

**EXHIBIT NO. ___(KRM-3)
DOCKET NO. U-110808
WITNESS: KRISTINA R. McCLENAHAN**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

Docket No. U-110808

**SECOND EXHIBIT (NONCONFIDENTIAL) TO THE
PREFILED RESPONSE TESTIMONY OF
KRISTINA R. McCLENAHAN
ON BEHALF OF PUGET SOUND ENERGY, INC.**

JUNE 1, 2012

1 **INVESTIGATION RESULTS**

2 **Q. Please discuss the process used by PSE to conduct the investigation.**

3 A. In completing the investigation that was used to prepare the summary report, PSE
4 reviewed three primary elements to determine how, if at all, a customer would be
5 impacted by a correction to that customer's account. The first element was to
6 determine if the customer was still in the original location where the
7 disconnection for nonpayment occurred and whether or not the customer had an
8 active account at that address. The second element was to determine if the
9 customer had any subsequent disconnections between the time of the original
10 violation and the signing of the Joint Motion. The third element of the
11 investigation was to compare the energy service charges from the time of the
12 original violation through December 2010 to the amounts pledged on the account
13 and compare the amounts to any outstanding balances on the account. PSE's
14 investigation determined that it would not have made a material difference in the
15 ultimate amounts owing PSE and therefore PSE did not believe it was required to
16 go through the manual process of recreating history to redo transactions for which
17 it had previously paid fines.

18 **Q. Please describe the challenges associated with reprocessing 14 months of**
19 **history for these accounts.**

20 A. In order to reprocess history, every transaction on an account must be redone.
21 This requires closing the original product assignment (sub-account) from October

1 2009, and then “re-billing” all transactions on the new product assignment. When
2 re-billing on the new product assignment (sub-account), the system cannot
3 recreate the late fees associated with either product assignment because it assumes
4 that all transactions are new. This results in the product assignment (both the new
5 and the prior obligation) balances being lower than they should be because late
6 charges would have been accruing on those outstanding balances.

7 Additionally, it is important to recognize that the majority of the violations
8 associated with these 26 accounts resulted from PSE’s application of a pledge
9 amount to the customer’s original account. In other words, at the time of
10 disconnection, PSE did not close the original product assignment and establish a
11 new product assignment where all pledge payments would be applied. The
12 violations were not that PSE had incorrectly charged the customer. However,
13 Staff’s requirements to reconstruct and reallocate payments seem to ignore that
14 the amounts are still outstanding and subject to late fees.

15 CLX was programmed so that any adjustment or correction to an account removes
16 all late charges and assumes that the new charges are always current. Staff’s
17 requirement to recreate the transactional history within CLX meant that all late
18 charges were reversed and the outstanding prior obligation balance is artificially
19 lower than it should be.

20 Additionally, the reprocessing may require that the payments, even the pledges,
21 be applied differently. For example, several of the customers already had a
22 deposit on file at the time of the original disconnection and since the account was

1 not processed as prior obligation, the original deposit carried over and a new
2 deposit was not necessary. However, if PSE is to correctly reprocess history, one
3 would expect that the original deposit would have been applied against the
4 outstanding balance at that initial disconnection. The pledge funds would have
5 first been used to pay the new deposit and reconnection fees, with any remaining
6 amount being credited to the new account. Each item needed to be reviewed in
7 light of what would have been done at that time.

8 **Q. Please explain PSE's investigation into Customer B's account.**

9 A. As discussed in the original complaint, Customer B was originally disconnected
10 for non-payment on October 26, 2009. On October 28, 2009 a pledge from the
11 Opportunity Counsel using PSE HELP funds was received and was applied to the
12 original outstanding balance of \$994.94, which was the basis of the violations that
13 PSE was previously penalized for. PSE's preliminary investigation of this
14 customer's account found that at the time of Order 01 (December 2010) the
15 customer had been disconnected for non-payment an additional two times (August
16 2010 and December 2010). The energy service charges associated with the
17 account between November 2009 and August 2010 (the time of the subsequent
18 disconnection) excluding any additional pledge payments received on the account
19 exceeded the October 2009 pledge and therefore the August 2010 disconnection
20 would have still occurred. This finding led PSE to the conclusion that
21 reprocessing the transactions would have merely moved the amounts between

1 prior obligation balances, and PSE believed that reprocessing every transaction to
2 redo history was unnecessary.

