

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET U-110808

COMMISSION STAFF  
NARRATIVE SUPPORTING  
SETTLEMENT AGREEMENT

**I. INTRODUCTION**

1 This Narrative Supporting Settlement Agreement (Narrative) is filed pursuant to WAC 480-07-740(2)(a) by the Staff of the Washington Utilities and Transportation Commission (Staff). The underlying Settlement Agreement, filed August 30, 2012, is a full settlement of all parties, namely, Puget Sound Energy, Inc. (PSE), Staff, Public Counsel and the Energy Project (collectively, "the Parties").

2 The Parties do not request a hearing for presentation of the Settlement Agreement. However, if the Commission requires a hearing, the Parties have requested that the Commission hold such hearing on September 11, 2012, the date currently scheduled for the evidentiary hearing in this proceeding. At any such hearing, Staff will present one or more witnesses in support of the Settlement Agreement. Staff's counsel will also be available to respond to any legal questions that the Commission may have regarding the proposed settlement.

## II. SCOPE OF THE UNDERLYING DISPUTE

3           The primary issue in this proceeding involves PSE's obligation to promptly complete  
an investigation into twenty-six customer accounts identified in a joint motion ("Joint  
Motion") filed by PSE and WUTC Staff in Docket U-100182, which was approved by Order  
01. Among other things in that earlier proceeding, Commission Staff had identified those  
twenty-six accounts as accounts for which PSE had misapplied the Commission's refusal of  
service rules, WAC 480-90-123(2) and WAC 480-100-123(3). Commission Staff conducted  
an investigation, and on October 26, 2011, the Commission issued a complaint in this  
proceeding alleging that PSE failed to comply with Order 01 in U-100182 by not promptly  
completing an investigation into the twenty-six specific accounts identified in Docket U-  
100182.

4           In their Settlement Agreement in this proceeding, PSE, Commission Staff, Public  
Counsel and The Energy Project ("the Parties") address and resolve PSE's obligations with  
respect to those twenty-six accounts. In an effort to avoid similar disputes in the future, the  
Parties also address process changes PSE has implemented so that customer payments are  
applied to a customer's current service account balances rather than a customer's prior  
obligation amounts.

## III. SUMMARY OF PROPOSED SETTLEMENT

5           The Settlement Agreement addresses the following eight specific subjects:

1. Admission of Violations and Process Changes
2. Customer Credits and Refunds
3. Monetary Penalty
4. Pledge Agreements

5. Concession Regarding PSE's May 20, 2011, Report
6. Contribution to PSE HELP
7. Customer Bill Information
8. Elimination of Reporting Requirements in Docket U-100182

6 In summary, the Settlement Agreement includes an admission by PSE that its past practices violated the Commission's refusal of service rules, particularly as those rules ensure that payments are applied to a customer's current service account balances rather than the customer's prior obligation amounts. To ensure payments are applied in a manner consistent with the Commission's refusal of service rules, PSE has implemented several process changes that will be maintained under its current billing system (CLX) and a new billing system to which PSE will be migrating. These process changes are fully described in Appendix B to the Settlement Agreement, but generally, they involve closing the account for which the customer was disconnected for non-payment and opening a new account for charges going forward. This results in the customer receiving two bills from PSE when the customer is disconnected for non-payment. The first bill contains the customer's prior obligation amount and the second bill contains a new account number and the customer's current balance. This process enhances separation between the customer's prior obligation account and their active account. PSE also agrees to provide language on the prior obligation bill to further emphasize this separation, by advising the customer that service cannot be disconnected for failure to pay the prior obligation bill. All parties agree that PSE's process changes are satisfactory and resolve their concerns going forward. However, nothing in the Settlement Agreement waives 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.

7 With respect to the twenty-six customer accounts identified in Docket U-100182, for purposes of reaching a settlement, PSE applied credits or refunds to those customer accounts based on the amounts identified in Staff Exhibit VE-5, which is included in 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 the Settlement Agreement to demonstrate how each credit or refund was applied in accordance with this agreement, and such documentation is acceptable to the Parties.

8 The following elements complete the Settlement Agreement:

- PSE agrees to pay a monetary penalty in the amount of \$250,000. PSE will also contribute \$75,000 to PSE HELP, the Company's low-income energy assistance program. PSE agrees that neither amount will be recovered in rates.
- PSE agrees to maintain its current pledge payment process, which is described in Appendix D to the Settlement Agreement.
- 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.
- Staff and PSE agree, and The Energy Project and Public Counsel do not object, to eliminating all reporting and process requirements provided in the Joint Motion and Order 01 in Docket U-100182. Essentially, the Parties agree that the Settlement Agreement in this proceeding replaces the process commitments contained in the Joint Motion in Docket U-100182.
- The Parties also agree to certain miscellaneous provisions in support of the Settlement Agreement.

