

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

PUGET SOUND ENERGY

Respondent.

DOCKET NOS. UE-190529 and UG-190530 (*Consolidated*)

**RESPONSE TESTIMONY OF SUSAN M. BALDWIN
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT SMB-1CT

November 22, 2019

Shaded Information is Designated Confidential per Protective Order
in Dockets UE-190529 & UG-190530 (*Consolidated*)

PUBLIC VERSION

DOCKETS UE-190529 and UG-190530 (Consolidated)

RESPONSE TESTIMONY OF SUSAN M. BALDWIN

EXHIBIT SMB-1CT

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Exhibit SMB-3	PSE Response to Public Counsel Data Request No. 103
Exhibit SMB-4	PSE Response to Public Counsel Data Request No. 101
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Exhibit SMB-8	PSE Response to Public Counsel Data Request No. 121, Attachment A
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Exhibit SMB-16	PSE Response to Public Counsel Data Request No. 227, Revised Supplement
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Exhibit SMB-25	GTZ Test Year and Rate Year Costs

I. INTRODUCTION / SUMMARY

1 **Q. Please state your name and business address.**

2 A. My name is Susan M. Baldwin. I am an independent consultant, and my business
3 is located at 13 Church Hill Street, Watertown, Massachusetts 02472.

4 **Q. On whose behalf are you testifying?**

5 A. I am testifying on behalf of the Public Counsel Unit of the Attorney General's
6 Office of Washington ("Public Counsel").

7 **Q. Have you testified previously before the Washington Utilities &
8 Transportation Commission (WUTC or "Commission")?**

9 A. Yes. On behalf of Public Counsel, I testified in 1999, in Docket UT-981367 (In re
10 Application of Bell Atlantic Corporation and GTE Corporation for Approval of
11 the GTE Corporation - Bell Atlantic Corporation Merger); in 2003, in Docket No.
12 030614 (Qwest Petition for Competitive Classification of Business Services); and
13 in 2018 in Docket UT-171082 (CenturyLink's Obligations Under the
14 Commission's Line Extension Rules). Also, presently, I am assisting Public
15 Counsel with its participation in Docket UT-190574 (the proposed Frontier-
16 Northwest Fiber transaction) and in Docket UT-190209 (the July 2017 911 outage
17 proceeding).

18 **Q. Please summarize your educational background and professional experience.**

19 A. Since 1984, I have specialized in the economics, regulation, and public policy of
20 utilities, with a long-standing focus on telecommunications markets and, more
21 recently, consumer issues in electric and gas markets. I have testified before 24
22 state public utility commissions nationwide, including Arkansas, California,

1 Colorado, Connecticut, District of Columbia, Idaho, Illinois, Indiana, Iowa,
2 Maryland, Massachusetts, Nevada, New Hampshire, New Mexico, New Jersey,
3 New York, Ohio, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington
4 State, West Virginia, and Wyoming. I have also participated in dozens of Federal
5 Communications Commission (FCC) proceedings.

6 I have prepared a detailed Statement of Qualifications, which is filed with
7 this testimony as Exhibit SMB-2.

8 **Q. What exhibits are you sponsoring in this proceeding?**

9 A. In addition to this testimony, I am sponsoring Exhibits SMB-2 through SMB-25,
10 which are listed below.

SMB-2	Qualifications / CV
SMB-3	PSE Response to Public Counsel Data Request No. 103
SMB-4	PSE Response to Public Counsel Data Request No. 101-b (NC)
SMB-5	PSE Response to The Energy Project Data Request 12
SMB-6	PSE Response to Public Counsel Data Request No. 113
SMB-7	PSE Response to Public Counsel Data Request Nos. 110 and 111
SMB-8	PSE Response to Public Counsel Data Request No. 121 and Attachment A
SMB-9	PSE Response to Public Counsel Data Request No. 108, and Attachment A
SMB-10	PSE Response to Public Counsel Data Request No. 104
SMB-11C	PSE Response to Public Counsel Data Request No. 101, Attachment A

SMB-12	PSE Response to Public Counsel Data Request No. 138 (without attachments)
SMB-13	PSE Response to Public Counsel Data Request No. 116(b), Attachments A and B
SMB-14	PSE Response to Public Counsel Data Request No. 105(f)
SMB-15C	PSE Response to Public Counsel Data Request No. 210, Attachment A
SMB-16	PSE Response to Public Counsel Data Request No. 227, revised supplement
SMB-17	PSE Response to Public Counsel Data Request No. 129
SMB-18	PSE Response to Public Counsel Data Request No. 143
SMB-19	PSE Response to Public Counsel Data Request No. 144, Attachment A
SMB-20	PSE Response to Public Counsel Data Request No. 107
SMB-21	PSE Response to Public Counsel Data Request No. 122
SMB-22	PSE Response to Public Counsel Data Request No. 218(a), Attachment A
SMB-23	PSE Response to Public Counsel Data Request No. 226
SMB-24	PSE Response to Public Counsel Data Request No. 145, Attachment E (“Puget Sound Energy 2018 Service Quality Program and Electric Service Reliability Filing”)
SMB-25	GTZ Test Year and Rate Year Costs

1 **Q. Please summarize your testimony.**

2 A. I evaluate the implications of Puget Sound Energy’s (PSE or “Company”) “Get to
3 Zero” (GTZ) program on customer service, as well as whether the Commission
4 should approve the Company’s proposed inclusion of GTZ-related costs in the
5 test year and in the rate year. I discuss the following:

- 6 • An overview of GTZ;
- 7 • PSE’s integrated voice recognition (IVR) system and other call-related
8 issues;
- 9 • Risks, benefits, and cost recovery of GTZ;
- 10 • Issues relating to residential disconnection for non-payment; and
- 11 • Issues relating to the quality of customer service.

12 **Q. Please provide a summary of your recommendations.**

13 A. PSE’s GTZ project is broad in scope and involves a large amount of capital.
14 Public Counsel recognizes that the project does offer customer benefits, but the
15 benefits are less defined and some are difficult to monetize. To increase
16 accountability by PSE to the Commission, I recommend that PSE’s request to
17 recover 2019 GTZ-related costs be deferred until the next rate case. Also, because
18 of the uncertainty of the costs and risks associated with GTZ, I recommend that
19 the Commission consider disallowing half of the test year costs associated with
20 GTZ that the Company seeks to recover. Furthermore, I recommend the
21 following:

- 22 • *Continuing customer service oversight:* The Commission should continue
23 its oversight of PSE’s performance relative to strengthened customer

1 service standards. Moreover the Commission should consider modifying
2 the SQI metrics at some future time to measure service quality as
3 customers increasingly use digital channels for transactions with PSE.

- 4 • *Integrated Voice Recognition (IVR)*: In light of the shift toward IVR-
5 handled customer calls, it may be appropriate to design a new SQI metric
6 that specifically assesses the quality of these transactions. Moreover, a
7 GTZ Working Group could be established to determine how best to ensure
8 that the IVR is customer-friendly.

- 9 • *Impact of GTZ on PSE's efforts to prevent disconnection for non-payment*
10 *of bills*: PSE should continue to report disconnections for non-payment.
11 The Company should also report participation in financial assistance
12 programs; field collections; and deferred payment arrangements. PSE
13 should separately report for digital and non-digital enrollments.

- 14 • *Customer education and support to assist customers in making a smooth*
15 *digital transaction*: The Commission should direct PSE to coordinate
16 with consumer stakeholder groups to ensure all customers adopt and
17 benefit from self-help digital channels. As part of its customer education,
18 it is critically important that PSE also continue to work with and support
19 groups, such as community action agencies, in their efforts to assist
20 customers in utilizing the automated mechanisms for participating in
21 financial assistance and bill payment programs.

- 22 • *Advisory groups*: The Commission should direct PSE to work, not only
23 with the existing Low Income Advisory Group, but also with a newly

1 established GTZ Working Group to ensure that GTZ benefits all
2 customers, regardless of income, home ownership, and demographics.
3 • *Representative customer surveys*: PSE should demonstrate that surveys
4 submitted to the Commission and conducted by or on behalf of PSE are
5 based on representative samples. Considering that approximately one-third
6 of PSE’s customers lack digital accounts, it is particularly important that
7 any surveys conducted regarding customer satisfaction not only be
8 representative of demographics, but also of levels of digital fluency.

II. OVERVIEW OF GET TO ZERO

9 **Q. Please define the term “get to zero.”**

10 **A.** The Company defines get to zero as a “means to minimize customer calls to Puget
11 Sound Energy (PSE) by eliminating problems that drive customers to call PSE.”¹
12 Throughout my testimony, I rely on this definition of GTZ, when referencing this
13 six-year (2016-2021) corporate initiative.²

14 **Q. What does the GTZ project entail?**

15 **A.** GTZ entails multiple projects that will transition PSE customers over an
16 anticipated six-year period to automated interfaces. These interfaces facilitate
17 customers’ use of “self-help” digital channels for various transactions, such as bill
18 payment, service initiation and disconnection, enrollment in financial assistance

¹ Direct Testimony of Joshua J. Jacobs, Exh. JJJ-1T at 3; Response Testimony of Susan M. Baldwin, Ex. SMB-3, PSE Response to Public Counsel Data Request 103.

