BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

In the Matter of the Petition of: PUGET SOUND ENERGY, INC. For Mitigation of Service Quality Index No. 5 Penalty for Period Ending December 31, 2013	Docket Nos. UE-072300 and UG-072301 (consolidated) PETITION FOR MITIGATION

I. INTRODUCTION

1. In accordance with WAC 480-07-370(b) and the Service Quality Program mitigation standard explained in herein, Puget Sound Energy, Inc. ("PSE" or the "Company") hereby files this petition ("Petition") with the Washington Utilities and Transportation Commission ("Commission") respectfully seeking a full relief of the calculated service quality index ("SQI") No. 5 penalty for the SQI performance period ending December 31, 2013. Due to the unusual and exceptional circumstance of replacing its 13-year old Customer Information System ("CIS"), PSE was not able to meet the annual benchmark for SQI No. 5–Customer Access Center Answering Performance–for the 2013 program year. As explained in this Petition, full mitigation of PSE's performance penalty is appropriate because the one-time implementation of PSE's CIS was an unusual and exceptional circumstance and because PSE was reasonable in its preparation for, and response to, the CIS implementation.

2. PSE is engaged in the business of providing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy, Inc.
Attn: Ken Johnson
Director – State Regulatory Affairs
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(b).

II. BACKGROUND

4. PSE first implemented its Service Quality Program ("SQ Program") in 1997 pursuant to Docket Nos. UE-951270 and UE-960195, the dockets approving the merger of Washington Natural Gas Company and Puget Sound Power & Light Company ("Merger"). The purpose of the SQ Program is to "provide a specific mechanism to assure customers that they will not experience deterioration in quality of service"[34] and to "protect customers of PSE from poorly-targeted cost cutting"[35] as a result of that Merger.

5. The SQ Program currently includes a Customer Service Guarantee, a Restoration Service Guarantee, and a set of nine service quality indices that require the Company to meet benchmarks in customer satisfaction, customer services, and operations services. Since 1997, the Company has continued the SQ program with both temporary and permanent modifications authorized by the Commission orders in Docket Nos. UE-011570 and UG-011571 (consolidated), Docket No. UE-031946, and Docket Nos. UE-072300 and UG-072301 (consolidated) (the "SQI Orders").

6. SQI No. 5–Customer Access Center Answering Performance–measures the percentage of the calls answered by a PSE Customer Access Center ("CAC") representative within 30 seconds of a customer's request to speak with an operator. SQI No. 5 is currently calculated as follows:

Overall Annual SQI No. 5-Customer Access Center Answering Performance =

Average of ((monthly aggregate number of calls answered by a company representative within 30 seconds of a request to talk to a live operator)

[34] *See* Appendix A to the Fourteenth Supplemental Order Accepting Stipulation; Approving Merger at p. 11 in Docket Nos. UE-951270 and UE-960195 (Feb. 5, 1997).

[35] *See* Fourteenth Supplemental Order Accepting Stipulation; Approving Merger at p. 32 in Docket Nos. UE-951270 and UE-960195 (Feb. 5, 1997).

/ (monthly aggregate number of calls received)) * 100

As shown above, the overall call performance is calculated as the average of the twelve monthly CAC telephone answering results.

7. The performance standard for SQI No. 5 is an annual benchmark of 75%, which was set forth in 1997, in the initial SQ Program. While other indices' benchmarks were based on historical performance levels, SQI No. 5's 75% benchmark is a performance level that was set above the historical level of 59-70%[36]. Furthermore, the 75% benchmark does not account for the impact of any significant one-time event such as the implementation of a new customer information system.

8. On March 13, 2013, prior to PSE's CIS implementation and in anticipation of the potential negative impact of the new CIS implementation that would be typically experienced by a company, PSE filed a petition with the Commission for a temporary suspension of three service quality indices[37] including SQI No. 5 ("March Petition"). PSE proposed that SQI No. 5 be temporarily suspended for the 2013 SQI Program year to allow the Company to manage and adopt new processes while implementing of the new CIS. The Commission denied PSE's March Petition in Order 22, agreeing with Staff[38] that it was not in the public interest to suspend the SQI in advance of any demonstrated adverse impact on customer service performance.[39] The Commission went on to state that PSE could request mitigation if implementation of the CIS resulted in financial penalties to PSE.[40]

9. On December 5, 2013, after the materialization of the adverse impact of the new CIS implementation and the call answering performance rebounded to normal business levels, PSE requested from the Commission a one-time modification of the SQI No. 5 performance calculation that would

---

[36] Applying the three years of data that were available at the time of the SQ Program negotiations in 1996.

