

Exhibit No. ___T (SW-2T)
Docket U-110808
Witness: Sharon Wallace

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

Sharon Wallace

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

July 6, 2012

TABLE OF CONTENTS

I. INTRODUCTION 1

II. DISCUSSION 1

List of Exhibits

Exhibit No. ___ SW-3: Excerpt from Attachment A to PSE’s response to Public Counsel Data Request No. 016

Exhibit No. ___ SW-4: Excerpt from Attachment A to PSE’s response to Public Counsel Data Request No. 016 dated May 13, 2011

Exhibit No. ___ SW-5: PSE’s response to Staff Data Request No. 005

Exhibit No. ___ SW-6: PSE’s response to Public Counsel Data Request No. 018

Exhibit No. ___ SW-7: Excerpt from Attachment A to PSE’s response to Public Counsel Data Request No. 016, dated May 13, 2011

Exhibit No. ___ SW-8: Excerpt from Attachment A to PSE’s response to Public Counsel Data Request No. 016, dated May 18, 2011

Exhibit No. ___ SW-9: Commission Staff Technical Assistance to PSE on applying the prior obligation rule

1
2
3 **I. INTRODUCTION**

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

7 **A. Yes. On May 3, 2012, I submitted prefiled direct testimony, Exhibit No. ___T**
8 **(SW-1T).**

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

10 **A. The purpose of my testimony is to address statements made in the prefiled**
11 **responsive testimonies of Kristina McClenahan, a PSE Customer Access Center**
12 **Supervisor, and Agnes Barard, PSE’s Director of Customer Care, filed with the**
13 **Commission on June 1, 2012.**

14
15 **II. DISCUSSION**

16
17 **Q. On page 2, lines 13-14 of Ms. McClenahan’s Response Testimony, Exhibit No.**
18 **___ (KRM-1T), she states that “PSE completed its review of a sample of five**
19 **accounts by January 26, 2011.” On page 2, lines 17-18 of Ms. McClenahan’s**
20 **testimony, Exhibit No. ___ (KRM-1T), she states that “PSE planned to discuss**
21 **the [sample of] investigation results and additional steps with Staff before**
22 **undertaking any further investigation.” Did PSE ever initiate this discussion**
23 **with you or any other Staff?**

1 A. No. Following the settlement conference on December 10, 2010, Staff did not meet
2 with PSE again regarding this issue until May 3, 2011. During the May 3, 2011,
3 meeting, the Company neither provided nor discussed that information. During the
4 meeting, I requested a status on the review and reconciliation of the 26 accounts.
5 Not only did the Company not have a report on the 26 accounts to share; they made
6 *no* mention of having reviewed and reconciled even five “sample” accounts. Nor
7 was a report on the five “sample” accounts presented at the meeting. At that
8 meeting, Company representatives Mr. Tom DeBoer and Mr. Randy Dieterle
9 asserted to me that the investigations and corrections of the 26 accounts were
10 complete and that the results would be forwarded to Staff the next day. Those results
11 were not provided to Staff until May 20, 2011.

12
13 **Q. On page 2, lines 19-21 of Ms. McClenahan’s response testimony, Exhibit No.**
14 **___ (KRM-1T), she states that, “It was not until after a meeting with Staff on**
15 **May 3, 2011 that PSE realized that Staff expected all 26 accounts to be**
16 **investigated, and furthermore, that Staff expected PSE would reprocess the**
17 **accounts.” Is this an accurate statement?**

18 A. No. The Company is responsible for complying with Commission orders. The
19 Commission Order 01 in U-100182 required the Company to complete an
20 investigation into 26 accounts, not merely a sample of those accounts.

21 In fact, in an internal email of May 4, 2011, Mr. Mike Hobbs, confirms:
22 “Next Steps: I suggest that we focus on reporting on only the regulatory order
23 required information, which includes a follow-up report on the 26 customers

1 identified in the report.” See attached Exhibit No. ___(SW-3), an excerpt from
2 Attachment A of PSE’s Response to Public Counsel’s Data Request No. 016. From
3 this statement, it is clear that the Company accurately interpreted the requirements
4 written in Order 01 in Docket No. U-100182.