² Jacobs, Exh. JJJ-1T at 2.

1 programs, tracking energy usage, and phone-based communications. These
2 automated transactions are intended, in part, to replace transactions that now
3 occur through, for example, telephone calls to PSE's customer service
4 representatives, field collections, and paper billing, and, in part, to support new
5 capabilities such as monitoring energy usage. PSE's objective is to steer
6 customers toward self-help digital channels offered on its web site
7 (www.pse.com) and through its mobile-based application (MyPSE). Also, PSE
8 seeks to direct phone calls to its integrated voice recognition (IVR) system.

9 **Q. Please describe generally the types of capital investments associated with**
10 **GTZ.**

11 A. PSE identifies the following new and updated technologies in its filing, and also
12 states that technology solutions typically have a short life expectancy and
13 therefore require ongoing investments to stay current.³

³ Baldwin, Exh. SMB-4, PSE Response to Public Counsel Data Request 101.
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Table 1
New and Updated GTZ-Related Technologies in PSE’s Filing⁴

Technology	Aligned Project	Status
AutoDesk AutoCAD Utility Design (AUD)	GIS CAD Design Manager	New
Cisco	IVR Enhancements	Updated
Click Software	Integrated Work Management	New
Fiserv Bill Matrix Next	Fiserv Next Phase I	Updated
Jacada	Visual IVR	New
Message Broadcast	Communication Gateway	New
Neustar	IVR Enhancements	New
Nexidia	IVR Enhancements	New
SAP	Various	Updated
SAP Work Manager	Integrated Work Management	New
Sprinklr	Social Media Core	New

1 **Q. Does PSE intend that GTZ will assist customers with managing their energy**
 2 **usage?**

3 A. Yes. PSE plans to offer energy usage analysis tools with GTZ.⁵

4 **Q. What is the status of PSE’s GTZ?**

5 A. PSE has closed its customer service centers, which brought the Company a step
 6 closer to automation. Although it has not yet deployed remote disconnection,⁶ it
 7 intends to fully enable it by the first quarter of 2020.⁷ Also, customers are
 8 gradually shifting to e-billing: PSE now renders 34 percent of bills by e-bill and
 9 66 percent of its bills to customers by mail.⁸ Customers are increasingly relying

⁴ Baldwin, Exh. SMB-4, PSE Response to Public Counsel Data Request 101(b).

⁵ Jacobs, Exh. JJJ-1T at 47.

⁶ Baldwin, Exh. SMB-5, PSE Response to The Energy Project Data Request 12.

⁷ Baldwin, Exh. SMB-6, PSE Response to Public Counsel Data Request 113(e).

⁸ Baldwin, Exh. SMB-7, PSE Response to Public Counsel Data Request 110 and Public Counsel Data Request 111. The most common methods are mail-in, automatic bank withdrawals, and credit cards. Note

1 on PSE's IVR. While PSE's IVR system handled 13 percent of customers' calls in
2 2014, it handled 41 percent of customers' calls in 2018.⁹ Also, PSE indicates that
3 GTZ offers self-help enrollment in financial assistance programs.

4 The success of GTZ would seem to depend on customers' willingness to
5 use digital channels for transactions.

6 **Q. Are PSE's customers digitally proficient to adequately utilize GTZ?**

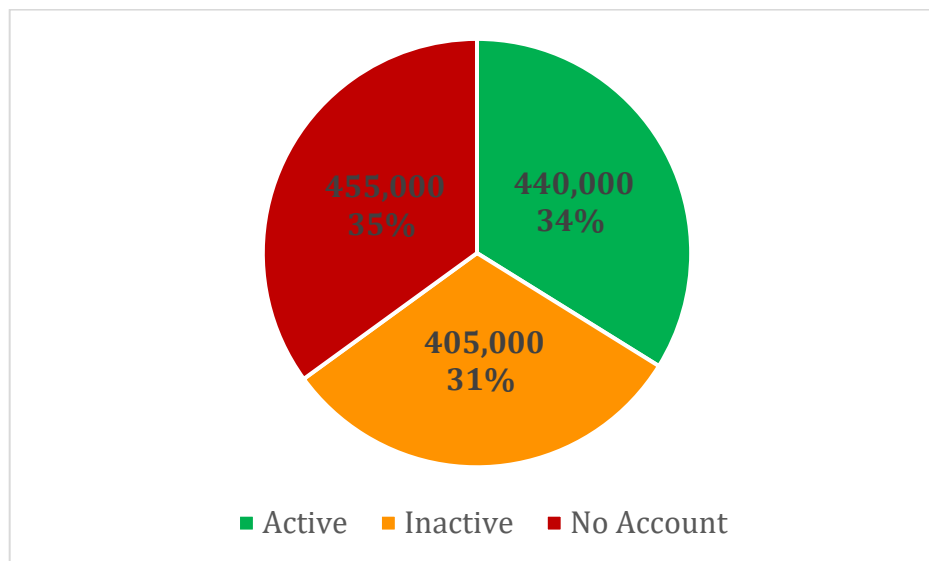
7 A. Some of PSE's customers appear to be. As Figure 1, below shows, 34 percent of
8 PSE's customers take advantage of automated interactions with the Company, 31
9 percent have the potential to do so but are "inactive," and 35 percent are not yet
10 ready to use the automation that PSE's GTZ offers.¹⁰

that the numbers are not additive: The category entitled "Credit Cards" payment reflect card payments made using the Integrated Voice Response Unit (IVRU) and Web systems combined. The IVRU payments reflect both credit card and bank account payments. *Id.*

⁹ Baldwin, Exh. SMB-8, PSE Response to Public Counsel Data Request 121(a).

¹⁰ PSE serves 1,017,756 electric customers and 778,192 gas customers.

Figure 1
Levels of Digital Fluency
Digital Account – Active; Digital Account – Inactive; and No Digital Account¹¹



1 **Q. Please explain why this information is important?**

2 A. In my view, this is an important lens through which to consider GTZ's
3 implications for PSE's customers. While PSE seeks to recover the costs of GTZ
4 from all customers, the majority of PSE's customers continue to prefer non-digital
5 ways of conducting transactions with PSE.

6 **Q. Which customers are most likely to benefit from GTZ?**

7 A. Customers who are most digitally adept are most likely to benefit from the
8 Company's digital self-help channels. By contrast, those who are less comfortable
9 and experienced with interacting digitally may be slower to migrate away from
10 human interactions, but in no instance should they be penalized for continuing to
11 rely on traditional modes of communicating with PSE. Also, PSE attributes

¹¹ Baldwin, Exh. SMB-9, PSE Response to Public Counsel Data Request 108, Attachment A at 12. PSE defines inactive as not having accessed one's digital account for six or more months. *Id.*

1 increased adoption and enrollment in PSE’s Renewable Energy programs as a
2 GTZ benefit,¹² which specifically benefits those customers who can afford to pay
3 a monthly charge for electing to have renewable energy.

4 **Q. How do customers use the Company’s web site and self-service options?**

5 A. According to PSE, most customers use the web site to view and pay their bill,
6 with 60 percent of the web site traffic corresponding with customers using the
7 “View and/or Pay My Bill” service.”¹³ PSE indicates that 49.2 percent of self-
8 service options occur on desktop computers, 46 percent on mobile phones, and the
9 rest on tablets.¹⁴

10 **Q. Please explain why data about customers’ approaches to digitally connecting**
11 **with the Company is important.**

12 A. Automated interfaces can provide distinct benefits, but as I show above, slightly
13 more than a third of customers lack digital accounts and one-third of customers
14 are digitally “hibernating.” Thus, two parallel objectives are essential for GTZ’s
15 success.

16 First, digital interfaces must be user-friendly and supported by adequate
17 customer education. This education should occur in ways and in places where
18 customers will see the information, such as bill inserts, customer notices, and
19 customer education coordinated with the agencies and institutions that may be
20 able to assist customers migrate to digital channels, such as community action
21 partners, libraries, senior centers, etc.

¹² Jacobs, Exh. JJJ-1T, at 10.

¹³ Baldwin, Exh. SMB-10, PSE response to Public Counsel Data Request 104(d).

¹⁴ Baldwin, Exh. SMB-10, PSE response to Public Counsel Data Request 104(e).

1 Second, during the GTZ transition, PSE must continue to allocate
2 sufficient resources to support its human interfaces with customers. Given that
3 almost two-thirds of PSE's customers have not transitioned to use PSE's
4 automated interface, human interaction continues to be necessary.

5 **Q. Please describe the direct benefits PSE attributes to GTZ.**

6 A. PSE, generally, claims an increase in operational efficiency, minimizing customer
7 calls, reducing operating expenses, improving the customer experience with
8 consistency across the Company's various digital platforms, and increasing
9 automation and options for self-help.

