



# PUGET SOUND ENERGY

*The Energy To Do Great Things*

Puget Sound Energy  
P.O. Box 97034  
Bellevue, WA 98009-9734  
PSE.com

VIA OVERNIGHT MAIL & ELECTRONIC FILING

October 16, 2009

Mr. David Danner, Executive Director and Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

**RE: Docket Nos. UE-072300 and UG-072301  
Application for Approval of Amendment to Service Quality Index Benchmark:  
Disconnection Ratio**

Dear Mr. Danner:

Enclosed are the original and 19 copies of Puget Sound Energy, Inc.'s ("PSE's" or "the Company's") Application for Approval of Amendment to Service Quality Index Benchmark: Disconnection Ratio. The Company is seeking the Commission's approval to amend a certain element of Order 12 of consolidated Docket Nos. UE-072300 and UG-072301 ("Order 12"). The Company respectfully requests that the Commission issue an order regarding this application no later than December 10, 2009, so that the proposed amendment can become effective for PSE's Service Quality Program reporting starting January 1, 2010.

This filing represents PSE's proposal to revise the Service Quality Index benchmark for the Disconnection Ratio to an annual benchmark of 0.038 disconnections per customer from the existing annual benchmark of 0.030 disconnections per customer. This benchmark only includes disconnections for non-payment of amounts due when the WUTC disconnection policy would permit service curtailment. This filing is not a joint filing of the executing parties of Partial Settlement Stipulation Re: Service Quality, Meter and Billing Performance, and Low-Income Bill Assistance, Appendix D to Order 12 ("Partial Settlement"). The Company, however, has been working closely with the Commission Staff to address issues related to the current Disconnection Ratio benchmark.

Mr. David Danner  
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Please contact Mei Cass at (425) 462-3800 for additional information about this filing. If you have any other questions please contact me at (425) 462-3495.

Very truly yours,

A handwritten signature in black ink that reads "Tom DeBoer". The signature is written in a cursive, slightly slanted style.

Tom DeBoer  
Director, Federal & State Regulatory Affairs

Enclosures

cc: Sheree Carson, Perkins Coie  
Service List for Docket Nos. UE-072300 and UG-072301

BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-072300 and UG-072301  
(Consolidated)

APPLICATION FOR APPROVAL OF  
AMENDMENT TO SERVICE QUALITY  
INDEX BENCHMARK: DISCONNECTION  
RATIO

**BACKGROUND AND DISCUSSION**

1. In the Commission's Order 12 in Docket Nos. UE-072300 and UG-072301 ("Order 12"), the Commission approved and adopted a set of five unopposed settlement stipulations filed by the parties to this general rate case. In addition to setting forth the electric and natural gas rates that Puget Sound Energy, Inc. ("PSE" or "the Company") customers would be paying after November 1, 2008, Order 12 also authorized the continuation of PSE's Service Quality Index ("SQI") program with certain revisions and new terms and conditions. Appendix D to Order 12: Partial Settlement Stipulation Re: Service Quality, Meter and Billing Performance, and Low-Income Bill Assistance ("Partial Settlement") details those SQI changes. There was no revision related to the SQI-9: Disconnection Ratio annual benchmark in the Partial Settlement therefore it stayed at 0.030 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment. The Partial Settlement, page 5, paragraph 11, stipulates "Any particular index that is not revised by this Partial Settlement remains effective as set forth currently in the SQI program."

2. Specifically, the SQI-9 benchmark was not reviewed or revised by the executing parties entering into the Partial Settlement. The parties included PSE; the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General's Office; and the Energy Project. The 0.030 annual benchmark was prescribed in the previous SQI settlement, Exhibit J of the Settlement Stipulation, Re: Service Quality

Index, in the Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571. Prior to the 2001 dockets, the annual benchmark for SQI-9: Disconnection Ratio was 0.038 when PSE's SQI program was first established in Docket Nos. UE-951270 and UG-960195.

