**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  SETTLEMENT AGREEMENT |

# I. INTRODUCTION

*1* This Settlement Agreement is entered into in order to compromise and settle all issues in this proceeding. It is a "Full Settlement" pursuant to WAC 480-07-730(1).

# II. PARTIES

*2* This Settlement Agreement is entered into by: Puget Sound Energy, Inc. ("PSE"); the Staff of the Washington Utilities and Transportation Commission ("WUTC Staff"); the Public Counsel Section of the Attorney General’s Office ("Public Counsel"); and The Energy Project (collectively referred to hereinafter as the "Parties" and each individually referred to as a "Party").

# III. BACKGROUND

*3* On October 12, 2010, in Docket U-100182, the Commission issued a penalty assessment against PSE for violations of the Commission’s refusal of service rules related to the proper handling of accounts that are disconnected for nonpayment. The Commission’s refusal of service rules are WAC 480-90-123(2) and WAC 480-100-123(3), respectively, for natural gas and electricity service. These rules prohibit a regulated natural gas or electric company from refusing to provide new or additional service to a residential applicant or existing customer who owes the company a prior obligation, which is the amount billed at the time the applicant or customer was disconnected for nonpayment.

*4* On December 28, 2010, in Order 01 in Docket U-100182 ("Order 01"), the Commission granted a Joint Motion filed by WUTC Staff and PSE resolving all issues in that proceeding. Order 01 required PSE to (1) pay an assessed penalty; (2) promptly complete its investigations into twenty-six specific accounts more fully described in Attachment A to the Joint Motion; and (3) continue implementation of the plan described in Attachment B to the Joint Motion. PSE was also required to submit quarterly reports commencing in April 2011. Order 01 and the Joint Motion, along with the respective Attachments, in Docket U-100182 are included in Appendix A.

*5* On October 26, 2011, the Commission issued a complaint in Docket U-110808 alleging that PSE failed to comply with Order 01 by not promptly completing an investigation into 26 specific accounts identified in Docket U-100182. PSE answered the complaint, denying that PSE had violated Order 01. On December 19, 2011, the Commission held a prehearing conference, at which time Public Counsel entered an appearance and the Commission granted The Energy Project's petition to intervene. The Parties conducted discovery. PSE filed initial and response testimony, and WUTC Staff filed direct and rebuttal testimony. No other Party filed testimony.

*6*  The Parties undertook settlement discussions on July 18, 2012 and August 2, 2012, for the purpose of resolving contested issues in this proceeding. The Parties have reached a full settlement and now wish to present their settlement agreement for the Commission’s consideration and approval. The Parties therefore adopt the following Settlement Agreement, which is entered into by the Parties voluntarily to resolve matters that were in dispute. This Settlement Agreement is filed in the interest of expediting the orderly disposition of this proceeding.

*7*  The Parties understand that this Settlement Agreement is subject to Commission approval, and hereby respectfully request that the Commission issue an order approving this Settlement Agreement in its entirety. If the Commission wishes to conduct a hearing on this Settlement Agreement, the Parties request that the Commission hold such hearing on September 11, 2012, the date currently scheduled for the evidentiary hearing in this proceeding. The Parties will separately file supporting documentation, as required by WAC 480-07-740(2).

# IV. AGREEMENT

## A. Admission of Violations and Process Changes

*8* To achieve a settlement, PSE admits that PSE's past practices violated the Commission's refusal of service rules, particularly as they related to ensuring payments were applied to a customer’s current service account balance rather than prior obligation amounts. In April 2012, PSE completed implementation of process changes for its handling of prior obligations that remedy these past practices by enhancing the separation of prior obligation balances from current balances. The Parties agree that PSE's process changes are satisfactory and resolve their concerns going forward. An overview of PSE's revised process is included as Appendix B to this agreement. The Parties agree WUTC Staff will not recommend new enforcement actions regarding PSE’s past practices in light of PSE’s April 2012 process changes, and this settlement resolves all pending, planned, known or unknown prior obligation violations based on past practices. Nothing in this Settlement Agreement waives WUTC Staff’s ability to investigate PSE’s current or future practices for compliance with applicable Commission statutes and rules, and to recommend to the Commission appropriate enforcement action, as necessary.

9In recognition that PSE will be migrating from its existing billing system (CLX), PSE agrees to maintain the processes described in Appendix B as long as PSE utilizes its existing billing system (CLX). Upon transition to the new billing system (SAP), PSE agrees to retain the key elements of the process outlined in Appendix B, including:

Accounts disconnected due to non-payment will be closed and a new account will be opened (except in the case of medical emergency) consistent with the April 2012 process changes in order to provide a clear separation of the prior obligation balance and current charges.

In addition, PSE will file with the Commission and serve on all Parties a new summary of the process PSE uses for prior obligations, similar to the summary provided in Appendix B, within 30 days of completing its transition to the new billing system (SAP).

## B. Customer Credits and Refunds

*10* With respect to the twenty-six customer accounts identified in Docket U-100182, and for purposes of achieving a settlement and resolving all outstanding issues, PSE has applied credits or refunds to those customer accounts based on the amounts identified in Exhibit VE-5, which is attached to the pre-filed rebuttal testimony of Vicki Elliott. The credit or refund was applied in the following manner:

* + If the customer is currently receiving service from PSE, that customer was credited the amount identified in Exhibit VE-5 on their current, active account.
  + If the customer is no longer receiving service from PSE, then the former customer's account was credited the amount identified in Exhibit VE-5.
  + PSE provided print screens in a format similar to that shown in Appendix C of this agreement to demonstrate how each credit or refund was applied, in accordance with this agreement and such documentation is acceptable to the Parties.

