balance between customer benefit and the cost of administration and reporting” because the error was not the type that presented a harm to customers, and because applying B1 SQM to these types of errors may cause the Commission and

NW Natural to incur costs of administration and reporting that may not be commensurate with any benefit to customers.

If B1 SQM Applies to the Reported Error, Good Cause Exists to Reduce any Penalty

If the Commission determines that B1 SQM should apply to the misprinted message that was reported by NW Natural, we would respectfully request that the Commission find that for “good cause,” the remedy amount should be reduced or waived. See B1 SQM, p.4 (describing that the Commission may reduce the remedy amount for good cause).

Although the error was regrettable, and we have taken actions to seek to ensure that the problem is remedied on a going forward basis, the error caused no monetary impact to customers, and did not generate any inquiries or reported confusion among customers.

Furthermore, NW Natural provides the messaging to customers not because of any requirement to do so, but in order to try to provide clarity to its customers about any adjustments that underlie their bill. We believe that such messaging is generally helpful to customers, and that it would not be desirable for the Commission to discourage such messaging through determining that it will impose financial penalties under circumstances where such messages may contain a misprint. While NW Natural will certainly seek to avoid any misprints in its messages to customers, it does not believe that errors of the type in this instance cause harm to customers that should be addressed by the penalties associated with billing errors.

We believe that rather than applying B1 SQM to NW Natural’s voluntary messaging, a better path forward for determining the appropriate rules to be applied to bill messages would be through a rulemaking proceeding, through which these issues could be considered more thoroughly and on a standardized basis.

Thank you for considering these comments, and please call if you have any questions or desire further information.

Sincerely,

/s/ Mark R. Thompson

Mark R. Thompson

attachment – 2010 Annual Report for B1 SQM

Rates and Regulatory Affairs
Facsimile: 503.721.2516



March 1, 2011

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
550 Capitol Street, N.E., Suite 215
P.O. Box 2148
Salem, Oregon 97308-2148

Attn: Filing Center

Re: Docket No. UM 1218
2010 Annual Report for B1 Service Quality Measure for Billing Accuracy
(B1 SQM)

Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), submits herewith the annual report of the B1 SQM results for the calendar year 2010.

Reported Bill Errors during the Measure Year

There were two Bill Errors¹ during the Measure Year (Year). The first Bill Error affected 865 of 608,191 total bills issued in the January 2010 revenue month. The second Bill Error affected 109,180 of 610,589 total bills issued in the June 2010 revenue month and 94 of 606,547 bills in the July 2010 revenue month, for a total of 109,274 customer bills issued in error due to that Bill Error. Each of the reportable Bill Errors are described below.

1. **Smart Energy Bill Error – January 2010.** The Company submitted its initial and final report on this Bill Error on January 8, 2010. The cause of this Bill Error was an end date in the billing code that resulted in a failure to bill Smart Energy charges on 865 customer bills issued between January 4, 2010 and January 6, 2010. The end date was subsequently corrected to coincide with the end of the program pilot, September 1, 2012. Affected customers were issued corrected bills that contained a bill message explaining the billing error.

This Bill Error resulted in a Monthly Billing Accuracy Ratio in the month of January of 99.86%.

2. **Bill Message Error – June and July 2010.** The Company submitted its initial report on this Bill Error on June 25, 2010 and its final report on July 9, 2010. The cause of this Bill Error was a CIS synchronization problem that caused an overlay of an old bill print program code which resulted in the following failures: (a) on some printed bills, a bill message relating to a January 2009 rate change was displayed instead of the message relating to the June 2010 rate change; (b) on some printed bills the bill message regarding the June bill credit did not print

¹ A billing error by the Company due to the Same Cause that affects a total of five hundred (500) or more bills issued to Oregon customers.

at all; and (c) on the HTML bill image of paperless bills the wrong bill message was printed. The TIF image of the paperless bills was displayed accurately.

The bills that were issued with the wrong bill message displayed the following:

```
Description          Rate change for 1/1/2009
Comment
    The proration of this bill reflects a change approved by
    regulators effective Jan. 1, 2009. For more information about the
    rate change, please visit nwnatural.com or call 800-422-4012.
```

The message that should have printed and that was correctly displayed on the TIF image of paperless bills was:

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Description          Rate change for 06/01/2010
Comment
    This bill has been prorated to reflect a June 1, 2010 rate
    change approved by Oregon regulators for the true-up of income
    taxes. Visit nwnatural.com for more information.
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There were no errors in the calculation of any of the bill amounts issued during this time due to the incorrect bill message being printed. The bill message error affected 109,180 customer bills in June 2010 and 94 customer bills in July 2010. The Company did not re-issue any bills. No customer inquiries about this error were recorded.

Non-Reportable Bill Corrections

The attached report additionally shows the number and types of non-reportable bill corrections that occurred during the Year. These bill corrections are specifically excluded from the definition of a Bill Error. There were a total of 18,973 non-reportable bill corrections during the Year. As in previous years, the largest number of bill corrections occurred due to a change in service start or end date, which result primarily because of incorrect or untimely customer-provided information. The next largest number of bill corrections resulted from a one-time CIS program code problem that affected the email notification to paperless billing customers. This code problem did not result in any billing errors.

The Company experienced an overall bill accuracy ratio for the Year, including the reportable and non-reportable Bill Errors, of 98.23%.

Conclusion

The Company's billing accuracy target is a monthly billing accuracy ratio of greater than or equal to 99.4%. The bill message error that occurred in June 2010 caused June's accuracy ratio to fall below the target, to 82.12%. The annual bill accuracy ratio was 98.49%. The remedy calculation for falling below the billing accuracy target is \$58,520.

The Company requests that the Commission consider a reduced penalty determination under the mitigating circumstances provisions of Section V of the Company's B1 SQM. This request is based on the following facts:

- Of the 3,330 paperless bills that were affected, the TIF version of the bills displayed the correct bill message. The ability to view the bill in either HTML or TIF is readily accessible to all paperless billing customers. It is unknown how many customers actually saw the incorrect message.
- All of the affected bills were calculated correctly. The Bill Error did not require a re-issuance of any bills.
- None of the affected customers were harmed by the bill message error.
- No customer inquires about the Bill Error were recorded.

Thank you for your consideration in this matter.

Please address correspondence on this matter to me with copies to the following:

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Please do not hesitate to call if you have questions or desire further information.

Sincerely,

/s/ Onita R. King

Onita R. King
Rates & Regulatory Affairs

Attachment:

cc: David Anderson
C. Alex Miller
Dave Williams
Mark Thompson
Chuck Muehleck

OPUC Staff:
Lori Koho
Lisa Gorsuch