3 Additionally, in this current proceeding Staff alleges that PSE did nothing on the
4 account until May 31, 2011, stating an additional 11 violations. However, Staff
5 failed to recognize that the detailed comments show that on May 19, 2011 there
6 was a “Pending Account Correction, requested pullback of bad debt balance”.

7 **Q. Please explain PSE’s investigation into Customer C’s account.**

8 A. The preliminary investigation on this account showed that the customer had paid
9 off the entire balance by early March 2010, several months prior to settlement
10 agreement, resulting in PSE concluding no further action was necessary. The
11 prior obligation rules do not remove the customer’s responsibility to pay the
12 outstanding amounts, and to the extent payments were received from the
13 customer, those payments would have been eligible to be applied to any
14 outstanding amounts owing. Notes on the customer’s accounting dating back to
15 November 2009 indicated that the customer wanted to enter into payment
16 arrangements on the outstanding balance therefore had PSE originally processed
17 the \$964 pledge from October 2009 to a new “active account” the credits would
18 have been adequate enough that payments received from the customer would have
19 been applied to the outstanding prior obligation balance. Therefore, PSE did not
20 believe further action was necessary.

21 Additionally, in this current proceeding Staff alleges that PSE did nothing on the
22 account until June 1, 2011, stating an additional twelve violations of Order 01.

1 further action would be necessary. Additionally, the customer was again
2 disconnected for non-payment in August 2010, where the account was correctly
3 handled as prior obligation. This finding led PSE to the conclusion that
4 reprocessing the transactions would merely move the amounts between prior
5 obligation balances and PSE believed that reprocessing all transactions to redo
6 history was unnecessary.

7 Additionally, in this proceeding Staff alleges that PSE did nothing on the account
8 until June 2, 2011, stating an additional 13 violations of the order. However, Staff
9 failed to recognize that the detailed comments show that on May 19, 2011 there
10 was a “Pending Account Correction, requested pullback of bad debt balance”.
11 Due to system limitations, the reprocessing was not completed until June 2011.

12 **Q. Please explain PSE’s investigation into Customer G’s account.**

13 A. As noted on the account documentation, the customer moved from the original
14 location on June 14, 2010 and had an outstanding balance of \$399.87. No
15 payments were received on the account and it was sent to collections on Nov 24,
16 2010. Staff’s initial finding in the complaint was that PSE transferred the prior
17 obligation balance associated with a person living at the address to the active
18 account rather than to a prior obligation account. However, any misapplication
19 did not change the fact that the balances were still owing to PSE. Ultimately at
20 the time the customer moved out any credit from pledges on the “active” account
21 would have been used to lower any other outstanding balances. Since the account

1 was closed five months prior to the settlement agreement, PSE's initial
2 investigation concluded that reprocessing the account was unnecessary.

3 **Q. Please explain PSE's investigation into Customer H's account.**

4 A. Customer H was no longer at the service address as of July 1, 2010. At that time,
5 Customer H had an outstanding balance of \$492.95, with a \$317 deposit on file,
6 prior to closing the account. PSE's preliminary investigation of the account
7 determined that since the customer was no longer at the address any remaining
8 pledges on the "active" account would have been used to lower the prior
9 obligation balance at the time the account was closed. Since there was an overall
10 balance owing PSE of more than \$200, PSE believed that reprocessing all
11 transactions to redo history was unnecessary.

12 Additionally, in this current proceeding Staff alleges that PSE did nothing on the
13 account until May 27, 2011, stating an additional seven violations of the order.
14 However, Staff failed to recognize that both the detailed comments and
15 reprocessing transactions show that PSE initiated the reprocessing of the account
16 on May 19, 2011.

