

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

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| WASHINGTON UTILITIES AND |) | DOCKETS UE-072300 |
| TRANSPORTATION COMMISSION, |) | and UG-072301 (<i>consolidated</i>) |
| |) | |
| Complainant, |) | |
| |) | ORDER 16 |
| v. |) | |
| |) | |
| PUGET SOUND ENERGY, INC., |) | GRANTING ON AN INTERIM BASIS |
| |) | PUGET SOUND ENERGY, INC.’S |
| Respondent. |) | APPLICATION FOR APPROVAL TO |
| |) | ELIMINATE SERVICE QUALITY |
| |) | INDEX: DISCONNECTION RATIO |
| |) | |

MEMORANDUM

1 Puget Sound Energy, Inc. (“PSE” or “the Company”) first implemented its Service Quality Index Program (“SQI” or “the Program”) in Dockets UE-951270 and UE-960195, which authorized the merger of Washington Natural Gas Company and Puget Sound Power & Light Company in 1997. 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 was extended by orders approving settlement agreements in two general rate case proceedings, most recently in consolidated Dockets UE-072300 and UG-072301.³

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

¹ *In re Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Dockets UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation (February 5, 1997) (Stipulation at 11:14-15).

² *Id.* ¶3.

³ *WUTC v. Puget Sound Energy, Inc.*, Docket Nos. UE-072300 and UG-072301, Order 12 at Appendix D, Partial Settlement Re: Service Quality, Meter and Billing Performance and Low Income Assistance (November 1, 2008). Order 12 authorized the continuation of the Company’s SQI with certain revisions and new terms and conditions.

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 Commission disconnection rules would permit service curtailment. In its October 16 filing, PSE requested an increase in the benchmark from 0.030 to 0.038 disconnections per customer for disconnections due to non-payment of amounts past due. This would return the benchmark to its original level, as approved in 1997. Parties to the SQI settlement agreement in Dockets UE-072300 and UG-072301 filed written comments but did not oppose the benchmark amendment.

- 3 On November 13, 2009, the Commission granted PSE's request in Order 14, Granting Application for Approval of Amendment to, and Amending, Prior Commission Orders by Modifying Service Quality Index Benchmark SQI-9, in Dockets UE-072300 and UG-072301 ("Order 14"). In approving this modification of the SQI, the Commission rejected the Energy Project's proposal that any order approving such a change be conditioned by establishing a process that would require a workgroup sanctioned by the Commission to review the issue over a six month period and report to the Commission. Nevertheless, recognizing that the matter might need to be revisited, the Commission stated:

[W]e 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.

- 4 On June 16, 2010, however, PSE filed its Application for Approval to Eliminate Service Quality Index: Disconnection Ratio (*i.e.*, SQI-9) on a stand-alone basis. PSE states in its application that Commission Staff, in its November 4, 2009 response to PSE's earlier request to amend the benchmark, expressed concerns about the unintended financial and customer effects of any disconnection benchmark. Indeed, Commission Staff reiterates in its response filed in support of PSE's instant application its concerns that maintaining the existing SQI-9 annual benchmark will interfere with proper application of various customer protections. According to Staff, these protections include rules governing refusal of service, disconnection of service, complaint/dispute resolution, and billing and payment requirements. Staff also argues the existence of the disconnection ratio results in inequitable treatment because some

customers eligible to be disconnected for nonpayment are, in fact, disconnected each month, while others are not.

- 5 PSE argues that its various payment assistance programs and credits, and the disconnection guidelines set forth in the Commission rules, will adequately protect customers without the need for SQI-9. Therefore, the Company proposes:

To eliminate SQI-9, and 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. PSE states that it would continue to provide the information on disconnection activities in the exhibit section of its annual SQI reports.⁴

- 6 The Energy Project and Public Counsel filed responses opposing PSE's application to eliminate the SQI at this time. The Energy Project argues in its response that:

With no information on how uncollectibles have changed, what the sources of the uncollectibles are, how this compares to other utilities with such an index, or what level of disconnects PSE estimates they will hit, we don't believe would be fair or reasonable to simply grant the utility's request. At the same time, due to time and work constraints, the Energy Project would prefer to consider the issue as a part of the utility's next rate case, which we anticipate in the near future, rather than schedule an additional hearing to take it up.

- 7 Citing the Commission's language in Order 14 accepting its suggestion that a general rate proceeding provides a good opportunity to examine such matters, Public Counsel also argues the Commission should not determine the issue now but should allow it to be queued up later this year, when it is anticipated that PSE will file its next general rate case. Public Counsel contends that SQI-9: Disconnection Ratio should not be eliminated lightly, considering among other things that it has been in place for more than a decade and that PSE's commitment to continue it was part of the PSE Sale settlement terms.⁵ Public Counsel argues that elimination of this metric could lead to

⁴ PSE Application ¶ 6.

⁵ *In the Matter of the Joint Application of Puget Holdings LLC and Puget Sound Energy, Inc.*, Docket No. U-72375, Order 08, ¶ 96 (referencing Commitment 1). Commitment 1 states: "PSE

significant changes in Company practices regarding disconnection, potentially resulting “in a sudden and significant rise in disconnections.”⁶ Public Counsel states that “given the current serious economic circumstances facing many consumers, this train of events should not be set in motion without a more thorough review.”⁷

- 8 The Commission found PSE’s earlier proposal to modify its SQI by returning the disconnection ratio to its original level reasonable without examining the matter in the context of a hearing, considering Staff’s support and the absence of opposition from other parties. PSE’s proposal now to eliminate SQI-9 altogether is opposed. Although neither the Energy Project nor Public Counsel requests a separate hearing to develop a record upon which to decide the question, both request that we not decide it absent a hearing. Both also cite resource constraints and recommend that the most efficient way to proceed would be to take this up, if at all, in the context of PSE’s next general rate proceeding. This appears to be a sensible approach that will result in a more fully informed final determination of this issue without imposing any undue burden on the parties or causing any prejudice to PSE. We ensure the latter by granting PSE’s petition on an interim basis, thus suspending the operation of SQI-9 pending determination in PSE’s next general rate case whether it should be eliminated permanently.

ORDER

THE COMMISSION ORDERS THAT:

- 9 (1) PSE’s Application for Approval to Eliminate Service Quality Index: Disconnection Ratio (*i.e.*, SQI-9) is granted on an interim basis. Whether to permanently eliminate SQI-9 is an issue that will be considered in PSE’s next general rate proceeding.

and Puget Holdings commit to continue the Service Quality measures currently in place for PSE or as maybe modified in any future proceeding.” Order 08 references amendment or modification.

⁶ Public Counsel Response ¶ 5 (citing PSE Application, ¶¶ 2, 4).

⁷ *Id.* ¶ 4.

- 10 (2) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective August 31, 2010.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, 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.