

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1218(1)

In the Matter of)	
)	
NORTHWEST NATURAL GAS)	ORDER
COMPANY)	
)	
Motion to Amend Order No. 05-1055.)	

DISPOSITION: MOTION GRANTED

On April 25, 2007, Northwest Natural Gas Company, dba NW Natural (NW Natural), submitted a Motion to Amend (Motion) with the Public Utility Commission of Oregon (Commission) to amend Order No. 05-1055 by making minor revisions to its B-1 Service Quality Measure for Billing Accuracy (B-1 SQM). On March 19, 2007, NW Natural submitted an amended version of its 2006 B-1 SQM Annual Report, reflecting two billing errors, for acceptance by the Commission. A description of the filing is found in Staff's Report, attached as Appendix A and incorporated by reference.

At its public meeting on May 8, 2007, the Commission adopted Staff's recommendation to approve NW Natural's Motion to Amend Order No. 05-1055, accepted NW Natural's 2006 B-1 SQM Annual Report, and found that no remedy determination is required for the 2006 Measure Year.

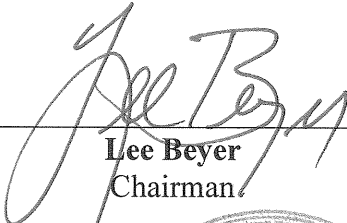
ORDER

IT IS ORDERED that:

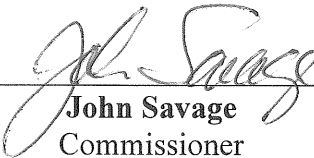
1. Northwest Natural's Motion to Amend Order No. 05-1055 is approved and the revised B-1 Service Quality Measure requirements are allowed to go into effect.

2. Northwest Natural's 2006 B-1 Service Quality Measure Annual Report, filed on March 19, 2007, is accepted. No remedy determination is required for the 2006 Measure Year.


Made, entered, and effective MAY 15 2007.



Lee Beyer
Chairman



John Savage
Commissioner



Ray Baum
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 8, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE _____ Upon approval by the Commission

DATE: April 25, 2007

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *LS* Lee Sparling, *EB* Ed Busch, and *JJ* Judy Johnson

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1218(1)) Motion to amend Order No. 05-1055 to make minor revisions to its B-1 Service Quality Measure for Billing Accuracy; and presentation of its 2006 B-1 Service Quality Measure Annual Report.

STAFF RECOMMENDATION:

I recommend that Northwest Natural's April 25, 2007, substitute filing of a motion to amend Order No. 05-1055 for the purpose of making minor revisions to its B-1 Service Quality Measure for Billing Accuracy (B-1 SQM) be granted, and the revised B-1 SQM be allowed to go into effect upon Commission approval. I also recommend that the Commission accept Northwest Natural's amended 2006 B-1 SQM Annual Report as filed on March 19, 2007, and find that Northwest Natural has met the billing accuracy levels required by its B-1 SQM.

DISCUSSION:

B-1 SQM Background

By Order No. 05-1055 the Commission approved Northwest Natural's (NWN or Company) current B-1 SQM to be effective January 1, 2006. NWN requested approval as part of a negotiated settlement regarding its ability to collect certain Schedule 190-related under billings.

The purpose of the B-1 SQM is to assure that bills issued by NWN to its Oregon customers are accurate and, if accuracy targets are not met, to provide the Commission with certain remedies. The requirements of the B-1 SQM were the result of collaboration and compromise between NWN, Staff, and the Citizens' Utility Board.

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B-1 SQM Proposed Amendment

At Staff's suggestion, NWN has submitted a request to make changes to the terms of its B-1 SQM that are best characterized as housekeeping in nature. The modifications¹ to the language are designed to align the wording with the intended outcome of the requirements. In addition, the changes ensure that NWN's risk for errors is aligned with the risk assigned to an electric utility in its recently approved B-1 SQM. Staff's position is that B-1 SQMs should have similar requirements modified only to take into account the differences between industries.

