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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

May 5, 1999

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

Re: Docket No. UE-990743 (Review of Chapter 480-100 WAC)

Dear Ms. Washburn:

Thank you for the opportunity to participate in this process to review the gas and electric operational WAC rules. Puget Sound Energy (PSE or the Company) looks forward to working with various interested parties in this process to try and ensure the rules are efficient and meet the needs of both consumers and utilities.

This letter includes PSE's initial comments for both the gas and electric rules noted above. Please note these comments do not include recommendations for Least Cost Planning rules, as those will be addressed by the Company separately. Additionally, please note these are only initial comments—supplemental comments may follow in the next few weeks. PSE presumes there will be opportunities for all parties to revise, expand, or eliminate specific recommendations as the Commission's review process fosters open communication between all interested parties.

Discussion

All of the Company's comments are provided within the context of review criteria ordered by the Governor in Executive Order 97-02. Briefly, those criteria are stated as:

1. Need
2. Effectiveness and Efficiency
3. Clarity
4. Intent and Statutory Authority
5. Coordination
6. Cost
7. Fairness

A review of WAC 480-90 and 480-100 in light of these criteria reveals several revisions are needed, as discussed more fully below.

*Specific Comments***Accounting Related****1. WAC 480-90 and 100-031 Section (4)—Variance From FERC Accounts.**

Situation: There are realistically no situations where accounting information cannot efficiently be assigned to FERC accounts on the gas side and compliance with FERC accounting is required by FERC on the electric side.

Concerns:

- Under Executive Order criterion 5, coordination, this provisions can be dropped as it is not necessary.

Proposed Remedy: Delete 480-90 and 100 -031 (4).

Justification: The provision is not needed.

2. WAC 480-90 and 100-031 Section (5)(f)—Semi-Annual Reports

Situation: The rules require each gas and electric utility to file a semi-annual Commission basis reports. These reports must be provided in addition to annual reports and monthly reports.

Concerns:

- This rule should be considered in light of Executive Order criterion 6 (Cost). Preparing the semi-annual Commission basis report is costly in terms of resources and time. Additionally, detailed review of each energy utility's semi-annual report may be costly for WUTC Staff. Given that annual and monthly reports (which are suggested to be quarterly in the next section) provide copious amounts of information, it is not clear that benefits of this requirement are greater than its costs.
- Coordination with other government jurisdictions may also be a concern under Executive Order criterion 5. The WUTC is the only regulatory body that requires the semi-annual commission basis report, which may be of questionable value. The Company must file an annual commission basis report that corresponds to requirements from FERC and the SEC along with quarterly SEC filings. This is an opportunity to streamline the regulatory process by coordinating with those agencies' filing requirements while still providing efficient regulatory services to consumers.

Proposed Remedy: Eliminate the requirement for filing semi-annual reports, and retain an annual report consistent with each utility's fiscal year for which audited financial statements are prepared.

Justification: Annual commission basis reports together with quarterly (as opposed to monthly) reports will provide consumers with proper regulatory protection while saving expenses for the WUTC and utilities.

3. WAC 480-90 and 100-031 Section (7)—Monthly Reports

Situation: The rule requires monthly reporting of actual Washington results of operations. Utilities routinely file quarterly reports with similar information with the SEC.

Concerns:

- Executive Order criterion 6 may be an issue for this rule. Utilities preparing and filing monthly results of operations and WUTC staff review of those filings consumes resources and time from both parties. Relying on quarterly results of operations may provide the same level of regulatory oversight while reducing expenses for both the WUTC and utilities. Thus, the benefit-cost comparison of quarterly comparisons may show this is a more efficient regulatory process.
- Coordination with other government jurisdictions may also be possible, according to Executive Order criterion 5. First, utilities are required to submit quarterly results of operations to the SEC. This could easily be reported to the WUTC on a Washington only results of operations basis. Second, especially in the electric industry, as wholesale markets become less regulated, there may be competitive concerns with reporting monthly results. SEC disclosure issues may also become a concern.

Proposed Remedy: Modify the requirement for monthly results of operations filings to quarterly results of operations filings consistent with SEC filing timelines.

Justification: Quarterly results of operations, in conjunction with annual commission basis reports, will most likely provide the same degree of regulatory oversight while saving expenses for the WUTC and utilities.

Customer Service Related

1. WAC 480-90 and 100-051 Section (1)(c)—Establishment of Credit

Situation: This section states the following is a demonstration of credit worthiness: Consecutive employment during the entire 12 months next previous to the application for service, with no more than two employers, and the applicant is currently employed or has a stable source of income.

