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June 15, 2000

Carole J. Washburn  
Secretary  
Washington Utilities and  
Transportation Commission  
P.O. Box 47250  
Olympia, WA 98504-7250

**RE: Dockets UE-990473 and UG-990294  
Response to Staff's Request for Information.**

Dear Ms. Washburn,

This letter is in regard to the Customer Notice Questionnaire dated June 2, 2000, under the above referenced docket. PSE is grateful for the opportunity to continue working with Commission Staff and other parties to improve the current customer notification rules consistent with Executive Order 97-02.

There appears to be some confusion regarding the Commission's present policies for utilities notifying customers of tariff revisions and how utilities comply with those policies. PSE offers the following brief summary and comments of the rules governing customer notification of proposed tariff changes to clarify the Commission's existing customer notification policies. Additionally, please also find responses to the Customer Notification Questionnaire. We hope this discussion will facilitate more productive communication among all parties in the coming weeks so we can work toward creating and implementing more effective customer notification standards such as those proposed in PSE's April 20, 2000, comments.

***Summary of Existing Customer Notification Requirements***

Standard Notification—WAC 480-80-240 (1)

- Method: Post notice at listed business offices.
- Timing: At least 30 days prior to effective date. This is consistent with the statutory 30 day notice requirement utilities must provide the Commission per RCW 80.28.060.

If No Business Office in Territory but Payment Agency-WAC 480-80-240 (2)

- Method: Post same notice as in business office at payment agency.
- Timing: Use same timing—30 days prior to effective date.

**Alternative Notification to Posting at Payment Agencies—WAC 480-80-240 (3)**

- Method: Notice in bill package or direct mail.
- Timing: Earliest practicable date subsequent to filing. According to RCW 80.28.060, the filing date must provide the Commission 30 days notice prior to the proposed effective date.

**Additional Requirements if Alternative (mailing) Method-WAC 480-80-240 (4)**

- Additional Methods: Personal contacts, advertisements, etc., that will reasonably assure notice.
- Timing: On or by the filing date. Again, according to RCW 80.28.060, the filing date must provide the Commission 30 days notice.

***Clarification Regarding Commission's Policy—*****Methods--**

The Commission's notification policy has never been one that requires or even encourages individual notification of each customer regarding a proposed tariff revision. Referring to the summary above, please note the existing standard requirement is for utilities to post notifications at business offices and pay stations where customers may choose to read the notice if they frequent those locations. Therefore, the Commission's policy for at least the past 15 years has been one that requires utilities to make information regarding tariff changes generally available to customers, not providing each individual customer an individual notice. Where customer notification is required, PSE's standard operating practice is to utilize the Commission's standard notification policy.

**Timing--**

The Commission's policy has never been one that requires the last customer to receive 30 days notice prior to the effective date of a tariff revision. The 30-day statutory notice requirement applies to utilities notifying the Commission of its intention to make a tariff revision. This statutory requirement is carried through the existing rule, by requiring customer notification begin coincident with the 30-day Commission notification timeline not before. Therefore, the Commission's policy for at least the last 15 years has not required the last individual customer to receive an individual notice at least 30 days prior to the proposed effective date.

There has been one situation recently where the Commission Staff insisted the Company use a customer notification process that included the last customer receiving an individual 30-day notice prior to the effective date (docket UE-991444) which would have added 60 days to the effectiveness date. Rather than delay the effective date, create stress in our working relationship with Staff, and incur costly legal expenses arguing the issue, PSE chose to revise the filing in a manner that no customer notification would be required. Therefore, PSE has not utilized a customer notification policy where the last customer receives an individual notice 30-days prior to the proposed effective date of a tariff revision, because this has never been the Commission's policy.



***Company's Response to Customer Notification Questionnaire***

1. Please describe how your company currently meets the commission's policy providing customers 30 days prior notice of proposed rate increases?

Please refer to the discussion above that clarifies the Commission's existing policies regarding customer notification methodologies. PSE typically utilizes the Commission's standard customer notification policy of posting the required notice in business offices and payment agencies coincident with submitting the filing to the WUTC. In filings that require customer notification, PSE typically includes a copy of the notice with a statement of what will be done with it either as part of the filing or provides that information to Staff informally.

2. By using this method do all affected customers receive notice 30 days in advance of the effective date?

As discussed in the section above, the Commission's standard notification policy does not require or result in every individual customer receiving an individual 30-day notice nor do the Commission's optional notification policies. Therefore, each individual customer does not receive an individual notice 30 days prior to the effective date of a proposed tariff revision's effective date.

3. On average, how many customers use pay stations to pay bills a month?

PSE typically receives approximately 5% of our annual billings through pay stations.

4. Is your business office open to the general public? Yes. If so, does the business office accept payment from walk-in customers? Yes.
5. How many billing cycles does your company have? 63
6. Please list each billing cycle's start date. Please refer to attached sheet titled "Universal Meter Reading Schedule 1999."

7. How many customers are in the last complete billing cycle?

Monthly: 37,203

Bi-Monthly: 4,135

8. How are your customers billed? Monthly or bi-monthly? PSE has both.

9. What do you estimate the costs to issue the following types of notices?

The cost to disseminate a customer notice vary from situation to situation, based on the type and amount of information that needs to be conveyed, the number of customers to receive notice, the timing required and the complexity of targeting a particular group.

Below are a few examples that represent an estimated range of costs for providing notification to customers using each method.