Specifically, in Definition C and Exclusions Clarification B (1), the reference to "in a Bill Month" has been deleted. This change will allow NWN to accurately count the total number of bills associated with a specific Bill Error when the error affects bills issued in multiple months, and the number of bills issued in error during one or more of those months is less than 500.

In Part VI(A)(3), Reports, the provision regarding the Annual Report item (c) has been modified to read, "all billing errors that occurred during the prior Measure Year which affected more than 500 customers but which do not meet the definition of Bill Error." The purpose of this requirement is to ensure that NWN reports all instances of potential Bill Errors. This gives Staff the opportunity to analyze the error and determine whether Staff agrees with NWN's conclusion that the error does not meet the definition of a Bill Error and therefore should be excluded from monthly and annual totals. The current language can be read to require NWN to report errors that affect less than 500 bills which is burdensome and does not add anything to the process.

2006 B-1 SQM Annual Report

In its amended report², NWN reports two Bill Errors³ for the 2006 Measure Year. The first occurred on May 15, 2006, and affected 846 bills. This resulted in a 99.86% Monthly Billing Accuracy Ratio (MBAR) for May. The second occurred from July 14, 2006 through August 8, 2006, affecting 1,086 July bills and 2,001 August bills. This resulted in an MBAR of 99.81% for July and 99.65% for August. Overall, the Company exceeded its Monthly Billing Accuracy Ratio target of 99.4% for each of the 12 months. Staff agrees with NWN's conclusion that no remedy determination is required for the 2006 Measure Year.

¹ See Attachment A for a "red-line" copy of the proposed B-1 SQM.

² See Attachment B.

³ A Bill Error is generally defined as an error affecting 500 or more bills that is due to the same cause.

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PROPOSED COMMISSION MOTION:

1. NWN's April 25, 2007, motion to amend Order No. 05-1055 to make minor revisions to its B-1 SQM be approved and the revised B-1 SQM be allowed to go into effect.
2. NWN's 2006 B-1 SQM Annual Report filed March 19, 2007, be accepted and no remedy determination be required for the 2006 Measure Year.

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NORTHWEST NATURAL GAS COMPANY
B1 Service Quality Measure
For Billing Accuracy

I. Purpose and Interpretation

- A. Purpose. The purpose of this B1 Service Quality Measure ("B1 SQM") is to assure that, overall, bills issued to Oregon customers by Northwest Natural Gas Company ("NW Natural" or the "Company") are accurate, and, if performance accuracy targets are not achieved, to provide the Public Utility Commission of Oregon (the "Commission") with certain remedies.
- B. Interpretation. This 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 ("C1 SQM") attached hereto as Exhibit A.

II. Term and Accuracy Target

- A. Term. This B1 SQM shall be effective from the January 2006 Bill Month (as defined below) through and including the September 2012 Bill Month (as defined below) (the "Term").
- B. Accuracy Target. The Company voluntarily adopts this B1 SQM which applies to bills issued by the Company to Oregon customers and agrees, subject to the terms and conditions set forth in this B1 SQM, that during the Term, its Monthly Billing Accuracy Ratio (as defined below) shall be greater than or equal to ninety-nine point four percent (99.4%) and, if not, then the Company shall incur the remedy amounts set forth in Section V. below.

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III. Definitions

Capitalized terms used but not defined in other sections of this B1 SQM shall have the meanings set forth below.

