

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

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

<p>WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,</p> <p>Complainant,</p> <p>v.</p> <p>PUGET SOUND ENERGY, INC.,</p> <p>Respondent.</p>	<p>Docket No. U-110808</p>
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**PREFILED INITIAL TESTIMONY OF
GILBERT ARCHULETA
ON BEHALF OF PUGET SOUND ENERGY, INC.**

APRIL 3, 2012

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

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

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

20 A. As explained by Mr. Tom DeBoer in his prefiled initial testimony, Exhibit
21 No. ___(TAD-1T), PSE believed that the investigation requirement approved in
22 Order 01 was to review the accounts and determine if there was any material

1 impact to the customer's account had the alleged violation not been committed.
2 PSE did not interpret this commitment as a requirement to re-process all account
3 transactions in PSE's billing system (CLX) dating back to October 2009.
4 Accordingly, PSE reviewed three primary elements to determine how, if at all, a
5 customer would be impacted by a correction to that customer's account. The first
6 element was to determine if the customer was still in the original location where
7 the disconnection for nonpayment occurred and whether or not the customer had
8 an active account at that address. The second element was to determine if the
9 customer had any subsequent disconnections between the time of the original
10 violation and the signing of the Joint Motion. The third element of the
11 investigation was to compare the energy service charges from the time of the
12 original violation through December 2010 to the amounts pledged on the account
13 and compare the amounts to any outstanding balances on the account.

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

15 A. To the extent the customer moved or did not request further service at the address,
16 the Company concluded that a CLX account revision would be unnecessary
17 because the cumulative balance owed to the Company would not change.
18 According to the Commission's rules, any deposits/credits remaining on an
19 account when the account is transferred or closed will be transferred or returned
20 to the customer "less any amounts due the utility".¹ Since PSE would have been
21 able to apply any credits or deposit on the "active" account to any outstanding

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.

1 balances (i.e., prior obligations) at the time of closing, PSE concluded that the
2 adjustments would affect merely PSE's internal accounting entries and would not
3 have any customer impact. Therefore, CLX account adjustments were not
4 necessary.

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

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

19 **Q. Why is this distinction important?**

20 A. Investigating and reviewing accounts is significantly different than trying to
21 recreate 14 months of history for the accounts. There are system limitations when
22 reprocessing accounts for that length of time, and in the majority of instances the

1 system will under-estimate the amounts actually owing the Company. Creating a
2 new CLX product assignment requires all charges to be reversed on the original
3 product assignment (sub-account) and then "rebilled" on the new product
4 assignment. When rebilling on the new product assignment (sub-account), the
5 system cannot recreate the late fees associated with either product assignment
6 because it assumes that all transactions are new. This results in the new account
7 balances being lower than they should be because late charges would be
8 associated with those outstanding balances.

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

20 The Company understood that the purpose of the Joint Motion was to ensure that
21 PSE 1) modified its prior obligation procedures, and 2) added the internal self
22 audit and quality control measures to ensure that the Company was following the

1 prior obligation rules on a going-forward basis. As discussed in the first quarterly
2 report and all subsequent reports, PSE has worked diligently to implement the
3 process changes and the additional checks to ensure compliance with the
4 Commission's prior obligation rules. Staff's allegations in this Complaint do not
5 recognize the substantial changes in procedures that the Company completed to
6 maintain compliance with the rules.

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

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

1 The dates listed after each account in this Complaint² are the dates when all of the
2 accounting entries were completed and documented through the billing system.
3 However, PSE had taken action on these accounts prior to the dates listed in the
4 Complaint, and most of the accounts show comments indicating that PSE began
5 reprocessing the accounts prior to June 2011. For example, Staff calls for 12
6 violations regarding Customer C because, "PSE failed to take action on the
7 account until June 1, 2011, 12 days following the company's representation that
8 corrections were made on May 20."³ However, PSE did take action on Customer
9 C's account before May 20, 2011, and certainly before June 1, 2011. Customer
10 C's information is provided as the Second Exhibit to my prefiled initial testimony,
11 Exhibit No. ___(GA-3C). As you can see on page four of Exhibit No. ___(GA-
12 3C), prior obligation corrections commenced no later than May 17, 2011.

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

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

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.

³ Complaint, ¶ 15.

⁴ See Docket No. U-100182, Order 01 at ¶ 7 (Dec. 28, 2010).

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

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

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

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

22 A. Yes, it does.