- A. Direct mail notice: Assumes a 2-color/2-sided self mailer printed on recycled, mail-weight paper stock.
- ~ \$350,000 to reach all PSE customers
  - ~ \$180,000 to reach all PSE gas customers
  - ~ \$280,000 to reach all PSE electric customers
  - ~ \$4,000+ to send a direct mailer to about 1,000 targets of a specific group
- B. Bill Insert: Assumes a 2-color/2-sided insert printed on light weight recycled paper stock. Does not assume any opportunity cost.
- ~ \$22,000 to reach all PSE customers
  - ~ \$15,000 to reach all PSE gas customers
  - ~ \$17,500 to reach all PSE electric customers
  - ~ \$3,500 to \$4,000 to reach a targeted group of about 1,000 customers
- C. Bill message: The costs below assume that a two-line message printed on a bill statement that does not result in the bill requiring an additional page. This method limits the amount of information to be conveyed to just critical "need to know" items or can be used to direct a customer to another location for more detailed information (such as a toll-free number, Web site, insert, or data on the bill itself).

Please note that the cost to set up a printed message on customer bills is currently different for our gas customers than it is for our electric customers. Our ConsumerLinX utility customer information system—now handling transactions involving all electric customers—enables us to set up messages without incurring programmer costs to write code. Therefore, costs outlined here to target our electric customers through our ConsumerLinX system only involve the labor costs for the PSE employee who manages bill messaging.

\$4,784 to target a message to all PSE customers (involves cost to program and set up both systems)

\$4,584 to target a message to all PSE gas customers (involves cost to program and set up the gas mainframe system)

\$200 target a message to all PSE electric customers (requires only set up on ConsumerLinX; no coding involved)

\$4,384 or more to target a message to a subset of PSE's customers (involves cost to program and set up both systems). The more criteria used to target a particular group, the more costly the effort due to additional programming time, additional testing and verification.

## 10. How were these costs derived?

Costs were derived based on the cost elements listed below for each method of customer notice.

Direct mail costs include:

Design (labor, artwork if any, pre-press coordination)

Printing

List preparation (obtaining and cleaning up the data and ensuring compliance with postal codes, etc.)

Lasering/lettershop (printing name, address, etc. or labeling a mailing)

Handling (running the machinery and facilitating getting the materials to the post office)

Postage

Bill insert costs include:

Design (labor, artwork if any, pre-press coordination)

Printing

Programmer labor to set up through our mainframe system and/or labor to set up through our new customer information system

Programmer oversight by PSE corporate communications staff

Insert machine lease/maintenance

Labor to coordinate getting the insert into the machinery (divided into an average cost per item sent)

Software (divided into an average cost per item sent)

Space/utilities to house insert process (divided into an average cost per item sent)

Does not include incremental postage or other potential opportunity costs because at some point inserts will increase postage and only so material can physically fit in the envelope.

Printed message on the bill:

Programmer labor to code a message, test it and verify it on live bills (on our mainframe system)

OR

Labor to set up targeting criteria and enter the message into the ConsumerLinX customer information system

Notes: Messages targeted to a distinct customer group, which require a number of targeting criteria are more expensive than a more broadcast message due to the additional coding and testing required.

These estimates assume that the messages are concise (maximum of two lines of text). Longer messages can result in a bill requiring additional bill stock, which in turn would increase postage costs.



**DRAFT**

11. How many customers does your company currently serve? A current estimate is fine.

	Gas	Electric
Residential	528,347	807,747
<sup>1</sup> Commercial	45,421	99,677
<sup>2</sup> Industrial	3,133	4,162

**Conclusion**

PSE encourages Staff to review the customer notification comments in our April 20, 2000, letter regarding Staff's Second Formal Draft rules for a reasonable way to improve the current requirements. PSE looks forward to continuing to explore ways to improve the current customer notification requirements consistent with Executive Order 97-02. If you have any questions or if we can be of any additional assistance, please contact Phillip Popoff at 425-462-3229.

Sincerely,



Karl R. Karzmar  
Manager, Revenue Requirements

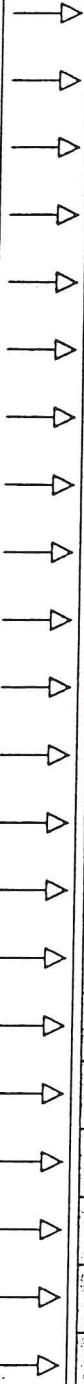
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<sup>1</sup> Commercial electric customers include outdoor lighting customers.

<sup>2</sup> Industrial gas customers include transportation customers.

# UNIVERSAL METER READING SCHEDULE 1999

DATE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	SKIP DATES	
JAN	12/31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30		
FEB	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	03/02	15 - PRESIDENTS DAY	
MAR	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31				
APR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
MAY	04/30	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	06/01	
JUN	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
JUL	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
AUG	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
SEP	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
OCT	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
NOV	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
DEC	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			
JAN	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30			



CYCLE MONTH	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	SKIP DATES
51-71	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
ODD BI-MO. 1-21	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
EVEN BI-MO. 22-42	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	

○ 1-New Year's Day  
 9-Overtime Day  
 18-Martin Luther King Day  
 23-Overtime Day  
 29-Skip Day  
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 28-Skip Day  
 31-Memorial Day  
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 11-Veteran's Day  
 20-Overtime Day  
 25-26 Thanksgiving Day  
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4-Overtime Day  
 24-Christmas (observed)  
 31-New Year's (observed)