BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Docket Nos. UE-151871 UG-151872
Puget Sound Energy's
Electric and Natural Gas Equipment Lease Service

BENCH REQUEST NO. 001

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Provide customer financial eligibility metrics and calculate the number of customers eligible to participate in the proposed lease program using those metrics.

Response:

Puget Sound Energy ("PSE") recently revised its customer eligibility metrics. The metrics PSE will use to calculate customer eligibility for its proposed leasing service are based on PSE's "propensity to pay" score. The propensity to pay score is based on a series of customer attributes, including:

- The number of times the customer was delinquent in past 12 months;
- The number of months since the customer was eligible to be disconnected;
- The customer's delinquency balance;
- The number of months as customer;
- The number of months of account;
- The number of months since last payment; and
- Prior obligation history.

PSE's customers fall into four segments (good, satisfactory, poor, and high risk) based on the above factors:

- Customers included in segment 1 (good) and segment 2 (satisfactory) are those that PSE believes have a high likelihood to pay.

- Customers included in segment 3 (poor) and segment 4 (high risk) are those customers that PSE has determined have the greatest likelihood to default.

Customers that qualify as "good" or "satisfactory" are eligible for PSE's proposed leasing program. Currently, 83.3 percent of PSE's residential customers and 87.4 percent of PSE's commercial customers are included in segments 1 and 2 and would therefore be eligible for PSE's proposed leasing services.

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Date of Response: August 9, 2016
Person who Prepared the Response: Malcolm B. McCulloch
Witness Knowledgeable About the Response: Malcolm B. McCulloch

Customer Segments		Customer Class	
		R (Residential)	C (Commercial)
1	Customer Count	936,647	118,098
	% within class	74.10%	79.40%
2	Customer Count	116,476	11,894
	% within class	9.20%	8.00%
3	Customer Count	103,165	9,529
	% within class	8.20%	6.40%
4	Customer Count	108,342	9,185
	% within class	8.60%	6.20%

The previous metrics PSE used to calculate customer eligibility for its proposed leasing service were based on customers having an internal "good" credit worthiness designation that was measured by a different set of criteria. As explained on page 17, lines 7-9, of the Prefiled Direct Testimony of Ahmad Faruqui (AF-1T), at the time PSE filed rates for this proposal, under PSE's prior credit worthiness system, 65 percent of PSE's customer population had a credit worthiness score that made them eligible for PSE's proposed leasing service.

As the more current metrics would revise PSE's market share assumptions used in calculating the monthly rates for each product, PSE is willing to update these metrics as part of a compliance filing, upon approval of the service, resulting in an approximately one percent reduction in the monthly lease rates.

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