**Exhibit No. \_\_\_ T (RP-7T)**

**Docket: U-110808**

**Witness: Rayne Pearson**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PUGET SOUND ENERGY, INC.,**  **Respondent.** | **DOCKET U-110808** |

**REBUTTAL TESTIMONY OF**

**Rayne Pearson**

**STAFF OF**

**WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

**July 6, 2012**

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1. **INTRODUCTION**

**Q. Are you the same Rayne Pearson who submitted prefiled direct**

**testimony in this proceeding on May 3, 2012, on behalf of the Washington Utilities and Transportation Commission Staff (“Staff”)?**

A. Yes. On May 3, 2012, I filed direct testimony, Exhibit No. \_\_\_(RP-1T), and five supporting exhibits, Exhibit No. \_\_\_(RP-2), Exhibit No. \_\_\_(RP-3) Exhibit No. \_\_\_RP- 4C), Exhibit No. \_\_\_(RP-5), and Exhibit No. \_\_\_(RP-6C).

**Q. Please state the purpose of your rebuttal testimony.**

A.    The purpose of my testimony is to address statements made in the prefiled responsive testimonies of Kristina McClenahan, Exhibit No.\_\_(KRM-1T), Tom DeBoer, Exhibit No.\_\_\_(TAD-3T), and Agnes Barard, Exhibit No.\_\_\_(APB-1T), filed with the Commission on June 1, 2012.

**II. DISCUSSION**

**Q. In reference to the document entitled “PSE 26 Account Review,” Ms. McClenahan testifies in Exhibit No. \_\_\_(KRM-1T), page 7, lines 14-15, that she “never considered the particular tense of the words used in the document until I reviewed the complaint in this proceeding.” Do you agree the Company never considered the particular tense of these words?**

A. No, I do not. In response to Public Counsel’s Data Requests No. 016 and No. 029, PSE provided earlier draft versions of the document entitled “PSE 26 Account Review,” which I have closely reviewed. These earlier drafts show that the word tense in the column labeled “Resolution” changed from the final document PSE filed with the Commission on May 20, 2011. There are three versions of the document that I will address specifically.

On May 20, 2011, at 8:10 a.m., Gilbert Archuleta sent an email to Ms. McClenahan that contained a version of the document that I have attached as Exhibit No.\_\_\_\_(RP-8), pages 17-20 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029. Mr. Archuleta’s email states that he “formatted it for printing and presentation.” See attached Exhibit No.\_\_\_\_(RP-9), page 16 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029. In that version of the document, the notes in the “Resolution” column for Customer B read: “Customer contact to make arrangements on current outstanding balance.” The notes in the “Resolution” column for Customers H, K, N, P, and S, read: “Customer contact to offer arrangement on prior obligation balance.” The notes in the “Resolution” column for Customer G read: “contact customer to discuss arrangements on prior obligation balance.” The notes in the “Resolution” column for Customer N read: “Contact customer to offer arrangements on prior obligation balance.” The notes in the “Resolution” column for Customer R read: “Customer contact to discuss arrangements from prior obligation balance from 2009.” All of these notes use “contact” in the present tense.

On May 20, 2011, at 8:58 a.m., Mr. Archuleta sent an email to Michael Hobbs and Tom DeBoer containing an updated version of the same document. See Exhibit No.\_\_\_\_\_(RP-10), page 64 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 016. That version of the document entitled “PSE 26 Account Review” is attached as Exhibit No.\_\_\_\_(RP-11), consisting of pages 65-68 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 16. In that version, the notes in the “Resolution” column for Customer B read: “Customer *contacted* to make arrangements on current outstanding balance.” (Emphasis added.) The notes in the “Resolution” column for Customers K, N, P, and S, read: “Customer *contacted* to offer arrangement on prior obligation balance.” (Emphasis added.) The notes in the “Resolution” column for Customer G read: “*contacted* customer to discuss arrangements on prior obligation balance.” (Emphasis added.) The notes in the “Resolution” column for Customer N read: “*Contacted* customer to offer arrangements on prior obligation balance.” (Emphasis added.) The notes in the “Resolution” column for Customer R read: “Customer *contacted* to discuss arrangements from prior obligation balance from 2009.” (Emphasis added.)

**Q. Do you find Ms. McClenahan’s statement at page 7, lines 14-15, that she “never considered the particular tense of the words used in the document” credible in light of the changes made to the document on the day it was filed with the Commission?**

A. No, I do not. I do not see any other changes made between the May 20, 2011, version of the document that Mr. Archuleta sent to Ms. McClenahan at 8:10 a.m., and the version he sent to Mr. Hobbs and Mr. DeBoer at 8:58 a.m., except for the addition of the letters “ed” to the word “contact” for each of the customers described in my previous answer. The word “contact” was unaltered for one customer, Customer H, which I believed was a typographical error when I initially reviewed the final document entitled “PSE 26 Account Review” in light of the verb tense used for every other customer on the chart.

