

**Exhibit No. \_\_\_ T (RP-7T)**  
**Docket: U-110808**  
**Witness: Rayne Pearson**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**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**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. DISCUSSION ..... 1

**LIST OF EXHIBITS**

- Exhibit No. RP-8: Pages 17-20 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029
- Exhibit No. RP-9: Page 16 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029
- Exhibit No. RP-10: Page 64 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 016
- Exhibit No. RP-11: Pages 65-68 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 016
- Exhibit No. RP-12: Pages 6-15 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 029
- Exhibit No. RP-13: Page 3 of Attachment A to PSE’s response to Public Counsel’s Data Request No. 016
- Exhibit No. RP-14: Pages 1-2 of PSE’s response to Public Counsel’s Data Request No. 024
- Exhibit No. RP-15: Attachment A to PSE’s response to Public Counsel’s Data Request No. 025

1  
2  
3 **I. INTRODUCTION**

4 **Q. Are you the same Rayne Pearson who submitted prefiled direct**  
5 **testimony in this proceeding on May 3, 2012, on behalf of the Washington**  
6 **Utilities and Transportation Commission Staff (“Staff”)?**

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

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

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

15  
16 **II. DISCUSSION**

17  
18 **Q. In reference to the document entitled “PSE 26 Account Review,” Ms. McClenahan**  
19 **testifies in Exhibit No. \_\_\_(KRM-1T), page 7, lines 14-15, that she “never**  
20 **considered the particular tense of the words used in the document until I reviewed**  
21 **the complaint in this proceeding.” Do you agree the Company never considered**  
22 **the particular tense of these words?**

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

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

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

17  
18   **Q.   Do you find Ms. McClenahan's statement at page 7, lines 14-15, that she "never**  
19   **considered the particular tense of the words used in the document" credible in**  
20   **light of the changes made to the document on the day it was filed with the**  
21   **Commission?**

22   A.   No, I do not. I do not see any other changes made between the May 20, 2011,  
23   version of the document that Mr. Archuleta sent to Ms. McClenahan at 8:10 a.m.,

1 and the version he sent to Mr. Hobbs and Mr. DeBoer at 8:58 a.m., except for the  
2 addition of the letters “ed” to the word “contact” for each of the customers described  
3 in my previous answer. The word “contact” was unaltered for one customer,  
4 Customer H, which I believed was a typographical error when I initially reviewed  
5 the final document entitled “PSE 26 Account Review” in light of the verb tense used  
6 for every other customer on the chart.

7 Moreover, a version of the chart circulated internally at PSE on May 19,  
8 2011, contains the phrase “corrections in process” in relation to 16 of the accounts.  
9 See Exhibit No. \_\_\_\_ (RP-12), pages 6-15 of Attachment A to PSE’s response to  
10 Public Counsel’s Data Request No. 029. That language was removed from the final  
11 version of the document that was filed with the Commission the next day.

12

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

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

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

4

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

10   A.   Yes.

11

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

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

19

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

22   A.   Yes. Page 3 of Attachment A to PSE's response to Public Counsel's Data Request  
23   No. 016 contains an email from Michael Hobbs, who was present at the meeting on

1 December 10, 2010, to Mr. DeBoer, Mr. Archuleta, Ms. Barard, and Ms. Aundrea  
2 Jackson. That email, which is attached as Exhibit No. \_\_\_\_ (RP-13), was sent on  
3 May 11, 2011, at 8:00 a.m., and reads as follows: “Bad news, all. In checking my  
4 notes of our December 10, 2010 meeting with Staff in Olympia, they say ‘PSE will  
5 review all 26 accounts and reconcile these as part of the settlement agreement.’”  
6

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

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

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

21 A. Not at all. Because I needed clarification regarding some of the comments I saw in  
22 the document entitled “PSE 26 Account Review,” I followed up with Mr. DeBoer via  
23 email on May 26, 2011, to ask him exactly what actions were being taken by the



1 Company with respect to the 26 accounts. That same day, Mr. DeBoer sent me this  
2 response:

3 For payments, if a correction results in a change to the customer's current or  
4 prior obligation account balance; meaning a balance owed, refund or change  
5 in collectibles; we are contacting the customer, discussing with them the  
6 proposed corrections, and asking them where they would prefer their  
7 payments be applied and/or if they would like arrangements. If a correction  
8 results in no impact/change to the customer's balance, the correction is an  
9 administrative reallocation of pledge funds to the appropriate charges,  
10 resulting in no change to the account status or balance. This is being done  
11 without notification to the customer since there is no change to their prior  
12 obligation or current account (product). For pledges, where necessary, PSE  
13 is reallocating pledge monies to insure that they are applied to the current  
14 account and not to the prior obligation.  
15

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

26 In Exhibit No. \_\_\_\_ (KRM-3) to Ms. McClenahan's testimony, she stated with  
27 respect to Customers B, E, R, and V that "reprocessing the transactions would have  
28 merely moved the amounts between prior obligation balances, and PSE believed that  
29 reprocessing every transaction to redo history was unnecessary." With respect to  
30 Customers C and D, Ms. McClenahan stated that "PSE did not believe further action

1 [or processing] was necessary.” With respect to Customer G, Ms. McClenahan  
2 stated that “reprocessing the account was unnecessary.” With respect to Customers  
3 H, K, N, O, P, W, X, and Z, Ms. McClenahan stated that “reprocessing every  
4 transaction to redo history was unnecessary.” With respect to Customers J and L,  
5 Ms. McClenahan stated that “PSE maintains there is no action to take.” With respect  
6 to Customer Q, Ms. McClenahan stated “PSE believed that no further adjustment  
7 was necessary.”

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

1

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

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

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

17

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

21 A. Yes. On page 4, lines 1-5, of Ms. McClenahan's testimony, Exhibit No. \_\_\_\_ (KRM-  
22 1T)), she states that "PSE's investigation determined that it would not have made a  
23 material difference *in the ultimate amounts owing PSE by the customer*, and

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

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

20  
21   **Q.    Does this conclude your testimony?**

22   **A.    Yes.**