Concerns:

- This rule fails to meet Executive Order criterion 2 (Effectiveness and Efficiency) as the conditions described fall far short of demonstrating credit worthiness.
- Executive Order criterion rule 6 (Cost) is also a concern. Accurately verifying employment can be time consuming, whereas the value it provides in demonstrating credit worthiness is minimal.
- Executive Order criterion 7 (Fairness) is also a consideration. It is not reasonable to require utilities to utilize an inadequate means of demonstrating credit worthiness. Inappropriately extending credit increases the cost of doing business and results in upward pressure on rates, which is not fair to other consumers.

Proposed Remedy: Delete 480-90 and 100 -051 (1) (c).

Justification: The remaining sections of this rule, as further revised below, provide several regulatory alternatives for establishing credit that are effective, fair to utilities and all customers, and efficient.

2. WAC 480-90 and 100-051 Section (1)(f)—Establishment of Credit

Situation: The rule states: “Demonstration that applicant is a satisfactory risk by appropriate means including, but not limited to, the production in person at a listed business office of two major credit cards, or other credit references, which may be quickly and easily checked by the utility.”

Concerns:

- A portion of Executive Order criterion 1 (Need) is relevant. Circumstances have changed that necessitate revision to the rule. Major credit cards no longer have the same value in demonstrating credit worthiness as in the past. Many financial institutions offer major credit cards to high-risk consumers at maximum allowable interest rates and/or require security deposits to cover the higher risk. Thus, the risk profile of some financial institutions that provide major credit cards may have changed to accept higher risk than in the past, and higher risk than a utility should bear.
- Following from the discussion above, Executive Order criterion 2 (Effectiveness and Efficiency) is an issue, since major credit cards do not necessarily provide an effective means of establishing credit worthiness with risk levels commensurate with utility services.
- Executive Order criterion 7 (Fairness) is also a consideration. It is not reasonable to tie the financial credit risk of a utility with that of a financial institution that is being compensated for that risk through higher fees. Using an inadequate method of establishing credit increases the cost of doing business and results in upward pressure on rates, which is not fair to other consumers.

Proposed Remedy: Revise this section to omit references to major credit cards and replace it with a satisfactory credit history from a credit reporting agency, the fees for which will be paid by the customer applying for service.

Justification: These revisions will be more effective and efficient because they specifically address the issue: credit. Using credit card possession as a proxy for a credit report is inferior protection for utilities and credit worthy customers that share in the risk burden, relative to targeting the question of credit worthiness directly.

3. WAC 480-90 and 100-051 Section (4)—Amount of Deposit

Situation: PSE experiences uncollectable amounts even after applying deposits to final bills. This indicates that in some situations where deposits are required, the deposit is insufficient.

Concerns:

- This rule fails to meet Executive Order criterion 2 (Effectiveness and Efficiency) as the purpose for collecting a deposit is to avoid uncollectables.
- Executive Order criterion 7 (Fairness) is also an issue. It may not be fair to require utilities to charge insufficient deposits. This practice increases the cost of doing business and results in upward pressure on rates, which is not fair to other consumers.

Proposed Remedy: Increase the amount of deposit required by one twelfth of estimated annual billing. For monthly billing, the deposit would be three twelfths of the annual bill and for bi-monthly billing the deposit would be four twelfths.

Justification: These revisions will be more effective in avoiding uncollectables after applying deposits to final bills. This would be more fair to utilities and those customers who do not create uncollectable expenses.

4. Form of Bills—WAC 480-90-106 and 480-100-101

Situation: The current rule states “bills for utility service shall be issued at intervals not to exceed 2 months....” This can create quality control concerns for billing systems, especially with regard to bimonthly bills. PSE’s billing system is designed to automatically divert bills that fall outside various parameters for manual review, to ensure a quality billing process. On those occasions when investigation is warranted, it is not possible to investigate a bimonthly bill and still issue it within the two months required.

Concerns:

- Clarity (Executive Order criterion 3) may be a problem in this rule. The word “issue” is not clear. We strive for high quality in our billing service function, which requires manual review of bills in some situations. Certainly, the intent of this rule is not to require low quality billing services for customers.
- If one believed the utility should be required to have a perfect meter reading and billing processes without needing to manually review any bills, Executive Order criterion 6—Cost—would be an issue. Perfection in an automated process of this magnitude is not technically feasible. Even if it were technically feasible, the cost of such a system would far exceed the cost of occasionally researching customer bills.
- Fairness under Executive Order criterion 7 would also be a concern. Encouraging the use of bimonthly billing while not permitting utilities any margin for quality control does not seem fair or reasonable. It must be noted that utilities have no economic incentive to avoid issuing bills—the time value of money is lost. Additionally, if such standards were imposed on utilities, it would not be fair to customers as the inefficiently high billing costs would be reflected in rates.