3. At the time the parties entered into the Partial Settlement, the effect of the 2007-2009 global economic crisis had not yet fully surfaced and the benchmark for SQI-9 did not contemplate the potential impact the economic crisis could have on the Company's customer accounts receivable and uncollectible accounts. Meanwhile, the crisis deepened as stock markets worldwide crashed and every month the US unemployment ratio reached another new high since 1985. Some economists categorized the crisis as the most serious financial crisis since the Great Depression of 1930. The Company has discovered that its accounts receivable have increased considerably compared to that of prior years. In particular, the amounts of aged accounts receivable have been increasing more rapidly than the amounts of newly past-due collectibles. In order to keep these accounts receivable at a manageable level going forward, the non-payment disconnection ratio will need to be higher than the 0.030 benchmark stipulated in the Partial Settlement. Thus PSE entered into discussions with the other executing parties of the Partial Settlement concerning a possible amendment to SQI-9 to recognize the difficulties caused by the 2007-2009 global economic crisis.

4. As a result of these discussions, the Company proposes an amendment of the annual benchmark for SQI-9: Disconnection Ratio from 0.030 to 0.038 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment. The Company also proposes the revised benchmark shall become effective in PSE's SQI program reporting beginning January 1, 2010.

5. PSE is not proposing any changes to the potential maximum penalty of \$1.5 million and its calculation associated with SQI-9. The annual performance calculation stays as stipulated in the existing SQI program:

Disconnection Ratio = (Number of Electric Customers Disconnected + Number of Natural gas Customers Disconnected) / (Average Annual Electric Customers + Average Annual Natural gas Customers)

6. Because the SQI-9 benchmark amendment changes the Partial Settlement that the Commission approved in its Order 12, the Company hereby requests that the Commission: (1) approve the revised annual benchmark of 0.038 disconnections per customer for non-payment of

amounts due when WUTC disconnection policy would permit service curtailment and (2) order the resulting adjusted benchmark to be used for purposes of the SQI program reporting beginning January 1, 2010.

**REQUESTED ACTION**

7. For the reasons set forth above, PSE respectfully requests that the Commission issue an order in the form attached as Exhibit A which:

- (a) approves the SQI-9 benchmark amendment application and
- (b) orders PSE to use the revised benchmark in its SQI program reporting starting January 1, 2010.

DATED: October 16, 2009.

PUGET SOUND ENERGY, INC.

By Tom DeBoer  
Tom DeBoer  
Director, Federal & State Regulatory Affairs

**Exhibit A**  
Proposed Order

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NOS. UE-072300 and UG-072301  
(Consolidated)

[PROPOSED]

ORDER 14

SUPPLEMENTAL ORDER GRANTING  
APPLICATION FOR APPROVAL OF  
AMENDMENT TO MODIFY SERVICE  
QUALITY INDEX BENCHMARK

1       **PROCEEDINGS.** On December 3, 2007, Puget Sound Energy, Inc. (“PSE” or the “Company”) filed tariff revisions designed to effectuate a general rate increase for electric and gas services. These proceedings were consolidated under Docket Nos. UE-072300 and UG-072301. On December 12, 2007, the Commission suspended the filing and set the dockets for hearing.

2       On October 8, 2008, the Commission approved and adopted a set of five unopposed settlement stipulations filed by the parties in Order 12 of Docket Nos. UE-072300 and UG-072301 (“Order 12”). In addition to setting forth the electric and natural rates that PSE customers would be paying after November 1, 2008, Order 12 also authorized the continuation of PSE’s Service Quality Index (“SQI”) program with revisions and new terms and conditions. Appendix D to Order 12: Partial Settlement Stipulation Re: Service Quality, Meter and Billing Performance, and Low-Income Bill Assistance (“Partial Settlement”) details these SQI changes. The annual benchmark for SQI-9: Disconnection Ratio is 0.030 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment. There was no revision related to the SQI-9 benchmark in the Partial Settlement therefore it stayed at 0.030, as prescribed the Partial Settlement, page 5, paragraph 11, “Any particular index that is not revised by this Partial Settlement remains effective as set forth currently in the SQI program.” The executing parties included PSE; the Staff of the Washington Utilities and Transportation Commission; the Public Counsel Section of the Attorney General’s Office; and the Energy Project. At the time the parties entered into the Partial

Settlement, the effect of the 2007-2009 global economic crisis had not yet fully surfaced and the benchmark for SQI-9 did not contemplate the potential impact the economic crisis could have on the Company's customer accounts receivable and uncollectible accounts.

3 On October 16, 2009, PSE filed its Application for Approval of Amendment to Service Quality Index Benchmark. The purpose of the filing is to propose an amendment to the annual benchmark applied to SQI-9: Disconnection Ratio and to obtain Commission approval of the revised benchmark to become effective starting January 1, 2010.