## C. Monetary Penalty

*11* Within ten business days of Commission approval of this Settlement Agreement, PSE will pay to the Commission a monetary penalty in the amount of $250,000. PSE agrees not to seek recovery of this amount from its ratepayers.

**D. Pledge Agreements**

*12*  PSE agrees to maintain its current pledge payment process as outlined in Appendix D to this agreement.

## E. May 20, 2011 Report Filed by PSE

*13*  PSE concedes that its May 20, 2011, report in Docket U-100182, on its face and without further explanation, could be interpreted to contain inaccurate information.

## F. Contribution to PSE HELP

*14*  PSE agrees to contribute $75,000 to PSE HELP within ten business days of Commission approval of this Settlement Agreement. PSE agrees not to seek recovery of this amount from its ratepayers.

## G. Customer Bill Information

*15*  PSE’s April 2012 process change results in customers who have been disconnected for nonpayment receiving two separate bills: one bill that contains the amount of the customer's prior obligation ("Prior Obligation Bill"), and another bill containing the customer's service affecting balances ("Current Bill"). PSE agrees, within 60 business days of the date an order approving this Settlement Agreement is entered, to include language in the customer’s Prior Obligation Bill indicating that the customer cannot be disconnected for non-payment of that amount. Recognizing that PSE will be migrating from its existing billing system (CLX) and working within the preconfigured parameters of PSE's new billing system(s), PSE agrees to include similarly-worded messaging upon migration to the new billing system. PSE agrees to provide the Parties a reasonable opportunity to review and provide input regarding the new billing system messaging including language, font size and the location of such messages.

## H. Docket U-100182

*16* WUTC Staff and PSE agree, and Public Counsel and The Energy Project do not object, to eliminating PSE's reporting and other process requirements provided in both the Joint Motion and Order 01 in Docket U-100182. WUTC Staff and PSE agree, and Public Counsel and The Energy Project do not object, that this Settlement Agreement supersedes and replaces the process commitments contained in Docket U-100182 – including Order 01, the Joint Motion, and Attachments A and B to the Joint Motion. WUTC Staff and PSE agree, and Public Counsel and The Energy Project do not object, to cooperating with regard to reopening Docket U-100182 and filing any motion or testimony necessary to effectuate this agreement.

## I. Miscellaneous Provisions

*17*  a. The Parties agree to support the terms and conditions of this Settlement Agreement as a settlement of all contested issues in the above-captioned proceeding. The Parties understand that this Settlement Agreement is subject to Commission approval.

*18*  b. This Settlement Agreement represents an integrated resolution of the matters at issue in this case. Accordingly, the Parties recommend that the Commission adopt this Settlement Agreement in its entirety.

*19*  c. The Parties will cooperate in submitting this Settlement Agreement promptly to the Commission for approval, and will cooperate in developing supporting materials as required in WAC 480-07-740(2)(a). The Parties agree to support the Settlement Agreement throughout this proceeding, provide witnesses to sponsor such Settlement Agreement at a Commission hearing, and recommend that the Commission issue an order adopting the Settlement Agreement in its entirety.

*20*  d. In the event the Commission rejects this Settlement Agreement, WAC 480-07-750(2) shall apply. In the event the Commission accepts the Settlement Agreement upon conditions not proposed herein, each Party reserves the right, upon written notice to the Commission and all Parties to this proceeding within ten (10) days of the Commission’s order, to state its rejection of the conditions or differing provisions. In such event, WAC 480-07-750(2)(a) will apply and the Parties agree to cooperate in the development of a schedule that concludes the proceeding on the earliest possible date.

*21*  e. The Parties enter into this Settlement Agreement to avoid further expense, uncertainty, and delay. By executing this Settlement Agreement, no Party shall be deemed to have approved, admitted, or consented to the facts, principles, methods, or theories employed in arriving at the terms of this Settlement Agreement, and except to the extent expressly set forth in this Settlement Agreement, no Party shall be deemed to have agreed that this Settlement Agreement is appropriate for resolving any issues in any other proceeding, except as expressly stated above. Nor shall the facts, principles, methods, or theories employed in arriving at the terms of this Settlement Agreement be deemed to have any precedential effect in any subsequent proceeding.

*22*  f. Each Party retains the right to provide information to the public about this Settlement Agreement after it is filed with the Commission. The Parties each agree to provide the other Parties a copy of each news release or similar communication (hereafter “public communication”) that any Party intends to make regarding this Settlement Agreement, two business days in advance of publication. The Party receiving such public communication may review the public communication and make a reasonable request to the issuing Party to change the text of such public communication. Notwithstanding anything else in this paragraph, the Parties agree that each such public communication shall include a statement to the effect that this Settlement Agreement is subject to Commission approval and WUTC Staff’s signing of this Agreement and/or WUTC Staff’s recommendation that the Commission approve this Settlement Agreement is not binding on the Commission itself.

*23*  g. This Settlement Agreement may be executed in counterparts, through original, electronic, and/or facsimile signature, and each signed counterpart shall constitute an original document.

*24* h. In support of this Settlement Agreement, the Parties further stipulate that the testimony and exhibits that were pre-filed by PSE on April 3, 2012 and June 1, 2012, by WUTC Staff on May 3, 2012 and July 6, 2012, and the documentation of the Parties filed in support of this Settlement Agreement, should be admitted into evidence in the record of this proceeding.

**DATED:** August \_\_, 2012

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| **PUGET SOUND ENERGY, INC.**  By   Tom DeBoer   Director Federal & State Regulatory Affairs | **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION STAFF**  By   Michael Fassio   Robert Cedarbaum  Assistant Attorney General |
| **PUBLIC COUNSEL SECTION, OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF WASHINGTON**  By   Lisa Gafken  Assistant Attorney General | **THE ENERGY PROJECT**  By   **Ronald L. Roseman**  Attorney for The Energy Project |