**Exhibit \_\_\_T (RK-1T)**

**Dockets UE-111048/UG-111049**

**Witness: Roger Kouchi**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,****v.****PUGET SOUND ENERGY, INC.,**  **Respondent.** | **DOCKET UE-111048****DOCKET UG-111049****(*Consolidated)*** |
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**TESTIMONY OF**

**ROGER KOUCHI**

**STAFF OF**

**WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

***Service Quality Index No. 9: Disconnection Ratio***

***Billing and Meter Performance***

**December 7, 2011**

**TABLE OF CONTENTS**

I. INTRODUCTION 1

II. PURPOSE AND SUMMARY OF TESTIMONY 2

III. ELIMINATION OF SERVICE QUALITY INDEX NO. 9:

DISCONNECTION RATIO 5

IV. METER AND BILLING PERFORMANCE 10

**LIST OF EXHIBITS**

Exhibit No. \_\_\_\_ (RK-2), Section 2 (UTC Complaint Ratio – SQI-2) of 2010 Annual Puget Sound Energy SQI and Electric Service Reliability Report filed on March 31, 2011

Exhibit No \_\_\_\_ (RK-3), PSE Electric/Gas Disconnect and Disputed Bill Complaints

Exhibit No. \_\_\_ (RK-4), *WUTC v. Puget Sound Energy, Inc*. Dockets UE-072300 and UG-072301, Order 12, Appendix D

Exhibit No. \_\_\_ (RK-5), UTC Compliance Progress Report, July 2010

Exhibit No. \_\_\_ (RK-6), Retroactive Billing Complaint Ratios per 1000 meters

Exhibit No. \_\_\_ (RK-7), Summarized data from PSE’s response to Staff Data Request 72

Exhibit No. \_\_\_ (RK-8), PSE Response to Staff Data Request 89

Exhibit No. \_\_\_ (RK-9), PSE Response to Staff Data Request 88

1. **INTRODUCTION**

**Q. Please state your name and business address?**

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

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

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

**Q. How long have you been with this agency?**

A. I have been with the Commission since March 1992.

**Q. What are your educational and professional qualifications?**

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

My duties at the Commission include analyzing informal customer complaints concerning the rates or services of all regulated energy utilities and household goods carriers; acting as the public involvement coordinator for energy rate cases; and serving as lead or team member on energy filings with consumer issues. I was the lead in Docket UE-100338 (PSE Petition for SQI Penalty Mitigation). I have been involved in several consumer rulemakings for the electric and gas industries (Dockets UE-940084, UG-940085 and U-100523). I participated in the electric reliability rulemaking (Docket UE-991168) and the Staff review of annual electric reliability reports submitted by regulated companies. I have previously testified in Docket UT-950200 involving U S WEST Communications, Inc.’s request for late payment fees and have presented a number of items at open public meetings. I have also testified in Dockets UE-072300 and UG-072301 regarding Service Quality Index (“SQI”) program modifications for Puget Sound Energy, Inc. (“PSE” or the “Company”).

1. **PURPOSE AND SUMMARY OF TESTIMONY**

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

A.The purpose of my testimony is two-fold. First, I respond to PSE’s request to eliminate SQI- 9: Disconnection Ratio (“SQI-9”).

Second, I recommend modifications to the Company’s Meter and Billing Performance Plan approved by the Commission on October 8, 2008 in Dockets UE-072300 and UG-072301 (Order 12, Appendix D) (“2007 Rate Case”).

**Q. Please summarize your recommendation regarding the Company’s proposal to eliminate SQI-9.**

A. SQI-9 interferes with public policies underlying existing Commission rules to the detriment of the general body of ratepayers. Therefore, I support the Company’s proposal to eliminate SQI- 9 and recommend that the Commission grant the request.

**Q. Please summarize the context of your recommendation to modify the Meter and Billing Performance Plan.**

A. In the 2007 Rate Case, Staff identified ongoing problems with back-billing of electric and natural gas customers as a result of wide-spread inaccurate metering of energy usage by PSE. The Commission approved a settlement agreement that established Meter and Billing Performance standards designed to make PSE more promptly identify and correct the meter problems that were causing the Company’s billing problems. The Meter and Billing Performance standards were as follows:

* Gas meters: correct 100 percent within four months of identification; 75 percent of identified gas meter problems will be corrected within two months.
* Electric meters: correct 100 percent within two months of identification; 50 percent of identified electric meter problems will be corrected within one month.

