

Exhibit No. __T (RK-1T)
Dockets UE-072300-
UG-072301-UE-080064
Witness: Roger Kouchi

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET UE-072300
DOCKET UG-072301
(Consolidated)

DOCKET UG-080064

TESTIMONY OF

ROGER KOUCHI

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Service Quality Index Modifications

May 30, 2008

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LIST OF EXHIBITS

Exhibit No. __ (RK-2), Gas Company Complaints Per 1,000 Customers

Exhibit No. __ (RK-3), Electric Company Complaints Per 1,000 Customers

Exhibit No. __ (RK-4), Exhibit A to PSE's 2005, 2006 and 2007 Annual SQI Reports

Exhibit No. __ (RK-5), PSE's Service Quality Program-Service Provider Report (Docket Nos. UE-011570 and UG-011571) for 2005, 2006 and 2007

1 I. INTRODUCTION

2
3 Q. Please state your name and business address?

4 A. My name is Roger Kouchi. My business address is the Richard Hemstad Building,
5 1300 S. Evergreen Park Dr. S.W., P.O. Box 47250, Olympia, Washington 98504-
6 7250. My e-mail address is rkouchi@utc.wa.gov.

7
8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Washington Utilities and Transportation Commission
10 (“UTC”) as a Regulatory Analyst.

11
12 Q. How long have you been employed by the UTC?

13 A. I have been employed by the UTC since 1991.

14
15 Q. What are your educational and professional qualifications?

16 A. I received Bachelor of Science Degrees in Electrical and Industrial Engineering from
17 the University of Washington in 1968 and a Master of Science degree in Systems
18 Management from the University of Southern California in 1976.

19 My duties at the UTC include the investigation and resolution of informal
20 customer complaints concerning the rates and services of all regulated utilities. I
21 have been involved in several rulemakings addressing consumer rules for the electric
22 and gas industries (Dockets UE-940084 and UG-940085) and electric reliability
23 (Docket UE-991168). I also participate in the Staff annual review of electric

1 reliability reports submitted to the UTC by regulated companies. I have testified
2 previously in Docket UT-950200 involving U S WEST Communications, Inc.'s
3 request for late payment fees and I have presented a number of items at open public
4 meetings.

6 II. SCOPE AND SUMMARY OF TESTIMONY

7
8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to recommend four adjustments to the existing Puget
10 Sound Energy, Inc. ("PSE" or "the Company") Service Quality Index ("SQI"). The
11 SQI was originally established in 1996 in Docket UE-951270. It contained 10
12 measures intended to ensure the Company's service quality did not decline following
13 the merger of Puget Sound Power & Light Company and Washington Natural Gas.
14 In 2002, the UTC approved an additional service quality measurement (SQI No. 11)
15 that requires PSE to respond to electrical emergencies and downed power lines
16 within 55 minutes on average. Staff's review of PSE's complaint data along with its
17 consumer survey results indicates a need to revise certain SQI measures to increase
18 granularity of the information reported to the UTC and to establish new benchmarks
19 to ensure adequate service quality to customers.

20
21 **Q. Please summarize the changes to the Company's SQI that Staff recommends.**

22 A. Staff recommends the UTC approve the following changes to PSE's SQI:

1 **1. SQI No. 1: Overall Customer Satisfaction Survey**

2 The current SQI reports the combined satisfaction results of the commercial and
3 residential customer respondents and is heavily weighted toward commercial
4 customers. Staff recommends that the results for each category of customer be
5 calculated separately so the UTC can determine whether service to each category has
6 deteriorated.

7 **2. SQI No. 2: Complaints Per 1,000 Customers**

8 The current SQI for complaints reported to the UTC allows PSE up to 0.50
9 complaints for every 1,000 customers without distinguishing between electric and
10 gas customers. Staff recommends that this measurement be calculated separately for
11 electric and gas operations to more accurately reflect actual performance. Moreover,
12 PSE has a higher complaint ratio than the average of other regulated gas and electric
13 companies even though its current benchmark of 0.50 complaints per 1,000
14 customers is regularly met. Therefore, Staff recommends that separate benchmarks
15 be set at .40 for electric operations and .25 for gas operations.

16 **3. SQI No. 5: Telephone Center Answering**

17 This SQI measures the percentage of calls answered by a live Company
18 representative within 30 seconds of a customer's request to talk to a live operator.

