

April 20, 2000

Ms. Carole J. Washburn, Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
Olympia, WA 98504-7250

Re: Docket No. UE-990473—Review of WAC 480-100

Dear Ms. Washburn:

This letter is to convey Puget Sound Energy's (PSE or the Company) comments and suggested revisions to the Commission Staff's second formal draft of the revised operations rules under WAC 480-100. PSE hopes these comments are helpful to Staff as it endeavors to make revisions to these rules to implement Governor Locke's goal for regulatory improvement in Executive Order 97-02 and to ensure the rules are otherwise in the public interest. The Company looks forward to continuing to work with the WUTC Staff and all other interested parties to complete the task assigned in Executive Order 97-02 and to otherwise ensure the rules are in the public interest.

Structure of PSE's Comments

Attached to this letter, please find a copy of WUTC Staff's second formal draft that shows PSE's recommended revisions in legislative format, along with explanations, comments, and questions. Please note the legislative format is in relation to Staff's proposal, not the existing rules. The majority of our comments may be found in this attachment. There are two topics, however, that PSE believed were more efficiently addressed in this letter. This should not be interpreted as meaning the following two topics are the single most important ones, just that it seemed more effective to communicate regarding these issues outside marking-up rule language.

Gas Safety Issues

The pipeline safety Staff have hosted two workshops outside of the other workshops to discuss rules that affect industrial gas customers. The first workshop was on November 4, 1999, which included WUTC Staff and utilities. The second was on February 17, 2000, and included representatives from several state agencies, Northwest Industrial Gas Users, industrial customers, and utilities. While not all parties were amiable to Staff's

positions, PSE commends Staff for bringing together several governmental agencies that may (or may not) have jurisdiction over the safety of customer owned piping in a forum where all interested parties (including customers) could openly discuss the issues. As a result of these discussions, it appears the Staff have decided not to address safety of industrial customer owned piping in this proceeding. PSE suggests the efforts of the WUTC's pipeline safety staff in this process is a good example of implementing Governor Locke's Executive Order 97-02.

Customer Notice Issues

Rather than address changes to Staff's proposed new customer notice rule with revised rule language, PSE offers the following discussion, in the hope that it will communicate our ideas and proposal more clearly than technical rule language. Additionally, it seems the process will be more productive by focusing on what the various parties mean, and if we can come to complete or partial consensus on specific notice requirements, then turn our collective energy toward writing it up in a rule.

PSE supports Staff's two stated interests regarding customer notification:

Customers have a right to know when their energy provider proposes to change rates or access to an existing service.

Where public participation is feasible, customer notice should be early enough to permit it.

While Staff's proposal regarding the timing and methods of noticing customers for changes that increase rates or limit access to service do support Staff's interests, PSE does have significant concerns with Staff's proposed rule. As an alternative, PSE offers the following proposal for Staff's consideration. This proposal has the following benefits:

It meets Staff's stated interests;

Nearly all customers will have access to more and more timely information than provided under the existing rules;

The benefits and costs of customer notices, which are reaped and born by customers, are better aligned than in Staff's proposal;

By utilizing more efficient technologies, PSE's proposal is more cost effective than Staff's proposal, which, based on last year would cost PSE's customers approximately \$450,000 a year.

In practice, this proposal retains the 30 day statutory notice requirement in RCW 80.28.060, which Staff's proposal eliminates, unless utilities use direct mail notices for all pre-notification.

Actions Requiring Pre-Notification

PSE accepts Staff's list of utility actions that require notification prior to effectiveness. The difference is in requirements for how the pre-notification must be performed, which is discussed below.

Differentiating Pre-Notification Requirements—Rate Increases

PSE suggests that it would be most reasonable to differentiate the pre-notification methods based on significance of the proposed increase. This is reasonable for two reasons. First, customers are not going to be as interested in insignificant rate changes, both from how the increase impacts their budgets and in their desire to participate in any kind of public participation activities. Therefore, the benefits customers perceive from notification of insignificant rate increases is smaller than for notification of larger increases. Second, different notification methods have different costs. PSE's proposal differentiates notification method based on the magnitude of the proposed rate increase, requiring the more expensive methods for the significant filings.

PSE suggests breaking proposed rate increases into two categories. Those that result in more than a 3% increase in revenue for the affected class and those less than a 3% impact. The 3% class revenue impact was taken from WAC 480-09-310, which explains a general rate increase is one that increases revenues by more than 3% or rate restructuring that increases any class' revenue by 3%. While PSE does not necessarily believe customers would perceive a 3% revenue increase as "significant," it is an objective value that the Commission has indicated in the past had some degree of significance.

Methods of Pre-Notification—Rate Increases Less than 3% Impact on Revenues

Utilities would be required to notify affected customers using at least one of the following methods, which would begin commensurate with providing the Commission the statutory 30 day notice:

Post pre-recorded information on a tollfree telephone number for customers to access
AND post notification information on the utility's web site (if available). The utility would be required to include a standing message in the bill package (back of envelope, or front or back of the bill) providing the phone number and web site, informing customers that they can seek information on minor regulatory filings at those sources.

Bill inserts,

Direct mail notification.

Methods of Pre-Notification—Rate Increases that have 3% or Greater Revenue Impact

Utilities should be required to notify affected customers using at least one of the following methods, which would begin commensurate with providing the Commission the statutory 30 day notice:

Insert a summary bill print message that identifies the magnitude of the proposed revenue impact for the customers' class and direct the customer to call a toll-free telephone number for additional pre-recorded information and directing customers to the utility's web site (if available) that would include the complete notice information.

Bill inserts,

- Direct mail notification.

An acceptable media package that includes the notice information or summary messages directing customers to call the toll-free telephone number and check the utility's web site (if available).

Pre-Notification Requirements for Discontinuance of an Existing Service

When utilities propose to discontinue a service that customers are purchasing, the utility should be required to notify those customers currently taking the service that it will no longer be offered. Utilities should be required to notify customers using direct mail or bill insert, beginning commensurate with the 30 statutory notice requirement.

Balancing of Interests

PSE's customer notification process outlined above is a reasonable alternative position to meeting Staff's stated interests. Utilizing the pre-recorded information at a toll-free telephone number would make information that is currently required to be posted at pay stations and business offices available to more people, since only 5% of our total billings are paid at pay stations. Additionally, this approach would make the information available to customers with 30 days notice, effectively sooner than the current requirements, which require customers have an opportunity to view the information when they receive their bills or when they pay their current bill at a pay station. Overall, PSE suggests this proposal is a better balancing of various public interests than Staff's proposal and could save our customers upwards of half a million dollars per year. We are, however, open to considering any and all other ideas in trying to find a proposal that meets the public interest.

Conclusion

PSE would like to thank the Commission for the opportunity to file comments on Staff's Second Formal Draft rules. We look forward to continuing to work with Staff and all other interested parties in this process. If you have any questions, or if we can be of any additional assistance, please contact Phillip Popoff at (425) 462-3229.

Sincerely,

Karl R. Karzmar
Manager, Revenue Requirements