10 According to PSE, GTZ will specifically:

- 11 • Enable PSE to know its customers better and be able to more
12 effectively anticipate their needs in order to improve their
13 customer experience;
- 14 • Make it easier for customers to locate answers and resolve issues
15 themselves at any time they choose to manage their service, 24
16 hours a day, seven days a week;
- 17 • “[P]roactively inform customers about things they care about
18 through channels they prefer;”
- 19 • Provide customers with the same information regardless of
20 whether they communicate with PSE digitally or with a phone call;
21 and
- 22 • Provide customers with greater access to make and schedule
23 appointments, and provide PSE with greater ability to keep those

1 appointments.¹⁵

2 **Q. Does the Company also attribute societal benefits to GTZ?**

3 A. Yes. The Company identifies the following examples of societal benefits
4 that it attributes to GTZ:

- 5 • Increased Warm Home Fund contributions incrementally helping
6 low income customers;
- 7 • Improved access to energy efficiency rebates;
- 8 • Improvements to information about customers' ability to reduce
9 their carbon footprint;
- 10 • Increased adoption and enrollment in PSE's Renewable Energy
11 programs; and
- 12 • Increased operational efficiency for field work performed as PSE shifts
13 from manual processes to automation in areas where it did not exist
14 previously, thereby reducing miles driven and PSE's carbon footprint.¹⁶

III. IVR AND OTHER CALL RELATED ISSUES

15 **Q. Getting to zero emphasizes PSE's end game of minimizing calls that**
16 **customer service representatives must answer. Did you review trends**
17 **regarding customers' calls to PSE?**

18 A. Yes. Table 2, below, reproduces call volume information provided by PSE. The

¹⁵ Baldwin, Exh. SMB-3, PSE response to Public Counsel Data Request 103(a).

¹⁶ *Id.*

1 “Main Menu Calls” column depicts total calls.¹⁷ I assume “Agent Offered” refers
2 to calls handled by customer service representatives.

3 Total calls to PSE increased by 16 percent between 2014 and 2018.
4 “Agent Offered” calls declined by 19 percent during the same time period. This
5 indicates that PSE’s IVR has been handling an increasing percentage of
6 customers’ calls.

Table 2
Trends in PSE’s Handling of Customer Calls: 2014 - 2018¹⁸

	Main Menu Calls	IVR Handled	Agent Offered
2014	2,255,835	293,995	1,850,779
2015	2,374,537	460,951	1,822,546
2016	2,401,051	626,292	1,735,500
2017	2,628,479	815,108	1,761,578
2018	2,610,385	1,066,008	1,503,164

7 **Q. What do you infer from customers’ calling patterns?**

8 A. Table 2, above, shows that in 2018, the Company’s customer service
9 representatives handled approximately 1.5 million calls, which shows that
10 achieving the Company’s goal of getting to zero will take time. Human
11 interactions are declining as a percentage of overall interactions with the
12 Company, nonetheless interactions with PSE’s customer service representatives
13 continue to represent a significant portion of the Company’s customer service. In
14 turn, this means that the quality of PSE’s call answering continues to merit

¹⁷ The numbers shown in Table 2 correspond with all calls because, according to the Company, it is not feasible to provide answers in reference to residential customers. Baldwin, Exh. SMB-8, PSE response to Public Counsel Data Request 121(a).

¹⁸ Baldwin, Exh. SMB-8, PSE response to Public Counsel Data Request 121(a).

1 Commission oversight.

2 **Q. Did PSE provide analyses of the reasons for customers' calls?**

3 A. Yes, PSE provided various analyses, including a "call dashboard" that
4 disaggregates calls according to the customers' reasons for calling. The dashboard
5 tracked data through August 2019 and identified calls associated with queries
6 regarding energy assistance, among other things.¹⁹ I recommend that the
7 Commission require PSE to provide this dashboard annually to Commission Staff
8 and Public Counsel in order to review and monitor customers' adoption of GTZ
9 platforms and customers' reasons for continuing to call PSE.

10 **Q. Did PSE provide projections of call volumes?**

11 A. Yes. Table 3, below summarizes PSE's range of estimates of future call
12 volumes.²⁰ I interpret these estimates to correspond with calls that are answered
13 by customer service representatives; that is, I assume the projected call volumes
14 do not include calls handled by PSE's IVR.²¹ The crux of PSE's GTZ is
15 minimizing call volume. Yet, there is clearly vast uncertainty about the future
16 pace of this change. Because its IVR is integral to the Company's success in
17 getting to zero, the IVR itself merits attention. For this reason, I recommend that
18 the Commission thoroughly evaluate customers' experience with PSE's
19 increasingly important IVR system, within 12 months of the Commission's order
20 in this proceeding, based on input from a GTZ Advisory Group, which I will

¹⁹ Baldwin, Exh. SMB-4, PSE response to Public Counsel Data Request 101, Attachment AF.

²⁰ See also, Baldwin, Exh. SMB-11C, PSE response to Public Counsel Data Request 101, Confidential Attachment A.

²¹ My assumption is based on the fact that the number of calls shown under the "current" scenario for 2018 is of the approximate magnitude of the calls shown in Table 2 for agent offered calls in 2018.

1 discuss later.

Table 3
PSE Estimates of Call Volume Over Time²²

End of Year	Call Volume		
	Current	Medium	Low
2015	1,899,645	1,899,645	1,899,645
2016	1,736,645	1,736,645	1,736,645
2017	1,431,645	1,431,645	1,431,645
2018	1,317,113	1,388,696	1,403,012
2019	959,202	1,345,746	1,374,379
2020	472,443	1,211,530	1,284,901
2021	186,114	1,077,313	1,195,424
2022	143,165	894,778	1,073,734
2023	143,165	712,243	952,044

2 **Q. Did PSE provide information about its IVR?**

3 A. Yes. In response to Public Counsel's request for the IVR script, PSE provided a
4 162-page document displaying how calls flow through its IVR. It also shows the
5 elements of the IVR menu and reproduces the messages that prompt callers as
6 they navigate the system.²³ PSE also indicated that it has not identified any
7 specific changes or improvements to its IVR.²⁴

²² Baldwin, Exh. SMB-11C, PSE response to Public Counsel Data Request PC-101, Confidential Attachment A.

²³ Baldwin, Exh. SMB-8, PSE response to Public Counsel Data Request 121(e), Attachment A.

²⁴ Baldwin, Exh. SMB-8, PSE response to Public Counsel Data Request 121(e).

1 **Q. Are customers satisfied with their experiences with the IVR?**

2 A. This is not entirely clear. None of the more than 70 different surveys conducted
3 by or on behalf of PSE during the past five years comprehensively assesses
4 customer satisfaction and customer experiences with the IVR.²⁵

5 The J.D. Power surveys provided by PSE includes IVR as one of many
6 elements of customer service surveyed, but the assessment is general. J.D. Power
7 ranked PSE in the second quartile among western electric utilities in 2018
8 regarding IVR, but still well below the “best in class” rating for satisfaction with
9 the IVR.²⁶

10 **Q. Does PSE provide information showing that customer satisfaction with**
11 **digital engagement does not vary by age or income?**

12 A. Yes,²⁷ but the survey results that PSE provides are not completely relevant
13 because the surveys are limited to those who digitally engaged with PSE, and
14 therefore, shed no light on the preferences of those customers *who do not digitally*
15 *engage with PSE*, which, again, is almost two-thirds of PSE’s customer base.

16 **Q. What are some of the indicators showing potential levels of digital**
17 **engagement?**

18 A. One barometer of digital comfort is internet usage. Among those aged 18-29, 100
19 percent use the internet, and by comparison, only 73 percent of those 65 and older

²⁵ Baldwin, Exh. SMB-12, PSE response to Public Counsel Data Request 138(a); Direct Testimony of Andrew Wappler, Exh. AW-3 and Exh. AW-4.

²⁶ Wappler, Exh. AW-3 at 41.

²⁷ Baldwin, Exh. SMB-13, PSE response to Public Counsel Data Request 116(b), Attachments A and B.

1 use the internet.²⁸ Wireline broadband adoption in the home declines as age
2 increases and as income declines, and also is less prevalent in rural than in urban
3 areas.²⁹

4 Another barometer is customers' use of the smartphone. While 58 percent
5 of people aged 18-29 go online using their smartphones, only 15 percent of people
6 aged 65 and older go online using their smartphone.³⁰ Therefore, older persons,
7 persons with relatively lower income, and those living in rural communities are
8 less likely to benefit from GTZ (unless the institutions, agencies, and
9 organizations that serve them have the resources to guide them onto PSE's digital
10 self-help channels).