17 **Q. Please explain PSE's investigation into Customer J's account.**

18 A. Customer J was originally disconnected for non-payment of gas service on
19 October 29, 2009, as discussed in the original complaint. During the entire time
20 the customer's account was open, PSE had not received any payments from the
21 customer, which led to the original disconnection in October 2009. As described

1 in the original complaint, PSE was found in violation of the prior obligation rules
2 for not quoting the customer the option to reconnect their service for half of the
3 deposit plus the reconnect fee. The customer's gas service remained disconnected
4 and in February 2010, PSE learned from the landlord that the customer no longer
5 resided at that address.

6 In the current proceeding, Staff alleges that PSE has failed to take any action on
7 the account as of June 30, 2011, citing an additional 41 violations of Order 01.
8 Since the customer moved from the address 10 months prior to the settlement
9 agreement, PSE did not believe any further action on this account was necessary.
10 PSE's initial investigation confirmed that the customer was no longer residing at
11 the service address, the customer could not be located within PSE's service area,
12 and the customer still had an outstanding balance owing PSE of greater than \$300.
13 Staff alleges PSE is continuing to violate Order 01 because it has not taken any
14 actions, however PSE maintains there is no action to take.

15 PSE's May 20, 2011 report provided this information to Staff and until this
16 second complaint, PSE was not aware that Staff believed further action was
17 necessary.

18 **Q. Please explain PSE's investigation into Customer K's account.**

19 A. Similar to Customer's G, H, and J, Customer K had moved from their original
20 service address several months prior to the Commission's issuance of Order 01 in
21 December 2010. At the time the customer moved from the service address of the
22 original violation, the customer had an outstanding balance (active and prior

1 obligation) of \$399.47. PSE's preliminary investigation of the account
2 determined that since the customer was no longer at the address, any remaining
3 pledges on the "active" account would have been used to lower the outstanding
4 prior obligation balance at the time the account was closed. Therefore, PSE
5 believed that reprocessing every transaction to redo history was unnecessary.

6 **Q. Please explain PSE's investigation into Customer L's account.**

7 A. Customer L was originally disconnected for non-payment of gas service on
8 October 19, 2009, as discussed in the original complaint. As described in the
9 original complaint, PSE was found in violation of the prior obligation rules for not
10 quoting the customer the option to reconnect their service for half of the deposit
11 plus the reconnect fee back in October 2009. The customer did have service
12 restored; however, PSE had required that the customer pay the disconnect
13 amount, and PSE required a deposit. The customer terminated service in January
14 2010, and at that time had an outstanding balance of more than \$370. The
15 customer made no further payments on that outstanding balance.

16 In this proceeding, Staff alleges that PSE has failed to take any action on the
17 account as of June 30, 2011, citing an additional 41 violations of Order 01. Since
18 the customer moved from the address almost a year prior to Order 01, PSE did not
19 believe any further action on this account was necessary. PSE's initial
20 investigation confirmed that the customer was no longer residing at the address,
21 the customer could not be located within PSE's service area, and still had a large
22 outstanding balance owing PSE. Staff alleges PSE is continuing to violate the

1 Order because it has not taken any actions; however, PSE maintains there is no
2 action to take.

3 PSE's May 20, 2011 report provided this information to Staff and until this
4 proceeding, PSE was not aware that Staff believed further action was necessary.

5 **Q. Please explain PSE's investigation into Customer N's account.**

6 A. Customer N had moved from their original service address several months prior to
7 the Commission's approval of the settlement order in December 2010. At the
8 time the customer moved from the service address of the original violation, the
9 customer had an outstanding balance (active & prior obligation) of \$376.48.
10 PSE's preliminary investigation of the account determined that since the customer
11 was no longer at the address, any remaining credits on the "active" account would
12 have been used to lower the outstanding prior obligation balance at the time the
13 account was closed. Therefore, PSE believed that reprocessing every transaction
14 to redo history was unnecessary.

15 **Q. Please explain PSE's investigation into Customer O's account.**

16 A. Customer O was still active as of December 2010. Customer O did have a
17 subsequent disconnection in December of 2009, and the pledge monies were
18 greater than the energy service from October 2009 through December 2009. The
19 customer established arrangements on their past due balance of \$127.00 on May
20 2, 2011. PSE, upon preliminary investigation, was going to make an accounting

1 correction crediting the reconnection fee, as PSE believed that reprocessing all
2 transactions to redo history was unnecessary.