5 Mr. Hobbs further states, “This should be done as quickly as possible and
6 reviewed internally by the appropriate people prior to submitting it to the UTC.” See
7 Exhibit No. ___(SW-3). From this statement, it is clear that this work had not been
8 completed as had been alleged by Mr. Deboar and Mr. Dieterle on May 3, 2011.
9 Further, there is no mention that five “sample” accounts were already reviewed and
10 reconciled.

11 Mr. Hobbs, confirms in an internal email dated May 11, 2011: “Bad news,
12 all. In checking my notes of our December 10, 2010 meeting with Staff in Olympia,
13 they say ‘PSE will review all 26 accounts and reconcile these as part of the
14 *Settlement Agreement.*” (Emphasis added.) See Exhibit No. ___ (RP-13), attached
15 to the prefiled rebuttal testimony of Rayne Pearson, Exhibit No. ___(RP-7T).
16 Evidently, the Company failed to check its meeting notes in the ensuing five months
17 between December 10, 2010, and May 11, 2011, to determine compliance
18 requirements. The burden of compliance rests with the regulated company.
19

20 **Q. Ms. McClenahan, in her prefiled response testimony, Exhibit No. ___(KRM-1T),**
21 **page 3, lines 4-5, states that she “was instructed to select five accounts to**
22 **investigate.” In an internal PSE email provided in response to Public Counsel**
23 **Data Request No. 16, Mr. Randy Dieterle of PSE states, “originally only 5**

1 **accounts were fully analyzed based on feedback from Sharon Wallace and**
2 **confirmed in subsequent discussions in UTC issues update meetings.” See**
3 **Exhibit No. ___(SW-4), excerpt from Attachment A to PSE’s response to Public**
4 **Counsel Data Request No. 16. Did you provide such instructions?**

5 A. No. I do not provide instructions to regulated companies that are contrary to state
6 statutes, commission rules, tariffs, policies or orders. Order 01 adopting the Joint
7 Motion in Docket U-100182 required PSE to “promptly complete its investigations
8 into 26 specific accounts.” There was no discussion of investigating a “sample.”
9 The first time that I heard mention of the “five accounts” was when I read the
10 Company’s response to this complaint.

11 Additionally, according to the Company’s response to Staff Data Request No.
12 005, Ms. McClenahan was instructed by Mr. Dieterle to investigate only a sample of
13 five accounts on January 10, 2011, and that only Ms. McClenahan and Mr. Dieterle
14 attended that meeting. See Exhibit No. ___ (SW-5). In the time period of December
15 10, 2010, (when the settlement conference occurred) to January 10, 2011, (when
16 Mr. Dieterle provided instructions to Ms. McClenahan) there were 21 business days.
17 Of those: the Commission was closed for two state holidays – Friday, December 24,
18 and Friday, December 31. The Commission was also closed on Monday,
19 December 27 for a Legislature-mandated temporary layoff day. As well, I was out
20 of the office on vacation on the following dates: December 17, December 21- 23,
21 and December 28-30. The only communications I had with the Company were with
22 Mr. Hobbs regarding storm response issues on December 14 and 15, as well as, other
23 routine business discussions around unrelated consumer complaint issues.

1 Finally, there were no “subsequent discussions in UTC issues update
2 meetings” because there were no meetings between the Company and Staff at all
3 between December 10, 2010, (when the settlement conference occurred) and January
4 10, 2011 (when Mr. Dieterle provided instructions to Ms. McClenahan).