11 **Q. Please elaborate on the implications of the varying comfort levels with digital**
12 **technology.**

13 A. Those customers who do not avail themselves of the major GTZ initiatives such
14 as improvements to PSE's web site (www.pse.com), visual interactive voice
15 response (V-IVR) system, and mobile application (MyPSE), but who instead call
16 PSE's customer service are not benefiting from the fact that PSE has in the past
17 and is continuing to expend millions of dollars to improve and to establish digital
18 channels for communication and transactions. For this reason, customer education

²⁸ Pew Research Center, *Internet/Broadband Fact Sheet* (June 12, 2019), available at <https://www.pewresearch.org/internet/fact-sheet/internet-broadband/>.

²⁹ *Id.*; 63 percent of rural households have broadband in the home in comparison with 75 percent in urban areas and 79 percent in suburban areas. Pew Research Center, *Digital gap between rural and nonrural America persists* (May 31, 2019), available at <https://www.pewresearch.org/fact-tank/2019/05/31/digital-gap-between-rural-and-nonrural-america-persists/>.

³⁰ Pew Research Center, *Mobile Technology and Home Broadband 2019* (June 13, 2019), available at <https://www.pewresearch.org/internet/2019/06/13/mobile-technology-and-home-broadband-2019/>.

1 is critically important, as is support for the agencies and institutions that serve
2 those who have not yet incorporated digital modes into their daily lives so that all
3 customers benefit fully from GTZ-related customer service enhancements.

4 Moreover, the Commission should monitor the extent to which GTZ helps
5 customers manage their usage, especially low-income customers and renters who
6 may not be able to afford to take advantage of renewable energy programs and
7 additional equipment such as smart thermostats.

8 **Q. Does a reduction in calls to the Company depend on customers' increasing**
9 **their digital interactions with the Company?**

10 A. Yes, that is my understanding of GTZ. A potential risk of GTZ, therefore, is that,
11 in PSE's zeal for automation and efficiency,³¹ PSE may prematurely erode the
12 human, personal connection between the Company and its customers. In order
13 words, considering that two-thirds of PSE's customers are not utilizing the digital
14 interactions available, human interaction is still required in order to provide
15 adequate customer service. Thus, this erosion could diminish the quality of
16 customer service offered.

17 **Q. What is Public Counsel's recommendation?**

18 A. Given the importance of the IVR to GTZ (and to the quality of customer service),
19 it is important that there be an ongoing assessment of the user-friendliness of the
20 IVR. This assessment must be a reflection of a representative sample of PSE's
21 customers. Specifically, this assessment would require the design of a new SQI

³¹The Company seeks to reduce calls by 80 percent. Baldwin, Exh. SMB-14, PSE response to Public Counsel Data Request 105(f). See also Jacobs, Exh. JJJ-1T at 10:21-12:15, which describes the metrics the GTZ initiative is monitoring to help gauge progress of the initiative.

1 metric that specifically assesses the quality of PSE’s IVR. Moreover, a working
2 group could be established to determine how best to ensure that the IVR is readily
3 usable by all customers.

4 Additionally, because PSE customer service representatives continue to
5 handle many calls, I recommend that the Commission continue to monitor PSE’s
6 performance regarding call handling by customer service representatives.

IV. COSTS AND BENEFITS OF GTZ

7 **Q. Please describe generally, PSE’s estimated capital costs for GTZ.**

8 A. PSE provides several cost estimates for GTZ. PSE estimates a total of GTZ
9 capital costs for 2019 through 2021 of [REDACTED]
10 [REDACTED]³² PSE also provides a total three-year
11 capital cost estimate for 2019 through 2021 of [REDACTED]
12 [REDACTED] PSE further estimates a total 10-
13 year capital cost estimate of [REDACTED] for 2017 through 2026.³³

14 **Q. What is your understanding of the capital investment that PSE seeks to
15 recover in this proceeding?**

16 A. PSE states that its investment in its customer interface projects (which I interpret
17 to be GTZ projects) represents roughly \$90 million in capital expense, since the
18 test year in the 2017 general rate case through December 31, 2018.³⁴ PSE

³² Baldwin, Exh. SMB-15C, PSE response to Public Counsel Data Request 210, Attachment A at 18. This attachment includes excerpts from PSE’s update to debt investors on September 26, 2019.

³³ Baldwin, Exh. SMB-11C, PSE response to Public Counsel Data Request 101, Confidential Attachment A (numbers showed in tab labelled “NPV Summary Current” are summed).

³⁴ Jacobs, Exh. JJJ-1T, at 15.

1 estimates additional GTZ-related investment of \$32.5 million for various projects
2 from January 1, 2019 through June 30, 2019.³⁵ Exhibit SMB-25 summarizes the
3 revenue impact of PSE's proposed recovery of GTZ-related capital investment.
4 The calculations in Exhibit SMB-25 include operational expenses associated with
5 the investment (e.g., tax, depreciation) but do not include the expenses associated
6 with operating the various GTZ programs (e.g., employee training and contractor
7 expenses).

8 There are, of course, other operating expenses associated with GTZ's
9 implementation. In its net present value analysis, PSE shows other operational
10 expenses, such as project management, contracts, mapping, labor, and employee
11 training, and shows a total of \$20 million for 2018 GTZ-related operating
12 expenses.³⁶ PSE also projects operational expenses out as far as 2032 in
13 calculations of future costs and benefits associated with GTZ.³⁷

14 Furthermore, it is my understanding that PSE requests to defer the
15 depreciation expense on GTZ projects placed in service after June 30, 2018 on an
16 ongoing basis until the next rate proceeding.³⁸

17 **Q. Does PSE anticipate any operational savings from GTZ?**

18 A. Yes. According to PSE, the GTZ initiative tracked gross financial benefits in the
19 test year totaling \$4.9 million in the areas of operational efficiencies and bad debt

³⁵ Jacobs, Exh. JJJ-1T at 48.

³⁶ Baldwin, Exh. SMB-11C, PSE response to Public Counsel Data Request 101, Confidential Attachment A.

³⁷ *Id.*

³⁸ Baldwin, Exh. SMB-15C, PSE response to Public Counsel Data Request 210, Attachment A at 11.

1 reduction.³⁹ In its net present value projections, PSE shows \$13 million for
2 operational savings in 2018, under one scenario, \$6 million under a second
3 scenario, and \$4 million for a third scenario, with the level of savings depending
4 largely on customers' adoption of digital platforms.⁴⁰

5 **Q. Please describe generally how GTZ results in operational savings.**

6 A. PSE anticipates, among other things, reducing bad debt, lowering postage
7 expenses, lowering call center expenses associated with handling customers'
8 calls, and reducing manual metering expenses.⁴¹

9 **Q. You refer above to PSE's net present value analyses. Could you discuss them**
10 **briefly?**

11 A. Yes. PSE provides three different scenarios for computing the net present value of
12 GTZ. This analysis represents, the sum of the costs and benefits that PSE
13 estimates will be associated with GTZ over as many as 16 years, expressed in
14 today's dollars. Table 4, below, summarizes the results of these three very
15 different scenarios. Due to uncertainty relating to PSE's achievement of
16 operational savings, the net present value analyses resulted in a wide range of
17 results.

³⁹ Jacobs, Exh. JJJ-1T at 12.

⁴⁰ Baldwin Exh. SMB-11C, PSE response to Public Counsel Data Request 101, Confidential Attachment A.

⁴¹ *Id.*

Table 4
GTZ: Net Present Value⁴²

NPV Summary	Current	Medium 75%	Low 50%
NPV (Costs):	\$ 305,189,583	\$ 328,349,473	\$ 328,349,473
NPV (Benefits):	\$ 316,796,517	\$ 242,416,844	\$ 160,305,645
NPV:	\$ 11,606,934	\$ (85,932,629)	\$ (168,043,828)
End of Year:	2026	2029	2032

1 **Q. Why are PSE’s net present value estimates important?**

2 A. The net present value estimates show GTZ’s high financial stakes and uncertain
3 financial benefits. The pass-through of GTZ- costs in rates, well before its
4 benefits have been demonstrated, shifts the risk of PSE’s multi-faceted endeavor
5 to customers. Yet, it is primarily PSE that has control over GTZ’s success. This
6 proposed rate recovery creates an imbalance between PSE management, which is
7 primarily responsible for GTZ’s likelihood of success, and GTZ’s customers, who
8 are being asked to bear GTZ’s risk. For this reason, consumer safeguards are
9 especially important. Also for this reason, the Commission may want to consider
10 disallowing half of test-year GTZ cost recovery.

11 **Q. Does PSE rely on its net present value analyses to justify its inclusion of GTZ**
12 **costs in this rate case?**

13 A. No, it does not. PSE asserts that financial benefits are not the main driver behind
14 GTZ, but rather PSE is implementing GTZ “to make it easier for customers to do
15 business with PSE through an aligned approach to updating, upgrading, and
16 replacing technologies that are necessary to support PSE customers and their

⁴² *Id.*

1 growing expectations” and to “fix gaps within PSE’s business processes which
2 lead to a cumbersome, confusing and sometimes frustrating experience for
3 customers.”⁴³

4 **Q. Do you agree with the Company’s statements?**

5 A. Not entirely. PSE seems to rely greatly on its perception of customers’
6 expectations regarding digital transactions and customer interfaces to justify its
7 GTZ program. Moreover, PSE acknowledges that much of the GTZ hardware and
8 software have short lives, potentially creating pressure for constant GTZ
9 upgrading. Therefore, the Commission should signal clearly that any approval it
10 gives to GTZ investment is premised on an expectation that PSE will undertake
11 any GTZ upgrades with careful deliberation, cognizant that PSE will be seeking
12 future cost recovery from ratepayers for such upgrades.