Staff expected that if PSE met these standards, the number of electric back bills exceeding four months and the number of gas back bills exceeding six months would decline over time. However, two years of data from PSE reports shows the number of electric back bills greater than four months has remained between 15-19 percent of the total back bills and the number of gas back bills greater than six months has also remained between 15-19 percent of the total back bills. This is not acceptable. Therefore, I recommend modifications to the Meter and Billing Performance standards to reduce the number and duration of back-bills.

**Q. Please summarize your recommended modifications.**

A. I recommend the following modifications to the Meter and Billing Performance program that was adopted in the 2007 Rate Case:

* Gas meters: 100 percent of all stopped meters and unassigned usage meters must be identified and corrected within six months from the initial occurrence of the problem:[[1]](#footnote-1) 75 percent of identified gas meter problems must be corrected within two months from the initial occurrence of the problem.
* Electric meters: 100 percent of all stopped meters and unassigned usage meters must be identified and corrected within four months from the initial occurrence of the problem; 50 percent of identified electric meter problems must be corrected within one month from the initial occurrence of the problem.

I will define a “stopped meter” and an “unassigned meter” later in my testimony.

**Q. Are you sponsoring any exhibits in support of your testimony?**

A. Yes, I sponsor the following exhibits:

Exhibit No. \_\_\_\_ (RK-2), Section 2 (UTC Complaint Ratio – SQI-2) of 2010 Annual Puget Sound Energy SQI and Electric Service Reliability Report filed on March 31, 2011

Exhibit No \_\_\_\_ (RK-3), PSE Electric/Gas Disconnect and Disputed Bill Complaints

Exhibit No. \_\_\_ (RK-4), *WUTC v. Puget Sound Energy, Inc*. Dockets UE-072300 and UG-072301, Order 12, Appendix D

Exhibit No. \_\_\_ (RK-5), UTC Compliance Progress Report, July 2010

Exhibit No. \_\_\_ (RK-6), Retroactive Billing Complaint Ratios per 1000 meters

Exhibit No. \_\_\_ (RK-7), Summarized data from PSE’s response to staff DR 072

Exhibit No. \_\_\_ (RK-8), PSE Response to Staff Data Request 89

Exhibit No. \_\_\_ (RK-9), PSE Response to Staff Data Request 88

1. **ELIMINATION OF SERVICE QUALITY INDEX NO. 9:**

**DISCONNECTION RATIO**

**Q. What is SQI-9: Disconnection Ratio?**

A. SQI-9 established a cap for the number of disconnections per 1,000 customers for nonpayment of amounts due when the Commission’s disconnection policy would permit service curtailment. The SQI-9 ratio was set originally at .030, meaning that automatic penalties would take effect if the Company exceeded 30 disconnections per 1,000 customers. Later, in 2009, the Commission approved a PSE application to increase the annual benchmark from .030 to .038, thereby, allowing 38 disconnections per 1,000 customers when Commission rules permit.[[2]](#footnote-2)

**Q. What is the current status of SQI-9?**

A. On June 15, 2010, PSE filed an application to eliminate SQI-9 altogether, which Staff supported. On August 10, 2010, the Commission granted PSE’s application on an interim basis. The Commission stated that permanent elimination of the benchmark would be considered in PSE’s next general rate proceeding, which is this case.[[3]](#footnote-3)

**Q. Do you agree with the elimination of SQI-9?**

A. Yes. The SQI program, in its entirety, was established originally to ensure that customer service did not decline following the merger of Puget Sound Power & Light Company and Washington Natural Gas.[[4]](#footnote-4) There is inconclusive evidence that continuation of SQI-9 will assist in meeting that goal. In fact, the direct opposite may be the case.

**Q. Please elaborate on why the Company’s request to permanently eliminate SQI-9 should be approved?**

A. There are several reasons to grant PSE’s request to permanently eliminate

SQI-9. First, eliminating SQI-9 will not harm customers because other Commission rules already offer meaningful customer protections:

* Customers have the right to receive a bill stating the amount owed and the date payment is expected.[[5]](#footnote-5)
* Customers have the right to have billing service and service disputes investigated by PSE and Staff, and customers may not be disconnected while these investigations are pending.[[6]](#footnote-6)
* Customers have the right to advance, written notice of PSE’s intent to disconnect service for non-payment of bills.[[7]](#footnote-7)
* Customers have the right to re-establish service by paying a reconnection charge and one-half of a deposit. PSE may not require payment of the outstanding “prior obligation” before reconnecting service, but may seek collection through other means.[[8]](#footnote-8)

Second, SQI–9 prevents the Commission’s existing refusal of service rule from working as intended to the detriment of all ratepayers. The underlying premise of the existing credit rules is that PSE should move promptly to disconnect any customer who cannot or will not pay for service because this is the best way to protect all ratepayers from the burden of higher levels of uncollectible revenues. The rules prescribe specific steps PSE must follow before it can disconnect a customer. The rules also recognize that energy service is essential to the public health and welfare by providing a specific mechanism for disconnected customers to resume service without first having to repay their prior obligation. Maintaining SQI-9 interferes with the proper application of these existing customer protections.

