



PUGET SOUND ENERGY

The Energy To Do Great Things

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PSE.com

VIA OVERNIGHT MAIL & ELECTRONIC FILING

June 15, 2010

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 to Eliminate Service Quality Index: Disconnection
Ratio**

Dear Mr. Danner:

Enclosed are the original and 19 copies of Puget Sound Energy, Inc.'s ("PSE's" or "Company's") Application for Approval of Amendment to Eliminate Service Quality Index ("SQI"): Disconnection Ratio. The Company is seeking the Commission's approval to amend Order 14 of consolidated Docket Nos. UE-072300 and UG-072301. The Company respectfully requests that the Commission issue an order regarding this application no later than July 20, 2010, before PSE submits its 2010 semi-annual Service Quality Program reporting so that the proposed amendment can become effective for the 2010 SQI program year and years after.

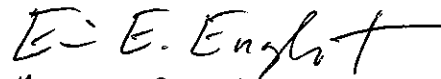
This filing describes PSE's proposal to eliminate the Service Quality Index: Disconnection Ratio. As described in the application, the index hinders PSE's ability to carry out Commission credit and disconnection rules set forth in the Washington Administrative Code. While the Company is proposing to eliminate the SQI, the Company is committed to continue to include information on its disconnection activities in the annual SQI reporting exhibits.

The Company has been working with the Commission Staff and the other signatory parties of Appendix D to Order 12 to address issues related to the Disconnection Ratio index since early 2009. The other signatory parties, Public Counsel and the Energy Project, were not able to participate in all the meetings but they have been provided with the same information PSE presented to Staff in the various meetings and notified of this filing.

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,



Manager, Regulatory Initiatives & Tariffs

for Tom DeBoer

Director, Federal & State Regulatory Affairs

Enclosures

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

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 U.S. mail:

<p><u>Commission Staff: (HC)</u> Robert D. Cedarbaum Jonathan Thompson 1400 S. Evergreen Park Dr. S.W. P.O. Box 40128 Olympia, WA 98504-0128 Phone: (360) 664-1188 Fax: (360) 586-5522 Email: bcedarba@utc.wa.gov jthomps@utc.wa.gov</p>	<p><u>Public Counsel: (HC)</u> Simon J. ffitc Sarah Shifley 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: simonf@atg.wa.gov SarahS5@atg.wa.gov</p>
<p><u>Attorneys for Seattle Steam: (C)</u> Elaine Spencer Graham & Dunn Pier 70 2801 Alaskan Way, Suite 300 Seattle, WA 98121-1128 Phone: (206) 624-8300 Fax: (206) 340-9599 Email: Espencer@grahamdunn.com</p>	<p><u>Attorneys for NWIGU: (C)</u> Chad Stokes Tommy A. Brooks Cable Huston Benedict Haagenen & Lloyd LLP 1001 SW Fifth Avenue, Suite 2000 Portland, OR 97204-1136 Phone: (503) 224-3092 Fax: (503) 224-3176 Email: cstokes@chbh.com tbrooks@chbh.com</p>
<p><u>Attorneys for Nucor Steel: (HC)</u> Damon Xenopolous Shaun Mohler Brickfield Burchette Ritts & Stone 1025 Thomas Jefferson St. NW 8th Floor, West Tower Washington, D.C. 20007 Phone: 202-342-0800 Fax: 202-342-0807 Email: DEX@BBRSLaw.com SCM@BBRSLaw.com</p>	<p><u>NWIGU: (C)</u> 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: ppyron@nwigu.org</p>

Dated at Bellevue, Washington: June 15, 2010



Deb Sifferman, Case Coordinator Compliance Analyst
Rates & Regulatory Affairs
Puget Sound Energy, Inc.

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 TO
ELIMINATE SERVICE QUALITY INDEX:
DISCONNECTION RATIO

BACKGROUND AND DISCUSSION

1. Puget Sound Energy, Inc. (“PSE” or “the Company”) first implemented its Service Quality Index Program (“SQI” or “the Program”) pursuant to Docket Nos. UE-951270 and UE-960195, which authorized the merger of Washington Natural Gas Company and Puget Sound Power & Light Company. At that time, the stated purpose of the Program was to “provide a specific mechanism to assure customers that they will not experience deterioration in quality of service”¹ and to “protect customers of PSE from poorly-targeted cost cutting”². The Program has since been extended via settlement agreements in two general rate case proceedings, consolidated Docket Nos. UE-011570 and UG-011571 and Docket Nos. UE-072300 and UG-072301.