Moreover, a version of the chart circulated internally at PSE on May 19, 2011, contains the phrase “corrections in process” in relation to 16 of the accounts. See Exhibit No.\_\_\_\_(RP-12), pages 6-15 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029. That language was removed from the final version of the document that was filed with the Commission the next day.

**Q. Has the Company acknowledged that it was remiss in the way it handled the investigation into the 26 accounts?**

A. Yes. On page 1, lines 16-19, of Mr. DeBoer’s responsive testimony, Exhibit No.\_\_\_(TAD-3T), he stated that “PSE acknowledges it could have done a better job of implementing this aspect [investigation into the 26 accounts] of the settlement. PSE should have been more proactive in communicating with Staff and should have been quicker in responding.” On page 5, lines 1-3 of Ms. Barard’s response testimony, Exhibit No.\_\_\_(APB-1T), she stated: “I agree PSE could have been more clear in its reporting. In hindsight, I can understand how Staff could misinterpret the letter and report provided on May 20, 2011...”

On page 6, lines 16-18, of Ms. McClenahan’s response testimony, she stated that “PSE concedes the column heading would have been clearer if it had stated, ‘Resolution in Process’ or some similar description rather than ‘Resolution.’”

**Q. On page 4, lines 10-12, of Agnes Barard’s responsive testimony, Exhibit No.\_\_\_(APB-1T), she states that “Ms. Pearson apparently believes that PSE was obligated to re-process every account transactions [sic] in PSE’s billing system (CLX) for each account dating back to October 2009.” Is Ms. Barard’s characterization of your belief accurate?**

A. Yes.

**Q. Is it your belief that PSE had an obligation to perform the account transactions that Ms. Barard describes?**

A. Yes, because that was the agreement reached between the parties at the meeting held on December 10, 2010. During that meeting, Staff impressed upon the Company that it was expected to re-process each account at the point in time where the initial error occurred and provide Staff with proof that all of the necessary adjustments had been made from the date of the error forward.

**Q. Did PSE provide any evidence in response to formal data requests that corroborates your recollection of that meeting?**

A. Yes. Page 3 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 016 contains an email from Michael Hobbs, who was present at the meeting on December 10, 2010, to Mr. DeBoer, Mr. Archuleta, Ms. Barard, and Ms. Aundrea Jackson. That email, which is attached as Exhibit No.\_\_\_\_ (RP-13), was sent on May 11, 2011, at 8:00 a.m., and reads as follows: “Bad news, all. In checking my notes of our December 10, 2010 meeting with Staff in Olympia, they say ‘PSE will review all 26 accounts and reconcile these as part of the settlement agreement.’”

**Q. Has PSE provided any additional evidence in response to formal data requests that corroborates Staff’s expectation that all 26 accounts would be investigated?**

A. Yes. In Attachment A to PSE’s response to Public Counsel’s Data Request No. 025, attached as Exhibit No.\_\_\_\_(RP-15), Ms. Barard wrote in an email to Ms. Jackson and Mr. Archuleta: “Now the opinion has shifted based on what is contained in the consent order. We need to review the remaining 21 accounts.” Ms. Barard referenced the settlement agreement and the order adopting the settlement agreement and acknowledged that the order required review of all 26 accounts.

**Q. In your earlier testimony, Exhibit No.\_\_\_RP-1T, you cited an email exchange between yourself and Tom DeBoer in which Mr. DeBoer outlined steps that PSE was allegedly taking to make corrections to the 26 accounts. See Exhibit No.\_\_\_(RP-5). Is Mr. DeBoer’s explanation consistent with Ms. McClenahan’s version of how the accounts were “investigated”?**

A. Not at all. Because I needed clarification regarding some of the comments I saw in the document entitled “PSE 26 Account Review,” I followed up with Mr. DeBoer via email on May 26, 2011, to ask him exactly what actions were being taken by the Company with respect to the 26 accounts. That same day, Mr. DeBoer sent me this response:

For payments, if a correction results in a change to the customer’s current or prior obligation account balance; meaning a balance owed, refund or change in collectibles; we are contacting the customer, discussing with them the proposed corrections, and asking them where they would prefer their payments be applied and/or if they would like arrangements. If a correction results in no impact/change to the customer’s balance, the correction is an administrative reallocation of pledge funds to the appropriate charges, resulting in no change to the account status or balance. This isbeing done without notification to the customer since there is no change to their prior obligation or current account (product). For pledges, where necessary, PSE is reallocating pledge monies to insure that they are applied to the current account and not to the prior obligation.

