

**BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION
COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION
COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,
Respondent.

Docket No. U-110808

PUBLIC COUNSEL AND THE
ENERGY PROJECT'S JOINT
NARRATIVE IN SUPPORT OF
SETTLEMENT AGREEMENT

1 Public Counsel and The Energy Project submit the following Joint Narrative in Support
of Settlement Agreement.

I. INTRODUCTION

2 The Parties have reached a full settlement agreement, as defined in WAC 480-07-730(1).
The signatories to the Settlement Agreement are Puget Sound Energy, Inc., (hereinafter "PSE" or
"Company"), Staff of the Washington Utilities and Transportation Commission (hereinafter
"Staff"), the Public Counsel Section of the Washington Attorney General's Office (hereinafter
"Public Counsel"), and The Energy Project.

3 Commission Staff has included a summary of the issues and of the Settlement Agreement
under the titles "Scope of Underlying Dispute" and "Summary of the Proposed Settlement".¹

Public Counsel and The Energy Project have reviewed Commission Staff's summary and hereby

¹ Sections II. and III. of Commission Staff Narrative Supporting Settlement Agreement.

adopts and incorporates the same by this reference. Nothing in the summary is intended to modify the Settlement Agreement's terms.

4 The Parties do not intend to file documentation supporting the Settlement Agreement in addition to their individual narratives supporting the Settlement Agreement and the Settlement Agreement with its Appendices. Should the Commission require additional information or supporting documentation, the Parties are willing to provide such information or documentation to the extent possible.

5 Under WAC 480-07-740(1)(d), the Commission will schedule a hearing to consider the proposed Settlement Agreement if it believes that holding a hearing will assist in its decision whether to adopt the proposed settlement. If the Parties' submissions in support of the Settlement Agreement provide the Commission with sufficient information, Public Counsel and The Energy Project would encourage the Commission to proceed on a paper record.

II. STATEMENT REGARDING WHY THE SETTLEMENT AGREEMENT SATISFIES PUBLIC COUNSEL AND THE ENERGY PROJECT'S INTERESTS AND THE PUBLIC INTEREST

6 Public Counsel and The Energy Project consider the Settlement Agreement proposed by the Parties to be a fair and reasonable resolution of the current docket. Approval of the Settlement Agreement would provide certainty and avoids the costs and time associated with a contested hearing.

A. The Proposed Settlement Agreement Makes Customers Whole.

7 The individual customer accounts that were identified in Docket U-100182 are made whole under the proposed Settlement Agreement. Commission Staff's rebuttal witness Vicki Elliott identified actual harm sustained by PSE's customers and quantified the harm in her

rebuttal testimony and exhibits.² While PSE does not concede that the harm identified and quantified is accurate, PSE has applied credits or refunds to the customer accounts in amounts identified by Ms. Elliott.³ We are pleased PSE has agreed to do so, as we believe it is appropriate and in the public interest.

B. The Proposed Settlement Supports an Important Policy Behind the Prior Obligation Rule.

8 The proposed Settlement Agreement is consistent with the general policy that it is important to keep low-income customers connected to their electricity and natural gas service. The Settlement Agreement is designed to inform customers of their duties and rights when they have a prior obligation. For example, PSE agreed that the customer bill containing the prior obligation amount shall include a statement that the customer cannot be disconnected for non-payment of that amount.⁴ This language is important because the customer will receive two bills from PSE upon disconnection for non-payment, and the bill language will clarify which bill the customer *must* pay in order to stay connected to their energy service.⁵

9 Further, the Settlement Agreement memorializes PSE's process with respect to handling prior obligation accounts. This process is outlined in Appendix B to the Settlement Agreement and represents the new process developed by PSE in April 2012. Specifically, PSE closes the account that was disconnected for non-payment and opens a new account to provide a clear

² Ms. Elliott, Exhibit VE-1T, Exhibit VE-5.

³ Settlement Agreement at ¶ 10.

⁴ Settlement Agreement at ¶ 15.

⁵ Of course, the customer is still obligated to pay the prior obligation amount, and likely faces collection action by PSE if payment is not made. However, if the customer must make a choice regarding which bill to pay first, it is important for the low-income customer to know which bill has priority, i.e., which bill will result in disconnection if it is not paid.

separation of the prior obligation amount from the customer's current charges.⁶ Clearly separating the prior obligation amount from the current charges supports the policy of keeping customers connected because both the Company and the customer are able to clearly distinguish between the prior obligation amount and the current charges. Prior to making this process change in April 2012, the Company's records simply showed all amounts owed by the customer in one billing account. This practice allowed customer payments to be applied first to the oldest amounts owing.

10 The new process will separate the prior obligation amount from the customer's current account, and thus customer payments will no longer be automatically applied to the oldest outstanding amounts (often, the prior obligation, which left the current balance unpaid). This should reduce the likelihood of low-income customers being disconnected for nonpayment because both the customer and the Company will be able to distinguish between payments for current amounts versus prior obligation amounts.

C. The Proposed Settlement Agreement is Designed to Increase the Likelihood of Regulatory Compliance.

11 PSE has a long history of noncompliance regarding the prior obligation rule, and Commission Staff has provided an enormous amount of technical assistance to PSE on this issue.⁷ The proposed Settlement Agreement is designed to provide PSE with an opportunity to achieve and maintain regulatory compliance, which satisfies the public interest that utility companies comply with statutes, Commission rules, and Commission orders. This also satisfies Public Counsel's and The Energy Project's interests that all ratepayers, including low-income

⁶ Settlement Agreement at ¶ 8-9, Appendix B.