2. On October 16, 2009, the Company filed a request to amend the benchmark associated with SQI-9, Disconnection Ratio, in light of increasing uncollectible revenues due to the deteriorating economic situation at the time. The Disconnection Ratio benchmark sets a cap on how many customers in arrears can be disconnected when WUTC disconnection rules would permit service curtailment. In the October 16 filing, PSE requested the benchmark to be

¹ Docket Nos. UE-951270 & UG-960195, Stipulation, page 11, lines 14-15.

² Docket Nos. UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation; Approving Merger, page 32, ¶3, lines 3-6.

increased from 0.030 to 0.038 disconnections per customer for disconnections due to non-payment of amounts past due. Parties to the SQI settlement agreement in Docket Nos. UE-072300 and UG-072301 filed their written comments³ and did not oppose the benchmark amendment.

3. On November 13, 2009, the Commission granted PSE's request in its Order 14, Granting Application for Approval of Amendment to, and Amending, Prior Commission Orders by Modifying Service Quality Index Benchmark SQI-9, in Docket Nos. UE-072300 and UG-072301 ("Order 14").

4. Commission Staff, in its November 4, 2009 response to PSE's application to amend the benchmark, expressed concerns about the unintended financial and customer effects of any disconnection benchmark. In particular, the Commission Staff noted that "maintaining the existing SQI-9 annual benchmark will, in fact, interfere with proper application of [customer] protections."⁴ These other protections include rules governing refusal of service, disconnection of service, complaint/dispute resolution, and billing and payment requirements.⁵ In addition, Staff noted that "[r]aising the annual benchmark for SQI-9 or, for that matter, eliminating SQI-9 in its entirety, will have no detrimental effect on customer service"⁶

5. In addition to the Commission credit and disconnection rules that protect customers, PSE offers payment plans and various financial assistance opportunities to help

³ Written comments were submitted by the following entities:

1. Comments on behalf of The Energy Project from Chuck Eberdt (filed on November 3, 2009).
2. Letter on behalf of Public Counsel from Simon J. ffitich, RE: no objection to PSE's Application for Approval of Amendment to Service Quality Index (SQI) Benchmark (filed on November 4, 2009).
3. Response of Commission Staff to Puget Sound Energy Application for Approval of Amendment to Service Quality Index Benchmark: Disconnection Ratio ("Staff Response") (filed on November 4, 2009).

⁴ Staff Response, pages 4 and 5, ¶10.

⁵ The relevant Commission rules include:

1. WAC 480-90-123 / WAC 480-100-123 Refusal of service.
2. WAC 480-90-128 / WAC 480-100-128 Disconnection of service.
3. WAC 480-90-173 / WAC 480-100-173 Gas/Electric utility's responsibility for complaints and disputes.
4. WAC 480-90-178 / WAC 480-100-178 Billing requirements and payment date.

⁶ Staff Response, page 3, ¶6.

customers manage their bills and avoid service disconnection. The budget payment plan and the time payment arrangements are available to all customers as appropriate and as provided in PSE's tariffs. The budget payment plan is designed as a convenient fixed payment option to avoid large payment fluctuations during the year. The time payment arrangements allow customers to work with PSE to set up a payment schedule that they are able to meet. PSE also works with local community agencies to support customers who need some extra help. These programs include PSE's conservation low-income weatherization program to reduce customer usage and payment assistance programs such as PSE's HELP program and Warm Home Fund, the federal government's LIHEAP Program, and pledges from local charities.

6. Given the availability of the aforementioned payment assistance programs and credit and disconnection guidelines set forth in the Commission rules, all PSE customers are adequately protected when the index is eliminated. Therefore, the Company proposes to eliminate SQI-9, Disconnection Ratio, and also to eliminate the associated benchmark, penalty and inclusion in the annual report card, in order to fully utilize the Commission credit and disconnection rules to ensure fair customer treatment and to reduce the negative financial effect due to the disconnection limitation. However, PSE will continue providing the information on disconnection activities in the exhibit section of its annual SQI reports.

7. Because the SQI-9, Disconnection Ratio, elimination changes the terms that the Commission approved in its Order 14, the Company hereby requests that the Commission: (1) approve the elimination of SQI-9, Disconnection Ratio, and (2) order the elimination of SQI-9 become effective for the 2010 SQI program year and the years following.