3 **Q. Please explain PSE's investigation into Customer P's account.**

4 A. Customer P had moved from the service address several months prior to the
5 issuance of Order 01 in December 2010. At the time the customer moved from
6 the service address of the original violation, the customer had an outstanding
7 balance (active and prior obligation) of \$290.83. PSE's preliminary investigation
8 of the account determined that since the customer was no longer at the address,
9 any remaining credits on the "active" account would have been used to lower the
10 outstanding prior obligation balance at the time the account was closed.

11 Therefore, PSE believed that reprocessing all transactions to redo history was
12 unnecessary.

13 Additionally, in this current proceeding Staff alleges that PSE did nothing on the
14 account until June 4, 2011, stating an additional 15 violations of Order 01.

15 However, Staff failed to recognize that both the detailed comments and
16 reprocessing transactions show that PSE initiated the reprocessing of the account
17 on May 19, 2011.

18 **Q. Please explain PSE's investigation into Customer Q's account.**

19 A. Customer Q was originally disconnected for non-payment on October 22, 2009.
20 PSE's preliminary investigation found the customer had moved in February 2011.
21 Therefore, PSE believed that no further adjustment was necessary.

1 **Q. Please explain PSE's investigation into Customer R's account.**

2 A. Customer R was originally disconnected for non-payment on October 21, 2009 as
3 discussed in the original complaint. PSE's preliminary investigation of this
4 customer's account found that at the time of Order 01, the customer had been
5 disconnected for non-payment an additional two times (May 2010 and October
6 2010). The energy service charges associated with the account between
7 November 2009 and May 2010 (the time of the subsequent disconnection),
8 excluding any additional pledge payments received on the account, exceeded the
9 October 2009 pledge. Therefore, the May 2010 disconnection would have still
10 occurred. This finding led PSE to the conclusion that reprocessing the
11 transactions would merely move the amounts between prior obligation balances,
12 and PSE believed that reprocessing all transactions to redo history was
13 unnecessary.

14 Additionally, in this proceeding Staff alleges that PSE did nothing on the account
15 until June 7, 2011, stating an additional 18 violations. However, Staff fails to
16 recognize that the detailed comments show that on May 19, 2011 there was a
17 "Pending Account Correction, requested pullback of bad debt balance".

18 **Q. Please explain PSE's investigation into Customer S's account.**

19 A. Customer S was disconnected again twice (May 2010 and August 2010)
20 following the original disconnection, for which PSE was found in violation of the
21 prior obligation rule, but prior to the filing of either the complaint or issuance of
22 Order 01. The energy service charges associated with the period of November

1 2009 to the May 2010 disconnection was greater than the amount of the pledge
2 that was “misapplied” and was the reason PSE concluded that reprocessing the
3 transactions would result in merely moving amounts between prior obligation
4 balances and believed that reprocessing all transactions to redo history was
5 unnecessary. Upon reprocessing, based on the assumption that if May had been
6 closed, the deposit would have been applied, the outstanding balance would have
7 been less and it appears that the August disconnection may not have occurred.
8 Subsequent to the August disconnection, the customer did not contact PSE for
9 reconnection until late October 2010 when the account was correctly processed as
10 prior obligation.

11 Additionally, in this proceeding Staff alleges that PSE did nothing on the account
12 until June 7, 2011, stating an additional 18 violations. However, Staff failed to
13 recognize that the detailed comments show that on May 21, 2011 PSE was
14 preparing a “Prior Obligation Correction”, in which PSE was attempting to
15 process both the October 2009 and the May 2010 amounts as prior obligation. As
16 mentioned above, the steps are required to be performed sequentially and undoing
17 more than 14 months of transactions was challenging, with multiple product
18 assignments making the task more difficult.