19 The benchmark is a 75 percent annual average even though PSE's SQI reports show
20 some months significantly below that benchmark. Therefore, Staff recommends that
21 this SQI be revised so the 75 percent benchmark is a quarterly average.

1 **4. SQI No. 8: Field Services**

2 This SQI measures customer satisfaction with PSE's field service transactions. The
3 overall benchmark is a 90 percent satisfaction level, which PSE met in 2007.

4 However, the current index does not measure new customer service performed by
5 PSE contractors Pilchuck and Quanta even though new customer service satisfaction
6 in 2007 was 74 percent for Pilchuck and 64 percent for Quanta. Therefore, Staff
7 recommends that customer satisfaction with PSE's field service operations be
8 combined for both existing and new customers. In addition, the current 90 percent
9 satisfaction level should be used as the performance measure for all of PSE's field
10 services, including services provided by Pilchuck and Quanta.

11
12 **Q. Are you aware that PSE is seeking approval in Docket U-072375 to sell the**
13 **Company to an international consortium of equity investors?**

14 A. Yes, I am aware of that request.

15
16 **Q. Should your recommended revisions to the Company's SQI be adopted by the**
17 **UTC whether or not that application is approved?**

18 A. Yes. My recommendations are completely independent of PSE's request.

19
20 **Q. Do you sponsor any exhibits in this proceeding?**

21 A. Yes, I sponsor the following exhibits:

22 Exhibit No. ___ (RK-2), Gas Company Complaints Per 1,000 Customers

23 Exhibit No. ___ (RK-3), Electric Company Complaints Per 1,000 Customers
24

1 Exhibit No. __ (RK-4) Exhibit A to PSE's 2005, 2006, and 2007 Annual SQI
2 Reports

3
4 Exhibit No. __ (RK-5), PSE's Service Quality Program-Service Provider Report for
5 2005, 2006, and 2007
6

7 **III. SERVICE QUALITY INDEX MODIFICATIONS**

8
9 **Q. Please provide a brief background of PSE's SQI.**

10 A. As a condition of the merger between Puget Sound Power & Light Company and
11 Washington Natural Gas Company, the UTC ordered the merged company (PSE) to
12 meet ten benchmarks for customer service quality. *In re Application of Puget Sound*
13 *Power & Light Company and Washington Natural Gas Company*, Docket UE-
14 951270 and UE-960195, Fourteenth Supp. Order Accepting Stipulation; Approving
15 Merger (February 5, 1997). Associated penalties for failure to achieve a benchmark
16 were also established. The intent was to ensure that the Company would not achieve
17 merger savings at the expense of service quality to customers. PSE is required to file
18 a service quality report card each year regarding its compliance with the service
19 quality indices and associated performance.

20
21 **Q. Has the UTC ever revised the original Service Quality Indices?**

22 A. Yes. In 2002, the UTC added a new service quality measurement, SQI No. 11, that
23 requires the Company to respond to electrical emergencies and downed power lines
24 within 55 minutes on average. *WUTC v. Puget Sound Energy, Inc.*, Docket UE-
25 11570, Twelfth Suppl. Order Rejecting Tariff Filing; Approving and Adopting
26 Settlement Stipulation Subject to Modifications, Clarifications and Conditions (June

1 20, 2002). This same Order revised several of the SQI penalties. In 2004, the UTC
2 modified the reporting methodology for SQI No. 11. *In re Puget Sound Energy, Inc.*,
3 Docket UE-031946, Order Granting Application: Approving Agreement Regarding
4 SQI-11 Amendment with Modifications (May 11, 2004).

5
6 **Q. Why should the SQI be reviewed and again revised at this time?**

7 A. The SQI is based primarily on work that was done in 1996. PSE filed its first SQI
8 report in 1997. Industry and Company practices can change significantly over time.
9 It is reasonable to review benchmarks set over ten years ago to ensure that they are
10 completely relevant to customer service expectations today.