**PARTY REPRESENTATIVES.** Sheree S. Carson and Jason Kuzma, Perkins Coie, Bellevue, Washington, represent PSE. Simon fitch, Assistant Attorney General, Seattle, Washington, represents the Public Counsel Section of the Washington Office of Attorney General (Public Counsel). Robert D. Cedarbaum, Senior Assistant Attorney General, Olympia, Washington, represents the Commission's regulatory staff (Commission Staff or Staff). S. Bradley Van Cleve and Irion Sanger, Davison Van Cleve, Portland, Oregon, represent the Industrial Customers of Northwest Utilities (ICNU). Chad M. Stokes, Cable Huston Benedict Haagenes & Lloyd LLP, Portland, Oregon, represents Northwest Industrial Gas Users (NWIGU). Elaine L. Spencer, Graham & Dunn PC, Seattle, Washington, represents Seattle Steam Company (Seattle Steam). Michael L. Kurtz and Kurt J. Boehm, Boehm, Kurtz & Lowry, Cincinnati, Ohio, represent the Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions (Kroger). Norman Furuta and Scott Johansen, Department of the Navy, San Francisco, California, and San Diego, California, respectively, represent the Federal Executive Agencies (FEA). Ronald L. Roseman, Attorney, Seattle, Washington, represents the Energy Project. Damon Xenopoulos and Shaun Mohler, Brickfield Burchette Ritts & Stone, Washington, D.C., represent Nucor Steel Seattle, Inc. (Nucor).

4 **COMMISSION.** The Commission grants PSE's Application for Approval of Amendment to Service Quality Index Benchmark; SQI-9: Disconnection Ratio. The Commission: (1) approves the revision of SQI-9 annual benchmark to be at 0.038 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment and (2) orders that the resulting revised benchmark is to be used for purposes of the SQI program reporting beginning January 1, 2010.



## MEMORANDUM

- 5 On October 8, 2008, the Commission approved and adopted a set of five unopposed settlement stipulations filed by the parties in Order 12 of Docket Nos. UE-072300 and UG-072301 ("Order 12"). In addition to setting forth the electric and natural rates that PSE customers would be paying after November 1, 2008, Order 12 also authorized the continuation of the Service Quality Index ("SQI") for the Company with revisions and new terms and conditions. Appendix D to Order 12: Partial Settlement Stipulation Re: Service Quality, Meter and Billing Performance, and Low-Income Bill Assistance (the "Partial Settlement") details these SQI changes. However, at the time the parties entered into the Partial Settlement, the effect of the 2007-2009 global economic crisis had not yet fully surfaced and the benchmark for SQI-9 did not contemplate the potential impact the economic crisis could have on the Company's customer accounts receivable and uncollectible accounts.
- 6 The annual benchmark for SQI-9: Disconnection Ratio is 0.030 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment. There was no revision related to the SQI-9 benchmark in the Partial Settlement therefore it stayed at 0.030, as prescribed the Partial Settlement, page 5, paragraph 11, "Any particular index that is not revised by this Partial Settlement remains effective as set forth currently in the SQI program". Specifically, the SQI-9 benchmark was not reviewed or revised by the parties entering into the Partial Settlement. The Company, however, has since discovered that its accounts receivable have increased considerably compared to that of prior years. In particular, the amounts of aged accounts receivable have been increasing more rapidly than the amounts of newly past-due collectibles. Thus PSE entered into discussions with the other executing parties of the Partial Settlement concerning a possible amendment to SQI-9 to recognize the difficulties caused by the 2007-2009 global economic crisis.
- 7 Following the discussions, the Company filed its Application for Approval of Amendment to Service Quality Index Benchmark: Disconnection Ratio to request an amendment to the annual benchmark applicable to SQI-9: Disconnection Ratio. PSE requested the benchmark to be increased to 0.038 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment. The Company also requested the amendment to become effective January 1, 2010.

8 Because the benchmark amendment changes the Partial Settlement that the Commission approved in Order 12, PSE has requested that the Commission: (1) approve the revised SQI-9: Disconnection Ratio annual benchmark of 0.038; and (2) order that the revised benchmark is to be used for purposes of the SQI program reporting beginning January 1, 2010.