- A. Aggregated Bill Error Grand Total. The sum of all Bill Error Grand Totals for a Measure Year.
- B. Aggregated Monthly Bill Error Total. The sum of all Monthly Bill Error Totals for a Bill Month.
- C. Bill Error. Subject to Section IV. below, 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 in a Bill Month.
- D. Bill Error Grand Total. The sum of the Monthly Bill Error Totals for all Bill Months during a Measure Year for a specific Bill Error.
- E. Bill Month. The month in which the Company records an original bill to a customer into its financial records. This means one full set of billing cycles such that all customers have been billed once. A Bill Month may differ from a calendar month.
- F. Measure Year. The twelve (12) month period from the January Bill Month through and including the December Bill Month.
- G. Monthly Bill Error Total. The number of bills associated with a specific Bill Error in a Bill Month.
- H. Monthly Billing Accuracy Ratio. The Monthly Billing Accuracy Ratio shall be equal to:
$$1 - \left(\frac{\text{Aggregated Monthly Bill Error Total}}{\text{Total number of bills issued to all Oregon customers during the same Bill Month}} \right)$$
- I. Net Revenues. Gross revenues less the cost of natural gas (which cost of natural gas shall include pipeline demand charges) as shown in the Company's most recent annual results of operations report to the Commission.

J. Same Cause. A single, specific event, reason, condition, or antecedent that permits the occurrence of or leads to a result that is similar in kind. By way of example, but not of limitation, a specific computer programming error that leads to multiple bill errors would be the same cause, while two or more computer programming errors that lead to a type of bill error different from the other would each be attributed to a different cause, and would be counted separately.

IV. Exclusions

A. Bill Error. The term, Bill Error, shall not include:

1. Meter reading errors "normally encountered" in meter reading operations. By way of example, but not of limitation, meter reading errors "normally encountered" include an inability to access a meter due to a dog, a locked gate, a cover over a meter, an unlocatable meter, or a hazardous condition, including but not limited to a confined space;
2. Estimated meter reads or billing performed in accordance with procedures or policies approved by the Commission or the Company;
3. "Crossed meters" that are "crossed" "physically" or "on paper" when the cause of such can be documented to be outside of the Company's control. By way of example, but not of limitation, "crossed meters" include physically crossed houselines and meters assigned to neighboring addresses (e.g., due to incorrect labeling of the premises or data being provided to the Company by a third party such as a contractor or developer during construction);
4. Rebilling resulting from changed "turn on" or "turn off" dates provided by customers;
5. Rebilling resulting from incorrect customer supplied data; and
6. Unavoidable accident or casualty, extraordinary action of the elements, strikes, interruptions caused by government action or authority, litigation, or any cause beyond the reasonable control of the party claiming force majeure which could not have been prevented by the exercise of due diligence, or which could not otherwise reasonably be foreseen and guarded against. Force majeure usually does not include required maintenance of Customer's facilities, plant closures, economic conditions, or variations in agricultural crop production.

B. Exclusions Clarification.

1. Meter reading errors from actions not consistent with Company meter reading policy that are due to the Same Cause that affects a total of five hundred (500) or more bills issued to Oregon customers in a Bill Month shall be included as Bill Errors; and
2. The exclusions in Section IV.A. above shall not be excluded from consideration under the C1 SQM.

V. The Remedy Calculation

- A. 2006 Measure Year. For the Measure Year including the January 2006 Bill Month through and including the December 2006 Bill Month, if the Monthly Billing Accuracy Ratio is not met, the remedy per Bill Month shall be \$50,000, up to a maximum of \$600,000 for such Measure Year.
- B. Subsequent Measure Years. For the Measure Years including the January 2007 Bill Month through and including the December 2007 Bill Month, and in subsequent Measure Years, if the Monthly Billing Accuracy Ratio is not met, the remedy per Bill Month shall be one-twelfth (1/12) of zero point two percent (0.2%) of the Company's prior year's Net Revenues.
- C. Mitigating Circumstances. For good cause shown the Commission may reduce the remedy amount for a specific bill month below the amounts set forth in A. and B. of this section.

VI. Reports, Determination of Remedy and Records

A. Reports.

1. Initial Notification. NW Natural shall notify staff of the Commission ("Staff") no later than ten (10) business days from the date the first Bill Error is identified by the Company using electronic notification (e.g., email).

