

Rates and Regulatory Affairs
Facsimile: 503.721.2532



September 2, 2005

VIA ELECTRONIC FILING

Public Utility Commission of Oregon
ATTN: Filing Center
550 Capitol Street NE, Suite 215
Post Office Box 2148
Salem, Oregon 97308-2148

Re: OPUC Docket No. UM _____

Enclosed for filing is Northwest Natural Gas Company's Petition for Adoption of New Billing Accuracy Service Quality Measure.

Please contact me if you have any questions.

Sincerely,

/s/ C. Alex Miller

C. Alex Miller, Director
Regulatory Affairs & Forecasting

CAM/cmt
enclosures

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UM _____

In the Matter of the Petition of)	PETITION FOR
)	ADOPTION OF NEW BILLING
Northwest Natural Gas Company)	ACCURACY SERVICE
)	QUALITY MEASURE

I. Introduction

Northwest Natural Gas Company (“NW Natural” or the “Company”) petitions the Public Utility Commission of Oregon (“Commission”) for the adoption of the billing accuracy service quality measure (“B1 SQM”) attached hereto as Exhibit 1.

II. Background

The Company strives to ensure that, overall, bills issued to customers are accurate. In fact, the Company has had a long-standing practice of establishing internal targets for billing accuracy. In conversations with Commission Staff (“Staff”) about the Schedule 190 and related billing issues, the Company and Staff discussed at great length the development of a service quality measure for billing accuracy as a means to monitor and report on billing accuracy, as well as to provide appropriate remedies for customers in the event that billing accuracy falls short of expected targets. The attached B1 SQM (see Exhibit A) represents the results of that joint effort.

The B1 SQM accomplishes the following: (1) provides assurance that NW Natural shall achieve a billing accuracy target greater than or equal to 99.4%; (2)

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.

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. (Aggregated Monthly Bill Error Total divided by the Total number of bills issued to all Oregon customers during the same Bill Month)

- 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).

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 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.

EXHIBIT A

NW Natural

C1 Service Quality Measure (SQM)

(Restated from OPUC Order No. 02-634, Appendix A, pp. 12-14)

NW Natural agrees to adopt, effective October 1, 2002, for a ten-year period, a C1 Service Measure consistent with that adopted for PGE in Commission Order 97-196 and revised in UM 967, as follows:

The unit of measurement shall be the Commission's "PUC Complaints At Fault per 1,000 Customers" as established by the Consumer Services Division of the Commission, and calculated as an average ratio for the entire calendar year.

The performance goal will be to maintain an annual average ratio of PUC Complaints At Fault Per 1,000 Customers of Less than 0.07.

For the year ending December 31, 2005 and thereafter¹: (a) Performance at or above a ratio of 0.10 will result in a \$100,000 penalty. (b) Performance at or above a ratio of 0.13 will result in a \$500,000 penalty for a first occurrence and a \$1,000,000 penalty for any subsequent occurrence at any time within the term of this agreement.

NW Natural's operating and maintenance expenditures for customer service will be submitted annually by the Company for Commission review. Each report will cover a calendar year's expenditures for this purpose and will be due no the same date as NW Natural's Annual Report on Form 2 for the year. Should customer performance as measured by the C1 SQM degrade to the point that penalties are assessed, and the Commission determines in a formal proceeding that underspending in specific customer service accounts significantly contributed to the unacceptable performance levels, any shortfalls in expenditures for that year from the amount authorized in rates for those specific customer service accounts would be subject to refund with interest at the Company's authorized rate of return upon Order of the Commission.

At any time during the term of the SQM, if Staff and Company disagree about an "at fault" designation or disagree about calculated ratios for at-fault complaints, and if Staff and Company are unable to resolve the disagreement to the satisfaction of both, then either Staff or the Company may request a review of the designation by an administrative law judge, with appeal to the Commission. No penalties will be assessed until any disagreements regarding the "at-fault" designation have been resolved.

¹ This is the last phase of a three-year phase identified in the UG-143 Stipulation.

Staff and Company agree to meet before December 31, 2002, to develop criteria by which the Consumer Services Division of the Commission would assess an “at fault” complaint.

Nothing in this section precludes the Company from proposing an alternative SQM, proposing a modification to the SQM, or from opposing the continuation of the SQM, in its petition to the Commission filed pursuant to § 1.9.1 of this Agreement.²

NW Natural will monitor and report to Commission Staff on or before March 1 of each year the following safety and customer performance indicators for the duration of this agreement. There will be no Service Quality Measure or penalties associated with these performance indicators under this agreement.

- The ratio of the incident of damage to Company facilities relative to construction activity adjacent to Company facilities.
- The number and duration of orders backlogged over 30 days for new service line installation. Does not include orders on hold at applicant/customer request.
- Delays in excess of 24 hours in turning on utility services, from the connection time requested or agreed to by the customer.
- Average time required to provide applicants with a cost estimate for new service.

² § 1.9.1 of the Stipulation refers to the termination of the partial decoupling mechanism.