9 The Commission has authority to amend its Order as requested pursuant to RCW 80.04.210 and WAC 480-07-875. PSE has provided notice of its Application to the parties who executed the Partial Settlement, and to all parties to the general rate case, Docket Nos. UE-072300 and UG-072301.

### FINDINGS OF FACT

10 Having discussed above all matters material to our decision, and having stated general findings, the Commission now makes the following summary findings of fact. Those portions of the preceding discussion that include findings pertaining to the Commission's ultimate decisions are incorporated by this reference.

- (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- (2) Puget Sound Energy, Inc., is a "public service company" and an "electrical company" and a "gas company" as those terms are defined in RCW 80.04.010, and as those terms otherwise may be used in Title 80 RCW. Puget Sound Energy, Inc., is engaged in Washington State in the business of supplying utility services and commodities to the public for compensation.
- (3) PSE's October 16, 2009 Application for Approval of Amendment to Service Quality Index Benchmark: Disconnection Ratio is in the public interest and produces results that are fair, just, and reasonable.

## CONCLUSIONS OF LAW

11 Having discussed above in detail all matters material to our decision, and having stated general findings and conclusions, the Commission now makes the following summary conclusions of law. Those portions of the preceding detailed discussion that state conclusions pertaining to the Commission's ultimate decisions are incorporated by this reference.

- (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings. *Title 80 RCW.*
- (2) The Commission's prior orders in consolidated Docket Nos. UE-072300 and UG-072301 should be amended to the extent necessary, or rescinded to the extent required, to effectuate the provisions of this Order. *RCW 80.04.210; WAC 480-07-875.*
- (3) The Commission should retain jurisdiction over the subject matters and the parties to this proceeding to effectuate the terms of this Order. *Title 80 RCW.*

## ORDER

- (1) THE COMMISSION ORDERS that PSE's Application for Approval of Amendment to Service Quality Index Reporting Methodology is granted. The Commission therefore:
  - (a) approves the revised SQI-9: Disconnection Ratio annual benchmark of 0.038 disconnections per customer for non-payment of amounts due when WUTC disconnection policy would permit service curtailment and
  - (d) orders PSE to use the revised benchmark in its SQI program reporting effective January 1, 2010.
- (2) THE COMMISSION ORDERS FURTHER That it retains jurisdiction over the subject matter and the parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this \_\_\_ day of \_\_\_\_\_ 2009.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

**CERTIFICATE OF SERVICE**

**DOCKET NOS. UE-072300 AND UG-072301**

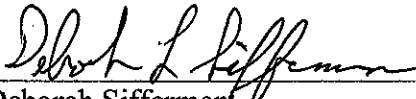
I hereby certify that I have this day served the foregoing, in accordance with WAC 480-07-150(6) to the following persons via overnight mail:

<p><b><u>Commission Staff:</u></b> Robert D. Cedarbaum, Senior Counsel 1400 S. Evergreen Park Dr. S.W. P.O. Box 40128 Olympia, WA 98504-0128 Phone: 360-664-1188 Fax: 360-586-5522 Email: <a href="mailto:bcedarba@wutc.wa.gov">bcedarba@wutc.wa.gov</a></p>	<p><b><u>Public Counsel:</u></b> Simon J. Ffitch Public Counsel Section Office of Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 Phone: 206-464-7744 Fax: 206-389-2058 Email: <a href="mailto:simonf@atg.wa.gov">simonf@atg.wa.gov</a></p>
<p><b><u>Attorneys for ICNU:</u></b> S. Bradley Van Cleve Davison Van Cleve PC 333 SW Taylor, Ste 400 Portland, OR 97204 Phone: 503-241-7242 Fax: 503-241-8160 Email: <a href="mailto:bvc@dvclaw.com">bvc@dvclaw.com</a></p>	<p><b><u>Attorneys for NWIGU:</u></b> Edward A. Finklea Cable Huston Benedict Haagensen &amp; Lloyd LLP 1001 SW Fifth Avenue, Suite 2000 Portland, OR 97204-1136 Phone: 503-224-3092 Fax: 503-224-3176 Email: <a href="mailto:efinklea@chbh.com">efinklea@chbh.com</a></p>
<p><b><u>Attorneys for Seattle Steam:</u></b> Elaine Spencer Graham &amp; Dunn Pier 70 2801 Alaskan Way, Suite 300 Seattle, WA 98121-1128 Phone: 206-624-8300 Fax: 206-340-9599 Email: <a href="mailto:Espencer@grahamdunn.com">Espencer@grahamdunn.com</a></p>	<p><b><u>Attorneys for Kroger:</u></b> Mike L. Kurtz Boehm, Kurtz and Lowry 36 East Seventh St., Suite 1510 Cincinnati, OH 45202 Phone: 513-421-2255 Fax: 513-421-2764 Email: <a href="mailto:Mkurtz@bkllawfirm.com">Mkurtz@bkllawfirm.com</a></p>