Proposed Remedy: The rule should be revised to state the normal billing process will result in billing periods that are no longer than 2 months.

Justification: This revision would ensure customers' bills do not exceed bimonthly billing but allow a margin for quality control in the billing process.

5. WAC 480-90-106 and 480-100-101 Form Of Bills - Content

Situation: This section seems to state that bills must include factors related to the bill except for the tariff itself. Recent interpretations, however, indicate that all factors contained in the tariff, or in the case of a rate change, both tariffs must be included on the bill.

Concerns:

- This rule fails to meet Executive Order criterion 1 (Need) as the requirement to include all factors contained in the tariff is duplicative of other rules requiring information to be provided to customers.
- Executive Order criterion 6 (Cost) is also a concern. Providing all tariff provisions on each bill, especially over a rate change period, will cause the customer to receive an additional page of billing information which will cause a cost that must be recovered in rates. In addition it could add to mailing costs.
- Executive Order criterion 7 (Fairness) is also an issue. It is not reasonable to require regulated utilities to provide additional duplicative information on their bills, as it may unnecessarily increase costs, which may not be fair to our customers.

Proposed Remedy: Revise WAC 480-90-106 and 480-100-101 to clearly eliminate any requirement to print the tariff on each bill.

Justification: WAC 480-90 and 100-041 along with WAC 480-80-080, 090,110 and 120 all require a company to provide or make available its tariff to customers. Printing it on each bill is needlessly duplicative and expensive.

6. WAC 480-100-076 Service Responsibilities - Interruptions of Service

Situation: This rule provides that each utility "...shall endeavor to avoid interruptions of service..." While we do not disagree with this requirement on its face, there are some situations where the cost of avoiding interruptions of service could be significantly greater than the benefits customers may derive.

Concerns:

- A portion of Executive Order criterion 2 (Effectiveness and Efficiency) is relevant. WAC 480-100-056, Refusal of Service, allows companies to refuse to provide electrical service if it is not economically feasible. It would seem to follow, therefore, that when the cost of providing a certain level of reliability is not economically feasible it also should be refused.
- Executive Order criterion 3 (Clarity) is an issue. The general objective of this rule seems laudable, but increases in reliability at any cost are surely not the intent of this rule.
- Executive Order criterion 6 [Cost] is the main focus of our comments on this rule. Reliability at any cost violates this principle.
- Executive Order criterion 7 (Fairness) is also an issue. It is not reasonable to force utilities to bear the cost of reliability improvements that are not cost effective, as it drives up costs and rates for our customers.

Proposed Remedy: Revise this section to incorporate provisions that require increases in reliability to be cost effective.

Justification: Making changes that are not economically feasible are not in the best interest of customers or the company.

7. Refusal of Service—WAC 480-90-056 and 480-100-056 Prior Obligation

Situation: Over-due or unpaid bills are justification to disconnect service, but not to refuse service. This means customers who move from one location in the utility's service area where they were disconnected for non-payment must be served even though they may owe substantial sums from several previous disconnects.

Concerns:

- Fairness under Executive Order criterion 7 is an issue. Extending service to customers with outstanding balances, especially when the customer has been disconnected for non-payment, is not fair to utilities to which the money is owed. Furthermore, under existing interpretations of the rules, customers can request a disconnection of service, refuse to pay the last bill, then request to have service re-established having only to pay an insufficient customer deposit. Such practices drive up costs for the utility and therefore drive up costs for those customers who pay their bills.
- Effectiveness and efficiency under Executive Order criterion 3, is also a concern in this situation. There are rules that address an extensive process for utilities to follow before service can be disconnected for non-payment under WAC 480-90-71 and 480-100-71. The purpose of the disconnect WACs are circumvented without some means of requiring customers to pay outstanding balances.

Remedy: Include prior obligation rules such as those in Oregon that hold customers accountable for unpaid balances before restoring service.

Conclusion

Once again, PSE would like to thank the Commission for the opportunity to file these initial comments. We look forward to working with all interested parties and are confident that this process of open discussion will provide ample opportunities to improve the operations rules under WAC 480-90 and 480-100. If we can be of any additional assistance, please contact Phillip Popoff at 462-3229.

Sincerely,



Christy A. Omohundro
Director, Rates and Regulatory Policy