

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND	)	DOCKETS UE-072300
TRANSPORTATION COMMISSION,	)	and UG-072301 ( <i>consolidated</i> )
	)	
Complainant,	)	ORDER 14
	)	
v.	)	GRANTING APPLICATION FOR
	)	APPROVAL OF AMENDMENT TO,
PUGET SOUND ENERGY, INC.,	)	AND AMENDING, PRIOR
	)	COMMISSION ORDERS BY
Respondent.	)	MODIFYING SERVICE QUALITY
	)	INDEX BENCHMARK SQI-9
	)	
.....	)	

**MEMORANDUM**

- 1    **PROCEEDINGS.** On December 3, 2007, Puget Sound Energy, Inc. (PSE or the Company), filed with the Washington Utilities and Transportation Commission (Commission) revisions to its currently effective Tariff WN U-60, Tariff G, Electric Service, and Tariff WN U-2, Gas Service. The tariff sheets bore a stated effective date of January 3, 2008. The Commission suspended the filing on December 12, 2007, and set the matter for hearing.
  
- 2    Between August 12 and 22, 2008, various parties filed a series of five unopposed settlement stipulations by which they collectively proposed to resolve all issues in this proceeding except certain policy questions raised in connection with the PCORC (Power Cost Only Rate Case) and PCA (Power Cost Adjustment). The Commission entered Order 12 on October 8, 2008, approving and adopting the various stipulations thus resolving all issues in the case except those related to the PCORC and PCA. The Commission determined the PCORC and PCA issues in Order 13, entered on January 15, 2009.
  
- 3    Order 12, among other things, 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<sup>1</sup> remained at 0.030 disconnections per customer for non-payment of amounts due when the Commission's disconnection policy would permit service curtailment. 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 Dockets 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 Dockets UE-951270 and UG-960195.

- 4 On October 16, 2009, PSE filed its Application for Approval of Amendment to Service Quality Index Benchmark. PSE, citing the impact of the 2007-2009 global economic crisis, the effects of which continue to become apparent with the passage of time, requests that the Commission restore the 0.038 Disconnection Ratio, effective starting January 1, 2010. PSE argues more particularly that:

When 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

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<sup>1</sup> Disconnection Ratio = (Number of Electric Customers Disconnected + Number of Natural gas Customers Disconnected) / (Average Annual Electric Customers + Average Annual Natural gas Customers)

recognize the difficulties caused by the 2007-2009 global economic crisis.

- 5 PSE states that it considered its discussions with the other parties—Staff, Public Counsel and The Energy Project—when preparing its petition to amend the SQI benchmark. The Commission, by notice, provided these parties and any others who wished to be heard, an opportunity to file written comments, including comments concerning whether the Commission should conduct a hearing. On November 3, 2009, The Energy Project filed comments. Staff and Public Counsel filed comments the following day.
- 6 The Energy Project is not opposed to our allowing the requested modification in the near term, but would have us condition our approval by establishing a process that would require a workgroup sanctioned by the Commission to review this issue over a six month period and report to the Commission. The Energy Project proposes that: “[b]ased on the findings of the report the Commission could adopt a final order.”
- 7 Public Counsel is not opposed to PSE’s request but argues that: “such modifications are best handled in a general rate case, where there is the opportunity to review such requests in a broader context and with the better ability to do discovery, file testimony, and present any disputed issues at a hearing.” Public Counsel states that any other modifications to the SQI should be proposed as part of a general rate case filing, unless there are compelling reasons for separate treatment.
- 8 Staff offered detailed comments stating not only its view that granting PSE’s request would be in the public interest, but also stating that:

Not only will granting PSE’s application have no negative effect on existing customer protections, maintaining the existing SQI-9 annual benchmark will, in fact, interfere with the proper application of those protections.

Staff explains, as follows:

Commission credit rules are premised on the notion that a company should move promptly to disconnect customers who cannot pay for

service or will not pay for service because this is the best way to protect *all* ratepayers from potentially high levels of uncollectible revenues. Therefore, rather than limiting the utility's ability to disconnect customers for non-payment, the rules prescribe specific steps a company must first follow before it can disconnect a customer. Moreover, the rules recognize that energy services are 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.

Neither of these important public policies will be implemented as intended if the Company is unable, simply because of a limitation in the annual benchmark, to promptly disconnect customers that fall behind on their bills. The Company's request to increase the annual benchmark for SQI-9 does not rectify that situation, but it certainly alleviates the detrimental effects of the current benchmark.

Staff also argues that the existing standard raises the possibility of inequitable treatment of customers because the Company is put in the situation of having to select some customers for disconnection from a larger pool of customers eligible for disconnection consistent with the PSE's tariff, and the Commission's policies and rules.

9 None of the parties who commented requests a hearing, and Staff opposes the idea, arguing that no hearing should be convened absent a showing of good cause. Given this, the lack of any substantive opposition, and Staff's arguments in support of granting PSE's application, we agree that a hearing is not necessary. Moreover, it appears from the application and the comments that we should approve the requested change in SQI-9.

10 However, we also consider The Energy Project's suggestion that further Commission consideration of this matter in the future may be appropriate, and Staff's arguments that suggest to us that the SQI-9 may be worth reexamining. Specifically, Staff states that "establishing a cap for customer disconnections bears no relationship to the quality of service rendered by PSE to its customers." In addition, as related above, Staff observes the potential in SQI-9 for various unintended and adverse consequences.

- 11 Although we identify this subject as one worth considering further in a future proceeding, we do not think it warrants the special handling suggested by The Energy Project. Instead, we accept Public Counsel's suggestion that a general rate proceeding provides a good opportunity to examine such matters. If experience under the revised standard between now and the time of PSE's next general rate proceeding indicates a need to revisit this issue, the general rate proceeding would be the appropriate docket in which to bring the issue forward.

**ORDER**

THE COMMISSION ORDERS THAT:

- 12 (1) The Twelfth Supplemental Order entered in Dockets UE-011570 & UG-011571 on June 20, 2002, is modified by changing the annual benchmark for SQI-9: Disconnection Ratio from 0.030 to 0.038 effective starting January 1, 2010, and by amending Order 12 in Dockets UE-072300 and UG-072301 if, and to the extent, necessary to effectuate the terms of this Order.
- 13 (2) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective November 13, 2009.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

**NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.**