13 PSE does not address whether, absent customers’ presumed desire for
14 digital interfaces, PSE would deploy GTZ. Put differently, does GTZ stand on its
15 own two feet financially or is it justified simply because the way of the world is
16 digital? This is unclear, given that only one-third of PSE’s customers use its
17 current digital interface.

18 Furthermore, it is important for the Commission to recognize that PSE is
19 asking customers to pay for GTZ, yet there is an opportunity cost to the rate
20 increase – monies that customers pay in rates for GTZ are not then available to
21 the customer for other purchases.

⁴³ Jacobs, Exh. JJJ-1T at 5.

1 **Q. In your view, what criteria should the Commission consider as it assesses the**
2 **merits of PSE’s requested inclusion of GTZ capital costs and operating**
3 **expenses in this rate case?**

4 A. The net present value analyses, of course, are relevant. For example, if anticipated
5 costs greatly exceeded anticipated financial benefits, consumers should not be
6 expected to pay for GTZ through their rates, especially when, only one-third of
7 PSE’s customers are digitally active (and thus are poised to take advantage of
8 GTZ improvements).

9 While I agree with PSE that there are non-financial benefits that the
10 Commission should consider, these benefits should only be considered if and to
11 the extent that PSE commits to educating all its customers, regardless of income
12 (and educating those agencies and institutions who provide services to its
13 residential customers), who are not now digitally engaged on how to take
14 advantage of these benefits. Theoretical benefits ascribed to technological
15 advancements should not be included as real tangible benefits.

16 **Q. Please summarize, generally, the risks of GTZ for consumers.**

17 A. Among the risks are:

- 18 • Financial: specifically that PSE does not achieve the savings in
19 operational expenses that it predicts and that PSE’s costs are greater than
20 forecast, causing upward pressure on residential rates.
- 21 • Customer service quality: PSE’s efforts to automate its interactions with
22 customers could put at risk the customer service quality offered to
23 customers who may be slower to adopt digital platforms. If, for example,

1 PSE prematurely reduces the number of customer service representatives
2 available to answer telephone calls, service quality to customers who call
3 the Company may degrade.

- 4 • Leaving behind the least digitally fluent: Customers who are least
5 digitally fluent risk being left behind or facing challenges understanding
6 how to communicate with PSE.

7 **Q. What then do you recommend to mitigate these risks to consumers?**

8 A. I recommend that the Commission:

- 9 • Disallow 2019 GTZ costs at this time;
- 10 • Consider disallowing half of the test-year GTZ costs;
- 11 • Monitor PSE's implementation of GTZ to ensure that the transition toward
12 increasing automation is smooth;
- 13 • Require PSE to educate its customer base and to facilitate their transition
14 to digital platforms as it implements GTZ, especially agencies and
15 institutions that serve the less digitally fluent, the economically
16 vulnerable, and those with disabilities;
- 17 • Require PSE to fully involve advisory committees;
- 18 • Require PSE to report annually to Commission Staff and Public Counsel
19 with updates to its detailed net present value analyses to establish ongoing
20 financial accountability regarding GTZ costs and benefits.

21 Society's transition to digital self-help channels, whether it be in the self-
22 check-out line in the grocery store or in our interactions with utilities, may be
23 inevitable. However, the pace and manner with which PSE gets to zero should be

1 subject to continuing oversight by the Commission to ensure that investments are
2 prudent and that all customers benefit, regardless of their age, income, geography,
3 and level of digital comfort.

V. DISCONNECTION ISSUES

4 **Q. How does PSE anticipate that GTZ will affect disconnections?**

5 A. According to PSE, “GTZ will have the biggest impact on disconnections through
6 the remote disconnection process for electric residential meters, which it intends
7 to fully enable by Q1 2020.”⁴⁴ The Company has not yet implemented remote
8 connect/disconnect functionality.⁴⁵

9 **Q. Have you analyzed the Company’s remote disconnection process?**

10 A. No. It is my understanding that the Commission is investigating the remote
11 disconnection process in a separate proceeding, and, for this reason, I do not
12 address this aspect of GTZ and disconnections in my testimony. Indeed, PSE
13 refers to the ongoing rulemaking on remote disconnection in Docket U-180525,
14 and states that “[w]hen new rules are adopted, PSE will follow the rules adopted
15 by the Washington Utilities and Transportation Commission in that docket.”⁴⁶

16 **Q. What aspects of disconnections do you address in this proceeding?**

17 A. I discuss the importance of monitoring disconnection trends and preventing
18 residential disconnections for non-payment. GTZ offers customers the option to
19 facilitate their enrollment in financial assistance programs and payment

⁴⁴ Baldwin, Exh. SMB-6, PSE response to Public Counsel Data Request 113(e).

⁴⁵ Baldwin, Exh. SMB-5, PSE response to The Energy Project Data Request 12.

⁴⁶ Baldwin, Exh. SMB-6, PSE response to Public Counsel Data Request 113(a).

1 arrangements, and thereby minimize disconnections for non-payment.

2 **Q. PSE indicates that it disconnects a residential customer when a customer's**
3 **past due balance reaches a threshold.⁴⁷ Did you seek further clarification of**
4 **this process?**

5 A. Yes. Residential customers become eligible for disconnection when their past due
6 balance is greater than \$70.⁴⁸ Table 5, below, shows the average amount owed by
7 customers at disconnection.

Table 5
Average Amount Owed at Disconnection (2014-2019)⁴⁹

Year	Average Owed at Disconnection
2014	\$414.70
2015	\$276.18
2016	\$331.79
2017	\$353.29
2018	\$351.41
2019	\$294.95

8 **Q. Did Public Counsel seek data on disconnection trends?**

9 A. Yes. Table 6, below, summarizes, by month and by year, disconnections for non-
10 payment for January 2014 through August 2019. Annualizing the numbers for
11 January through August 2019 indicates that disconnections for non-payment may
12 be as high as 38,420, an increase of approximately 3.7 percent relative to the
13 number of disconnections in 2018. Additionally, PSE experienced a spike in

⁴⁷ Baldwin, Exh. SMB-6, PSE response to Public Counsel Data Request 113(b).

⁴⁸ Baldwin, Exh. SMB-16, PSE response to Public Counsel Data Request PC-227(a).

⁴⁹ *Id.*, PSE response to Public Counsel Data Request PC-227(b). Amount shown for 2019 is through September.

1 disconnections in 2016, and PSE is not aware of any reason for the spike.⁵⁰

Table 6
Disconnections for Non-Payment (monthly): 2014 - 2019⁵¹

Number of Customer Disconnections for Non-Payment						
Month / Year	2014	2015	2016	2017	2018	2019
January	2,543	1,932	4,177	2,989	3,977	2,447
February	1,756	2,782	5,220	2,576	2,787	1,389
March	2,951	3,472	3,758	3,746	3,493	3,315
April	3,586	4,839	4,516	3,769	3,696	3,480
May	3,000	3,942	1,350	4,258	3,881	3,337
June	3,968	4,463	3,743	4,414	3,221	4,172
July	3,337	2,942	2,861	3,005	1,963	3,966
August	2,953	2,811	3,000	3,511	2,586	3,507
September	2,963	3,608	2,842	2,772	2,563	
October	2,635	3,914	2,942	3,222	4,174	
November	1,041	1,050	4,662	2,807	3,116	
December	1,475	852	1,981	2,126	1,567	
Total	32,208	36,607	41,052	39,195	37,024	25,613

2 **Q. How many field payments did PSE collect during the past five years?**

3 A. Table 7, below, shows a substantial number of payments (ranging between 32,445
 4 and 49,399) were collected in the field annually between 2014 and 2018, with
 5 37,531 being collected in 2018 alone.

⁵⁰ *Id.*, PSE response to Public Counsel Data Request 227(f).

⁵¹ Baldwin, Exh. SMB-6, PSE response to Public Counsel Data Request 113(e).

Table 7
Field Collections: 2014 - 2018⁵²

Year	Payments received (partial or full)
2014	41,178
2015	49,399
2016	32,445
2017	38,881
2018	37,531

1 **Q. How might GTZ affect these field collections?**

2 A. PSE seeks to reduce field collections,⁵³ which, depending on customers' comfort
3 levels with the automated processes that PSE intends to implement to replace field
4 collections, may lead to increased disconnections for non-payment. When asked
5 whether it has any plans to analyze the relationship between diminished presence
6 of field collections and payments made to prevent disconnections, PSE provided a
7 general response: "PSE will continue to monitor customer behavior and
8 performance data tied to the reduction of field disconnections to continually
9 improve upon tools, business process and customer education tied to the
10 automation effort that is underway."⁵⁴ I cannot deduce from this response whether
11 those customers who are less digitally fluent may fall between the cracks of the
12 reduced field collections and PSE's increasingly automated operations.

