**EXHIBIT NO. \_\_\_(GA-1T)
DOCKET NO. U-110808 WITNESS:  GILBERT ARCHULETA**

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

|  |  |
| --- | --- |
| **WASHINGTON UTILITIES AND****TRANSPORTATION COMMISSION,****Complainant,** **v.****PUGET SOUND ENERGY, INC.,****Respondent.** | **Docket No. U-110808** |

**PREFILED INITIAL TESTIMONY OF**

**GILBERT ARCHULETA**

**ON BEHALF OF PUGET SOUND ENERGY, INC.**

**APRIL 3, 2012**

**PUGET SOUND ENERGY, INC.**

****PREFILED INITIAL TESTIMONY OF
GILBERT ARCHULETA****

Q. Please state your name and business address.

A. My name is Gilbert Archuleta. My business address is19900 North Creek Parkway, Bothell, Washington 98011.

Q. By whom are you employed and in what capacity?

A. I am employed by Puget Sound Energy, Inc. ("PSE" or the "Company") as Manager, Reporting and Analysis in the Customer Care organization.

Q. Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?

A. Yes, I have. It isExhibit No. \_\_\_(GA-2).

Q. What are your duties as Manager, Reporting and Analysis in the Customer Care organization?

A. I am responsible for the daily oversight and operation of the reporting and analysis team supporting the Customer Care organization. The team provides business intelligence to the Customer Care leadership team by delivering daily, monthly, annual and ad hoc reports, assisting with continuous process improvement, developing quality assurance strategies and evaluating the customer experience.

Q. Please describe what actions the Company took to comply with Order 01 in Docket No. U-100182?

A. The Company actually began to implement changes in the way it manages prior obligations even before the Commission issued Order 01 in Docket No. U-100182 ("Order 01"). These process changes are outlined in Appendix B of the Joint Motion ("Appendix B") in Docket No. U-100182, but as early as December 2010, the Company began to develop the updated training materials and establishing the organizational restructuring necessary to implement the special disconnect queue and the internal quality control processes. By no later than March 31, 2011, PSE had implemented all of the process changes outlined in Appendix B, including 1) the establishment of a special disconnect queue, 2) development and implementation of additional training for PSE staff regarding the process changes and handling of prior obligations, and 3) establishment of internal self audits and quality assurance processes to ensure 100 percent compliance with prior obligation rules and to ensure that agents where correctly passing calls to the disconnect specialists. Additionally, the Company had prepared a draft report to present to Staff at an anticipated April 2011 meeting.

Q. Please describe how PSE planned to meet the requirement to "promptly investigate" the 26 accounts?

A. As explained by Mr. Tom DeBoer in his prefiled initial testimony, Exhibit No. \_\_\_(TAD-1T), PSE believed that the investigation requirement approved in Order 01 was to review the accounts and determine if there was any material impact to the customer’s account had the alleged violation not been committed. PSE did not interpret this commitment as a requirement to re-process all account transactions in PSE’s billing system (CLX) dating back to October 2009.

Accordingly, PSE reviewed three primary elements to determine how, if at all, a customer would be impacted by a correction to that customer's account. The first element was to determine if the customer was still in the original location where the disconnection for nonpayment occurred and whether or not the customer had an active account at that address. The second element was to determine if the customer had any subsequent disconnections between the time of the original violation and the signing of the Joint Motion. The third element of the investigation was to compare the energy service charges from the time of the original violation through December 2010 to the amounts pledged on the account and compare the amounts to any outstanding balances on the account.

Q. What determinations did PSE make upon consideration of these elements?

A. To the extent the customer moved or did not request further service at the address, the Company concluded that a CLX account revision would be unnecessary because the cumulative balance owed to the Company would not change. According to the Commission's rules, any deposits/credits remaining on an account when the account is transferred or closed will be transferred or returned to the customer "less any amounts due the utility".[[1]](#footnote-1) Since PSE would have been able to apply any credits or deposit on the "active" account to any outstanding balances (i.e., prior obligations) at the time of closing, PSE concluded that the adjustments would affect merely PSE’s internal accounting entries and would not have any customer impact. Therefore, CLX account adjustments were not necessary.

If the customer had a subsequent disconnection and utilized the protections associated with the prior obligation rules, then the application of the original pledge in 2009 to the subsequent account (i.e. the account after the original disconnection that PSE was penalized for) would have increased the outstanding balance on the first prior obligation amount but lowered the outstanding balance on the second prior obligation amount. The combined outstanding unpaid balances would not be different, and therefore the Company could conclude no further action was necessary.

To the extent the customer’s energy service charges between November 2009 (the time following the original violation) through December 2010 (the time of approval of the Joint Motion), were greater than the pledge amounts received and the account still had an outstanding balance, PSE could conclude that the total balances owing would be the same and there was no material difference to the customer’s outstanding balance.

Q. Why is this distinction important?

A. Investigating and reviewing accounts is significantly different than trying to recreate 14 months of history for the accounts. There are system limitations when reprocessing accounts for that length of time, and in the majority of instances the system will under-estimate the amounts actually owing the Company. Creating a new CLX product assignment requires all charges to be reversed on the original product assignment (sub-account) and then "rebilled" on the new product assignment. When rebilling on the new product assignment (sub-account), the system cannot recreate the late fees associated with either product assignment because it assumes that all transactions are new. This results in the new account balances being lower than they should be because late charges would be associated with those outstanding balances.