<p><b><u>Attorneys for Energy Project:</u></b>  Ronald L. Roseman  Attorney at Law  2011 – 14th Avenue East  Seattle, WA 98112  Phone: 206-324-8792  Fax: 206-568-0138  Email: <a href="mailto:ronaldroseman@comcast.net">ronaldroseman@comcast.net</a></p>	<p><b><u>Attorneys for Nucor Steel:</u></b>  Damon Xenopolous  Brickfield Burchette Ritts &amp; Stone  1025 Thomas Jefferson St. NW  8th Floor, West Tower  Washington, D.C. 20007  Phone: 202-342-0800  Fax: 202-342-0807  Email: <a href="mailto:DEX@BBRSLaw.com">DEX@BBRSLaw.com</a></p>
<p><b><u>Attorneys for FEA:</u></b>  Norman Furuta  Associate Counsel  Department of the Navy  1455 Market Street, Suite 1744  San Francisco, CA. 94103-1399  Phone: 414-503-6994  Fax: 414-503-6688  Email: <a href="mailto:norman.furuta@navy.mil">norman.furuta@navy.mil</a></p>	<p><b><u>FEA:</u></b>  Larry R. Allen  Naval Utility Rates and Studies Office  1322 Patterson Avenue, SE  WA Navy Yard, D.C. 20374-5018  Phone: 202-685-0130  Fax: 202-433-7159 (Fax)  Email: <a href="mailto:larry.r.allen@navy.mil">larry.r.allen@navy.mil</a></p>
<p><b><u>Expert for Public Counsel:</u></b>  Stephen Hill  4000 Benedict Road  Hurricane, WV 25526  Phone: 304-562-3645  Email: <a href="mailto:hillassociates@gmail.com">hillassociates@gmail.com</a></p>	<p><b><u>NWIGU:</u></b>  Paula E. Pyron  Executive Director  Northwest Industrial Gas Users  4113 Wolf Berry Court  Lake Oswego, OR 97035-1827  Phone: (503) 636-2580  Fax: (503) 636-0703  Email: <a href="mailto:ppyron@nwigu.org">ppyron@nwigu.org</a></p>
<p><b><u>Expert for Seattle Steam:</u></b>  Robert B. Sheppard  30 Glacier Key  Bellevue, WA 98006  Email: <a href="mailto:rbsheppard@comcast.net">rbsheppard@comcast.net</a></p>	<p><b><u>Expert for Energy Project:</u></b>  Chuck Eberdt  The Energy Project  1322 N. State Street  Bellingham, WA 98225  Phone: 360-255-2169  Fax: 360-671-2753 (Fax)  Email: <a href="mailto:Chuck.Eberdt@oppco.org">Chuck.Eberdt@oppco.org</a></p>

<p><b><u>Expert for NWIGU:</u></b> Donald W. Schoenbeck Regulatory &amp; Cogeneration Services, Inc. 900 Washington Street, Suite 780 Vancouver, WA 98660 Phone: 360-737-3877 Fax: 360-737-7628 Email: <a href="mailto:dws@r-c-s-inc.com">dws@r-c-s-inc.com</a></p>	<p><b><u>Expert for FEA:</u></b> Ralph Smith Larkin and Associates 15728 Farmington Road Livonia, MI 48154 Phone: 734-522-3420 Fax: 734-522-1410 Email: <a href="mailto:RSmithLA@gmail.com">RSmithLA@gmail.com</a></p>
<p><b><u>Experts for NUCOR</u></b> Kevin Higgins Energy Strategies LLC Parkside Towers 215 South State Street, Suite 200 Salt Lake City, UT 84111 Phone: 801-355-4365 Email: <a href="mailto:Khiggins@energystrat.com">Khiggins@energystrat.com</a></p>	

Dated at Bellevue, Washington, this 16<sup>th</sup> day of October, 2009.

  
Deborah Sifferman