11
12 **Q. What SQI benchmarks should be revised?**

13 A. Staff recommends modifications to:

14 SQI No.1, Overall Customer Satisfaction Survey

15 SQI No. 2 Complaints Per 1000 Customers

16 SQI No. 5, Telephone Center Answering

17 SQI No. 8, Percent of customers more than satisfied with field services, based
18 on survey

19
20 **SQI No.1, Overall Customer Satisfaction Survey**

21
22 **Q. Why should SQI No. 1, Overall Customer Satisfaction Survey, be revised?**

23 A. The survey respondents are heavily weighted toward commercial customers. In
24 response to Staff Data Request No. 96 B, PSE stated it surveys 600 commercial and

1 800 residential customers for a total of 1,400 survey respondents. Therefore, forty-
2 three percent of the respondents are commercial customers even though the actual
3 percentage of commercial customers overall is only 11 percent. The result may be
4 that residential customer satisfaction is not being accurately measured.

5
6 **Q. What change do you recommend to SQI No. 1 to alleviate that concern?**

7 A. Staff recommends that the satisfaction survey include not only the total average of
8 the 1,400 survey respondents, but also the separate satisfaction results of the 600
9 commercial customers versus the 800 residential customers. This would provide
10 greater granularity of the information to ensure the satisfaction of one group of
11 customers (*i.e.*, commercial customers) is not being improved to the detriment of the
12 other group of customers (*i.e.*, residential customers).

13
14 **Q. Do the results change when you look at the separate satisfaction results for the
15 600 commercial and 800 residential customers?**

16 A. Not necessarily. PSE's response to Staff Data Request No. 163 B shows for 2007
17 that the commercial customer satisfaction rate is 83.7 percent and the residential
18 customer satisfaction rate is 82.8 percent. PSE reported its 2007 performance to the
19 UTC as 83 percent for commercial and residential customers combined.

20
21 **Q. If that is the case, why should the results be reported individually for
22 commercial customers and residential customers, as well as collectively?**

1 A. According to PSE's response to Staff Data Request No. 163C, The Gilmore
2 Research Group developed the survey methodology for PSE in 1997. PSE then
3 explained in its response to Staff Data Request No. 163E that this metric has not
4 been reviewed or changed since that time. In order to ensure that the satisfaction
5 index for either commercial customers or residential customers does not get skewed,
6 it is necessary to report customer group satisfaction separately as well as collectively.
7 This additional level of granularity will enable the UTC to examine any differences
8 between commercial and residential customer satisfaction.

9
10 **SQI No. 2 Complaints Per 1000 Customers**

11
12 **Q. How is SQI No. 2, Complaints Per 1,000 customers, currently calculated?**

13 A. This SQI allows PSE up to 0.50 complaints reported to the UTC for every 1,000
14 customers. It calculates this measure as follows:

- 15
- 16 • Add number of electric and gas customers together.
 - 17 • Add number of electric and gas complaints together.
 - 18 • Divide the total number of complaints by the total number of customers.
- 19

20 **Q. How does PSE's complaint level compare to other regulated energy companies?**

21 A. Even though PSE regularly meets this benchmark, Exhibit No. __ (RK-2) shows that
22 the number of gas company complaints per 1,000 customers for PSE is higher than
23 the average for other gas companies in five of the past six years. Even in the sixth
24 year (2005), PSE only tied the industry average.

1 PSE performs better on the electric side, although for 2007 its number of
2 complaints per 1,000 is still higher than the average of the other companies. Exhibit
3 No. __ (RK-3).

4
5 **Q. How did you calculate the averages shown on your exhibits?**

6 A. I averaged the number of complaints per 1,000 customers for all gas companies other
7 than PSE and for all electric companies other than PSE.

8
9 **Q. What changes do you recommend for SQI No. 2?**

10 A. First, currently, SQI No. 2 does not distinguish between gas and electric customers.
11 However, many gas customers are also electric customers (dual-service customers).
12 Adding these two customer bases together distorts the results because dual-service
13 customers are counted twice. Therefore, Staff recommends that SQI No. 2 be
14 calculated separately for electric and gas operations to provide more granularity of
15 information and more accurately reflect actual performance levels.

16 Second, Staff recommends that the SQI No. 2 gas complaint level be set at
17 0.25.

18 Third, Staff recommends that the SQI No. 2 electric complaint level be set at
19 0.40.

20
21 **Q. What is the rationale for these new benchmarks?**

22 A. Reviewing PSE's reported statistics from 2002-2007 reveals that the gas complaint
23 levels ranged between 0.11 – 0.25 per 1000 customers. PSE's electric complaint
24 levels from 2002-2007 varied between 0.21 – 0.36 per 1000 customers. Since the

1 purpose of the SQI is to ensure that PSE's customers do not experience deterioration
2 in service quality, setting the complaints per 1,000 customers benchmark at 0.25 for
3 gas and 0.40 for electric is a reasonable expectation that should also not burden the
4 Company.