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2. Subsequent Written Notification. NW Natural shall submit a written report to Commission Staff no later than sixty (60) business days from the date that the first Bill Error is identified by the Company, subject to Section VII.A. The written report shall include: (a) a description of the Bill Error; (b) the Monthly Bill Error Total; (c) the Bill Error Grand Total; (d) how the error was discovered, and (e) a description of the actions taken by the Company to correct the Bill Error.

3. Annual Report. NW Natural shall submit a written report to the Commission which shall include: (a) all Bill Errors that the Company identified during a Measure Year; (b) the Monthly Billing Accuracy Ratio reported on a Bill Month basis; (c) all billing errors that occurred during the prior Measure Year which affected more than 500 customers but which do not meet the definition of Bill Error; (d) the Bill Error Grand Total for the prior Measure Year for each Bill Error; and (e) any remedy calculated as set forth in Section V. The first report shall be submitted by the Company on or before March 1, 2007, with subsequent reports to be submitted by the Company on or before March 1 of each Measure Year for the prior Measure Year. The Company may combine reports under this B1 SQM with any reports required under any other service quality measures.

B. Determination of Remedy. On or before June 1 for the prior Measure Year, beginning on June 1, 2007 for the 2006 Measure Year, the Commission Staff shall present to the Commission, at its regularly scheduled public meeting, a copy of the annual report as set forth in VI. A. 3. above, along with Staff's recommendation.

C. Account Recordation. Within a reasonable period of time after the Commission determines that a remedy shall apply as set forth in Section VI. B. above, the Company shall record such amount as a liability and include such amount in its annual purchased gas adjustment filing which amount shall be deemed to have all of the characteristics of a deferral account for purposes of such filing. This amount shall accrue interest, at the Commission authorized rate, beginning at the date of the Commission's determination and continuing until the balance is amortized into rates, or eliminated through a one time credit to customer bills.

D. Maintenance of Records. NW Natural shall maintain billing accuracy tracking reports for a minimum of five (5) Measure Years. NW Natural shall maintain a rolling thirty-six (36) Bill Months of actual billing data for all customers.

VII. Special Conditions

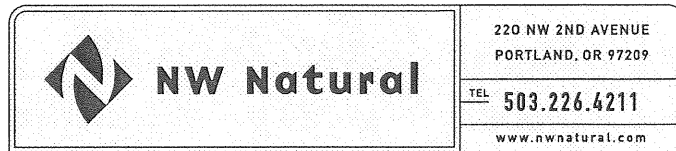
A. Origination of Bill Error Reporting.

1. When a Bill Error is found to have originated prior to the Bill Month in which the Bill Error was first reported as set forth in Section VI.A. above, a Bill Error will be counted for each Bill Month in which Bill Errors occurred up to six (6) months unless Staff and/or an intervenor provides evidence to the Commission for extending the number of Bill Months in which the Bill Error will be counted up to a maximum of 36 months, or the Company provides evidence to the Commission for reducing the number of Bill Months in which the Bill Error will be counted.
2. In VII.A. 1. the Company shall have the burden of proof to demonstrate why fewer Bill Months should be counted, and Staff and intervenors shall have the burden of proof to demonstrate why more Bill Months should be included.

B. Conflict. Billing errors that are not subject to this B1 SQM shall continue to be subject to the C1 SQM. Bill Errors that are subject to this B1 SQM shall not be subject to the C1 SQM. In the event of conflict between the B1 SQM and the C1 SQM, the terms and conditions of the B1 SQM shall control.

C. System or Tariff Changes. The Company may request in advance that Bill Errors resulting from a new or changed system or tariff be excluded from this B1 SQM if they are included in an implementation plan for the new or changed system or tariff and that implementation plan includes service quality considerations.

Rates and Regulatory Affairs
Facsimile: 503.721.2532



March 19, 2007

VIA ELECTRONIC MAIL

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

Attn: Vikie Bailey-Goggins

Re: Docket No. UM 1218
Amended 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 an amended first annual report of the B1 SQM results for the calendar year 2006. The amended report clarifies and corrects typographical errors in the descriptions of each reported Bill Error.