See Exhibit No. \_\_\_\_(RP-5). Ms. McClenahan, however, testified that once she performed an initial review of each account, she determined that corrections to each of the accounts were unnecessary, and testified that no action was taken. Her testimony is wholly inconsistent with Mr. DeBoer’s representations of the actions allegedly being taken by the Company. Her testimony is also inconsistent with information provided by the Company in response to Public Counsel’s Data Request No. 024, which is discussed more fully below. Finally, Ms. McClenahan’s conclusion that corrections to the accounts were “unnecessary” is inconsistent with Staff witness Vicki Elliot’s findings, which are documented in Ms. Elliot’s prefiled rebuttal testimony, Exhibit No.\_\_\_\_(VE-1T).

In Exhibit No.\_\_\_\_(KRM-3) to Ms. McClenahan’s testimony, she stated with respect to Customers B, E, R, and V that “reprocessing the transactions would have merely moved the amounts between prior obligation balances, and PSE believed that reprocessing every transaction to redo history was unnecessary.” With respect to Customers C and D, Ms. McClenahan stated that “PSE did not believe further action [or processing] was necessary.” With respect to Customer G, Ms. McClenahan stated that “reprocessing the account was unnecessary.” With respect to Customers H, K, N, O, P, W, X, and Z, Ms. McClenahan stated that “reprocessing every transaction to redo history was unnecessary.” With respect to Customers J and L, Ms. McClenahan stated that “PSE maintains there is no action to take.” With respect to Customer Q, Ms. McClenahan stated “PSE believed that no further adjustment was necessary.”

Ms. McClenahan testified that, according to her analysis, only two customers—Customer S and Customer T—were harmed by the violations cited in Docket U-100182. With respect to Customer S, Ms. McClenahan first stated that because “the energy charges associated with the period of November 2009 to the May 2010 disconnection was [sic] greater than the amount of the pledge that was ‘misapplied’ ... PSE concluded that reprocessing the transactions would result in merely moving amounts between prior obligation balances and believed that reprocessing all transactions to redo history was unnecessary.” Ms. McClenahan went on to testify, however, that “upon reprocessing ... the outstanding balance would have been less and it appears that the August disconnection may not have occurred.” Ms. McClenahan’s reasoning for why reprocessing was “unnecessary” (i.e., that the energy usage exceeded the amount of the pledges received) was the same rationale she provided for failing to reprocess the accounts for Customers B, D, O, R, and X, yet no “reprocessing” of those accounts was performed to determine whether subsequent improper disconnections occurred due to the misapplication of the customers’ pledges.

**Q. Does PSE claim to have made corrections to any of the 26 accounts to date?**

A. Yes. PSE claims it has made adjustments to two of the 26 accounts. On pages 1-2 of PSE’s response to Public Counsel’s Data Request No. 024, which is attached as Exhibit No.\_\_\_\_\_(RP-14), the Company stated that charges were reversed on the accounts for Customers E and Q. With respect to Customer E, however, Ms. McClenahan concluded in her testimony that “no further action would be necessary” and with respect to Customer Q, that “no further adjustment was necessary.” Ms. McClenahan’s testimony does not mention charge reversals on either account.

Ms. McClenahan does take issue, however, with my finding that no action was taken on Customer E’s account until June 2, 2011. Page 1 of PSE’s response to Public Counsel’s Data Request No. 024, Exhibit No.\_\_\_(RP-14), states that a charge reversal was applied to Customer E’s account on June 2, 2011, which is consistent with my finding that the account was not corrected until that date, despite PSE’s representation in the document entitled “PSE 26 Account Review” that a credit adjustment had been performed in May 2011.

**Q. Are there other areas of Ms. McClenahan’s testimony that demonstrate the Company’s unwillingness to correct the violations identified in these 26 accounts?**

A. Yes. On page 4, lines 1-5, of Ms. McClenahan’s testimony, Exhibit No.\_\_\_(KRM-1T)), she states that “PSE’s investigation determined that it would not have made a material difference *in the ultimate amounts owing PSE by the customer*, and therefore, PSE did not believe it was required to go through the manual process of recreating history to redo transactions which would also remove associated late pay fees *particularly when PSE had paid fines on such accounts*.” (Emphasis added.) Staff assesses penalties for violations to provide an incentive for companies to make corrections and come into compliance with the law. Ms. McClenahan’s lack of concern for the customer harm resulting from these violations appears to chalk the penalty up to a “cost of doing business,” and nothing more. The violations cited in my investigation in Docket U-100182 had nothing to do with the amounts owing PSE by the customer. Ms. McClenahan is correct that the violations cited were “not a result of PSE incorrectly charging the customer.” See Exhibit No.\_\_\_\_(KRM-1T, page 4, lines 11-12. Rather, the violations concerned the misapplication of the refusal of service rules, which resulted in improper subsequent disconnections for many of these customers. Staff’s concern was that the Company had disconnected customers in error because payments were incorrectly applied, not that PSE was billing customers incorrect amounts, which is a separate inquiry.

Reducing the violations to nothing more than the issue of amounts still owed to the Company and dismissing the need to correct them because a fine had already been paid demonstrates a blatant disregard for the consumer harm at issue in this case.

**Q. Does this conclude your testimony?**

A. Yes.