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UTIL. AND TRANSPORTATION
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July 5, 2001

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

Re: Docket No. UE-990473-Comments on Refusal of Service

Dear Ms. Washburn:

Puget Sound Energy, Inc. ("PSE" or "the Company"), is providing these comments regarding the new proposal distributed on June 25, 2001, for the Refusal of Service Rule in the above noted docket. The following discussion highlights PSE's concerns with proposed rule relative to the current rule and attached is a proposal for how the rule could be reworded to better advance the public interest. Aside from those comments, it may be important for the Commission to defer consideration of this rule to allow time for additional discussion with Commission Staff and other interested parties.

Reason for Deferring Consideration

There has been no discussion of some important elements of this rule among interest parties. Refusing service to customers that have not paid their bills (i.e., prior obligation) has been discussed thoroughly throughout the rulemaking process. While these discussions were not easy, Staff should be commended for encouraging the open dialogue. The other significant changes proposed to this rule, however, have not been discussed with interested parties. PSE has little idea why the numerous changes are being proposed to this rule, especially in light of the recent experience with the internet data centers and PSE's Schedule 45. The current process has worked very effectively to protect existing customers while ensuring that a new class of risky customer is able to obtain utility service. While there may be some procedural issues that push for a quick resolution to this issue, PSE believes the importance of an efficient public discussion of proposed changes to this important rule should outweigh such administrative considerations. Therefore, if the Commission is not persuaded to adopt the recommendations below, the Company urges the Commission defer action until there is enough time to have public discussions.

Requirements for Protective Devices—Section (2) (c)

Under the current rule, a utility may require an applicant or customer to install protective equipment whenever necessary to protect the utility or other customers' property. The proposed rule merely requires the applicant or customer to provide the equipment, implying the utility will be responsible for installing the equipment.

Another significant change in the proposed rule is the clarity of the utility's ability to determine if protective devices are needed. The current language provides a much clearer message that the utility is in the best position to determine if protective devices are necessary, whereas the proposed language is much softer. Customers are adequately protected under the current rule; i.e., the Commission could order the utility to provide service if it found the utility's demand for protective equipment was not necessary. A rule that more clearly relies on the utility's judgement as the first screen for providing safe service will likely reduce unnecessary customer complaints to the Commission and therefore be a more efficient rule. PSE proposes the following language which is more consistent with the proposed (2) (b):

- (c) The applicant or customer does not comply with the utility's request to install protective devices, when the utility, in its reasonable judgement, deems such devices are necessary to protect the utility's or other customer's properties from theft or damage.

Acquisition of Rights of Way—Section (2) (d)

Proposed language is a significant departure from the existing rule and would result in a potentially costly change in policy. In numerous situations, applicants requesting service are required to obtain all necessary rights-of-way and operating rights, thereby internalizing such costs to the service applicant. This normal operating practice may be compromised under the proposed rule, resulting in unfair shifting of costs to other customers as well as driving up costs overall. There is no evidence that the existing rule has been deficient. Therefore, PSE proposes language more similar to the existing rule:

- (d) Unless and until the utility can secure all necessary rights-of-way, easements, and permits.

Refusal of Service for Economic Reasons

PSE shares the Commission's interest of protecting existing customers from extending service uneconomically while ensuring the statutory obligation to serve is also observed. The following language strikes a clear and reasonable balance of these two issues using a process that has been in effect for many, and has recently been shown to be effective:

(4) A utility may refuse to provide new or additional service under its existing tariff and service agreement structure, if to do so would be uneconomic.

- (a) The utility and service applicant/customer must negotiate in good faith in an attempt to resolve the uneconomic provision of service within the utility's existing tariff and service agreement structure;
- (b) After engaging in such good faith negotiations, if the parties are not able to resolve the uneconomic provision of service, customer/applicant may file an informal or formal complaint at the Commission under WAC 480-09-150 or 480-09-420, or a formal protest under WAC 480-09-425;
- (c) As a result of investigating such complaint, the Commission may issue an order to the utility to either file such tariff or service agreement revisions, or enter into special contract negotiations with customers in order to resolve the uneconomic extension of service;
- (d) A utility may, on its own motion at any time while negotiating with a customer regarding uneconomic service, make a filing to the Commission to revise its tariff and/or service agreements or file a request for a special contract to resolve uneconomic service conditions.

The advantage of the language outlined above is that it will result in a reduced level of administrative burden on the Commission by specifically detailing a process whereby utilities and customers/applicants must work together under existing tariff structures. This language would reasonably protect new and existing customers without changing regulatory policies or practices by requiring utilities to file waivers.

Prior Obligation

The definition of what amounts should be considered "prior obligation" is overly broad in two respects. First, it pertains to customers receiving service under the winter moratorium that are disconnected but wish to continue with protection under the moratorium provisions. RCW 80.28.010 (5) (d) states "Customers who qualify for payment plans under this section who default on their payment plans and are disconnected can be reconnected and maintain the protections afforded under this chapter by paying reconnection charges, if any, and by paying all amounts that would have been due and owing under the terms of the applicable payment plan, absent default, on the date on which service is reconnected." Thus, prior obligation should not include amounts in this specific situation.

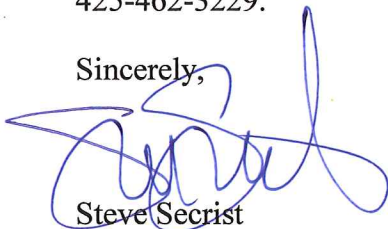
Second, prior obligation should only extend to amounts billed for ongoing utility service. For example, prior obligation should not include deposits or amounts owed for line extensions, to ensure customers to not abuse the policy. PSE recommends the following revisions:

(5) The utility may not refuse service to a residential applicant or residential customer who has three or fewer prior obligations in any one calendar year. A prior obligation is the dollar amount the utility has billed to the customer for ongoing utility service and for which the utility has not received payment at the time the service has been disconnected for nonpayment, except if the customer that was disconnected was receiving protection under the winter moratorium provisions of RCW 80.28.010 and customer intends to continue to seek protection under this statute after reconnection, in which case provisions of RCW 80.28.010 will apply.

Conclusion

PSE is grateful for the opportunity to file these comments. If the Commission is not persuaded to adopt the proposals outlined above, PSE urges the Commission to postpone consideration of this rule until additional discussions with Commission Staff can take place. The Company looks forward to working with Commission Staff and all other interested parties to help ensure changes to the existing rules are consistent with Executive Order 97-02 and are otherwise in the public interest. If you have any questions or if we can be of any assistance, please contact Phillip Popoff at 425-462-3229.

Sincerely,



Steve Secrist

Director, Rates and Regulation