

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET U-110808

PSE'S NARRATIVE SUPPORTING
SETTLEMENT AGREEMENT

1 Per WAC 480-07-740(2)(a), this Narrative is filed by Puget Sound Energy, Inc. ("PSE") as documentation supporting the settlement agreement filed in this proceeding on August 30, 2012 ("Settlement Agreement"). The Settlement Agreement resolves all issues presented in the Complaint, which the Washington Utilities and Transportation Commission ("Commission") issued October 26, 2011. Because all parties to this proceeding are signatories, the Settlement Agreement represents a "full settlement", pursuant to WAC 480-07-730(1). The Settlement Agreement is subject to Commission approval, and PSE recommends such approval.

2 Each party in this proceeding has agreed to file a separate narrative supporting the Settlement Agreement. WUTC Staff's narrative provides a discussion of 1) the Scope of the Underlying Dispute and 2) a Summary of the Proposed Settlement. PSE has reviewed the discussion and hereby incorporates the same herein.

I. PARTIES

3 The Parties to the Settlement Agreement are PSE, Staff of the Washington Utilities
and Transportation Commission ("WUTC Staff"), the Public Counsel Section of the
Attorney General's Office, and The Energy Project (collectively, "the Parties").

II. INTRODUCTION AND BACKGROUND

4 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.

5 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.

6 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. The Parties undertook settlement discussions on July 18, 2012 and August 2, 2012, and ultimately found a mutually-acceptable basis for resolving this matter.

III. PSE'S STATEMENTS IN SUPPORT OF THE AGREEMENT

7 The issues in this proceeding and in Docket U-100182 involve PSE's handling of customer accounts after those customers were disconnected for non-payment and the outstanding balances were prior obligation. As described on page 9 of the prefiled response testimony of Agnes P. Barard, Exhibit No. ____ (APB-1T), and in PSE's Application for Mitigation of Penalties in Docket U-100182, there were several good-faith disagreements between PSE and WUTC Staff regarding interpretation of the Commission's refusal of service rules, particularly with regard to application of payments received, primarily from PSE HELP funds. However, in order to improve clarity surrounding its prior obligation process, PSE implemented certain process changes in April 2012, as described in Appendix B to the Settlement Agreement. These process changes involve closing the customer's disconnected account and re-establishing service under a new and separate account, thus providing a clear separation of the prior obligation balance for those customers who have been disconnected for non-payment. Such customers will receive 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). Further, PSE applies pledge funds only to the customer's new (post-prior obligation) account, unless the pledge agency specifically requests, in writing, that the amounts be applied against the prior obligation balance. PSE's pledge process is memorialized in Appendix D to the Settlement Agreement. PSE's separation of accounts and clear pledge process, both of which each Party has

approved, removes any discretion on PSE's part to process prior obligations in a manner that WUTC Staff interprets as a violation of the Commission's refusal of service rules.

8 PSE believes the Settlement Agreement is in the public interest and meets the Commission's pertinent legal and policy standards. The Settlement Agreement fully resolves the allegations made in the Complaint, conserving valuable Party and Commission resources that would otherwise be devoted to litigation. After fully implementing the provisions mandated by the Settlement Agreement, PSE will be in a better position to ensure its own internal compliance with the Commission's refusal of service rules and will benefit the public in the process.

9 The Settlement Agreement also satisfies PSE's interest. PSE believes the Settlement Agreement reflects a true compromise of the issues in this proceeding. The Settlement Agreement addresses and resolves to WUTC Staff's satisfaction its outstanding concerns regarding the 26 accounts. At the same time, the Settlement Agreement provides a vehicle that recognizes the further improvements made to PSE's processes, which promote clarity and consistency and help prevent misapplication of the Commission's refusal of service rules in the future.


10 PSE's prior processes made it difficult to demonstrate compliance with the refusal of service rules; therefore, PSE implemented the additional process improvements in April 2012, months before this settlement was reached. The process improvements promote clarity and predictability by removing PSE discretion – ensuring that the Commission's refusal of service rules are applied consistently and in a manner that meets WUTC Staff's interpretation of the rules. Such clarity and consistency will benefit both PSE and its customers.

11 Additionally, WUTC Staff's agreement that it will not recommend new enforcement actions based on PSE's past practices ensures that PSE's resources will be directed towards maintaining the new process changes rather than towards addressing historical issues.

12 The monetary penalty is significant, but PSE has agreed to settle the case, pay the penalty amount and move forward with a focus on the process improvements. PSE supports the Settlement Agreement and requests that the Commission approve it.

DATED: September 7, 2012

PUGET SOUND ENERGY, INC.

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