13 **Q. How do you evaluate the impact of GTZ on disconnections for non-payment?**

14 A. GTZ could improve customer experiences, if adequately supplemented with
15 human interaction. GTZ may facilitate enrollment in energy assistance programs

⁵² Baldwin, Exh. SMB-17, PSE response to Public Counsel Data Request 129(b).

⁵³ *Id.*, PSE response to Public Counsel Data Request PC-129(c).

⁵⁴ *Id.*, PSE response to Public Counsel Data Request PC-129(d).

1 (including adequate outreach to those customers lacking English proficiency),
2 help customers to enter into reasonable payment arrangements, and ensure that
3 customers take advantage of the Company's PSE energy efficiency programs.

4 But, if human interactions are excluded through GTZ, customers may be
5 harmed by increasing disconnection rates due to the inability to navigate and
6 communicate with PSE's customer service representatives.

7 **Q. What then do you recommend?**

8 A. I recommend that PSE, in consultation with the Low Income Advisory
9 Group identify additional information to be reported to the Commission regarding
10 numbers of field disconnections, disconnections, and payments made through
11 automated channels to help interested stakeholders monitor the impact of GTZ on
12 disconnections.⁵⁵

VI. DEFERRED PAYMENT ARRANGEMENTS

13 **Q. How will GTZ affect customers' access to deferred payment arrangements?**

14 A. PSE describes GTZ as providing "new or updated channels for customers to self-
15 serve in order to enter payment arrangements" using PSE's website, mobile app
16 and IVR, and also indicates that access to customer service representatives to
17 facilitate a payment arrangement is still available to customers if that is their
18 preference.⁵⁶ Among other things, PSE states that its "Energy Assistance
19 Project," is anticipated to go into service in the last quarter of 2019. This project

⁵⁵ The Company presently submits annual Service Quality Program and Electric Service Reliability Filings with the WUTC.

⁵⁶ Baldwin, Exh. SMB-20, PSE response to Public Counsel Data Request PC-107(a).

1 is intended to improve customers' experience and to streamline the process when
2 customers seek payment assistance.⁵⁷

3 **Q. Why are deferred payment arrangements important?**

4 A. Deferred payment arrangements help customers pay bills by spreading out
5 payments for arrearages over a period of months and prevents disconnection for
6 non-payment.

7 **Q. Why is it important to prevent disconnections for non-payment?**

8 A. Utility service is a necessity of modern life and yet high energy burdens make it
9 difficult for those customers who get behind on their bills to pay both current
10 charges and past-due amounts. Uninterrupted energy service (safe heating,
11 adequate cooling, and proper lighting) is critically important for the security,
12 well-being, and health of all customers, especially older persons, those with
13 medical conditions, and families. Payment arrangements are important tools to
14 prevent disconnection for non-payment.

15 **Q. Did Public Counsel seek information about payment arrangements?**

16 A. Yes. Table 8 shows the number of payment arrangements entered into between
17 PSE and its customers for each of the years 2014 through the present, with the
18 data for 2019 showing only a partial year. The decline in payment arrangements
19 (by 47 percent from 267,253 in 2014 to 140,722 in 2018) is not *per se* an
20 indication of declining customer service, but it is a trend that merits continuing
21 monitoring, especially because deferred payment arrangements can help
22 customers to avoid disconnections.

⁵⁷ Baldwin, Exh. SMB-21, PSE response to Public Counsel Data Request 122(a).

Table 8
Payment Arrangements: 2014 through 2019 (through 9/2019)⁵⁸

Year	Total Payment Arrangements
2014	267,253
2015	211,950
2016	194,682
2017	160,920
2018	140,722
2019	118,584

1 **Q. Please comment further on the trend in deferred payment arrangements.**

2 A. Annualizing the data for 2019 in Table 8 above suggests that 158,112
3 arrangements will be established this year,⁵⁹ which is an increase relative to last
4 year, but still vastly less than the 267,253 that were established in 2014.

5 PSE has not conducted any analyses of deferred payment arrangements
6 best practices,⁶⁰ and so examining whether the substantial and steady decline in
7 deferred payment arrangements should be an appropriate area for consideration by
8 PSE's Low Income Advisory Group.⁶¹

9

⁵⁸ Baldwin, Exh. SMB-22, PSE response to Public Counsel Data Request 218, Attachment A.

⁵⁹ See also, Baldwin, Exh. SMB-20, PSE response to Public Counsel Data Request 107(b).

⁶⁰ Baldwin, Exh. SMB-23, PSE response to Public Counsel Data Request 226.

⁶¹ Multiparty Settlement, Stipulation and Agreement, ¶ 107, *Wash. Utils. & Transp. Comm'n v. Puget Sound Energy* (Sept. 15, 2017) (Dockets UE-170033 & UG-170034 (Consolidated))

1 **Q. Please explain why this information is important in relation to the GTZ**
2 **program.**

3 A. It is apparent that customers are utilizing deferred payment arrangements, and
4 customers should continue to have the ability to enter into these arrangements.
5 GTZ must allow for flexibility to make and enter into these arrangements.

6 Among other things, PSE should report to the Commission the numbers of
7 deferred payment arrangements that are entered through the various GTZ and
8 non-GTZ options (digital self-help channels and customer service
9 representatives). Also, PSE should work collaboratively with the Low Income
10 Advisory Group to examine factors that contribute to a deferred payment
11 arrangements' success in preventing disconnection for non-payment such as the
12 period of time over which customers must pay and the size of the initial payments
13 necessary to enter into arrangement.

14 **Q. Please describe your recommendation regarding disconnection issues.**

15 A. I recommend that the Commission continue to monitor PSE's success in
16 preventing disconnections for non-payment and expand that monitoring to assess
17 the ways in which GTZ is facilitating those efforts. Moreover, I recommend that
18 PSE work collaboratively with the Low Income Advisory Group to help
19 community action partners, agencies, and other interested stakeholders to
20 facilitate customers' use of digital self-help channels, and as appropriate, modify
21 payment arrangements to increase the chance of customers' successfully paying
22 their utility bills.

VI. SERVICE QUALITY ISSUES

1 **Q. Earlier you alluded to the importance of the Commission continuing to**
2 **monitor the Company’s performance relative to customer service metrics.**
3 **Please elaborate on this point.**

4 A. Customer service metrics are important to ensure that all customers, regardless of
5 whether they conduct transactions using traditional or digital interfaces, receive
6 adequate service. The existing customer service metrics primarily assess
7 traditional transactions and are important because approximately two-thirds of
8 PSE’s customers continue to rely on “old-fashioned” human interactions.

9 It is not clear whether those customers who do not engage digitally with
10 PSE are not comfortable doing so or simply prefer more traditional transactions.
11 In any event, the Company should not prematurely eliminate or erode the quality
12 of existing channels of interfacing with its customers.

13 **Q. How do customer service metrics address your concern regarding premature**
14 **erosion?**

15 A. By monitoring PSE’s performance relative to customer service metrics, the
16 Commission can ensure that the Company is implementing GTZ in a manner that
17 serves all customers.

18 **Q. Could GTZ enhance PSE’s ability to meet Commission-approved**
19 **performance requirements?**

20 A. Potentially. PSE asserts that its GTZ initiative may enhance PSE’s ability to meet
21 performance requirements, and points to the following Service Quality Indicators
22 (SQI) that may be positively impacted: SQI #2 – UTC Complaint Ratio, SQI #5 –

1 Answering Performance, SQI #6 – Telephone Center Answering Performance,
2 and SQI #8 – Service Transactions Customer Satisfaction.⁶²

3 **Q. Please summarize briefly your understanding of the Commission’s existing**
4 **oversight of the Company’s customer service?**

5 A. PSE indicates that it first implemented its Service Quality Program when the
6 Commission authorized the merger of Washington Natural Gas Company and
7 Puget Sound Power & Light Company in 1997.⁶³ Subsequently, in 2017, the
8 Commission changed the SQI # 5 benchmark from answering at least 75 percent
9 of calls within 30 seconds to answering at least 80 percent of calls within 60
10 seconds in recognition of changing communications technology.⁶⁴ To ensure that
11 the changed SQI metric did not lead to deteriorating services for those contacting
12 PSE by phone, the Commission required PSE to report back to the Commission
13 regarding customers’ experience contacting PSE by phone, through PSE’s
14 website, and through the IVR system.⁶⁵

⁶² Baldwin, Exh. SMB-14, PSE response to Public Counsel Data Request 105(h).