Third, SQI-9 may result in the inequitable treatment of customers because it limits the number of customers that can be disconnected for nonpayment, even if application of the Commission rules would otherwise allow PSE to disconnect a larger number of customers. As a result, the Company must select those customers to disconnect from a larger pool of customers eligible for disconnection. This results in inequitable and unfair treatment of customers, unwittingly at the discretion of PSE and at the expense of all other customers who are burdened with higher rates to recover the uncollectible revenues.

Finally, the Commission has already recognized these unintended and adverse consequences of SQI-9 when it approved PSE prior application to increase the annual benchmark from .030 to .038 in 2009, thereby, allowing more disconnections when Commission rules permit. The same rationale supports the full elimination of SQI-9.

**Q. Are you aware of any negative trends in PSE’s disconnection complaints, disconnection ratios, or consumer complaints in general due to the temporary elimination of SQI-9 in August 2010?**

A. No. Exhibit No.\_\_ (RK-2) is the 2010 Annual Puget Sound Energy SQI and Electric Service Reliability Report filed with the Commission on March 31, 2011. Page 3 shows a 32 percent increase in the number of disconnections for nonpayment from 53,500 in 2009 (2.97 percent of the total customer base) to 70,500 in 2010 (3.92 percent of the total customer base). However, the number of disconnect complaints increased by only 4.8 percent during this period from 167 in 2009 to 175 in 2010, as shown on Exhibit No. \_\_ (RK-3). This suggests that the interim elimination of SQI-9 has not had a significant impact on customer complaints and that a similar result will occur for 2011.

**Q. Does the fact that the number of PSE disconnects increased suggest that SQI-9 does not interfere with disconnecting eligible customers?**

A. No. It suggests just the opposite. SQI-9 precluded PSE from disconnecting all nonpaying customers that met its criteria for disconnection. It was only after the Commission approved temporarily the elimination of SQI-9 that PSE was able to increase its disconnection rate without triggering penalties under SQI-9.

**Q. Are there other factors that should encourage PSE to be sensitive to customer complaints regarding disconnection for nonpayment if SQI-9 is eliminated and complaints increase as a result?**

A. Yes. Table 4 on page 5 of Exhibit No. \_\_\_\_ (RK-2) shows PSE’s complaint ratio from 2006 to 2010. It averaged 0.28 complaints per 1,000 customers during the past five years. This includes all complaints filed with the Commission. The SQI-2 benchmark is no more than 0.40 complaints per 1,000 customers. The Company is not allowed to exceed this benchmark without a penalty.

**Q. Please summarize the reasons for your support of PSE’s request to eliminate SQI-9.**

A. Existing rules already offer thorough and meaningful protections for customers facing disconnection. Allowing the Company to eliminate SQI-9 will have no effect on those existing protections. Rather than limiting PSE’s ability to disconnect customers for non-payment; the rules prescribe specific steps PSE must follow before it can disconnect a customer. The rules also recognize that energy service is essential to the public health and welfare by providing a specific mechanism for disconnected customers to resume service without the burden of first having to repay their prior obligation. These important public policies will not be implemented if PSE is unable to promptly disconnect all customers that fall in arrears.

**IV.** **METER AND BILLING PERFORMANCE**

**Q. Please provide a brief background of PSE’s meter and billing performance.**

A. A key aspect of PSE’s meter problems relates to its use of Automatic Meter Reading (“AMR”) technology. PSE began piloting the use of this technology in the late 1990’s. Since 2006 nearly all of PSE’s meters have been read automatically.

On December 3, 2007, the Company filed the 2007 Rate Case. Staff and Public Counsel raised concerns in their response cases regarding the Company’s metering and billing practices, which resulted in an excessive number and duration of back-bills for electric and natural gas service customers. Staff recommended disallowances to both electric and gas revenue requirements and to cash working capital reflecting Staff’s concern regarding unbilled revenue (*i.e.,* revenue the Company should have received had it properly billed all customers under the effective tariff rates).[[9]](#footnote-9)

Prior to hearing, the Company, Staff, Public Counsel and The Energy Project reached agreement on terms that established an electric and natural gas Billing and Meter Performance Plan, setting forth standards to measure and correct potential problems in PSE’s metering system that result in incorrect billings. The goal was to improve PSE’s ability to issue accurate and timely bills to its customers in order to decrease the number and duration of back-bills. The Commission approved the settlement agreement,[[10]](#footnote-10) which I have included in Exhibit No. \_\_ (RK-4).