⁷ Ms. Wallace, Exhibit SW-1T, Exhibit SW-9.

customers, be served by utility companies that comply with regulatory requirements and consumer protections and not suffer harm as a result of a company's violations.

12 To that end, the Settlement Agreement memorializes processes used by PSE to apply the prior obligation rule as well as apply energy assistance funds.⁸ PSE's process for prior obligation is described above. PSE applies assistance funds to current charges, and not prior obligation amounts, unless the agency providing the funding specifically requests a different treatment.⁹ Presumably, if PSE maintains the processes contained in Appendices B and D to the Settlement Agreement, it should avoid further compliance issues. This is beneficial for ratepayers because misapplication of prior obligation and assistance funds has a direct, negative impact on the ratepayer in the form of unnecessary disconnections.

D. The Proposed Settlement Agreement Preserves PSE's Commitment to Retain the Key Elements of the Processes Memorialized in the Agreement.

13 PSE plans to migrate from its current billing system (CLX) to a new billing system (SAP). We recognize that transition to a new billing system raises the possibility of confusion and/or unintended consequences. In light of PSE's past compliance issues vis-à-vis prior obligation and application of energy assistance funds, it will be critical for the Company to ensure this transition does not affect its ability to comply with the Settlement Agreement and regulatory requirements regarding prior obligation. PSE expressly agreed to maintain the key elements of its prior obligation process and to maintain its process to apply assistance funds to current obligations.¹⁰

⁸ Settlement Agreement at ¶¶ 8-9 and 12, Appendix B, Appendix D.

⁹ Settlement Agreement, Appendix D.

¹⁰ Settlement Agreement at ¶¶ 8-9 and 12.

14 Key elements of the prior obligation process include closing the prior obligation account and opening a new account to separate the prior obligation from the current account. PSE agreed to provide a new summary of its prior obligation process after it completes the transition to its new SAP system. This is an important element of the agreement because it provides transparency and allows the Commission and the Parties to ensure that PSE is treating prior obligation properly.

15 PSE's commitment with respect to pledge application is simply to maintain the process outlined in Appendix D. No limitations are placed on PSE's commitment based on its transition to the new SAP system. Therefore, the expectation is that PSE will apply pledge money to current balances and not to prior obligation balances, except in instances where the funding agency has requested different treatment, even after PSE transitions to its new SAP system.

16 PSE's commitments provide a clear metric with which to measure its business practices regarding prior obligation and application of pledge moneys after it transitions to the new billing system. PSE has made material improvements to its business practices, and it is important to preserve those improvements. The commitments provide all Parties with a degree of certainty that PSE will achieve and maintain compliance. In the event that PSE fails to maintain compliance, the Parties have a degree of certainty regarding how to measure compliance or the lack thereof.

E. The Proposed Settlement Agreement Includes Sufficient Penalty and Other Monetary Consequences for PSE's Non-Compliance.

17 Under the proposed Settlement Agreement, PSE agrees to pay a penalty of \$250,000. PSE further agrees to contribute \$75,000 to its energy assistance fund, PSE HELP. Both the

penalty amount and the contribution to PSE HELP are shareholder dollars in that PSE will not seek recovery of these amounts from its ratepayers.¹¹

18 The potential penalty under the Complaint in this docket is \$515,000. PSE's total shareholder responsibility under the Settlement Agreement is \$325,000, which is 63 percent of the total possible penalty. This amount is appropriate based on PSE's past non-compliance, the harm to customers, and PSE's willingness to adopt Commission Staff's calculation of the customer harm and provide refunds or credits in those amounts. In addition, PSE has changed in its business practices to come in line with the technical assistance provided by Commission Staff. Further, PSE has agreed to memorialize two key processes (prior obligation and treatment of energy assistance funds) and to maintain elements of those processes as it develops and implements new billing software. For all of these reasons, the amount of shareholder responsibility under the Settlement Agreement is justified.

III. SUMMARY OF LEGAL POINTS THAT BEAR ON THE SETTLEMENT

19 WAC 480-90-123(2) and WAC 480-100-123(2), the Commission's refusal of service rules, govern the proper handling of accounts disconnected for nonpayment. A prior obligation is the amount billed for which a customer is disconnected for nonpayment. Regulated electric and natural gas utilities may not refuse service to, or disconnect from service, customers based on nonpayment of a prior obligation.

20 Customers may receive energy assistance funding to help with their energy bills. Such funds should be applied to current charges and not prior obligation amounts.¹²

¹¹ Settlement Agreement at ¶¶ 11 and 14.

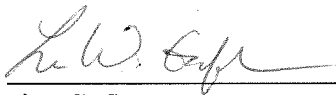
¹² Ms. Wallace, Exhibit SW-9.


Under WAC 480-07-730(1), parties may file a full settlement, which is a settlement entered into by all parties of a proceeding that resolves all issues presented. The Commission has discretion to accept such a settlement, impose conditions on its acceptance, or reject such a settlement¹³. The Settlement Agreement filed in this case represents the entire agreement among the Parties. Public Counsel and The Energy Project recommend the Commission accept the Settlement Agreement in its entirety.

DATED: September 10, 2012.

**PUBLIC COUNSEL SECTION,
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THE ENERGY PROJECT

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¹³ WAC 480-07-750
PC AND THE EP PROJECT'S
JOINT NARRATIVE IN SUPPORT OF
SETTLEMENT AGREEMENT
DOCKET U-110808