⁶³ Baldwin, Exh. SMB-24, PSE response to Public Counsel Data Request 145, Attachment E (“Puget Sound Energy 2018 Service Quality Program and Electric Service Reliability Filing”) at 1, citing consolidated Dockets UE-951270 and UE-960195.

⁶⁴ *Id.* at 8, citing *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-170033 and UG-170034 (Consolidated), Order 08 at 7, ¶ 231 (Dec. 5, 2017). In its annual service quality filing for 2018, PSE states: “Attachment D to the 2018 annual UTC SQ and Electric Service Reliability Report filing is the supplemental SQI #5 report; per the reporting requirement outlined in Dockets UE-170033 and UG-170034 Order 08, page 79, paragraph 231; which includes PSE’s evaluation of customer’s contact experience with PSE’s call center and supporting evidence demonstrating that the change in the SQI #5 benchmark standard has not led to a deterioration in service quality.” PSE 2018 Service Quality Program and Electric Service Reliability Filing, Attachment A at 2, *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy* (Mar. 29, 2019) (Dockets UE-170033 and UG-170034 (Consolidated)).

⁶⁵ *Id.*

1 **Q. Did you analyze the timeliness of the Company’s answering of customers’**
2 **calls?**

3 A. Yes. Table 9, below, summarizes the Company’s performance relative to three
4 aspects of its call answering timeliness during the five-year period spanning 2014
5 through 2018.

Table 9
Call Center Responsiveness (2014 – 2018)⁶⁶

	Abandonment Rate	Average Speed of Answer in Seconds (excludes calls answered by the IVR)	Percent of Calls Answered within 30 Seconds (excludes calls answered by the IVR)
2014	5.66%	28	76%
2015	4.76%	59	70%
2016	2.21%	36	77%
2017	2.86%	44	78%
2018	2.67%	45	81% (60 seconds)

6 The Commission can reasonably expect that PSE will abandon no more
7 than three percent of calls, the average speed of answer (excluding calls answered
8 by the IVR) will be no higher than 45 seconds, and that at least 80 percent of calls
9 (excluding those answered by the IVR) will be answered within 60 seconds.

10 Because of the simultaneous pressure on PSE to reduce calls and the importance
11 of timely responses by PSE’s customer service representatives, I recommend that
12 the GTZ Working Group consider the merits of adding an SQI standard for the
13 call abandonment rate, as well as, requiring the Company to report on its average
14 speed of answer. These two metrics differ from and would be valuable additions

⁶⁶ Baldwin, Exh. SMB-8, PSE response to Public Counsel Data Request 121(b). The standard was changed in 2018 from the previous standard of answering 75 percent of calls within only 30 seconds. *Id.*

1 to the existing SQI Metric #5.

2 **Q. Does the Company successfully keep its service appointments?**

3 A. Yes. PSE has kept 100 percent of its service appointments for five consecutive
4 years. Although the existing standard for this metric is 92 percent, I recommend
5 that the Commission update this standard. Guided by the principle that GTZ
6 should not diminish customer service, I recommend that the Commission revise
7 its standard to 100 percent for keeping service appointments.

8 **Q. Please address the relationship with GTZ and the SQI metrics that now**
9 **apply to PSE.**

10 A. Many aspects of everyday life are becoming increasingly automated and digitally
11 based. In this vein, PSE's GTZ program seeks to move its customer service to
12 more automated and digitally-based channels for its customer interfaces. During
13 this transition, the Commission should hold PSE accountable with SQI metrics.
14 The current matrix of SQI metrics do not fully address the customer interface
15 changes underway, and so, at some point, new SQI metrics should be developed.

16 Table 10, below, summarizes the metrics and standards that now apply to
17 PSE (and that should continue to apply with the modifications I described above).
18 Because of the shift toward digitally-based transactions, at some point in the
19 future the Commission may want to revisit the SQIs to determine whether the
20 metrics should be modified to reflect these changing transactions, for example, to
21 measure the quality of IVR transactions. Also SQI No. 2 (the measurement of
22 customer complaints) might be disaggregated into complaints regarding digital
23 transactions and complaints regarding non-digital transactions.

Table 10
PSE Performance Relative to Commission-Established Standards⁶⁷

Service Quality Index ("SQI")		Current Benchmark		1/2018 - 12/2018
2	Washington Utilities and Transportation Commission ("WUTC") Complaint Ratio	0.40 complaints per 1000 customers, including all complaints filed with WUTC	Approved by WUTC on October 18, 2008, in Order 12 of the consolidated Dockets UE-072300 and UG-072301 for reporting starting on January 1, 2009	0.16
3	SAIDI (System Average Interruption Duration Index)	155 minutes per customer per year based upon non-Major-Event outages	Approved by WUTC on June 17, 2016, in Order 1 of Docket UE-16345 for reporting starting on January 1, 2016	145
4	SAIFI (System Average Interruption Frequency Index)	1.30 interruptions per year per customer based upon non-Major-Event outages	Approved by WUTC on June 20, 2002, in its Twelfth Supplemental Order under the consolidated Dockets UE-011570 and UG-011571 for reporting starting on January 1, 2003	1.02
5	Telephone Center Answering Performance	80% of calls answered by a live representative within 60 seconds of request to speak with live operator	Approved by WUTC on October 18, 2008, in Order 12 of the consolidated Dockets UE-072300 and UG-072301 for reporting starting on January 1, 2009	81%
6	Telephone Center Transactions Customer Satisfaction	90% satisfied (rating of 5 or higher on a 7-point scale)	Approved by WUTC on June 20, 2002, in its Twelfth Supplemental Order under the consolidated Dockets UE-011570 and UG-011571 for reporting starting on January 1, 2003	94%
7	Gas Safety Response Time	Average of 55 minutes from customer call to arrival of field technician	Approved by WUTC on July 31, 1997, adopting SQI Supplemental Stipulation under the consolidated Dockets UE-951270 and UE-960195 for reporting starting on October 1, 1997	30
8	Field Service Operations Transactions Customer Satisfaction	90% satisfied (rating of 5 or higher on a 7-point scale)	Approved by WUTC on June 20, 2002, in its Twelfth Supplemental Order under the consolidated Dockets UE-011570 and UG-011571 for reporting starting on January 1, 2003	95%
10	Kept Appointments	92% of appointments kept	Approved by WUTC on October 18, 2008, in Order 12 of the consolidated Dockets UE-072300 and UG-072301 for reporting starting on January 1, 2009	100.00%
11	Electric Safety Response Time	Average of 55 minutes from customer call to arrival of field technician	Approved by WUTC on June 20, 2002, in its Twelfth Supplemental Order under the consolidated Dockets UE-011570 and UG-011571 for reporting starting on January 1, 2003	52

⁶⁷ Baldwin, Exh. SMB-19, PSE response to Public Counsel Data Request 144, Attachment A. Between 2014 through 2017, the Company was required to answer 75 percent of calls within 30 seconds, and in 2018, the Commission made the standard more lenient, requiring the Company now to answer 80 percent of calls within 60 seconds.

1 **Q. Does GTZ affect the surveys conducted on PSE’s behalf regarding SQI No. 6**
2 **and SQI No. 8?**

3 A. Potentially. EMC Research Inc. surveys customers’ satisfaction with their
4 transactions with the telephone center and with field service operations.⁶⁸ It has
5 been six years since the surveys were assessed, and it is possible that GTZ affects
6 the relevance of these surveys – of course as long as customers call the telephone
7 center, the survey is important.

8 **Q. In addition to the SQI No. 6 and SQI No. 8, regarding customers’ satisfaction**
9 **with transactions with the telephone center and with field operations, does**
10 **PSE use other tools to assess its customers’ satisfaction with customer**
11 **service?**

12 A. Yes. For example, both Mr. Jacobs and Mr. Wappler include J.D. Power customer
13 surveys results as exhibits to their testimony.⁶⁹ The Company ended its
14 subscription with J.D. Power in December 2018 due to the increasing cost of the
15 subscription. The Company indicates, however, that its customers will continue to
16 be surveyed by J.D. Power and that the Company will continue “to drive toward
17 improvement in customer satisfaction as ranked by J.D. Power.” However, PSE
18 will no longer have access to future detailed J.D. Power survey results.⁷⁰ Instead,
19 beginning in January 2019, the Company transitioned to using Escalent’s “Cogent
20 Syndicated Utility Trusted Brand & Customer Engagement Study” as its primary

⁶⁸ Baldwin, Exh. SMB-24, PSE response to Public Counsel Data Request 145, Attachment E (“Puget Sound Energy 2018 Service Quality Program and Electric Service Reliability Filing”) at 14, n.12.

⁶⁹ Jacobs, Exh. JJJ-5; Wappler, Exh. AW-3; Wappler, Exh. AW-4.

⁷⁰ Baldwin, Exh. SMB-12, PSE response to Public Counsel Data Request 138(b).