The Billing and Meter Performance Plan requires PSE to correct meter problems within the following timeframes:

1. Natural gas meters: 100 percent within four months of identification; 75 percent of identified gas meter problems will be corrected within two months.
2. Electric meters: 100 percent within two months of identification; 50 percent of identified electric meter problems will be corrected within one month.

The Company was also required to file quarterly reports of its performance under these standards.

**Q. What are the leading causes of the meter and billing problems?**

A. The three types of meter problems causing the retroactive billing issues are: (1) stopped meters; (2) unassigned usage meters; and (3) lost/delayed meters. In 2010, stopped meters accounted for 90.5 percent of retroactive bills and unassigned usage meters accounted for 7.8 percent of retroactive bills.[[11]](#footnote-11)

**Q. What is a stopped meter?**

A. A stopped meter occurs when a meter or the module that transmits usage data to the Company does not report any energy usage even though energy is being consumed. There are two main causes why a meter stops registering energy usage: (1) a meter failure; and (2) an AMR module failure. A gas meter failure commonly results from friction between the module drive and the internal axle gear causing internal components to break, which causes the meter to either read slow or stop completely. An electric meter failure is most commonly the result of friction, aging, or contamination build-up in the bearing or meter dial.

 An AMR module failure is indicated when the module transmits the same usage data repeatedly, or simply stops sending any usage data. Examples of AMR module failures include malfunctioning circuit boards and mechanical failures, which cause the module to not record and transmit the proper consumption.

**Q. What is an unassigned usage meter?**

A. An unassigned usage meter is a meter that correctly records and transmits energy usage, but does not have a customer assigned to the account. This most commonly occurs with residential or commercial rental properties, for example when a tenant has moved into an apartment and has not notified the Company of current account information.

**Q. Has PSE complied with the existing Billing and Meter Performance Plan** **standards?**

A. Yes. There is an on-going Staff investigation to monitor PSE’s performance under these standards. Staff completed an initial compliance progress report in July 2010, which I have included in Exhibit No.\_\_ (RK-5). Staff found PSE technically in compliance with the requirements of the Billing and Meter Performance Plan.

**Q. If PSE has complied with the standards, what’s the problem?**

A. There are two problems. First, since 2006, PSE’s retroactive billing complaints have been the highest of all Commission-regulated energy companies, as shown on Exhibit No.\_\_ (RK-6).

Second, even though PSE implemented a number of process improvements, which I discuss later in this testimony, the Company continues to issue too many retroactive bills that exceed six months in duration. In just the first half of 2011, PSE issued retroactive bills totaling over $4 million ($3.2 million for gas and $800,000 for electric), as shown on the top half of Exhibit No. \_\_ (RK-7). The largest retroactive bill was for a gas customer in the amount of $65,067.

 There were 260 electric and 1,054 gas retroactive bills (stopped meters and unassigned usage meters) during the first half of 2011 that exceed six months in duration, as shown in Exhibit No.\_\_ (RK-8). In fact, during this same time period there were 79 electric and 371 gas retroactive bills that exceed 12 months in duration, as shown in Exhibit No. \_\_ (RK-7). Of these, 21 electric and 51 gas retroactive bills exceed 30 months in duration. The longest retroactive bill in the first half of 2011 is 37.1 months.

This is unacceptable. Consumers have the right to timely and accurate bills each month. Exhibit No. \_\_ (RK-7) shows there were 473 retroactive electric bills exceeding four months in duration and 991 retroactive gas bills exceeding six months in duration in the first half of 2011. It appears that our expectation that the Meter and Billing Performance Plan would decrease the duration of back bills to a reasonable level is not being met and, therefore, those standards should be re-examined.

**Q. Has the Company also recognized in general the problem of retroactive billing as a result of metering inaccuracies?**

A. Yes. The Company has also acknowledged its metering and retroactive billing problems. PSE has stated that it recognizes that even small numbers of retroactive bills are problematic.[[12]](#footnote-12)

**Q. What do you believe is the reason why the existing Billing and Meter Performance Plan has not worked to reduce adequately the duration of back bills?**

A. Under the Billing and Meter Performance Plan, Staff expected the Company to correct 100 percent of the electric meter problems within two months and 100 percent of the gas meter problems within four months. This has not happened because the current standards require PSE to act within a certain time period once it has “identified” a meter problem. Since there is no time requirement during which PSE must identify the meter problem, the number of back-bills issued for more than six-months has remained unreasonably high.