5
6 **SQI No. 5, Telephone Center Answering**

7
8 **Q. What does SQI No. 5, Telephone Center Answering, measure?**

9 A. This SQI measures the percentage of calls answered by a live Company
10 representative within 30 seconds of a customer's request to talk to a live operator.
11 The current benchmark is 75 percent. The benchmark is an annual average.

12
13 **Q. How does the Company determine if it has met the 75 percent benchmark for**
14 **SQI No. 5?**

15 A. The Company uses the following formula:

16
$$\text{Call Performance} = \text{average of (monthly aggregate number of calls answered}$$

17
$$\text{by a company representative within 30 seconds of a request to talk to a live}$$

18
$$\text{operator) divided by ((monthly aggregate number of calls received)}$$

19
$$\text{multiplied by 100))}$$

20
21 **Q. What is the problem with the current SQI No. 5 measure?**

22 A. The problem is with the annual reporting because months with poor answer times
23 may be offset by months with good answer times, and the annual average benchmark

1 of 75 percent is still met. The year 2007 demonstrates the problem. PSE's monthly
2 service quality performance measures in that year were as follows:

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
39%	48%	50%	76%	85%	91%	93%	90%	87%	92%	78%	73%

3
4 As the table shows, in four of twelve months, PSE did not hit the 75 percent
5 benchmark, and in three of those four months the average is 50 percent or below. In
6 January 2007, the average was only 39 percent. Nevertheless, the annual 75 percent
7 benchmark was still achieved. The percentages for 2005, 2006 show similar
8 problems and, with 2007, are shown in Exhibit No. __ (RK-4).

9
10 **Q. What changes do you recommend for SQI No. 5?**

11 A. Staff recommends that the current annual average benchmark be revised so that PSE's
12 performance level in any calendar quarter cannot go below 75 percent for calls
13 answered within 30 seconds of a request to talk to a live operator.

14
15 **Q. How would the penalties be calculated if the Company fails to meet the new
16 quarterly performance level of 75 percent?**

17 A. I recommend applying the existing penalties for SQI No. 5 that now are applied
18 annually. Thus, for each full point below the quarterly benchmark, a penalty of
19 \$36,000 shall be applied, not to exceed \$1,000,000 in one year. *WUTC v. Puget*
20 *Sound Energy, Inc.*, Docket UE-11570, Twelfth Suppl. Order Rejecting Tariff Filing;
21 Approving and Adopting Settlement Stipulation Subject to Modifications,
22 Clarifications and Conditions; Appendix A at Exhibit J (June 20, 2002). Therefore, if

1 PSE fails to meet the benchmark in any quarter, it will be penalized in accordance
2 with the formula:

$$3 \text{ Penalty} = ((75 - \text{Call Performance})/75) * 100 * \text{penalty per point.}$$

4
5 **Q. What is the rationale for a quarterly benchmark?**

6 A. As my Exhibit No. __ (RK-4) shows, the months that do not meet the 75 percent
7 benchmark are typically in the spring and winter months (December-May). A
8 quarterly benchmark will ensure that the monthly call answer times do not degrade
9 significantly in the winter months.

10 A quarterly benchmark will also not be overly burdensome on the Company.
11 In the last three years (2005, 2006, 2007), PSE failed to meet the quarterly threshold a
12 total of only five times [January – March 2005 (65%); April – June 2005 (70%);
13 October – December 2005 (74%); January - March 2006 (39%); and January - March
14 2007 (46%)].

15
16 **Q. Is it reasonable for the Company to meet a 75 percent quarterly benchmark
17 during the winter storm months of January – March?**

18 A. Yes. PSE has already committed to improving its external communications, as
19 shown in its response to its consultant's (KEMA) after-action review of the
20 "Hanukkah Eve Windstorm of 2006". KEMA recommended that PSE create an
21 integrated corporate and local communications strategy that is scalable to storm
22 severity. (Exhibit No. __ (GJZ-8) at 44, Recommendation 8.4.1.) PSE accepted
23 KEMA's recommendation:

1 Customers and the public, in general, expect Puget Sound Energy to inform
2 them when a power outage or natural gas outage occurs. Delivering timely,
3 accurate and consistent information is key to meeting the customer and
4 community expectations.