Reported Bill Errors during the Measure Year

There were two Bill Errors⁴ during the Measure Year (Year) that combined, affected 3,696 customer bills:

1. **WARM Bill Error – May 15, 2006.** The Company submitted the initial and final report of this Bill Error on May 25, 2006. This Bill Error was caused by a CIS programming error that terminated the WARM program with bills issued on and after May 15, 2006, but should have terminated the program with bills issued on and after the first day following May 15. The Company took action to correct only those bills that were over billed as a result of the error, reported as 615 bills. There were a reported 236 bills that were under billed, but the rebilling for these bills was waived. The Monthly Bill Error Total was 846 bills, 5 fewer than the 851 bills originally reported. Ultimately only 609 bills actually required correction. The resulting Monthly Bill Error Grand Total of 846 bills in the month of May resulted in a 99.86% Monthly Billing Accuracy Ratio.

⁴ 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 in a Bill Month.

2. **Lincoln City Tax Bill Error – July 14 – August 8, 2006.** The Company submitted the initial and final report of this Bill Error on October 30, 2006. This Bill Error was caused by the company's inadvertent early assessment of a city franchise fee increase to customers in Lincoln City, Oregon. The Company learned of this problem on October 19, 2006, but the error affected bills issued between July 14, 2006 and August 8, 2006. There were a reported 3,114 bills that were over billed as a result of this Bill Error, but the actual Bill Error Grand Total was only 3,087 (1,086 in July and 2,001 in August). The Monthly Bill Error Total in the month of July resulted in a 99.81% bill accuracy ratio and the Monthly Bill Error Total in the month of August resulted in a 99.65% bill accuracy ratio.

Even with the Monthly Bill Errors, the Monthly Billing Accuracy Ratio⁵ in each month was well above the 99.4% accuracy target. For the Measure Year, the overall bill accuracy ratio was 99.94%.

Non-Reportable Bill Corrections

The attached report 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 28,559 bill corrections during the Year. The largest number of bill corrections occurred due to a change in service start or end date, which result primarily because of incorrect customer provided information. The next largest number of bill corrections resulted from correcting meter reading errors that are normally encountered in meter reading operations⁶.

For the Year, the number of non-reportable bill corrections and reportable Bill Errors combined was 32,492, for an overall bill accuracy ratio for the Year of 99.53%.

Conclusion

The Company exceeded the 99.4% Monthly Billing Accuracy Ratio in each month that a Bill Error was recorded. Therefore, there is no remedy determination required for the 2006 Measure Year.

⁵ The monthly Billing Accuracy Ratio shall be equal to Aggregated Monthly Bill Error Total divided by the Total number of bills issued to all Oregon customers during the same Bill Month.

⁶ By way of example, but not of limitation, meter reading errors "normally encountered" include an inability to access a meter due to a dog, a locked gate, a cover over a meter, an unlocatable meter, or a hazardous condition, including but not limited to a confined space.

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

Kelley Miller
Staff Assistant
Rates & Regulatory Affairs
220 NW Second Avenue
Portland, Oregon 97209
Telecopier: (503) 721-2532
Telephone: (503) 226-4211, ext. 3589
E-mail: kelley.miller@nwnatural.com

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

Sincerely,

/s/ Onita R. King

Onita R. King, Manager
Tariffs & Regulatory Compliance

cc: Gregg Kantor
C. Alex Miller
Dave Williams
Inara Scott
Susan Dodge
Chuck Muehleck