5
6 **Q. On page 6, lines 5-9 of Ms. Agnes Barard’s testimony, Exhibit No. ___(APB-1T),**
7 **she states, “Ms. Wallace’s testimony states that the Commission alleged, and**
8 **PSE admitted, several rule violations. However, Ms. Wallace fails to recognize**
9 **that the ‘admission’ included a statement where PSE stressed that there**
10 **continued to be a good faith disagreement between PSE and Staff over the**
11 **interpretation of some rules and factual disputes.” Does Staff acknowledge the**
12 **Company’s disagreement with the rules?**

13 **A. No. The company’s qualified admission is still an admission. The fact that the**
14 **Company paid the penalty in full, without any mitigation, is tantamount to an**
15 **admission of liability.**

16
17 **Q. In Ms. Barard’s testimony, Exhibit No. ___(APB-1T), page 4, lines 16-19, she**
18 **states, “PSE did not understand the Joint Motion or Order 01 as requiring PSE**
19 **to re-process all account transactions in CLS dating back to October 2009, more**
20 **than a year prior to the settlement, nor did the Joint Motion or Order 01 spell**
21 **out such a requirement.” Do you agree with Ms. Barard’s interpretation?**

1 A. No. It is clear from PSE's internal communications that the Company knew, or
2 should have known it needed to review and reconcile all accounts." See Exhibit
3 No. ___(RP-13).

4 While the Company may have neglected to check its meeting notes in the
5 ensuing months between December 10, 2010, and May 3, 2011, or to fulfill the
6 requirements of Commission Order 01 in Docket U-100182, Ms. Barard filed her
7 testimony nearly 13 months after receiving this email. At this date, the work to
8 review and reconcile these accounts has still not been done by the Company.

9
10 **Q. In the Company's response to Public Counsel Data Request No. 018, it states,**
11 **"Upon receiving WUTC Staff's notification of the original investigation (Docket**
12 **No. U-100182), PSE proactively began to assess its handling of Prior Obligations**
13 **and began to institute changes that improved and clarified the Prior Obligation**
14 **process." See Exhibit No. ___(SW-6). Does this statement concern Staff?**

15 A. Yes. It also clearly concerned Mr. Hobbs. Mr. Hobbs wrote in an email dated
16 Friday, May 13, 2011, 2:29 pm and included Attachment A to PSE's response to
17 Public Counsel Data Request No. 016,, "We only state what we are doing in 'Areas
18 of Focus' effective April 24. I would have thought that we would have identified
19 any trends sooner and taken corrective action prior to April 24." See Exhibit No. ___
20 (SW-7).

21 Again, in an email dated Wednesday, May 18, 2011, 5:32 pm and included in
22 Attachment A to PSE's response to Public Counsel Data Request No. 016,
23 Mr. Hobbs wrote, "it seems to me that we should have cleared up these accounts

1 based upon the UTC investigation determination results and subsequent fine for not
2 applying the prior obligation rule correctly.” See Exhibit No. ___ (SW-8).

3 What concerns me most about this topic are the contradictory statements
4 included in Company testimony and responses to data requests, in light of the
5 extensive technical assistance the Company has received on the rule of prior
6 obligation over the years. The notion that the Company “proactively began to assess
7 its handling of Prior Obligations” after receiving the results of the investigation in
8 Docket No. 100182 is offensive. My attached Exhibit No. ___ (SW-9) details just a
9 fraction of the technical assistance the Company has received on how to apply the
10 prior obligation rule. This technical assistance dates back 18 years, to 1994. It is
11 disappointing that almost two years after the Company received a copy of the
12 investigation report, Staff is still providing technical assistance to the Company on
13 this topic. For the injured PSE customers among the 26 accounts, which were just a
14 fraction of the actual number of injured customers company-wide, it has now been
15 three years and the Company has yet to make them whole. The costs to these
16 individuals and families are potentially enormous. Some of these customers not only
17 lost power; they lost groceries; they paid unnecessary new deposits; they paid
18 unnecessary reconnect fees; they paid inappropriate disconnect visit fees; and they
19 suffered through multiple unwarranted disconnects (see Staff witness Vicki Elliott’s
20 rebuttal testimony, Exhibit No. ___ (VE-1T)). The Company cannot make these
21 customers whole; however, it could have reviewed and appropriately reconciled the
22 accounts as I personally requested of Tom DeBoer, Mike Hobbs and Agnes Barard
23 on December 10, 2010, and which they agreed to do.

1

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

3 **A. Yes.**