1 measure of customer satisfaction.⁷¹

2 The annual schedule for the residential surveys are as follows:
3 Escalent/Cogent: quarterly with a final year-end survey; JD Power: Residential
4 Electric Annual results published in early July (for the preceding year); and
5 Residential Gas Annual results published in early September (for the preceding
6 year).⁷²

7 **Q. Should the Company routinely share the results of J.D. Power surveys (as**
8 **provided at a high level) and Escalent’s more detailed surveys with**
9 **Commission Staff and Public Counsel?**

10 A. Yes. Especially during the GTZ transition, it is especially important that
11 Commission Staff and Public Counsel continue to be informed about customers’
12 perceptions of and satisfaction with their interactions with the Company.

13 **Q. Did Public Counsel seek information regarding the population sampled for**
14 **past customer surveys?**

15 A. Yes. However, the Company does not know the percent of J.D. Power survey
16 respondents receiving financial assistance, lacking English proficiency, or lacking
17 wireline broadband internet access.⁷³

18 **Q. Did the Company provide information about Escalent’s sampling technique?**

19 A. Yes. Escalent indicates that it uses “[d]emographically representative residential
20 quotas based upon age, income and race at individual utility level (according to
21 census data),” and also states that its “sample design uses US census data, strict

⁷¹ Baldwin, Exh. SMB-12, PSE response to Public Counsel Data Request 138(b).

⁷² Baldwin, Exh. SMB-14, PSE response to Public Counsel Data Request 105(e).

⁷³ Baldwin, Exh. SMB-12, PSE response to Public Counsel Data Request 138(c).

1 quotas and minimal statistical weighting post-fielding to ensure a
2 demographically balanced, statistically representative sample of each evaluated
3 utility’s customers based on age, gender, income, race and ethnicity.”⁷⁴

4 However, according to Escalent’s description of its survey methodology, it
5 collects data using a web-based survey,⁷⁵ which would seem to exclude customers
6 who are not digitally fluent from its assessment. This appears to bias the results of
7 the survey.

8 **Q. Why do J.D. Power’s and Escalent’s sampling techniques matter?**

9 A. To meaningfully inform the Commission, Public Counsel, and any other
10 interested stakeholders about customers’ satisfaction with their interactions with
11 the Company, it is important that those conducting surveys make good faith
12 efforts to reach a representative sample of households in PSE’s service territory.
13 Customers’ reliance on financial assistance and their level of English proficiency
14 are indicators of their vulnerability, i.e., difficulties in paying bills and navigating
15 interactions with PSE. Customers’ use or lack of use of the internet reflect their
16 digital fluency. Web-based survey techniques may end up excluding precisely
17 those customers who are not yet participating in the Company’s GTZ efforts and
18 who require the most assistance to transition to digital interactions. All of these
19 various customer attributes should be reflected in a representative survey sample.

⁷⁴ Baldwin, Exh. SMB-14, PSE response to Public Counsel Data Request 105(c), Attachment C at 2-3.

⁷⁵ *Id.* at 2.

1 **Q. What do you recommend with respect to how the Commission should**
2 **approach survey information about PSE’s customer satisfaction?**

3 A. If the Commission intends to rely on Escalent’s surveys in future years as a way
4 to measure customers’ satisfaction, I recommend that the Commission explore
5 whether Escalent’s use of a web-based survey under-represents those customers
6 lacking digital fluency. GTZ will affect many aspects of the way that customers
7 interact with PSE – for this reason, any survey that PSE submits to the
8 Commission regarding customer satisfaction implicitly reflect customers’
9 satisfaction with GTZ.

10 **Q. You have discussed various aspects of customer surveys that are conducted**
11 **by or on behalf of the Company. What are your primary “takeaways” for the**
12 **Commission regarding customer surveys?**

13 A. Survey samples and survey instruments (phone-based, web-based) need to be
14 representative not only of customers’ demographics (age, income, race, English
15 proficiency), but also of varying levels of digital fluency. Of course those surveys
16 that seek feedback on customers’ interactions with various digital channels (e.g.,
17 web site and mobile applications) necessarily include those who are digitally
18 comfortable. But any survey that seeks to solicit information more generally about
19 residential customers’ satisfaction and preferences should be based on
20 representative samples. It may also be useful to survey separately those customers
21 who do not have digital accounts.

1 **Q. What do you recommend regarding customer service metrics more**
2 **generally?**

3 A. Accountability to the Commission, Public Counsel, and consumers is particularly
4 important during PSE’s transition to GTZ to ensure maintenance of good-quality
5 customer service. I recommend the following:

- 6 • The Commission should fine-tune the customer service metrics and
7 associated standards to better match the Company’s performance and
8 expectations that GTZ will improve its customer service. I have offered
9 several specific suggestions, which could be considered along with other
10 ideas in a GTZ Working Group.
- 11 • The Company should commit to not seek any change in the metrics and
12 standards for those metrics for at least five years.
- 13 • If PSE relies on filings to the Commission on residential customer
14 satisfaction surveys conducted by or on behalf of the Company (e.g., by
15 Escalent), PSE should then demonstrate that the surveys are based on
16 representative samples of its residential customers including those with
17 and without English proficiency, old and young, all demographics, those
18 participating in financial assistance programs, those with payment
19 arrangements, those in rural and urban and suburban communities, and
20 those who are digitally active, digitally “hibernating,” and lacking digital
21 platforms. Precisely because of the wide variations in customers’ fluency
22 in digital platforms, the survey instrument needs to address different ways
23 of reaching customers.

1 **Q. How frequently should PSE report to the Commission regarding its**
2 **performance relative to customer service metrics?**

3 A. PSE should continue to submit its report annually. Moreover, the report should
4 also include information relating to measures that help customers pay bills. I also
5 recommend that the Commission direct the Company to provide copies of all
6 telephone scripts and training materials used by customer service representatives
7 and to provide annual updates, if the Company implements any changes to the
8 scripts or training materials.

VII. CONCLUSION

9 **Q. Please summarize your analyses and recommendations.**

10 A. As I demonstrate in my testimony, presently only one-third of PSE's residential
11 customers conduct digital transactions with PSE. The varying levels of customer
12 digital fluency and future trends embracing digitization directly affect PSE's
13 ability to achieve operational savings. These factors also affect the numbers of
14 households that will benefit from the enhanced, automated ways of conducting
15 transactions with PSE. Because of the inherent risks of GTZ (specifically,
16 uncertainty on whether the financial benefits will exceed the costs and the
17 possible jeopardy to customer service quality), it is particularly important that the
18 Commission ensure that adequate consumer protection safeguards are established,
19 in addition to PSE's shareholders sharing some of the financial risks associated
20 with GTZ.

1 **Q. Please summarize the major consumer protection safeguards that you**
2 **propose.**

3 A. I propose the following:

4 *Rate-making treatment:* PSE's request to recover post test year costs incurred in
5 2019 should be deferred to the next rate case. The Commission should consider
6 disallowing half of the GTZ-related costs in the test year, so as to shift some of
7 the financial risk to PSE's shareholders. Given that there is not a strong basis to
8 allow the expense based on a cost-benefit analysis, but there is a consensus that
9 some benefit will occur, it is appropriate for shareholders to bear some of the risk.

10 In my Exhibit SMB-25, I show total revenue requirement impacts of GTZ for
11 electric to be \$8.6 million and for natural gas to be \$4.4 million.

12 *Strengthened customer service oversight:* The Commission should require
13 continuing and strengthening standards for customer service metrics, with
14 continued regular reporting to the Commission of PSE's actual performance
15 relative to these metrics. Moreover, the Commission should consider modifying
16 the SQI metrics to reflect customers' increasing use of digital channels for
17 transactions with PSE.

18 *Integrated Voice Recognition:* In light of the shift toward IVR-handled customer
19 calls, it may be appropriate to design a new SQI metric that specifically assesses
20 the quality of PSE's IVR. Moreover, a GTZ Working Group should be established
21 to determine how best to ensure that the IVR is customer-friendly.

22 *Impact of GTZ on PSE's efforts to prevent disconnection for non-payment of bills:*
23 PSE should continue to report disconnections for non-payment, as well as

1 participation in financial assistance programs; field collections; and deferred
2 payment arrangements.

3 *Customer education and support to assist customers in making the digital*
4 *transaction smoothly:* As part of its customer education, it is extremely important
5 that PSE continue to work with and support groups, such as community action
6 agencies, in their efforts to assist customers avail themselves of automated
7 mechanisms for participating in financial assistance and bill payment programs.

8 *Advisory groups:* The Commission should direct PSE to work not only with the
9 existing Low Income Advisory Group but also with a newly established GTZ
10 Working Group to ensure that GTZ benefits all customers, regardless of income,
11 English proficiency, home ownership, and demographics.

12 *Representative customer surveys:* PSE should demonstrate that surveys
13 conducted by or on behalf of PSE are based on representative samples.

14 Considering that approximately one-third of PSE's customers lack digital
15 accounts, it is particularly important that any surveys conducted regarding
16 customer satisfaction not only be representative of demographics but also of
17 levels of digital fluency.

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

19 **A. Yes.**