

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1218(5)

In the Matter of

NORTHWEST NATURAL GAS
COMPANY, dba NW NATURAL

2009 Annual Report for B1 Service Quality
Measures for Billing Accuracy

ORDER

**DISPOSITION: ANNUAL SERVICE QUALITY REPORT ACCEPTED;
REDUCED PENALTY ASSESSED**

On March 1, 2010, Northwest Natural Gas Company, dba NW Natural (NW Natural or Company), filed its 2009 Annual report for billing accuracy with the Public Utility Commission of Oregon (Commission). In its report, NW Natural reported billing errors that affected approximately 57,000 customers. The billing errors, primarily related to a rate change that became effective on January 1, 2009, resulted in a total over-billed amount of just under \$2,000. The impact on individual customers was minimal with no account over-billed by more than four cents

At a May 25, 2010 Public Meeting, Staff recommended that we accept NW Natural's 2009 Annual Report. Because the billing errors exceeded the utility's billing accuracy service standards, Staff also recommended a remedy amount of \$55,973 be required based on the established calculations set forth in Order Nos. 05-1055 and 07-192. A full description of Staff's recommendation is contained in its report attached as Appendix A.

NW Natural appeared at the Public Meeting and requested the remedy amount be reduced given the small overall and individual impact of the billing error.

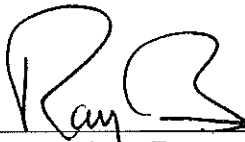
We adopt Staff's recommendation, with the modification that the remedy amount be reduced to \$6,000. This reduced amount is designed to reflect a remedy equal to approximately three times the amount of the over-billing that occurred. The reduction in the penalty is justified due to the small overall impact of the billing error.

ORDER

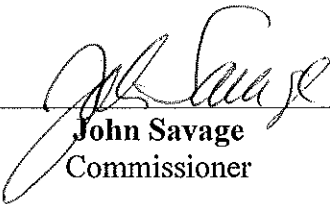
IT IS ORDERED that:

1. Northwest Natural Gas Company's 2009 Service Quality Measures report is accepted.
2. A monthly remedy amount totaling \$6,000 is required.

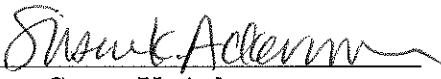
Made, entered, and effective **MAY 27 2010** .



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
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.

ITEM NO. 4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 25, 2010

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

DATE: May 17, 2010

TO: Public Utility Commission

FROM: *AG*
Lisa Gorsuch

THROUGH: *LS* Lee Sparling, *EB* Ed Busch, and *LK* Lori Koho

SUBJECT: NORTHWEST NATURAL: (Docket No. UM 1218(5)) 2009 Annual report of B-1 Service Quality Measures for billing accuracy.

STAFF RECOMMENDATION:

Staff recommends that the Commission accept Northwest Natural's (NWN or Company) 2009 Annual Report and a monthly remedy amount totaling \$55,973.00 be required.

DISCUSSION:

History

The purpose of the B-1 Service Quality Measures for billing accuracy (B-1 SQM), as adopted by Commission Order No. 05-1055 and modified by Order No. 07-192, 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.

Last year, Staff recommended and the Commission granted, no remedy determination be required for a Bill Error¹ that resulted in a 98.65% billing accuracy ratio for the month of July, which was below the billing accuracy target of greater than or equal to 99.4%. The overall billing accuracy for the 2008 Measure Year (Year) was 99.86%, which exceeded the billing accuracy target for the Year. Staff's review of the circumstances surrounding the potential for remedy concluded that Consumer Services Division

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.

NWN 2009 B1 SQM
May 17, 2010
Page 2

received no complaints, and determined that there had not been an adverse or significant customer impact as a result of the incident in July.

Reported Bill Errors – 2009 Measure Year

In its 2009 report,² NWN reports one Bill Error during the Measure Year that affected 429 of 625,417 total bills issued in the November 2009 revenue month, and affected 56,628 of 606,256 total bills issued in the December 2009 revenue month, for a total of 57,057 customer bills issued in error. As a result, the Monthly Billing Accuracy Ratio was not met.

The Commission received NWN's initial report of this Bill Error on December 11, 2009, and the final report on January 6, 2010. The Company states that the error was caused by the code change completed in October 2008 to allow for the proration of bills during the WARM period. The code change was made to accommodate a January 1, 2009, change to base rates arising from Commission Order 08-578 in Docket UM 1335.³ The Company further explains that this was the first time that a change to billing rates occurred during the WARM Period. All other components of the WARM calculation are reported to have been performed accurately and in accordance with the Company's approved Tariff, Schedule 195.

The total over-billed amount was just under \$2,000.00. The individual impact on affected customers was minimal with no accounts over-billed by more than four (4) cents. Staff worked with NWN to determine how and when the 51,789 customers that were over-billed, out of the 57,057 bills issued in error, would receive a refund. The bill correction for the over-billed customers will be accomplished through the individual customer's WARM deferral balance during the 2009-2010 WARM Period. No bill adjustments have been or will be made where an under-billing occurred.

This Bill Error affected bills in November and December 2009; the Monthly Billing Accuracy Ratio in the month of November was 99.93% and in the month of December was 90.66%. For the Measure Year the bill accuracy ratio was 99.21%. Both the Monthly Billing Accuracy Ratio for December and the overall bill accuracy ratio for the Year fell below the billing accuracy target of greater than or equal to 99.4%.