[37] These indices, which were projected to be temporarily impacted by the implementation of the new CIS, were SQI No. 2–WUTC Complaint Ratio, SQI No. 5–Customer Access Center Answering Performance, and SQI No. 6–Customer Access Center Transaction Satisfaction.

[38] *See* Order 22 at ¶ 5.

[39] *Id.* at ¶ 7.

[40] *Id.* at ¶ 8.

more appropriately reflect "normal" business operations. ("December Request"). The proposed revised overall performance calculation was intended to capture PSE's SQI No. 5 performance without the impact of the CIS implementation by excluding monthly call answering results from April through September 2013, the months affected by PSE's CIS implementation. PSE withdrew the December Request on December 24, 2013.

10. Based on the SQI No. 5 performance calculation,[41] PSE is subject to a potential penalty of up to $648,000 for its SQI No. 5 performance during the 2013 program year. For the reasons described herein, PSE proposes relief of the entire potential penalty and a determination that the SQI No. 5 penalty has been successfully mitigated.

III. STANDARD OF REVIEW

11. The procedure for requesting mitigation of penalty under the SQI portion of the Service Quality Program was originally defined on page 13 of the stipulation from the Merger dockets ("Merger Stipulation") and has been incorporated into the subsequent SQI Orders and settlement agreements without modification. Mitigation is available to PSE if a penalty is due to "unusual or exceptional circumstances for which PSE's level of preparedness and response was reasonable". Additionally, in Order 22, the Commission stated,

> If implementation of the new CIS causes PSE to fail to meet any benchmark, PSE can seek mitigation under this standard and the Commission can relieve PSE of all or some of any penalty amounts, if warranted by all facts and circumstances.[42]

12. The Commission has granted similar relief in the past. For example, in 2001 the Commission granted PSE's request for a full waiver of the penalty related to SQI No. 6, Telephone

[41] ((75% Benchmark - 66% Annual Performance) / 75% Benchmark) * 100 * $54,000 Penalty per Point.
[42] *See* Order 22 at ¶ 8.

Center Transactions Customer Satisfaction,[43] and in 1998, the Commission waived penalties related to SQI Nos. 5 and 6.[44]

13. As explained more fully below, relief of the entire penalty amount is appropriate because the CIS-implementation was not only unusual and exceptional, it was unique. Further, PSE was well prepared for its CIS implementation and responded reasonably to the impacts created by the technology upgrades.

IV. 2013 SQI PERFORMANCE

14. PSE's SQI performance for the nine indices for the 2013 reporting of January 1 through December 31, 2013, is shown in the following table.[45] The Company was able to meet all performance benchmarks except for SQI No. 5–Customer Access Center Answering Performance. The overall annual SQI No. 5 performance for 2013 was 66%, resulting in a potential penalty of up to $648,000.

Table No. 1: 2013 PSE SQI Performance

Category of Service	SQI #		Benchmark	Overall 2013 Performance	Calculated Penalty
Customer Satisfaction	6	Telephone Center Transactions Customer Satisfaction	90% satisfied (rating of 5 or higher on a 7-point scale)	91%	None
	8	Field Service Operations Transactions Customer Satisfaction	90% satisfied (rating of 5 or higher on a 7-point scale)	95%	None
	2	WUTC Complaint Ratio	0.40 complaints per 1000 customers, including all complaints filed with WUTC	0.25	None
Customer Services	5	Customer Access Center Answering Performance	75% of calls answered by a live representative within 30 seconds of request to speak with live operator	66%	$648,000

[43] *See* Order Granting in Part and Denying in Part the Petition for Mitigation, Docket No. UE-011603 (Jan. 10, 2002).

