

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

)
)
) DOCKET NO. U-061239
)
)

) NARRATIVE SUPPORTING
) SETTLEMENT AGREEMENT
)
)

I. PRELIMINARY MATTERS

1 This Narrative Supporting Settlement Agreement (Narrative) is filed pursuant to
WAC 480-07-740(2)(a) on behalf of both Puget Sound Energy, Inc., (PSE) and the Staff of
the Utilities and Transportation Commission (Staff) (collectively, the “Parties”). Both
Parties have signed the Settlement Agreement (Agreement), which is attached to this
Narrative. Also attached to this Narrative is the report titled Staff Investigation Into the
Business Practices of Puget Sound Energy “PSE Connections” Program (investigation
report) dated July 2006.

2 This Narrative summarizes the Agreement. It is not intended to modify any terms of
the Agreement.

3 The Parties do not intend to file documentation supporting the Agreement, with the
exception of the Agreement itself, this Narrative, and the investigation report. If the

Commission requires supporting documents beyond the Agreement, the Narrative, and the investigation report, the Parties will provide documentation as needed.

4 The Parties waive entry of an initial order, and ask that the Commission enter only a final order in this docket. Given that this docket involves a single-issue dispute—that is, whether PSE violated WAC 480-90-153 or WAC 480-100-153—and given that PSE admits that the company did violate these rules,¹ the Parties submit that the record is sufficient without a public hearing and request that the Commission consider the settlement in camera on a paper record. Should the Commission wish to schedule a hearing, the Parties are prepared, in keeping with WAC 480-07-740(2)(b), to present one or more witnesses each to testify in support of the proposal and answer questions concerning the settlement agreement’s details, and its costs and benefits. In addition, representatives from both parties are available to respond through an alternative process to any questions regarding the proposed settlement.

II. SCOPE OF THE UNDERLYING DISPUTE

5 The underlying dispute concerns the alleged violations of Commission rules covering the disclosure of private consumer information by PSE during operation of its “PSE Connections” program. Pursuant to these rules, electric and gas utilities are prohibited from disclosing private consumer information to any third party for the purpose of marketing unless the customer has given his or her permission in writing. *See* WAC 480-90-153(1) and WAC 480-100-153(1). Private consumer information includes the customer’s name, address, telephone number, and any other personally identifying

¹ Settlement Agreement at ¶15.

information available to the utility solely by virtue of the customer-utility relationship.
WAC 480-90-153(2) and WAC 480-100-153(2).

6 PSE Connections operates as follows: When a new or existing customer calls PSE to establish service or change service, PSE transfers some of the calls to another company, called Allconnect, Inc. (Allconnect). Only individual residential customers, and not, for example, apartment managers or real estate agents, are eligible for transfer under the program. As the call is transferred, PSE electronically transfers the customer's name, address, service start date, and product order number to an Allconnect database. Allconnect telephone representatives announce "PSE Connections" when they take the calls transferred from PSE. The Allconnect telephone representative confirms the PSE service order and information provided to PSE by PSE's customer. After service confirmation, Allconnect markets other services to the customer, such as lawn care, telephone service, Internet service, and newspaper subscriptions.

7 After Staff began its investigation in March 2006, PSE suspended the PSE Connections program. PSE does not deny that it operated the PSE Connections program from November 2001 until March 2006 and that it transferred some of its customers' names, addresses, service start dates, and product order numbers without customers' written permission to Allconnect so that Allconnect could market services to PSE customers. During operation of the program, PSE transferred 65,260 customer calls along with these customers' private consumer information and realized \$95,000 in revenue from these transactions. For whatever reason, PSE customer service representatives transferred the calls of only about 11 percent of customers eligible under the program to be transferred.

III. DESCRIPTION OF PROPOSED SETTLEMENT

8 The settlement resolves all issues in the dispute and includes multifaceted commitments from PSE. PSE will pay a substantial penalty of \$700,000.² Furthermore, PSE will donate an additional \$95,000 to its Warm Home Fund.³ PSE has agreed that it will not seek recovery of these payments through rates.⁴ In addition, PSE will mail out a notice to its residential customers, included in the envelope with the PSE bill, informing customers of PSE's obligations under Commission rules governing disclosure of private consumer information.⁵ To ensure that customers who pay bills electronically have an opportunity to read the notice, PSE also will post the notice on its web site, accessible from both the PSE home page and the bill paying interface.⁶ Finally, PSE admits to 65,260 violations of WAC 480-90-153 or WAC 480-100-153.⁷

IV. STATEMENTS OF PARTIES' INTERESTS AND THE PUBLIC INTEREST

A. Statement of PSE

9 The agreement settling this dispute satisfies PSE's interest because it resolves the complaint without the expense and uncertainty that result from a litigated proceeding. It also satisfies the public interest in that it requires PSE to provide notice to customers of their rights, and the company's obligations, regarding disclosure of customer information. The settlement also provides a substantial donation to assist low income customers in advance of the winter heating season.

² Settlement Agreement at ¶16.

³ *Id.* at ¶17.

⁴ *Id.* at ¶19.

⁵ *Id.* at 18.

⁶ *Id.* at 18.

⁷ *Id.* at 15.

B. Statement of Commission Staff

10 As stated in the Settlement Agreement, the proposed settlement represents a compromise of the positions of the two Parties. Staff affirms that it is in the Commission's best interest to avoid the expense and uncertainty necessitated by adversarial proceedings. Likewise, it is in the public interest that this dispute be concluded without the further expenditure of public and company resources on litigation.

11 PSE's violation of the particular rules at issue, despite the company's participation in the very rulemaking proceeding that created these two rules, is mitigated by the fact that PSE voluntarily suspended the PSE Connections program as soon as Staff contacted the company to request information on the program. The terms of the settlement, which include \$700,000 in penalties, a \$95,000 donation to assist low-income people heat their homes, and delivery of a notice to all PSE customers explaining the company's obligations under Commission rules concerning disclosure of customer information, constitute a significant counterbalance to the violations.

V. LEGAL POINTS THAT BEAR ON PROPOSED SETTLEMENT

12 In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved all of the issues in dispute between them; their resolution complies with Commission rules and, as explained above, is consistent with the public interest.

VI. CONCLUSION

13 Because the Parties have negotiated a resolution of all of the issues in this dispute and because the settlement is in the public interest, both Parties request that the Commission approve the attached Settlement Agreement.

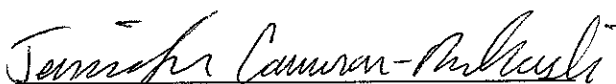
DATED this 5th day of October, 2006, at Olympia, Washington.

Respectfully submitted,

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

PUGET SOUND ENERGY, INC.

ROB MCKENNA
Attorney General


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Counsel for the Washington Utilities and
Transportation Commission

TOM DEBOER
Director - Rates & Regulatory Affairs

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