It is also important to recognize that the majority of the violations in Docket No. U-100182 was the result of the Company applying a pledge amount to the customer’s original account. In other words, PSE would reinstate the account that had been disconnected and apply the pledge amount to the total outstanding balance rather than 1) create a new account, 2) apply the pledge to that new account, and 3) treat the outstanding balance at the time of disconnection as a prior obligation. The violations were not that the Company had incorrectly charged the customer. However, Staff’s requirements of reconstructing and reallocating payments seem to ignore that the Company was still owed a balance, whether the account was processed as prior obligation or whether the balances were on the customer’s active account.

The Company understood that the purpose of the Joint Motion was to ensure that PSE 1) modified its prior obligation procedures, and 2) added the internal self audit and quality control measures to ensure that the Company was following the prior obligation rules on a going-forward basis. As discussed in the first quarterly report and all subsequent reports, PSE has worked diligently to implement the process changes and the additional checks to ensure compliance with the Commission's prior obligation rules. Staff’s allegations in this Complaint do not recognize the substantial changes in procedures that the Company completed to maintain compliance with the rules.

Q. Do you agree with Staff’s allegation that no action was taken on these accounts until after May 20, 2011?

A. No; as mentioned earlier, the Company completed its initial review of the accounts in January 2011. It was only after a meeting with Staff on May 3, 2011 that PSE learned that Staff had expected the Company to do more than investigate the 26 accounts. Initially, PSE understood that it was to investigate a sample of the 26 accounts in question. Therefore, a sample of five accounts was reviewed and the results were discussed in the May 3, 2011 meeting. Upon understanding Staff’s revised expectations, PSE did re-process the changes through its billing system, creating new product assignment numbers and reprocessing all transactions. In order to re-process more than 14 months of history, a number of sequential steps needed to be followed (i.e., any outstanding balance first had to be recalled from collections before the account balances could be reestablished) in order for the accounting trail and account documentation to be followed.

The dates listed after each account in this Complaint[[2]](#footnote-2) are the dates when all of the accounting entries were completed and documented through the billing system. However, PSE had taken action on these accounts prior to the dates listed in the Complaint, and most of the accounts show comments indicating that PSE began reprocessing the accounts prior to June 2011. For example, Staff calls for 12 violations regarding Customer C because, "PSE failed to take action on the account until June 1, 2011, 12 days following the company’s representation that corrections were made on May 20."[[3]](#footnote-3) However, PSE did take action on Customer C's account before May 20, 2011, and certainly before June 1, 2011. Customer C's information is provided as the Second Exhibit to my prefiled initial testimony, Exhibit No. \_\_\_(GA-3C). As you can see on page four of Exhibit No. \_\_\_(GA-3C), prior obligation corrections commenced no later than May 17, 2011.

Q. Do you agree with Staff that the Company was required to complete the investigation within 30 days of Order 01 (by Jan 27, 2011)?

A. No, I do not. Order 01 required PSE to "promptly" complete its investigation,[[4]](#footnote-4) and nowhere in the Order is "promptly" defined as 30 days. Particularly knowing now what Staff's expectations were, I believe it would be unreasonable to expect PSE to investigate and re-process each account within 30 days.

Q. Did the Company intentionally misled Staff that the transactional reprocessing was completed by May 20, 2011, when transactions were continuing to be processed after that date?

A. Absolutely not. By May 18, 2011 the Company had completed its initial investigation into every account and had determined whether or not there was a material impact on the customer’s accounts. PSE believed that it was in compliance with the investigation requirements. It was not until the Company met with Staff in May 2011 that it became clear that Staff expected the Company to reprocess each account. It was then that PSE began taking the steps to reprocess each account. The steps that would be required to reprocess the accounts were laid out in the summary document provided to Staff with the first quarterly report submitted on May 20, 2011. Although the Company realizes it could have labeled the columns differently in the report to clarify exactly what steps had been taken and what steps remained outstanding, PSE maintains that this was a communication error and it was not a violation of Order 01.

Staff has interpreted PSE's obligation "to investigate" to mean that PSE was obligated to reprocess each account through CLX, then after reprocessing was complete, to notify each customer about his or her outstanding prior obligation balance. However, neither of these requirements is explicit in either the Joint Motion or Order 01.

Q. Does this conclude your testimony?

A. Yes, it does.

1. WAC 480-100-113(6) and WAC 480-100-113(10)(b), electric, and WAC 480-90-113(6) and WAC 480-90-113(10)(b), gas. [↑](#footnote-ref-1)
2. For example, paragraph 15 of the Complaint regarding Customer C states that PSE failed to take action on Customer C's account until June 1, 2011, but as indicated by the comments in CLX, PSE investigated the account and began taking corrective action prior to May 20, 2011. [↑](#footnote-ref-2)
3. Complaint, ¶ 15. [↑](#footnote-ref-3)
4. *See* Docket No. U-100182, Order 01 at ¶ 7 (Dec. 28, 2010). [↑](#footnote-ref-4)