**Q. What do you recommend?**

A. I believe it is reasonable for the Company to identify all gas and electric stopped meters and unassigned usage meter problems within two months. Therefore, I recommend that two months be added to the existing standards, but that those longer time frames encompass both meter problem *identification* and *correction* so that *all* stopped meter and *all* unassigned usage meter billing problems will be resolved within 4 months for electric meters and 6 months for gas meters. The specific standards I recommend are as follows:

1. Natural gas meters: Identify and correct 100 percent of all stopped meter and unassigned usage meter problems within six months from the initial occurrence of the problem; 75 percent of gas meter problems must be identified and corrected within two months.
2. Electric meters: Identify and correct 100 percent of all stopped meter and unassigned usage meter problems within four months from the initial occurrence of the problem; 50 percent of electric meter problems must be identified and corrected within one month.

Since these standards specify a time frame during which a meter problem must be identified *and* corrected, the duration of back bills should be reduced over time to the benefit of ratepayers and the Company.

**Q. Should there be automatic penalties for failure to meet the new standards?**

A. Not at this time. PSE indicated in its response to Staff Data Request No. 88, included in Exhibit No. \_\_(RK-9), that it has made some improvements by using DataRaker Analysis tool and proactive reviews of irregular use customer meters); by investigating potential process changes looking at first-in, first-out workload methodology and automation of office reviews; and by considering a pilot to field test a newly designed meter module. I recommend that Staff monitor PSE’s progress in meeting the new standards, if they are approved by the Commission. Staff would then report the results of its review in the next rate proceeding and recommend further modifications for penalties or other appropriate enforcement action at that time.

**Q. Is there anything you wish to add regarding PSE’s meter and billing performance?**

A. Yes. The current quarterly report format is somewhat cumbersome and could use some improvement to allow better monitoring. Thus, whether or not my recommended modifications are adopted by the Commission, I recommend that PSE be required to restructure the information provided. In particular, PSE should add the following data to each quarterly report:

1. The number of back-bills issued each month for each type of meter problem (stopped and unassigned usage);
2. The average length of back-bills issued each month for each type of meter problem;
3. The shortest and longest back-bill, in weeks, issued each month for each type of meter problem; and
4. The duration of each back-bill issued for stopped and unassigned usage meters with an explanation why the duration exceeded the performance standard.

These data will allow Staff to monitor PSE’s progress in reducing the duration of retroactive bills to consumers. Staff commits to working with the Company to design the report in a manner that is not burdensome, but provides the necessary information for proper monitoring.

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

A. Yes.

1. The “initial occurrence of the problem” means the time that an event first occurred that resulted in a billing error and subsequent retroactive bill. Such events can include a failed meter, failed automated meter reading (“AMR”), failed interface between the meter and AMR, failed cell net transmission, and the failure to properly identify a meter to an account. [↑](#footnote-ref-1)
2. *WUTC v Puget Sound Energy, Inc*., Dockets UE-072300 and UG-072301, Order 14 (November 13, 2009). [↑](#footnote-ref-2)
3. *WUTC v Puget Sound Energy, Inc*., Dockets UE-072300 and UG-072301, Order 16 (August 10, 2010). [↑](#footnote-ref-3)
4. *In re: Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Dockets UE-951270 and UE-960195, Fourteenth Supp. Order Accepting Stipulation; Approving Merger at 13 (February 5, 1997). [↑](#footnote-ref-4)
5. WAC 480-90-178 / WAC 480-100-178. [↑](#footnote-ref-5)
6. WAC 480-90-173 / WAC 480-100-173. [↑](#footnote-ref-6)
7. WAC 480-90-128 / WAC 480-100-128. [↑](#footnote-ref-7)
8. WAC 480-90-123 / WAC 480-100-123. [↑](#footnote-ref-8)
9. Exhibit No. TES-1T, page 10, Dockets UE-072300/UG-072301. [↑](#footnote-ref-9)
10. *WUTC v Puget Sound Energy, Inc*., Dockets UE-072300 and UG-072301, Order 12 (October 8, 2008). [↑](#footnote-ref-10)
11. PSE Meter and Billing Performance Quarterly Report, page 11 (October 28, 2011). [↑](#footnote-ref-11)
12. Company witness Booga K. Gilbertson, Exhibit No. (BKG-1T), page 4, Docket No. UE-072300/UG-072301. [↑](#footnote-ref-12)