5
6 Exhibit No. __ (GJZ-9 at 8). Implementation of strategies to address the
7 improvement of its external communications will help PSE meet the 75 percent
8 benchmark during the winter storm months.

9
10 **SQI No. 8, Percent Of Customers More Than Satisfied With Field Services,**
11 **Based On Survey**
12

13 **Q. What changes do you recommend for SQI No. 8?**

14 A. As I stated earlier, this SQI measures customer satisfaction with PSE's field service
15 transactions. The overall benchmark is a 90 percent satisfaction level. However, the
16 benchmark does not address new customer service performed by PSE's contractors
17 Pilchuck and Quanta. The Company's separately reported Customer Satisfaction
18 Service Provider Index No. 2 shows a result of 74 percent and 64 percent,
19 respectively, in 2007. Exhibit No. __ (RK-5). The same exhibit shows that Pilchuck
20 and Quanta also did not meet the 90 percent benchmark in 2005 and 2006.

21 Therefore, I recommend that PSE's internal survey data for Quanta and
22 Pilchuck be averaged in with the current field service surveys included in SQI No. 8.
23 The purpose of the transaction-based surveys is to determine whether the Company's
24 interactions with customers meet customers' reasonable expectations. My
25 recommendation supports that goal given that the two most frequent interactions
26 between the Company and its customers are in the field in the installation of new
27 service and the repair of existing service, and at the phone centers.

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Q. Is there any reason to exclude new customer satisfaction results with PSE's contractors from SQI No. 8?

A. No. Like an existing customer, new customers are paying PSE for field services. Their satisfaction with that service should be measured to ensure that service quality meets reasonable expectations. New customer construction by PSE's contractors is a field service and should be measured under SQI No. 8.

Q. Are the expectations of existing customers different from new customers?

A. Yes and no. Clearly, both existing customers and new customers want PSE's field service providers to provide good quality work, and accurate and timely communication and response. However, the timeframe for responsiveness to repair an outage is different than the timeframe involved in the design, ordering of material, and construction of new facilities. My experience addressing informal customer complaints shows that new customers understand the extra time involved in new construction, but that problems occur when communications break down between PSE, the customer, and PSE's contractor.

Q. Can the customer satisfaction survey with PSE's contractors for new customer construction be adversely impacted by the requirements of PSE's standards, need for detailed information on anticipated loads, or cost of services for line extensions, permitting, and engineering fees?

1 A. It depends on how the survey is structured. There are many factors which would
2 impact the overall customer satisfaction. The customer survey could be structured
3 and weighted in a manner that focuses on the most important and controllable factors
4 of a customer's experience with PSE.
5

6 **Q. What are some of the most important factors to consider?**

7 A. PSE's response to Staff Data Request No. 164, Attachment A contains the script
8 used by The Gilmore Research Group to conduct the new construction contractor
9 satisfaction surveys. It lists a number of important factors when considering good
10 customer service. These include: on-time hookups, good scheduling and
11 communications, meeting deadlines, responsiveness, cooperation, good coordination,
12 not damaging property and cleaning up afterward, promptly returning calls, and
13 doing what they said they would do.
14

15 **Q. Is there anything you wish to add regarding the reporting of customer
16 satisfaction with PSE's contractors for new customer construction?**

17 A. Yes. In addition to including in SQI No. 8 the survey results for PSE's contractors
18 performing new construction, PSE should continue to report this data separately in
19 its Customer Satisfaction Service Provider Index No. 2. This will allow the UTC to
20 monitor customer service in this area to ensure it does not degrade further.
21

1 Q. Do you have any closing comments regarding the SQI?

2 A. Yes. I have one comment. In Docket UE-011570, Staff discussed a potential
3 revision to SQI No. 6, Customer Access Center Transaction Satisfaction, which only
4 measures Access Center telephone transactions. Direct Testimony of Joelle Steward,
5 Exhibit No. 564 (JS-1T) at page 7. Ms. Steward stated at that time that telephone
6 interaction was the vast majority of Access Center transactions, although e-mail and
7 web chat are additional options.

8 In the future, if these alternative forms of communication grow to a more
9 sizable proportion of Access Center Transactions, Staff may pursue the inclusion of
10 customers using these methods in the survey for measurement of this index.

11

12 Q. Does this conclude your testimony?

13 A. Yes.

14