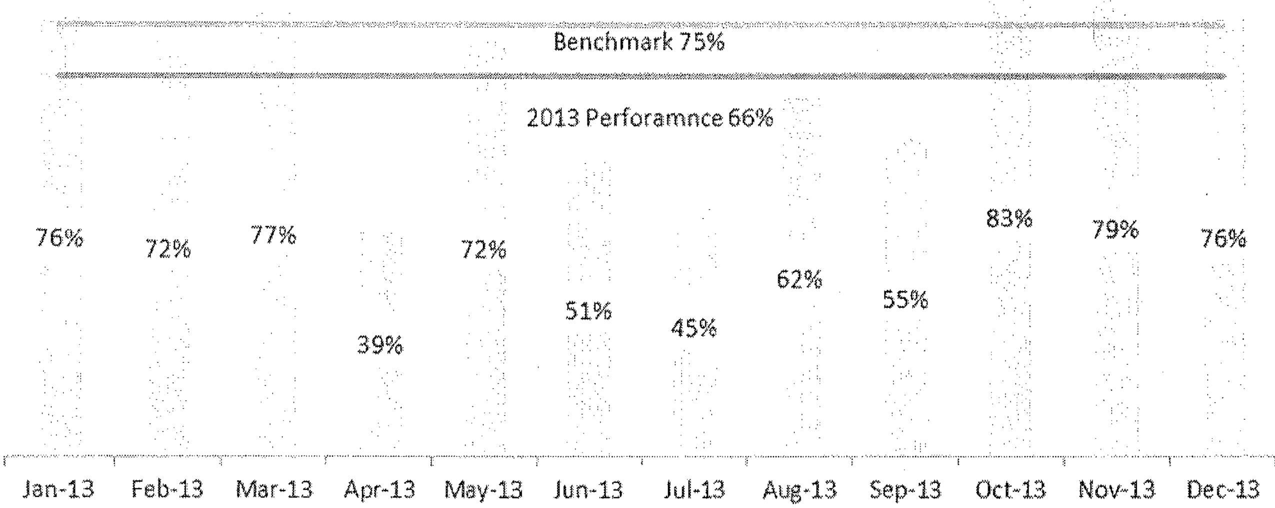
[44] *See* 21st Supplemental Order, Docket Nos. UE-951270 and UE-960195 (consolidated) (1998).

[45] The monthly data for each of the nine service quality indices are reported in Appendix A to the 2013 Annual Puget Sound Energy SQI and Electric Service Reliability Report.

Category of Service	SQI #		Benchmark	Overall 2013 Performance	Calculated Penalty
Operations Services	4	SAIFI	1.30 interruptions per year per customer	0.86	None
	3	SAIDI	320 minutes per customer per year	247	None
	11	Electric Safety Response Time	Average of 55 minutes from customer call to arrival of field technician	53	None
	7	Gas Safety Response Time	Average of 55 minutes from customer call to arrival of field technician	32	None
	10	Kept Appointments	92% of appointments kept	99%	None

15. PSE implemented the CIS in April 2013. As shown in Figure No. 1, below, PSE's SQI No. 5 monthly performance level for April was drastically reduced by the implementation of CIS. Additionally, the months immediately following implementation were also negatively affected by the upgrade.

Figure No. 1: SQI No. 5-Customer Access Center Answering Performance
Percent of calls answered by a live representative within 30 seconds of request to speak with live operator



V. UNPRECEDENTED PSE EFFORTS IN INFORMATION SYSTEMS MODERNIZATION

16. In October 2011, PSE commenced replacing its existing customer information system as part of the Company's unprecedented massive effort in business-modernization. This effort also involved installing the Company's first integrated outage management system ("OMS") and its first geographic information systems ("GIS"). The adoption of the three systems allows PSE to take advantage of today's information technology to better service reliability response, to support future smart grid communication, and to provide wireless and website based customer service, among other benefits. These options were not feasible or not cost effective in PSE's legacy CIS.

17. The legacy CIS, ConsumerLinX ("CLX"), was custom-developed in early 1990s by Puget Sound Power & Light Company and two other utilities. One of the main purposes of CLX was to revamp and consolidate the multiple mainframe-based information systems that each of the utilities had been using for billing, managing customer information, and scheduling/tracking customer service request. Starting in 2000,[46] CLX replaced the two electric systems that PSE/Puget Sound Power & Light Company had been using since 1982 and another two systems PSE/Washington Natural Gas Company had been using since 1987. The change to CLX was a big information technology leap in 2000 for the Company, but the technical foundation used to build CLX could not provide efficient sharing of data with the contemporary software systems. Therefore, replacing CLX was essential in order for the Company to continue meeting its customer and operational needs going forward. PSE's unprecedented effort in the implementation of the CIS, along with the OMS and GIS, is an unusual and exceptional event that required careful financial and operational planning.

[46] The four stages of CLX implementation were:

1. April 2000 - All electric customer billing and care functions
2. August 2000 - Outage management function
3. November - 2000 - Low pressure natural gas customer billing and care functions
4. April - 2001 - Large natural gas customer billing and care functions and the billing of electric and natural gas one time charges

VI. PSE PREPAREDNESS AND MITIGATION ACTIONS WERE REASONABLE

18. The implementation of the three information systems, OMS, GIS, and CIS; affected every single aspect of Company business and field operations, but the ultimate impact was to the daily customer interactions that CAC carries out. Therefore, in 2012 and early 2013, prior to the switch-over date of April 1, 2013, PSE had taken substantial efforts in preparing for the CIS switch-over and initiating mitigation plans designed to minimize the impact of the implementation of new CIS. Risk mitigation occurred at all levels to ensure a smooth cutover and to minimize post cutover impacts. These actions and plans, first described in the March Petition and updated in Exhibit A of the December Request, laid the ground work of PSE's level of preparedness and readiness. These actions and plans and the associated updates are provided as Exhibit A to this Petition. These actions and plans were necessary and reasonable in light of the exceptional circumstance of the new CIS implementation.

19. Starting in January 2013, PSE initiated several parallel phases of CIS testing to ensure data integrity and system stability. The most vigorous of tests occurred during three mock cutovers that allowed for refinement of the cutover process and system readiness for the actual CIS switchover.

20. The Company established a cutover period from 5 p.m. on March 28 through 8 p.m. on March 31, during which all PSE systems would be unavailable ("Cutover Period"). Activities performed by the CAC agents during the Cutover Period were limited to addressing customer concerns that required immediate resolution. All other activities such as back billing or credit collection were placed on hold during cutover. There was also no disconnection or late-payment fee processing during the Cutover Period to minimize the customer impact of implementation of the new CIS.

21. PSE's external communications plan focused on making customers aware of a new 12-digit account number and the late March 2013 three-day period when customers had no online accessibility to their accounts. Among the communications were banners on www.PSE.com, postings on PSE's Facebook page, bill-print messages on all billing statements, newspaper ads, direct-mail letters

to customers, email notifications, and a recorded message on PSE's greeting line. Active communications directed to customers occurred late February through May 2013. FAQs and other general information about the new CIS remained posted on PSE's website through September 2013.

22. Each department in the CAC established detailed plans to handle customer transactions during the Cutover Period and at the CIS switchover. A "war room" was created to establish easy access to experts to address any issues at CIS switchover and a "hub" was established to closely track and monitor call-answering performance during CIS switchover and after. Additional staffing augmented to support training delivery and to support expected call volume increases, average handle time increases, and general performance dips.

23. The preparation and mitigation plans described above and in Exhibit A of the December Request demonstrate that PSE effectively implemented a well thought-out plan, and the ultimate impact on SQI No. 5 did not represent a deterioration in quality of service. Nor was it a result of poorly-targeted cost cutting. Accordingly, PSE's level of preparedness and response was reasonable for the unusual or exceptional circumstances caused by the CIS implementation.

VII. EFFECTS OF CIS IMPLEMENTATION ON SQI NO. 5 PERFORMANCE

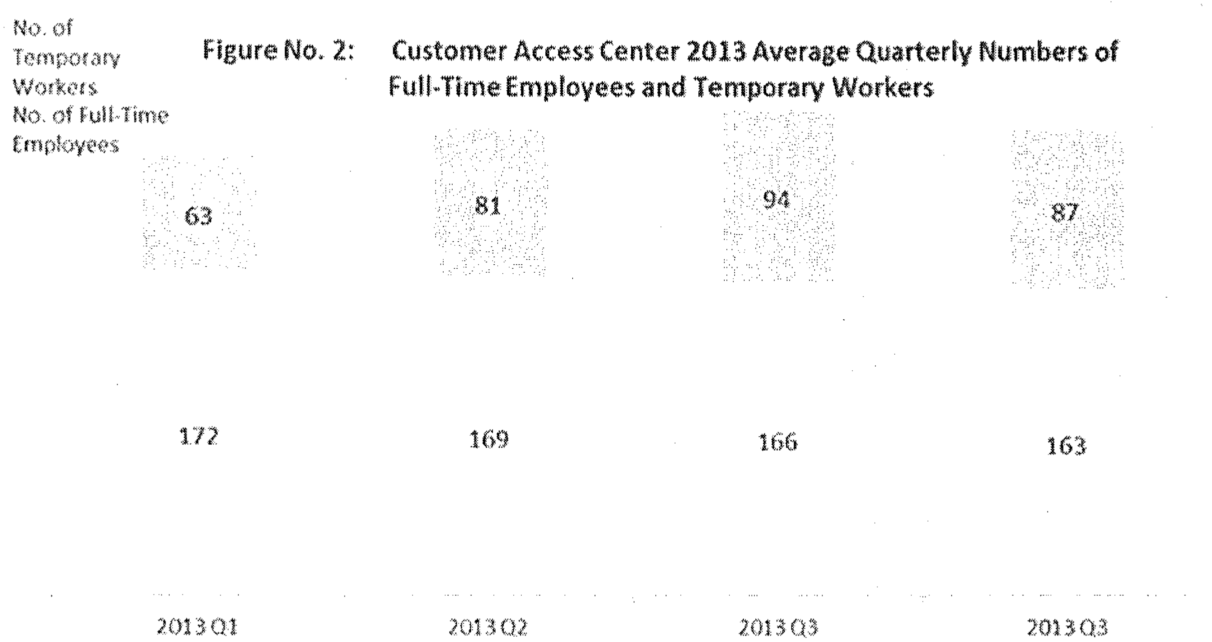
24. PSE encountered the negative effects it had projected in its March Petition as a result of the implementation of the new CIS. PSE experienced average call wait times of 1 minute and 52 seconds during the months of April through September 2013. Other utilities have experienced much more substantial impacts. Specifically, some utilities' average hold times grew from 20 seconds to 13 minutes as a result of their CIS implementation.[47] Further, PSE encountered a 12% increase in calls that requested to speak with a CAC representative during April through September 2013, but other utilities

[47] Electric and Gas Utility CIS Implementation Benchmark Report, Bass & Company, at p. 12 (November 28, 2005).

experienced a 25% increase in call volumes.[48] Although PSE performed better than its peer group due to PSE's preparedness and mitigation plans, SQI No. 5–Customer Access Center Answering Performance–was nevertheless negatively affected during the second and third quarters of 2013.

25. Despite the substantial additional numbers of temporary staff for April through September 2013, in addition to the 170 full-time CAC employees, PSE was not able to maintain its call answering performance at the prior year level during the CIS implementation and stabilization period, as shown in Figure No. 2. The surge in the numbers of the calls in April through September 2013 due to CIS implementation and the time need for the CAC representatives to become proficient in the new CIS environment greatly impacted the call answering performance during the period.

Figure No. 2: Customer Access Center 2013 Average Quarterly Numbers of Full-Time Employees and Temporary Workers

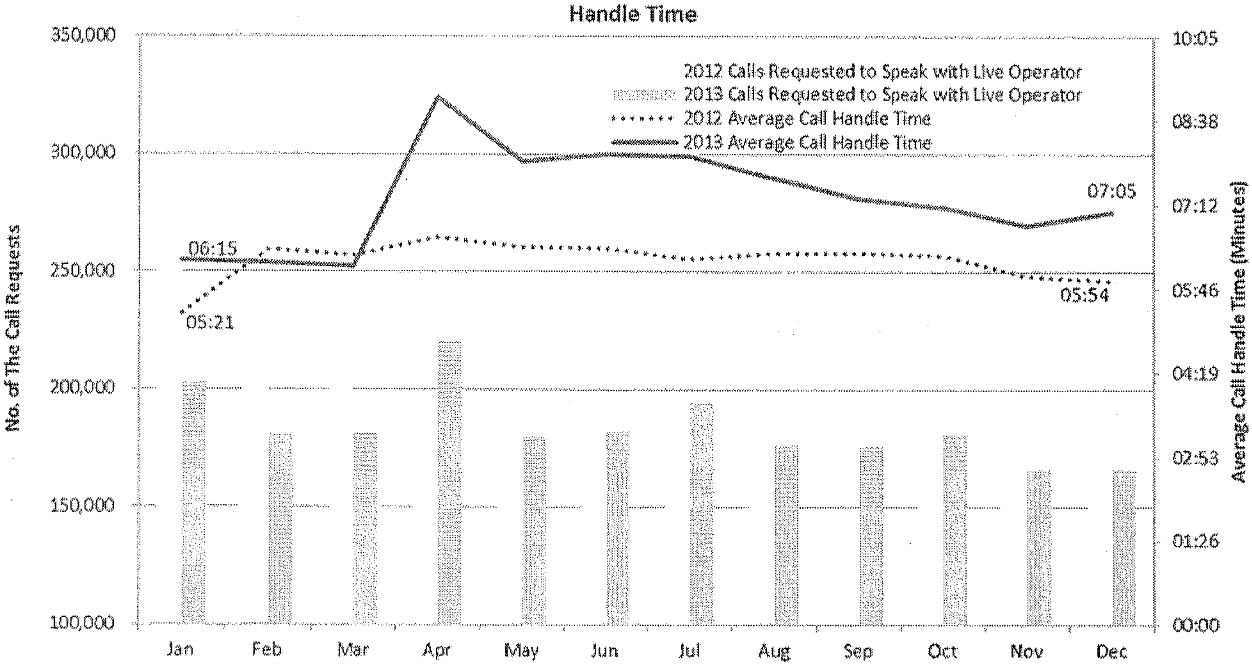


26. Figure No. 3 shows the 2012 and 2013 monthly numbers of the customer calls that requested to speak with a CAC representative and the monthly average call handle times. Overall, for the period of April through September, there was 12% increase in the number of the call requests,

[48] *Id.*

peaking in April 2013 when first go-live of the new CIS. Call requests also increased in June-August 2013 as the disconnection or late-payment fee processing resumed. However, as demonstrated, there have been improvements in reducing call handle time largely resulting from PSE's preparation and mitigation strategy that was in place.

Figure No. 3: No. of Calls Requested to Speak with Live Operator and the Average Monthly Call Handle Time



VIII. REQUESTED ACTION

27. For the reasons set forth above in this Petition PSE respectfully requests that the Commission issue an order:

1. Relieving the entire $648,000 calculated penalty associated with SQI No. 5 for the 2013 program year, and

2. Determining the SQI No. 5 penalty has been successfully mitigated.

DATED: March 31, 2014

PUGET SOUND ENERGY, INC.

By ________________________
Ken Johnson
Director - State Regulatory Affairs

Docket Nos. UE-072300 and UG-072301(consolidated)

Puget Sound Energy

PETITION FOR MITIGATION

FOR MITIGATION OF SERVICE QUALITY INDEX NO. 5 PENALTY FOR PERIOD ENDING DECEMBER 31, 2013

Exhibit A

Update of Mitigation Actions and Plans Identified in PSE March 13 2013 Petition to Minimize the Impact of CIS implementation on PSE customers

Exhibit A

Report on Mitigation Actions and Plans Identified in PSE March 13 Petition to Minimize the Impact of CIS implementation on PSE customers

Identified Action/Plan	Actions Implemented as of November 2013
The appearance of the bill will remain the same, which will help prevent customer confusion.	Implemented. The look and feel of the PSE bill did not change.
There will be no change to PSE.com, which customers use to access their accounts.	Implemented. PSE.com did not undergo any changes impacting customers.
An external communication plan covering January through October 2013 is in place to keep customers informed of the Company's progress towards the cutover to SAP CR&B system and then to help quickly address any issues after the go-live date.	Implemented. PSE Corporate Communications established a communication strategy to prepare customers for cutover and to provide them avenues of providing feedback.
PSE is conducting multiple tests to monitor performance requirements and ensure successful integration of the new system before the go-live date.	PSE underwent three mock cutovers to ensure data integrity and system stability prior to the official cutover. Each mock run provided refinement for the final cutover.
PSE will increase its staff at the Customer Access Center to improve customer call experience.	Implemented. An additional 90 agents were added to staff.
PSE project employees and consultants have participated in SAP CR&B user application testing since fall 2012; this training continues through first quarter of 2013.	Implemented. Training is on-going. Initial training occurred Q4 2012 – Q1 2013 and continuation/advanced training will continue through Q3 2014.[49]
PSE has conducted a number of informational workshops for employees and surveyed awareness across the Company. Specific training has been developed to ensure adequate depth of training.	Implemented. PSE established an organizational change management team that provided information across the enterprise and sought feedback regarding efficacy of training.
The contingency plan was put together based upon input from affected departments for the cutover period and will help ensure a smooth transition during the four day system cutover period from CLX to SAP CR&B.	Implemented. Contingency plans were established by department highlighting critical success metrics, risks and risk mitigation plans. Plans were monitored during and after cutover.

[49] Training is on-going. Initial training occurred in Q4 2012 – Q1 2013 and continuation/advanced training will continue through Q3 2014.