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SERVICE DATE

DEC 31 1997

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Proposal by PUGET SOUND POWER & LIGHT COMPANY to Transfer Revenues from PRAM Rates to General Rates	)	DOCKET NO. UE-951270
In the Matter of the Application of PUGET SOUND POWER & LIGHT COMPANY and WASHINGTON NATURAL GAS COMPANY for an Order Authorizing Merger of WASHINGTON ENERGY COMPANY and WASHINGTON NATURAL GAS COMPANY with and into PUGET SOUND POWER & LIGHT COMPANY, and Authorizing the Issuance of Securities, Assumptions of Obligations, Adoption of Tariffs, and Authorizations in Connection Therewith	)	DOCKET NO. UE-960195 ORDER ACCEPTING STIPULATION TO MITIGATE PENALTIES

On October 16, 1997, Puget Sound Energy, Inc. (PSE), filed its 1997 annual report on its compliance with a service quality index (SQI) program accepted by the Commission in the Seventeenth Supplemental Order in this proceeding.[1] The report details PSE's performance in the ten customer service quality indices specified for measurement and evaluation as fully detailed in the Supplemental Stipulation jointly recommended by PSE, Commission Staff, and Public Counsel.

The 1997 annual report indicates that PSE's performance in two indices, Telephone Center--Answering Performance and Telephone Center--Transaction Customer Satisfaction, failed to meet the prescribed benchmarks resulting in $443,973 in potential penalties as calculated under the formula specified in the parties' Supplemental Stipulation. The report also included a Petition for Mitigation requesting the Commission mitigate the entire penalty liability of PSE under the SQI for this reporting period.

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[1] Order Approving Supplemental Stipulation and Approving Tariff Revisions on Less Than Statutory Notice (July 31, 1997).

On December 24,1997, Commission Staff filed a Stipulation to Mitigate Penalties reflecting an agreement between PSE, Commission Staff, and Public Counsel to a reduced penalty level due to the improved performance of PSE in the Telephone Center--Answering Performance index. Based upon substantial improvement in performance during the second half of the reporting period, these parties agree that the total penalties should be reduced to $208,250. The Stipulation provides that the agreed penalty will be allocated to electricity and natural gas customers based upon a formula accepted by the Commission in the Fourteenth Supplemental Order in this proceeding.[2] As a result of that formula, $77,214 is allocated to offset natural gas purchase costs and $131,036 is allocated to offset current electric conservation costs accrued under PSE's Schedule 120.

The Commission has reviewed the Stipulation to Mitigate Penalties. We accept the parties representations that PSE's failure to meet the Telephone Center--Answering Performance benchmark stems from difficulties encountered in the first three months of the 1997 reporting period. The Stipulation to mitigate the level of the penalty accrued by PSE is intended to be a recognition of its "successful efforts to rectify this problem." The Commission finds that mitigation of the actual penalty to be enforced against PSE is appropriate under these circumstances and in the public interest. Therefore, the Commission will accept the Stipulation to Mitigate Penalties and direct that the recommended penalty of $208,250 be applied according to the Commission approved formula as proposed in the Stipulation.

However, the Commission also will adopt PSE's proposal in its Petition for Mitigation with respect to the $253,723 balance of the accrued penalty, and will suspend that amount "on condition that PSE meet the call center performance standards through the next penalty calculation period (i.e., through September 1998)." If PSE continues to meet the benchmarks in the Telephone Center--Answering Performance and Telephone Center--Transaction Customer Satisfaction indices during the 1998 measurement and evaluation period, the accrued penalty balance will be waived permanently. If PSE fails to meet the target benchmarks, "the penalty is reinstated, together with any other applicable penalties."

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[2] Fourteenth Supplemental Order Accepting Stipulation; Approving Merger (February 5, 1997).

ORDER

THE COMMISSION ORDERS:

1. The Stipulation to Mitigate Penalties, executed by Puget Sound Energy, Inc., Commission Staff, and Public Counsel, assessing a penalty of $208,250 is accepted. Of this amount, PSE is to allocate $77,214 to offset natural gas purchase costs and $131,036 to offset current electric conservation costs accrued under Schedule 120.

2. The balance of the accrued penalty, $253,723, is suspended pending PSE compliance with the benchmarks in the Telephone Center--Answering Performance and Telephone Center--Transaction Customer Satisfaction indices during the 1998 measurement and evaluation period. If compliance is achieved, the suspended amount will be waived permanently. If the benchmarks are not met, the suspended amount will be reinstated.

DATED at Olympia, Washington and effective this 31st day of December 1997.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ANNE LEVINSON, Chair

RICHARD HEMSTAD, Commissioner

WILLIAM R. GILLIS, Commissioner