#### IV. STATEMENT OF STAFF THAT THE SETTLEMENT AGREEMENT SATISFIES STAFF'S INTERESTS AND THE PUBLIC INTEREST

9 There are several reasons why the Settlement Agreement satisfies Staff's interest and the public interest. First, customers harmed by the Company's unlawful past practices have been made whole through credits or refund in accordance with Staff's analysis as presented by Staff witness Vicki Elliot. Moreover, in light of the Company's process changes and the credits or refunds already received by affected customers, the reporting requirements provided in the Joint Motion and Order 01 in Docket U-100182 are no longer necessary or useful. It is therefore appropriate to eliminate the prior reporting requirements, as proposed by the Parties in the Settlement Agreement.<sup>1</sup>

10 Second, the billing process changes that PSE implemented in April 2012, which are described in Appendix A to the Settlement Agreement, enhance the separation of prior obligation debt from current balances and resolve Staff's concerns going forward, both under PSE's current billing system (CLX) and its new billing system (SAP) when implemented.<sup>2</sup> They resolve Staff's concerns going forward because all accounts disconnected for nonpayment are automatically closed, and prior obligation amounts remain on the closed account. When service is reconnected, a new account is opened. The prior obligation amount is never transferred from the old account to the new account. Additionally, customer payments are automatically applied to the new account, unless otherwise directed by the customer. This alleviates Staff's objection to the Company's past

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<sup>1</sup> For example, the Company is required to continue implementation of a plan more fully described in Attachment B to the Joint Motion, and to submit a quarterly report in U-100182 regarding its continued implementation of that plan.

<sup>2</sup> PSE is in the process of transitioning to a new billing system (SAP) in several months. Within 30 days of completing its transition, PSE will file with the Commission and serve on all parties a new summary of its process for prior obligations, similar to the process set forth in Appendix B to the Settlement Agreement.

practice of maintaining all balances (both prior obligation and current) on one account, which resulted in customer payments being applied to oldest collectibles first, and, consequently, causing current charges to fall into arrears. These process changes help to ensure that customers will not be disconnected for prior obligation balances, and eliminate the debt cycle perpetuated by the one-account system. Nevertheless, Staff has expressly reserved its ability to review the Company's practices and to recommend Commission action, if and when necessary, to enforce the Commission's rules. Thus, adoption of the Settlement Agreement acknowledges continuing oversight of the Company's practices by Staff and the Commission.

11 Third, the Company's commitment to maintain the pledge payment process in Appendix D of the Settlement Agreement is consistent with the pledge process that Staff recommended in a technical assistance letter sent to all regulated natural gas and electric utilities on May 11, 2011. The process ensures that energy assistance money is not applied to bad debt, but is, instead, put toward its intended use to keep the heat and lights on.

12 Fourth, the Company agrees to pay a penalty of \$250,000 and make a \$75,000 contribution to the PSE Home Energy Lifeline Program (HELP) fund. The total sum of \$325,000 represents more than sixty percent of the maximum possible penalty in the complaint in this proceeding.<sup>3</sup> Staff considers the agreed amount appropriate for the following reasons: 1) PSE admitted that its practices prior to April 2012 violated the Commission's refusal of service rules; 2) PSE has since changed its practices, as discussed more fully above; 3) PSE admitted that the document it submitted to Staff on May 20, 2011, on its face and without further explanation, could be interpreted to contain inaccurate

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<sup>3</sup> As Staff calculated per the Complaint and statutory (RCW 80.04.380) amounts the Commission could issue based on the number of violations the Complaint alleges, if proven at hearing.

information; and 4) PSE agreed to correct the customer accounts at issue that gave rise to the original complaint, and made those corrections according to Staff's recommendations, also addressed above.

13 Fifth, PSE shareholders' contribution of \$75,000 to the PSE HELP fund will provide some additional support for utility-bill assistance to low-income PSE customers. Ratepayers already fund a significant amount of low-income bill assistance through existing tariff surcharges.

14 Finally, the Settlement Agreement represents a compromise of the positions of the Parties and avoids the expense, inconvenience, uncertainty, and delay inherent in a litigated outcome.

## V. CONCLUSION

15 In WAC 480-07-700, the Commission expresses its support for parties' informal efforts to resolve disputes without the need for contested hearings when doing so is lawful and consistent with the public interest. The Parties have resolved all of the issues in dispute between them, and their resolution complies with Commission rules and, as explained above, satisfies Staff's interest and is consistent with the public interest. Staff requests that the Commission approve the Settlement Agreement in its entirety.

Respectfully submitted this 7<sup>th</sup> day of September, 2012.

ROBERT M. MCKENNA  
Attorney General



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MICHAEL A. FASSIO  
ROBERT D. CEDARBAUM  
Assistant Attorneys General  
Counsel for the Washington Utilities and  
Transportation Commission Staff