REQUESTED ACTION

8. 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 elimination application; and
- (b) orders PSE to implement the change starting its 2010 SQI program reporting and the years following.

DATED: June 15, 2010

PUGET SOUND ENERGY, INC.

E. E. Eych

By Manager, Regulatory Initiatives & Tariffs

for 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 16

GRANTING APPLICATION FOR APPROVAL
TO ELIMINATE SERVICE QUALITY INDEX:
DISCONNECTION RATIO

MEMORANDUM

- 1 **PROCEEDINGS.** On December 3, 2007, Puget Sound Energy, Inc. (“PSE” or “the Company”), filed with the Washington Utilities and Transportation Commission (“the 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 remained at 0.030

disconnections per customer for non-payment of amounts due when the Commission's disconnection policy would permit service curtailment.

4 On October 16, 2009, the Company filed a request to amend the benchmark associated with SQI-9, Disconnection Ratio, in light of increasing uncollectible revenues due to the deteriorating economic situation at the time. The Disconnection Ratio benchmark sets a cap on how many customers in arrears can be disconnected when WUTC disconnection rules would permit service curtailment. In the October 16 filing, PSE requested the benchmark to be increased from 0.030 to 0.038 disconnections per customer for disconnections due to non-payment of amounts past due. Parties to the SQI settlement agreement in Docket Nos. UE-072300 and UG-072301 filed their written comments and did not oppose to the benchmark amendment.

5 On November 13, 2009, the Commission granted PSE's request in its Order 14, Granting Application for Approval of Amendment to, and Amending, Prior Commission Orders by Modifying Service Quality Index Benchmark SQI-9, in Docket Nos. UE-072300 and UG-072301 ("Order 14").

6 Commission Staff, in its November 4, 2009 response to PSE's application to amend the benchmark, expressed concerns about the unintended financial and customer effects of any disconnection benchmark. In particular, the Commission Staff noted that "maintaining the existing SQI 9 annual benchmark will, in fact, interfere with proper application of [customer] protections." These other protections include rules governing refusal of service, disconnection of service, complaint/dispute resolution, and billing and payment requirements. In addition, Staff noted that "[r]aising the annual benchmark for SQI-9 or, for that matter, eliminating SQI-9 in its entirety, will have no detrimental effect on customer service"

7 In its June, 14, 2010 Application for Approval to Eliminate Service Quality Index: Disconnection Ratio, PSE stated that in addition to the Commission credit and disconnection rules that protect customers, the Company offers payment plans and various financial assistance programs to help customers manage their bills and avoid service disconnection. The budget payment plan and the time payment arrangements are available to all customers as appropriate and as provided in PSE's tariff. The budget payment plan and the time payment arrangements are available to all customers as appropriate and as provided in PSE's tariffs. The budget payment plan is designed as a convenient fixed payment option to avoid large payment fluctuations during the year. The time payment arrangements allow customers to work with PSE to set up a payment schedule that they are able to meet. PSE also works with local community

agencies to support customers who need some extra help. These programs include PSE's conservation low-income weatherization program to reduce customer usage and payment assistance programs such as PSE's HELP program and Warm Home Fund, the federal government's LIHEAP Program, and pledges from local charities.

8 The Company stated that all PSE customers are adequately protected when the benchmark is eliminated, given the availability of the aforementioned payment assistance programs and credit and disconnection guidelines set forth in the Commission rules. Therefore, PSE proposed to eliminate SQI-9: Disconnection Ratio, and also to eliminate the associated benchmark, penalty and inclusion in the annual report card, in order to fully utilize the Commission credit and disconnection rules to ensure fair customer treatment and to reduce the negative financial due to the disconnection limitation. However, PSE stated that it will continue providing the information on disconnection activities in the exhibit section of its annual SQI reports.

9 Because the SQI-9 elimination changes the terms that the Commission approved in its Order 14, the Company requested that the Commission: (1) approve the elimination of SQI-9: Disconnection Ratio and (2) order the SQI-9 elimination become effective for the 2010 SQI program year and the years following.

ORDER

THE COMMISSION ORDERS THAT:

- 10 (1) Order 14 in Dockets UE-072300 and UG-072301 is modified by eliminating SQI-9: Disconnection Ratio effective starting for the 2010 SQI program year and the years following, to the extent necessary to effectuate the terms of this Order.
- 11 (2) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective July __, 2010.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner