

**EXHIBIT NO. \_\_\_(ZDJ-1T)  
DOCKET NO. UE-111048/UG-111049  
2011 PSE GENERAL RATE CASE  
WITNESS: ZANA D. JONES**

**BEFORE THE  
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PUGET SOUND ENERGY, INC.,**

**Respondent.**

**Docket No. UE-111048  
Docket No. UG-111049**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF  
ZANA D. JONES  
ON BEHALF OF PUGET SOUND ENERGY, INC.**

**JANUARY 17, 2012**

1                   **PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF**  
2                   **ZANA D. JONES**

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**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY  
(NONCONFIDENTIAL) OF  
ZANA D. JONES**

**I. INTRODUCTION**

**Q. Please state your name, business address and present position with Puget Sound Energy, Inc.**

A. My name is Zana D. Jones. My business address is 19900 North Creek Parkway, Bothell, Washington 98011. I am the Manager, Corporate Billing for Puget Sound Energy, Inc. (“PSE” or the “Company”).

**Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?**

A. Yes, I have. It is Exhibit No. \_\_\_(ZDJ-2).

**Q. What are your duties as Manager, Corporate Billing?**

A. As Manager, Corporate Billing, I am responsible for several billing processes such as exception billing and manual billing for commercial customers. In addition, my specific duties include overseeing back-billing issues.

1 **Q. Please provide a brief summary of your rebuttal testimony.**

2 A. My rebuttal testimony addresses concerns articulated by Commission Staff  
3 witness Roger Kouchi regarding meter and billing performance standards.  
4 Section II of my testimony summarizes the background of meter and back-billing  
5 issues faced by the Company and development of the current performance  
6 standards, demonstrates that the Company has a very high percentage of timely-  
7 issued customer bills (99.88 percent for the first six months of 2011) and responds  
8 to certain statements in Mr. Kouchi's testimony. Section III of my testimony  
9 describes the revised performance standards and reporting requirements proposed  
10 by Mr. Kouchi, explains the reasons a new performance standard is needed and  
11 describes the revised performance standard and reporting requirements the  
12 Company is proposing in this proceeding.

13 **II. SUMMARY OF METER AND BACK-BILLING ISSUES**

14 **A. Background**

15 **Q. Do you agree with the background information Mr. Kouchi provided**  
16 **concerning the existing meter and billing performance standards?**

17 A. Basically, yes. However, I believe that additional information is necessary in  
18 order to put the current meter and billing performance standards into perspective.  
19 As described below, the performance standards were designed to improve PSE's

1 ability to issue accurate and timely bills to its customers, but were not designed to  
2 specifically address the issue of reducing the duration of back-bills.

3 **Q. Please describe the genesis of the current meter and billing performance**  
4 **standards.**

5 A. In the Company's 2007 general rate case, Docket Nos. UE-072300/UG-072301,  
6 Commission Staff raised concerns related to meter and back-billing issues. Those  
7 issues were ultimately resolved through a partial settlement that included the  
8 establishment of the current meter and billing performance standards ("Partial  
9 Settlement").<sup>1</sup>

10 At that time, PSE had approximately 1.8 million natural gas and electric meters in  
11 service. To put these meter and billing issues in context, it is important to note  
12 that out of this total meter population, only a fraction of one percent was creating  
13 back-billing challenges that resulted in customer complaints regarding back-bills.

14 As noted in the testimony supporting the Partial Settlement, PSE was among the  
15 first utilities to adopt automated meter reading ("AMR") technology and among  
16 the first to work through operational challenges related to the AMR equipment.<sup>2</sup>

17 PSE had identified the underlying issues resulting in the issuance of back-bills,  
18 but, at the time of execution of the Partial Settlement, PSE was still in the process

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<sup>1</sup> The Partial Settlement was approved in Order 12, Docket Nos. UE-072300/UG-072301 (October 8, 2008).

1 of implementing operating procedures to address and resolve various meter and  
2 back-billing issues.<sup>3</sup>

3 **Q. Please describe the meter and billing performance standards that were**  
4 **agreed to and approved in the Partial Settlement.**

5 A. The Partial Settlement included a phase-in period, quarterly reporting  
6 requirements, a revenue adjustment, and performance standards for identifying  
7 and resolving meter-related problems. More specifically, as of June 30, 2008, the  
8 Company had identified potential problems with 17,276 meters. PSE committed  
9 to resolve 75 percent of that legacy population by December 31, 2008 and to  
10 resolve 100 percent by June 30, 2009. PSE also agreed to resolve new gas and  
11 electric meter and billing problems identified between July 1, 2008 and December  
12 31, 2008 by June 30, 2009.<sup>4</sup> In addition, as described by Mr. Kouchi, the  
13 Company agreed to resolve potential gas meter and billing problems for each  
14 monthly vintage within four months of identification and to resolve 75 percent  
15 within two months of identification. The Company also agreed to resolve  
16 identified potential electric meter and billing problems for each monthly vintage  
17 within two months of identification and to resolve 50 percent within one month of

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<sup>2</sup> Exh. No. Joint-6T, p. 6, Docket Nos. UE-072300/UG-072301.

<sup>3</sup> *Id.*

<sup>4</sup> Partial Settlement, Docket Nos. UE-072300/UG-072301, ¶¶ 33-34.

1 identification.<sup>5</sup> Per the Partial Settlement, potential meter and billing issues  
2 identified within the same month would be of the same vintage.<sup>6</sup>

3 Furthermore, the Company agreed to track and report monthly vintages of  
4 potential meter and billing issues. The Company was to apply the meter and  
5 billing performance standards as of January 1, 2009 and to report to the  
6 Commission its performance on the standards on a quarterly basis for periods  
7 ending March 31, June 30, September 30 and December 31. The first quarterly  
8 report was to be submitted by October 31, 2008 for the period ending September  
9 30, 2008.<sup>7</sup>

10 **Q. Do you agree with the statement in Mr. Kouchi's testimony<sup>8</sup> that the goal of**  
11 **the performance plan established in the Partial Settlement was to "improve**  
12 **PSE's ability to issue accurate and timely bills to its customers in order to**  
13 **decrease the number and duration of back-bills."**

14 A. I do not agree with Mr. Kouchi's statement in its entirety. The performance plan  
15 addressed a number of meter and billing issues, including timely resolution of the  
16 backlog and a means to improve issuance of accurate and timely bills to

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<sup>5</sup> The Partial Settlement included specific definitions of "identified" for stopped meters and for unassigned energy usage. Mr. Kouchi's proposal would eliminate the definition of "identified" by including the time needed for identification in the standard.

<sup>6</sup> *Id.* ¶¶ 31-32.

<sup>7</sup> *Id.* ¶¶ 34 and 36.

1 customers. The standards established in the performance plan explicitly state that  
2 resolution will be measured within defined months of “identification” of the  
3 “problem” meter or billing problem. The Partial Settlement provides that the  
4 performance plan “sets forth standards to measure potential problems in PSE’s  
5 metering system and improves PSE’s ability to issue accurate and timely bills to  
6 its customers.”<sup>9</sup> In the referenced direct testimony, Mr. Kouchi added the phrase  
7 referring to decreasing the number and duration of back-bills – language that was  
8 not expressly included in the Partial Settlement.

9 **Q. Why is this distinction important?**

10 A. Mr. Kouchi concedes in his testimony that PSE is in compliance with the existing  
11 performance standards.<sup>10</sup> However, in support of his recommendation to revise  
12 the performance standards, Mr. Kouchi also claims Commission Staff had an  
13 “expectation” that the performance standards would decrease the duration of  
14 back-bills to a “reasonable” level, an expectation that he says is not being met.<sup>11</sup>  
15 As is shown below, PSE has improved its ability to issue accurate and timely bills  
16 – consistent with the goals of the existing performance standards – and has  
17 reduced the duration of back-bills. However, given that the existing performance

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<sup>8</sup> Exh. No. \_\_\_(RK-1T), p. 10 line 21 through p. 11 line 1.

<sup>9</sup> Partial Settlement, Docket Nos. UE-072300/UG-072301 ¶ 29.

<sup>10</sup> See Exh.No. \_\_\_ (RK-1T), p. 12 lines 19-22.

<sup>11</sup> *Id.* p. 13 line 11 through p. 14 line 2.



1 standards measure compliance from the time of “identification” of an issue, the  
2 goal of the Partial Settlement was to reduce the length of time from the time the  
3 issue (e.g., stopped meter) was identified to the time the issue was resolved with  
4 the customer. The performance standards were not designed to measure the  
5 duration of the back-bill as Mr. Kouchi implies and any expected reduction in that  
6 duration was misplaced.

7 **Q: Even though the duration of back-bills was not the focus of the existing**  
8 **performance standard, do you believe it would be a useful metric?**

9 A: Yes, modifying the performance standard to measure the duration of back-bills  
10 would be a useful metric as it directly relates to the time and amounts for which a  
11 customer is back-billed. The duration of a back-bill depends not only on how  
12 quickly PSE is able to address the metering or account issues (as is measured by  
13 the existing performance standard), but also on PSE’s ability to quickly *identify*  
14 the issue. In the following section, I will provide some background on PSE’s  
15 meter and back-billing process.

16 **B. Meters and Back-billing**

17 **Q. What are the leading causes of back-billing by the Company?**

1 A. As explained by Mr. Kouchi, the leading causes of back-bills are stopped meters<sup>12</sup>  
2 and unassigned energy usage ("UEU") meters. However, UEU is not a meter-  
3 related issue and as described below, under the Partial Settlement had its own  
4 unique challenges associated with identification.

5 **1. Stopped Meters**

6 **Q. Can PSE do anything to reduce the time it takes to identify stopped meters?**

7 A. Yes. PSE has and will continue to improve its ability to identify stopped meters.  
8 However, as described below, the Company will always have customers that are  
9 not consuming energy in a given time period and will continue to face the  
10 challenge of filtering this "valid zero-consumption" usage from zero-consumption  
11 usage caused by a stopped meter.

12 **Q. Please describe the challenges PSE faces in identifying stopped meters.**

13 A. At any given time, a large percentage of the meters (particularly gas meters) on  
14 PSE's system that show no usage are not stopped meters, but rather are valid zero  
15 consumption, *e.g.*, gas heat-only accounts showing no natural gas usage during  
16 the summer months. For example, during August 2011, out of the more than  
17 781,000 gas meters on PSE's system, close to 62,000 showed zero usage in that  
18 month. The vast majority of these meters were not stopped meters, but without

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<sup>12</sup> For purposes of my testimony, the term "stopped meter" includes a meter or module

1 sending a technician to physically go out and test the meter, there is no way to be  
2 certain until the customer turns their heat back on in October. Valid zero-  
3 consumption usage is not unique to PSE. All utilities have some customers that at  
4 one time or another will be using little or no natural gas or electricity and are  
5 considered valid zero-consumption usage since no consumption is expected.

6 Given the volume of valid zero-consumption accounts that appear on AMR  
7 system reports it is not feasible (from both a human resources and cost  
8 perspective) for the Company to send a service technician out to investigate every  
9 zero-consumption meter. Identifying which zero-consumption accounts are valid  
10 or a “probable stopped meter” is a very time-consuming and data-intensive  
11 process that complicates stopped meter identification and is a challenge for the  
12 Company. Ultimately, the question boils down to what is a reasonable, cost-  
13 effective timeframe and procedure for determining which meters are actually  
14 stopped.

15 **Q. Please describe the tools the Company utilizes to identify potential or**  
16 **probable stopped meters.**

17 A. The Company uses two analytical tools to identify whether zero-consumption  
18 usage is valid or indicates a probable stopped meter. The first tool, Zero  
19 Consumption Application (“ZCON”), was developed to monitor daily metered  
20 consumption stored in PSE’s meter data warehouse and to detect unexpected

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that is not reporting energy usage even though energy is being consumed by the customer.

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1 usage patterns. The ZCON process flags for further manual review, a meter that  
2 has recorded a set number of days of zero-consumption. As part of this manual  
3 review, PSE uses prior usage patterns, information from the customer and field  
4 visits to differentiate valid “zero-consumption meters” from “probable stopped  
5 meters.” The ZCON tool was developed and implemented by PSE starting in the  
6 fall of 2008.

7 A second tool used by the Company is DataRaker, an analytical tool developed to  
8 address meter exceptions. PSE uses a DataRaker zero-consumption module that  
9 looks at customer usage patterns, normalized for weather conditions and history  
10 and can flag for further investigation a probable stopped meter or module within  
11 ten days from the last date of consumption. PSE began using DataRaker in  
12 January of 2011.

13 The ZCON and DataRaker tools reduce the number of valid zero-consumption  
14 meters that PSE has to investigate in the field and should enhance PSE’s ability to  
15 focus attention on the meters identified as probable stopped meters. As described  
16 more fully below, PSE has not been able to take full advantage of the  
17 technological advances offered by these tools due to the inclusion of interim  
18 targets in the current performance standard.

19 **Q. Please describe the process that is undertaken once the information from the**  
20 **ZCON or DataRaker tools has been reviewed and a probable stopped meter**  
21 **is identified.**

1 A. When a probable stopped meter has been identified, a service order for a field  
2 inspection is created. The service orders are prioritized and assigned to field  
3 personnel who perform a field inspection to determine whether the issue is a  
4 malfunctioning module or meter. If the issue is only a malfunctioning module,  
5 the module is repaired or replaced during the field visit. If the module is not the  
6 only cause of the issue, a second field visit is required to replace the meter. A  
7 meter replacement often requires scheduling the time for the meter exchange with  
8 the customer. Once the module or meter issue has been repaired, the billing  
9 department reviews the data needed to create the corrected bill. The billing  
10 department then calls the customer to notify them of the issue. After notification,  
11 the corrected bill (the back-bill), the bill detail and an explanatory letter are  
12 prepared and sent to the customer.

13 **Q. Please describe how stopped meters result in back-billing.**

14 A. As described by Mr. Kouchi's discussion of stopped meters,<sup>13</sup> when a meter or  
15 module fails, the meter or module stops sending accurate energy usage data and  
16 often sends no usage data at all, indicating zero-consumption. Since there are  
17 numerous instances where zero-consumption is valid, the time required to identify  
18 the meter as a probable stopped meter can be lengthy. For example, a customer  
19 with seasonal usage, *i.e.*, that is away for the summer months or is a natural gas  
20 "heat only" customer is expected to have zero or very little consumption during

1 the summer months. In the gas-only heat example, if that customer's meter fails  
2 in June, the Company is not likely to identify an unusual consumption pattern  
3 until the October timeframe because identification will depend on weather  
4 conditions (*i.e.*, based on past usage patterns, PSE expects to see no energy usage  
5 in the summer months and usage begins again when the cold weather returns). By  
6 the time DataRaker would flag this account as a probable stopped meter, four or  
7 five months could have passed. These four or five months are in addition to the  
8 time that will be needed to investigate and confirm the meter has stopped.

9 **2. Unassigned Energy Usage (“UEU”)**

10 **Q: Why does UEU occur on the Company's system?**

11 A: UEU results from a meter that is correctly recording and transmitting energy  
12 usage but does not have an assigned customer in the PSE Customer Information  
13 System (“CIS”) for billing purposes. UEU commonly occurs with rental  
14 properties; a tenant moves in but does not contact the Company in a timely  
15 manner to initiate the billing process. In general, UEU occurs because PSE does  
16 not physically disconnect the meter when one customer terminates service. The  
17 Company generally does not disconnect the meter because of the cost involved in  
18 physical disconnects and reconnects and to avoid the delay of service resulting  
19 from reconnection when the new customer moves in. This UEU process is a cost-

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<sup>13</sup> See Exh. No. \_\_\_\_ (RK-1T), p. 11 line 18 through p. 12 line 8.

1 effective and efficient way for the Company to manage the move-in/move out  
2 process that ultimately benefits all customers by keeping costs down. The  
3 downside of this process is that if the new customer does not contact PSE and set  
4 up an account when they move in, the first bill they receive is a back-bill that will  
5 include the unbilled usage (unassigned energy) from the time they moved in until  
6 they set up the account.

7 **Q. Please describe how UEU results in back-billing under the Partial Settlement**  
8 **process.**

9 A. UEU is “identified” per the Partial Settlement when energy usage reaches a  
10 consumption threshold of 1000 kWh (for residential electric), 7150 kWh (for  
11 commercial electric) or 100 ccf (for residential or commercial gas). Once the  
12 usage threshold is triggered, PSE will first try to contact the new customer by  
13 sending a letter requesting the information needed to establish an account for  
14 billing purposes. If the new customer does not respond to the letter and establish  
15 an account, the Company will physically disconnect the meter. Disconnection  
16 typically prompts the new customer to contact the Company and establish an  
17 account. If a new customer account is established, PSE calculates and issues a  
18 back-bill for the unbilled energy (the unassigned energy) used by the customer  
19 from the time the customer moved in.

20 **Q. How do the consumption thresholds affect the time it takes to identify UEU?**

1 A. Under the Partial Settlement procedure, UEU identification depends upon how  
2 quickly the customer's usage reaches the consumption thresholds. Typically, a  
3 customer's usage will exceed the consumption threshold in one or two months,  
4 however, there are situations where usage is so low that it takes additional months  
5 to detect.

6 **3. Scope and Duration of Back-billing**

7 **Q. Will it *ever* be possible for PSE to avoid all back-bills?**

8 A. No. As described in Mr. Kouchi's testimony, meters and modules stop working.  
9 The meters and the modules are pieces of mechanical equipment and it is  
10 unreasonable to expect 100 percent of the meters and modules to operate perfectly  
11 at all times; nor is it reasonable to expect that the meters and modules will never  
12 stop. In addition, there will always be some customers that move in and do not  
13 contact the Company to initiate the billing process. As mentioned earlier, the  
14 company has 1.8 million meters. The number of stopped meters that resulted in  
15 back-bills represented less than one percent of the total meter population (0.4  
16 percent) in 2010. Similarly, the number of UEU accounts that resulted in back-  
17 bills during 2010 was relatively small, representing only 0.54% of the total meter  
18 population.

19 PSE already has a very high percentage of timely-issued customer bills; based on  
20 January through June 2011 data, 99.88 percent of the Company's bills did not



1 involve a back-bill.<sup>14</sup> The Company can and will strive to do better, but efforts to  
2 improve beyond 99.88 percent may not be cost-effective.

3 **Q. Can PSE reduce the *number of back-bills in the future*?**

4 A. Maybe, but the extent of the potential reduction would likely be quite small. As  
5 described above, the number of meters identified as actual stopped meters and  
6 UEU is a very small percentage of the overall meter population. Some percentage  
7 of meters and modules will always stop working, and there will always be a delay  
8 from the time some customers move in and the time those customers sign up for  
9 service. When either of these occurs, a back-bill will need to be issued.

10 **Q: Can PSE continue to reduce the *duration of back-bills*?**

11 A: Yes, PSE can and will continue to make improvements that should reduce the  
12 duration of back-bills. However, these improvements are limited.

13 I will address these limitations in the later discussion regarding the Company's  
14 proposed performance standard. Although PSE believes it may be able to reduce  
15 the duration of back-bills, it will never be possible to issue one hundred percent of  
16 customer bills within the regular billing cycle.

17 **Q. Have the number and duration of back-bills been decreasing?**

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<sup>14</sup> This percentage was calculated by dividing the number of back-bills issued during the period by the number of meters billed during the period.

1 A. Yes, as demonstrated in Exhibit No. \_\_\_(ZDJ-3), both the number of back-bills  
2 and the duration of back-bills have been decreasing. Exhibit No. \_\_\_ (ZDJ-3),  
3 utilizes the same information reported by Mr. Kouchi in Exhibit No. \_\_\_ (RK-7),  
4 however Exhibit No. \_\_\_ (ZDJ-3) reflects data for the January to June periods only  
5 to ensure an apples-to-apples comparison. Mr. Kouchi's analysis utilized the  
6 January through June 2011 results and assumed that by simply doubling the  
7 information, a comparison to annual 2009 and 2010 information would be  
8 appropriate. However, this is not the case, since identification and correction of  
9 meter issues is typically higher during the first half of the year because of the  
10 winter weather. When the information for similar January to June periods is  
11 compared year over year, it is clear that both the number and the average duration  
12 of the back-bills have improved. Exhibit No. \_\_\_ (ZDJ-3) shows that since 2009  
13 the number of back-bills has decreased by 49 percent and the average duration of  
14 the back-bills has decreased by 30 percent.

15 **Q. Has the number of complaints to the Commission regarding the Company's**  
16 **back-billing been decreasing?**

17 A. Yes. According to Mr. Kouchi's response to PSE Data Request No. 030 to  
18 WUTC Staff, Exhibit No. \_\_\_(ZDJ-4), the number of complaints to the  
19 Commission concerning back-billing (or retroactive billing) has gone from 211 in  
20 2009, to 130 in 2010 and to 94 through November 2011.

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**III. A REVISED PERFORMANCE STANDARD IS NEEDED**

**A. The Performance Standard Should Be Revised**

**Q. Do you agree with Mr. Kouchi that the performance standard should be revised to include only stopped meters and UEU?**

A. Yes, I agree that the performance standards should measure only back-billing related to stopped meters and UEU. I also agree that meter mixed/other and lost meters should be eliminated from the performance standard. I am, however, proposing a different revised performance standard than Mr. Kouchi.

**Q. Please describe the revised performance standard that Mr. Kouchi proposes.**

A. To summarize, Mr. Kouchi’s proposed performance standard is structurally very similar to the existing standard, but adds two months to the existing performance standard time frames and requires that PSE *identify and correct* all stopped meter and UEU meter billing issues within the revised timeframes. As Mr. Kouchi described his proposal, the Company would be required to:

- (1) identify and correct 100 percent of all stopped gas meter and unassigned usage gas meter problems within six months from the initial occurrence of the problem and 75 percent of the gas meter problems within two months from the initial occurrence of the problem; and
- (2) identify and correct 100 percent of all stopped electric meter and unassigned usage electric meter problems within four months from the

1 initial occurrence of the problem and 50 percent of the electric meter  
2 problems within one month from the initial occurrence of the problem.

3 In short, Mr. Kouchi would add two months only to the period in which 100  
4 percent of the stopped meters and UEU meters must be identified and corrected.

5 In addition, Mr. Kouchi does not propose to extend the length of time to meet the  
6 interim target periods for both gas and electric meters. This means that 75  
7 percent of stopped and UEU gas meters must be *identified and corrected* within  
8 *two* months and that 50 percent of stopped and UEU electric meters must be  
9 *identified and corrected* within *one* month. In light of the difficulties I have  
10 described concerning identification of stopped meters and UEU, such a proposed  
11 performance standard is unreasonable.

12 **Q. Do you agree with Mr. Kouchi's proposal to include the identification of the**  
13 **meter issue in the performance standard?**

14 A. Yes. PSE is agreeable to including identification of the meter issue in the  
15 performance standard, however, more than an additional 60 days is necessary.  
16 This is particularly true in light of the number of valid zero-consumption meters  
17 on the PSE system and the need to distinguish between "valid zero-consumption  
18 meters" and "probable stopped meters." As described below, PSE is proposing a  
19 different performance standard for stopped meters and UEU that would include  
20 the time required to identify the meter issue.

1 **Q. Do you agree with Mr. Kouchi’s statement that it is reasonable for the**  
2 **Company to identify all gas and electric stopped meters and UEU within two**  
3 **months?**

4 A. No. Mr. Kouchi has not provided any analytical or other basis in support of his  
5 statement. In Commission Staff’s response to PSE Data Request No. 31, Exhibit  
6 No. \_\_ (ZDJ-05), seeking supporting documents, data, calculations or analyses,  
7 Mr. Kouchi responded that his statement is based on his “judgment” in light of  
8 three factors: (1) that PSE installed the AMR meters to provide increased  
9 efficiencies, reduce estimated billing issues and increase read accuracy; (2) that  
10 PSE has a duty to maintain and assure accurate meters and meter reading; and (3)  
11 that Customers expect their bills to be accurate. These three factors, however,  
12 have *no* relationship to the length of time it might take the Company to determine  
13 that a meter has stopped or is recording UEU that should be billed to a customer.  
14 In the absence of any supporting data, the Commission should reject Mr.  
15 Kouchi’s proposal to revise the performance standard by simply adding 60 days  
16 to the timeframes for “identifying and correcting” 100 percent of all natural gas  
17 and electric stopped meters and UEU meters.

18 **Q. Is Mr. Kouchi also proposing to revise the current quarterly reporting**  
19 **requirements?**

1 A. Yes. PSE is amenable to most of the changes Mr. Kouchi proposes to the  
2 quarterly reporting requirements. I discuss PSE's proposed changes to the  
3 quarterly reporting requirements in the next section.

4 **B. The Company's Proposed Revised Performance Standard**

5 **Q. Why should the performance standard be revised?**

6 A. There are two reasons the performance standard should be revised: (1) the current  
7 performance standard does not measure PSE's ability to identify and correct  
8 stopped meters and UEU; and (2) to comply with the existing standard PSE must  
9 execute suboptimal processes, which inhibit the Company's ability to provide the  
10 desired level of customer service.

11 **Q. How does the implementation of the existing standard result in PSE**  
12 **executing suboptimal processes?**

13 A. The performance standard was established to address the legacy population of  
14 potential problem meters as well as to address ongoing stopped meters and UEU  
15 that result in back-bills. The Company was able to resolve the legacy population  
16 of potential problem meters, including potential problems that were identified  
17 between July 1 and December 31, 2008, by June 30, 2009, as required by the

1 performance standard.<sup>15</sup> Given the absence of a large backlog of stopped meter  
2 and UEU back-bills at this time, it is no longer necessary to treat the potential  
3 stopped meters and UEU on the basis of vintages with interim targets.

4 An unintended consequence of the interim targets in the current meter and billing  
5 performance standards is that PSE prioritizes its workload to meet the interim  
6 target dates which reduces overall process efficiency. As a result, resolution of  
7 metering issues that are found during the later part of the month, may be delayed  
8 by two to four months in order for the Company to focus on meeting the next  
9 month's interim target. If the interim targets were eliminated from the  
10 performance standard, PSE would also be able to maximize its use of technology  
11 tools such as DataRaker to prioritize and repair known stopped meters in a more  
12 timely manner. By looking at each meter individually and optimizing processes  
13 around problem occurrence, location, issue type, in a modified first-in/first-out  
14 ("FIFO") approach, PSE could work more efficiently to reduce the time it takes  
15 to resolve stopped meters and UEU.

16 **Q. Since the Company has stated that Mr. Kouchi's performance standard is**  
17 **untenable, please describe the revised performance standard the Company is**  
18 **proposing at this time.**

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<sup>15</sup> See PSE quarterly report dated July 31, 2009 in Docket Nos. UE-072300/UG-072301.

1 A. PSE is currently issuing 99.88 percent of its bills to customers on time. Although  
2 PSE recognizes there is room for improvement, we are concerned that improving  
3 this percentage will likely be difficult to achieve and may come at significant  
4 cost. PSE does believe, however, that by revising the performance standards, the  
5 Company may be able to increase the percentage of correct bills to above 99.88  
6 percent and reduce the duration of the back-bills issued. PSE proposes to  
7 establish the new performance standard based on the duration of the Back-billing  
8 Process,<sup>16</sup> which would include the time that PSE takes to identify a stopped  
9 meter or UEU, fix the meter issue, and correct the customer's account. The  
10 length of the back-bill is something the Company currently reports to the  
11 Commission. In addition, PSE's proposal is consistent with Mr. Kouchi's  
12 proposal to add the time it takes to identify stopped meters and UEU to the  
13 performance standard. The Company proposes to establish the meter and back-  
14 bill performance standard as follows:

- 15 • Natural Gas: The duration of the Back-billing Process associated  
16 with Stopped Meters and UEU will not exceed six months for at  
17 least 80 percent of annual stopped meter and UEU population.
- 18
- 19 • Electric: The duration of the Back-billing Process associated with  
20 Stopped Meter and UEU will not exceed six months for at least 80  
21 percent of annual stopped meter and UEU population.
- 22

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<sup>16</sup> For purposes of the revised performance standard proposed by PSE, the term "Back-billing Process" is defined to include the time required to identify the stopped meter or UEU



1 The Company is also proposing to include in the performance standard a  
2 provision which would terminate any meter and billing performance standard at  
3 the point PSE has issued 99.95 percent of its total bills on time for two  
4 consecutive quarters.

5 I have prepared Exhibit No. \_\_\_ (ZDJ-6) to present the performance standards the  
6 Company is proposing.

7 **Q. Please explain why PSE is proposing percentages less than 100 percent as**  
8 **part of its proposed performance standard for stopped meters and UEU.**

9 A. While it is possible for PSE to identify the majority of meter issues within a few  
10 months, some meter issues are impossible to identify in that timeframe. As  
11 mentioned earlier, a customer with seasonal usage, i.e., that is away for the  
12 summer months or is a natural gas “heat only” customer is expected to have zero  
13 or very little consumption during those months. If that customer’s meter fails in  
14 April, the Company is not likely to identify an unusual consumption pattern until  
15 the October to December timeframe because identification depends on weather  
16 conditions (*i.e.*, PSE expects to see energy usage when we have cold weather).  
17 By the time PSE is aware of a probable stopped meter, at least five months would  
18 have passed and this does not include the time needed to investigate and confirm  
19 the meter has stopped, nor the time needed to fix the meter. Although the  
20 customer would only be billed for the months it was expected to have usage, the

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through the time PSE issues a correct bill to the customer.

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1 duration of the back-billing process could fall outside the proposed performance  
2 standard of six months. This same situation could occur if a customer moves in  
3 during the summer and PSE is unable to detect the change in usage until the  
4 winter months. When the customer contacts PSE and establishes their account,  
5 they will receive a back-bill for their usage prior to setting up the account. A  
6 second example is a slow meter, which eventually becomes a stopped meter. In  
7 its review of that stopped meter, the Company would see that the meter had been  
8 recording minimal usage for some number of months previously. The back-bill  
9 would include the months in which the meter was recording minimal usage as  
10 well as the months during which it was stopped which could be longer than six  
11 months and the back-billing process would fall outside the proposed performance  
12 standard.

13 **Q. How does the Company propose to implement the proposed revised**  
14 **performance standard?**

15 A. The Company is proposing to phase out the existing performance standards,  
16 including the interim percentages and vintages, over a period not to exceed six  
17 months from the time of the Commission Order approving the performance  
18 standard. This will allow the Company time to document processes, modify  
19 reports and tracking systems, train employees and ensure an appropriate effective  
20 date (*e.g.*, the first day of a month). PSE is also proposing to start tracking the  
21 revised performance standard in the first month of the phase-out period.

1 PSE agrees with Mr. Kouchi that there should not be automatic penalties for  
2 failure to meet the new performance standard, particularly during the period the  
3 existing performance standards are being phased out and the new performance  
4 standard is being implemented.

5 **Q. You mentioned earlier that Mr. Kouchi has proposed changes to the**  
6 **quarterly reporting requirements. Is the Company proposing changes to the**  
7 **quarterly reporting requirements?**

8 A. Yes. The Company agrees with Mr. Kouchi that the quarterly reporting format  
9 should be revised. Although not explicitly stated in Mr. Kouchi's testimony, PSE  
10 understands Mr. Kouchi's proposal would remove "meter mix/other" and "lost  
11 meters" from the reporting categories. PSE supports this proposal based on their  
12 very small numbers. Consistent with its proposal to revise the performance  
13 standard as described above, the Company is proposing to eliminate the use of  
14 vintage dates and interim targets in the report. PSE would continue to report on  
15 meter and back-billing issues on a quarterly basis.

16 **Q. Please describe the information PSE is proposing to include in the quarterly**  
17 **report.**

18 A. My answer is at an overview level since this is an area where the Company and  
19 Commission Staff need to work together to develop a meaningful report. Mr.  
20 Kouchi stated that Commission Staff is committed to work with the Company to

1 design a report that is not burdensome yet provides the information necessary for  
2 proper monitoring. The Company is similarly committed to work with  
3 Commission Staff on that endeavor.

4 The Company proposes to continue reporting on a quarterly schedule. Gas meters  
5 would be reported separately from electric meters and residential and commercial  
6 meters would be reported separately within the gas meter data and electric meter  
7 data. Consistent with Mr. Kouchi's proposal, in addition to reporting on its  
8 compliance with the performance standard, PSE is amenable to reporting for  
9 stopped meters and UEU: (1) the number of back-bills issued in each month; and  
10 (2) the average length of back-bills issued each month. PSE is also amenable to  
11 reporting the shortest and longest back-bill, in months, issued in each month.

12 Although Mr. Kouchi suggested reporting this metric in weeks, the PSE bills are  
13 issued in billing cycles that closely resemble months, not weeks, so reporting the  
14 data as if it is managed on a weekly basis distorts reality and is not meaningful.

15 PSE does not agree with Mr. Kouchi's proposal to report the duration of each  
16 back-bill issued for stopped and UEU meters with an explanation why the  
17 duration exceeded the performance standard. This proposal would not directly  
18 advance the goal of reducing the number or duration of back-bills. In addition,  
19 the PSE system does not capture an explanation of why a billing issue exceeded  
20 the performance standard. Processes and computer systems would need to be

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modified to capture and report this information. The Company does not believe this requirement is cost effective or that it would add any benefit to the process.

**IV. CONCLUSION**

**Q. Does that conclude your prefiled rebuttal testimony?**

A. Yes, it does.