² See Attachment A.

³ Docket UM 1335 – NWN filed an application with the Commission for an accounting order regarding depreciation rates and flow-through amounts, which resulted in stipulating parties agreeing that NWN's rates would change, on January 1, 2009, to reflect a decrease in the Company's revenue requirement of \$10,746,540. For full details, see Commission Order 08-578.

NWN 2009 B1 SQM
May 17, 2010
Page 3

Remedy

The calculation⁴ of the monthly remedy amount incurred by NWN, per the terms and conditions set forth in Commission Order No. 05-1055 and modified by Order No. 07-192, totaled \$55,973.00. NWN requests consideration by the Commission of a zero penalty determination under the mitigating circumstances provisions of Section V of the Company's B1 SQM.

Staff recommends that the monthly remedy amount, totaling \$55,973.00, incurred by NWN, be required. However, Staff has concerns about the remedy standards due to the individual and overall impact of this single Bill Error on customers, the Company's swift and appropriate action in both the timely reporting of the error and its bill correction plan for the over-billed customers. Staff will continue to evaluate the possibility of alternative measures to determine appropriate remedy, if any, in response to bill errors based on criteria beyond the number of impacted bills by the same cause.

PROPOSED COMMISSION MOTION:

NWN's 2009 SQM report be accepted and a monthly remedy amount totaling \$55,973.00 be required.

NWN 2009 B1 SQM

⁴ 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.

Total Bills Issued - Oregon	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
604,146	606,293	604,547	604,120	602,323	602,018	598,979	598,574	599,366	587,417	625,733	606,256	7,239,772	

BSQM Corrections - Oregon

WARM Error 200912	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
0	0	0	0	0	0	0	0	0	0	0	429	56,628	57,057
SubTotal BSQM	0	0	0	0	0	0	0	0	0	0	429	56,628	57,057
% of Total Bills Issued	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	9.34%	0.79%

% of Total Bills Issued Correctly

100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.93%	90.66%	99.21%
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Other Bill Corrections - Oregon

Crossed Meter Correction	53	66	55	18	18	17	19	8	23	38	6	1	322
Bill Clerk Processing Error	34	12	22	21	9	15	12	10	5	7	21	19	187
Bill Undr/Ovr Regis/rd Mtr Use	210	202	228	218	158	128	115	102	82	44	28	13	1,528
Cancel of Correct (Good) Bill	72	124	68	40	15	10	6	6	26	18	11	14	410
Cancel/Bill Agn to Start PmtPln	17	8	3	2	2	3	0	0	0	1	3	14	53
Change Customer Rate Schedule	2	6	6	3	4	2	3	2	1	2	0	0	31
Change Service Start/End Date	758	843	810	733	1,082	1,027	764	844	742	717	711	633	9,664
Corrects for Meter Pressure	9	6	6	4	4	1	1	1	1	0	0	0	33
Corrects CIS Progm Code Error	22	8	25	120	28	41	62	57	60	39	38	35	535
Corrects ERT Install Pgm Error	26	18	15	7	14	13	14	8	12	9	7	2	146
Corrects Info from Field Tech	19	18	14	32	27	13	13	4	3	3	10	10	166
Corrects Meter Read Data	0	0	0	0	0	0	0	1	0	0	0	16	17
Corrects Meter Read Error	1,072	2,349	630	678	663	680	440	451	383	276	21	12	7,655
Corrects Order Info From CSR	48	41	38	52	29	32	33	24	27	23	33	25	405
Corrects Payment Plan	3	5	0	1	0	0	0	0	0	0	0	0	9
Corrects Prior Estimated Read	158	95	64	85	89	304	96	96	85	101	29	24	1,226
Corrects Prorated Meter Read	2	2	5	1	3	3	3	1	1	5	1	4	30
Customer Provided Incorr Read	19	7	8	9	5	6	8	5	3	1	2	1	74
Deposit Procd Inccorrcly	36	34	32	38	29	33	48	58	57	49	68	56	538
Other	43	32	33	36	18	21	20	13	13	13	14	26	282
Prior High Est Read (Auto)	53	34	47	61	89	127	60	19	15	20	29	41	595
Reverse Deposit - Credit Estab	14	4	16	12	3	9	14	7	12	20	16	13	140
WARM Opt-Out;Not Procd Timely	4	0	2	1	1	0	0	0	0	0	0	0	11
WARM Tariff Approvd Opt-Out Chg	0	0	0	0	1	0	0	0	0	0	0	0	1
SubTotal Other	2,674	3,914	2,127	2,172	2,291	2,486	1,731	1,717	1,551	1,386	1,047	962	24,058

BSQM & Other Bill Corrections

Total Bill Corrections - Oregon	2,674	3,914	2,127	2,172	2,291	2,486	1,731	1,717	1,551	1,386	1,476	57,590	81,115
% of Total Bills Issued	0.44%	0.65%	0.35%	0.36%	0.38%	0.41%	0.29%	0.29%	0.26%	0.24%	0.24%	9.50%	1.12%

% of Total Bills Issued Correctly

99.56%	99.35%	99.65%	99.64%	99.62%	99.59%	99.71%	99.71%	99.74%	99.76%	99.76%	90.50%	98.88%
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