OPUC Staff:
Judy Johnson
Bonnie Tatom
Deborah Garcia

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Total Bills Issued - Oregon	566,613	568,384	571,705	569,994	599,083	571,056	568,176	568,118	567,675	570,465	576,118	580,590	6,877,977
BSQM Bill Errors - Oregon	0	0	0	0	0	0	1,086	2,001	0	0	0	0	3,087
LC Tax billed 7/14-8/8/06	0	0	0	0	846	0	0	0	0	0	0	0	846
W/ARM Adj for 051506 *	0	0	0	0	846	0	1086	2001	0	0	0	0	3,933
SubTotal BSQM	0	0	0	0	846	0	1086	2001	0	0	0	0	3,933
% of Total Bills Issued	0.00%	0.00%	0.00%	0.00%	0.14%	0.00%	0.19%	0.35%	0.00%	0.00%	0.00%	0.00%	0.06%
% of Total Bills Issued Correctly	100.00%	100.00%	100.00%	100.00%	99.86%	100.00%	99.81%	99.65%	100.00%	100.00%	100.00%	100.00%	99.94%

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Non-Reportable Bill Errors - Oregon	61	46	37	26	25	19	7	28	13	7	10	7	286
Crossed Meter Correction	40	41	30	49	34	31	33	54	18	17	20	25	392
Bill Clerk Processing Error	90	89	99	86	107	139	176	159	69	28	33	3	1,078
Bill Undr/Ovr Registerd Mir Use	43	22	13	6	3	0	0	0	0	1	1	8	128
Cancel/Bill Agn to Start PmtPn	3	13	8	5	4	10	4	3	3	4	1	3	61
Change Customer Rate Schedule	824	813	745	811	1,204	1,014	906	622	554	1,012	744	731	9,980
Change Service Start/End Date	9	8	9	9	9	10	11	12	11	4	5	5	102
Meter Pressure	72	176	71	83	91	22	29	10	27	9	13	9	612
CIS Progm Code Error	0	0	0	0	1	1	7	4	2	15	9	15	54
ERT Install Pgm Error	19	35	34	42	36	43	38	38	19	23	22	15	364
Info from Field Tech	0	0	0	0	0	0	0	0	0	0	0	0	0
Meter Read Data	1,023	643	808	808	924	1,119	1,028	763	569	281	321	556	8,843
Meter Read Error	48	30	38	29	15	0	19	30	25	24	21	31	339
Order Info From CSR	0	0	0	0	0	0	0	0	0	1	1	1	3
Payment Plan	0	0	0	0	0	0	0	0	0	0	0	0	0
Pmt Application	0	0	0	0	0	0	1	0	0	0	0	0	1
Prior Estimated Read	71	68	75	82	105	177	175	239	201	134	54	69	1,450
Prorated Meter Read	0	0	1	0	0	2	0	1	3	1	1	2	10
Customer Provided Incorr Read	8	7	12	18	5	12	10	10	8	10	7	7	114
Deposit Procd Incorrectly	7	11	4	9	8	13	14	6	12	20	10	24	129
Other	124	86	104	62	48	34	43	37	36	31	21	24	650
Prior High Est Read (Auto)	76	33	49	101	165	901	564	809	624	289	70	124	3,805
Reverse Deposit - Credit Estab	7	2	2	1	0	7	8	7	5	7	6	10	62
W/ARM Opt-Out;Not Procd Timely	9	9	3	5	22	8	0	0	0	0	0	0	59
W/ARM Tariff Appnd Opt-Out Chg	13	11	3	4	2	8	0	0	0	0	0	1	36
SubTotal Other	2,547	2,143	2,145	2,236	2,809	3,596	3,073	2,832	2,199	1,918	1,367	1,694	28,559
Total Bill Errors - Oregon	2,547	2,143	2,145	2,236	3,655	3,596	4,159	4,833	2,199	1,918	1,367	1,694	32,492
% of Total Bills Issued	0.45%	0.38%	0.38%	0.39%	0.61%	0.63%	0.73%	0.85%	0.39%	0.34%	0.24%	0.29%	0.47%
% of Total Bills Issued Correctly	99.55%	99.62%	99.62%	99.61%	99.39%	99.37%	99.27%	99.15%	99.61%	99.66%	99.76%	99.71%	99.53%

* Includes 237 bills which were not corrected in accordance with OAR 860-021-0135 (2).