19 **Q. Please explain PSE’s investigation into Customer T’s account.**

20 A. The initial investigation of Customer T’s account showed that the customer had
21 been disconnected for nonpayment in June 2010. In comparing the energy service
22 for the period of November 2009 through the subsequent disconnect, PSE

1 determined that the energy service charges exceeded the amount of the pledge
2 received in November and that the June disconnection would have occurred
3 anyway and therefore believed no adjustment was necessary. In reviewing the
4 account, the notes indicated that during the July 2010 reconnection process, the
5 customer was advised of the prior obligation option and chose to pay an amount
6 above the pledge to keep her existing account and avoid transferring the balance
7 to prior obligation. Although this customer had previously chosen not to utilize
8 the prior obligation, when they were clearly offered, PSE did go back and “redo
9 history” to assume that the October 2009 account had been processed as prior and
10 that the pledge was applied to a new account.

11 In this current proceeding Staff alleges that PSE did nothing on the account until
12 June 7, 2011, stating an additional 18 violations. However, Staff failed to
13 recognize that the reprocessing transactions commenced on May 21, 2011.

14 **Q. Please explain PSE’s investigation into Customer V’s account.**

15 A. Customer V was originally disconnected for non-payment on October 22, 2009 as
16 discussed in the original complaint. PSE’s preliminary investigation of this
17 customer’s account found that at the time of the Order 01 the customer had been
18 disconnected again for non-payment in June 2010. The energy service charges
19 associated with the account between November 2009 and June 2010 (the time of
20 the subsequent disconnection), excluding any additional pledge payments,
21 exceeded the October 2009 pledge. Therefore, the June 2010 disconnection
22 would have still occurred. This finding led PSE to conclude that reprocessing the

1 transactions would merely move the amounts between prior obligation balances,
2 and PSE believed that reprocessing all transactions to redo history was
3 unnecessary.

4 **Q. Please explain PSE's investigation into Customer W's account.**

5 A. Customer W had moved from the service address several months before the
6 issuance of Order 01, in December 2010. Additionally, this customer had an
7 additional disconnection for non-payment that was processed as a prior obligation
8 in April 2010. At the time the customer moved from the service address, the
9 customer had an outstanding balance (active & prior obligation) of more than
10 \$500. PSE's preliminary investigation of the account determined that since the
11 customer was no longer at the address, any remaining credits on the "active"
12 account would have been used to lower the outstanding prior obligation balance at
13 the time the account was closed, PSE believed that reprocessing all transactions
14 to redo history was unnecessary.

15 **Q. Please explain PSE's investigation into Customer X's account.**

16 A. Customer X was disconnected multiple times for non-payment following the
17 original disconnection, from which Staff alleged PSE was in violation of the prior
18 obligation rules. Staff's original allegation stemmed from PSE applying a pledge
19 payment (received from a private foundation) against the disconnection amount
20 rather than processing the account as prior obligation. The results of PSE's
21 preliminary investigation determined that the energy service charges associated

1 with the account between November 2009 and January 2010 (the time of the
2 subsequent disconnection) excluding any additional payments received on the
3 account exceeded the October 2009 pledge and therefore the January 2010
4 disconnection would have still occurred. Since the account had multiple
5 subsequent disconnections, reprocessing the account would not be necessary.
6 Such reprocessing would simply be moving balances. PSE believed that
7 reprocessing all transactions to re-do history was unnecessary.

8 **Q. Please explain PSE's investigation into Customer Y's account.**

9 A. Customer Y was disconnected on October 21, 2009 and a subsequent
10 disconnection occurred in August 2010. The amount of the energy charges from
11 October 2009 through August 2010 surpassed the amount of the pledge used for
12 reconnection and would be of no impact to the customer. Such correction would
13 only result in an internal accounting correction. The results of PSE's preliminary
14 investigation determined that since the customer was no longer in the service
15 territory as of March 2011, reprocessing all transactions to re-do history was
16 unnecessary.

17 **Q. Please explain PSE's investigation into Customer Z's account.**

18 A. Customer Z was disconnected on October 19, 2009. The customer made partial
19 payment with his own funds for reconnection and set arrangements on the
20 balance. The customer paid and kept arrangements. Upon PSE's preliminary
21 investigation, since the customer had set up arrangements and kept them, then

1 subsequently was disconnected and processed prior with the customer's own
2 funds as of May 2011, reprocessing all transactions to redo history was
3 unnecessary.

4 **Q. Does this conclude your testimony?**

5 A. Yes it does.